ANNUAL REPORT 2015

INSIGHT • INNOVATE • INSPIRE

AFRASIA
bank different

GML

Think Green

As part of its ongoing programme to help protect the environment and within the context of the GML "Think Green" initiative, GML companies have chosen to use Lenza Green paper for their Annual Reports.

Lenza Green paper is made from 100% recycled pulp, certified FSC (Forest Stewardship Council).

FSC is an international, non-governmental, non-profit making organisation created in 1993.

It encourages socially, ecologically and economically responsible forestry management initiatives.

Detailed Environmental Profile

Fibre source:	40 / 40
Fossil CO_2 emissions from manufacturing:	18 / 20
Waste to landfill:	10 / 10
Water pollution from bleaching:	10 / 10
Organic water pollution:	9 / 10
Environmental management systems:	10 / 10

AfrAsia Bank Limited
Member of GML.

GML is a major regional business group, heading the list of the Top 100 Mauritian Companies and the third largest company in the Indian Ocean region.


AFRASIA BANK
MAURITIUS OPEN
AT HERITAGE RESORTS

Making golf history in Mauritius and the World

Reckoned as a hallmark sporting event, the first edition of AfrAsia Bank Mauritius Open held on 7-10 May 2015 at Heritage Resorts was the only tri-sanctioned golf tournament in the world endorsed by the European, Sunshine and Asian Tours. Reaching 409 million households globally from 79 different broadcasters and attracting more than 3500 spectators on site, the event showcased Mauritius as a vibrant lifestyle and financial hub while also taking the AfrAsia brand internationally. The Bank's commitment to golf remains strong, a sport reflecting its values and a passion shared with all stakeholders. AfrAsia Bank Limited is incredibly honoured to be once again the title sponsor of this unique tournament in May 2016 at Four Seasons Golf Club Mauritius at Anahita.

www.afrasiabankmauritiusopen.com

Credit: Heritage Golf Club


INSIGHT

The Bank continues to gain experience and insight in its core markets which have contributed to increased revenue as well as prompted timely bold decisions:

- The unique business model and significant business growth have attracted international shareholder NBC (National Bank of Canada), now the second largest shareholder
- Our African specialists continue to explore opportunities in the 'Hopeful Continent', connecting people, places, products and possibilities
- Following macro-economic constraints in Zimbabwe, the Bank ceased its operations in the country in February 2015 from which time it had been working diligently to shore up liquidity and capital to provide tangible and sustainable solutions

INNOVATE

The Bank has continued to build upon its 'disruptive innovation' philosophy to achieve several milestones in this financial year:

- AfrAsia Bank Mauritius Open, first worldwide tri-sanctioned tournament between the European, Sunshine & Asian Tours
- Deep-diving into the digital era at the Ebène branch (Mauritius)
- Launching the VISA prepaid card in Mauritius, a first in Central and Eastern Europe, Middle East and Africa (CEMEA)

INSPIRE

The Bank continues to tell a successful brand story, resulting in customer storytelling, loyalty and strategic alliances:

- First to implement initiatives that mattered to our stakeholders, creating a unique experience in the market, generating meaningful differentiation from our competitors
- Inspiring employees to become brand advocates and increasing the reach of our brand's messages

CONTENTS

GET THE MOST FROM OUR REPORT

CROSS REFERENCING TOOLS

VISIT WEBSITE
Indicates that additional information is available from the website

PAGE REFERENCING
Refers readers to information elsewhere in this report

FINANCIAL INFORMATION
Further information about the Bank's financial performance is available on investor-relations.afrasiabank.com

FINANCIAL HIGHLIGHTS

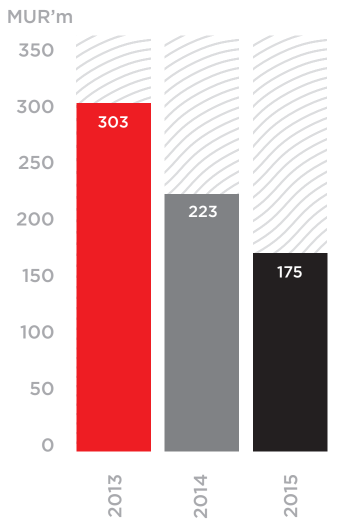
AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

	Year Ended	Year Ended	Year Ended
	30 June 2015	30 June 2014	30 June 2013
STATEMENT OF COMPREHENSIVE INCOME (MUR'000)			
Net Interest Income	847,086	661,169	366,249
Non Interest Income	543,260	563,930	360,555
Total Operating Income	1,390,346	1,225,099	726,804
Operating Expenses	781,955	611,958	326,043
(Loss)/Profit after tax	(176,068)	324,524	203,035
STATEMENT OF FINANCIAL POSITION (MUR'000)			
Total Assets	74,856,933	48,990,198	31,564,157
Total Loans	21,772,735	17,227,455	14,007,752
Total Deposits	66,437,716	40,413,544	27,224,340
Shareholder's Funds	4,285,645	3,450,381	2,197,394
PERFORMANCE RATIO (%)			
Loan to Deposit Ratio	32.8	42.6	51.5
Operating Expenses to Total Operating Income	56.2	50.0	44.9
CAPITAL ADEQUACY RATIO (%)			
Basel II	-	13.3	12.8
Basel III	12.2	-	-

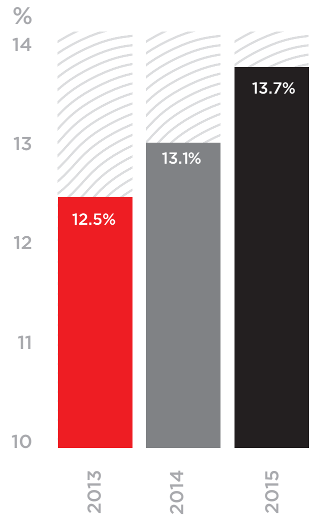
THE BANK

The Bank expanded its customer base through quality customer service with a can-do attitude allowing growth in loans by 25% as compared to June 2014 and reaching MUR 21,7bn. Customer deposits increased by 63% over the year and stood at MUR 66,9bn. The Bank's loans to deposit ratio was at a conservative rate of 32%.

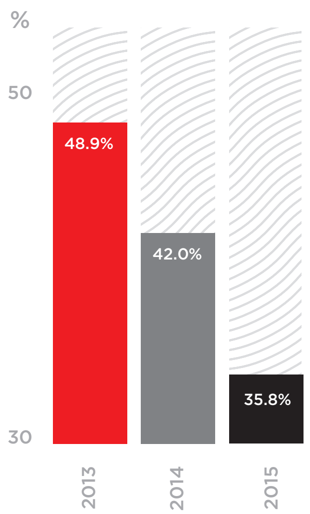
PROFIT AFTER TAX (BANK)



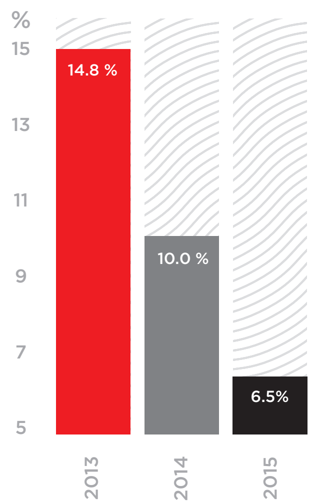
CAPITAL ADEQUACY RATIO (BANK)



OPERATING EXPENSES TO TOTAL OPERATING INCOME (BANK)



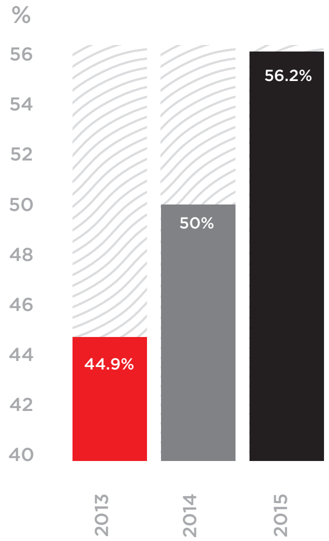
RETURN ON AVERAGE EQUITY (BANK)



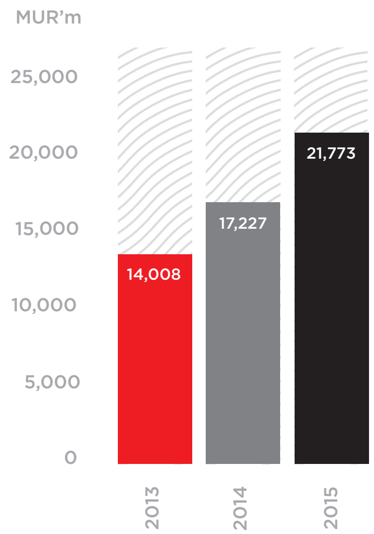
FINANCIAL HIGHLIGHTS (CONTINUED)

THE GROUP

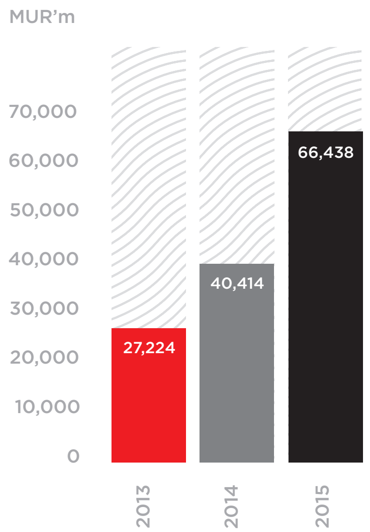
OPERATING EXPENSE TO TOTAL OPERATING INCOME (GROUP)



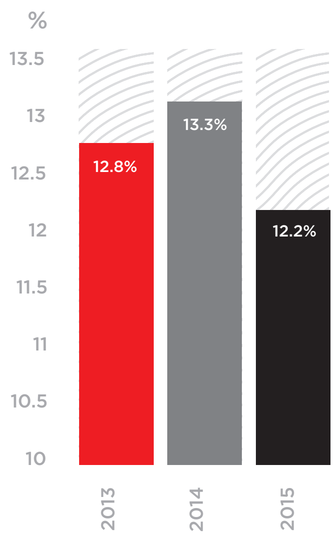
TOTAL LOANS (GROUP)



TOTAL DEPOSITS (GROUP)



CAPITAL ADEQUACY RATIO (GROUP)



KEY PERFORMANCE HIGHLIGHTS

EMPLOYEES

234
employees

GENDER

52% female **48%** male

TRAINING

MUR 2.8m

CUSTOMERS

27,286
customers

WHERE WE HAVE CLIENTS

121
countries

LOANS & ADVANCES (BANK)

+25%

SHAREHOLDERS

Acquisition of
17.5%
in shareholding of AfrAsia Bank Limited by the National Bank of Canada

ORDINARY DIVIDENDS PER SHARE (BANK)

MUR 1.65

DEPOSITS (BANK)

+63%

COMMUNITIES

1,600
hours dedicated to social and environmental programmes

600+
children supported in Mauritius through our CSR programmes

Adhering to sustainability reporting policy, UN Global Compact

PASSION

We understand that customers are unique and so is their lifestyle. Our dedicated team has a passion to exceed clients' expectations while building privileged relationships based on trust and creating lifetime experiences.

CORPORATE PROFILE AND STRATEGY

CORPORATE PROFILE AND STRATEGY

AFRASIA BANK LIMITED – BUILDING BRIDGES BETWEEN AFRICA AND THE WORLD

Headquartered in the Mauritius International Financial Centre with Representative Offices in South Africa and the United Kingdom, 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:

- Private Banking and Wealth Management
- Corporate and Investment Banking
- Global Business
- Treasury

AfrAsia Bank Limited's core banking and transactional capabilities are also complemented by its asset management arm, AfrAsia Capital Management Limited and its corporate and structured finance arm, AfrAsia Corporate Finance (Pty) 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.

Port Louis Office

Ebène Office

CORPORATE PHILOSOPHY

To be the reference point for Corporate and Investment Banking, Private Banking and Global Business Solutions linking Mauritius and the Africa-Asia trade corridor... and beyond.

BRAND PROMISE

'Bank Different' are not just different words, they are the important difference that the right bank can make.

CORPORATE PROFILE AND STRATEGY (CONTINUED)

THE PHILOSOPHY OF 'BANK DIFFERENT'

INVESTORS/ SHAREHOLDERS

- AfrAsia Bank Limited aims at upholding its position as a first-mover in the industry with its philosophy of being an entrepreneurial bank with a 'Bank Different' approach.
- AfrAsia Bank Limited makes strategic decisions with a view to achieving a sustainable rate of return on equity above the Bank's cost of equity capital.
- In line with creating value, the Bank develops a strategy which builds on its sustainable competitive advantage while recognising and managing the risk inherent in the strategy and identifying future engines of growth, including trends in the markets it serves.

CUSTOMERS

- AfrAsia Bank Limited has revolutionised the local and regional banking industry as a first-mover to provide tailor-made banking products and services to all its clients.
- The Bank's extensive expertise enables it to span through its core markets of Africa, Asia and Europe, providing clients best-of-breed banking solutions and expert advice.
- Our customer-centric approach allows the Bank to listen to its clients whilst building privileged relationships.
- Through its flexibility and disruptive innovation philosophy, the Bank adapts to its clients' activities and their culture to help them achieve their financial aspirations.

EMPLOYEES

- AfrAsia Bank Limited fosters an entrepreneurial spirit, whereby employees are encouraged to share ideas, take ownership of their actions and look for new responsibilities.
- The Bank believes in diversity, the notion whereby an employee can contribute to something bigger, allowing them to be part of something really meaningful. Diversity remains critical to innovation.
- Our employees optimise every opportunity; they are known as problem solvers ready for new challenges.

STRATEGIC SHAREHOLDERS

AfrAsia Bank Limited has strong strategic Mauritian and international shareholders to pursue its growth regionally and exceed clients' expectations.

GML

The Bank's anchor shareholder is GML, the largest conglomerate in Mauritius. GML exists since 1939 and is today a well-diversified Group with strategic stakes in companies operating in the main pillars of the Mauritian economy: sugar, commerce and industry, financial services, talent sourcing, offshore, insurance, hospitality, real estate and biotechnology, communication and innovation. The Group employs over 13,000 persons with a turnover of approximately MUR 31bn and asset size at MUR 49.9bn in 2014. GML is ranked first in the Top 100 companies in Mauritius for the last four years and third in the Indian Ocean.

www.gmltogether.com

NATIONAL BANK OF CANADA

Founded in 1859, National Bank of Canada, the sixth largest bank in Canada, is an integrated provider of financial services to retail, commercial, corporate and institutional clients. Its head office is located in Montreal and its securities are listed on the Toronto Stock Exchange (TSX: NA). It has some 20,000 employees and 2.4m clients and offers a complete range of services, including banking and investment solutions, securities brokerage, insurance and wealth management. Clients in the United States, Europe and other parts of the world are served through a network of representative offices, subsidiaries and partnerships.

www.nbc.ca

INTRASIA CAPITAL

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

www.intrasiacapital.com

PROPARCO

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. 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 four continents, from major emerging economies to the poorest countries, from politically stable environments to fragile States. They cover the financial sector, infrastructure, mining, agriculture, manufacturing, services and microfinance. PROPARCO strives to uphold responsible financing principles in all projects. Managing environmental and social risks is a key feature of its work.

www.proparco.fr

CORPORATE PROFILE AND STRATEGY (CONTINUED)

LICENCES

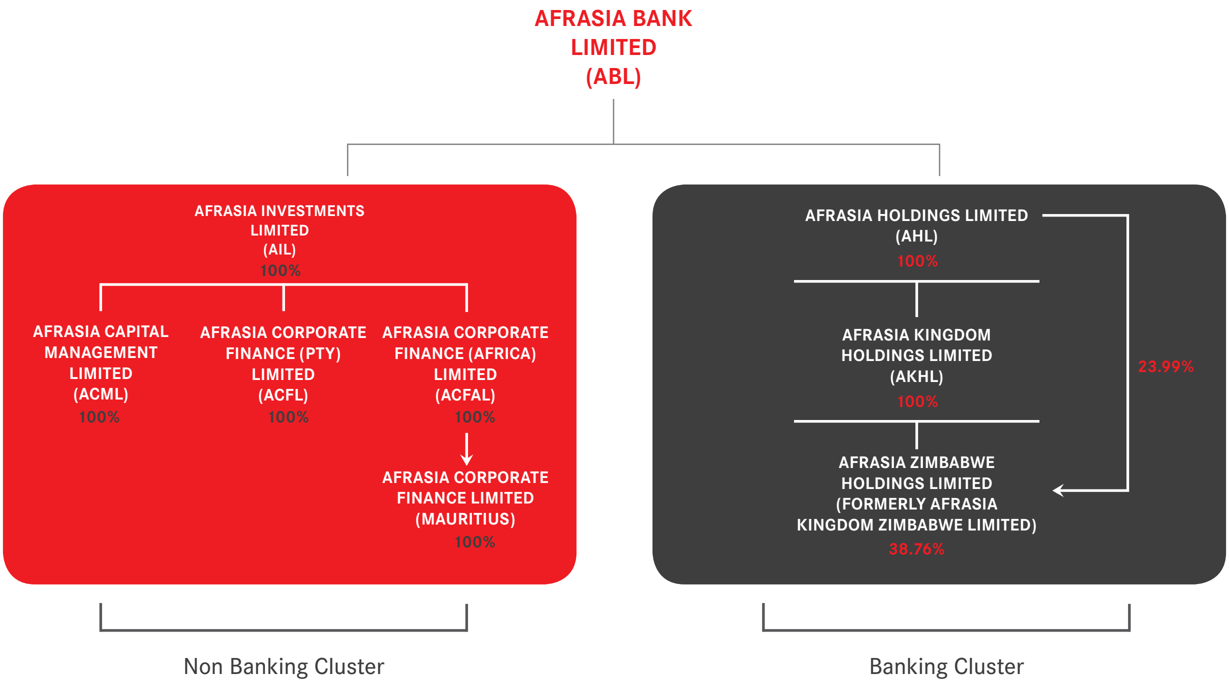
AfrAsia Bank Limited holds a Banking Licence to conduct banking business in Mauritius issued by the Bank of Mauritius under Section 7 of the Banking Act 2004 since 29 August 2007. The Bank and its Group Entities have also been granted the following licences:

LEGAL ENTITY	DOMICILED	REGULATORY OVERSIGHT
AfrAsia Bank Limited	Mauritius (Domestic)	Bank of Mauritius, Financial Services Commission South African Reserve Bank
AfrAsia Holdings Limited	Mauritius (GBL1)	Bank of Mauritius, Financial Services Commission
AfrAsia Corporate Finance (Pty) Limited	South Africa	South African Reserve Bank, Financial Services Board (FSB-South Africa)
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

HOLDING COMPANY	
AfrAsia Bank Limited	
Subsidiaries / Associates	
AfrAsia Investments Limited	100%
AfrAsia Holdings Limited	100%
AfrAsia Kingdom Holdings Limited	100% Effective as from 18 February 2015
AfrAsia Corporate Finance (Pty) Limited	100% Effective as from 1 October 2013
AfrAsia Corporate Finance (Africa) Limited	100% Effective as from 1 October 2013
AfrAsia Capital Management Limited	100% Effective as from 3 October 2013
AfrAsia Kingdom Zimbabwe Limited (Formerly Kingdom Financial Holdings Limited)	62.75% Effective as from 18 February 2015



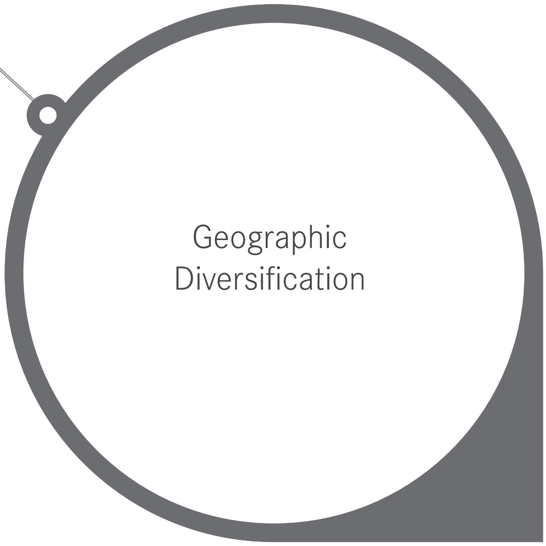
CORPORATE PROFILE AND STRATEGY (CONTINUED)

THE BANK'S BUSINESS MODEL

Geographic Diversification

Diversification across Africa, Asia and the World

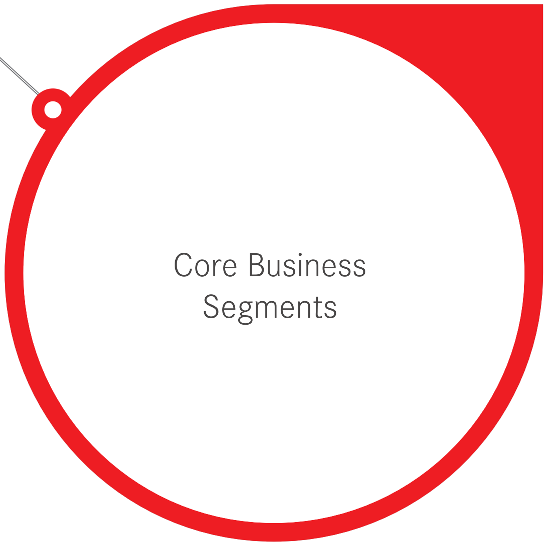
The Bank continues to build on its relevance locally, regionally and internationally through its offices in Mauritius (Port Louis and Ebène), South Africa & the United Kingdom. The Bank keeps on exploring opportunities in core African markets, expanding its presence in the SADC and COMESA regions, across Asia and Europe as well as emerging markets while developing its tailored banking services to a wider market.



Core Business Segments

Corporate & Investment Banking, Private Banking & Wealth Management, International Banking and Treasury

AfrAsia Bank Limited continues to meet clients' evolving needs to differentiate itself in its target market through its value proposition and remains a strong competitor in its core business segments.



Investing in our People

Investing in our People

Building a Culture of Excellence

The Bank's unique culture is fundamental to who we are as an organisation and a key aspect of its brand promise, 'Bank Different'. With a passionate team serving clients in more than 121 countries, the Bank continues to build a talent pipeline to ensure that its workforce is representative of its niche markets and clients' aspirations.

'Bank Different' as Commercial Focus

'Bank Different' as Commercial Focus

Taking the AfrAsia brand internationally

From enhancing customer experience to launching innovative banking solutions, AfrAsia Bank Limited has always been recognised for revolutionising the financial sector, thus creating value for its customers while responding to their specific needs and financial aspirations. The Bank aims at continuously shaping its commercial tactics to improve operational processes, putting a greater focus on its core business segments and integrating multi-channel strategies to create lasting relationships and reinforce customer loyalty while simultaneously consolidating the Bank's positioning locally, regionally and internationally.

CORPORATE PROFILE AND STRATEGY (CONTINUED)

STRATEGIC GOALS

Our client-centric approach, diversified business model and commitment to our long-term strategic priorities have been fundamental to our growth and will allow us to continue to create value for all stakeholders.

- To achieve a sustainable rate of return on equity above the Bank's cost of equity capital
- To be the best private and corporate bank in Mauritius
- To be a leading provider of innovative banking solutions in our core business segments, serving the Africa-Asia trade corridor and beyond
- To create a homogenous brand experience and consolidate the Bank's local, regional and international position
- To identify and develop talent to guarantee success while fostering pride in belonging to the Bank
- To penetrate new markets and fully realise opportunities to drive investment, trade and wealth creation

ACCOLADES

Our values deserve an award, come to think of it, more than one. Clients have always been a touchstone for AfrAsia Bank Limited. A strong commitment to client satisfaction is what drives the Bank. Its hard work, conviction, trust, enthusiasm and devotion together with the most loyal clientele, have built a rock-solid foundation for award-winning service and performance.

EUROMONEY

Euromoney (2015)

Best Private Bank in Mauritius
Best Private Bank for High Net Worth Clients
Best Private Bank for Super Affluent Clients
Best Private Bank for Asset Management in Mauritius
Best Private Bank for Investment Banking Capabilities in Mauritius
Best Private Bank for Research and Asset Allocation Advice in Mauritius
Best Private Bank for Succession Planning Advice and Trusts in Mauritius

EMEA FINANCE

EMEA Finance (2014)

'Best Transport Infrastructure Deal in EMEA' for supporting the Ethiopian Railways Corporation's rail infrastructure upgrade

WORLD FINANCE

World Finance (2014)

Best Wealth Management Provider in Mauritius 2014

CORPORATE PROFILE AND STRATEGY (CONTINUED)

STRATEGIC INTENT - THE BANK'S CORE BUSINESS SEGMENTS

GLOBAL BUSINESS

STRATEGY

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

OPPORTUNITIES

- With Mauritius being the preferred jurisdiction for cross-border investments, AfrAsia Bank Limited will capture more of such flows by working closely with Private Equity advisors, lawyers, trade financiers, banks and others

ACHIEVEMENTS

- Geographic client diversification in more than 121 countries
- Presence at conferences and roadshows to promote Mauritius and AfrAsia Bank
- Working with 164 intermediaries in Mauritius and 134 based outside Mauritius

RISKS

- Mauritius being 'blacklisted' by the OECD/FATF/G20 countries
- Existing Double Taxation Agreement (DTA) renegotiation and amendments
- Other IFCs extending their treaty network with African countries
- Changes in the legal and compliance framework
- Country, Currency and Credit Risks

PRIVATE BANKING & WEALTH MANAGEMENT

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

OPPORTUNITIES

- There is a growing number of HNWIs in the region, including Africa
- Tapping emerging middle-class in Africa
- The risk aversion of foreign banks in the African market creates prospects for Private Banks highly regulated industry
- Digitisation and mobile platform

ACHIEVEMENTS

- The number of clients increased by 30% and deposits rose by 33% for this Financial Year
- The Bank was awarded 'Best Wealth Management Provider in Mauritius 2014' and 'Best Private Bank in Mauritius 2015' by World Finance and Euromoney respectively

RISKS

- Economic uncertainty prevailing
- Political risks
- Rapid technological advances resulting into new competition
- New products
- Service levels

CORPORATE AND INVESTMENT BANKING

STRATEGY

- To consolidate our position on financing of conglomerates and increase our share of business on the overall corporate market, 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

ACHIEVEMENTS

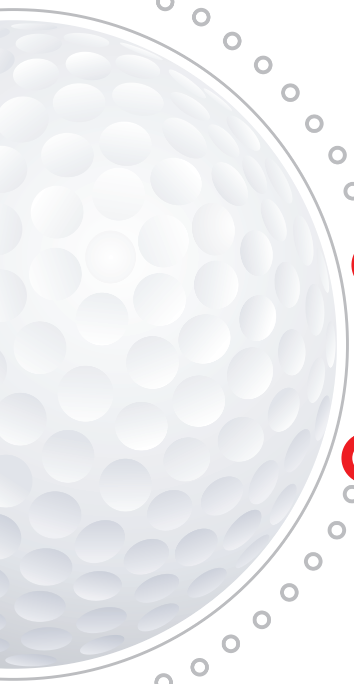
- Relationships with more than 85% of the Top 100 bankable companies in Mauritius
- Significant growth of 26% in Corporate assets
- Breakthrough with large corporate customers in relation to FX (+11%) and trade finance business with significant contribution to Net Interest Income

OPPORTUNITIES

- To grow the international Corporate and Investment banking through organic client acquisition where significant cross sell opportunities exist and to consolidate the Bank's extensive FI network
- Expanding corporate customer base to include the 300 top corporates as well as selective businesses in Madagascar and the region
- Tailor made financing for real estate projects to cater for promoters & end-buyers

RISKS

- An increasing level of competition in the banking sector
- General political and economic risks which currently face emerging markets



TREASURY

STRATEGY

- To be the preferred provider of FX and Interest Rate instruments as well as structured solutions to our clients in Mauritius and the region

ACHIEVEMENTS

- Among the top three banks in terms of market share in the domestic FX Turnover as well as Treasury trading income

OPPORTUNITIES

- As customers grow more savvy and have more appetite for innovative products with yield enhancement ideas in the current low interest rate environment, AfrAsia Bank Limited is poised to provide different types of investment products to cater for the sophisticated investor community

RISKS

- The constant excess in MUR liquidity coupled with the fall in interest rates continue to put pressure on our balance sheet management during the year
- The Bank continues to manage those risks by the deployment of the excess liquidity in Government papers and FX swaps
- Competition among Banks

CORPORATE PROFILE AND STRATEGY (CONTINUED)

STRATEGIC INTENT - OUR PEOPLE AND THE AFRASIA BRAND

'BANK DIFFERENT' AS COMMERCIAL FOCUS

STRATEGY

- To uphold the 'Bank Different' approach while continuing to innovate and develop new banking solutions that create value for customers
- To reinforce the Bank's communication approach with further specialised attention, streamlined processes and integrated channels with customers

ACHIEVEMENTS

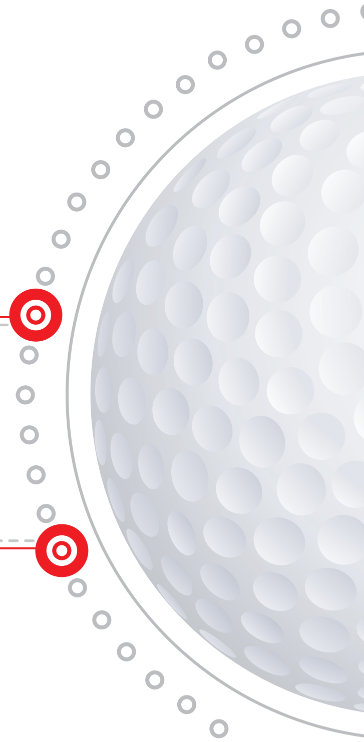
- Opening of flagship branch in Ebene
- Launch of the first VISA Platinum Prepaid card
- Title sponsor of first worldwide tri-sanctioned tournament, AfrAsia Bank Mauritius Open
- Participation in roadshows, conferences, panel discussions to take the brand internationally
- Introduction of foQus, a quality excellence project, aimed at enhancing customer experience

OPPORTUNITIES

- Using technology and new trends to improve the customer experience journey
- Ensuring the Bank's major events such as AfrAsia Bank Mauritius Open & AfrAsia Bank Cape Wine Auction remain valuable sponsorship assets to promote the brand internationally while reaching potential customers

RISKS

- Reputational risk
- Product risk



INVESTING IN OUR PEOPLE

STRATEGY

- To recruit and develop employees to achieve individual goals that align to our corporate objectives

ACHIEVEMENTS

- Recruited 39 full-time employees during this year
- Approximately MUR 3m invested in Learning and Growth
- Continue to provide job opportunities via the Youth Empowerment Programme scheme; providing real work experience and training

OPPORTUNITIES

- Career paths and succession planning
- Improve our induction programme
- Grow more in-house talent
- Build upon the foQus programme to reinforce organisational culture and values

RISKS

- Due to new banks on the market, there is an increasing risk of attrition
- Skills gaps continue to be a challenge in Mauritius
- High compensation packages are needed to attract unique skills and talented employees

AFRASIA BANK MAURITIUS OPEN AT HERITAGE RESORTS

49 BROADCASTERS

1,409 NUMBER OF BROADCASTS

AND

2,479 BROADCAST HOURS

Credit: Heritage Golf Club

CORPORATE PROFILE AND STRATEGY (CONTINUED)

HOW WE CREATE SUSTAINABLE VALUE

OUR RESOURCES

INTEGRATED CHANNELS
Our various channels used support our operations and adapt to our stakeholders' evolving needs.

EXPERTISE
The skills, know-how and expertise of our employees.

BRAND EQUITY
Our brand is an important intangible asset, differentiating the AfrAsia Group in the market.

FINANCIAL STRENGTH
Funds available to the Group obtained from diverse sources.

BANKING NETWORK
The licences and strategic partnerships allow us to build a strong banking platform.

HOW WE USE OUR RESOURCES

We adapt ourselves to our clients' activities, origins of their assets, culture and hopes to offer a flexible and personalised approach tailored to their aspirations.

The Bank's main areas of expertise are:

Private Banking & Wealth Management

- We serve high net worth individuals and our holistic approach consists of a global offering that includes banking and wealth management services, investment solutions through our asset management arm, AfrAsia Capital Management.

Corporate & Investment Banking

- We provide innovative, flexible and attractive facilities to finance customers' working capital and trade finance requirements.

International Banking

- We source remarkable investment and trading opportunities from around the world, including transactional banking, financing with competitive rates and charges.

Treasury

- We provide sophisticated Forex and Money Market products, customised and structured solutions, in order to meet clients' specific hedging and investment requirements.

HOW WE DIFFERENTIATE OURSELVES

We continue to think outside the box by upholding our 'Bank Different' approach to innovatively connect with our clients both locally and internationally.

The art of building relationships

- We pursue a customer-centric approach built on long-term privileged relationships, attentiveness and transparency. We aim at creating a partnership that goes beyond the purely financial while seeking to build a relationship that lasts for generations. More than just bankers, we are partners.

Upholding our disruptive innovation philosophy

- We combine our deep market knowledge to drive innovation for improved products and services to help clients achieve their financial aspirations. Our investment products generate the highest yielding returns while our pioneering Rewards Programme XtraMiles continues to offer our card holders exclusive privileges.

Enhancing customer experience

- We continue to leverage technologies, deliver multi-channel, consistent experiences across all touchpoints. Our foQus (Focus on Quality & Unparalleled Service) programme aims at delivering an optimised experience through websites, social media and telephone as well as through our digital Ebène and Port Louis branches and Representative Offices.

HOW WE MANAGE OURSELVES

Corporate Governance

- We are committed to high standards of integrity, ethics and professionalism. To safeguard stakeholders' interests, the Board of Directors engages in providing sound leadership on the Bank's strategic vision. The Bank believes that sound and effective corporate governance is fundamental to the Group's long-term success.

Further information is provided on page 46

Risk Management

- Effective risk management is fundamental to the Bank. The Board of Directors has overall accountability for ensuring that risk is effectively managed across the AfrAsia Group.

Further information is provided on page 82

Capital Management

- AfrAsia Bank Limited maintains a strong capital position, well above regulatory requirements.

Our Values

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

OUR OUTPUTS

EMPLOYEES & MANAGEMENT

We provide employees with regular training and development plans and help them in their career path.

CUSTOMERS

We provide customers tailor-made banking solutions, all in an environment of trust.

SHAREHOLDERS & INVESTORS

We deliver a robust financial performance earned in a responsible manner.

SUPPLIERS

We work with world-class suppliers to obtain products and services that support our growth.

GOVERNMENT REGULATORY AUTHORITIES

We comply with all laws and regulations in the countries we operate in.

SOCIETY

We are socially conscious about society and remain dedicated to shaping a world of difference through our sustainability approach.

For more information on the value distributed to the Bank's stakeholders, see page 30

CORPORATE PROFILE AND STRATEGY (CONTINUED)

OUR KEY STAKEHOLDERS

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:

STAKEHOLDER GROUP	HOW WE ENGAGE WITH OUR STAKEHOLDERS	THEIR CONTRIBUTION TO VALUE CREATION	WHAT OUR STAKEHOLDERS EXPECT FROM US	WHAT CONCERNS OUR STAKEHOLDERS
EMPLOYEES AND MANAGEMENT	• Face to face meetings • CEO Road Shows • Social events/ activities • Training and coaching • External learning and growth opportunities • Committees • Recognition and reward	• Clear KPIs (Key Performance Indicators) and targets are communicated • Passion and right attitude	• An environment that encourages growth and open communication • Provide the opportunity to achieve personal goals whilst aligning to Company objectives	• A safe and healthy place to work • Continued career enhancement • Open door management style; with mutual trust and positive culture • Regular feedback and coaching • Competitive remuneration and non-financial rewards • A high level of employee empowerment and autonomy
CUSTOMERS	• Customer meetings and site visits • Conferences/Road Shows • Business association meetings • Digital communication via emails, social media	• Customers provide the basis for continued growth	• Crafting personalised, innovative, tailor-made banking products and services that aim at achieving clients' financial aspirations and lifestyle evolution	• Quality of the banking suite of products and services • Matching customer needs with the appropriate service model • Solidity and stability of the Bank • The relationship approach and frequency of communication
SHAREHOLDERS AND INVESTORS	• Regular presentations and Road Shows • External newsletters • Integrated reports, media releases and published results - Board Meetings - Annual General Meetings - Investor Relations microsite	• Investors provide the financial capital necessary to sustain growth	• Providing sustained returns on investment through sound risk management, strategic growth opportunities and good governance practices	• Delivering sustainable returns • Leadership and strategic direction • Corporate governance and ethics • Progress with project pipelines, business plans and future growth projects • A high level of empowerment and autonomy

STAKEHOLDER GROUP	HOW WE ENGAGE WITH OUR STAKEHOLDERS	THEIR CONTRIBUTION TO VALUE CREATION	WHAT OUR STAKEHOLDERS EXPECT FROM US	WHAT CONCERNS OUR STAKEHOLDERS
SUPPLIERS AND SERVICES	• Face-to-face meetings • Site visits and business association meetings • Performance level agreements	• Selecting world-class suppliers to cater for the Bank's requirements and provide a high rate of return	• Quick turnaround time in decision-making and processing payments. • The entire process is kept transparent to the suppliers which helps us maintain good relations with the serious suppliers in the market	• The suppliers always see to it that we receive services in time and that continuity is maintained. They ensure that given the nature of our business, we do not have any denial of services
GOVERNMENT REGULATORY AUTHORITIES	• Regular meetings between the Bank and regulators • Workgroups – on issues and Regulatory Guidelines • Written communication • Regulatory returns • Onsite and offsite supervision by regulators • Trilateral meeting • Regulatory Approvals	• The regulator provides the enabling regulatory framework	• Providing banking and financial services in a transparent, secure and responsible way • Ensuring customer satisfaction • Complying with acts, regulations and guidelines	• Products and services being provided and their communication • Compliance with Acts and Regulations • Transparency and accessibility to correct information • The Bank's duty of confidentiality • Appropriate Customer Due Diligence and KYC
SOCIETY	• CSR events, community and environmental projects • Meetings with Entrepreneurs/ Corporates • Social Media • External Newsletters • Media Releases	• People contribute to the country's economic growth through their enterprise's success • Building long-term goals, relationships and respect for each other • Improvement in quality of life: social, literacy, health and environment	• Strengthen the entrepreneurial ecosystem in Mauritius • Build on our social efforts through children education and sports sponsorship programmes • Optimise our environmental footprint while fostering social and ecological consciousness • Implementing environment-friendly business practices	• Assess and optimise the environmental impact of the Bank's offering • How our sustainability strategy makes a difference in people's lives • Develop processes to measure the effectiveness of our social and environmental programmes

CORPORATE PROFILE AND STRATEGY (CONTINUED)

KEY MILESTONES

2007

Opening of AfrAsia Bank Limited

2008

Launch of first Titanium MasterCard Credit Card

Awarded 'Most Innovative Bank in Mauritius 2008' by World Finance

2009

First Bank in Mauritius to launch a credit card mileage programme in partnership with British Airways

2010

Opening of South African Representative Offices in Cape Town and Johannesburg

Acquisition of 30% of Trinity Corporate Finance, rebranded as AfrAsia Corporate Finance

New Shareholder: PROPARCO

2011

Increase to 50% stake in AfrAsia Corporate Finance

2012

Launch of first World MasterCard Credit Card in Mauritius

2013

Launch of XtraMiles Rewards Programme, a first in Africa

Acquisition of AXYS Capital Management, rebranded as AfrAsia Capital Management

Launch of AfrAsia World of Art

2014

Opening of flagship Ebène branch

New shareholder: National Bank of Canada

2015

Launch of AfrAsia Bank Mauritius Open at Heritage Resorts, first worldwide tri-sanctioned tournament involving the European, Asian & Sunshine Tours

Introduce first VISA platinum Prepaid Card

2015-2016 STRATEGIC PRIORITIES

Keep on innovating to provide a different banking experience to our clients locally, regionally and globally

Pursue balanced growth opportunities and efficient use of capital to create more value for our stakeholders in the long-term

Extend our presence and product offering into our key markets, primarily into Africa and Asia, while capitalising on shareholders' expertise in those markets

Refine our risk appetite across our diversified business model while consolidating strong risk management culture

AFRASIA BANK
MAURITIUS OPEN
AT HERITAGE RESORTS

132 FINEST PLAYERS

31 DIFFERENT NATIONALITIES
REPRESENTED IN THE TOURNAMENT

Credit: Heritage Golf Club

COMMITTED

With clients in more than 121 countries, we are a regional bank of local relevance and international standing, committed to creating sustainable value for all stakeholders.

Credit: Heritage Golf Club

CHAIRMAN'S MESSAGE

Dear Valued Shareholders

This report marks many milestones achieved this past year and numerous new avenues forward for AfrAsia Bank Limited. It is the first report to you from an Independent Non-Executive Chairman, which duty I have been entrusted with. It is with humility and a deep sense of service that I have accepted to be the second Chairperson of your Bank.

On behalf of the Board and the Bank, we place on record our sincere thanks and deep appreciation of the contribution and leadership of Arnaud Lagesse, CEO of GML, the founding and largest shareholder of AfrAsia Bank Limited. Arnaud served as Chairman for the first seven years, overseeing the creation and success of the Bank along the visionary lines he aspired to it when first seeking the banking licence in 2006.

I welcome the new CEO, Sanjiv Bhasin, who will be tasked to spearhead the reorganisation of the Bank's internal structure to better serve our clients while reinforcing our footprint in key markets and creating more value for all stakeholders.

Allow me to comment briefly on the performance of the Bank for the year ended 30 June 2015.

The Year under Review

I would like to emphasise that the Bank has been profitable and has a strong capital base. Offsetting strong net interest income growth and treasury dealing profits was the residual impact of closing the Zimbabwe banking operations in February 2015.

The net result was thus heavily impacted, with Bank net profit after tax at MUR 175m vs MUR 223m last year and Group net loss after tax at MUR 176m vs Group net profit after tax of MUR 325m last year. With the strategic investment by National Bank of Canada, now at 17.5% along with a general rights issue, which in total increased equity capital by nearly MUR 1bn, we now have a strong common equity Tier 1 capital ratio of 7.5% and total capital adequacy ratio of 13.7%. We have maintained all dividend requirements to our Class A shareholders throughout.

Fully aware of the importance of maintaining an adequate level of capital to support further profitable growth, we have adopted a dividend policy that ensures first the payment of dividends to our Class A shareholders; and a flow of dividend payments that provides an adequate cash return to our ordinary shareholders whilst keeping a sufficient amount of retained earnings to fuel the Bank's growth.

Compliance and Culture

The Bank has been a fast growing, dynamic and entrepreneurial business for several years now. At the same time, there has been a focus on fostering a culture that knows of and implements compliance to the regulated environment we operate within. The Bank has also implemented extensive systems, along with significant new executive hires in audit, legal and compliance. Several independent examinations and audits have also been commissioned throughout the year.

The Bank is now operating across many jurisdictions and with substantial numbers of new staff hired over the last years. It is in the process of rolling out a new team culture programme with detailed training and induction programmes. The 'Bank Different' culture has been core to the Bank's success and it is now time to refresh and revalidate how this works in our daily service to customers and how we engage with each other. The Bank has gained and will maintain a competitive advantage from its unique and internally-developed process, which is always a work in progress and the quality, diversity and adaptability of its human resources in an ever-changing competitive environment.

Future Outlook

Indeed the environment is in constant change. Major trends are already reshaping the global economy. The centre of gravity of the global economy is irreversibly moving to the Africa–Asia axis, coupled with the urbanisation of population in Asia and Africa as a new middle class of consumers emerges; and the disruption of industries with the progress and innovation in the information, communication and technology sector. Your Bank is well-positioned to ride on the waves of these trends.

The Bank will leverage on the key attributes of its four main shareholders, namely the entrepreneurial spirit and mind-set of its major and founding shareholder, GML Group, to offer a unique suite of banking services to the family owned business and their founders of Africa; the banking and risk management skills of the National Bank of Canada, to offer sector specific financing and risk management solutions to companies in the region, with an emphasis on Africa; the network of the investee companies of PROPARCO to expand the Bank's network of collaboration in Africa and the business network in Africa and Asia of Intrasia Capital to develop new business relationships.

The Bank has now reached a level where it can count on a stable stream of profitability and cash flow. It is well equipped to forge ahead and assume a greater responsibility in society that transcends its primary objective of profit maximisation for its shareholders.

Risk and Return Balance and Strategy

We shall continue to ensure that the Bank achieves a target return on average equity capital commensurate with the risk inherent to our banking franchise. This will require that the Bank clearly defines its risk appetite and then judiciously deploys its capital to maximise the return on its capital according to this risk parameter.

Sustainability

AfrAsia Bank Limited continues to incorporate sustainability approaches to the way it conducts business. Across society, the workplace and the communities it serves, the Bank embraces Environmental, Social and Governance considerations (ESG) to align with its corporate strategy and uphold its sustainability structure.

On a deeper level, the Bank will ensure that each and every member of its staff becomes fully conscious and aware of being a Human Being and not just a Human Doing. While the Bank fully assumes its responsibility as a corporate citizen, it is equally important that the business and regulatory environment remain supportive.

The Mauritius Financial Centre

It is a great concern that the Centre's reputation has been recently affected. This now requires the full effort of all members of the financial centre ecosystem to work together to improve our international image.

Fully aware that banking is a highly regulated industry, we fully support all efforts that enhance the reputation of the Mauritius financial centre as a well-regulated and supervised jurisdiction with independent regulatory institutions. However, it is imperative that Mauritius maintains its competiveness by keeping the cost of compliance at a reasonable level. We are thus proponents of a risk-based approach to supervision and in effective collaborations between the regulator and industry participants in the development of regulation and supervision guidelines. Mauritius is an emerging financial centre focused on serving the banking and capital raising needs of Africa. There is a need to take into account the specific environment of our region in crafting the regulatory and supervisory framework. Otherwise there is a risk of creating road blocks to its development and rendering the centre less competitive.

Time to be grateful

In the course of the year, one independent director, Mike Pike, retired as per the current banking regulation, having served the seven years. We thank him for his contribution.

I also extend my heartfelt gratitude to James Benoit and Kamben Padayachy who resigned from their respective posts of Chief Executive Officer and Deputy Chief Executive Officer, Head of Global Banking, Treasury & Markets, for their helpful contribution and strategic direction throughout their journey at the Bank. I would also like to thank, Thierry Vallet, Acting CEO for his leadership during the transition period.

CHAIRMAN'S MESSAGE (CONTINUED)

On behalf of the Board, I thank you, valued shareholders, who have entrusted us with your capital. I assure you that both the Board of Directors and the entire management team will continue to be prudent stewards of this capital.

I also thank the management and all the staff for their continuing dedication to the building of a 'Bank Different' in the region.

LIM SIT CHEN LAM PAK NG
Chairman

New shareholder, National Bank of Canada

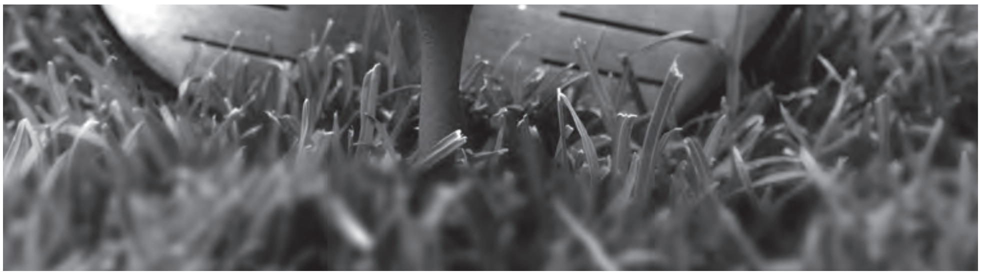
Significant new executive hires in Audit, Legal and Compliance

Maintained all dividend requirement to our Class A Shares

Developing the 'Africa Rising' theme

"The Bank is well equipped to forge ahead and assume a greater responsibility in society that transcends its primary objective of profit maximisation for its shareholders."

Lim Sit Chen Lam Pak Ng, Chairman



CHIEF EXECUTIVE OFFICER'S MESSAGE

It is my honour to present to you the 2015 Annual Report as acting CEO during the transition period between James Benoit and his successor, Sanjiv Bhasin.

James Benoit, co-founder of AfrAsia Bank Limited and who served as CEO since inception, resigned from his position this year. A firm believer of the growth prospects of Africa, James helped to achieve many tangible brand and investor targets regionally and internationally with a uniquely loyal and dynamic team and banking culture. I would like to extend my heartfelt gratitude to him for his contribution. I am also pleased to welcome Sanjiv Bhasin who has an extensive experience of 38 years across market-leading institutions and will continue building on the Bank's success and write the Africa sequel.

This year is a year of transition, not only for AfrAsia Bank Limited, but for Mauritius and beyond. The global economy remained volatile and perplexing during the year. Here in Mauritius, we also had political changes and some corporate failures. These have had their knock-on effects on the economy and for us at AfrAsia Bank Limited. Still, it was the year in which we gained great insight into our business model, continued to innovate and made some inspiring and bold moves.

Our challenges in our Zimbabwe operations continued and we took the decision in February to surrender our banking licence there and wind up the operations. This was expensive financially and painful for the impact on staff there; we have a separate insight on this elsewhere in the report. We also learned though that despite the global turmoil, Africa remains a beacon of investment and AfrAsia Bank Limited is participating strongly in this.

Our uniquely innovative flagship digital banking centre was launched this year along with a prepaid VISA Platinum card; both firsts in this market. Several new investment funds and private banking services were also rolled out. All of these have continued to see us nominated for, and win, international awards yet again.

We brought in National Bank of Canada as a shareholder during the year for an initial 9.5% stake which has since risen to 17.5% on our last rights issue and saw us raise nearly MUR 1bn of fresh Tier 1 capital. We also invested heavily in our brand and we hosted the world's first ever tri-sanctioned professional golf event involving the European, Sunshine and Asian Tours, the AfrAsia Bank Mauritius Open. With the support of the government and other private sector partners, this was the country's largest ever sporting event showcasing just what we can all do together and gave Mauritius and AfrAsia Bank Limited truly global branding coverage.

Business and Financial Performance

Our asset base stood at MUR 22bn at year end while our liabilities amounted to MUR 67bn. Mainly this was on the back of strong global business and private client deposit flows which increased by over 50%. With clients in over 121 countries, AfrAsia Bank Limited and Mauritius as a jurisdiction are now key financial intermediaries for the entire world that is doing business in Africa and Asia.

We cautiously expanded our loan book at a less rapid pace. With credit market fragility globally and locally and the uncertainty of interest rates and currency wars, this is a deliberate strategy. Our surpluses have largely been deployed in shorter term bank placements and money market lines which provide us more agility to manage balance sheet risks.

The 'Management Discussion And Analysis' discusses the detailed metrics. Total Operating income was strongly up 40% but, with final Zimbabwe write downs, our Net Profit After Tax (NPAT) reduced to MUR 175m. However our core customer loan book has performed well and we have avoided many international and local credit issues that have ensnared our competitors. Cost income ratio remains very well managed despite the heavy investments in people, premises and products.

Investing in the Future

During the year, we made substantial investments in new IT systems including core banking, treasury, automated money laundering detection, prepaid cards and the new digital branch and office spaces in Ebène. We are now poised to leverage these for several years.

Heavy investment was also made in marketing of, which AfrAsia Bank Mauritius Open was the largest. With our international reach and now that we are part of the largest domestic banks, we can say that AfrAsia as a brand and a business is now well established and winning all manner of international accolades, which then turn into deep business referrals and relationships.

Our total staff headcount increased to 234, with excellent gender diversity of 52% female. Out of the Executive Committee, four [31%] are female and hold vital roles as Head of Marketing, Credit, Finance and Human Resources.

Where do we go from here?

I remain firmly convinced that the strong African investment trends we are seeing will continue. AfrAsia Bank Limited and Mauritius are uniquely equipped to be the key capital and liquidity solutions providers for these investors. This should drive our growth at similar levels for several more years to come. As such, with our new partners from Canada and our continued building of the brand, our people and infrastructure in Mauritius, we have gained insight, remain innovative and are inspired to pursue our strategy.

THIERRY VALLET
Acting Chief Executive Officer

DRIVE

We continue to drive investment and wealth creation across Africa and the world in line with identifying future engines of growth and building on our competitive advantage.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(INCLUDING OTHER STATUTORY DISCLOSURES AS PER SECTION 221 OF THE COMPANIES ACT 2001)

STATEMENT OF COMPLIANCE

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

AfrAsia Bank Limited and its Group Entities
Year ended 30 June 2015

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

LIM SIT CHEN LAM PAK NG	JEAN DE FONDAUMIÈRE	CATHERINE MCILRAITH
Chairperson	*Director*	*Director*

24 September 2015

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

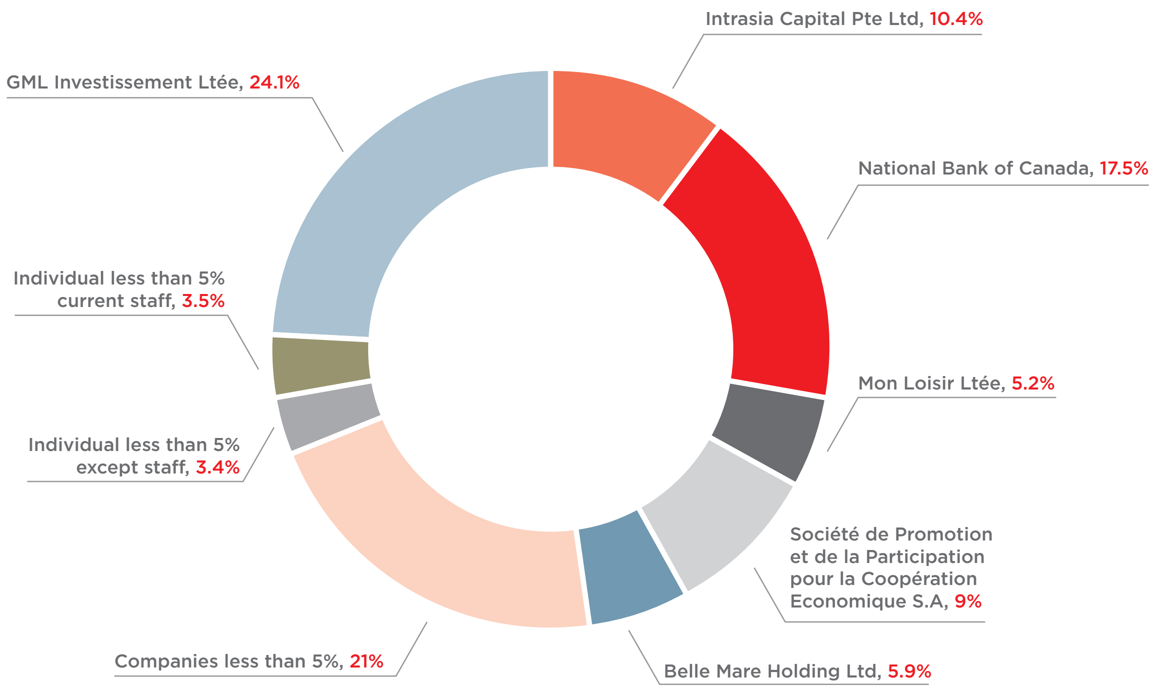
STATEMENT OF AFFAIRS AND REVIEW OF ACTIVITIES

The main activities of AfrAsia Bank Limited are that of lending and deposit taking for Corporate and Private Clients, Treasury Operations, Investment Banking and Wealth Management.

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 4.9bn as at 30 June 2015. The Bank's aim is to ensure that there is proper and efficient information dissemination to all of its shareholders and ensuring that the rights of minority shareholders are not neglected. We also highlight that approximately 3.5% of the Bank's shareholding structure is held by current staff.

The shareholding structure as at 30 June 2015 was as follows:



BOARD OF DIRECTORS

The Board of Directors of AfrAsia Bank Limited plays a key role in ensuring that a good level of corporate governance is maintained.

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

- determination of the Bank's purpose, strategy and values and providing guidance and 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 the 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 of 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.

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 interests and make full and timely disclosure of any conflict of interests when exposed to same; and
- Directors appointed by shareholders are aware that their duty and responsibility are to act in the best interest of the Bank and not by the shareholders who nominated them.

All information obtained by Directors in their capacity as Director to the Board of AfrAsia Bank Limited should be treated as confidential matters and should not be divulged to any other parties without the expressed authority of the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

PRIOR APPROVAL OF THE BOARD

As per the 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 twelve members with a blend of experienced and well-known Mauritian executives with high calibre, international financiers from South Africa, France, Singapore, Canada and Australia. Furthermore, two members are Executive Directors and ten are Non-Executive Directors; the latter function independently of management.

During the financial year, the Board welcomed two new members: Yves Jacquot as Non-Executive Director and Henri Calvet as Independent Non-Executive Director on 16 January 2015 and 23 March 2015 respectively. The Bank also welcomed Laurent De La Hogue as Non-Executive Director on 15 January 2015. However, he resigned on 1 September 2015 and Mark Mulroney joined the Bank on the same date. 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 eight 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 names of the Directors of the Bank are as follows:

LIM SIT CHEN LAM PAK NG (Chairman)
JAMES BENOIT (Chief Executive Officer resigned 23 September 2015)
JEAN-CLAUDE BÉGA
HENRI CALVET (Appointed 23 March 2015)
BRETT CHILDS
JEAN DE FONDAUMIÈRE
LAURENT DE LA HOGUE (Appointed 15 January 2015 and resigned 1 September 2015)
YVES JACQUOT (Appointed 16 January 2015)
ARNAUD LAGESSE (Resigned 31 December 2014)
CATHERINE MCILRAITH
MARK MULRONEY (Appointed 1 September 2015)
KAMBEN PADAYACHY (Resigned 23 September 2015)
MICHAEL JOHN PIKE (Resigned 28 February 2015)
GRAEME ROBERTSON
NICOLAS WEISS

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' PROFILES

LIM SIT CHEN LAM PAK NG

Independent Non-Executive Chairman

Appointed Director: 12 February 2007
Appointed Chairman: 12 February 2015

Qualifications: MBA degree from the Graduate School of Business of Columbia University, New York, N.Y, USA

Lim Sit Chen (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, born in 1947, he lives in Singapore.

Committees:
Board of Directors (Chairperson)
Risk Committee
Corporate Governance Committee
(Chairperson)

JAMES BENOIT

Chief Executive Officer and Executive Director

Appointed: 31 May 2007
Resigned: 23 September 2015

Qualifications: Chartered Financial Analyst

James 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 is 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, India, UK, Vietnam, Singapore, Philippines and Mauritius. James Benoit is not a director of any listed company in Mauritius.

Committees:
Board of Directors
(Resigned 23 September 2015)
Risk Committee
(Resigned 23 September 2015)
Conduct Review Committee
(In Attendance up to 23 September 2015)
Audit Committee
(In Attendance up to 23 September 2015)
Corporate Governance Committee
(In Attendance up to 23 September 2015)

BRETT CHILDS

Independent Non-Executive Director

Appointed: 27 January 2010

Qualifications: Chartered Accountant (South Africa)

Prior to moving to Mauritius, where he has been for thirteen years, Brett 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. He then 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 exciting other investments via trade sales. Brett is Executive Chairperson of Brait (an investment business listed in Luxembourg and the JSE), an entity incorporated in Mauritius which he joined in 2004. He also sits on the Boards, in a non-executive capacity, of a number of privately and publicly-owned investment businesses.

Committees:
Board of Directors
Audit Committee

JEAN DE FONDAUMIÈRE

Independent Non-Executive Director

Appointed: 12 January 2007

Qualifications: Chartered Accountant (Scotland)

Jean 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 is a Director of a number of companies involved in various economic activities such as finance, tourism, agriculture and commerce in Mauritius and in the region. Four of those companies are listed on the Stock Exchange of Mauritius. He was the Chairperson of the Stock Exchange of Mauritius from 2002 to 2006 and is a member of a number of Corporate Governance and Audit Committees.

Committees:
Board of Directors
Audit Committee (Chairperson)
Conduct Review Committee

CATHERINE MCILRAITH

Independent Non-Executive Director

Appointed: 8 February 2011

Qualifications: Chartered Accountant (South Africa)

Catherine, 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 and is currently working for her own account as a Financial Advisor. She is a non-executive director of a number of public and private companies in Mauritius. Catherine McIlraith is a director of one listed company in Mauritius.

Committees:
Board of Directors
Audit Committee
Risk Committee
Conduct Review Committee

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' PROFILES (CONTINUED)

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 graduate 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 (EUR20bn), E.de AssMgt Rothschild Investment Services (USD4bn), and Rothschild Multi Management (EUR5bn). 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.

Committees:
Board of Directors
Corporate Governance Committee

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 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. He is a Director of AfrAsia Special Opportunities Fund, a company listed on the Stock Exchange of Mauritius.

Committee:
Board of Directors
(Resigned 23 September 2015)

JEAN-CLAUDE BÉGA

Non-Executive Director

Appointed: 28 October 2011

Qualifications: Fellow of the Association of Chartered Certified Accountants

Born in 1963, Jean-Claude was appointed as Alternate Director to J. Cyril Lagesse in June 2007 and as Non-Executive Director in October 2011. He joined GML in 1997 and is presently the Chief Financial Officer of GML Management Ltée. He is the Chairperson of Phoenix Beverages Limited and of Anahita Estates Limited. He is also Director of a number of companies including LUX Island Resorts Ltd, Alteo Limited and Abax Corporate Services Ltd. Jean-Claude is a director of three listed companies on the Stock Exchange of Mauritius.

Committee:
Board of Directors

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 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.

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

Committee:
Board of Directors

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" Paris, France

Laurent de la Hogue was appointed Director of the Company in January 2015. Born in 1975, Laurent holds a Master's degree in Management and Finance from the 'Ecole Supérieure de Gestion et Finance' Paris, France. He joined GML in 2001 as Treasurer for the setting up of the Central Treasury Unit and is presently Finance Executive - Corporate and Treasury for GML Management Ltée. Laurent is currently the Chairman of GML Trésorerie Ltée and also Director of a number of companies including Abax Holding Ltd, Forward Investment Development Enterprises Ltd, LUX Island Resorts Ltd, and The United Basalt Products Ltd.

Committee:
Board of Directors

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' PROFILES (CONTINUED)

YVES JACQUOT

Non-Executive Director

Appointed: 16 January 2015

Qualifications: ESSEC

Yves Jacquot has wide experience in the banking sector. He is currently 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 Jacquot is not a director of any listed company in Mauritius.

Committees:
Board of Directors
Risk Committee
Corporate Governance Committee

HENRI CALVET

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 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, BRED-BANQUE POPULAIRE, Compagnie Financiere Edmond de Rothschild Banque and Compagnie Parisienne de Reescompte, inter-alia. He is not a director of any listed company in Mauritius.

Committees:
Board of Directors
Risk Committee (Chairperson)
Conduct Review Committee (Chairperson)
Audit Committee (as from August 2015)

MICHAEL JOHN PIKE

Independent Non-Executive Director

Appointed: 19 January 2009
Resigned: 28 February 2015

Qualifications: Associate of the Chartered Institute of Bankers (ACIB)

Michael joined the Hong Kong and Shanghai Banking Corporation (HSBC) in 1968 in London. He worked for HSBC for 35 years in eight different countries in Europe, the Far East, the Middle East and South America and has a wide banking experience in Corporate, Retail and Operations. He was the Head of Group Risk for the Mauritius Commercial Bank Ltd from 2005 to 2007. Michael Pike is not a Director of any listed company in Mauritius.

Committees:
Board of Directors
Risk Committee
(Chairperson up to 28 February 2015)
Conduct Review Committee
(Chairperson up to 28 February 2015)

ARNAUD LAGESSE

Non-Executive Director and Chairperson

Appointed: 12 January 2007 and 13 February 2007 respectively
Resigned: 31 December 2014

Qualifications: "Maîtrise de Gestion" from the University of Aix-Marseille III, France, graduate of "Institut Supérieur de Gestion", France, Executive Education Program at INSEAD, Fontainebleau, France and Advanced Management Program (AMP180) at Harvard Business School, Boston, USA

Born in 1968, Arnaud joined GML in 1993 as Finance and Administrative Director before becoming its Chief Executive Officer in August 2005. He participated in the National Corporate Governance Committee as a member of the Board. He is a member of the Board of Directors of several of the country's major companies and is a Director of Ireland Blyth Limited, BlueLife Ltd, LUX* Island Resorts Ltd, Phoenix Beverages Limited, The United Basalt Products Ltd, Forward Investment and Development Enterprises Ltd, Phoenix Investment Company Ltd and Alteo Ltd. Arnaud Lagesse is an ex-President of the Mauritius Chamber of Agriculture, the Mauritius Sugar Producers' Association and the Sugar Industry Pension Fund. Arnaud Lagesse is also the Chairman of GML Fondation Joseph Lagesse since July 2012. He has also recently been appointed as Chairman of the National Committee on Corporate Governance.

Committees:
Board of Directors
(Chairperson up to 31 December 2014)
Corporate Governance Committee
(resigned on 31 December 2014)

MARK MULRONEY

Non-Executive Director

Appointed: 1 September 2015

Qualifications: Bachelor of Arts (Honours): Major in History from Duke University, USA

Mark Mulroney joined the National Bank of Canada in May 2012 as Co-Head of Equity Trading and is currently the Managing Director and Head of Equity Capital Markets. Prior to joining National Bank of Canada, he worked for the Royal Bank of Canada and Goldman Sachs and Co, New York. Mark is not a director of any listed company in Mauritius.

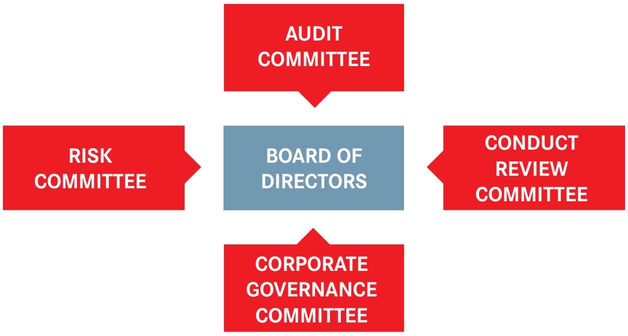
Committee:
Board of Directors

CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD COMMITTEES

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

AfrAsia Bank Limited's Board sub-committees include: an Audit Committee, a Conduct Review Committee, a Corporate Governance Committee and a Risk Committee as depicted below:



AUDIT COMMITTEE

In line with the Banking Act 2004, the committee's principal responsibilities are to:

- review the audited financial statements of the Bank before they are approved by the Directors;
- require management of the Bank to implement and maintain appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures;
- review such transactions which could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the committee or as may otherwise come to its attention; and
- appoint auditors.

During the year under review, the Audit Committee met five times. As at 30 June 2015, the committee comprised the following three Independent Directors:

- Jean de Fondaumière (Chairperson)
- Brett Childs
- Catherine McIlraith

Also attending this committee:

- James Benoit, Chief Executive Officer (resigned 23 September 2015)
- Loteswar Fangoo, Head of Compliance
- Bishwajit Mazumder, Head of Group Operations
- Deshmukh-Rao Dhondee, Head of Group Internal Audit (resigned 31 July 2015)
- Dave Dusoruth, newly appointed Head of Internal Audit (with effect from 1 July 2015)
- Jean-Francois Boisvenu, Head of Group Legal

CONDUCT REVIEW COMMITTEE

This committee:

- reviews the Bank's transactions with related parties in line with the Conduct Review Policy, ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius;
- 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.

The Conduct Review Committee met four times during the year under review.

The three Independent Directors and members are:

- Henri Calvet (Chairperson)
- Jean de Fondaumière
- Catherine McIlraith
- Michael John Pike (resigned 28 February 2015)

Also attending this committee:

- James Benoit, Chief Executive Officer (resigned 23 September 2015)
- Joelle Ng Foong Lee, Head of Credit and Risk Management
- Jean Paul de Chazal, Advisor*

*Jean Paul de Chazal sits on the Conduct Review Committee, as advisor and has signed an oath of confidentiality as per the Banking Act 2004.

CORPORATE GOVERNANCE COMMITTEE

This committee:

- deals with all Corporate Governance issues and makes recommendation to the Board accordingly;
- ensures that the Bank complies with the Code of Corporate Governance and Corporate Governance Guidelines issued by the Bank of Mauritius;
- ensures that disclosures made in the annual financial statements are in compliance with the disclosure provisions in accordance with the best international practice;
- ensures effective communication between stakeholders;
- reviews the annual Corporate Social Responsibility policies and related budgets;
- 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;
- approves all Senior Officers contracts when base salary will exceed MUR 1,2m per annum; and
- requests an annual headcount and budget plan but leaves management to execute and report thereon at regular intervals.

The Corporate Governance Committee met four times during the year under review. The four members are:

- Lim Sit Chen Lam Pak Ng (Chairperson)
- Yves Jacquot
- Nicolas Weiss
- Arnaud Lagesse (resigned 31 December 2014)

Also attending this committee:

- James Benoit, Chief Executive Officer (resigned 23 September 2015)

RISK COMMITTEE

This committee:

- reviews and approves the strategy, policies and practices relating to the management of the Bank's liquidity;
- monitors the implementation thereof by putting in place appropriate reporting structures;
- approves the Credit and Risk Policy manual and updates which set out the credit granting process and limits for each of the Bank's core business lines;
- reviews recommendations from the Management Credit and Risk Committee for credit facilities above its delegated limits;
- approves all operational risk issues and policies of the Bank; and
- monitors large and impaired credits as well as the overall level of provisioning, that is overseeing Credit and Risk exposures and approving amounts in excess of the Bank's management team delegated limits.

The Risk Committee met four times during the year under review. The members of the committee comprise of James Benoit, Chief Executive Officer who resigned on 23 September 2015 and the five Independent Directors:

- Henri Calvet (Chairperson)
- Lim Sit Chen Lam Pak Ng
- Catherine McIlraith
- Yves Jacquot
- Michael John Pike (resigned 28 February 2015)

Also attending this committee:

- Kamben Padayachy, Deputy CEO, Head of Global Banking, Treasury and Markets (resigned 23 September 2015)
- Joelle Ng Foong Lee, Head of Credit and Risk Management

CORPORATE GOVERNANCE REPORT (CONTINUED)

ATTENDANCE REPORT

The attendance report of the Directors and Advisor at Board and Committee meetings for the year ended 30 June 2015, as well as their individual remuneration and benefits, are shown below:

DIRECTORS	Board Meeting	Risk Committee	Corporate Governance Committee	Conduct Review Committee	Audit Committee	Total Director fees
Lim Sit Chen Lam Pak Ng	8 out of 8	4 out of 4	4 out of 4			5,532,000
James Benoit (resigned 23 September 2015)	8 out of 8	4 out of 4				21,273,673
Jean-Claude Béga	8 out of 8					250,000
Henri Calvet (appointed 23 March 2015)	1 out of 8	1 out of 4		1 out of 4		425,000
Brett Childs	4 out of 8				4 out of 5	325,000
Jean De Fondaumière	8 out of 8			4 out of 4	5 out of 5	425,000
Laurent De La Hogue (appointed 15 January 2015 and resigned 1 September 2015)	3 out of 8					
Yves Jacquot (appointed 16 January 2015)	3 out of 8	1 out of 4	1 out of 4			
Arnaud Lagesse (resigned 31 December 2014)	5 out of 8		2 out of 4			8,000,000
Catherine McIlraith	8 out of 8	4 out of 4		4 out of 4	5 out of 5	475,000
Kamben Padayachy (resigned 23 September 2015)	7 out of 8					12,181,912
Michael John Pike (resigned 28 February 2015)	7 out of 8	3 out of 4		3 out of 4		450,000
Graeme Robertson	7 out of 8					250,000
Nicolas Weiss	8 out of 8		4 out of 4			17,380,111
Jean Paul De Chazal (Advisor)				3 out of 4		75,000

BOARD APPRAISAL

The Board of Directors has undergone a performance appraisal exercise during the year. The Directors have evaluated the Board as regards to:

- its function;
- the size, composition and independence of the Board;
- 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.

The results of the performance appraisal exercise were encouraging and the Directors also identified areas that can be improved to enhance the performance of the Board as a whole.

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 2015 were as follows:

	YEAR ENDED 30 JUNE 2015		YEAR ENDED 30 JUNE 2014		YEAR ENDED 30 JUNE 2013	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
	MUR	MUR	MUR	MUR	MUR	MUR
THE BANK						
AfrAsia Bank Limited	33,455,585	33,587,111	54,958,959	2,760,479	38,344,339	1,917,534
THE SUBSIDIARIES						
AfrAsia Investments Limited	-	-	-	-	-	-
AfrAsia Holdings Limited	-	-	-	-	-	-
AfrAsia Corporate Finance (Pty) Limited	20,062,598	-	4,155,961	10,139,902	-	-
AfrAsia Corporate Finance (Africa) Limited	-	-	-	-	-	-
AfrAsia Capital Management Limited	8,973,788	-	5,848,092	-	-	-
AfrAsia Corporate Finance (Mauritius) Limited	-	-	-	-	-	-

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' SERVICE CONTRACTS WITH THE BANK AND ITS SUBSIDIARIES

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.

Rouben Chocalingum, 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, Director of AfrAsia Investments Limited, has an indeterminate term contract with the 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.

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.

DIRECTORS' SHARE INTEREST

The interests of the Directors in the securities of the Group and the Bank as at 30 June 2015 were:

	YEAR ENDED 30 JUNE 2015		YEAR ENDED 30 JUNE 2014		YEAR ENDED 30 JUNE 2013	
DIRECTORS	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	-	0.16	-	-	-	-
James Benoit (resigned 23 September 2015)	1,707,105	-	2,557,829	-	749,270	-
Jean-Claude Béga	-	-	-	-	-	-
Henri Calvet (appointed 23 March 2015)	-	-	-	-	-	-
Brett Childs	-	-	-	-	-	-
Jean de Fondaumière	-	-	-	-	-	-
Laurent de la Hogue (appointed 15 January 2015 and resigned 1 September 2015)	-	-	-	-	-	-
Yves Jacquot (appointed 16 January 2015)	-	-	-	-	-	-
Arnaud Lagesse (resigned 31 December 2014)	-	6.82	-	7.61	-	6.73
Catherine McIlraith	-	-	-	-	-	-
Kamben Padayachy (resigned 23 September 2015)	814,456	-	895,813	-	598,320	-
Michael John Pike (resigned 28 February 2015)	-	-	-	-	-	-
Graeme Robertson	-	10.44	-	12.18	-	-
Nicolas Weiss	-	-	-	-	-	-

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

DIVIDENDS POLICY

The Bank's dividends are proposed by the Executive Committee to its Board regarding the amount of dividends payable 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 117,718,772 (MUR 1.65 per share), declared and paid during the year under review (2014: MUR 116,027,201 that is, MUR 1.5 per share / 2013: MUR 88,068,022 that is, MUR 1.25 per share).

DIVIDEND ON CLASS A SHARES

Dividend for an amount of MUR 137,790,956 was declared in December 2014 and June 2015. Out of this amount, MUR 69,860,689 is due as at 30 June 2015.

SHARE OPTION PLANS

Please refer to the note on "Other Reserves" contained on Note 32 of the Annual Report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

AUDITORS' REMUNERATION

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

	YEAR ENDED 30 JUNE 2015		YEAR ENDED 30 JUNE 2014		YEAR ENDED 30 JUNE 2013	
	Audit	Other*	Audit	Other*	Audit	Other*
	MUR	MUR	MUR	MUR	MUR	MUR
Ernst & Young						
THE BANK						
AfrAsia Bank Limited	1,625,000	3,676,577	1,791,493	1,062,993	1,142,992	75,825
THE SUBSIDIARIES						
AfrAsia Investments Limited	160,000	-	171,000	310,500	140,000	28,750
AfrAsia Holdings Limited	50,000	-	45,480	13,800	40,000	13,800
AfrAsia Corporate Finance (Pty) Limited	485,846	-	389,743	-	-	-
AfrAsia Corporate Finance (Africa) Limited	180,206	-	151,394	-	-	-
AfrAsia Corporate Finance (Mauritius) Limited	99,105	-	120,600	-	-	-
AfrAsia Capital Management Limited	370,000	-	333,500	-	-	-
KPMG						
THE BANK						
AfrAsia Bank Limited	1,375,000	-	1,535,000	-	-	-

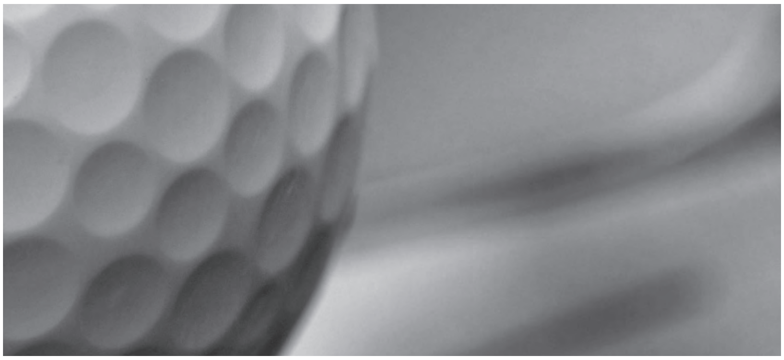
* Fees captured under "Others" are principally fees paid to Ernst & Young towards services for Agreed upon Procedures, Independent Assurance Report and Interim Review for the Bank and its subsidiaries.

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Further information is provided on page 104

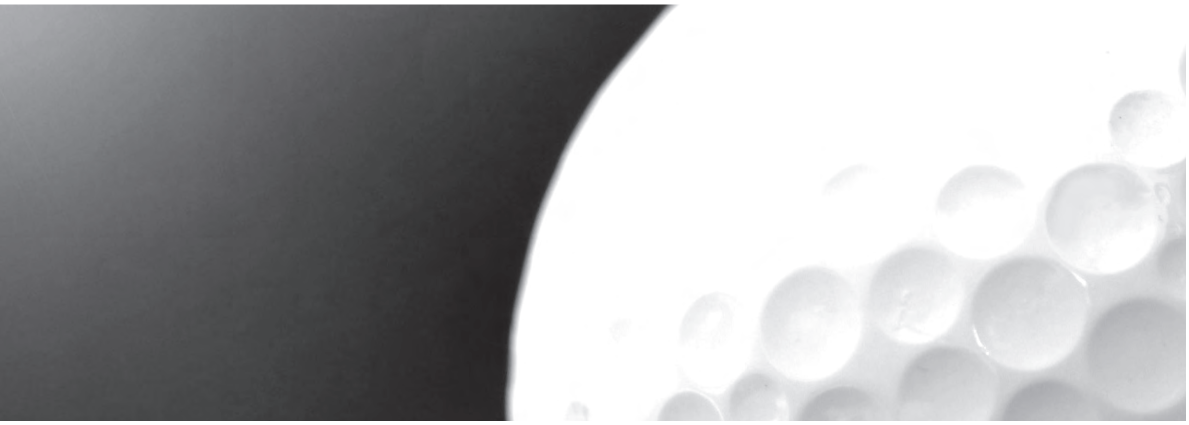
ANTI-MONEY LAUNDERING

Further information is provided on page 105



"With clients in over 121 countries, AfrAsia Bank Limited and Mauritius as a jurisdiction are now key financial intermediaries for the entire world that is doing business in Africa and Asia."

Thierry Vallet, acting CEO



CORPORATE GOVERNANCE REPORT (CONTINUED)

PASSIONATE TEAM PROFILE

THIERRY VALLET

Acting Chief Executive Officer (appointed 24 September 2015) and General Manager

- One of the Founding Executives of the Bank
- Worked previously for LONRHO, ILLOVO, Ireland Blyth Limited, Groupe Generali and Mauritius Commercial Bank
- Qualifications: Honours Degree in Engineering, Post Graduate degree: MBA with a major in International Finance from HEC Paris
- Director on the Boards of AfrAsia Capital Management Limited, AfrAsia Investments Limited as well as several investment funds

KAMBEN PADAYACHY

Deputy CEO, Head of Global Banking, Treasury and Markets (resigned 23 September 2015)

- One of the Founding Executives of the Bank
- Over 20 years' experience in banking
- Worked previously for BNP Paribas (BNPI), Barclays Bank and Standard Bank
- Qualifications: Master's Degree in Monetary Economics from University of Paris Dauphine and a Post Graduate Degree in Banking and Finance
- Director on the Boards of AfrAsia Capital Management, AfrAsia Special Opportunities Fund and AfrAsia Investments Ltd

ROUBEN CHOCALINGUM

General Manager, Head of Domestic Banking Relationships and Sales

- One of the Founding Executives of the Bank
- More than 20 years' experience in banking
- Worked previously for State Bank of Mauritius and Standard Bank (Mauritius) Limited
- Qualifications: Business Administration and Banking Studies
- Director on the Boards of AfrAsia Capital Management Limited and AfrAsia Investments Limited

SOODESH BEEGUN
Regional ICT Consultant

- Over 20 years' experience in the Banking/IT sector
- Worked previously for IOIB, F.U.E.L, SBI Mauritius Limited
- Qualifications: MBA (IS) from University of Technology Mauritius, a Certificate in Banking Studies, Oracle DBA and WEB Programmer's Certificates

JEAN-FRANÇOIS BOISVENU
Head of Group Legal

- Joined the Bank in November 2014
- Previously worked for BLC Chambers as Senior Consultant and was partner in Canadian law firm McCarthy Tétrault, a Banking and Financial Services Group
- Qualifications: Law degree from University of Montreal (LLB), Bachelor of Business Administration/Applied Economics and Finance (BAA)

DESHMUKH-RAO (Vinod) DHONDEE
Head of Group Internal Audit (resigned 31 July 2015)

- Extensive banking experience in the Global Business and Domestic Banking environment
- Worked previously for Hongkong and Shanghai Banking Corporation in the Personal Banking and Corporate divisions, Sub Custody and Risk Management functions

CORPORATE GOVERNANCE REPORT (CONTINUED)

PASSIONATE TEAM PROFILE (CONTINUED)

LOTESWAR (Anil) FANGOO
Head of Compliance

- 25 years in the banking and legal field in the Banking Sector
- Worked previously for SBI Mauritius (IOIB) Ltd
- Member of the Mauritius Institute of Directors (MIOD) and associate member of Association of Certified Fraud Examiners (ACFE) and Association of Certified Anti-Money Laundering Specialists (ACAMS)
- Qualifications: Certified Anti-Money Laundering Specialist (CAMS).

YOGESH GOKOOL
Head of International Banking

- Over 20 years' experience in financial management
- Worked previously for International Financial Services Limited (Mauritius) and Deutsche Bank (Mauritius) Limited
- 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)

BHUVANESH HINGORANEY
Head of Information Communication Technology (ICT)

- More than 17 years of global leadership experience in the Middle East, Africa and India in banking technology related areas, complemented by business, operations and risk
- Recently worked for State Bank of Mauritius as lead for the core-banking transformation
- Degree in Engineering

JENNIFER JEAN-LOUIS

Head of Finance and Treasury Back Office

- Over 20 years' experience, gained both locally and internationally
- Qualifications: Master's degree in Applied Finance, is a Chartered Accountant and a Chartered Tax Adviser
- Director on the Board of AfrAsia Investments Limited

BISHWAJIT MAZUMDER

Head of Group Operations

- Over 30 years' standing and has international exposure working in various capacities
- Qualifications: A Chartered Accountant, MBA holder, Bachelor of Law, various international certifications
- Previously worked for State Bank of Mauritius Limited, ING Vysya Bank (India), Central Bank of Oman and IDBI Bank (India)

SUNEETA MOTALA

Head of Marketing and Public Relations

- Over 20 years' banking experience
- Worked previously for: Hongkong and Shanghai Banking Corporation (HSBC) and Mauritius Post and Cooperative Bank (MPCB)
- Qualifications: Pre Associateship (Chartered Institute of Bankers), International Certificate for Financial Advisors (Chartered Insurance Institute), General Management Certificate (ESSEC Business School, France)

CORPORATE GOVERNANCE REPORT (CONTINUED)

PASSIONATE TEAM PROFILE (CONTINUED)

JOELLE NG FOONG LEE
Head of Credit and Risk Management

- Over 20 years' experience in the banking sector
- Worked previously for Hongkong and Shanghai Banking Corporation and the Mauritius Commercial Bank Ltd
- Qualifications: Associate PRM from the Professional Risk Managers International Association (PRMIA), Banking Studies at the University of Mauritius, General Management Certificate (ESSEC Business School, France)

DWEJENDRANATH (Jen) RAMANAH
Head of Treasury

- Over 30 years' experience in banking
- Worked previously for the Bank of Mauritius and the Mauritius Commercial Bank Limited
- Qualifications: BSc (Hons) Management from the University of Mauritius, MBA Edinburgh Business School

ROBIN SMITHER
Regional Head: Corporate Banking

- 15 years' banking experience, gained in Mauritius and South Africa
- Previously worked for Standard Bank – Corporate & Investment Banking
- Qualifications: Master of Business Administration (MBA), Postgraduate Diploma in Business Management, Bachelor of Social Science Degree (B Soc Sc) University of Cape Town

MAUREEN TREANOR

Head of Human Resources and Change Management

- Over 25 years' experience, in UK and African markets
- Worked previously for Barclays Bank (UK) and Bramer Bank (National Commercial Bank)
- Qualifications: Human Resources, Project Management, Postgraduate Diploma in Business Administration, currently completing MBA Edinburgh Business School, member of MIoD

PARIKSHAT TULSIDAS

Head of Business Development (Africa)

- Over 14 years' experience gained in Mauritius and the Far East
- Worked for Standard Bank, as General Manager, Global Markets Advisory (China) and was previously Head of Sales - Global Markets (Mauritius)
- Qualifications: Bachelor of Arts in Human Resource Management and Marketing, ACI Dealing Certificate

CORPORATE GOVERNANCE REPORT (CONTINUED)

PASSIONATE TEAM PROFILE (CONTINUED)

COLIN GRIEVE
Chief Representative Officer – South Africa

- Over 25 years' experience with local and international banks and financial markets in various roles including Head of Treasury, Head of Corporate Banking and General Manager of investments
- Author of a book on investment strategy, lectures banking principles to MBA students at a local business school
- Qualifications: Master of Commerce

GARRY SHARP
Chief Representative and Head of Private Equity - London Representative Office

- Around 30 years' experience in private equity and venture capital markets
- Advisor, author and trainer with strong knowledge of the African Private Equity arena
- Previously held several position as Independent Director for various funds and businesses based in Mauritius & overseas

NON-BANKING SUBSIDIARIES

MARISA MEYER

Managing Director: AfrAsia Corporate Finance

- Experienced senior Structured Financier with an MBA and 12 years' experience in Investment Banking
- Qualifications: B.Com (Law), LLB, LLM (Corporate Law), MBA, HDip (Tax), HDip (International Tax) Admitted Attorney and Notary Public of the High Court of South Africa
- Previously worked as Senior Manager in the Structured Finance team, Corporate and Investment Banking at Standard Bank South Africa. She has extensive experience in structuring and funding cross-border transactions in various targeted product areas, sectors and emerging markets as well as preference share funding

SWADICQ NUTHAY

Chief Executive – AfrAsia Capital Management

- Over 17 years' experience as Fund manager
- Previously worked for AXYS Capital Management, consultant for a risk management consultancy firm in Mauritius, performed several risk management assignments for parastatal bodies and companies operating in different sectors of the economy 2013
- Qualifications: MSc in International Business & Finance from the University of Reading, UK, BSc (Hons) in Economics, a member of the CFA Institute

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY

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

The role of the Bank's company secretary includes:

- ensuring that the Bank complies with its constitution, 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 for the Bank's shareholders.

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

HIGHLIGHTS

15%
employees promoted

120
employees participated in external seminars and training

REMUNERATION PHILOSOPHY

Ethics and Culture

AfrAsia Bank Limited strives for excellence and, in doing so, the best people are drawn from the broadest pool of applicants from 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 their line of operations and expertise.

Each employee is bound to promote the highest ethical standards in their conduct. The Bank's code of conduct encourages employees to act with integrity at all times; this is also demonstrated through our business culture.

Attract and Retain Talent

All employees are assessed using the balanced score card 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; 26 employees were promoted and 30 graduates joined the business in the last 12 months.

Talent management is key to a business's success in this era where employee mobility is the norm; it is critical for leaders to face the challenge of not only attracting but retaining the best and brightest talent on the market. One of the most effective methodologies is to leverage on the autonomy and engagement of employees, achieved through:

- established reward and incentives programmes; these offer financial and non-financial rewards for a job well done, for instance, performance bonuses or weekend breaks in hotels;
- empowering team leaders to hold frequent team-building activities and events; and
- providing ongoing employee welfare programmes, such as Women's Health Month, health talks and awareness sessions.

These events help build our unique culture and create a strong feeling of belonging in the employment relationship. The Bank introduced many of these critical elements from day one and new ideas have developed over time as the business grows and our workforce becomes more diverse. Fruity Friday, still remains a favourite for many employees.

Good communication helps to ensure that our people are kept up to date with changes and developments. The CEO holds regular face to face 'road-shows' so he can personally update everyone on key achievements throughout the year. These events have a really positive impact on the business as a whole, as his open presentation style encourages participation and allows for questions from the floor at any time during the event.

It is natural that as the Bank grows it is increasingly difficult to build and maintain good interdepartmental teamwork, as the face to face interaction with colleagues becomes less frequent. Regular social activities, good leadership, along with frequent training, help to achieve this.

Retention factors include leadership, the availability of learning opportunities and the potential to move upwards along the career path. The recruitment of a dedicated resource for learning and growth has allowed the continued development of strategies to ensure needs are identified and addressed, as well as having the right people in the right jobs.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Each department has a succession plan; this safeguards the future of the Bank and identifies imminent skills gaps.

There is constant dialogue and review of business plans to ensure business continuity at all levels, but particularly for key positions. Where possible, in-house talent is trained and groomed so they are ready to take new responsibilities when the time comes. The earlier the development needs are identified, the better, as this gives the employee the opportunity to test their skills under the guidance of a mentor. Some basic actions include:

- the identification of key people for more senior management posts in the future; 3 senior managers attended the ESSEC Executive Development Programme
- 10 employees following the Chartered Institute of Bankers Scotland (CIOBS) certification
- all members of the Bank's Treasury team are ACI certified
- continuous review of the Bank's high level training plan to narrow performance gaps; identifying programmes that employees need to attend
- established learning objectives for each training programme and a feedback mechanism/evaluation to measure effectiveness
- arranging job shadowing and a proactive approach to internal movement; this ensures gathering some experience and training before moving into new roles
- building a good reputation in the market as an employer that provides a challenging and stimulating place to work; this assists in hiring talented people

The Bank's induction programme includes culture, values, customer service and technical training.

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.

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, Intrasia Capital Pte Ltd, National Bank of Canada and the Bank.

SIGNIFICANT CONTRACTS

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

MANAGEMENT AGREEMENTS

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

GIFTS AND DONATIONS

The Group and the Bank made MUR 1,039,662 of gifts and donations during the year ended 30 June 2015 (2014: MUR 671,391/2013: MUR 271,746).

POLITICAL DONATIONS

The Group and the Bank made political donations of MUR 2,500,000 during the year ended 30 June 2015 (2014: Nil/2013: Nil).

RELATED PARTY TRANSACTIONS

Please refer to note 37 on "Related Party Disclosures" of the Annual Report.

HEALTH & SAFETY

At AfrAsia Bank Limited, the health and safety of its people is fundamental to daily operations. 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.

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.

AfrAsia Bank Limited has Health and Safety standards and policies as well as procedures to safeguard the occupational health, safety and welfare of its employees, clients and contractors working within its premises. Regular briefing sessions help keep employees informed and prepared for emergency events. Employees are involved in the identification of risks and the possible impact and mitigating actions as this helps promote a culture of safety and awareness, and provides more in terms of prevention and control. Specialised teams in all locations are briefed in First Aid and fire evacuation routines; a high level of preparedness helps when conducting the annual fire drills.

Highlights for the Financial Year 2014-2015

The Health and Safety Committee, as well as other employees, participate in the decision-making process; regular feedback, communication, consultation and training have resulted in the following initiatives:

- the redesign of work areas in Ebène and Port Louis
- first Aid training
- eye screening
- provision of footrests
- installation of diffusers below air conditioning units
- development of "Accident at Work Procedures"
- replacement of water fountain and provision of individual drinking bottles
- weekly inspections during construction of new office space
- improved internal communication and general health and safety awareness

Plans for 2015-2016

- inclusion of health and safety aspects in the induction programme
- awareness sessions for specialised roles to reduce risk factors (e.g messengers, tellers)
- continue with Fire Drills (in all locations)
- event to coincide with International Safety Day
- health screening programmes

ENVIRONMENTAL ACTIONS AND SOCIAL ISSUES

Futher information is provided on page 164

SOCIAL RESPONSIBILITY

Futher information is provided on page 164

MEETING OF, AND RELATIONSHIP WITH, STAKEHOLDERS

Futher information is provided on page 30

CORPORATE GOVERNANCE REPORT (CONTINUED)

SHAREHOLDERS' CALENDAR

Financial End	June
Annual Meeting of Shareholders	December

PUBLICATION OF FINANCIAL STATEMENTS

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

ORDINARY DIVIDENDS

Declaration	September - October
Payment	Upon receipt of approval from local regulators

CLASS A SHARES DIVIDENDS

Payment	June and December Upon receipt of approval from local regulators

IBL CORPORATE SERVICES LTD
COMPANY SECRETARY

24 September 2015

AFRASIA BANK
MAURITIUS OPEN
AT HERITAGE RESORTS

A GLOBAL MEDIA EQUIVALENCY OF

USD 83, 923, 954

ACHIEVED THROUGH THE TELEVISION BROADCAST OF AFRASIA BANK MAURITIUS OPEN 2015

Source: Repucom (Independent Audit Firm)

Credit: Heritage Golf Club

INNOVATE

We aim at upholding our position as a first-mover in the industry by continuing to innovate our products and services designed to evolve with clients' changing needs.


Credit: Heritage Golf Club

RISK MANAGEMENT REPORT

RISK MANAGEMENT REPORT

One of the key missions of AfrAsia Bank Limited (the "Bank") is to identify, assess and manage the credit, operational, market and liquidity risks to which the Bank is exposed, thereby providing a sustainable environment to attract and promote business opportunities whilst improving the risk/return profile of its activities.

Through a robust internal control mechanism, together with comprehensive and up-to-date risk policies, reliable decision making support with strict adherence to the legal and regulatory requirements, our goals remain to maintain the confidence of the stakeholders by mitigating our risk through the management of current and potential credit, operational, market and liquidity risks.

RISK MANAGEMENT STRUCTURE

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

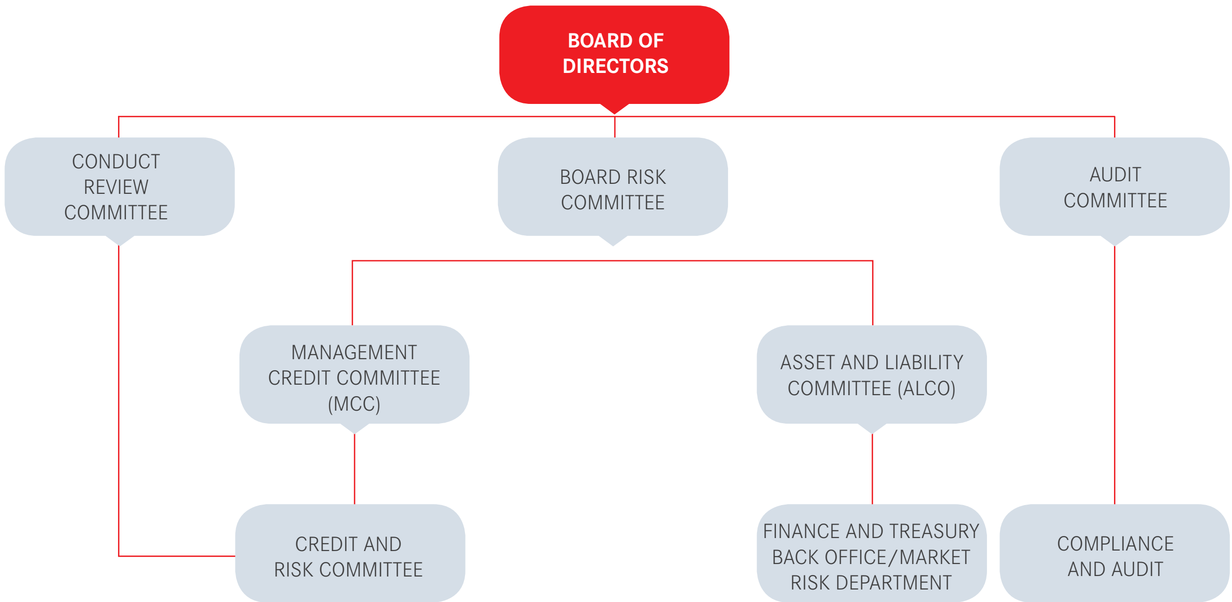
At a strategic level, the Bank's risk management objectives are to:

- 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;
- establish strong and independent reviews in a dynamic structure; optimisation of risk and return decisions are taken as closely as possible to be in line with our core business;
- ensure business growth plans are properly supported by effective risk infrastructure; and
- ensure that the management of risk profile for specific financial deliverables remain possible under a range of adverse business conditions.

The Bank's main approach is to establish a solid and effective Risk Management infrastructure in terms of people, systems, policies, procedures, control and compliance and to recommend to the Board changes to meet the challenges of the dynamic market.

The Bank also has a clear organisational structure and comprehensive policies and procedures to identify, evaluate, monitor and control risks across the organisation. Reviews and modifications to these risk management policies and procedures are regularly carried out to reflect changes in markets and business strategies.

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



RISK MANAGEMENT REPORT (CONTINUED)

The Board Risk Committee performs 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;
- reviewing and recommending for Board approval the Bank's credit risk strategy at least annually;
- reviewing, monitoring and recommending to the Board the approval of risk related policies, procedures and standards as required by regulatory authorities;
- 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 Group's needs. In addition, the Board regularly reviews reports analysing the Group's portfolio, including data on industry concentrations.

RISK COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

BOARD RISK COMMITTEE

- The Board Risk Committee (BRC) is made up of three Independent 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 BRC 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 BRC examines and approves large credit applications where global exposures exceed MUR 50m.

AUDIT COMMITTEE

- The Audit Committee is composed of the three Non-Executive Independent 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.

CONDUCT REVIEW COMMITTEE

- The Conduct Review Committee (CRC) is composed of the three Non-Executive Independent Directors and one advisor, which met four times during the year under review.
- CRC 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. The CRC also reviews all related party transactions with any shareholder when said dealings are above 2% of Tier 1 capital ensuring that transactions which could materially affect the financial stability of the Bank are identified at source

ASSETS AND LIABILITIES COMMITTEE

- 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.
- This committee, which comprises the CEO, the Deputy CEO, Head of Global Banking, Treasury and Markets, the General Manager, Domestic Banking Relationships & Sales, the General Manager and Director of AfrAsia Private Banking, the Head of Finance & Treasury Back Office, 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 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 BRC and comprises of 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)

RISK MANAGEMENT REPORT (CONTINUED)

MANAGEMENT OF KEY RISK AREAS

Credit Risk Management Overview

Credit risk is the risk arising from any failure by a borrower or counterparty to fulfil its financial obligations as and when they fall due. The effective management of risk is fundamental to activities as the Group remains committed to manage the business in a way that is consistent with the agreed risk appetite.

The credit risk that the Bank faces arises mainly from direct lending (wholesale and retail loans and advances), trade finance activities including debt securities settlement balances with market counterparties, available-for-sale assets and reverse repurchase loans, together with the counterparty credit risk arising from derivative contracts entered into with our clients.

Credit risk management objectives are to:

- maintain a well-defined portfolio management;
- ensure that an effective risk management infrastructure is in place;
- monitor risk portfolio against agreed limits; and
- maximise the stakeholder'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 is an adequate internal control mechanism and up-to-date and comprehensive risk policies which adhere to legal and regulatory requirements.

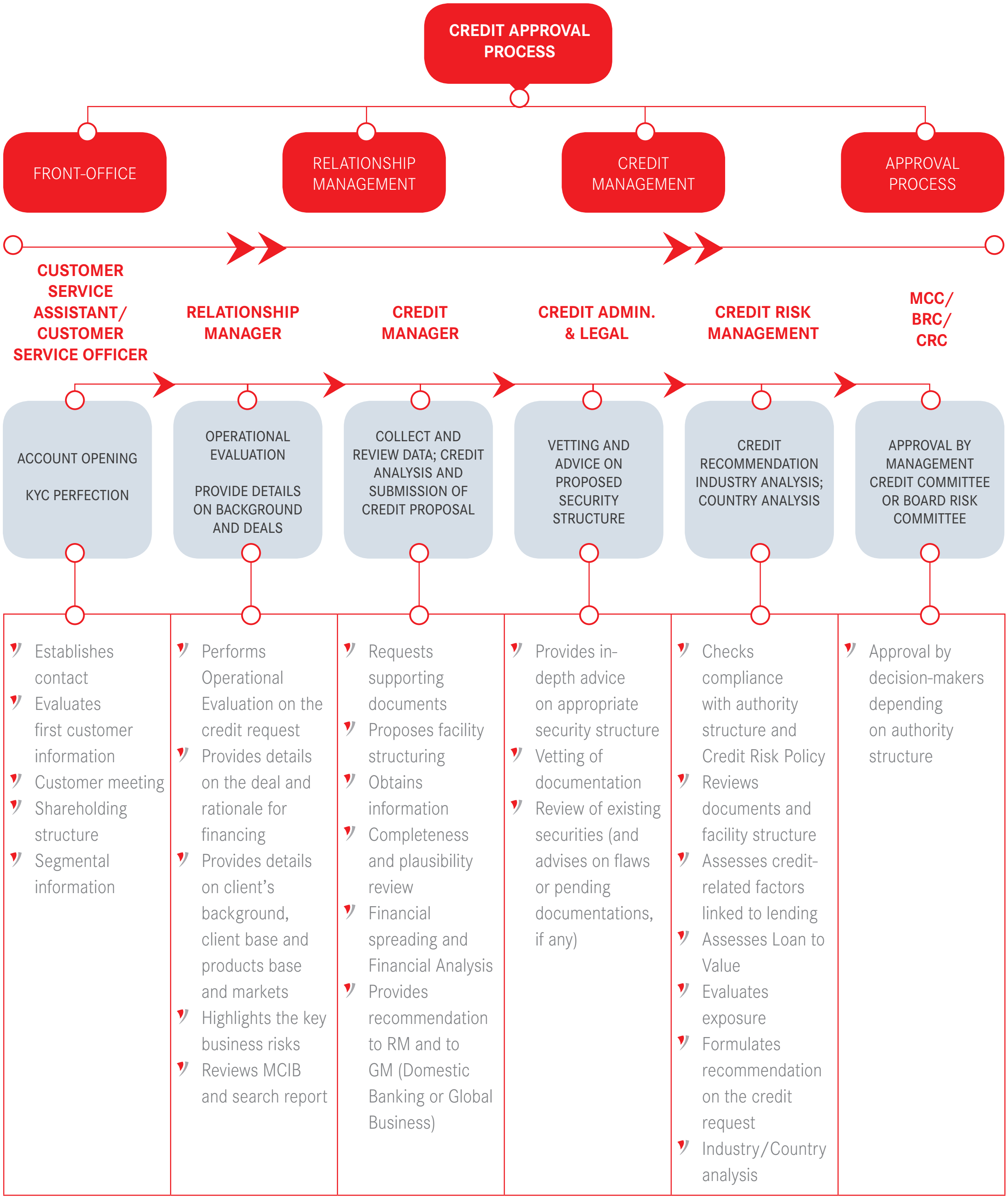
In designing credit policies and the credit process, due consideration is given to the Bank's commitment to:

- 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 only the head of the department entrusted with the higher levels of delegated authority.

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



RISK MANAGEMENT REPORT (CONTINUED)

CREDIT RISK

Credit Policies

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 development in the customers' financial situation is 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 flow assessment 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 are 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 MONITORING

Monitoring weaknesses in portfolios

Credit risk exposures and weaknesses are 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 a watch list (WL), the files are reviewed at least monthly to ensure prompt action is taken. The basis for provisioning and loan assessment is based on the Guideline on Credit Impairment and Income Recognition issued by the Bank of Mauritius.

Corporate portfolios

Corporate accounts that are showing signs of deterioration or a likelihood of potential credit losses risk are recorded on the 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 borrowers, 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

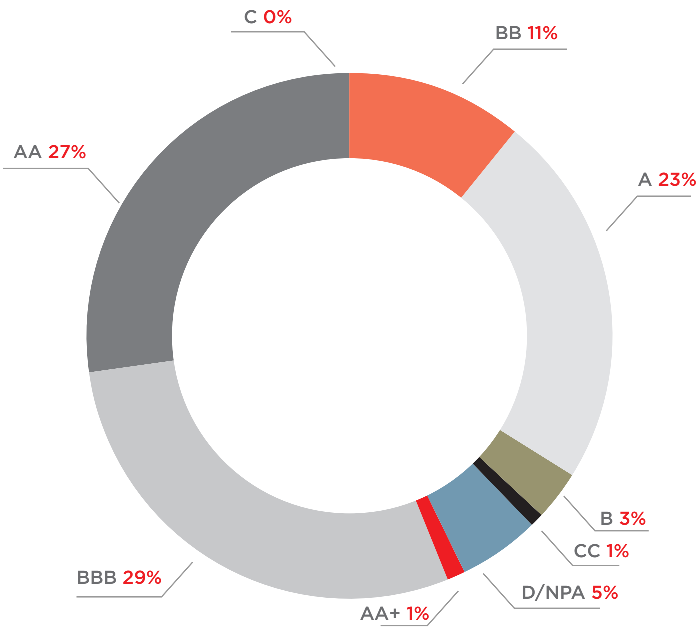
Within the retail portfolios, the approach is consistent with the Bank's policy of raising a collective impairment allowance as soon as objective evidence of impairment is identified. Retail accounts can be classified according to specified categories of arrears status, which reflects the level of contractual 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 will be classified and monitored by the recovery unit.

RISK MANAGEMENT REPORT (CONTINUED)

ASSET CREDIT QUALITY

CRISIL Rating	Description	Overall CRISIL Rating	%
		MUR	MUR
AAA	Investment Grade - Highest safety	-	0%
AA+	Investment Grade - High safety	282,033,466	1%
AA	Investment Grade - High safety	5,908338,338	27%
A	Investment Grade - Adequate safety	5,110,077,910	23%
BBB	Investment Grade - Moderate safety	6,466,497,190	29%
BB	Investment Grade - Moderate safety	2,319,876,482	11%
B	Investment Grade - Minimum safety	592,961,582	3%
CC	Sub-Investment Grade - Inadequate safety	142,602,886	1%
C	Sub-Investment Grade - High risk	6,769,953	0%
D/NPA	Default	1,140,731,822	5%
Sub-Total		21,969,889,630	
Credit Card		123,967,610	1%
Grand-Total		22,093,857,240	100%

CRISIL RATING



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 allowances against financial assets that have been individually impaired and that are subject to collective impairment.
- Loans neither past due nor impaired consist predominantly of loans that are performing.

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

As at 30 June 2015, 94% 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 6% were either sub-investment grade (facilities being on the watchlist where there are arrears and borrowings classified as non-performing).

Total Non-Performing Assets (including credit cards NPA of MUR 7,401,921) were at MUR 1,148,133,743 representing 5.20% of total asset book. This has increased from last financial year from 2.66%. The Bank has classified as NPA few large corporates over this financial year.

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.

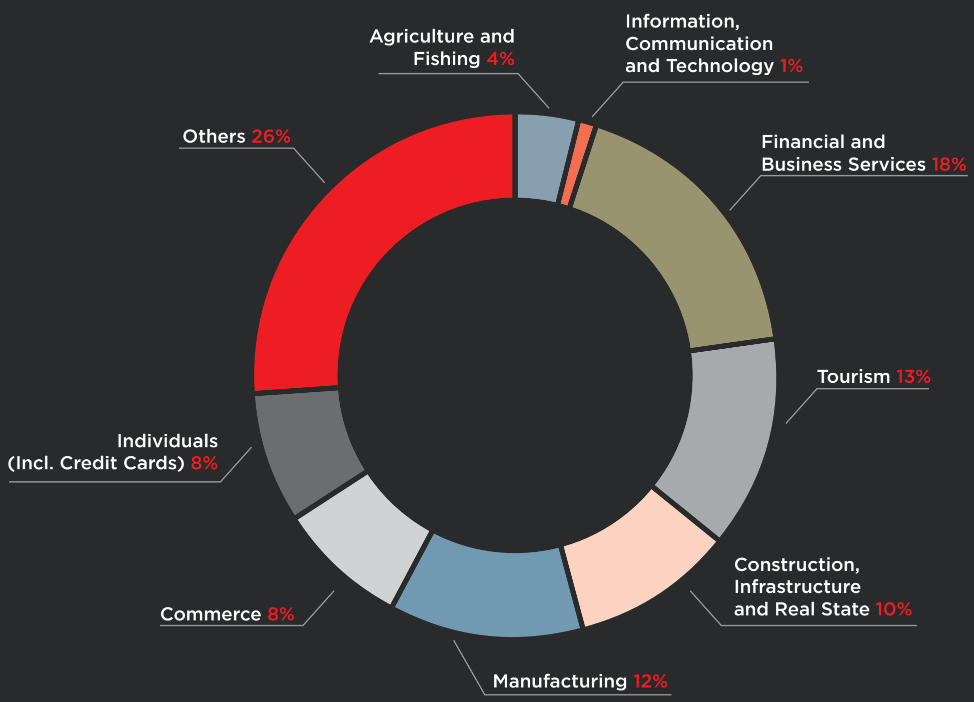
Exposure risk arises due to the over-dependency on a particular sector of the economy, geographical area, industry and currency. Exposure for a single party or a group is managed through sector limits with monitoring and approval on a monthly basis to the MCC and BRC.

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

SECTOR	OUTSTANDING BALANCE	
	30 June 2015 (MUR'000)	30 June 2014 (MUR'000)
Financial and Business Services	3,856,234	2,670,704
Tourism	2,800,971	2,097,708
Construction, Infrastructure and Real Estate	2,288,266	2,329,744
Manufacturing	2,636,013	2,669,042
Commerce	1,803,152	1,659,370
Individuals (incl. Credit Cards)	1,847,212	1,548,075
Others	5,772,814	3,813,644
Agriculture and Fishing	927,736	675,507
Information, Communication and Technology	161,460	190,606
Total Exposure	22,093,857	17,654,400

RISK MANAGEMENT REPORT (CONTINUED)

UTILISATION LEVEL



OUTSTANDING BALANCE - PAST 5 YEARS

During the Financial Year 2014/15, 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 close attention to 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:

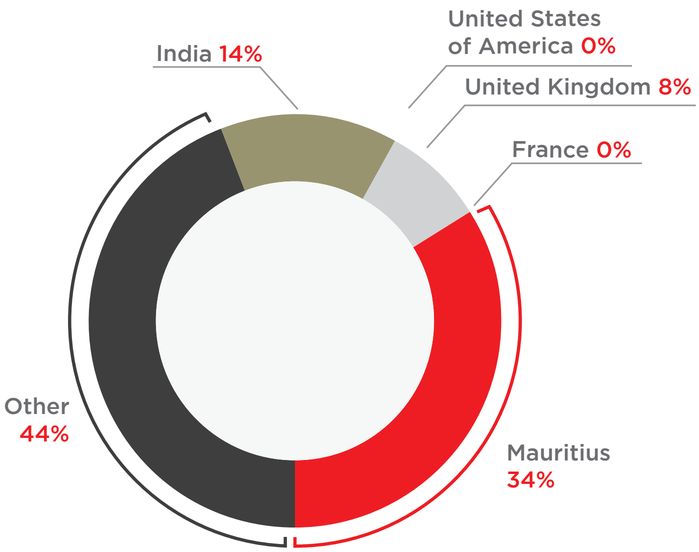
- a maximum exposure to any single customer of 25%;
- a maximum exposure to a related group of companies to 40% of the Bank's capital base;
- in aggregate, any individual exposure of 15% above the Bank's capital base shall not exceed 600% of its capital base.

The 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 139% as at 30 June 2015, well within the regulatory limit of 600% as shown below:

CAPITAL BASE AS AT 30 JUNE 2015	MUR'000
Tier I	4,016,507
Tier II	896,799
Capital Base	4,913,306
Total Large Exposures (15% above)	6,833,167
% Large exposure v/s Capital Base (Limitation 600%)	139%

The Bank'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, the 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



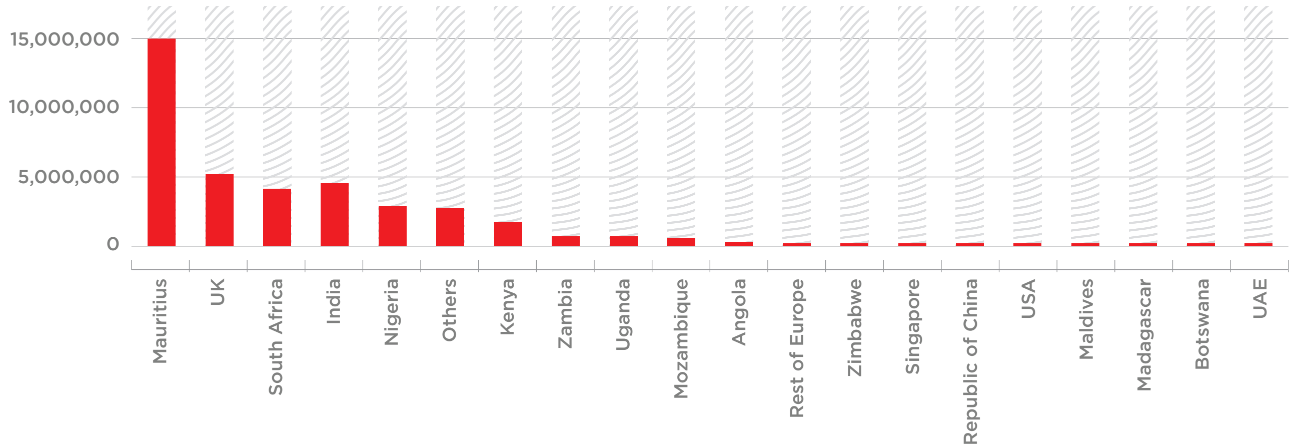
RISK MANAGEMENT REPORT (CONTINUED)

The Board of Directors is responsible for setting the Bank's tolerance for country risk. 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.

LOANS AND PLACEMENTS AS OF 30 JUNE 2015

COUNTRY EXPOSURE: LOANS AND PLACEMENTS



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.

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 connection, 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 utilizes two types of approach:

- a bottom-up approach analysis of the country risk pertaining to each cross-border credit files, placements, financial products (among others)
- a top-down approach:
    - analysis of the concentration/diversification of country risk in the Bank's portfolio
    - analysis of the global or regional economic and political 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 offer a 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.

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

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

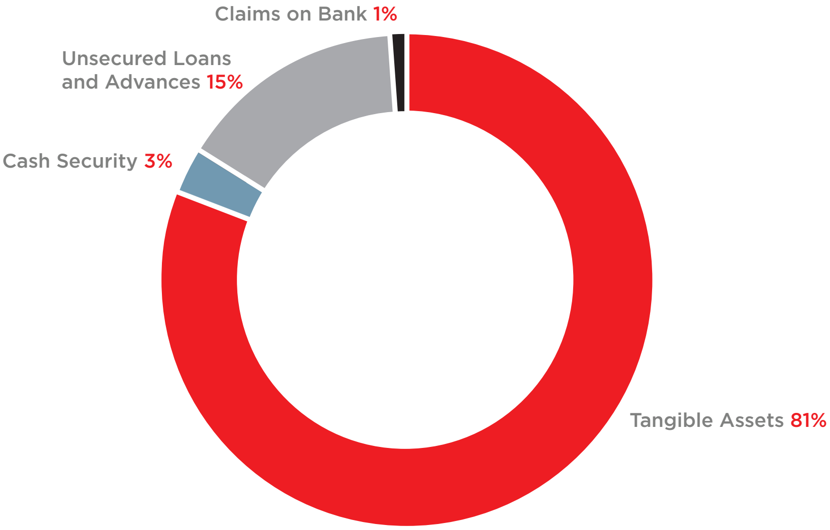
CREDIT RISK MITIGATION

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. Collateral is 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 technique used to enforce the risk mitigation.

COLLATERAL CHART	MUR'000
Cash Security	738,896
Unsecured Loans and Advances	3,281,990
Claims on Bank	282,795
Tangible Assets	17,790,175
Total Loans and Advances	22,093,857

RISK MANAGEMENT REPORT (CONTINUED)

COLLATERAL COVER



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 are 3% of the asset book, whilst 1% of total asset book was for claims on banks.

MARKET AND LIQUIDITY RISK

Asset And Liability Committee

The objective of the Asset and Liability Committee is to ensure that the Bank's overall asset and liability structure and market risk including liquidity, currency and interest rate risks are managed within the prudential limits and targets delegated by its Board Risk Committee and in accordance with the Guidelines set by the Bank of Mauritius.

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, is composed of some of the Executive Committee members and meets at least once monthly to review the ALCO risk ratios, financials and other relevant information.

A sub-committee of the ALCO is the Treasury Committee; the main purpose of which is to monitor on a weekly basis the Bank's liquidity position and decide on its investment in Government securities and bank placements.

MARKET RISK MANAGEMENT

Market Risk Management is an independent risk management function that works in close partnership with the lines of business, mainly Treasury desk, to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. The Market Risk function reports to the Bank's Head of Risk.

Market Risk Management seeks to control risks, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators.

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. This Department carries out the following tasks:

- establishment of a market risk policy framework;
- independent measurement, monitoring and control of Bank wide market risk;
- definition, approval and monitoring of limits;
- qualitative risk assessments; and
- definition of risk measurement methods, approval of the valuation models used to calculate risks and results.

MARKET RISK

Market risk is the potential for adverse changes in the value of the Bank's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices or commodity prices.

INTEREST RATE RISK

With regards to its commercial activities, AfrAsia Bank Limited is exposed to rate fluctuations in several currencies.

This structural interest rate risk arises mainly from the residual gaps (surplus or deficit) of the Money Market & Fixed Income Desk fixed-rate forecasted positions.

AfrAsia Bank Limited 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 are exposed.

The following observations can be made with regards to the business structural interest rate risk:

- treasury redirects mainly the funds into Government securities, Nostro, banks placements and margin accounts and invests a non-significant part into corporate bonds. Loans granted to clients represent almost one third of Interest-Bearing Asset;

RISK MANAGEMENT REPORT (CONTINUED)

- the funding stems mainly from clients' current accounts, time deposits and saving accounts; and
- the impact of interest rate fluctuations on the Bank's Net Interest Income (NII) over a one year period is limited. The most significant sensitivities for NII are for a further decrease of MUR rate and an increase Federal Reserves Bank. See Note 38(d) for Interest Rate Risk Analysis.

CURRENCY RISK

Currency risk or foreign exchange risk is defined as the risk that the value of the Bank's foreign currency positions may be adversely affected by movements in foreign exchange rates.

The Bank does not actively take foreign exchange risk in its core deposit taking and lending operations.

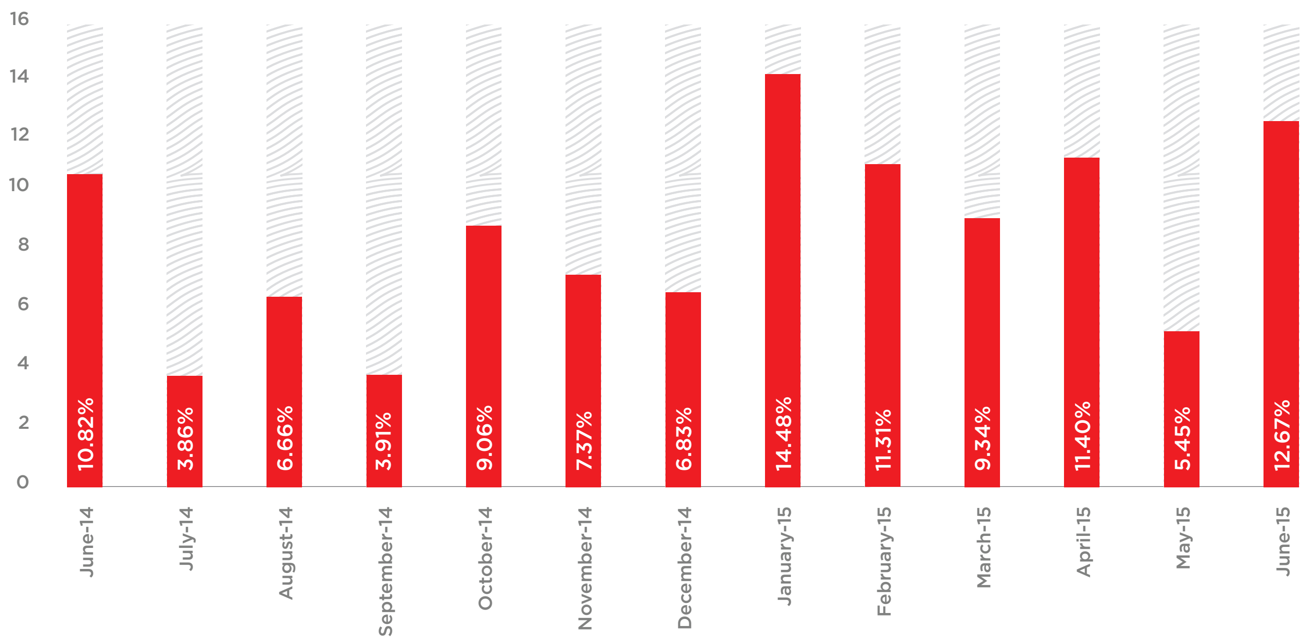
However, the Bank services clients' activity in products across foreign exchange and structured foreign exchange products and acting as a market maker dealer for corporate and institutional clients does require the management of "open positions" from foreign exchange transactions with these counterparties.

These positions are monitored daily according to prudential trading limits that have been delegated to dealers by the Board Risk Management Committee on intra-day and overnight open exposures. Transactions are mostly micro hedged or back-to-back with other banks.

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

- the Bank's net open, either overbought/oversold, position against the Mauritian Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 30 June 2015, which is in compliance with the Bank of Mauritius requirements.

FOREIGN EXCHANGE EXPOSURE FROM JUNE 2014 to JUNE 2015 on a monthly basis



- 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.

				EFFECT ON PROFIT OF CHANGE IN CURRENCY ON		SENSITIVITY OF NET INCOME AND EQUITY
CURRENCY	% change in currency rate	Assets	Liabilities	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
AUD	+5%	633,079	631,064	31,654	(31,553)	101
	-5%			(31,654)	31,553	(101)
EUR	+5%	13,287,577	13,156,548	664,379	(657,827)	6,551
	-5%			(664,379)	657,827	(6,551)
GBP	+5%	3,897,727	3,892,020	194,886	(194,601)	285
	-5%			(194,886)	194,601	(285)
USD	+5%	41,410,619	41,168,418	2,070,531	(2,058,421)	12,110
	-5%			(2,070,531)	2,058,421	(12,110)
OTHERS - FCY	+5%	1,989,017	1,957,935	99,451	(97,897)	1,554
	-5%			(99,451)	97,897	(1,554)

LIMITS

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

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

The Bank maintains different levels of limits:

Dealers' limits

- Dealers operate within limits approved and are tightly monitored by Back Office
- Dealers request for sign-off from approved signatories ahead of a deal that triggers their dealing limits.

Counterparty limits

- Exposure is determined according to the nature of the contract and its maturity.

RISK MANAGEMENT REPORT (CONTINUED)

Products limits

- Dealers can only transact in products that have been approved by Board Risk Committee;
- Product limits are tightly monitored by the Treasury Back Office.

Forex Exposure limits

- Foreign exposure is monitored daily and a report is sent to the Bank of Mauritius every day;
- Overall currency exposure may not exceed 15% of Tier 1 Capital and single currency limit is set at 10% of Tier 1 Capital.

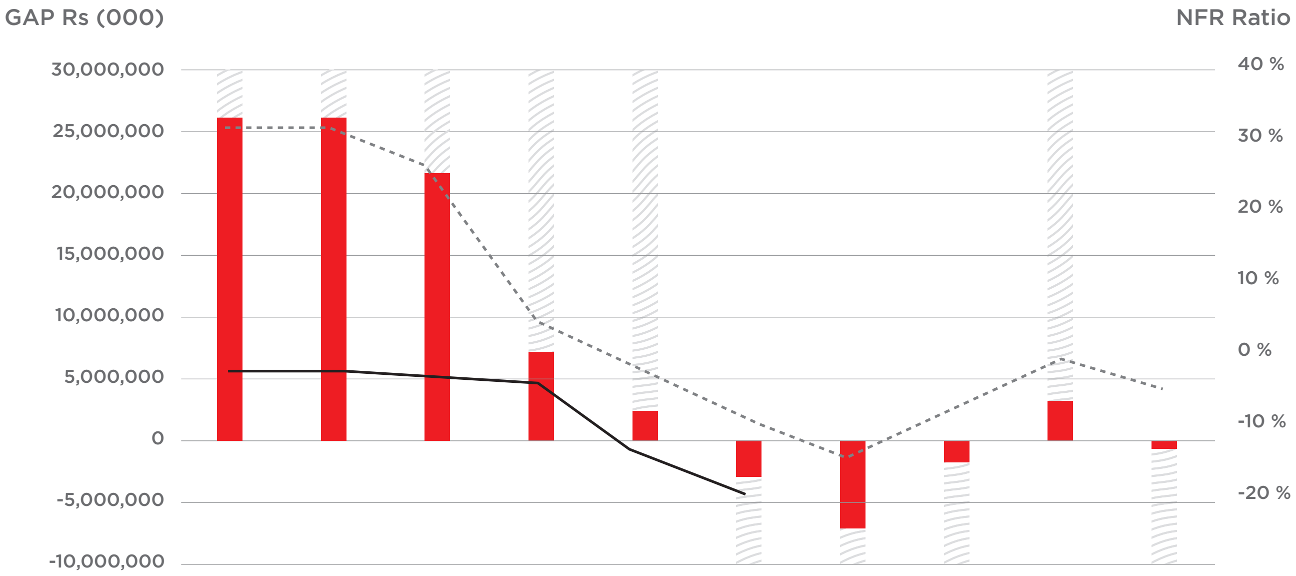
LIQUIDITY RISK

Liquidity risk is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price.

The Bank's Net Funding Ratio ("NFR") analysis requires the building of a maturity ladder to determine any fund excess or shortage at selected maturity dates on a day-to-day basis and on a much longer period. The Bank has, in this respect, prudently set its NFR Gap in line with the guideline on Liquidity Risk Management issued by the Bank of Mauritius. No excess is recorded as at 30 June 2015.

LIQUIDITY GAP ANALYSIS: MUR + FCY

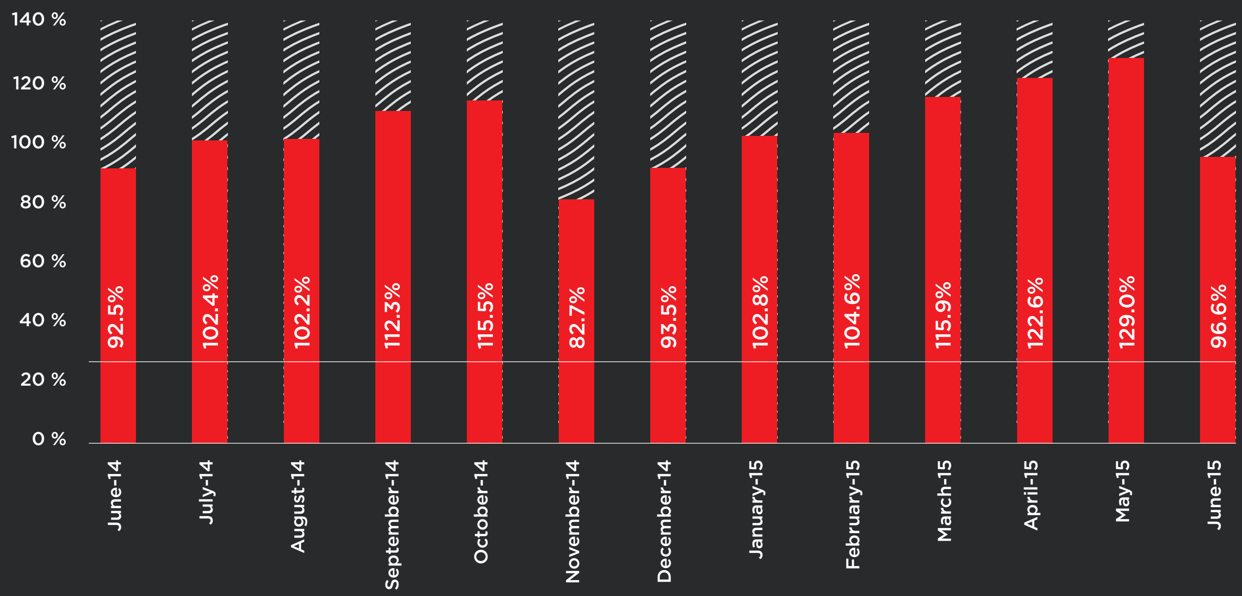
JUNE 2015



	1 Day	2-7 Days	8-14 Days	15 Days to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 years	>3 years	Non Maturity Items
Cum Gap	26,842,069	26,702,879	22,239,506	7,343,358	2,367,223	-2,924,207	-7,166,044	-1,861,587	3,058,656	-228,125
NFR Ratio	34.01%	33.83%	28.17%	9.30%	3.00%	-3.07%	-9.08%	-2.36%	3.87%	0.29%
BoM Limits	2%	2%	1%	1%	-10%	-15%				

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 on the following page shows the month end liquidity ratio maintained during the financial year ended 30 June 2015 against the limit approved by the Board Risk Committee.

LIQUIDITY RATIO - JUNE 2014 TO JUNE 2015



OPERATIONAL RISKS INFORMATION

Operational risks include risks of losses resulting from defects in IT systems, legal disputes, inadequate or erroneous procedures and fraud. The Bank limits its operational risks with business procedures and internal controls that are updated and adjusted to its current business conditions on an on-going basis. The Bank has been computing its operational risks capital computation in line with the 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.

RISK MANAGEMENT REPORT (CONTINUED)

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. To that end, all Heads of Department have participated in this review and each department has nominated an Operational Risk Business Coordinator (ORBC) who works closely with risk management. Procedures and processes have been updated accordingly and action plans designed for each area.

The review conducted during the financial year ended June 2015 showed that risk ranges from 'low' to 'low to medium'. The overall results were unchanged from last financial year end. Additional controls have been put in place and additional staff have been recruited as well as restructuring of some departments happened in financial year 2014 to ensure higher controls.

Department	Average Rating
Strategic Development/AIL	C
Credit & Risk Management	C
Domestic Sales	C
Treasury	C
Finance	C
Marketing	C
Global Business	C
Human Resources	C
Information Technology	C
Administration	C
Business Operations	C

A - High B - Medium to High C - Low to Medium D - Low

Where, the Risk Matrix/Measurement at the Bank being

Absolute/ Inherent Level of Risk	Exposure					
		1	2	3	4	5
	>10	C	B	B	A	A
	8 to 10	C	C	B	B	A
	5 to 7	C	C	C	B	B
	3 to 4	D	C	C	C	B
	0 to 2	D	D	C	C	C

A - High   B - Medium to High   C - Low to Medium   D - Low

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. The two systems will enhance the level of controls and risk monitoring capabilities. A new system for higher controls has also been implemented for AML monitoring and detection.

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 to 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 minimizes operational, financial, legal, reputational and other material consequences arising from any disruption to the primary IT infrastructure.

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 put 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.

RISK MANAGEMENT REPORT (CONTINUED)

The Bank has moved its data centre to Ebène and set up the Disaster Recovery (DR) site in its premises at Port Louis.

The network of the Bank has been upgraded this year to mitigate the risk of failure from a single provider. There are redundant links between the Bank sites in Port Louis and Ebène and also for internet connectivity.

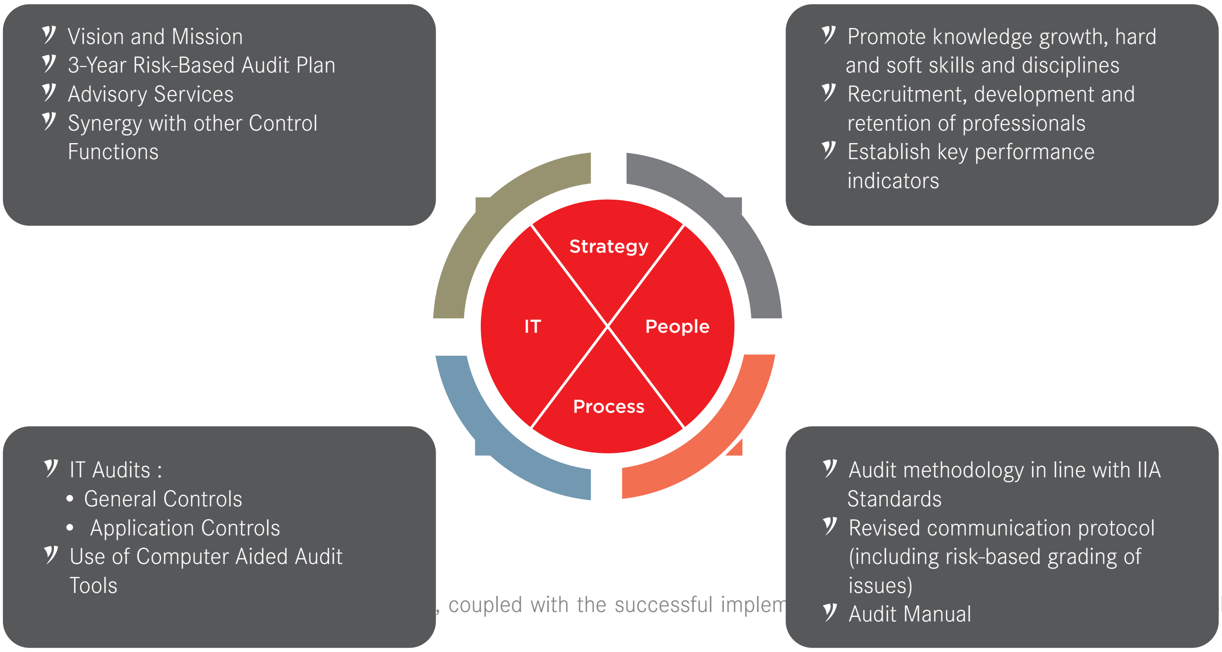
A BCM test is performed annually for all critical infrastructure involving all functions and user groups of the Bank to ensure the effectiveness of the processes and the readiness of the infrastructure and people.

INTERNAL AUDIT

During the year under review, the Internal Audit Department has conducted 29 operational audits and ad hoc assignments covering several business operations of the Bank. As at this date, a significant number of recommendations has been satisfactorily addressed by Management. In addition, an independent service provider performed an IT Security Assessment, whereby - after necessary corrective actions - it was concluded that AfrAsia Bank Limited's network, operating and database systems (including Internet Banking) were adequately secured.

The Bank has appointed a new Head of Internal Audit, effective 1 July 2015, following the retirement of the former Head. As was previously the case, reporting lines will remain to the Audit Committee for direction and accountability and to the Executive Directors for administrative interface and support in line with good governance practices.

A more robust framework, through the elaboration of a 3-year strategic plan amongst others, is being implemented to enable the Internal Audit Function to progressively position itself as a strategically focused unit as defined by the Institute of Internal Auditors (IIA)*. Four pillars, namely (i) Strategy, (ii) People (iii) Process and (iv) Information Technology, have been identified as primary basis to help accomplishing the set objective, as illustrated below:



, coupled with the successful implem … hould in the near future be in a position to provide relevant stakeholders of the Bank with more value added solutions, insight and innovative approach to help the organisation accomplish its objectives.

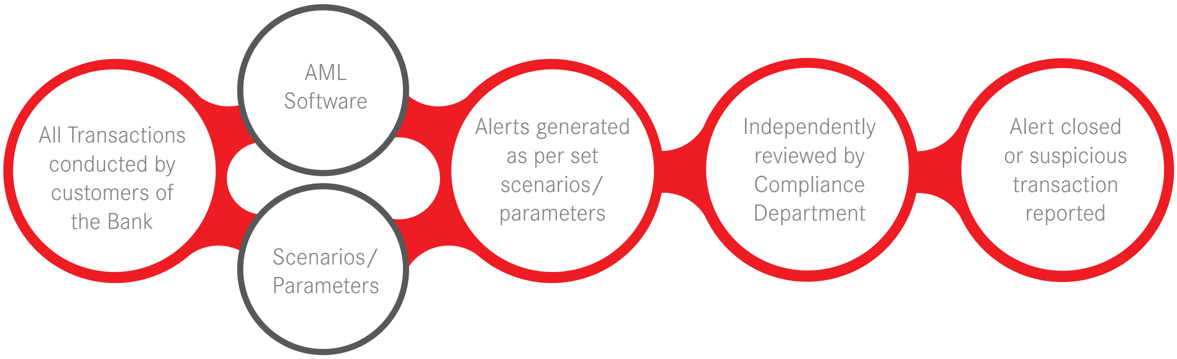
*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management,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

COMPLIANCE

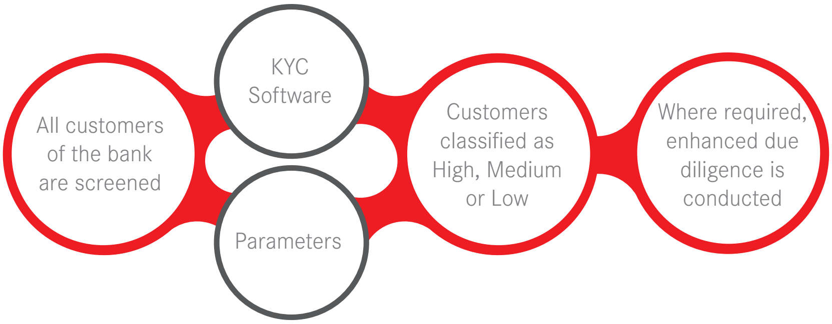
The Bank's Compliance Function is responsible for the identification and management of Compliance and Money Laundering Risk. Internal control and risk mitigation measures are put in place and implemented to ensure compliance with the relevant laws, regulations and internal policies and procedures.

As per the approved Compliance Plan, Compliance reviews of departments are conducted and reports are duly submitted to Senior Management, the Compliance Committee, Audit Committee of the Board and the Board of Directors.

With the implementation of a fully automated Anti-Money Laundering Software, the Compliance Department independently reviews transactions and the Anti-Money Laundering 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 Money Laundering Reporting Officer.



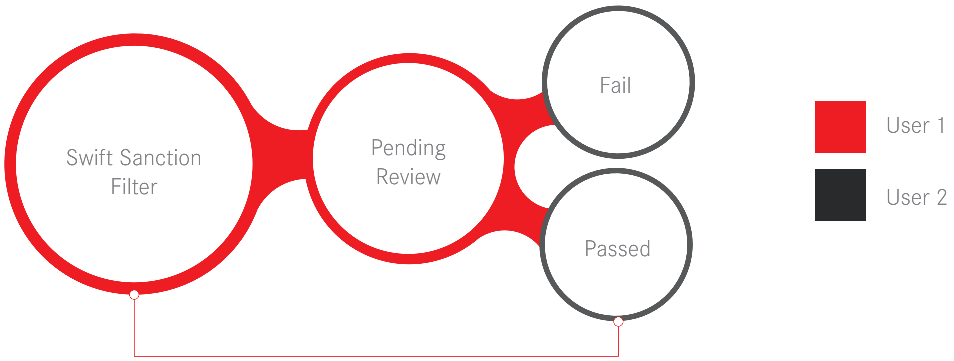
Furthermore the Know Your Customer software in place allows KYC profiling, which is improved through enhanced due diligence, customer identification, screening and customer risk scoring.



RISK MANAGEMENT REPORT (CONTINUED)

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 decision workflow below 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	BASEL III	BASEL II	BASEL II
	2015	2014	2013
	MUR'000	MUR'000	MUR'000
Common Equity Tier 1 capital: instruments and reserves			
Share Capital	2,511,291	3,133,884	1,694,593
Share premium (from issue of ordinary shares included in CET1)	13,923	14,283	15,848
Statutory reserve	152,116	125,861	92,464
Accumulated other comprehensive income and other disclosed reserves	182,164	332,175	304,599
Common Equity Tier 1 capital before regulatory adjustments	2,859,494	3,606,203	2,107,504
Common Equity Tier 1 capital: regulatory adjustments			
Treasury (Own Shares)	-	(405,776)	-
Other intangible assets	(48,018)	(37,667)	(15,420)
Deferred Tax	(19,607)	(8,897)	(8,055)
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)	(356,045)	(191,557)
Total regulatory adjustments to Common Equity Tier 1 capital	(162,406)	(808,385)	(215,032)
Common Equity Tier 1 capital (CET1)	2,697,087	2,797,818	1,892,472

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

AFRASIA BANK LIMITED BASEL	BASEL III	BASEL II	BASEL II
	2015	2014	2013
	MUR'000	MUR'000	MUR'000
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)	1,319,420	-	-
Additional Tier 1 capital before regulatory adjustments	**1,319,420**	**-**	**-**
Additional Tier 1 capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital (AT1)	1,319,420	-	-
Tier 1 capital (T1 = CET1 + AT1)	4,016,507	2,797,818	**1,892,472**
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)	684,463	836,345	841,301
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)	307,117	219,363	155,479
Tier 2 capital before regulatory adjustments	991,580	1,055,708	996,780
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)	(356,045)	(191,557)
Other Adjustments to Tier 2 capital	-	-	-
Total regulatory adjustments to Tier 2 capital	**(94,781)**	**(356,045)**	**(191,557)**
Tier 2 capital (T2)	896,799	699,663	805,223
Total Capital (capital base) (TC = T1 + T2)	4,913,306	3,497,481	2,697,695
Risk weighted assets			
Credit Risk	33,646,596	25,170,144	20,215,748
Market Risk	491,320	418,328	681,890
Operational Risk	1,743,573	1,168,809	765,474
Total risk weighted assets	**35,881,489**	**26,757,280**	**21,663,112**

Capital ratios (as a percentage of risk weighted assets)	Regulatory Limits Under Basel III			
CET1 capital ratio	6.0%	7.5%	N/A	N/A
Tier 1 capital ratio	7.5%	11.2%	N/A	N/A
Total capital ratio	10.0%	13.7%	13.1%	12.5%

RISK MANAGEMENT REPORT (CONTINUED)

	30 JUNE 2015			
Reconciliation with audited financial statements	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III	Differences	Remarks
	MUR	MUR	MUR	
Assets				
Cash and cash equivalent	2,512,469,499	2,512,469,499	-	
Trading assets	1,967,124,284	1,967,124,284	-	
Pledged assets	-	-	-	
Derivative assets held for risk management	-	-	-	
Loans and advances to banks	41,434,529,360	41,434,529,360	-	
Loans and advances to customers	21,707,867,640	21,838,898,874	(131,031,234)	Portfolio provision included as Tier 2 capital
Derivative financial instruments	68,527,133	68,527,133	-	
Financial investments - held for maturity	5,071,692,345	5,071,692,345	-	
Investment securities				
of which: Significant capital investments in financial sector entities exceeding 10% threshold	189,562,500	-	189,562,500	Included as a regulatory adjustment
Property, plant and equipment	98,955,009	98,955,009	-	
Intangible assets				
of which: Goodwill	-	-	-	
of which: Other intangible assets	48,018,166	-	48,018,166	Included as a regulatory adjustment
Deferred tax assets	19,607,046	-	19,607,046	Included as a regulatory adjustment
Other assets of which: Defined benefit pension fund assets	288,150,482	288,150,482	-	
Total assets	73,406,503,463	73,280,346,986	126,156,477	
Liabilities				
Deposits from banks	227,411,484	-	227,411,484	
Deposits from customers	66,928,650,521	-	66,928,650,521	
Derivative financial instruments	54,775,438	-	54,775,438	
Subordinated liabilities				
of which: Subordinated debt not eligible for inclusion in regulatory capital	409,811,103	-	409,811,103	
of which: Subordinated debt eligible for inclusion in regulatory capital	684,463,457	684,463,457	-	

	30 JUNE 2015			
Reconciliation with audited financial statements	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III	Differences	Remarks
	MUR	MUR	MUR	
Current tax liabilities	51,327,383	-	51,327,383	
Other liabilities	531,786,209	-	531,786,209	
Total liabilities	68,888,225,595	684,463,457	68,203,762,137	
Shareholders' Equity				
Share capital and share premium				
of which amount eligible for CET1	2,608,220,571	2,511,290,607	96,929,964	Not eligible for inclusion in CET1
of which amount eligible for AT1	1,385,768,119	1,319,419,547	66,348,572	Not eligible for inclusion in AT1
Retained earnings	107,087,117	107,087,117	-	
Other reserves	417,202,061	417,202,061	-	
Total shareholders' equity	4,518,277,868	4,354,999,332	163,278,536	

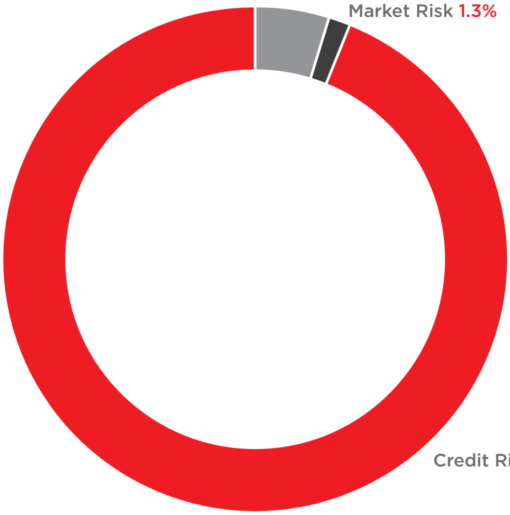
RISK MANAGEMENT REPORT (CONTINUED)

RISK WEIGHTED ASSETS

Total Risk Weighted Assets as at 30 June 2015 was at MUR 35,881,489,346 versus capital base of MUR 4,913,306,315.
Analysis by risk type:

Credit Risk	MUR 33,646,596,314
Market Risk	MUR 491,319,869
Operational Risk	MUR 1,743,573,163

RISK WEIGHTED ASSETS



SUPERVISORY REVIEW PROCESS AND STRESS TESTING

In line with the Bank of Mauritius 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 and loss and statement of financial position 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 the 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.

The ICAAP certificate for FY 2014 had been prepared in line with the guidelines and showed that the Bank has adequate capital to sustain targeted growth. This ICAAP exercise for FY 2014 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 the Bank's capital requirements and introduces new regulatory requirements on the Bank's liquidity and 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 the Bank to hold more capital and higher quality of capital than under current Basel III rules. The new leverage and liquidity ratios introduce a non-risk based measure to supplement the risk-based minimum capital requirements and measures to ensure that adequate funding is maintained in case of crisis. As per the recommendations, the Bank is expected to be compliant by 1st January 2018. Our local supervisor has issued guidelines and recommendations as to measures to be taken by the Bank in line with Basel III. The Bank is geared to implement the proposed Basel III requirements.

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 Conduct Review Committee to review and approve all 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 Conduct Review Committee.

The Conduct Review Committee ("CRC") comprises three Independent Directors and one Independent Advisor who are not officers or employees of the Bank. This Committee is responsible for the approval of all Category 1 and Category 2 related party transactions, which are not exempted as per Bank of Mauritius guidelines (falling below 2% of Tier 1 capital).

All related party transactions are reviewed at the level of the Conduct Review Committee, 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 the Bank and exceeding 2% of Tier 1 capital, even not classified as Related Party as per Bank of Mauritius guidelines, are reviewed by the CRC on a quarterly basis.

During the normal course of business in 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 2015, related party exposure was within regulatory guidelines at 37.6% (Cat 1 and Cat 2). However, the Bank has made a provision of MUR 100.2m on a facility granted to one of its subsidiaries, which has been considered as impaired.

The Bank has complied in all respects with 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 Conduct Review Committee on a quarterly basis.

INSIGHT

We continue to leverage opportunities of 'The Hopeful Continent' while hiring people with varied expertise to gain insight into the dynamics of emerging African markets.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW AND OUTLOOK

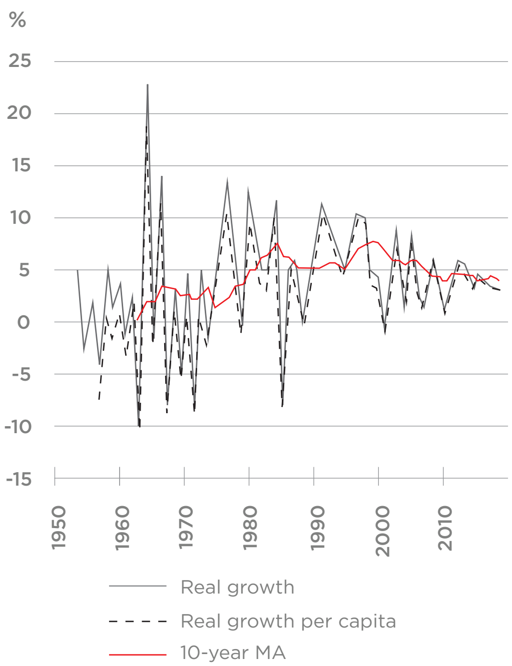
The Domestic Landscape – Review of 2014/15

2014 elections: A landslide signaling sweeping reforms

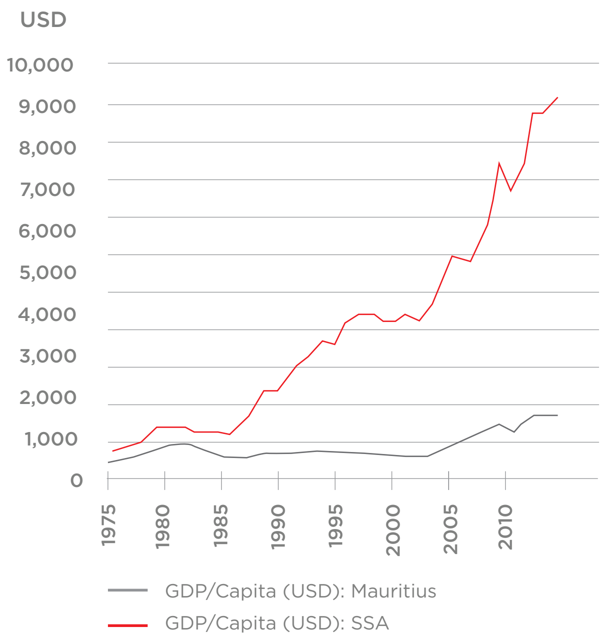
On 17 December 2014, a new coalition Government was sworn in after winning a spectacular and unexpected landslide victory in the general elections. This brought an end to nine years of power led by the Labour Party and signaled the beginning of a new economic agenda, which was the hallmark of the electoral campaign. After months of uncertainties and stalled policy action which are often characteristics of any democratic pre-election period, the new Government took office with the promise that it would bring a "second economic miracle" to the shores of Mauritius.

Whilst the first few months have been characterised by what some would term as "populism" and others "interventionism," the country is now "at the crossroads" (which was the title of the first Budget presented by the new team), faced with new realities on the ground, the most important being the threat of a "middle-income trap" and growing disparities in income levels and distribution.

GROWTH AVERAGED 5% OVER THE LAST DECADES AND AVERAGED 4% LATELY



PER-CAPITA INCOME ROSE RAPIDLY, PUTTING MAURITIUS FIRMLY IN HIGH MIDDLE INCOME STATUS



Pictorial representation of what Mauritius calls its 'first economic miracle'
Source: Systematic Country Diagnostic, World Bank Group, June 2015

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

High expectations for a new growth model

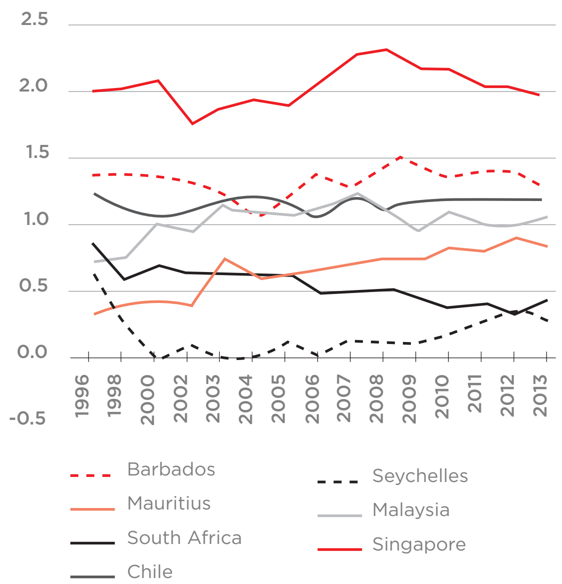
In its 2015-2019 programme, the Government declared its objective to "transform Mauritius into a truly forward looking, environmentally sustainable, economically vibrant and innovative country with modern infrastructure, global connectivity, high skills and technology." Heavy emphasis is laid on high-quality infrastructure to boost Mauritius' productivity and competitiveness indicators. The infrastructure vision, as elaborated in the Public Sector Investment Programme January 2015 - June 2019, is expected to cost some USD 4bn.

The policy agenda promising a 'second economic miracle' is expected to be largely based on social cohesion and inclusive growth. Incidentally, the new government comprises the same Prime Minister and the same Finance Minister as during the 'first economic miracle'. The latter is often referred to in Mauritius as the period beginning in the mid-1980s and extending to the late 1990s. Between 1973 and 1999, despite low initial conditions, real GDP growth in Mauritius averaged 5.9% per year as compared with 2.4% in Africa. In terms of per capita income, the achievements were 3.25% and about 0.7% respectively. As reported by Subramaniam and Roy, the income of the average Mauritian has increased three and a half times over a forty-year period, while that of the average African has increased by 32%.

Renewed emphasis on governance

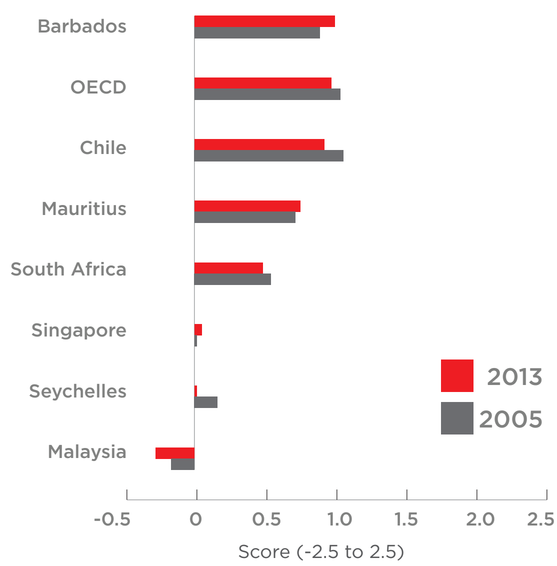
The authorities have vowed to lay heavy emphasis on governance and transparency in all their dealings. A new Ministry of Financial Services, Good Governance and Institutional Reforms has been set up, which is proposing to enact several new legislations in 2015 and 2016 to strengthen governance, ethics and enhanced financial reporting in Mauritius and, above all, improve Mauritius' rankings in the World Governance Indicators as well as control of corruption.

GOVERNANCE EFFECTIVENESS, 1996-2013



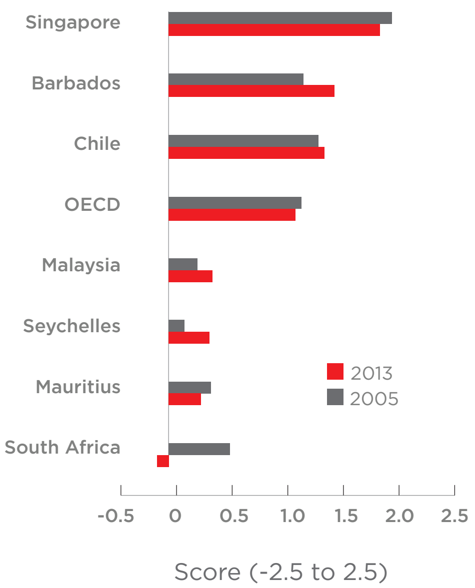
Governance effectiveness, 1996-2013
Source: Worldwide Governance Indicators

VOICE AND ACCOUNTABILITY, 2005-2013

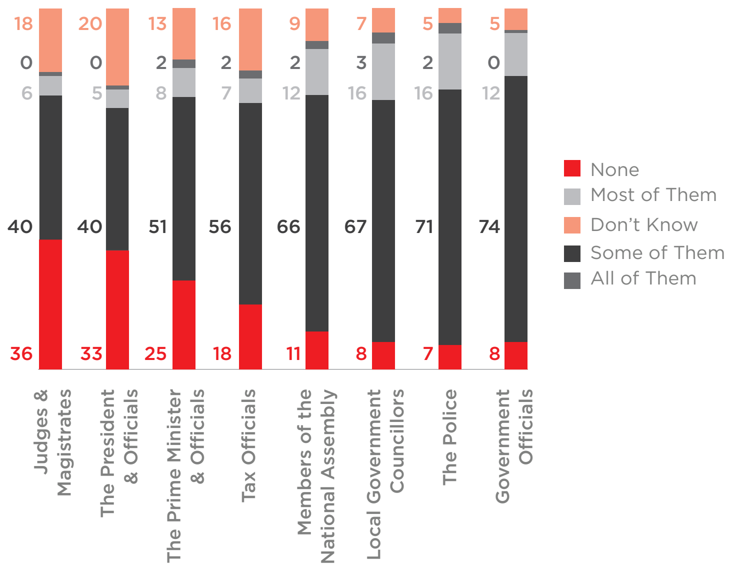


Voice and accountability 2005-2015
Source: Worldwide Governance Indicators

CONTROL OF CORRUPTION, 2005-2013



CORRUPTION PERCEPTION INDEX BY INSTITUTIONS, 2012



Control of corruption, 2005-2013
Source: Worldwide Governance Indicators

Corruption perception index by Institutions, 2012
Source: Afrobarometer Mauritius (2012)

Moody's rating and Mauritius' regional leadership role

The international rating agency Moody's Investors Service maintained its sovereign rating of 'Baa1' (stable) for Mauritius, following its latest country assessment released in mid-2014. Moody's believes that the Mauritian economy has demonstrated resilience to the adverse external environment in recent years. However, it is concerned about the high level of public debt and the question arises whether the Government will be able to reduce the debt ratio to 50% of GDP by 2018, as officially announced.

Mauritius continues to consolidate its position and reputation as an easy place to do business. The 2015 Index of Economic Freedom, published annually by The Wall Street Journal and The Heritage Foundation, ranks Mauritius as the 10th freest economy in the world. Its ranking in the World Bank report Doing Business 2015 was 28th of 189 economies, and 1st in sub-Saharan for the eighth consecutive year. According to the 2015 report, Mauritius carried out reforms that have eased the process of starting of a business in the country. Mauritius ranked 29 out of 189 in this area, with five procedures required to start a business, taking six days and at a cost of 2.1% of income per capita. This performance is better than the average for OECD countries. Also, Mauritius made notable improvements to coverage, scope and accessibility of credit information lifting the country up 6 places to rank 36 globally on this indicator. Mauritius has been improving its position in international indexes for the rule of law, investment, and ease of doing business. The report also shows that Mauritius made progress in the category of 'enforcing contracts' and 'resolving insolvency' – ranking 44th and 43rd, respectively. However, more work needs to be done to sustain and build on these efforts to ensure a conducive business environment in the country. According to The World Economic Forum Global Competitiveness Report (GCR) 2014-2015, more efforts are required in terms of improving efficiencies in government bureaucracy, addressing the inadequate supply of 'first-class' infrastructure and improving human capital. The Government's objective is for Mauritius to rank among the top 15 most investment and business-friendly locations in the world over the next decade.

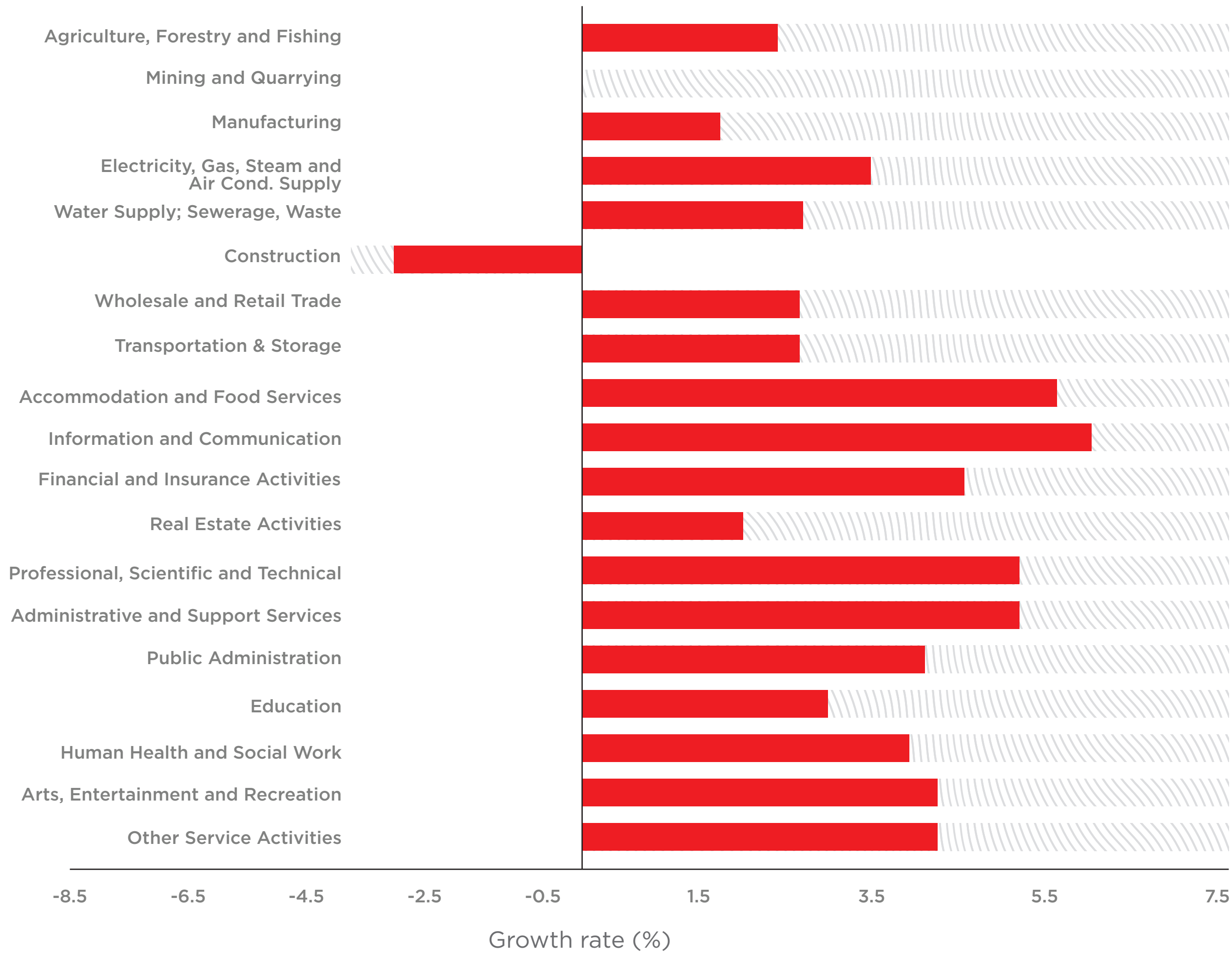
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The domestic economy in review: Economic conditions, challenges and risks

Sectoral trends

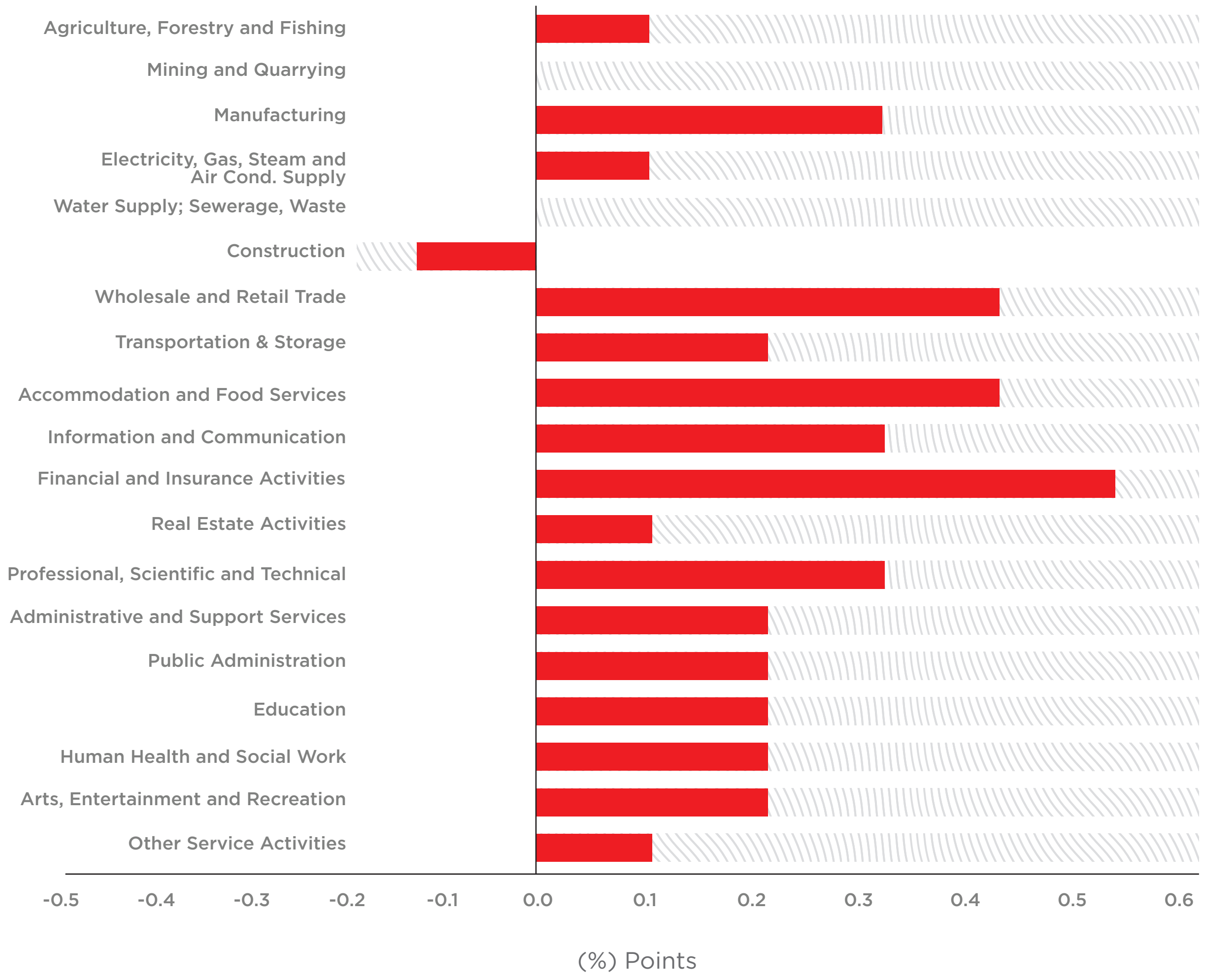
In 2015, as in 2014, all growth drivers will remain in green territory except for the Construction sector, which has suffered setbacks for several years in a row. It is expected that the trend will be reversed as from mid-2016 and into 2017 with the beginning of implementation of major infrastructural developments by both the Government and the private sector.

ANNUAL GROWTH RATE (%) BY INDUSTRY, 2015



Source: Statistics Mauritius, September 2015

CONTRIBUTION TO GDP GROWTH, 2015

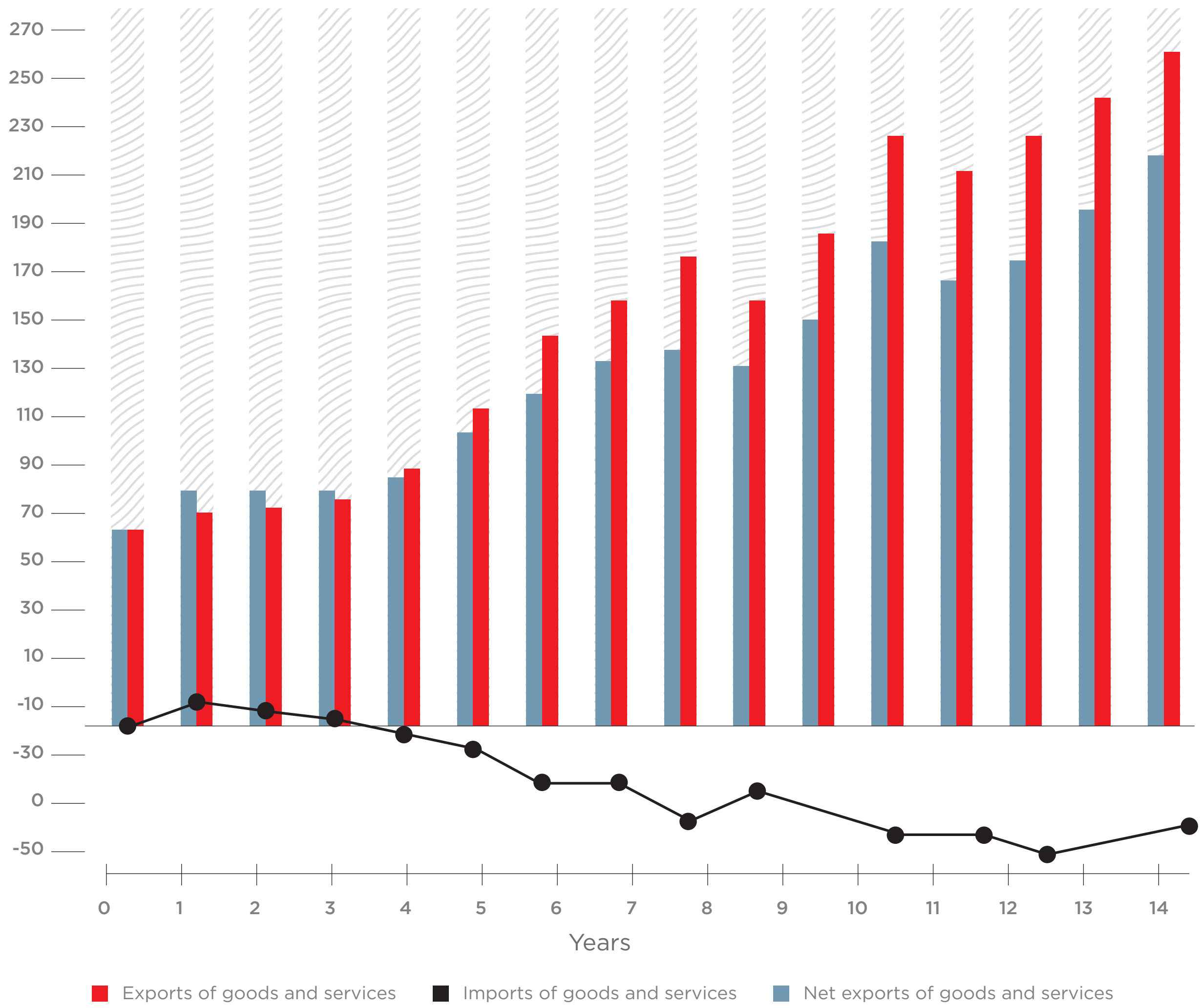


Source: Statistics Mauritius, September 2015

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

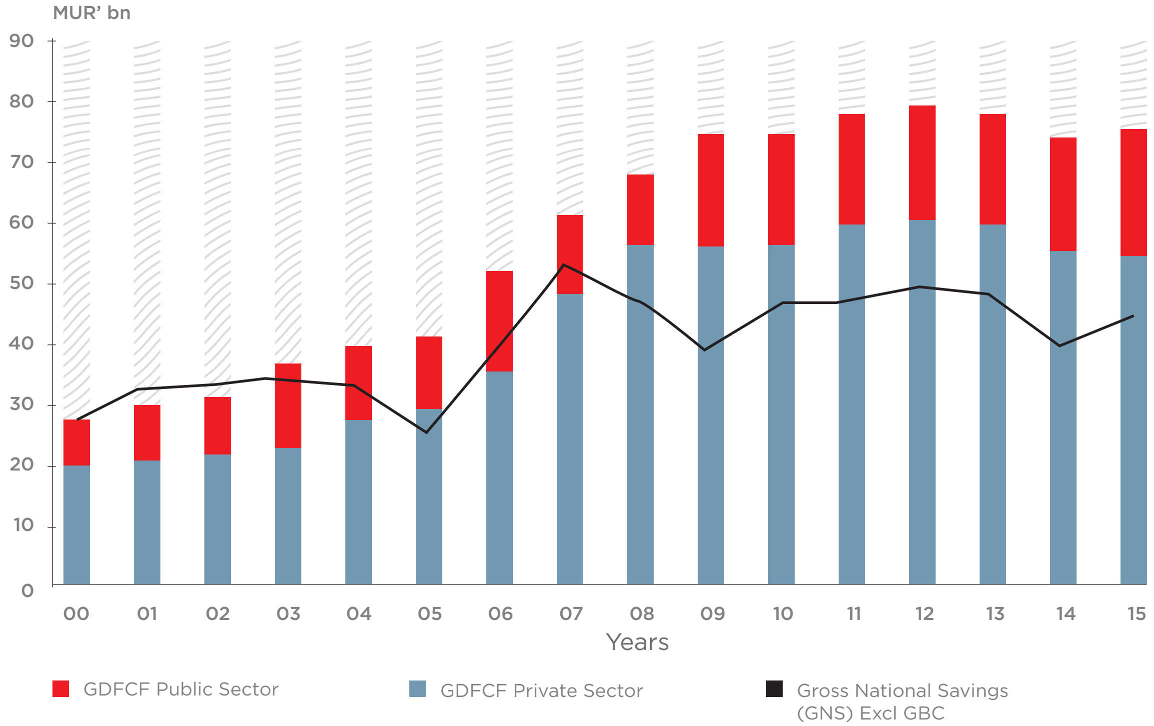
In 2015, total investment is expected to contract by a further -0.5% after the marked contraction of -6.0% in 2014. Private sector investment is forecast to fall by -3.9% after a negative growth rate of -8.4% in 2014. The Bank views this with concern as the much-awaited investment binge has not materialised in 2015 despite the ambitions and number of projects announced during the year. Public sector investment, on the other hand, would expand by 9.5% in 2015 compared to 1.8% in 2014. The share of the private sector in total investment is expected to decrease to 71.8% in 2015, down from 74.4% in 2014, while that of the public sector would increase to 28.2% from 25.6%.

EXPORTS AND IMPORTS OF GOODS AND SERVICES, 2000-2015



Source: Statistics Mauritius, September 2015

SAVING AND INVESTMENT, 2000-2015



Source: Statistics Mauritius, September 2015

Latest figures revealed by Statistics Mauritius in September 2015 indicate that GDP at market prices is expected to grow by 3.6% in 2015, up from 3.5% in 2014. This is higher than the forecast made by the IMF's World Economic Outlook in September 2015 (which had predicted 3.2% in 2015 and a rebound to 3.8% in 2016). In 2014, GDP amounted to USD 12.4bn while per capita GDP exceeded USD 9,000.

The relatively low growth rates suggest that the economy has continued to operate below its potential, with the persistence of a small negative output gap as in 2014, probably resulting from adverse shocks in aggregate demand. Added to sluggish saving and investment rates, and weak productivity improvements, this could continue to impact negatively on core macroeconomic fundamentals in 2016, unless bold reforms are undertaken to stimulate economic activity and demand.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FORECAST REAL GDP GROWTH: MAURITIUS V/S AFRICA

Source: Africa Economic Outlook 2015

FDI FLOWS

The World Investment Report 2015 indicates that Mauritius was amongst the top five host Small Island Developing States (SIDS) economies in terms of FDI inflows in 2014.

Foreign Direct Investment (FDI) Flows in and out of Mauritius, 2009-2014						
(USD million)	2009	2010	2011	2012	2013	2014
FDI Inflows	248	430	433	589	259	418
FDI Outflows	37	129	158	180	135	91

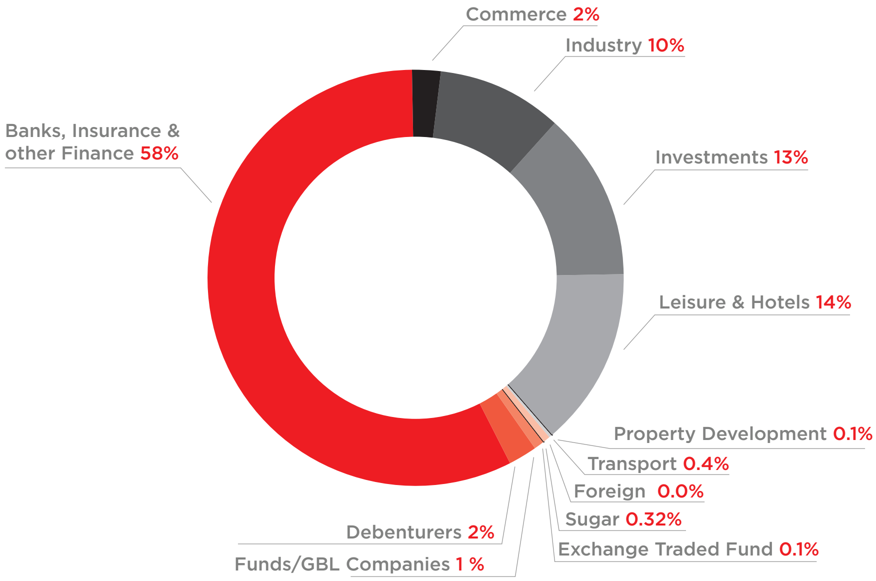
Source: World Investment Report 2015, UNCTAD

Given its substantial network of DTAAs and IPPAs with over 40 countries and its strong global business sector, Mauritius is also used as a platform for financial transactions and investments in the region. A significant amount of FDI to Mauritius is intended for other countries/ economies in the region. In 2014-2015, for instance, Mauritius regained the position as top source of FDI into India, outrivaling Singapore to second slot. Mauritius accounted for about 29% of India's total FDI inflows in fiscal year 2014-2015 (amounting to some USD 9bn, as opposed to USD 6.74bn of FDI inflows from Singapore).

Performance of the Stock Exchange of Mauritius

The Official Market witnessed high level of trading during the first six months of 2015. Total value traded reached an all-time high of MUR11.6bn, up 32% as compared with the first half of 2014. Total value traded (on both the Official Market and the DEM) stood at MUR 12.5bn, which is in stark contrast with the 2014 figures (MUR 9.1bn)

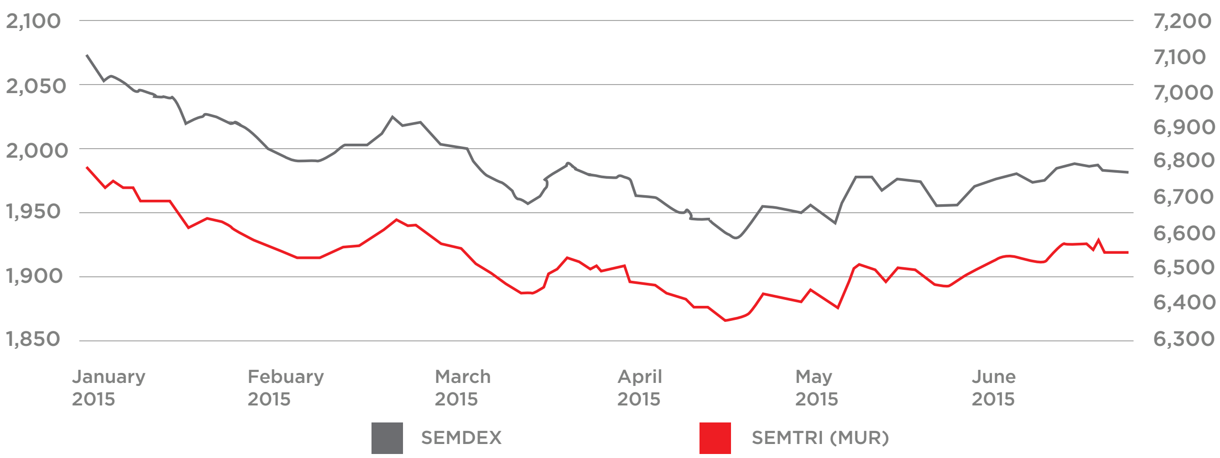
STOCK EXCHANGE OF MAURITIUS: VALUE TRADED BY SECTOR (%), 2015 HALF-YEAR



Source: Stock Exchange of Mauritius Newsletter, July 2015

During the same period (as at end June 2015), the market was trading at a dividend yield of 3.1% and a Price-Earnings Ratio of 14.1. Total market capitalisation of both the Official Market and the Development Enterprise Market stood at MUR 269.4bn, representing approximately 70% of the GDP of Mauritius.

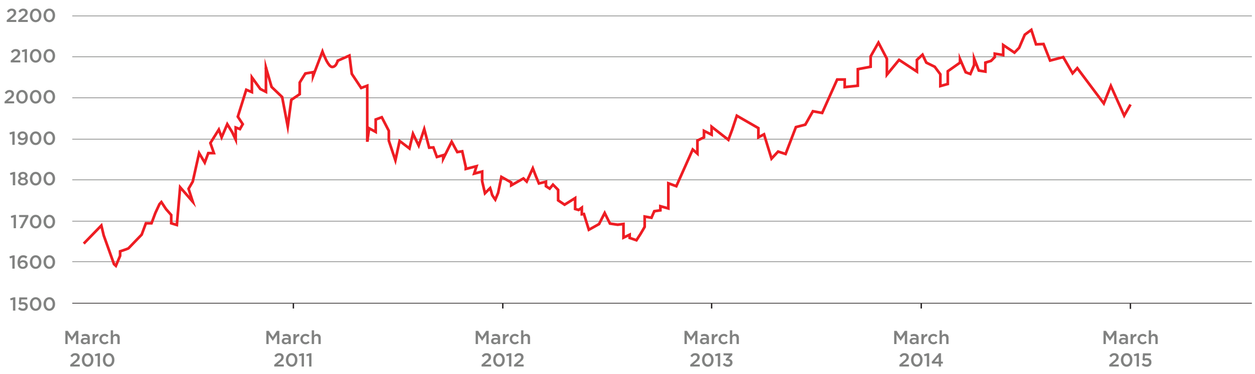
PERFORMANCE OF SEMDEX AND SEMTRI INDICES, 2015 FIRST HALF



Source: Stock Exchange of Mauritius Newsletter, July 2015

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EVOLUTION OF THE SEMDEX, 2010 - 2015



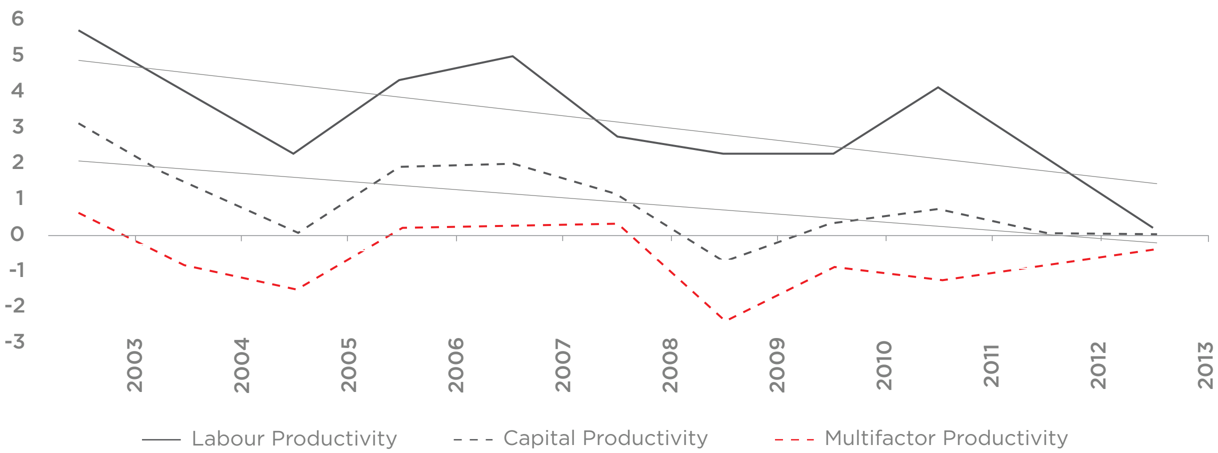
Source: Stock Exchange of Mauritius Newsletter, July 2015

The challenge of low productivity: Evolution of Productivity indices

The Mauritian economy has been operating in a context of declining productivity gains for several years in a row, which is keeping the economy on a low value-added growth path. The Bank commends Government's declared ambition to speed up the shift from an industrial policy to an innovation policy model but reckons that bold reforms would be required to achieve the transition.

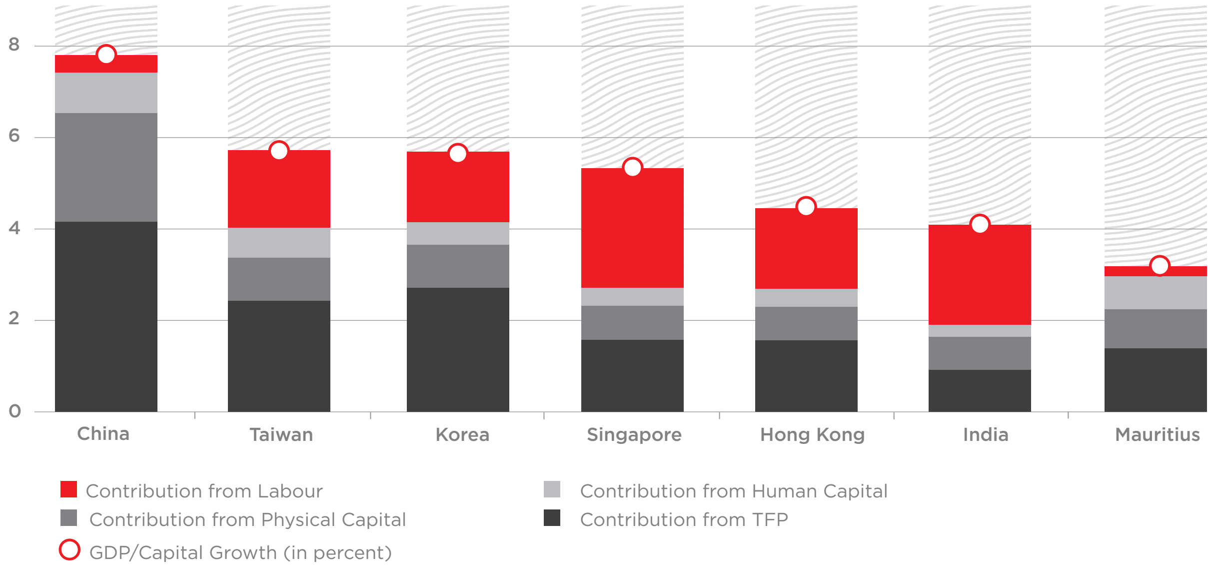
Adopting a new growth model would indeed require improving productivity at the firm level to raise the country's competitiveness. As identified by the World Bank, several factors are currently holding back the potential of the Mauritian economy to accelerate economic growth and these include limited and inadequate skills, limitations for technology absorption and inadequate trade facilitation. The fact that Mauritius' innovation system ranks 76th in the 2014 global competitiveness index – far behind other middle-income countries – also require urgent attention on the part of the political masters.

ANNUAL PRODUCTIVITY GROWTH IN MAURITIUS, 2003-2013



Source: Statistics Mauritius, Productivity and Competitiveness indicators

GROWTH CONTRIBUTION IN PER CAPITA TERMS



Mauritius - International Comparison of Total Factor Productivity (TFP) as the Driver of Growth
Source: Katsiaryna Svirydzenka and Martin Petri, "Mauritius – The driver of growth: Can the past be extended?", IMF

New realities facing the Mauritian economy: Emergence of a "middle-income trap" and threats to the middle-income class?

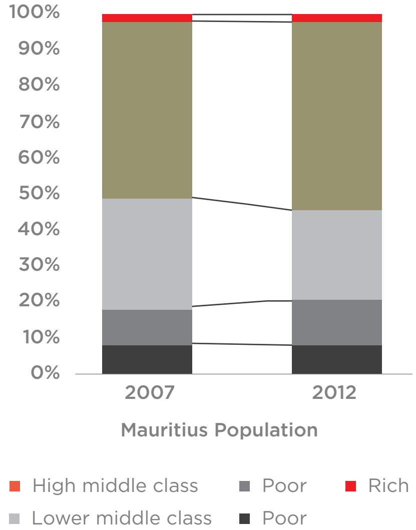
The spectre of a middle-income trap has been retaining the attention of policy-makers since 2014 and this has been fully documented in the World Bank's Systematic Country Diagnostic in 2015. The World Bank highlights the fact that, whilst absolute poverty in Mauritius is negligible by international standards, income inequality and relative poverty have been on the rise, especially amongst the youth and women. These could have important implications for inclusion and inter-generational transmission of poverty.

Relative poverty has increased from 8.5% in 2007 to 9.8% in 2012. At the same time, income growth of the bottom 40% of the population has been limited and constrained at an annual rate of increase of 1.8% compared to 3.1% for the population at large. Consequently, the middle class has shrunk during the last five years and is becoming increasingly vulnerable to falling back into poverty, thus putting growing pressure on the bottom 40% of the population to achieve or retain their middle class status.

This phenomenon could seriously jeopardise the country's ambition to reach high-income status within the next 5-6 years and would require urgent attention of the decision-makers.

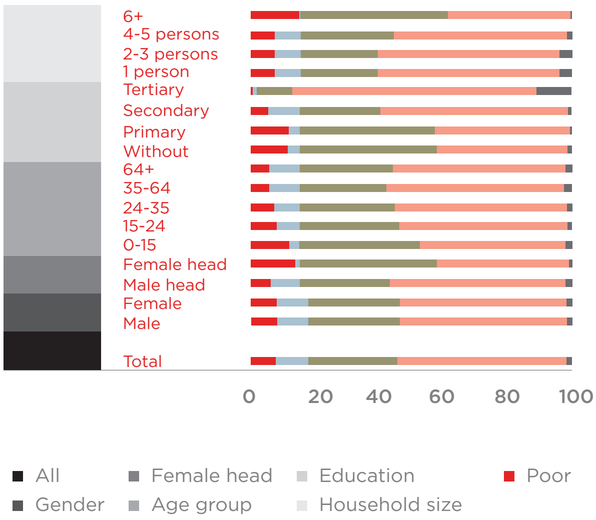
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

DISTRIBUTION OF POPULATION BY INCOME CLASSES (2007 VS. 2012)



Source: HBS 2007,2012

THE MIDDLE CLASS : DEMOGRAPHIC CHARACTERISTICS, 2012



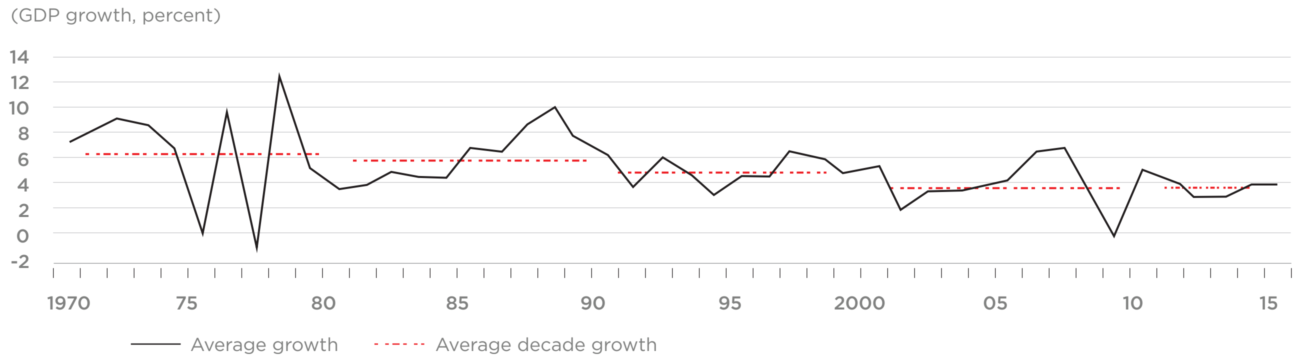
Source: HBS 2012

Mauritius is not alone in this situation. There are six other small middle-income countries facing this trap in sub-Saharan Africa namely Botswana, Cabo Verde, Lesotho, Namibia, Seychelles and Swaziland.

The concept of a middle-income trap grew from the observation that middle-income countries graduated to high-income status far less often than low-income countries became middle-income countries. From 1960 to 2012, fewer than 20% of middle-income countries and none from sub-Saharan Africa became high-income states, compared with more than half of low-income countries graduating to middle-income status.

DOWNWARD DECADES

While still positive, small middle-income countries' growth has slowed, as previous growth drivers weaken and the rise in per capita income wanes.



Source: Mauritius Systematic Country Diagnostic, World Bank, 25 June 2015

Global Outlook and Regional Developments

Slow but gradual rebound in advanced economies…

Global growth is projected at 3.1% in 2015, marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies, according to the IMF. The sudden increase in financial market volatility globally in August 2015 triggered by the sharp stock market decline in China and concerns about the sustainability of its growth engine did not have long-lasting effects: financial conditions have remained favourable in advanced economies.

Global output forecasts for 2016 are expected to be lower than predicted in mid-2015 but could nevertheless strengthen to 3.6%. Recovery has been more entrenched in the United States and the United Kingdom and this is projected to increase moderately in 2016, despite fears of monetary tightening. The mild but sustained recovery in the euro area in 2015 and the return of Japan in positive growth territory are set to continue in 2016 but, according to the IMF, medium-term prospects remain subdued.

Inflation has remained on a declining trend in 2015 in advanced economies. This is expected to rise in 2016 but it is generally believed that the rates will remain below central banks' targets. In the UK in September 2015, for instance, for only the second time since 1960, the inflation rate has turned negative, reflecting a weak price backdrop. The Bank of England has warned that this could persist in 2016, thus remaining far below its target rate of 2%.

		Year over	Year Projections
	2014	2015	2016
World Output	3.4	3.3	3.8
Advanced Economies	1.8	2.1	2.4
United States	2.4	2.5	3.0
Euro Area	0.8	1.5	1.7
Germany	1.6	1.6	1.7
France	0.2	1.2	1.5
Italy	-0.4	0.7	1.2
Spain	1.4	3.1	2.5
Japan	-0.1	0.8	1.2
United Kingdom	2.9	2.4	2.2
Canada	2.4	1.5	2.1
Other Advanced Economies	2.8	2.7	3.1
Emerging Market and Developing Economies	4.6	4.2	4.7
Commonwealth of Independent States	1.0	-2.2	1.2
Russia	0.6	-3.4	0.2
Excluding Russia	1.9	0.7	3.3
Emerging and Developing Asia	6.8	6.6	6.4
China	7.4	6.8	6.3
India	7.3	7.5	7.5
ASEAN-5	4.6	4.7	5.1
Emerging and Developing Europe	2.8	2.9	2.9
Latin America and the Caribbean	1.3	0.5	1.7
Brazil	0.1	-1.5	0.7
Mexico	2.1	2.4	3.0
Middle East, North Africa, Afghanistan and Pakistan	2.7	2.6	3.8
Saudi Arabia	3.5	2.8	2.4
Sub-Saharan Africa	5.0	4.4	5.1
Nigeria	6.3	4.5	5.0
South Africa	1.5	2.0	2.1
Mauritius	3.6	3.2	3.8

Growth forecasts of the World Economic Outlook
Source: "World Economic Outlook: Adjusting to lower commodity prices," IMF, October 2015

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

...undermined by relatively slower growth in emerging markets...

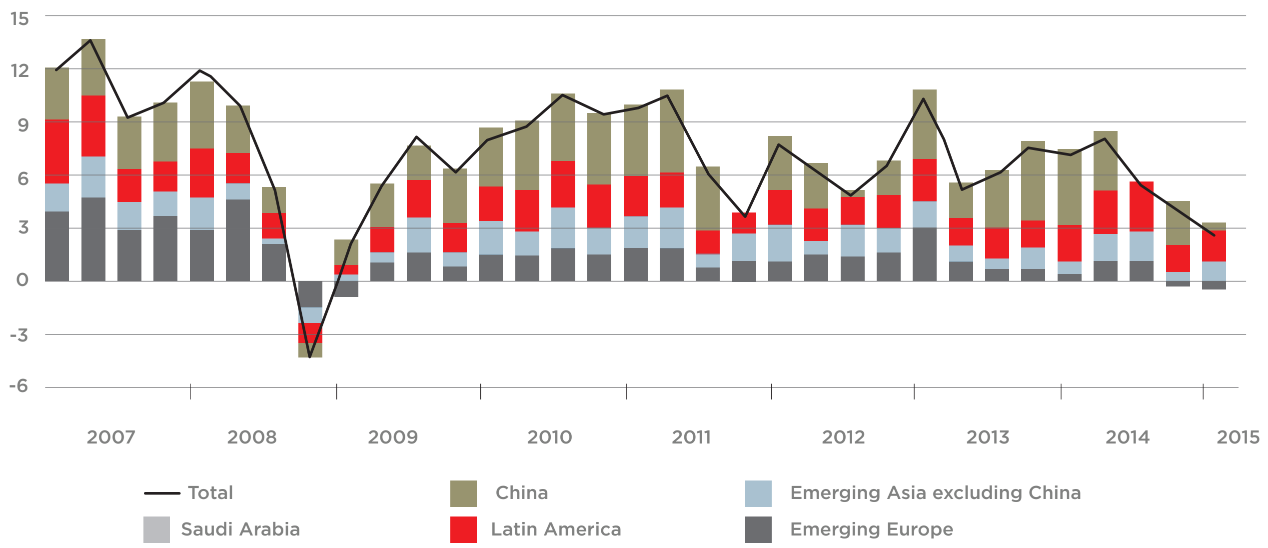
Forecasts show that emerging market and developing economies would be recording in 2015 slower growth for the fifth year in a row. This is even more prominent in the case of the larger emerging market economies and oil-exporting countries.

In emerging market economies, the continued growth slowdown reflects several factors, including lower commodity prices and tighter global financial conditions, structural bottlenecks, rebalancing in China (as it seeks to achieve consumption-driven sustainable growth), and economic distress related to geopolitical factors. Even if a rebound in activity in a number of distressed economies is expected to result in a pickup in growth in 2016, most analysts reckon that growth prospects will differ markedly across countries, several of which face country-specific shocks.

...and rapidly declining capital inflows to emerging market economies

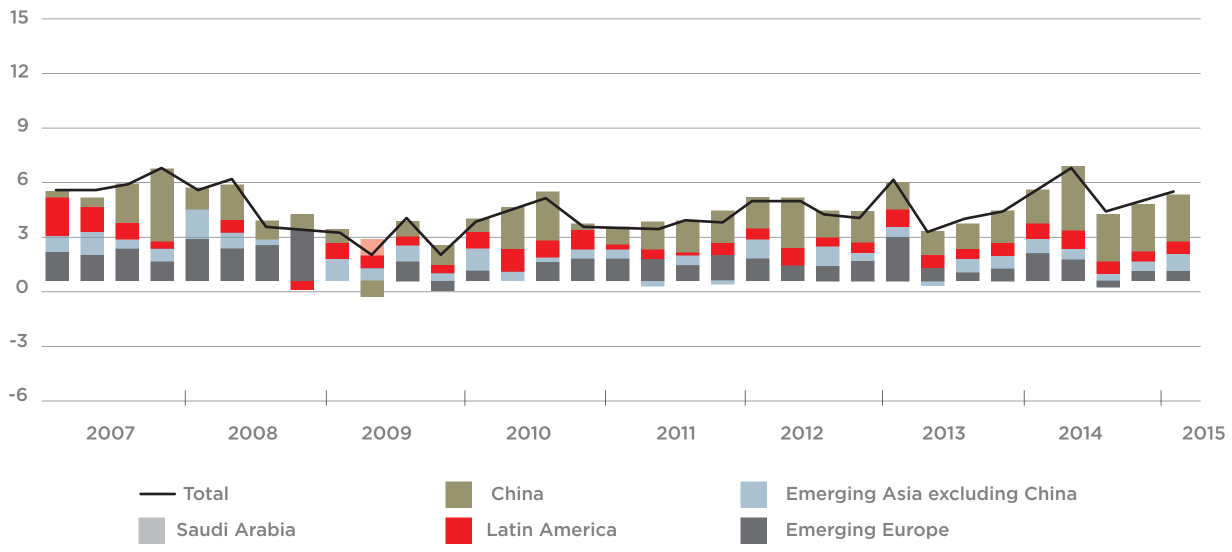
Emerging market and developing economies as a group has started disposing of foreign exchange reserves in 2014 (to the tune of USD 100bn in foreign exchange reserves during both 2014Q4 and 2015Q1) amidst a sudden reduction in gross capital inflows, i.e., declining purchases of domestic assets by non-residents. This is particularly significant for China, Russia, Saudi Arabia and Latin America, according to the IMF. In parallel, given the relatively stable aggregate current account balances for this group of countries, the decline in inflows has been offset by a corresponding decline in gross capital outflows.

CAPITAL INFLOWS (PERCENT OF GDP)



Capital flows in emerging and developing economies
Source: "World Economic Outlook: Adjusting to lower commodity prices," IMF, October 2015

CAPITAL OUTFLOWS EXCLUDING CHANGE IN RESERVES (PERCENT OF GDP)



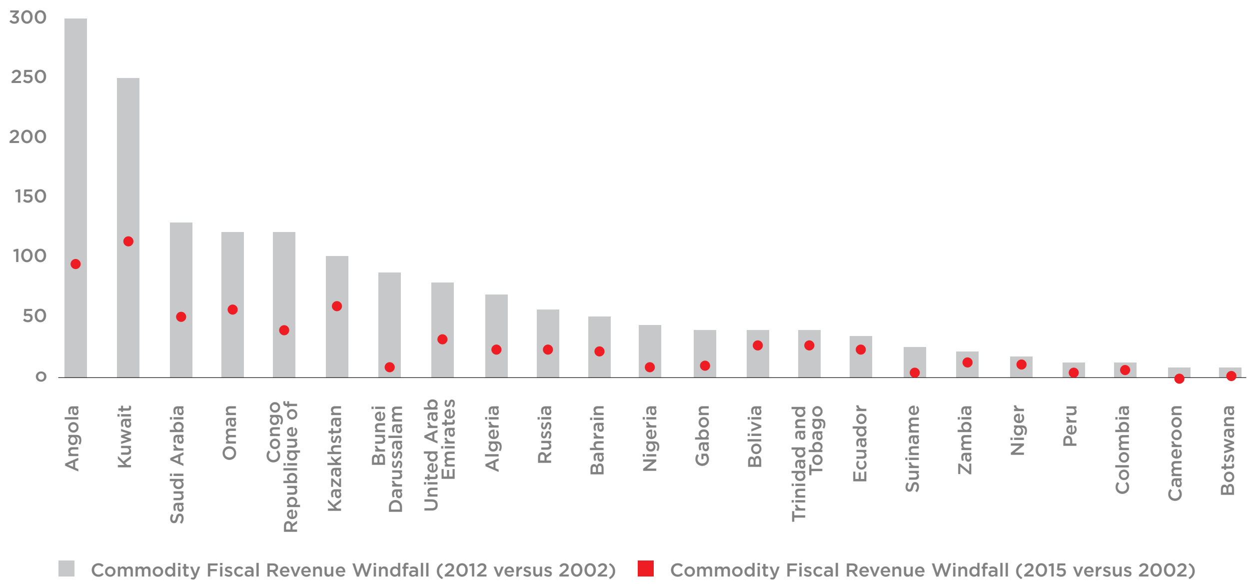
Capital flows in emerging and developing economies
Source: "World Economic Outlook: Adjusting to lower commodity prices," IMF, Oct. 2015

Impact of dwindling commodity prices

As to the outlook in low-income developing economies, many of which are located in Africa, lower commodity prices, which have declined sharply since 2011, pose significant risks after many years of strong growth. The risks are also real in emerging market and developing economies which are net exporters of commodities. Commodity prices had experienced a sharp rise in the period 2000–2010 on account of sustained robust growth in emerging market economies, and have been a major driver of growth in several of these countries. China alone absorbed in 2014 half the world's aluminium, nickel and steel, and about a third of its cotton and rice. It is now widely believed that China's appetite for commodities could well have peaked in 2015. This implies bad news for commodity-exporting countries where already the deterioration in their 2015 primary balance, on account of sharp price declines, could represent as high as 5% of GDP on average, thus representing a huge reversal of the revenue windfall accrued during the boom years 2000-2010.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

COMMODITY REVENUE WINDFALL



Commodity revenue windfall gains enjoyed by resource-rich countries (2002–2015): Sharp declining trends.
Source: "How to manage the commodity roller coaster," Huff Post, 10 July 2015

Prospects within the euro area

Following the crisis in Greece in early August 2015, the euro area has showed timid signs of recovery amidst lacklustre medium-term outlook. The support to recovery seemed to be based on weak fundamentals: cheaper oil prices, monetary easing and a weaker euro. In 2016, growth is expected to reach 1.6%, up from the expected 1.5% in 2015. Downside risks, including stagflation, would tend to prevail in the medium term, and could possibly extend to 2020.

Emerging economies: Can India's Elephant take over from the Chinese Dragon?

The size of Asia's third largest economy, India, is only one-fifth that of China. It is therefore unlikely to be able to provide much support to global growth of the same order of magnitude as China, which has been acting as the most stable contributor to world economic growth. Political acrimony is also the order of the day in India, despite Narendra Modi's landslide victory in 2014, which had fuelled hopes of a speedy recovery. Long outstanding reforms also seem to be lacking, which could prevent India from fully capitalising on its northern neighbour's deepening economic slowdown. Structural reforms remain critical especially in labour markets, the banking sector, tax regime and land management.

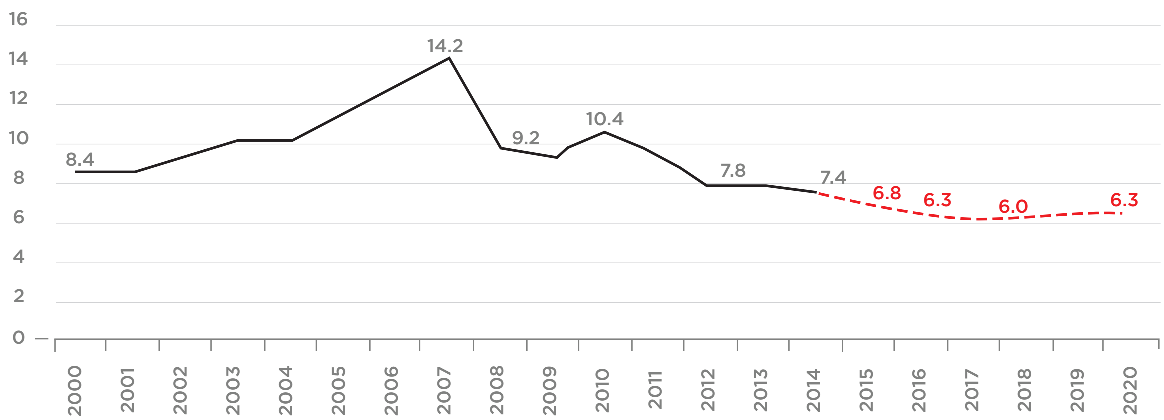
Top 10 destinations - H1 2015	
Country	Capex ($bn)*
India	31
China	28
US	27
UK	16
Mexico	14
Indonesia	14
Vietnam	8
Spain	7
Malaysia	7
Australia	7

Top 10 FDI destinations (first half of 2015)
Source: Financial Times, 29 September 2015

Prospects for India's economy remain healthy though. FDI in the first half of 2015 amounted to some USD 31bn, putting the country in the pole position in terms of foreign capital inflows, surpassing China (USD 28bn) and the US (USD 27bn), according to a report in the Financial Times in September 2015. Since China's stockmarket rout in August 2015, investment flows have increased further.

Several indicators also reveal that India's economy is in better shape than China's, including pace of growth, room for additional stimulus, labour force participation rate, domestic consumption, levels of public debt, excess capacity, property prices and deflation among others.

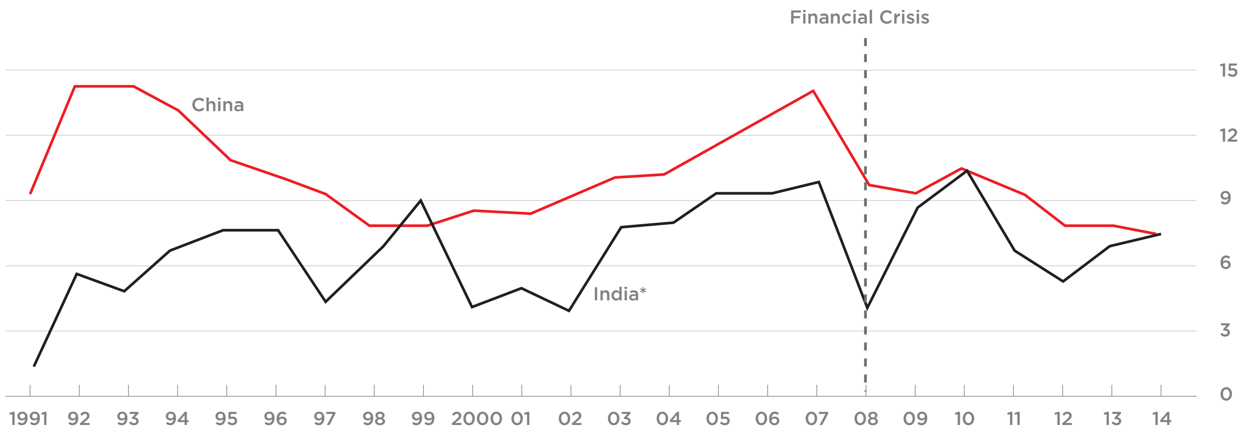
Most analysts forecast China's growth engine would fail to generate the performance attained in the mid to late 2000's in the aftermath of the global financial crisis. The country is standing at the crossroads and calling for a rebalancing of the economy as most of the key factors which led to two decades of double-digit growth begin to reach their potential.



China's growth rates – Past vs. future

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CHINA'S GDP GROWTH RATES VS. INDIA'S RECENTLY REVISED RATES (FOLLOWING A "REBASING" EXERCISE)



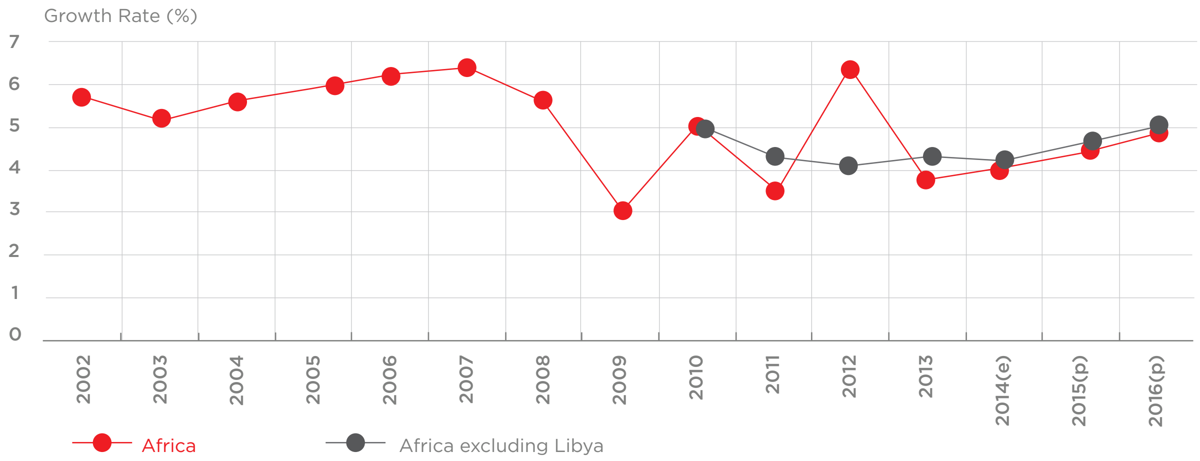
** Fiscal years, ending March, 2011-12 base year from 2012 onwards*
Source: economist.com (9 February 2015)

Africa outlook and developments

Africa's impressive economic turnaround during the 2000s saw average GDP growth more than double from just above 2% during the 1980s and 1990s to above 5% between 2001 and 2014. Even though it was higher than global world growth, (slightly above 4%) and Latin America and the Caribbean (just above 3%), it was lower than for emerging and developing Asia at about 8%. Africa's growth pace has been hampered because of a number of reasons including: subdued global growth; political and ethnic conflicts; weak prospects in export markets such as EU and China; an unforeseen drop of oil and other commodity prices; and the outbreak of the Ebola virus, with Guinea, Liberia and Sierra Leone at the epicenter, killing thousands of persons at a high economic cost. The 54 countries of the African continent have had various democratic experiences, with some countries facing stabilisation and growth while others have remained mired in social conflicts.

GDP growth of Africa is expected to strengthen to 4.5% in 2015 and 5% in 2016 after subdued expansion in 2013 (3.5%) and 2014 (3.9%). The 2014 growth was about one percentage point lower than that predicted by analysts, as the global economy remained weaker and some African countries saw severe domestic problems of various natures. However, the world economy in 2015 seems to be improving. This could impact positively on growth trends across Africa. According to the Africa Economic Outlook 2015, if the predictions materialize, Africa could "soon be closing in on the impressive growth levels seen before the 2008/09 global economic crisis."

AFRICA'S ECONOMIC GROWTH, 2002-2016



Africa's economic growth (2002–2016)
Source: Africa Economic Outlook 2015

AFRICA'S GROWTH BY REGION, 2013-2016

	2013	2014 (e)	2015 (p)	2016 (p)
Africa	3.5	3.9	4.5	5.0
Central Africa	4.1	5.6	5.5	58
East Africa	4.7	7.1	5.6	6.7
North Africa	1.6	1.7	4.5	4.4
Southern Africa	3.6	2.7	3.1	3.5
West Africa	5.7	6.0	5.0	6.1
Memorandum Items:				
Africa excluding Libya	4.0	4.3	4.3	5.0
Sub-Saharan Africa (SSA)	4.7	5.2	4.6	5.4
SSA excluding South Africa	5.4	6.2	5.2	6.2

Africa's growth by region
Source: Africa Economic Outlook 2015

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Private flows are expected to play a non-negligible role in financing the post-2015 Development Agenda.

The economic and finance landscape on mainland Africa has been transformed during the past decade into one that attracts more and more private flows such as FDI, portfolio investments and remittances, and less official development assistance.

In 2014, total external flows to Africa were estimated at USD 181bn, 6% lower in nominal terms than in 2013. One explanation for this decrease was the sharp drop in portfolio flows and the slight decline in FDI flows, reflecting subdued global demand and weaker commodity prices, especially for metals. This decline offset the slight increase in remittances (+2.1%) and official development assistance (+1.1%). All in all, estimates for total external flows averaged 7.3% of GDP in 2014, compared to 8.2% in 2013.

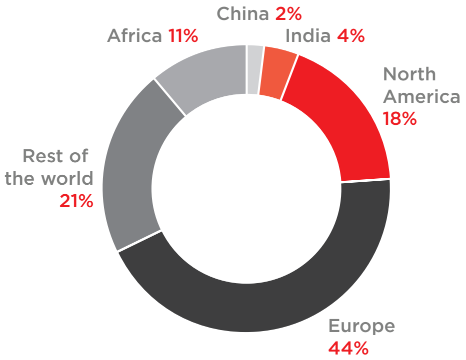
FINANCIAL FLOWS AND TAX REVENUES TO AFRICA (CURRENT USD, BILLION), 2005-2015

			2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (e)	2015 (p)
Foreign	Private	Inward Foreign Direct investments	33.8	35.4	52.8	66.4	55.1	46.0	49.8	49.7	54.2	49.4	55.2
		Portfolio Investments	6.3	22.5	14.4	-24.6	-0.3	21.5	6.8	25.7	21.5	13.5	18.4
		Remittances	33.3	37.3	44.0	48/0	45.2	51.9	55.7	61.2	60.6	61.8	64.6
	Public	Official development assistance (net total, all donors)	35.8	44.6	39.5	45.2	47.9	48.0	51.8	51.3	55.8	56.3	54.9
		Total Foreign Flows	109.2	139.7	150.6	135.0	147.9	167.3	164.0	187.9	192.0	181.1	193.0
Domestic		Tax Revenues	258.1	305.9	343.4	442.4	330.6	408.3	462.9	515.1	507.4		
Total Foreign Flows		Low-Income Countries	21.8	22.8	29.5	36.5	36.9	39.5	47.5	47.9	49.7	52.3	54.2
		Low-Middle-Income Countries	61.7	78.4	84.1	81.8	69.4	94.7	84.9	109.1	111.9	96.3	105.2
		Upper-Middle-Income Countries	23.2	35.6	33.2	11.9	35.9	28.1	26.5	25.6	26.0	26.9	26.6

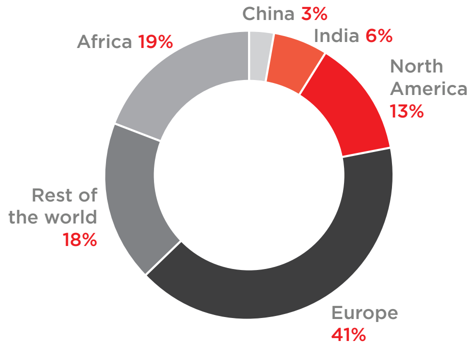
Financial flows and tax revenues to Africa (current USD, bn), 2005-2015
Source: Africa Economic Outlook 2015

SOURCES OF GREENFIELD INVESTMENT IN AFRICA (BY NUMBER OF PROJECTS), 2003-2008 AND 2009-2014

A. 2003-2008



B. 2009-2014



Sources of greenfield investment in Africa (by number of projects), 2003-2008 and 2009-2014
Source: Africa Economic Outlook 2015

Africa and Mauritius: Economic co-operation, regional integration and trade

Mauritius has concluded double taxation avoidance agreements with 38 countries, among which are 14 African countries. A Mauritius-Africa Fund has been set up in 2014, under which the government encourages and promotes Mauritian businesses exploring mainland Africa. Statistics reveal that 45 Mauritian companies have already invested in 12 countries in mainland Africa, in several sectors, including ICT, renewable energy, agri-business and banking/financial services.

BUSINESS SEGMENTS REVIEW

Corporate Banking

In a rapidly changing banking environment, customers remain at the heart of what the bank does. Everything is geared to achieving all goals in line with being the preferred bank for customers.

HIGHLIGHTS

- The Corporate Banking segment delivered market leading performance and strong results in the financial year 2015.
- Advances have been growing steadily over the years and have reached MUR 9.1bn as at 30 June 2015, a significant increase of 26% as compared to June 2014.
- High increase in deposits from customers reached MUR 10.7bn as at 30 June 2015, thus achieving a growth of 7% over the year.
- High increase of 11% in foreign exchange transactions was achieved on the back of focused effort and enhanced relationship building with existing corporate entities as well as new clients.
- Interest income has improved despite the current low interest rate environment as well as fee income. However, the poor economic climate is also reflected by higher risk costs.

Advances

A growth of

MUR 1.9Bn

as compared to June 2014

Deposits

A growth of

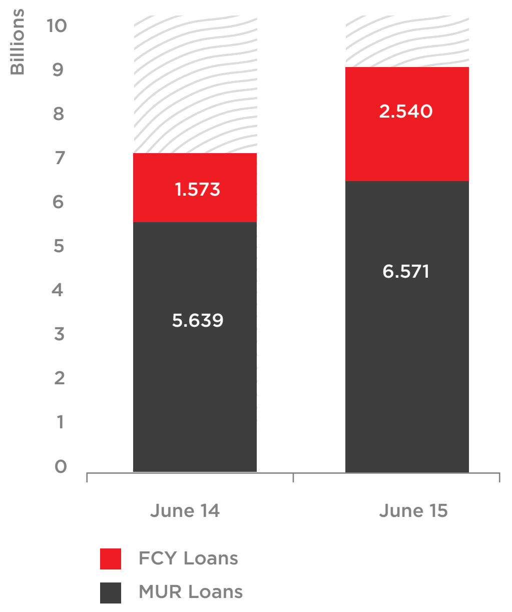
MUR +712m

over the year

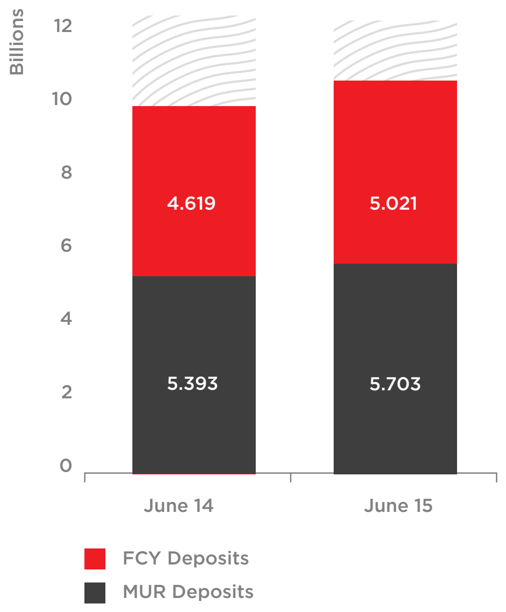
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Corporate Assets and Liabilities Growth

ASSETS



LIABILITIES



Future Outlook

AfrAsia Bank Limited will focus on delivering customer solutions and continue to execute its disciplined, long-term growth plan which is designed to add new, high quality clients and deepen those relationships over time.

The Bank is also growing its customer base by selectively expanding and focusing on key growth industries, enhancing its ‘bank different’ and ‘can-do’ attitude while delivering world class service by recruiting the best and experienced people in the market.

AfrAsia Bank Limited is also continually looking for ways to improve, be more efficient and serve its clients better. To help clients succeed and make a difference, the Bank will continue to invest in its key markets.

Its long-term commitment to building the best possible franchise means that it is always focused on ways to improve business.

PRIVATE BANKING AND WEALTH MANAGEMENT

With clients in more than 121 countries, the Bank's comprehensive offer addresses the needs of residents, non-residents and wealth managers.

HIGHLIGHTS

- Private Banking aims to service high net worth clients who are in need of tailor-made services or require access to specialised funds.
- The AfrAsia VISA Platinum prepaid card was launched in April; the Bank is the first institution to offer a Platinum prepaid card in the CEMEA (Central and Eastern Europe, Middle East and Africa) region
- An External Asset Management desk was set up
- The Bank was honoured in several categories by Euromoney Private Banking Survey, including 'Best Private Bank in Mauritius 2015' as well as 'Best Wealth Management Provider in Mauritius 2014' by World Finance
- The team was enhanced during the year through the recruitment of Private Bankers with an extensive knowledge of specific markets so as to better serve these markets.

ASSETS UNDER MANAGEMENT

Growth of

100%

GROSS INCOME

Growth of

7%

over the year

The Bank's differentiation comes from:

- the exclusivity of its products with a niche market exposure including parts of Africa
- ease of access to the Bank's services
- flexibility through a customised approach giving access to large variety of funds, bonds, ETF and stocks
- world class reporting including online access to custody valuations

There is a clear growth in the number of high net worth individuals (HNWI) across the globe, where a high net worth individual is worth more than USD 1m. In 2014, the number of HNWI grew by 7% implying an increase in the need of professional wealth management, and in turn in the number of private banks offering specialised services. On the local market however, there are to date only 3 institutions endowed with the required expertise and the adapted range of services out of the 23 licenced banks.

The Bank has built on 3 offers being the residents, the non-residents and the wealth professionals in order to offer a more adapted strategic approach. The Private Banking business line provides solutions in line with the needs of our customers and our relationship is built on trust and discretion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In an environment paved with market volatility and uncertainties, customers tend to have multi-financial relationship where trust and quality are at the heart of the Bank's offer. AfrAsia Bank Limited provides an integrated wealth management planning approach with a high standard of professional advice.

The Bank has the ability to source exclusive products with a niche market exposure including some regions of Africa. Through its extensive variety of worldwide funds, ETFs, bonds and stocks, the Private Bankers are able to adopt a tailor-made approach in line with the customer's risk tolerance and profile.

The External Asset Management desk (EAM) was set up at the beginning of 2015 to act as a dedicated point of contact between Asset Managers and the Bank. To date, the EAM Desk has signed a number of agreements with Asset Managers and we see a lot of growth potential in this area, in line with the Private Banking department's growth strategy. The EAM Desk provides an open architecture investment platform to Asset Managers thus providing 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 EAM Desk has a number of collaborative agreements with leading investments organisations to cover all asset classes and geographies. Through the EAM 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 enhance its image in the segment.

The custody department 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 department is able to provide tailor-made services to HNWI and asset managers and acts as a one stop-shop in term of investment purposes through its capacity to trade with vanilla product like Bonds, ETF, Equities, to more complexly structured products and funds. The Bank's provides world-class valuation and performance reports. Additionally, its ability to provide access to a wide range of brokers across geographical areas ensures that the client has the best execution prices. Customers can even pledge their holdings against banking facilities hence allowing a more efficient use of their investment. In order to offer a premium level of service, the Bank partnered with EUROCLEAR, which is the 2nd largest custodian in the world.

The performance of the business line over the last few years is testimonial of the Bank's success and its ability to retain and offer a different customer experience.

The Bank distinguishes itself through a tailor-made approach by providing best-in-class services and products that have the client's interest at heart. The launch of the pioneering rewards programme on the market, AfrAsia XtraMiles, has given the opportunity to the Bank's high net worth clients to experience a new way of being rewarded for their loyalty. In the pursuit for perpetual innovation, the Bank has recently extended its cards portfolio by offering the Visa Platinum Prepaid Card, a first in the CEMEA region. The card offers a number of benefits such as an online platform for real time statements, extended warranty insurance and customer protection, medical and legal referral and over 200 exclusive offers and privileges worldwide to name a few.

Customers have also been introduced to an online access to custody valuation reports which allows them to consult their custody accounts under management. This platform is another first in Mauritius and provides the convenience and transparency which our target market requires. The Private Banking microsite (private-banking.afrasiabank.com) allows customers to understand the different services offered to this specific target market.

In line with its corporate philosophy, the Bank aims to be the reference point for Private Banking linking Mauritius and the Africa-Asia trade corridor and beyond. In order to achieve its aim and enhance its capabilities, AfrAsia Bank Limited is investing in the necessary tools and is improving its access to a number of experts in fields such as legal and real estate. Such developments will enhance its financial planning expertise which is an important part of the advisory process and in turn enable Private Banking to further support growth and enhance the AfrAsia brand.

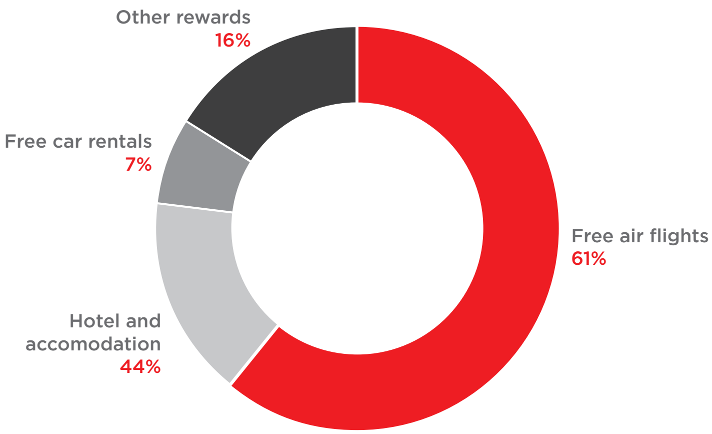
AfrAsia XtraMiles, a pioneering rewards programme

The Bank's performance in the year under review can be attributed to its strategy to grow and retain core transactional accounts by offering a compelling value proposition to its customers; innovative products and channels at an acceptable cost, but also supported by its rewards programme, XtraMiles.

During the last financial year, nearly a third of our cardholder database had experienced XtraMiles online platform, while we have been giving back to our clients rewards worth MUR 2.6m in the form of free flights (61%), hotel accommodations (16%), car rentals (7%) and other rewards (16%).

After a successful communication campaign, spending on Titanium and World cards has been boosted by 49% (to reach MUR 1.4bn) over the financial year, while credit card acquisition increased by 18%.

Following several years of strong customer growth, the Bank is now focusing on cross-selling to this expanded customer base, with the objective of increasing the average products per customer. Through XtraMiles, clients are rewarded not only for credit card spending but also on fixed deposits and investments made with AfrAsia Bank Limited.



This is an amazing programme – I have travelled for free to Dubai, London, Milan, and Istanbul with AfrAsia XtraMiles by simply doing what I usually do. Using cash for my everyday expenses offers nothing in return while this card does. I couldn't expect better!

Jeff. P
Private Banking Client

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

GLOBAL BUSINESS BANKING

The Global Business Desk provides non-resident clients with individual and corporate banking solutions that are adapted to their needs and requirements. The profiles of the clients of the Desk range from HNWIs to listed corporates, MNCs and PE and hedge funds.

HIGHLIGHTS

The business opportunities have been achieved through a sustained momentum with regards to promotional and market development endeavours.

Indeed, the Global Business Desk has been active in establishing and cementing the AfrAsia brand franchise during the year.

The Desk made further progress in promoting AfrAsia's brand awareness on the regional and international marketplace, especially by increasing field presence, actively running business prospecting missions and road shows in targeted markets as well as participating in and sponsoring conferences.

134

IMCs based outside of Mauritius working with us

226,691

of bank payments proccessed over the year

As at 30 June 2015, the Global Business Team was staffed with 26 experienced members, comprising a Head of Department, a Deputy Head of Department, a Regional Head Corporate Banking, Relationship Managers, Customer Services Officers and Sales Administrative Managers. All team members have a strong focus on the delivery of quality services to customers as well as risk-based approach to customer due diligence.

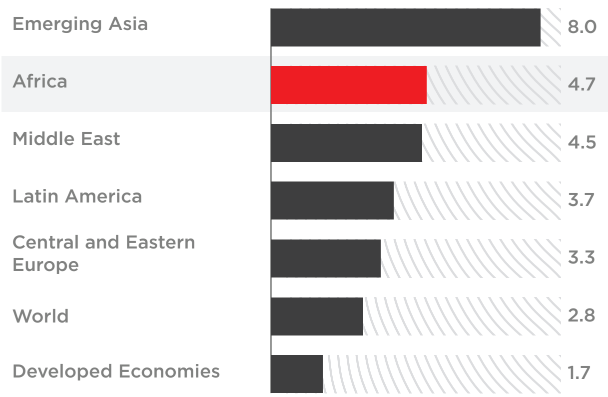
The business opportunities have been achieved through a sustained momentum with regard to promotional and market development endeavours. Indeed, the Global Business Desk has been active in establishing and cementing the AfrAsia brand franchise during the year. The Desk made further progress in promoting brand awareness on the regional and international marketplace, especially by increasing field presence, actively running business prospecting missions and road shows in targeted markets as well as participating in and sponsoring conferences. For instance, AfrAsia Bank Limited was amongst the key sponsors at the China-Africa Forum held in Beijing on 16 June 2015. This high-level conference was designed to provide Chinese enterprises, who intend to expand into the African market, with the latest information about the investment environment, economic prospects and trade opportunities and discuss how they could get international financing supports and manage risks in Africa. The Forum was attended by some 75 Chinese state-owned enterprises.

WHY SHOULD AFRICA MATTER TO INVESTORS ?

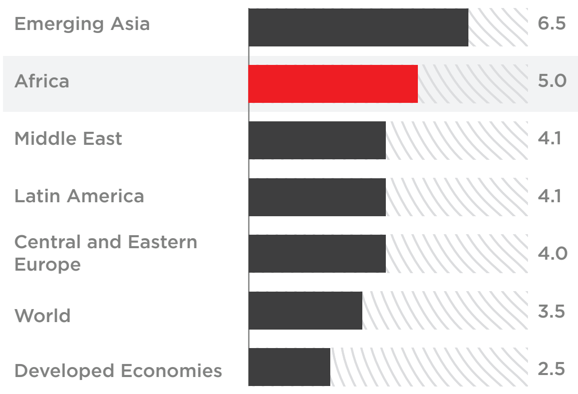
	AFRICA 2013	AFRICA 2025
GDP (NOMINAL)	USD 2.0 TRILLION	USD 3.5 TRILLION
CONSUMER SPENDING (NOMINAL)	USD 1.3 TRILLION	USD 3.5 TRILLION
WORKING AGE POPULATION	618 MILLION	845 MILLION
CITIES WITH >1MILLION PEOPLE	52	103
HOUSEHOLDS WITH DISCRETIONARY INCOME	108 MILLION	194 MILLION
MOBILE PHONE USERS	815 MILLION	1,141 MILLION

AFRICA IS THE 2ND FASTEST GROWING REGION IN THE WORLD

Historic global compound annual real GDP growth 2000-2014, %



Expected global compound annual real GDP growth 2014-2025, %



Source : Global Insight GDP data and Forecasts; Global Insight GDP data and Forecasts; International Monetary Fund Region definitions; World Bank region definitions; McKinsey Global Institute

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Moreover, the Desk collaborated with internal stakeholders and supported the implementation of selected projects and the Bank's products and services line-up:

- January – launch of the Global Custody online platform and safe lockers to Private Clients
- March - the Bank launched the VISA prepaid card
- April – the Bank carried out a revamping of the Internet Banking platform with the objectives of offering quicker access to information, enhanced security features and SMS alerts, broadening the operation mandates for using the Platform, inter alia.

The Desk also contributed in refining the operational and client on boarding processes as well as fostering effective harmonisation of the representative offices.

In October 2014, the Bank had an addition to its already strong existing shareholder base, namely the Toronto-listed, National Bank of Canada. This addition has enhanced the institutional profile of the Bank, giving more comfort to its foreign, non-resident client base.

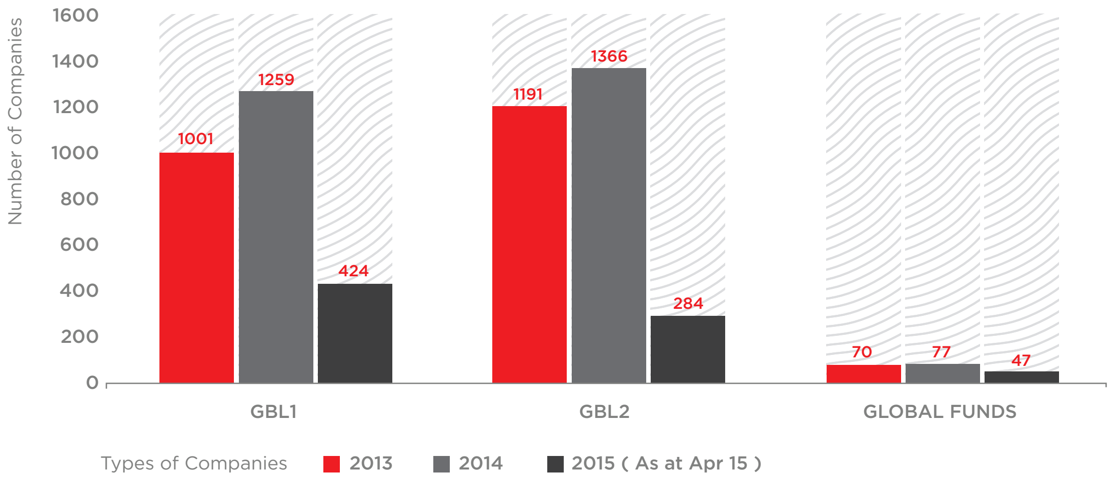
The global landscape affecting IFCs is changing rapidly, with a stronger focus on transparency and fair taxation system. Initiatives like the US FATCA have already been implemented worldwide. More than 65 countries have agreed publicly to implement the automatic exchange of information under the Common Reporting Standard, starting as from the year 2017 for the early adopters. The OECD Base Erosion Profits Sharing program is also forthcoming.

Mauritius welcomes the above initiatives as the Jurisdiction has always positioned itself as an IFC fostering transparency.

Recently, Mauritius has had 2 of its important double taxation agreements (DTAs), namely those with South Africa and India, renegotiated and, its name appearing on an EU blacklist. Obviously, the future of the Island as an IFC depends a lot on certainty of the DTAs and the comfort of international investors that they are able to mitigate their taxation, legal and investment risks by investing through an economically and fiscally stable jurisdiction. The Country needs to expand its network of DTAs and Investment Promotion and Protection Agreements, more specifically with the African countries. The DTAs that have been signed but not yet ratified also need to be finalized as soon as possible so as to provide a comparative advantage. Moreover, the Country needs to decry the inclusion of its name in the EU blacklist in order to uphold the reputation of Mauritius as a transparent and fully compliant IFC.

Liability Analysis

The main source of introduction is through the approved intermediaries operating in the Mauritius Global Business sector, which include some 125+ International Management Companies (IMCs). The activities of the Global Business sector in the Mauritius International Financial Centre (IFC) are mainly reflected in the evolution of the number of Global Business companies which, as per the Financial Services Commission statistics, was as follows:

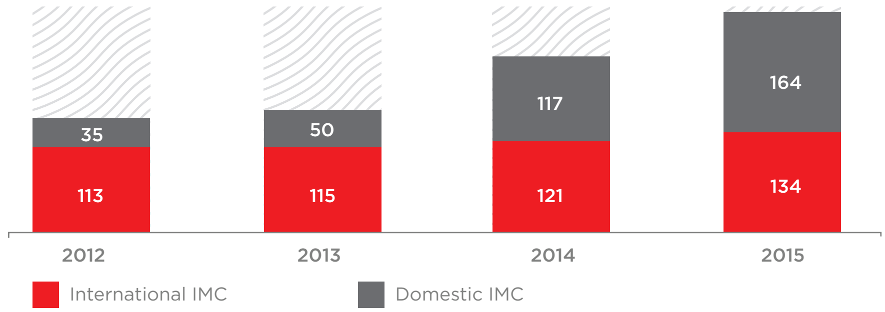


NEW INCORPORATION OF GB1, GB2 AND GLOBAL FUNDS

GBL companies and Global Funds are structures that are registered with the Mauritius Financial Services Commission and the Registrar of Companies. As at February 2015, there was a total of 10,226 GBL1 companies, 10,855 GBL2 companies and 891 Global Funds registered in Mauritius. From the above graph, it can be noted that the increase in the number of GBL1 companies and the Global Funds is progressive. It will be interesting to follow the growth trend of the GBL2 companies over the year.

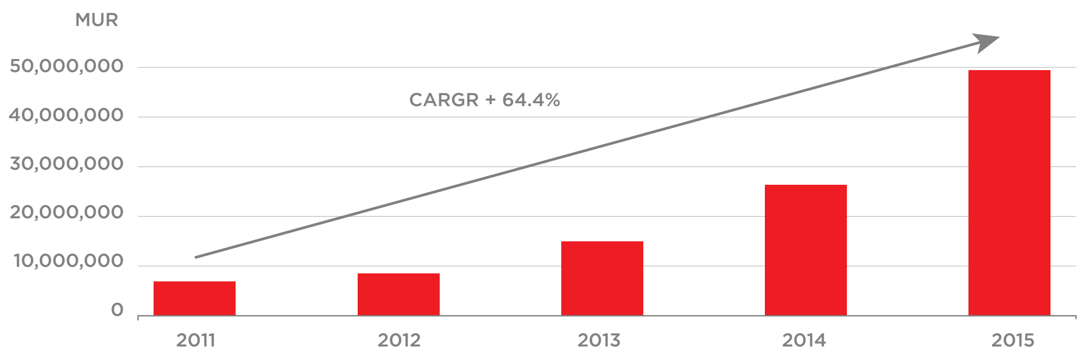
The Desk has diversified its referral base over the past few years and also actively works with some 100+ trust companies, corporate services providers and other financial services providers, based outside Mauritius.

RELATIONSHIP WITH INTERNATIONAL MANAGEMENT COMPANIES



During the year under review, the Global Business Desk continued its international expansion strategy by tapping into business opportunities primarily in chosen markets across Africa. The Desk recorded a resilient performance across all key product lines by reaping the benefits of on-going initiatives intended to strengthen the Bank's strategic position whilst diversifying its exposures. For instance, increased regional market presence was obtained through both organic client growth and participation in loan syndications via funded deals in various segments of the market. The Bank's asset exposure is now well-diversified covering targeted opportunities in property, oil and gas, telecom, power, infrastructure, mining, institutional funds, multinationals, agriculture, commodities and specialized finance. The year under review has also seen considerable grounds covered in terms of country based portfolio diversification with exposure to new African countries such as Côte d'Ivoire and Ethiopia. The East Africa framework remains a key target market for the Bank with some exciting initiatives to come from that space in the coming year. The Desk has also worked hard at developing its DCM capabilities using the Mauritius financial market as a hub for this activity, specifically lead mandate arrangements co-facilitated by AfrAsia Corporate Finance business.

DEPOSITS FORM CUSTOMERS - SEGMENT B



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Looking ahead, international activities will remain an important constituent of the Bank's business growth with the African region remaining the key target in view of its attractive economic projections. The active market expansion and diversification, over the ensuing year, will be supported by:

- enhanced business relationship management and understanding of intrinsic needs of markets being serviced
- setting up of new offices in targeted countries
- continuous business process improvements
- following sound risk management practices through client onboarding and transaction monitoring

TREASURY

> *You may think you are in the business of trading. But in reality, you are in the business of decision making. And the better you can make these decisions ahead of time, the better your results will be.*
>
> *Paul Tudor Jones*

The Bank's Treasury activities are split between sales and trading. Its sales desk is focused on providing tailor made solutions on Foreign Exchange and Interest Rates, while its trading desk is mandated to manage the Bank's exposures in Foreign Exchange and Interest Rate instruments.

The FX Trading desk manages the FX exposure of the Bank within the parameters set by the Bank of Mauritius and the Bank's Board Risk Committee, while the Money Market desk manages the assets and liabilities of the Bank on a proactive basis and ensures that returns are maximised on both the MUR and FCY liabilities of the Bank, while providing good rates to clients.

HIGHLIGHTS

The main driver was the increase in FX volumes from the Global Business segment, where the Bank witnessed a 40% increase in FX volume from FY 2013/14.

The most significant increase has been on the income generated from client FX derivatives transactions which amounted to MUR 45m compared to MUR 5m in 2013/14.

The Bank experienced a steady increase in its domestic banking volume to USD 1.1bn, representing a 10% increase year-on-year.

TRADING INCOME
MUR 373m

TOTAL FX GAIN AND TRADING INCOME
MUR 471m

SETTLEMENT IN CURRENCIES
OVER 100

Product Development

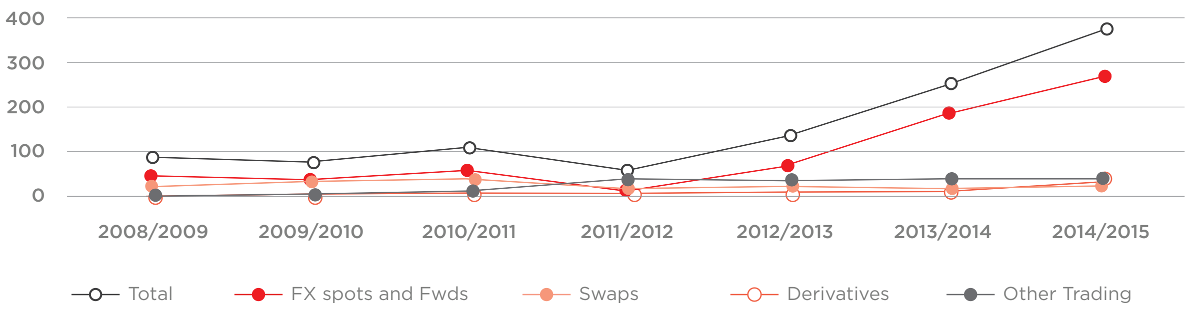
The Bank's aim is to be the preferred provider of Treasury products in Mauritius and in the region and as such the Treasury sales team spends a lot of time discussing with clients about their FX needs and this approach has helped us gain around 15% of FX volume in the local market. However, the banking sector is becoming increasingly competitive and therefore it is important to provide innovative solutions to clients to ensure that the Bank remains ahead of the curve. While AfrAsia Bank Limited continues to cater for the day-to-day FX spot volumes, the Bank spends a lot of time understanding its clients' FX exposures and structuring the right FX derivatives products to help them. This approach of providing tailor-made solutions has helped the Bank become the preferred FX Derivatives provider in the market. AfrAsia Bank Limited is now using its expertise to provide these solutions to international clients.

Our Treasury Business in Numbers

For the Financial Year ending 30th June 2015, our Trading Income amounted to MUR 373m, a 52% year-on-year growth. Revenue on FX Spots and Forwards amounted to MUR 269m, representing a 47% increase from the previous year; the main driver was the increase in FX volumes from the Global Business segment, where the Bank has witnessed a 40% increase in FX volume from FY 2013/14. The most significant increase has been on the income generated from client FX derivatives transactions which amounted to MUR 45m compared to MUR 5m in 2013/14.

In terms of FX Turnover, the Bank has seen a steady increase in its domestic banking volume to USD 1.1bn, representing a 10% increase year-on-year; which has helped us achieve a market share of 15% in the local market. The Bank has, however, seen an increase of 40% in FX Volume on the Global Business side to USD 638m, as a result of the fact that it can settle in more than 100 different currencies.

TRADING INCOME (MUR' M)



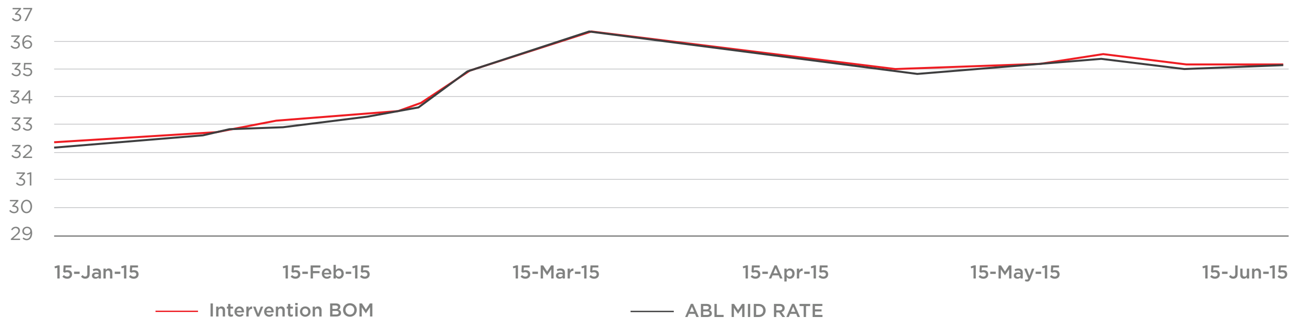
Local Market Dynamics

Foreign Exchange

The dynamics of the FX business have drastically changed since the beginning of 2015. The business has become more competitive and challenging with the margin between the bid and offer being significantly squeezed. The market saw a depreciation of approximately 12% of the MUR from January to March 2015 driven by the depreciation of the Euro on the international market; the Euro being the currency in which most of our exports are denominated. This prompted the Central Bank to intervene in the market more regularly to keep the EUR/MUR competitive while also curtailing the USD/MUR which was overvalued; it is now trading at a fair value when compared to the USD's appreciation on the international market. Mauritius is heavily dependent on the importation of basic necessities, (e.g. dairy products, clothing, rice, etc.), however, a slowdown in consumption has recently been seen. Importers are very vigilant with regard to USD purchases and the Forward purchase market has also dried up. There has also been a decline in the sale of Foreign Currency, which is usually driven by the tourism and textile manufacturing sectors.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EVOLUTION OF USD/MUR



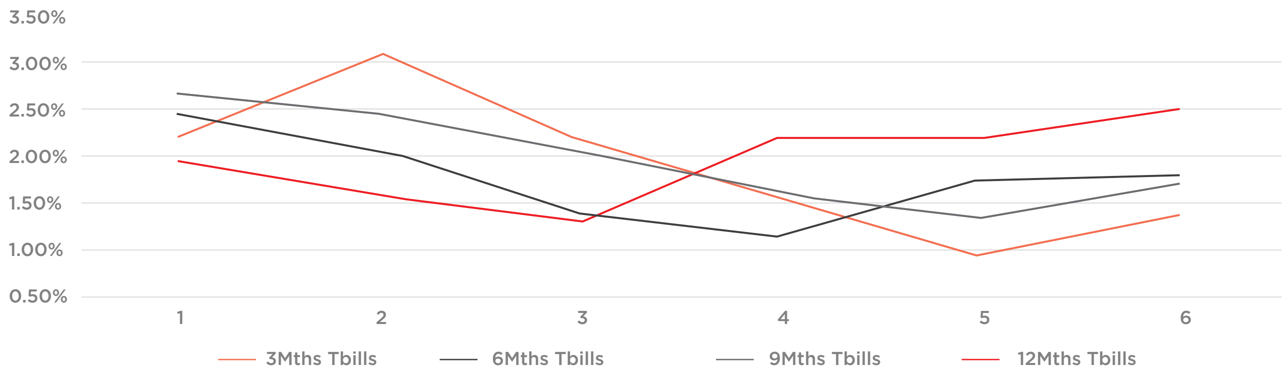
Although being an emerging bank, AfrAsia Bank Limited has been able to gain a strong foothold in the local Foreign Exchange market by maintaining a 15% market share for the past year. The Bank prides itself in providing a solution-driven service to its clients, which is not only focused on providing them with the most competitive rates but also sharing the Bank's views and readings of the local and international markets.

Going forward, the Bank thinks that more clients will embrace product sophistication. Local Corporates have naturally evolved from doing only spot transactions to doing FX Forwards and Swaps. However, the market evolves, players will get more accustomed to Structured Forwards (derived from options and forwards) in USD/MUR and EUR/MUR, which gives them more flexibility. The Bank thinks that based on the current economic environment and in periods of high volatility that we have witnessed in both the local and the international market. Importers and exporters have realised that the use of options together with forwards gives them more leeway and flexibility to hedge their FX exposures.

Interest Rates

Excess liquidity in the Banking system at beginning of 2015 was MUR 6.9bn and gradually increased to MUR 12.83bn in early June 2015, after peaking at MUR 16.54bn mid-April 2015. On 21 May 2015, The Bank of Mauritius announced that it will sterilize around MUR 20bn of liquidity by the end of December 2015. Treasury Bills Yields during the year reached their all-time lows in the range of 0.93% - 1.31% as compared to the range of 2.17% - 2.85% at the beginning of 2015. Faced with the Eurozone Crisis, and a sector wise weighted average Cost of Funds of 2.84% (As at May 2015), It was highly challenging for Banks to disburse quality assets and as a result the excess liquidity was chasing Treasury Papers at rates even lower than Banks' Cost of funds explaining the drastic increase in excess liquidity and fall in Treasury paper rates.

TBILLS EVOLUTION : LAST 6 ISSUES



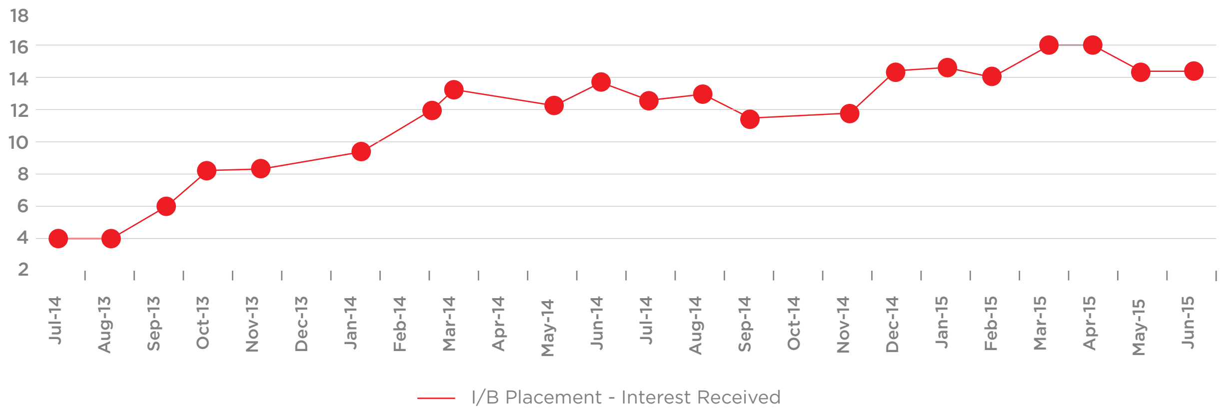
The Bank forecasts a correction in the current excess liquidity situation with Bank of Mauritius intervention, while the Repo rate is expected to remain unchanged. With the Work in Progress paper on Primary Dealers Requirements due this year, the Bank should expect a more active secondary market for Treasury Bills and with the injection of fresh capital, its strategy going forward will be to increase the Trading book portfolio and become the most active Money Market and Fixed Income Trading house.

Balance Sheet Management

AfrAsia Bank Limited's Money Market and Fixed Income desk is in charge of managing the assets and liabilities of the bank. The desk's focus is as follows:

- formulate ideas and strategies to take advantage of money market movements.
- work closely with other business units to identify deposits/loans trends, and possible impact on the Bank's liquidity.
- constant follow-up of market changes, especially those related to monetary and fiscal policies that would have impact on the direction of interest rates in the major markets.
- protect the Bank's liquidity position in maintaining excellent cash-flows reports, and adopting certain tolerance levels in managing liquidity.
- use Repos, Reverse Repos, Swaps and any other available approved methods of funding to ensure the most efficient way of funding the various activities of the bank.
- during FY 2014/2015, the Bank has actively sought to maximised yields in the FCY Interbank (I/B) placements; an illustration of progress for Interest received through interbank placements is shown below:

I/B PLACEMENT- INTEREST RECEIVED



- for the FY 14/15, Total interest from FCY Interbank placements amounted to USD 4.69Mio averaging USD 391k per month as compared to USD 3.30Mio for FY 13/14 with an average monthly interest of USD 275k.

Going Forward

The Bank's goal is to be a one-stop shop for Treasury requirements both for local as well as international clients. The Bank feels that Mauritius has all the capabilities of being the funding centre for the rest of Africa. However, with the level of sophistication that the Bank is bringing, it aims to become the centre of excellence in terms of Treasury and Financial Markets solutions for the continent.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AFRICA STRATEGY

Objectives

AfrAsia Bank Limited has successfully developed its Corporate & Investment Banking offering across various African markets and the intention is to keep on delivering this going forward. The key product offering to its clients come from its Treasury, Transactional Banking and Corporate Banking divisions.

With the unique role of Mauritius as a financial centre, the Bank is continuously positioning itself as a regional banking force by establishing close business ties with a number of banking institutions in Sub-Saharan Africa. Its aim is to be a one-stop shop for financial institutions in the region in terms of funding, foreign exchange, structured solutions and trade finance solutions.

The Bank is one of the key players in Mauritius in terms of cash and liquidity management for those corporates and individuals investing in and trading with African countries. Cross-border payments, Treasury as well as Global Custody services are the main requirements of international and pan-African investors.

From a Corporate Banking perspective, the Bank will continue to grow the asset book through selective organic growth and primary syndications. The Bank remains committed to developing relationships with regional corporates (in country) and clients using Mauritius as a unique platform for expansion into Africa. AfrAsia Bank Limited will also target specific segments going forward where the Bank believes it can make a meaningful difference, particularly through the strategic relationship held with National Bank of Canada.

Core initiatives

AfrAsia Bank Limited uses a number of platforms for growing its presence and acquiring opportunities from African markets. In terms of Treasury and FI business, the Bank continues to leverage its Mauritian platform to provide the appropriate solutions to its institutional clients and continues to invest in knowledgeable resources to drive the business in the region.

From a product perspective, the Bank's strategic relationship with the National Bank of Canada provides the expertise to differentiate itself from the other players in the continent.

From a Corporate Banking perspective, the Bank uses its Mauritius, South African and London Representative offices to build relationships in those markets with corporate clients looking to retain, manage and expand their presence in African countries and who have a need for a banking partner to support those activities. AfrAsia Bank Limited has a team of dedicated Relationship Managers in its various offices supporting its clients and these initiatives.

Through its subsidiary, AfrAsia Corporate Finance, based out of South Africa and Mauritius, the Bank is able to offer clients tailor-made advisory and capital raising services.

Opportunities and challenges in Africa

The opportunities in Africa are enormous as it remains a diverse environment with multiple offerings across different sectors and markets. Africa still presents unique investment opportunities and attractive returns. The Continent does not however come without its challenges. Some of the key macro risks in general remain political stability, operating in complex regulatory environments, volatile exchange rates and the dependency on Africa to a large extent on the relative success of other emerging economies such as China. AfrAsia Bank Limited adopts both a macro and micro management approach in assessing these risks on a constant basis.

Future outlook

AfrAsia Bank Limited maintains its view that Africa is the future and remains committed to supporting this growth in a selective manner across the various product offerings of the Bank. Its objective is to build long-term partnerships with its clients operating in the dynamic and challenging but rewarding world that lies within Africa.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SOUTH AFRICA REPRESENTATIVE OFFICES

Located in the two largest cities in Africa's biggest economy, Johannesburg and Cape Town, the primary functions of the South Africa Offices are to promote Mauritius as an international financial and business destination and AfrAsia Bank Limited as the banking brand of choice.

Corporate South Africa's investments into Africa

On the corporate and institutional front, South Africa remains one of the dominant investors on the Continent. According to the latest World Investment Report, South Africa recorded a 4.3% rise in FDI to USD 6.9bn during 2014, making it a leading outward investor, particularly into the rest of the African Continent. South Africa's investments into more than 40 African countries range beyond traditional mining, telecommunications, banking and travel. Other successful South African businesses with African operations are involved in insurance, construction, chemical, pay-TV, food and beverage as well as the pharmaceutical sectors. Every year growing numbers of African consumers shop at South African retailers such as Shoprite or Massmart stores. Many of these companies engaged in trading in Africa have invested via Mauritius – or use Mauritius as an international treasury centre.

Private Banking in Africa

According to New World Wealth's Africa 2015 Wealth Report, the number of HNWIs in Africa increased by 145% between 2000-2014, comparing very favorably with the worldwide HNWI growth rate of 73% during the same period. Moreover, these numbers are expected to rise by a further 45% by 2024. Clearly there is a correlation between economic growth and the creation of a successful and wealthy entrepreneurial class. With the African Continent set to become one of the world's fastest growing regions over the next 10 years, there will be a concomitant rise in the demand for banking and investment products and services which augurs well for those providing private banking to the African clientele.

The Focus

The Representative Offices have been capitalising on 3 main trends:

- continued interest in expanding into new markets where there is growing consumer demand. Countries in SADC and COMESA are of particular interest. Being a member of both blocs and offering a network of double-taxation agreements, IPPAs and other advantages, Mauritius is an ideal platform to facilitate accessing these markets
- managers of listed and unlisted funds continue to be attracted to Mauritius as a base for their operations, and
- like corporates, there are individuals who similarly seek international diversification of their wealth and access to private banking products.

The Representative Offices' local presence combines well with the Bank's competitive products and services enabling AfrAsia Bank Limited to successfully compete for international banking in the markets in which it operates.

Since inception, the strategy has been to retain the services of seasoned bankers who are well grounded in the local market and also have the ability to inform prospects about international banking through Mauritius. This ranges from being able to discuss with global business companies as well as speaking to individuals about the private banking platform in Mauritius.

Key success and future outlook

Tangible and intangible benefits accrue to positioning ourselves in one of Africa's largest economies.

- Being situated in the Continent's banking and stock market hub provides access to high quality local and international corporates as well as fund managers
- Increasing acceptance of AfrAsia Bank Limited as a regional Bank of substance is evidenced by the profile of African companies and intermediaries choosing to do business with the Bank

Each year, the South African Representative Offices continue to contribute to the Bank's expansion into African and other markets.

The team in South Africa. From left to right; Ravi Teji, Vanessa Sabbatini (consultant), Colin Grieve, Anne Ferriera, Lise Tayler and Dennis Shoko

LONDON REPRESENTATIVE OFFICE

The Bank's presence in London reflects the city's importance as a centre for African-focused capital flows. It is also home to a large proportion of the major African private equity groups and our London Representative, Garry Sharp, himself has deep experience in African private equity stretching back nearly twenty years.

The key role of the Representative Office is to act as a networking and contact centre, enhancing our relationships with London financial institutions, advisers and intermediaries, and with clients and contacts who pass through the city. The Bank also liaises closely with the London offices of Mauritius-based management companies and similar partners.

Key achievements in the last twelve months have included:

- deepening AfrAsia Bank Limited's links with London-based, Africa-focused Private Equity funds. The Bank now provides banking services, including bridging loan and portfolio company facilities, to a significant and growing number of these funds and the London connection has helped accelerate this progress.
- cooperation with International Management Companies. A growing number of AfrAsia Bank Limited's IMC partners are opening London offices. The Bank is collaborating closely on joint business development activities with these offices to offer total solutions to London-based clients.
- developing relationships with major international conglomerates with African exposure. As Mauritius becomes more established as the natural offshore base for international investment in Africa, these links are helping to promote the Bank's positioning as their natural Mauritius banking partner.
- broadening private banking coverage, the presence of a London Representative has strengthened the Bank's appeal to High Net Worth Individuals based in London.

ZIMBABWE

The Financial Year 2014/15 was marked by the closure of the Bank's Zimbabwe operations, despite all efforts made to salvage them. This happened against the backdrop of deteriorating macroeconomic conditions and a continued liquidity crunch in the banking sector.

In February 2015, the board of AfrAsia Bank Zimbabwe Limited (ABZL) decided to surrender its banking licence. Despite the write-off of this investment, AfrAsia Bank Limited continues to maintain a strong capital based of MUR 4.9bn, demonstrating the resilience and financial strength of the Bank.

Please refer to the note on "Investment in Associates" contained on Note 22 of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

NON-BANKING SUBSIDIARIES

AFRASIA CAPITAL MANAGEMENT

With over 23 years of solid investment management experience, AfrAsia Capital Management Limited (ACM), formally known as Axys Capital Management, is 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 bespoke investment solutions. The Company is regulated by the Financial Services Commission and currently holds three licences, namely Investment Advisor (unrestricted), CIS Manager and Distributor of Financial Products.

HIGHLIGHTS

- ACM has successfully grown its business both in terms of assets under management and bottom line over the last three years
- ACM has launched a new CIS – AfrAsia Partners Fund - to cater for investors looking for "patrimonial investment solutions"
- Over time, ACM has built a client base that includes major companies in different sectors of the economy
- ACM's Return on Equity and Return on Capital Employed have averaged 86% and 103% respectively over the last three years
- To offer a holistic service, ACM has engineered 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

ASSETS UNDER MANAGEMENT

Growth of

49%

over the year

PROFIT AFTER TAX

An increase of

84%

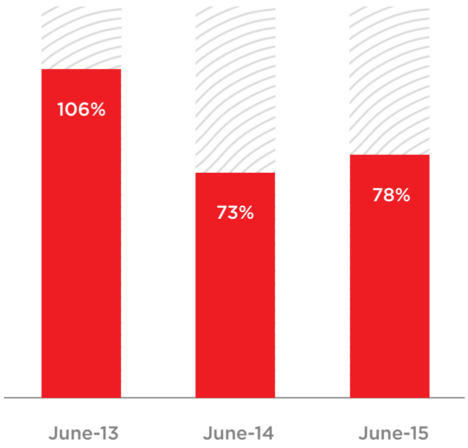
over the year

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.

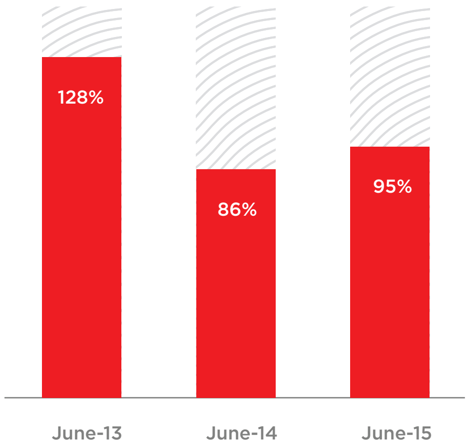
Under its CIS Manager licence, ACM manages seven in-house funds and strives to cater for different risk profiles by having each CIS focus on a different region and by offering both equity and bond funds. ACM also has a long history in constructing and managing pension portfolios and delivering consistent above average returns.

ACM continues to pursue its expansion while endeavouring to offer quality service to clients.

RETURN ON EQUITY (%)



RETURN ON CAPITAL EMPLOYED (%)



Financial highlights

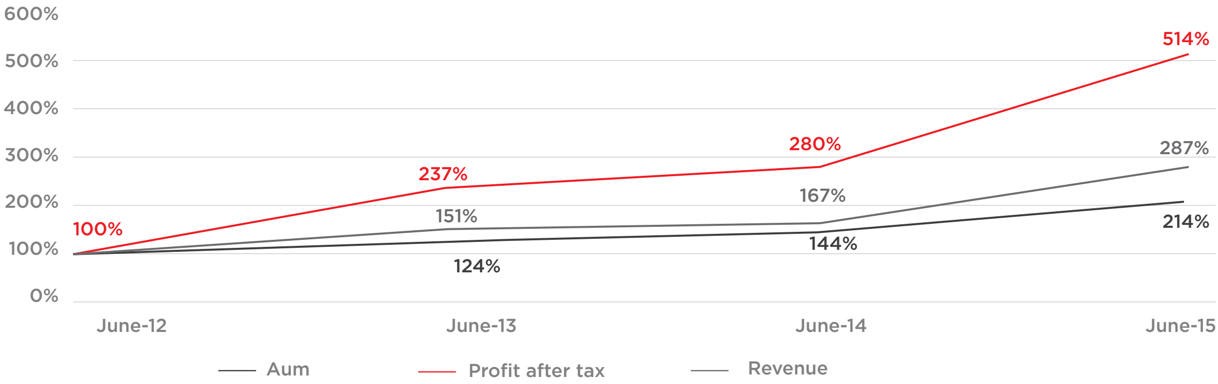
Financial performance during the year ended 30 June 2015 remained healthy with Profit after Tax increasing by 84% year-on-year, backed by a commendable growth of 49% in Assets under Management (AUM).

Leveraging on its product offering, extensive experience in delivering superior investment return and strong in-house investment capabilities, ACM has successfully grown its business both in terms of assets under management and bottom line over the last three years. The growth witnessed by ACM has accelerated over the last 2 years. Along with growing the business, it strived to maintain a sustainable and diversified source of income.

For the period June 2012 - June 2015, ACM has registered a growth of 114% and 187% in AUM and Revenue, respectively. Profit after Tax witnessed a growth of 414% for the corresponding period. The Company's Return on Equity and Return on Capital Employed have averaged 86% and 103% respectively over the last three years.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CUMULATIVE GROWTH IN REVENUE, AUM AND PROFIT AFTER TAX



Developments over the financial year

Since it was wholly acquired by AfrAsia Bank Limited, ACM has been on the path of a major restructuring venture. The headcount has increased to 20 as at 30 June 2015, with a team of 10 investment specialists backed by the Operations and Finance teams.

In line with its usual innovative streak, ACM has launched a new CIS – AfrAsia Partners Fund - to cater for investors looking for "patrimonial investment solutions". The Fund also addresses the need of investors looking for an all-rounder fund, that is, an investment vehicle that holds a selection of funds encompassing equity securities, equity related securities, and fixed-income instruments of companies worldwide, to generate capital appreciation.

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 with performances as shown below:

ACM FUNDS**	LAUNCH DATE	CURRENCY	6-MONTHS	1-YEAR	3-YEARS	5-YEARS
EQUITY FUNDS						
ACM Aussie Growth Fund	1-Jun-00	AUD	5.45%	2.91%	36.33%	25.92%
ASX 200			0.89%	1.17%	33.32%	26.91%
Alpha			4.57%	1.73%	3.01%	-0.98%
ACM European Fund	1-May-05	EUR	13.59%	15.13%	39.18%	48.08%
Eurostoxx 2000			10.44%	10.69%	48.23%	52.63%
Alpha			3.15%	4.44%	-9.06%	-4.55%
ACM India Focus Fund	1-Jan-11	USD	8.28%	36.33%	82.45%	N/A
BSE 200 ($ adjusted)			1.41%	5.57%	44.56%	N/A
Alpha			6.87%	30.75%	37.89%	N/A
ACM Global Equity Fund*	21-May-13	USD	1.53%	2.65%	35.81%	72.16%
MSCI AC World			1.53%	-1.22%	35.69%	57.88%
Alpha			0.00%	3.87%	0.12%	14.28%

** Fund performance prior to the launch date has been back-tested based on the fund's investment strategy*
*** AfrAsia Parthers Fund was launched in April 2015, and only 3-months' performance is available to-date*

ACM FUNDS	LAUNCH DATE	CURRENCY	6-MONTHS	1-YEAR	3-YEARS	5-YEARS
BOND FUNDS						
ACM Global Bond Fund*	20-Nov-13	USD	-0.67%	-2.23%	9.06%	17.85%
Barclays Global Aggregate Index			-3.08%	-7.09%	-2.40%	10.80%
Alpha			2.41%	4.86%	11.46%	7.05%
ACM High Yield Fund	29-Jun-12	MUR	3.14%	7.05%	20.39%	N/A
AfrAsia Savings Rate + 2%			2.59%	5.28%	16.90%	N/A
Alpha			0.55%	1.77%	3.49%	N/A

** Fund performance prior to the launch date has been back-tested based on the fund's investment strategy*
*** AfrAsia Parthers Fund was launched in April 2015, and only 3-months' performance is available to-date*

ACM has continued to build its product offering and in this respect, the Company has teamed 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 has come a long way since its major restructuring over the last quarter of 2013 and has reached its cruising speed. With the team now fully integrated and continued synergy with the AfrAsia Group, ACM seeks to conquer new market ground and maintain its reputation in providing innovative investment solutions.

AFRASIA CORPORATE FINANCE

AfrAsia Corporate Finance (ACF) is a niche, independent corporate finance adviser; providing clients with innovative structuring and financial solutions. The AfrAsia Corporate Finance Team based in Johannesburg, South Africa, consists of Marisa Meyer and Llewellyn Gerber; together they bring nearly three decades of experience.

Collectively, Marisa and Llewellyn have broad and deep experience in a variety of disciplines, ranging from Investment banking, Capital Raise and Tax Advisory to Debt Capital Markets, Valuations and Fairness Opinions as well as M&A advisory.

ACF has been instrumental in prepping, executing and delivering on many strategic and multifaceted business transactions. Their approach to partner with their clients rather than acting solely as advisors, coupled with their experience, connections and skillset, means they are able to provide their clients across the African continent with a range of appropriate solutions, all the while offering them the satisfaction that all their business requirements will be met.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL HIGHLIGHTS – YEAR UNDER REVIEW

AfrAsia Bank Limited (The Bank) closed its 8th financial year ending 30 June 2015 reporting a satisfactory Net Profit after Tax of MUR 175m, while maintaining a solid statement of financial position consolidating its capital base and gaining on market share across all its core business segments of:

- Corporate and Investment Banking
- Global Business
- Private Banking and Wealth Management
- Treasury

Despite a volatile global economic environment coupled with conflicting interest rate direction, on a year-over-year basis, AfrAsia Bank Limited reported a steady growth in its net interest income from MUR 659m to MUR 861m in the year under review, along with net fee income growth of 34% as compared to the same period in the last year. Net trading income growth was strong, with an increase of almost 92% over the previous year. The Bank also fully provided for its remaining exposure on its Zimbabwean investment, which was closed due to persisting liquidity challenges in Zimbabwe during the year under review. Such an exposure has affected the statement of profit or loss and other comprehensive income of the Bank by MUR 707m during the year.

On the assets side, the Bank successfully grew its loan book by MUR 4,3bn across both segments while maintaining a relatively conservative overall loan to deposit ratio of 32%, reflecting its objective of meeting credit demand while maintaining assets quality in its loan portfolio.

CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

OBJECTIVES FOR 2014/15	PERFORMANCE FOR 2014/15	OBJECTIVES FOR 2015/16
Statement of Comprehensive Income – Operating Income		
Budgeted operating income for 2014/15 stands at MUR 1,3bn, main contributor being Net Interest Income	Objective has been successfully realised with an operating income of MUR 1,6bn for the financial year 2014/2015.	The Bank's aim is to achieve an operating income of at least MUR 1,9bn for 2015/16.
Statement of Comprehensive Income – Operating Expenses		
Operating expenses are expected to remain as low as MUR 653m with an increase of 31% from actual expenses.	Well-managed operating expenses were kept within MUR 590m for the year under review.	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.
Statement of Financial Position – Loans and Advances		
Loans and Advances are expected to stand at MUR 22,1bn.	Slightly under its forecast, customer loans and advances reached MUR 21,7bn by the end of the financial year.	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.

CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH (CONTINUED)

OBJECTIVES FOR 2014/15	PERFORMANCE FOR 2014/15	OBJECTIVES FOR 2015/16
Statement of Financial Position – Deposits Growth		
Deposits are to continue their rising trend to reach MUR 44,3bn.	The Bank realised a noticeable growth in its customer deposits base to reach MUR 66,9bn by the end of June 2015, that is, a growth of 63%.	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.
Statement of Financial Position – Asset Quality		
Non-performing loans are expected to return to 1% of gross loans.	Non-performing loans as a percentage of gross loans amounted to 5.2% by June 2015.	The Bank expects its non-performing loans to be 2.9% of its gross loans.
Statement of Financial Position – Capital Management		
Capital adequacy ratio is expected to remain above the regulatory requirement of 10%. New Basel III ratios will be implemented during the year.	The Bank remained well capitalized and achieved a capital adequacy ratio of 13.7% under Basel III.	The Bank will achieve a capital adequacy ratio above the minimum regulatory capital requirements under the Basel III provisions.
Performance Ratio – Return on Average Equity		
Return on average equity for the Bank is targeted to be above 19.33%	The Bank's return on average equity stood at 6.5% for the year under review. This is lower than the target due to "exceptional" negative impact resulting from the impairment of its overseas subsidiary.	Return on average equity for the Bank is targeted to be above 20%.
Performance Ratio – Cost to Income		
Cost control was expected to bring a cost to income ratio of under 50%.	Well monitored cost control policy along with increased income contributed in a conservative cost to income ratio of 36%.	The Bank will continue to maintain a cost control policy while continuing to invest in core resources.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

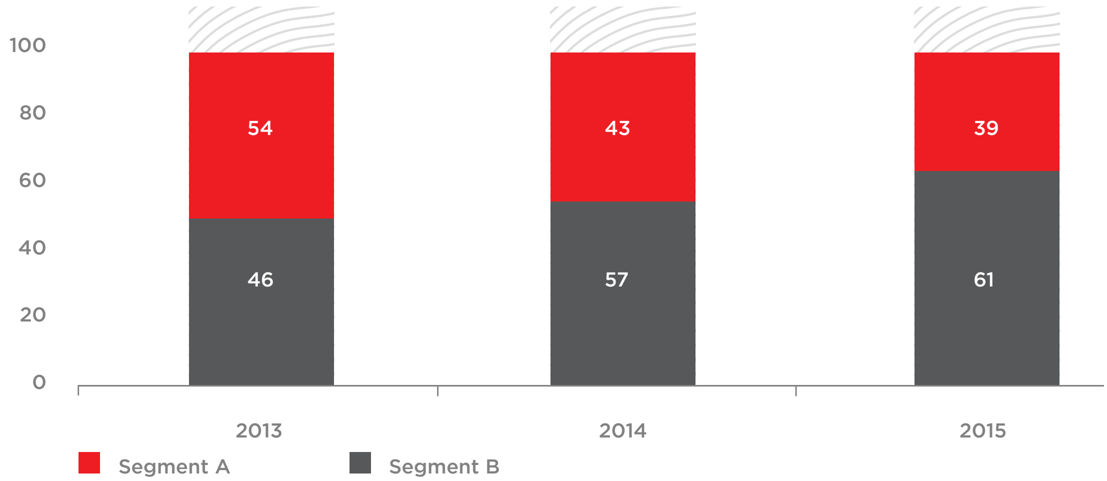
REVENUE GROWTH

Net Interest Income

Despite a volatile global economic environment coupled with conflicting interest rate direction, on a year-over-year basis, AfrAsia Bank Limited reported a steady growth in its net interest income from MUR 659m to MUR 861m in the year under review. This growth can be noted across both Segment A and B, that is 18% and 40%, from 2014 to 2015.

Interest income earned from customer loans and advances of MUR 1.1bn constitute the major part of the Bank's total interest income at 70% and total interest income represents a growth of 19% over the previous year. Conversely, the Bank paid MUR 749m as interest expense for the year, with the major part attributed to interest paid to customer deposits of MUR 663m. This represents an increase of 10% over the previous year.

NET INTEREST INCOME (%)

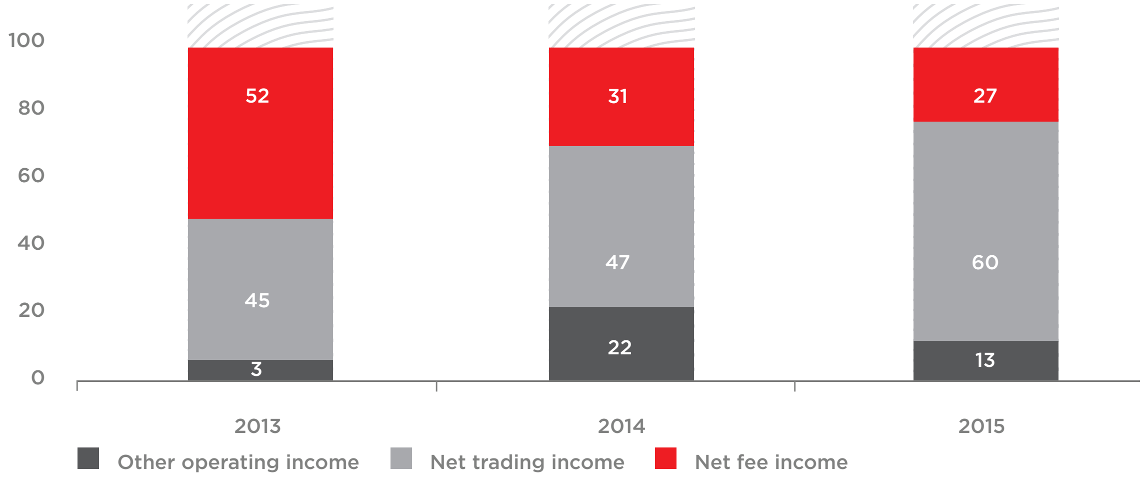


Non-Interest Income

The Bank's non-interest income grew year-over-year to reach MUR 786m for the 12 months ended June 2015. The 3 main components of same are as follows:

- fee income, which is mainly attributed to fees earned from loans, grew by 34% from 2014 to 2015, with a net fee of MUR 213m for the year under review.
- net gain on financial investments held-for-trading and foreign exchange gain income was strong, recording an increase of almost 92% over the previous year.
- of note, out of the MUR 102m from "other operating income", MUR 45m is attributed to dividends received from its subsidiaries.

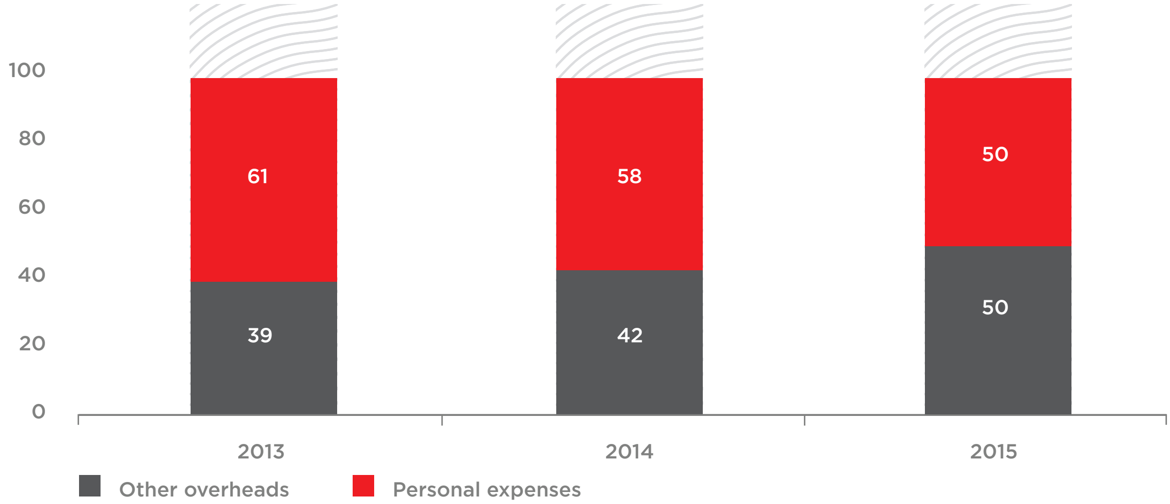
NON-INTEREST INCOME (%)



Cost Control

While maintaining a well-managed cost control policy which resulted in a drop in the cost to income ratio from 42% to 36% between 2014 and 2015, the Bank, in parallel, continued to recognise the importance of investing in its brand, both locally and internationally, its human and intellectual capabilities, resources and IT infrastructure, for the year 2014/15, MUR 294m was invested in staff costs and MUR 296m in other overheads.

OVERHEADS (%)



The Bank also fully provided for its remaining exposure on its Zimbabwean investment, which was closed due to persisting liquidity challenges in Zimbabwe during the year under review. Such an exposure has affected the statement of profit or loss and other comprehensive income of the Bank by MUR 707m during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

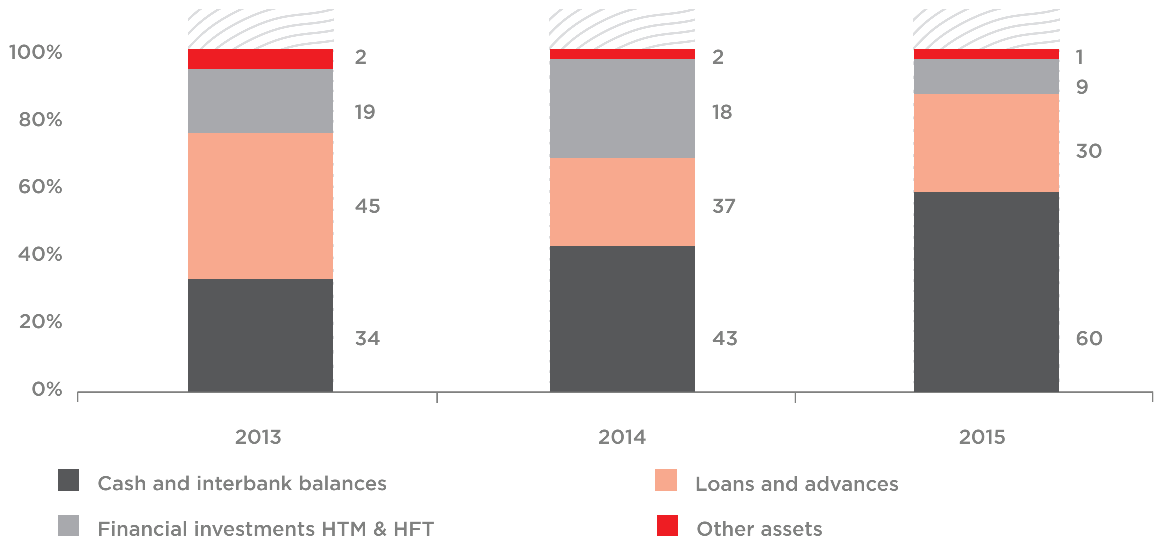
Asset mix

The Bank's total assets increased by 56% to MUR 73bn over the year under review. The assets mix remained well diversified, maintaining an acceptable risk return profile and focusing on the quality of the portfolio. The main components of the Bank's total assets include:

- cash and balances with the Central Bank and due from banks of MUR 43,9bn,
- customer loans and advances of MUR 21,7bn,
- financial investments held-for-trading and held-to-maturity of MUR 7,0bn,
- other assets of MUR 713m.

The growth in the Bank's customer loans and advances remained quite steady from last year, with 25% growth across both segments. Such growth was done in a relatively disciplined manner focusing on credit quality. The Bank's loan to deposit ratio was at 32% at the end of June 2015.

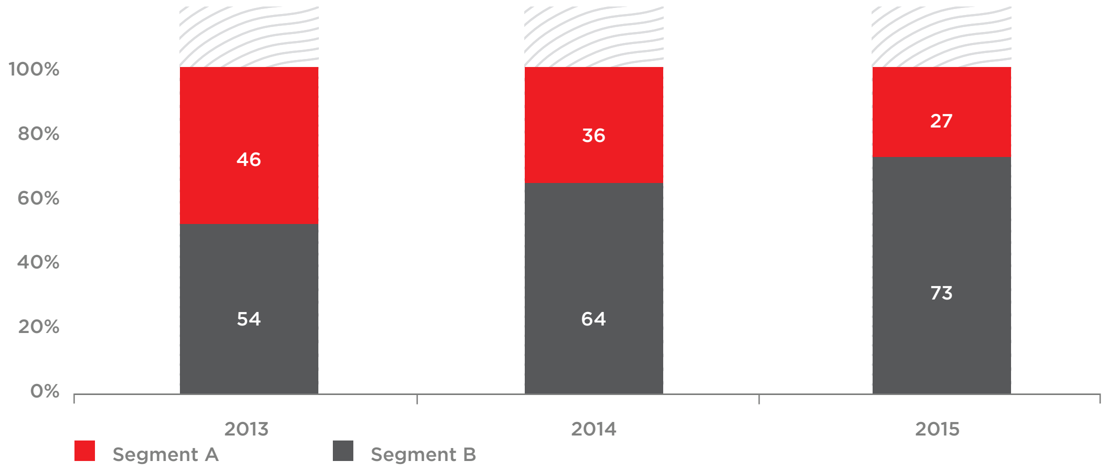
ASSETS MIX (%)



Deposits

On the liabilities side, customer confidence in the Bank can be noted with its customer deposits increasing by 63% to reach MUR 67bn by the end of June 2015, across both Segments A and B. This increase of MUR 26bn over last year reflects the privileged and collaborative relationship the Bank has with its customers.

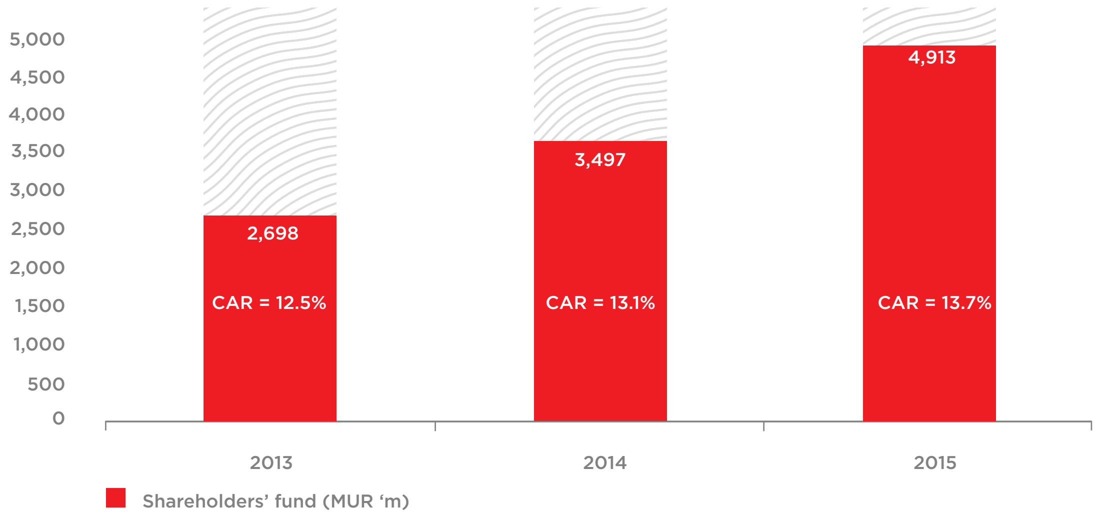
DEPOSITS (%)



Capital Resources

The Bank's capital base was strengthened with the coming on board of a shareholder of international renown namely, the National Bank of Canada which, as at June 2015, became the Bank's 2nd largest shareholder with a 17.5% stake. Capital adequacy ratio of 13.7%, under Basel III also reflected a well-positioned statement of financial position. Of note, 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 1.65 per share during the year ending June 2015.

TOTAL CAPITAL UNDER BASEL



INSPIRE

We believe in creating unique experiences in the market, and to achieve that, we develop leadership, form effective teams and build a culture of excellence to inspire brand advocacy in our employees.


Credit: Heritage Golf Club

FOLLOWING THE SUSTAINABILITY PATH

AfrAsia Bank Limited continues to incorporate sustainability approaches in the way it conducts business across society, in the workplace and the communities it serves. The Bank keeps on embracing Environmental, Social and Governance considerations (ESG) to align with its corporate strategy and uphold its sustainability structure.

Operating sustainably and responsibly is integral to the Bank's business model and strategy and the centre of its responsible business approach. The Bank's strategy also takes into consideration its asset management house, AfrAsia Capital Management, aimed at financing innovative and sustainable projects.

The Bank's focus areas are:

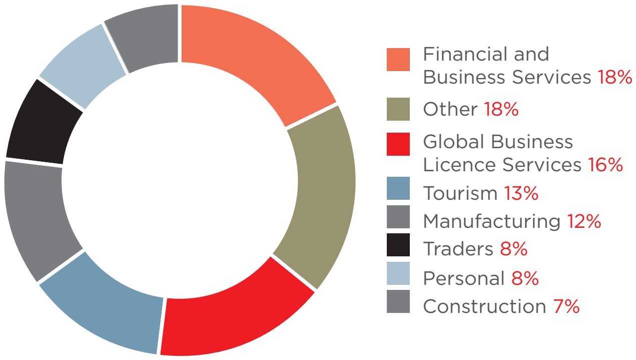
MARKETPLACE RESPONSIBILITY	WORKPLACE RESPONSIBILITY	SOCIAL RESPONSIBILITY	ENVIRONMENTAL RESPONSIBILITY
Long-Term Financing	Most Preferred Employer	Children's Education	AfrAsia Green Programme
• Develop and provide financial products and services responsibly • Business Principles & Code of Ethics • Technology	• Culture of Excellence • People Development • Diversity	• Children's Education & Welfare • Development of Sports • Health	• AfrAsia Bank Limited Think Green Programme • AfrAsia / GML Fondation Joseph Lagesse Green Space

MARKETPLACE RESPONSIBILITY

The Bank is adopting a responsible approach to provide tailor-made banking solutions to its target market. In line with delivering innovative products and services being a first in the market, AfrAsia Bank Limited ensures that the customer experience is enhanced to its clients present in more than 121 countries. During this Financial Year, AfrAsia Bank Limited has been awarded by World Finance, EMEA Finance and Euromoney as 'Best Wealth Management Provider in Mauritius 2014', 'Best Transport Infrastructure Deal in EMEA 2014' and 'Best Private Bank in Mauritius 2015' respectively, showing its commitment to provide best-of-breed products and services to its target market.

1. Long-Term Financing of the Economy

AfrAsia Bank Limited has been awarded as 'Best Transport Infrastructure Deal in EMEA' for its support in the 'Ethiopian Railways Corporation's rail infrastructure upgrade by the international magazine EMEA Finance.



The Bank continues to contribute towards developing the main pillars of the economy, including the Financial & Business Services, Tourism and Manufacturing industries.

On the domestic market, the Bank now serves 85% of the Top 100 companies and have used its strong capital adequacy and liquidity to deepen relationships in the long-term.

2. Business Principles & Code of Ethics

In view of strengthening anti-corruption measures, AfrAsia Bank Limited provides resources and training to all customer-facing employees, Compliance Officers and Money Laundering Officers. An annual money laundering refresher course is also provided to all employees.

Know Your Customer principle

This principle allows the Bank to understand its customers and their financial dealings in order to serve them better, manage risks prudently as well as build privileged relationships.

FOLLOWING THE SUSTAINABILITY PATH (CONTINUED)

The ethical standards to which AfrAsia Bank Limited adheres are based on the following legislation and regulation:

- 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 Guidelines and Guidance Notes
- AfrAsia Bank Limited Corporate Governance Committee
- AfrAsia Bank Limited Anti Money Laundering Policies and Procedures and

Futher information is provided on page 105.

3. Develop and provide financial products and services responsibly

AfrAsia Bank Limited is committed to providing products and services that create value for its customers while adapting to their evolving lifestyles. Intensive research is carried out for new offerings and the Bank's Product Committee analyses the approval process to ensure that it can confidently offer clients banking solutions within an ethical and competitive pricing strategy.

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

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

Moving forward, the Bank will work alongside relevant stakeholders to introduce more green products and services and improve its practices, this will be implemented as part of its three-year Environmental Programme.

WORKPLACE RESPONSIBILITY

The Bank's employees remain its greatest asset and keeps on investing in people development, diversity and inclusion initiatives to create a rewarding workplace and retain the 'AfrAsian' culture and values. These are anchored through:

1. A Culture of Excellence

The Bank continues to tell a successful brand story, by inspiring employees to become brand advocates and ensuring that its 234 passionate employees remain engaged and motivated. AfrAsia Bank Limited strives to improve its employee retention strategy and a dedicated resource has been recruited to focus on talent, rewards, learning and growth.

No. of Employees* › 2013/2014: 180 › 2014/2015: 234

% Turnover Rate › 2013/2014: 12% › 2014/2015: 13%

2. People Development

During the year, AfrAsia Bank Limited continued to reinforce its training programmes to create more opportunities for its employees. 120 employees had the opportunity to be involved in a wide range of training themes such as Risk Management, Corporate Communications, Leadership and Loyalty programmes among others.

COUNTRIES WHERE EMPLOYEES PARTICIPATED IN TRAINING

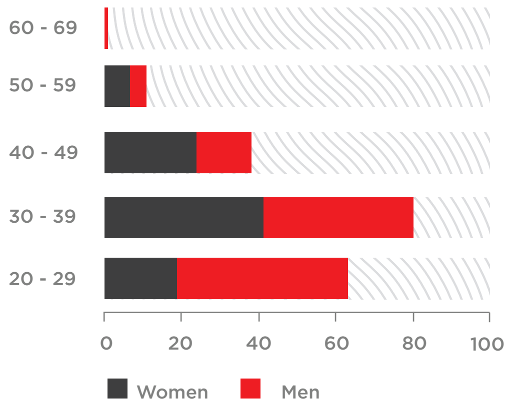
1400
hours of staff training 2014/2015

FOLLOWING THE SUSTAINABILITY PATH (CONTINUED)

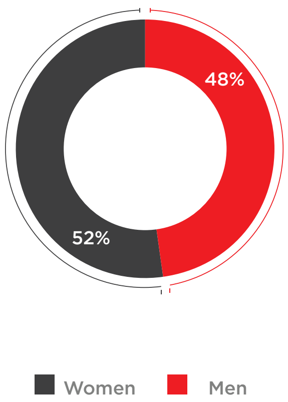
3. Diversity in Leadership

Leveraging diverse backgrounds and experiences while respecting all people is key to the Bank's success. Diversity and inclusion help deliver on the Bank's commitment to all AfrAsians by creating a workplace culture that enables each employee to make a difference.

Employees by Age Group



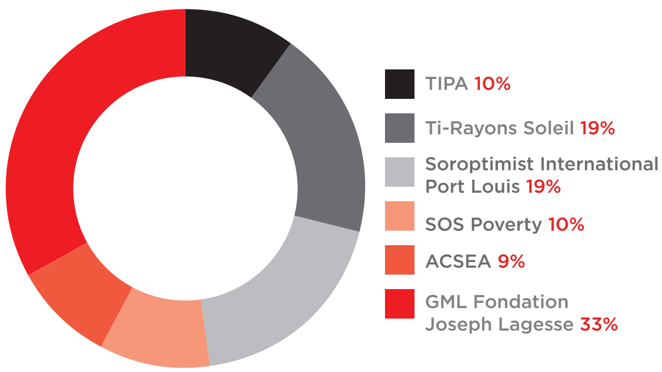
Gender Distribution



SOCIAL RESPONSIBILITY

Initiatives in Mauritius

AfrAsia Bank Limited continues to focus on environment protection, children's education and welfare. As part of its CSR strategy, its employees are at the centre of its approach by being involved in various initiatives. The Bank has collaborated with several NGOs as well as the GML Fondation Joseph Lagesse for joint CSR/Social initiatives.



AFRASIA GOLF ACADEMY

In view of identifying, inspiring and empowering junior golfers, AfrAsia Bank Limited launched the AfrAsia Golf Academy in collaboration with Mauritius Golf Federation (MGF) and Non-Governmental Organisation Ti-Rayons Soleil at Tamarina Golf Club.

Phase 1 of the programme started in June 2015 and Phase 2 will be launched later in the year. As part of this initiative, the ongoing selection process to identify new talented young golfers will be carried out every two years.

Employees volunteered in the organisation of several Corporate Social Responsibility projects:

- Movember
- Cancer Screening
- Teledon Nepal
- Blood Donation

FOLLOWING THE SUSTAINABILITY PATH (CONTINUED)

INTERNATIONAL INITIATIVE - SOUTH AFRICA

The AfrAsia Bank
CAPE WINE
AUCTION 2015

AfrAsia Bank Cape Wine Auction 2015 raised ZAR 10.5m, which, without offset or deduction, was distributed to 19 trust beneficiaries actively working in education, from infant to adult, across the Western Cape, South Africa. This is a step further in the Bank's Corporate Social Responsibility approach to reinforce positive social development in the countries in which it operates.
www.thecapewineauction.com

19
Trust Beneficiaries

ZAR 10.5m
2015

ENVIRONMENTAL RESPONSIBILITY

The Bank has adopted environmental programmes after considering best practice and GML Fondation Joseph Lagesse's 'Green Charter' for internal and external environment practices.

The programme started in July 2015 and will involve several phases:

- awareness sessions with employees and their families
- programme for recycling paper and plastic with local NGO 'Mission Verte'
- measuring and reducing the Group's carbon footprint
- adoption and maintenance of a 'green area' to create a leisure space in Ebène

HIGHLIGHTS

During a recent clean up in Ebène, AfrAsians collected 660kg of waste in just 2 hours, out of which 235kg were sent for recycling

660KG
of waste
collected in
2HRS

REPORTING

Next year, the Bank will be embarking on international sustainability reporting that reflects AfrAsia's values and governance model, and demonstrates the link between its strategy and commitment to a sustainable economy. Sustainability will be key in driving the Bank's competitive advantage.

By the end of 2016 - 2017, the Bank's aim is to align its sustainability reporting with both Global Reporting Initiatives (GRI) and the UN Global Compact.

DETERMINED

We are determined to shape a world of difference by incorporating sustainability approaches to the way we conduct business, while providing a better future for today's and tomorrow's generations.

2014-2015 AT A GLANCE

TAKING THE BRAND INTERNATIONALLY THROUGH FLAGSHIP SPONSORSHIPS

AfrAsia Bank Mauritius Open 2015

AfrAsia Bank Mauritius Open, the first ever tri-sanctioned golf tournament endorsed by the Sunshine, European and Asian Tours, all of whom are founding members of the International Federation of PGA Tours, was held at the Heritage Golf Club. George Coetzee was crowned winner of this inaugural tournament.

AfrAsia Bank Cape Wine Auction 2015

The AfrAsia Bank Cape Wine Auction, held in Boschendal (Cape Town) raised an astounding ZAR 10.5m for children's education in South Africa's winelands.

Brand Ambassadors: Hennie Otto and Max Orrin

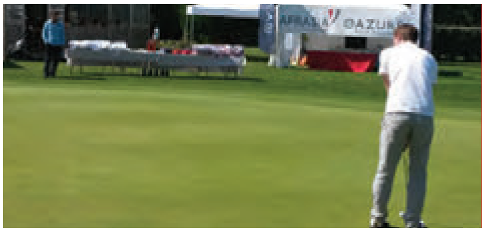
The Bank has signed a sponsorship agreement with the young and talented English golfer Max Orrin, winner of the 2014 AfrAsia Golf Masters as well as a personal endorsement deal with three-time European Tour Champion Hennie Otto.

AfrAsia International 7's Rugby Tournament

The Bank, in collaboration with Rugby Union Mauritius, organised the 2nd edition of AfrAsia International 7's Rugby Tournament at the Northfields Sports Club, Mauritius. The Outeniqua team from South Africa were crowned as winners.

Sponsor of 2014 Derby Golf de Guérande, France

The Bank sponsored Golf de Guérande's inaugural Derby Golf 2014, a 36-hole stroke play event played over two days, witnesssing the participation of 120 golfers.



CONFERENCES AND PANEL SPEAKING OPPORTUNITIES

Africa Pensions and Sovereign Investment Forum 2014, London, United Kingdom

AfrAsia Head of Private Equity and London Representative Office Garry Sharp was a key speaker at the Forum, and focused on future challenges of doing business in the African market.

Offshore Bootcamp sponsored and co-hosted by AfrAsia Bank, Cape Town, South Africa

Ryan De Vries, AfrAsia Bank Cape Town Business Head and South Africa Chief Representative Officer Colin Grieve spoke about international banking, Foreign Account Tax Compliance Act and future automatic exchange of information agreements.

Private Equity in Emerging Markets 2014, London, United Kingdom

AfrAsia Head of Private Equity and London Representative Office Garry Sharp attended the conference focusing on latest developments in the asset class and emerging economies.

Annual Super Return Africa 2014, Cape Town, South Africa

Our team attended the conference, focusing on the opportunities and challenges of investing in private equity across Africa.

Africa Financial Services Investment Conference, Brighton, United Kingdom

Garry Sharp, Head of Private Equity of AfrAsia Bank Limited, was a speaker at the conference, focusing on "Private Equity and Financial Services: Pointers from a Busy Year."

2014-2015 AT A GLANCE

DEEP-DIVING INTO THE DIGITAL ERA

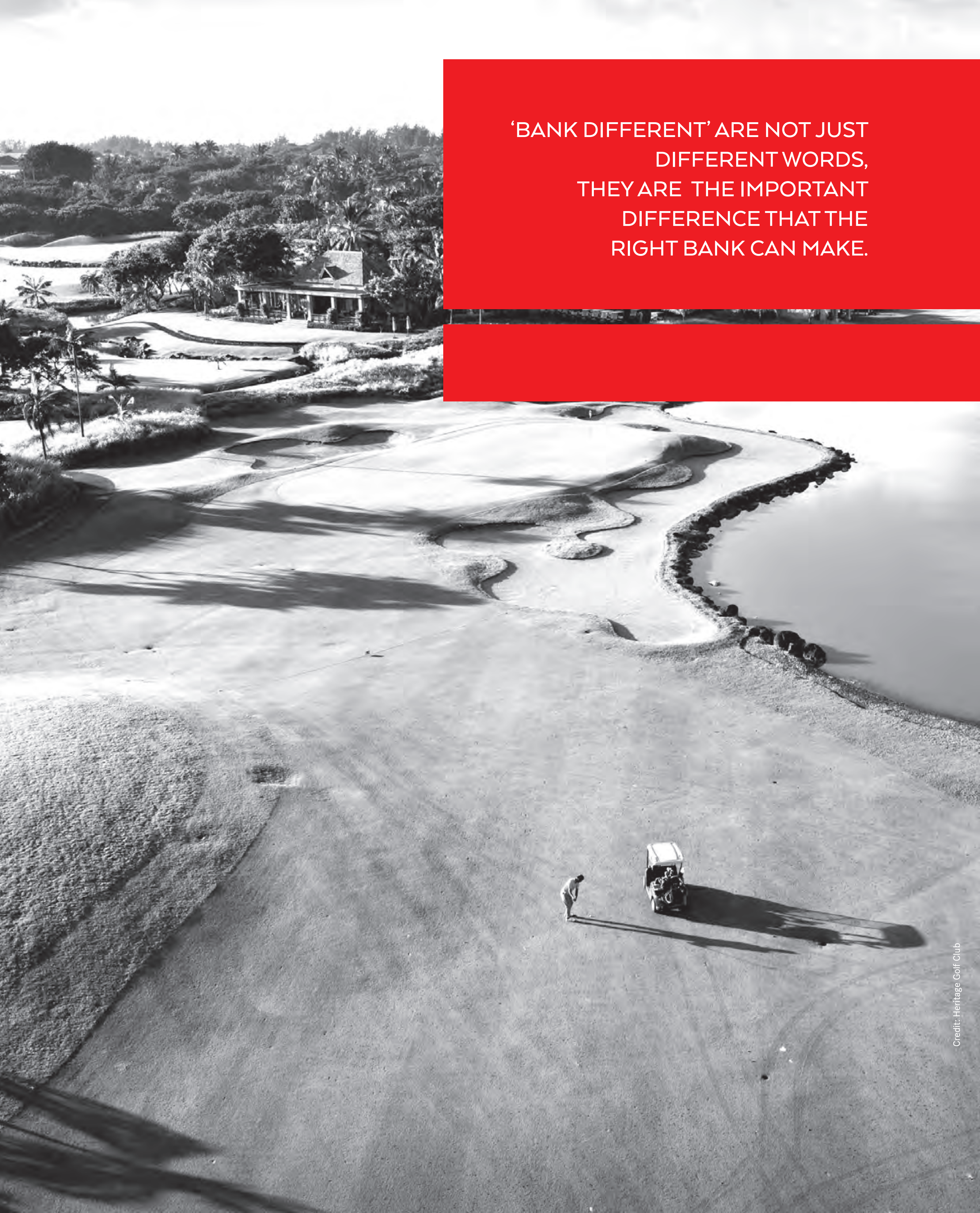
Launch of Ebène digital flagship branch

AfrAsia Bank Limited opened its conceptual branch in the Ebène CyberCity, showing its continued growth and development of the brand, delivering simultaneously a distinctive customer experience through the I-Displays, I-Tables and the 84" I-Wall, a first in Sub-Saharan Africa.

STRENGTHENING THE MAURITIAN ENTREPRENEURIAL ECOSYSTEM

AfrAsia Tecoma Award 2014

The Bank sponsored the AfrAsia Tecoma Award for the third time, honouring the best of the local business community whose courage, foresight and determination has created and sustained successful, growing business ventures. Aisha Allee from Blast Communications became the first woman to be honoured with this recognition.



Credit: Heritage Golf Club

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 2015 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, Conduct Review Committee and Risk 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 Group Internal Audit, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors.

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 and KPMG, 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
Chairperson

JEAN DE FONDAUMIÈRE
Director

CATHERINE MCILRAITH
Director

Date : 24 September 2015

ADMINISTRATIVE INFORMATION

Head Office

AfrAsia Bank Limited
Bowen Square
10 Dr Ferrière Street
Port Louis, Mauritius
Tel: (230) 208 5500
Fax: (230) 213 8850
afrasia@afrasiabank.com
www.afrasiabank.com

AfrAsia Investments Limited
AfrAsia Holdings Limited

Bowen Square
10 Dr Ferrière Street
Port Louis, Mauritius
Tel: (230) 208 5500
Fax: (230) 213 8850
afrasia@afrasiabank.com
www.afrasiabank.com

AfrAsia Capital Management Ltd

Bowen Square
10 Dr Ferrière Street
Port Louis, Mauritius
Tel: (230) 211 9831
Fax: (230) 211 9833
capital@afrasiacm.com
www.afrasiacm.com

AfrAsia Corporate Finance

1st Floor, Building 2
Commerce Square
39 Rivonia Road
Sandhurst
Johannesburg
info@afrasiacf.com
www.afrasiacf.com

REPRESENTATIVE OFFICES

SOUTH AFRICA

Johannesburg

1st Floor, Building 2
Commerce Square
39 Rivonia Road
Sandhurst
Johannesburg
Tel: +27 (0) 11 268 5780
Fax: +27 (0) 11 268 5730
colin.grieve@afrasiabank.com
www.afrasiabank.com

Cape Town

Office 202
Cape Quarter
27 Somerset Road
Green Point
Cape Town
Tel: +27 (0) 21 417 6400
Fax: +27 (0) 86 506 1167
ryan.devries@afrasiabank.com
www.afrasiabank.com

UNITED KINGDOM

London

25 Upper Brook Street
London W1K 7QD
Tel: +44 (0) 7831 145005
garry.sharp@afrasiabank.com

NOTES

NOTES

FINANCIAL STATEMENTS 2015

INSIGHT • INNOVATE • INSPIRE

AFRASIA

bank different

CONTENTS

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of Section 166 (d) of the 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 Companies Act 2001.

IBL CORPORATE SERVICES LTD
COMPANY SECRETARY

Date: 24 September 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRASIA BANK LIMITED

Report on the Financial Statements

We have audited the consolidated and separate financial statements of AfrAsia Bank Limited (the "Bank"), which comprise the statements of financial position as at 30 June 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 186 to 307.

This report is made solely to the Bank's members, as a body, in accordance with Section 205 of the Mauritius Companies Act. 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.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of AfrAsia Bank Limited as at 30 June 2015 and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act and the Financial Reporting Act 2004.

Report on other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Bank other than in our capacities as auditors and tax advisors.

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

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

Banking Act 2004

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

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

The Financial Reporting Act 2004

The Directors are responsible for preparing the corporate governance report. Our responsibility is to report 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 disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène,
Mauritius

KPMG
Ebène,
Mauritius

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

JEAN CLAUDE LIONG
Licensed by FRC

Date: 28 September 2015

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

		THE GROUP			THE BANK		
		Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	Notes	MUR	MUR	MUR	MUR	MUR	MUR
Interest income	3	1,603,346,016	1,362,483,541	986,611,615	1,609,152,800	1,353,357,522	986,614,164
Interest expense	4	(756,260,493)	(701,314,270)	(620,362,470)	(748,563,714)	(694,338,487)	(620,367,037)
Net interest income		847,085,523	661,169,271	366,249,145	860,589,086	659,019,035	366,247,127
Fees and commission income	5	508,817,561	330,712,409	179,492,120	285,987,554	196,663,870	176,526,845
Fees and commission expense	5	(73,070,643)	(36,193,075)	(21,367,222)	(72,768,301)	(38,043,390)	(20,730,461)
Net fees and commission income	5	435,746,918	294,519,334	158,124,898	213,219,253	158,620,480	155,796,384
Net trading income	6a	7,485,446	248,816,151	193,093,707	471,081,684	245,815,180	132,453,791
Other operating income	6b	100,027,593	20,594,390	9,336,696	101,863,180	113,104,430	9,336,696
Total operating income		1,390,345,480	1,225,099,146	726,804,446	1,646,753,203	1,176,559,125	663,833,998
(Net allowance for credit impairment)/ Reversal of impairment charge	7	(236,979,654)	(67,710,745)	1,152,052	(500,278,533)	(175,710,745)	1,152,052
Net operating income		1,153,365,826	1,157,388,401	727,956,498	1,146,474,670	1,000,848,380	664,986,050
Personnel expenses	8	(371,876,577)	(341,433,820)	(197,632,225)	(294,044,111)	(288,876,808)	(197,632,225)
Depreciation of equipment	23	(15,888,206)	(8,591,580)	(4,695,949)	(13,535,822)	(6,877,644)	(4,694,856)
Amortisation of intangible assets	24	(64,546,070)	(48,458,634)	(5,714,166)	(8,729,435)	(6,623,537)	(5,714,166)
Other operating expenses	9	(329,644,606)	(213,474,417)	(118,000,522)	(273,372,535)	(192,258,648)	(116,857,206)
Total operating expenses		(781,955,459)	(611,958,451)	(326,042,862)	(589,681,903)	(494,636,637)	(324,898,453)
Operating profit		371,410,367	545,429,950	401,913,636	556,792,767	506,211,743	340,087,597
Share of profit of joint venture	21	-	2,664,054	16,283,494	-	-	-
Fair value gain on acquisition of subsidiaries	19	-	125,845,708	-	-	-	-
Impairment loss on subsidiary	18	-	-	-	(302,554,154)	(217,000,000)	-
Impairment loss on associate	22	(118,564,966)	(144,246,639)	-	-	-	-
Impairment of available-for-sale investment	17	(327,647,054)	-	-	-	-	-
Share of loss of associate	22	-	(129,175,128)	(177,483,655)	-	-	-
(Loss)/Profit before tax		(74,801,653)	400,517,945	240,713,475	254,238,613	289,211,743	340,087,597
Tax expense	10	(101,266,632)	(75,994,166)	(37,678,683)	(79,207,295)	(66,566,545)	(37,491,675)
(Loss)/Profit for the year		(176,068,285)	324,523,779	203,034,792	175,031,318	222,645,198	302,595,922
Other comprehensive income to be reclassified to profit or loss in subsequent period:							
Share of associates other reserves		-	(813,574)	2,122,705	-	-	-
Net gain on available-for-sale investments		1,998,535	1,977,927	-	-	-	-
Exchange differences on translation of foreign operations		(677,597)	(9,630,208)	527,011	-	-	-
Net gain on hedge of a net investment		-	7,007,543	48,401	-	-	-
Total other comprehensive income to be reclassified to profit or loss in subsequent period		1,320,938	(1,458,312)	2,698,117	-	-	-
Total comprehensive (loss)/income for the year		(174,747,347)	323,065,467	205,732,909	175,031,318	222,645,198	302,595,922

The notes on pages 191 to 307 form an integral part of these financial statements.

Auditors' report on page 185.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2015

		THE GROUP			THE BANK		
		2015	2014	2013	2015	2014	2013
	Notes	MUR	MUR	MUR	MUR	MUR	MUR
ASSETS							
Cash and balances with the Central Bank	12	2,514,212,771	2,021,271,956	1,598,715,632	2,512,469,499	2,019,624,517	1,598,715,632
Due from banks	13	41,447,016,418	18,265,309,349	9,009,843,939	41,434,529,360	18,251,137,955	9,009,807,334
Derivative financial instruments	14	217,383,148	860,845,449	68,581,360	68,527,133	76,088,274	25,637,161
Financial investments - held-for-trading	15	3,045,473,857	2,636,144,938	532,685,518	1,967,124,284	1,911,412,121	532,685,518
Loans and advances to customers	16	21,772,734,670	17,227,454,645	14,007,752,016	21,707,867,640	17,397,054,742	14,007,752,016
Financial investments – available-for-sale	17	41,049,271	341,340,318	40,722,657	-	-	-
Financial investments - held-to-maturity	17	5,071,692,345	6,836,836,907	5,807,802,824	5,071,692,345	6,836,836,907	5,807,802,824
Investment in subsidiaries	18	-	-	-	189,562,500	409,800,877	383,115,237
Investment in joint venture	21	-	-	55,177,034	-	-	-
Investment in associates	22	-	118,564,966	225,313,514	-	-	-
Equipment	23	103,495,720	71,207,441	28,763,936	98,955,009	66,310,161	28,756,687
Intangible assets	24	356,071,478	401,506,929	15,420,212	48,018,166	37,666,566	15,420,212
Other assets	25	263,743,208	197,071,143	165,323,024	288,150,481	174,217,269	41,951,992
Deferred tax assets	10	24,060,186	12,644,071	8,055,035	19,607,046	8,897,222	8,055,035
TOTAL ASSETS		74,856,933,072	48,990,198,112	31,564,156,701	73,406,503,463	47,189,046,611	31,459,699,648
LIABILITIES AND EQUITY							
Due to banks	26	227,418,091	1,015,349,802	881,908,278	227,411,484	1,015,349,802	881,908,278
Derivative financial instruments	14	555,094,453	857,442,085	66,241,883	54,775,438	72,684,910	49,697,684
Deposits from customers	27	66,437,715,715	40,413,543,682	27,224,339,709	66,928,650,521	41,089,954,783	27,232,616,080
Debts issued	28	2,691,570,175	2,433,941,196	940,323,447	1,094,274,560	1,033,574,296	883,069,803
Amount due to subsidiary	29	-	-	-	-	-	57,253,644
Other liabilities	30	591,539,131	766,500,126	231,773,086	531,786,209	599,508,601	138,309,815
Current tax liabilities	10	67,835,800	53,040,200	22,175,979	51,327,383	44,739,421	22,175,979
Deferred tax liabilities	10	114,281	-	-	-	-	-
TOTAL LIABILITIES		70,571,287,646	45,539,817,091	29,366,762,382	68,888,225,595	43,855,811,813	29,265,031,283
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Ordinary shares	31	2,590,959,243	1,747,639,471	1,694,593,418	2,590,959,243	1,747,639,471	1,694,593,418
Class A shares	31	1,399,768,119	1,400,244,201	-	1,385,768,119	1,386,244,201	-
Treasury shares	31	-	(405,776,236)	-	-	(405,776,236)	-
Share application monies	31	17,261,328	-	-	17,261,328	-	-
(Accumulated losses)/Retained earnings		(142,091,309)	434,095,763	290,049,913	107,087,117	332,174,586	290,007,317
Other reserves	32	419,748,045	274,177,822	212,750,988	417,202,061	272,952,776	210,067,630
TOTAL EQUITY		4,285,645,426	3,450,381,021	2,197,394,319	4,518,277,868	3,333,234,798	2,194,668,365
TOTAL LIABILITIES AND EQUITY		74,856,933,072	48,990,198,112	31,564,156,701	73,406,503,463	47,189,046,611	31,459,699,648

The financial statements have been approved for issue by the Board of Directors on 24 September 2015.

LIM SIT CHEN LAM PAK NG	JEAN DE FONDAUMIÈRE	CATHERINE MCILRAITH
Chairman	Director	Director

The notes on pages 191 to 307 form an integral part of these financial statements.

Auditors' report on page 185.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

(a) THE GROUP	Ordinary shares	Treasury shares	Class A shares	Share application monies	Retained earnings	Other reserves	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2012	1,398,457,492	-	-	-	289,421,575	93,872,272	1,781,751,339
Profit for the year	-	-	-	-	203,034,792	-	203,034,792
Other comprehensive income	-	-	-	-	-	2,698,117	2,698,117
Total comprehensive income for the year	-	-	-	-	203,034,792	2,698,117	205,732,909
Issue of shares (Note 31)	296,135,926	-	-	-	-	-	296,135,926
Share-based payments (Note 32)	-	-	-	-	-	1,842,167	1,842,167
Appropriation of reserves (Note 32)	-	-	-	-	(114,338,432)	114,338,432	-
Dividends (Note 11)	-	-	-	-	(88,068,022)	-	(88,068,022)
At 30 June 2013	1,694,593,418	-	-	-	290,049,913	212,750,988	2,197,394,319
At 1 July 2013	1,694,593,418	-	-	-	290,049,913	212,750,988	2,197,394,319
Profit for the year	-	-	-	-	324,523,779	-	324,523,779
Other comprehensive income	-	-	-	-	-	(1,458,312)	(1,458,312)
Total comprehensive income for the year	-	-	-	-	324,523,779	(1,458,312)	323,065,467
Issue of shares (Note 31)	53,046,053	-	1,400,244,201	-	-	-	1,453,290,254
Acquisition of shares (Note 31)	-	(405,776,236)	-	-	-	-	(405,776,236)
Share-based payments (Note 32)	-	-	-	-	-	(1,565,582)	(1,565,582)
Appropriation of reserves (Note 32)	-	-	-	-	(64,450,728)	64,450,728	-
Dividends (Note 11)	-	-	-	-	(116,027,201)	-	(116,027,201)
At 30 June 2014	1,747,639,471	(405,776,236)	1,400,244,201	-	434,095,763	274,177,822	3,450,381,021
At 1 July 2014	1,747,639,471	(405,776,236)	1,400,244,201	-	434,095,763	274,177,822	3,450,381,021
Loss for the year	-	-	-	-	(176,068,285)	-	(176,068,285)
Other comprehensive income	-	-	-	-	-	1,320,938	1,320,938
Total comprehensive (loss)/income for the year	-	-	-	-	(176,068,285)	1,320,938	(174,747,347)
Issue of shares (Note 31)	843,319,772	405,776,236	-	-	-	-	1,249,096,008
Incidental cost on issue of shares	-	-	(476,082)	-	-	-	(476,082)
Share application monies	-	-	-	17,261,328	-	-	17,261,328
Share-based payments (Note 32)	-	-	-	-	-	(359,774)	(359,774)
Appropriation of reserves (Note 32)	-	-	-	-	(144,609,059)	144,609,059	-
Dividends (Note 11)	-	-	-	-	(255,509,728)	-	(255,509,728)
At 30 June 2015	2,590,959,243	-	1,399,768,119	17,261,328	(142,091,309)	419,748,045	4,285,645,426

The notes on pages 191 to 307 form an integral part of these financial statements.

Auditors' report on page 185.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

(b) THE BANK

	Ordinary shares	Treasury shares	Class A shares	Share application monies	Retained earnings	Other reserves	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2012	1,398,457,492	-	-	-	189,817,849	93,887,031	1,682,162,372
Profit for the year	-	-	-	-	302,595,922	-	302,595,922
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	302,595,922	-	302,595,922
Issue of shares (Note 31)	296,135,926	-	-	-	-	-	296,135,926
Share-based payments (Note 32)	-	-	-	-	-	1,842,167	1,842,167
Appropriation of reserves (Note 32)	-	-	-	-	(114,338,432)	114,338,432	-
Dividends (Note 11)	-	-	-	-	(88,068,022)	-	(88,068,022)
At 30 June 2013	1,694,593,418	-	-	-	290,007,317	210,067,630	2,194,668,365
At 1 July 2013	1,694,593,418	-	-	-	290,007,317	210,067,630	2,194,668,365
Profit for the year	-	-	-	-	222,645,198	-	222,645,198
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	222,645,198	-	222,645,198
Issue of shares (Note 31)	53,046,053	-	1,386,244,201	-	-	-	1,439,290,254
Acquisition of shares (Note 31)	-	(405,776,236)	-	-	-	-	(405,776,236)
Share-based payments (Note 32)	-	-	-	-	-	(1,565,582)	(1,565,582)
Appropriation of reserves (Note 32)	-	-	-	-	(64,450,728)	64,450,728	-
Dividends (Note 11)	-	-	-	-	(116,027,201)	-	(116,027,201)
At 30 June 2014	1,747,639,471	(405,776,236)	1,386,244,201	-	332,174,586	272,952,776	3,333,234,798
At 1 July 2014	1,747,639,471	(405,776,236)	1,386,244,201	-	332,174,586	272,952,776	3,333,234,798
Profit for the year	-	-	-	-	175,031,318	-	175,031,318
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	175,031,318	-	175,031,318
Issue of shares (Note 31)	843,319,772	405,776,236	-	-	-	-	1,249,096,008
Incidental cost on issue of shares	-	-	(476,082)	-	-	-	(476,082)
Share application monies	-	-	-	17,261,328	-	-	17,261,328
Share-based payments (Note 32)	-	-	-	-	-	(359,774)	(359,774)
Appropriation of reserves (Note 32)	-	-	-	-	(144,609,059)	144,609,059	-
Dividends (Note 11)	-	-	-	-	(255,509,728)	-	(255,509,728)
At 30 June 2015	2,590,959,243	-	1,385,768,119	17,261,328	107,087,117	417,202,061	4,518,277,868

The notes on pages 191 to 307 form an integral part of these financial statements.

Auditors' report on page 185.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

		THE GROUP			THE BANK		
		2015	2014	2013	2015	2014	2013
	Notes	MUR	MUR	MUR	MUR	MUR	MUR
OPERATING ACTIVITIES							
(Loss)/Profit before tax		(74,801,653)	400,517,945	240,713,475	254,238,613	289,211,743	340,087,597
Adjustments for:							
Change in operating assets	34(b)	(12,738,312,383)	(8,182,496,447)	(3,252,573,700)	(13,662,318,708)	(7,214,283,173)	(3,151,902,485)
Change in operating liabilities	34(c)	25,007,791,177	16,126,764,207	8,699,014,329	25,017,056,326	14,702,515,768	8,677,131,579
Non-cash items included in profit before tax	34(d)	606,032,212	186,165,231	205,464,727	1,150,817,452	329,478,856	43,861,873
Tax paid		(97,772,866)	(55,408,902)	(25,508,399)	(83,329,156)	(44,845,290)	(25,364,911)
Net cash flows from operating activities		12,702,936,487	8,475,542,034	5,867,110,432	12,676,464,527	8,062,077,904	5,883,813,653
INVESTING ACTIVITIES							
Purchase of equipment	23	(48,857,517)	(46,704,683)	(19,964,487)	(46,867,164)	(44,733,223)	(19,964,487)
Purchase of investment in associates	22	-	(144,693,183)	(643,843)	-	-	-
Purchase of intangible assets	24	(19,110,619)	(29,383,716)	(4,039,565)	(19,081,035)	(28,869,891)	(4,039,565)
Investment in subsidiaries	18	-	-	-	-	(250,693,183)	(20,000,000)
Investment in joint venture		-	-	(500,000)	-	-	-
Purchase of available-for-sale financial investments		(25,357,471)	(300,575,661)	(25,662,280)	-	-	-
Acquisition of subsidiaries, net of cash acquired	19	-	(225,689,438)	-	-	-	-
Dividend income		-	-	23,413,740	-	-	-
Net cash flows used in investing activities		(93,325,607)	(747,046,681)	(27,396,435)	(65,948,199)	(324,296,297)	(44,004,052)
FINANCING ACTIVITIES							
Issue of shares		820,436,380	1,453,290,254	296,135,926	820,436,380	1,439,290,254	296,135,926
Disposal/(acquisition) of treasury shares	31	405,776,236	(405,776,236)	-	405,776,236	(405,776,236)	-
Dividends paid		(185,649,039)	(116,027,201)	(88,068,022)	(185,649,039)	(116,027,201)	(88,068,022)
Net cash flows from financing activities		1,040,563,577	931,486,817	208,067,904	1,040,563,577	917,486,817	208,067,904
Net cash flows for the year		13,650,174,457	8,659,982,170	6,047,781,901	13,651,079,905	8,655,268,424	6,047,877,505
Movement in cash and cash equivalents							
Cash and cash equivalents at 1 July		17,638,539,596	8,967,488,944	2,919,642,013	17,622,720,763	8,967,452,339	2,919,574,834
Net increase in cash and cash equivalents		13,650,174,457	8,659,982,170	6,047,781,901	13,651,079,905	8,655,268,424	6,047,877,505
Net foreign exchange difference		(683,056)	11,068,482	65,030	-	-	-
Cash and cash equivalents at 30 June	34(a)	31,288,030,998	17,638,539,596	8,967,488,944	31,273,800,668	17,622,720,763	8,967,452,339
Operational cash flows from interest							
Interest paid		(695,169,298)	567,015,589	566,729,381	(687,472,519)	560,039,806	576,208,690
Interest received		1,506,180,943	1,311,305,734	725,408,056	1,511,987,727	1,302,179,715	725,410,605

The notes on pages 191 to 307 form an integral part of these financial statements.

Auditors' report on page 185.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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 2015 were authorised for issue in accordance with a resolution of the Directors on 24 September 2015.

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 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 35.

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 2015. 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. ACCOUNTING POLICIES (CONTINUED)

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

The Group has made a loss for the year of MUR 176m which is mainly due to a loss reported by one of its subsidiaries, namely AfrAsia Holdings Limited (AHL) which is in a net liability position. A potential non-performance risk on the settlement of its liabilities may exist as it does not have sufficient cash flows to settle its obligations.

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.

(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 33 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting judgements and estimates (Continued)

(b) Estimates and assumptions (Continued)

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

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 July 2014:

	Effective for accounting period beginning on or after
IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements 2011-2013 Cycle	1 July 2014
IFRIC 21 Levies	1 January 2014

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities – effective 1 January 2014

This amendment to IAS 32 Financial Instruments: Presentation was made to clarify certain aspects because of diversity in application of the requirements on offsetting thereby focusing on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

This amendment had no impact on the financial position or performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and disclosures (Continued)

New and amended standards and interpretations (Continued)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – effective 1 January 2014

These amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements were made to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

These amendments did not have an impact as the Group is not considered to be an investment entity.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) – effective 1 January 2014

IAS 36 Impairment of Assets was amended to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

These amendments did not have an impact in the financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) – effective 1 January 2014

The amendments to IAS 39 Financial Instruments: Recognition and Measurement were made to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The Group did not enter into any hedge arrangement which required additional disclosure.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) –effective 1 July 2014

The amendment was made to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

This amendment is not applicable for the Group as the Group does not have any defined benefit plans.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policies and disclosures (Continued)

New and amended standards and interpretations (Continued)

Annual Improvements 2010-2012 Cycle - effective 1 July 2014

The annual improvements 2010-2012 cycle make amendments to the following standards:

- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition';
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;
- IFRS 8 - Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly;
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed.

These amendments do not have any impact on the financial statements.

Annual Improvements 2011-2013 Cycle – effective 1 July 2014

The annual improvements 2011-2013 cycle make amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only);
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52; and
- IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These amendments do not have any impact on the financial statements.

IFRIC 21 Levies - effective 1 January 2014

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

It provides the following guidance on recognition of a liability to pay levies:

- the liability is recognised progressively if the obligating event occurs over a period of time; and
- if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

This new interpretation had no impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Accounting standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition, impairment and hedging	1 January 2018
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
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
Amendments to IAS 27: Equity Method in Separate Financial Statement	1 January 2016
Annual improvements 2012 – 2014 Cycle	1 July 2016
Disclosure initiative – Amendments to IAS 1	1 January 2016

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

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

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – 1 January 2018 (Continued)

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.

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 directors are still assessing the impact of the amendments when they become effective.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) - effective 1 January 2016

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

- it requires 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); and
- it requires 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.

The Directors will assess the impact of the amendments when they become effective.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

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

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

This amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) was made to 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 on the Group as it is not considered as an Investment entity.

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 2018

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 Directors are still assessing the impact of this new standard.

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
- 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 Directors are still assessing the impact of this new standard.

2. ACCOUNTING POLICIES (CONTINUED)

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

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 indicate 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 and intangible assets.

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 - effective 1 January 2016

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Group is still assessing whether this amendment to IAS 27 should be adopted.

Annual improvements 2012 – 2014 Cycle - effective 1 July 2016

The annual improvements 2012-2014 Cycle make amendments to the following 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 given to clarify whether a servicing contract is continuing involvement in a transferred assets, and clarification made on offsetting disclosures in condensed interim financial statements;
- IAS 9 – Clarifies 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; and
- IAS 34 – Clarifies the meaning of "elsewhere in the interim report" and require a cross reference.

The Directors will assess the impact of the amendments when they become effective.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

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

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

Amends IAS 1 Presentation of Financial Statements to 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 the 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; and
- 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.

No early adoption of these standards and interpretations is intended by the Board of directors.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(b) Financial instruments - initial recognition and subsequent measurement (Continued)

(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).

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(b) Financial instruments - initial recognition and subsequent measurement (Continued)

(x) Reclassification of financial assets

Effective from 1 July 2008, the Group were 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 do 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(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 33.

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.

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 33.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(e) Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(f) Hedge accounting (Continued)

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(h) Recognition of income and expenses (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(k) Interest in joint venture (Continued)

The Group (Continued)

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.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(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	20%
Computer equipment	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.

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	33 1/3%
Banking software	14%
Customer relationship	13% - 20%
Non-compete agreement	50%
Licence	50%
Other	33 1/3%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(o) Intangible assets (Continued)

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;
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk; and
- 'Foreign currency translation reserve' which arises on retranslation of foreign operations on consolidation.

Further details are included in Note 32.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(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 1.0% on total operating income

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.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Summary of significant accounting policies (Continued)

(w) Taxes (Continued)

(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 book profit relating to 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.

(y) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's 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) 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.

(aa) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. INTEREST INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Interest income on:						
- Due from banks	194,446,305	118,769,517	32,187,339	188,263,427	118,769,587	32,189,888
- Loans and advances to customers	1,118,295,613	945,882,421	708,254,829	1,130,285,275	936,756,333	708,254,829
- Financial investments - held-to-maturity	288,331,716	297,831,603	246,169,447	288,331,716	297,831,602	246,169,447
- Placements with the Central Bank	2,272,382	-	-	2,272,382	-	-
	1,603,346,016	1,362,483,541	986,611,615	1,609,152,800	1,353,357,522	986,614,164

4. INTEREST EXPENSE

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Interest expense on:						
- Due to banks	12,182,530	18,834,326	4,731,264	7,076,217	15,058,870	4,731,264
- Deposits from customers	662,731,047	603,586,999	538,721,068	662,731,047	603,586,999	538,725,635
- Other	81,346,916	78,892,945	76,910,138	78,756,450	75,692,618	76,910,138
	756,260,493	701,314,270	620,362,470	748,563,714	694,338,487	620,367,037

5. NET FEES AND COMMISSION INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Fees and commission income						
Credit related fees and commission income	274,018,369	182,453,850	154,607,820	274,018,369	182,453,850	154,607,820
Subscription fees	30,326,538	16,699,156	-	-	-	-
Management and performance fees	89,404,410	45,725,991	-	-	-	-
Consulting and advisory fees	62,712,565	69,838,763	-	-	-	-
Trading commission	31,326,147	3,661,750	-	-	-	-
Other fees received	21,029,532	12,332,899	24,884,300	11,969,185	14,210,020	21,919,025
Total fees and commission income	508,817,561	330,712,409	179,492,120	285,987,554	196,663,870	176,526,845
Fees and commission expense						
Commission to other banks	(37,247,599)	(29,417,738)	(12,227,524)	(37,247,599)	(29,417,738)	(12,227,524)
Credit card expenses	(22,380,891)	(3,346,167)	(6,771,465)	(22,380,891)	(3,346,167)	(6,771,465)
Other fees paid	(13,442,153)	(3,429,170)	(2,368,233)	(13,139,811)	(5,279,485)	(1,731,472)
Total fees and commission expense	(73,070,643)	(36,193,075)	(21,367,222)	(72,768,301)	(38,043,390)	(20,730,461)
Net fees and commission income	435,746,918	294,519,334	158,124,898	213,219,253	158,620,480	155,796,384

Fees and commission expense relates mainly to commission paid to other banks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

6a. NET TRADING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Net gain on financial investments held-for-trading	12,740,317	36,532,362	99,124,988	39,770,597	39,821,746	38,485,072
Foreign exchange gain	346,208,129	212,283,789	93,968,719	431,311,087	205,993,434	93,968,719
Loss on derivatives - Put option (Note 14)	(351,463,000)	-	-	-	-	-
	7,485,446	248,816,151	193,093,707	471,081,684	245,815,180	132,453,791

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 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Dividend income	-	-	-	45,000,000	100,000,000	-
Custody fees	28,695,750	4,148,512	461,547	28,695,750	4,148,512	461,547
Bad debts recovered	-	4,545,974	-	-	-	-
Transaction and other related fees	71,331,843	11,899,904	8,875,149	28,167,430	8,955,918	8,875,149
	100,027,593	20,594,390	9,336,696	101,863,180	113,104,430	9,336,696

7. NET ALLOWANCE FOR CREDIT IMPAIRMENT/(REVERSAL OF IMPAIRMENT CHARGE)

Portfolio and specific provisions on loans and advances to customers:

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
- Retail and personal	4,995,900	1,082,631	1,087,167	4,995,900	1,082,631	1,087,167
- Business	55,696,053	5,947,885	(1,470,956)	55,696,053	5,947,885	(1,470,956)
- Entities outside Mauritius	173,509,515	60,882,300	(1,720,862)	436,808,394	168,882,300	(1,720,862)
- Credit cards	2,778,186	(202,071)	952,599	2,778,186	(202,071)	952,599
	236,979,654	67,710,745	(1,152,052)	500,278,533	175,710,745	(1,152,052)

Please refer to Note 16 for more details.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Salaries	264,881,289	194,225,472	104,954,036	189,029,152	142,693,633	104,954,036
Staff benefits	86,491,252	119,330,355	87,642,345	85,972,533	119,099,759	87,642,345
Pension cost - defined contribution scheme	8,967,005	6,482,786	4,257,726	7,505,395	5,688,209	4,257,726
Training expenses	3,322,505	1,246,743	697,311	3,322,505	1,246,743	697,311
Share-based payments	8,214,526	20,148,464	80,807	8,214,526	20,148,464	80,807
	371,876,577	341,433,820	197,632,225	294,044,111	288,876,808	197,632,225

Refer to Note 32 for more details on share based payments.

9. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Advertising and marketing expenses	72,235,946	50,457,525	31,255,872	71,794,005	50,223,892	31,255,872
Administrative expenses	180,216,318	119,529,135	67,534,713	133,597,086	105,495,715	66,391,397
Equipment written off	686,493	534,985	826,545	686,493	302,106	826,545
Professional fees	76,505,849	42,952,772	18,383,392	67,294,951	36,236,935	18,383,392
	329,644,606	213,474,417	118,000,522	273,372,535	192,258,648	116,857,206

10. TAXATION

(a) Statements of financial position

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Corporate tax liability:						
Current year	75,265,795	55,319,333	25,984,318	54,493,870	43,007,994	25,840,828
Tax paid under advance payment scheme	(36,949,369)	(23,995,867)	(13,595,311)	(32,685,861)	(19,985,307)	(13,451,823)
	38,316,426	31,323,466	12,389,007	21,808,009	23,022,687	12,389,005
Special levy	29,519,374	21,716,734	9,786,972	29,519,374	21,716,734	9,786,974
Current tax liabilities	67,835,800	53,040,200	22,175,979	51,327,383	44,739,421	22,175,979

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.

10 TAXATION (CONTINUED)

(b) Statements of profit or loss and other comprehensive income

The components of income tax expense for the years ended 30 June 2015, 2014 and 2013 are as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Current tax						
-Current income tax	75,265,795	55,319,333	25,984,317	54,493,870	43,007,994	25,840,828
-Adjustment in respect of current income tax of prior period	(478,726)	-	392,787	-	-	392,788
Corporate social responsibility fund	8,262,023	3,547,136	1,888,552	5,903,875	2,684,004	1,888,552
Special levy	29,519,374	21,716,734	9,786,972	29,519,374	21,716,734	9,786,972
Deferred tax						
-Adjustment in respect of deferred tax of prior period	-	(199,203)	-	-	(199,203)	(247,067)
-Relating to origination and reversal of temporary differences	(11,301,834)	(4,389,834)	(373,945)	(10,709,824)	(642,984)	(170,398)
Tax expense reported in the statements of profit or loss and other comprensive income	101,266,632	75,994,166	37,678,683	79,207,295	66,566,545	37,491,675

(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 2015, 2014 and 2013 is as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013
	MUR	MUR	MUR	MUR	MUR	MUR
Accounting (loss)/profit before tax	(74,801,653)	400,517,945	240,713,475	254,238,613	289,211,743	340,087,597
At statutory income tax rate of 15%	(11,220,248)	60,077,692	36,107,021	38,135,792	43,381,761	51,013,140
Deemed credit on Segment B profits	(43,707,768)	(45,347,968)	(26,067,620)	(40,859,235)	(41,731,574)	(25,070,086)
Over provision of deferred tax asset in prior year	-	(199,203)	(203,546)	-	(199,203)	(247,067)
Under-provision in corporate tax in prior year	(478,726)	-	392,788	-	-	392,788
Non deductible expenses	126,550,511	55,940,199	917,037	53,257,489	55,714,823	469,681
Non taxable income	(7,658,534)	(20,365,707)	(6,653,112)	(6,750,000)	(15,000,000)	(742,306)
Tax effect of joint venture and associates	-	-	21,441,654	-	-	-
Utilisation of previously unrecognised tax losses	-	-	(74,552)	-	-	-
Withholding tax	-	625,283	143,488	-	-	-
Corporate social responsibility fund	8,262,023	3,547,136	1,888,552	5,903,875	2,684,004	1,888,552
Special levy	29,519,374	21,716,734	9,786,972	29,519,374	21,716,734	9,786,972
Tax expense reported in the statements of profit or loss and other comprehensive income	101,266,632	75,994,166	37,678,683	79,207,295	66,566,545	37,491,675

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10 TAXATION (CONTINUED)

(d) Deferred tax

THE GROUP

	Deferred tax assets	Deferred tax liabilities	Statement of Profit or loss	Deferred tax assets	Statement of Profit or loss	Deferred tax assets	Statement of Profit or loss
	2015	2015	2015	2014	2014	2013	2013
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Impairment allowances on loans and advances to customers	(27,113,534)	-	(11,211,993)	(15,901,541)	6,249,329	(9,652,212)	91,903
Accelerated capital allowances	7,506,488	-	3,980,263	3,526,225	(1,929,048)	1,597,177	(465,848)
Tax losses	-	-	-	-	-	-	-
Other temporary differences	(4,453,140)	114,281	(4,070,104)	(268,755)	268,755	-	-
	(24,060,186)	114,281	(11,301,834)	(12,644,071)	4,589,036	(8,055,035)	(373,945)

THE BANK

	Deferred tax assets	Deferred tax liabilities	Statement of Profit or loss	Deferred tax assets	Statement of Profit or loss	Deferred tax assets	Statement of Profit or loss
	2015	2015	2015	2014	2014	2013	2013
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Impairment allowances on loans and advances to customers	(27,113,534)	-	(14,690,087)	(12,423,447)	2,771,235	(9,652,212)	91,903
Accelerated capital allowances	7,506,488	-	3,980,263	3,526,225	(1,929,048)	1,597,177	(509,369)
	(19,607,046)	-	(10,709,824)	(8,897,222)	842,187	(8,055,035)	(417,466)

11. DIVIDENDS

	THE GROUP AND THE BANK		
	2015	2014	2013
	MUR	MUR	MUR
Dividends on ordinary shares:			
Dividend for 2015: MUR 1.65 per share (2014: MUR 1.50; 2013: MUR 1.25)	117,718,772	116,027,201	88,068,022
Dividends on Class A shares:			
Dividend paid for December 2014: Series 1 & Series 2	67,930,267	-	-
Dividend payable for June 2015: Series 1 & Series 2	69,860,689	-	-
	137,790,956	-	-
Total dividends	255,509,728	116,027,201	88,068,022

12. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Cash in hand (Note 34(a))	20,629,621	8,002,296	9,224,082	18,886,349	6,354,857	9,224,082
Unrestricted balances with the Central Bank (Note 34(a))	749,827,357	1,086,077,874	936,542,007	749,827,357	1,086,077,874	936,542,007
Mandatory balances with the Central Bank	1,118,588,411	927,191,786	652,949,543	1,118,588,411	927,191,786	652,949,543
Placements with Central Bank (Note 34(b))	625,167,382	-	-	625,167,382	-	-
	2,514,212,771	2,021,271,956	1,598,715,632	2,512,469,499	2,019,624,517	1,598,715,632

Mandatory balances with the Central Bank are not available for use in the Bank's day-to-day operations. Mandatory balances with Central Bank are based on the daily ratio applied for the maintenance of minimum rupee and foreign exchange balances as at 30 June 2015.

13. DUE FROM BANKS

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Short term placements with other banks (Note 34(a))	3,043,568,090	5,237,600,841	4,112,254,461	3,043,568,090	5,237,600,841	4,112,254,461
Medium term placements with other banks	10,929,442,398	1,720,849,923	988,121,084	10,929,442,398	1,720,849,923	988,121,084
Current accounts with other banks (Note 34(a))	27,471,232,291	11,304,367,438	3,907,500,896	27,458,745,233	11,290,196,044	3,907,464,291
Other amounts due (Note 34(a))	2,773,639	2,491,147	1,967,498	2,773,639	2,491,147	1,967,498
	41,447,016,418	18,265,309,349	9,009,843,939	41,434,529,360	18,251,137,955	9,009,807,334

14. DERIVATIVE FINANCIAL INSTRUMENTS

The table 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) THE GROUP

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2015	2015	2015	2014	2014	2014	2013	2013	2013
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Options Linked Notes	148,856,015	(148,856,015)	738,515,388	166,315,145	(166,315,145)	740,067,980	-	-	-
Index Linked Notes	-	-	-	618,442,030	(618,442,030)	654,886,440	16,544,199	(16,544,199)	11,761,000
Call Option	-	-	-	-	-	-	26,400,000	-	26,400,000
Put Option (Note 6a)	-	(351,463,000)	(351,463,000)	-	-	-	-	-	-
Forward Exchange Option Contracts	17,224,468	(17,224,468)	12,835,526,333	8,239,095	(8,239,095)	8,661,329,435	1,079,237	(1,079,237)	7,811,593,494
Forward Foreign Exchange Contracts	51,302,665	(37,550,970)	6,371,801,440	67,849,179	(64,445,815)	8,134,678,605	24,557,924	(48,618,447)	3,765,698,972
	217,383,148	(555,094,453)	19,594,380,161	860,845,449	(857,442,085)	18,190,962,460	68,581,360	(66,241,883)	11,615,453,466

(b) THE BANK

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2015	2015	2015	2014	2014	2014	2013	2013	2013
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Forward Exchange Option Contracts	17,224,468	(17,224,468)	12,835,526,333	8,239,095	(8,239,095)	8,661,329,435	1,079,237	(1,079,237)	7,811,593,494
Forward Foreign Exchange Contracts	51,302,665	(37,550,970)	6,371,801,440	67,849,179	(64,445,815)	8,134,678,605	24,557,924	(48,618,447)	3,765,698,972
	68,527,133	(54,775,438)	19,207,327,773	76,088,274	(72,684,910)	16,796,008,040	25,637,161	(49,697,684)	11,577,292,466

As at 30 June 2015, the Group and the Bank have positions in the following types of derivatives:

Forwards contracts

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Put Option

As security for the Facility Agreement in relation to a USD 10m Term Loan Facility dated 25th September 2014, taken by a third party, AfrAsia Holdings Limited (AHL) entered into a put option agreement. The put option provides for AHL to purchase back any or all investments held by the third party, including any and all investments in AfrAsia Zimbabwe Holdings Limited (AZHL) at a price sufficient to finance the shortfall between all amounts outstanding under the Facility on the Maturity Date and the monies available in the third party accounts.

As mentioned in note 18, the Registrar of Banking Institutions of Zimbabwe cancelled the licence of AfrAsia Bank Zimbabwe Limited on 24th February 2015 and the Reserve Bank of Zimbabwe accordingly applied for the liquidation of the institution in terms of section 57 of the Zimbabwe Banking Act. As the third party may exercise the put option by serving a put exercise notice on AHL at any time during the put option exercise period. i.e, the period commencing five days' prior to the maturity date or the date of an acceleration under the Facility Agreement, whichever occurs earlier, and expiring three days' after the maturity date, it exercised the option on 27 July 2015.

15. FINANCIAL INVESTMENTS - HELD-FOR-TRADING

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Government of Mauritius debt securities	1,699,736,996	1,657,362,034	336,909,022	1,699,736,996	1,657,361,434	336,909,022
Unquoted equity investments	1,072,420,679	724,732,217	-	-	-	-
Listed equity shares	5,928,894	-	-	-	-	-
Corporate debt securities	267,387,288	254,050,687	195,776,496	267,387,288	254,050,687	195,776,496
	3,045,473,857	2,636,144,938	532,685,518	1,967,124,284	1,911,412,121	532,685,518

16. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Retail and personal	1,723,243,906	1,471,552,841	1,064,217,996	1,723,243,906	1,471,552,841	1,064,217,996
Business	8,817,332,215	6,619,061,123	5,389,764,800	8,831,053,105	6,623,339,052	5,389,764,800
Entities outside Mauritius	11,494,180,539	9,209,664,378	7,525,052,383	11,415,592,619	9,482,986,546	7,525,052,383
Credit cards	123,967,610	76,522,058	110,995,584	123,967,610	76,522,058	110,995,584
Gross core loans and advances to customers	22,158,724,270	17,376,800,400	14,090,030,763	22,093,857,240	17,654,400,497	14,090,030,763
Less: Allowance for impairment losses	(385,989,600)	(149,345,755)	(82,278,747)	(385,989,600)	(257,345,755)	(82,278,747)
	21,772,734,670	17,227,454,645	14,007,752,016	21,707,867,640	17,397,054,742	14,007,752,016

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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	MUR	MUR	MUR	MUR
At 1 July 2012	6,215,396	48,221,880	23,592,026	7,719,800	85,749,102
Amount written off against allowance	(1,110,965)	(412,235)	-	(795,103)	(2,318,303)
Charge for the year	1,087,167	(1,470,956)	(1,720,862)	952,599	(1,152,052)
At 30 June 2013	6,191,598	46,338,689	21,871,164	7,877,296	82,278,747
At 30 June 2013:					
Specific impairment	847,828	9,380,271	-	3,734,142	13,962,241
Collective impairment	5,343,770	36,958,418	21,871,164	4,143,154	68,316,506
	6,191,598	46,338,689	21,871,164	7,877,296	82,278,747
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	3,991,623	71,714,787	-	4,131,906	79,838,316
At 1 July 2013	6,191,598	46,338,689	21,871,164	7,877,296	82,278,747
Amount written off against allowance	(381,377)	(188,079)	-	(74,281)	(643,737)
Charge for the year	1,082,631	5,947,885	60,882,300	(202,071)	67,710,745
At 30 June 2014	6,892,852	52,098,495	82,753,464	7,600,944	149,345,755
At 30 June 2014:					
Specific impairment	409,310	19,158,622	38,871,161	4,535,614	62,974,707
Collective impairment	6,483,542	32,939,873	43,882,303	3,065,330	86,371,048
	6,892,852	52,098,495	82,753,464	7,600,944	149,345,755
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	13,497,747	75,385,108	73,903,471	4,964,253	167,750,579
At 1 July 2014	**6,892,852**	**52,098,495**	**82,753,464**	**7,600,944**	**149,345,755**
Amount written off against allowance	**-**	**(209,995)**	**-**	**(125,815)**	**(335,810)**
Charge for the year	**4,995,900**	**55,696,053**	**173,509,516**	**2,778,186**	**236,979,655**
At 30 June 2015	**11,888,752**	**107,584,553**	**256,262,980**	**10,253,315**	**385,989,600**
At 30 June 2015:					
Specific impairment	**3,156,093**	**55,721,258**	**191,100,286**	**4,980,729**	**254,958,366**
Collective impairment	**8,732,659**	**53,344,440**	**63,681,550**	**5,272,585**	**131,031,234**
	11,888,752	**109,065,698**	**254,781,836**	**10,253,314**	**385,989,600**
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**85,572,886**	**881,473,319**	**173,685,618**	**7,401,920**	**1,148,133,743**

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	MUR	MUR	MUR	MUR
At 1 July 2012	6,215,396	48,221,880	23,592,026	7,719,800	85,749,102
Amount written off against allowance	(1,110,965)	(412,235)	-	(795,103)	(2,318,303)
Charge for the year	1,087,167	(1,470,956)	(1,720,862)	952,599	(1,152,052)
At 30 June 2013	6,191,598	46,338,689	21,871,164	7,877,296	82,278,747
At 30 June 2013:					
Specific impairment	847,828	9,380,271	-	3,734,142	13,962,241
Collective impairment	5,343,770	36,958,418	21,871,164	4,143,154	68,316,506
	6,191,598	46,338,689	21,871,164	7,877,296	82,278,747
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	3,991,623	71,714,787	-	4,131,906	79,838,316
At 1 July 2013	6,191,598	46,338,689	21,871,164	7,877,296	82,278,747
Amount written off against allowance	(381,377)	(188,079)	-	(74,281)	(643,737)
Charge for the year	1,082,631	5,947,885	168,882,300	(202,071)	175,710,745
At 30 June 2014	6,892,852	52,098,495	190,753,464	7,600,944	257,345,755
At 30 June 2014:					
Specific impairment	409,310	19,158,622	146,871,161	4,535,614	170,974,707
Collective impairment	6,483,542	32,939,873	43,882,303	3,065,330	86,371,048
	6,892,852	52,098,495	190,753,464	7,600,944	257,345,755
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	13,497,747	75,385,108	375,903,471	4,964,253	469,750,579
At 1 July 2014	6,892,852	52,098,495	190,753,464	7,600,944	257,345,755
Amount written off against allowance	-	(209,995)	(371,298,878)	(125,815)	(371,634,688)
Charge for the year	4,995,900	55,696,053	436,808,394	2,778,186	500,278,533
At 30 June 2015	11,888,752	107,584,553	256,262,980	10,253,315	385,989,600
At 30 June 2015:					
Specific impairment	3,156,093	55,721,258	191,100,286	4,980,729	254,958,366
Collective impairment	8,732,659	53,344,440	63,681,550	5,272,585	131,031,234
	11,888,752	109,065,698	254,781,836	10,253,314	385,989,600
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	85,572,886	881,473,319	173,685,618	7,401,920	1,148,133,743

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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	MUR	MUR	MUR	MUR	MUR
At 1 July 2012	11,062,070	74,687,032	85,749,102	11,062,070	74,687,032	85,749,102
Amount written off against allowance	(2,318,303)	-	(2,318,303)	(2,318,303)	-	(2,318,303)
Charge for the year	5,218,474	(6,370,526)	(1,152,052)	5,218,474	(6,370,526)	(1,152,052)
At 30 June 2013	13,962,241	68,316,506	82,278,747	13,962,241	68,316,506	82,278,747
At 1 July 2013	13,962,241	68,316,506	82,278,747	13,962,241	68,316,506	82,278,747
Amount written off against allowance	(643,737)	-	(643,737)	(643,737)	-	(643,737)
Charge for the year	49,656,203	18,054,542	67,710,745	157,656,203	18,054,542	175,710,745
At 30 June 2014	62,974,707	86,371,048	149,345,755	170,974,707	86,371,048	257,345,755
At 1 July 2014	**62,974,707**	**86,371,048**	**149,345,755**	**170,974,707**	**86,371,048**	**257,345,755**
Amount written off against allowance	**(335,810)**	**-**	**(335,810)**	**(371,634,688)**	**-**	**(371,634,688)**
Charge for the year	**192,319,469**	**44,660,186**	**236,979,655**	**455,618,347**	**44,660,186**	**500,278,533**
At 30 June 2015	**254,958,366**	**131,031,234**	**385,989,600**	**254,958,366**	**131,031,234**	**385,989,600**

17. FINANCIAL INVESTMENTS

	THE GROUP		
AVAILABLE-FOR-SALE	**2015**	2014	2013
	MUR	MUR	MUR
Investment in equity shares	**41,049,271**	39,040,318	40,722,657
Investment in preference shares	**-**	302,300,000	-
	41,049,271	341,340,318	40,722,657

Available-for-sale investments for an amount of MUR 18,510,000 (2014 and 2013: MUR 18,510,000) 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. During the year, the Group has recognised an impairment loss of MUR 327,647,054 on its investment in preference shares which is held by the AfrAsia Holding Limited and has been impaired as a result of the write off of the Bank's investment in AfrAsia Holding Limited, following the impending liquidation.

	THE GROUP AND THE BANK		
HELD-TO-MATURITY	**2015**	2014	2013
	MUR	MUR	MUR
Government of Mauritius debt securities	**4,029,687,456**	5,896,223,411	4,746,886,818
Other corporate debt securities	**1,042,004,889**	940,613,496	1,060,916,006
	5,071,692,345	6,836,836,907	5,807,802,824

18. INVESTMENT IN SUBSIDIARIES

	THE BANK		
	2015	2014	2013
Cost	MUR	MUR	MUR
At start	409,800,877	383,115,237	363,163,638
Acquisition during the year	-	250,693,183	20,000,000
	409,800,877	633,808,420	383,163,638
Impairment loss	(302,554,154)	(217,000,000)	-
Fair value hedge movement	82,315,777	(7,007,543)	(48,401)
At 30 June	189,562,500	409,800,877	383,115,237

The details of the subsidiaries are as follows:

	Country of Incorporation	Class of Shares	Effective % Holdings 2015	2014	2013
Direct Subsidiaries					
AfrAsia Investments Limited	Mauritius	Ordinary	100	100	100
AfrAsia Holdings Limited	Mauritius	Ordinary	100	100	100
Indirect Subsidiaries					
AfrAsia Capital Management Ltd	Mauritius	Ordinary	100	100	50*
AfrAsia Corporate Finance (Africa) Ltd	Mauritius	Ordinary	100	100	50*
AfrAsia Corporate Finance (Pty) Ltd	South Africa	Ordinary	100	100	50*
AfrAsia Corporate Finance Limited	Mauritius	Ordinary	100	100	-
AfrAsia Kingdom Holdings Limited (“AKHL”)	Mauritius	Ordinary	100	52*	52*

*Previously accounted under Investment in associates and Joint Venture.

The Bank invested USD 9,680,000 and USD 4,784,036 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 each reporting date, the Bank adjusts 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

19. BUSINESS COMBINATION

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	MUR	MUR
Assets			
Property, plant and equipment	565,000	4,480,836	5,045,836
Cash and cash equivalents	12,601,000	1,506,445	14,107,445
Trade receivables	29,676,000	16,295,687	45,971,687
Investment held on behalf of client	1,770,872,000	-	1,770,872,000
Financial assets at fair value through profit or loss	2,722,000	-	2,722,000
Loan and receivables	-	77,634,468	77,634,468
Other financial assets	-	33,010,691	33,010,691
Financial investments Available-for-sale	42,000	-	42,000
Investment in associates	-	74,610,566	74,610,566
Patents, licences and customer relations	82,242,659	116,148,142	198,390,801
	1,898,720,659	323,686,835	2,222,407,494

19. BUSINESS COMBINATION (CONTINUED)

	Fair value recognised on acquisition		
	ACML	ACF Group	Total
	MUR	MUR	MUR
Liabilities			
Trade payables	9,471,303	6,458,390	15,929,693
Financial liabilities	-	27,948,930	27,948,930
Deferred tax liabilities	26,000	384,327	410,327
Long term borrowings	-	24,424,000	24,424,000
Current tax liabilities	-	5,689,920	5,689,920
Bank overdraft	-	25,310,420	25,310,420
Amount due to related party	-	74,610,566	74,610,566
Dividend payable	30,000,000	13,623,545	43,623,545
Client current accounts	1,770,858,000	-	1,770,858,000
	1,810,355,303	178,450,098	1,988,805,401
Total identifiable net assets at fair value	88,365,356	145,236,737	233,602,093
Purchase consideration transferred	105,934,533	108,551,930	214,486,463
Less subsequent dividend to be received	(15,000,000)	-	(15,000,000)
Fair value of existing 50% interest previously held (Note (a))	105,934,533	108,551,931	214,486,464
Fair value of option derecognised	26,400,000	-	26,400,000
Fair value of total consideration	223,269,066	217,103,861	440,372,927
Goodwill arising on acquisition	134,903,710	71,867,124	206,770,834

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

19. 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	MUR	MUR
Carrying amount of 50% equity interest	57,841,088	30,799,669	88,640,757
Fair value gain	48,093,446	77,752,262	125,845,708
Fair value of 50% equity interest	105,934,534	108,551,931	214,486,465

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 recognised at the acquisition on the entities at the acquisition date is as follows:

	ACML	ACF Group	Total
	MUR	MUR	MUR
Customer relations	82,242,659	42,366,221	124,608,880
Non-compete agreement	-	41,195,130	41,195,130
Licence	-	32,586,791	32,586,791
Total intangible assets recognised on acquisition	82,242,659	116,148,142	198,390,801

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.

19. BUSINESS COMBINATION (CONTINUED)

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	MUR	MUR
Revenue (disclosed as fees and commission income)	63,838,882	91,371,551	155,210,433
Profit before tax	39,790,748	34,094,328	73,885,076
Profit after tax	33,243,917	32,787,236	66,031,153

For the period 1 July 2013 to 30 June 2014

	ACML	ACF Group	Total
	MUR	MUR	MUR
Revenue (disclosed as fees and commission income)	76,449,924	104,839,521	181,289,445
Profit before tax	46,210,154	36,910,306	83,120,460
Profit after tax	38,572,024	35,527,162	74,099,186

Analysis of cash flows on acquisition:	ACML	ACF Group	Total
	MUR	MUR	MUR
Cash consideration to acquire remaining 50% in the subsidiaries	105,934,533	108,551,931	214,486,464
(Cash)/overdraft balance acquired on acquisition of subsidiaries	(12,601,000)	23,803,975	11,202,975
Net cash flow on acquisition	93,333,533	132,355,906	225,689,439

20. IMPAIRMENT TESTING OF GOODWILL

Carrying amount of goodwill allocated to each of the CGUs:	ACML	ACF Group	Total
		2015 and 2014	
	MUR	MUR	MUR
Goodwill	134,903,710	71,867,124	206,770,834

The Group performed its annual impairment test in June 2015.

The recoverable amount of the ACML Group and ACF Group CGU is MUR 415 millions and MUR 429 millions respectively as at 30 June 2015, 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 for either of the CGUs.

The following assumptions have been used in the assessment of intangible assets with indefinite life:

	ACML		ACF Group	
	2015	2014	2015	2014
	%	%	%	%
Discount rates	19.0	19.0	23.8	23.8

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

20. IMPAIRMENT TESTING OF GOODWILL (CONTINUED)

Discount rates

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	
	2015	2014	2015	2014
	MUR	MUR	MUR	MUR
1% increase in discount rates (WACC)	(15,710,432)	(5,615,081)	(12,433,330)	(4,944,794)
1% decrease in discount rates (WACC)	16,712,607	5,817,039	12,929,654	5,155,723

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		
	2015	2014	2013
Share of the joint venture's statement of financial position:	MUR	MUR	MUR
Current assets	-	-	110,158,770
Non-current assets	-	-	743,662,830
Current liabilities	-	-	(837,604,045)
Non-current liabilities	-	-	(12,803)
Equity	-	-	16,204,752
Share of the joint venture's revenue and profit:			
Revenue	-	6,305,521	35,073,627
Administrative expenses	-	(3,169,144)	(15,578,431)
Other income	-	30,018	153,250
Net finance revenue	-	43,309	78,119
Income tax expense	-	(545,650)	(3,443,071)
Profit after tax	-	2,664,054	16,283,494
Carrying amount of the investment	-	-	55,177,034

22. INVESTMENT IN ASSOCIATES

THE GROUP

		THE GROUP		
		2015	2014	2013
The investment in associates are as follows:	Country of incorporation	% Holding	% Holding	% Holding
AfrAsia Zimbabwe Holdings Limited ("AZHL")	Zimbabwe	62.75	47.01	32.75
AfrAsia Corporate Finance (Africa) Ltd	Mauritius	100.0**	100.0**	50.0
AfrAsia Corporate Finance (Pty) Ltd	South Africa	100.0**	100.0**	50.0
AfrAsia Kingdom Holdings Limited ("AKHL")	Mauritius	100.0**	52.0	52.0

AfrAsia Bank Limited does not consider AfrAsia Zimbabwe Holdings Limited as its subsidiary as it does not have the power to govern the financial and operating activities of that company. Accordingly, the financial statements of this entity have not been consolidated in the group financial statements.

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. During the year, the Group obtained control over AKHL as the latter bought back the shares held by the other shareholder.

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.

The following table illustrates summarised financial information of the Group's investment in the associates:

	THE GROUP		
	2015	2014	2013
AfrAsia Zimbabwe Holdings Limited	MUR	MUR	MUR
Opening balance	118,564,966	179,688,223	376,826,129
Additions	-	144,693,183	643,843
Acquisition of subsidiaries	-	74,610,566	-
Share of loss after tax	-	(130,621,292)	(199,904,454)
Foreign exchange movement	-	(4,745,501)	-
Impairment loss	(118,564,966)	(144,246,639)	-
Share of other reserves	-	(813,574)	2,122,705
Closing balance	-	118,564,966	179,688,223

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

22. INVESTMENT IN ASSOCIATES (CONTINUED)

	THE GROUP		
	2015	2014	2013
AfrAsia Corporate Finance (Pty) Ltd	MUR	MUR	MUR
Opening balance	-	39,640,536	24,163,908
Additions	-	-	-
Share of (loss)/profit after tax	-	(1,262,483)	18,683,981
Dividend received	-	(12,329,704)	(3,207,353)
Carrying amount on acquisition of remaining 50% equity interest	-	(26,048,349)	-
Closing balance	-	-	39,640,536

	THE GROUP		
	2015	2014	2013
AfrAsia Corporate Finance (Africa) Ltd	MUR	MUR	MUR
Opening balance	-	5,984,755	7,454,323
Share of profit after tax	-	2,708,647	3,736,818
Dividend received	-	(3,942,082)	(5,206,386)
Carrying amount on acquisition of remaining 50% equity interest	-	(4,751,320)	-
Closing balance	-	-	5,984,755
Statements of financial position			
Investment in associates	-	118,564,966	225,313,514
Statements of comprehensive income			
Share of loss of associates	-	(129,175,128)	(177,483,655)

The following table illustrates summarised financial information of investment in associates:

	THE GROUP		
	2015	2014	2013
	MUR	MUR	MUR
Share of the associates' statement of financial position:			
Assets	-	1,475,821,435	2,520,585,989
Liabilities	-	(1,169,672,273)	(2,219,895,674)
Equity	-	306,149,162	300,690,315
Share of the associates' revenue and profit:			
Revenue	-	431,033,091	774,264,880
Profit after tax	-	(129,175,128)	(177,483,655)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. EQUIPMENT

(a) THE GROUP

	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
COST	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2012	4,224,896	8,166,941	5,142,693	700,572	8,713,931	26,949,033
Additions	6,421,799	5,487,428	4,124,404	-	3,930,856	19,964,487
Assets written off	-	(427,288)	(162,676)	(29,280)	(1,425,379)	(2,044,623)
At 30 June 2013	10,646,695	13,227,081	9,104,421	671,292	11,219,408	44,868,897
At 1 July 2013	10,646,695	13,227,081	9,104,421	671,292	11,219,408	44,868,897
Acquisition of subsidiary	1,105,407	2,161,863	-	-	1,778,566	5,045,836
Additions	8,153,961	23,408,545	3,474,378	458,811	11,208,989	46,704,684
Exchange loss	(44,922)	(85,541)	(1,539)	(8,693)	(140,618)	(281,313)
Assets written off	-	(106,500)	(347,209)	-	(916,493)	(1,370,202)
At 30 June 2014	19,861,141	38,605,448	12,230,051	1,121,410	23,149,852	94,967,902
At 1 July 2014	**19,861,141**	**38,605,448**	**12,230,051**	**1,121,410**	**23,149,852**	**94,967,902**
Additions	**15,978,142**	**11,890,739**	**2,810,835**	**1,063,565**	**17,114,237**	**48,857,518**
Exchange gain	**2,652**	**4,554**	**-**	**743**	**3,163**	**11,113**
Assets written off	**-**	**-**	**(944,923)**	**-**	**(386,635)**	**(1,331,558)**
At 30 June 2015	**35,841,935**	**50,500,741**	**14,095,963**	**2,185,718**	**39,880,617**	**142,504,975**
DEPRECIATION						
At 1 July 2012	1,531,088	2,284,961	2,496,639	444,120	5,870,279	12,627,087
Charge for the year	837,070	1,138,274	1,149,316	139,134	1,432,155	4,695,949
Assets written off	-	(169,714)	(54,155)	(19,859)	(974,347)	(1,218,075)
At 30 June 2013	2,368,158	3,253,521	3,591,800	563,395	6,328,087	16,104,961
At 1 July 2013	2,368,158	3,253,521	3,591,800	563,395	6,328,087	16,104,961
Charge for the year	1,666,055	2,273,702	1,487,377	141,847	3,022,600	8,591,581
Exchange loss	(21,489)	(23,072)	(1,190)	(1,594)	(53,519)	(100,864)
Assets written off	-	(106,500)	(118,061)	-	(610,656)	(835,217)
At 30 June 2014	4,012,724	5,397,651	4,959,926	703,648	8,686,512	23,760,461
At 1 July 2014	**4,012,724**	**5,397,651**	**4,959,926**	**703,648**	**8,686,512**	**23,760,461**
Charge for the year	**3,101,760**	**4,533,229**	**2,012,876**	**220,537**	**6,019,804**	**15,888,206**
Exchange gain	**1,284**	**1,276**	**-**	**137**	**2,955**	**5,652**
Assets written off	**-**	**-**	**(416,807)**	**-**	**(228,257)**	**(645,064)**
At 30 June 2015	**7,115,768**	**9,932,156**	**6,555,995**	**924,322**	**14,481,014**	**39,009,255**
NET CARRYING AMOUNT						
At 30 June 2015	**28,726,167**	**40,568,585**	**7,539,969**	**1,261,396**	**25,399,603**	**103,495,720**
At 30 June 2014	15,848,417	33,207,797	7,270,125	417,762	14,463,340	71,207,441
At 30 June 2013	8,278,537	9,973,560	5,512,621	107,897	4,891,321	28,763,936

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. EQUIPMENT (CONTINUED)

(b) THE BANK

	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
COST	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2012	4,224,886	8,166,951	5,131,768	700,572	8,679,563	26,903,740
Additions	6,421,799	5,487,428	4,124,404	-	3,930,856	19,964,487
Assets written off	-	(427,288)	(162,676)	(29,280)	(1,425,379)	(2,044,623)
At 30 June 2013	10,646,685	13,227,091	9,093,496	671,292	11,185,040	44,823,604
At 1 July 2013	10,646,685	13,227,091	9,093,496	671,292	11,185,040	44,823,604
Additions	8,153,961	23,311,615	3,472,838	63,058	9,731,751	44,733,223
Assets written off	-	-	(347,209)	-	(237,212)	(584,421)
At 30 June 2014	18,800,646	36,538,706	12,219,125	734,350	20,679,579	88,972,406
At 1 July 2014	**18,800,646**	**36,538,706**	**12,219,125**	**734,350**	**20,679,579**	**88,972,406**
Additions	**15,978,142**	**11,845,544**	**2,810,835**	**61,095**	**16,171,548**	**46,867,164**
Assets written off	**-**	**-**	**(944,923)**	**-**	**(386,635)**	**(1,331,558)**
At 30 June 2015	**34,778,788**	**48,384,250**	**14,085,037**	**795,445**	**36,464,492**	**134,508,012**
DEPRECIATION						
At 1 July 2012	1,531,089	2,284,961	2,494,450	444,120	5,835,516	12,590,136
Charge for the year	837,070	1,138,274	1,148,224	139,133	1,432,155	4,694,856
Assets written off	-	(169,714)	(54,155)	(19,859)	(974,347)	(1,218,075)
At 30 June 2013	2,368,159	3,253,521	3,588,519	563,394	6,293,324	16,066,917
At 1 July 2013	2,368,159	3,253,521	3,588,519	563,394	6,293,324	16,066,917
Charge for the year	1,214,372	1,831,833	1,482,366	115,369	2,233,704	6,877,644
Asset written off	-	-	(121,979)	-	(160,337)	(282,316)
At 30 June 2014	3,582,531	5,085,354	4,948,906	678,763	8,366,691	22,662,245
At 1 July 2014	**3,582,531**	**5,085,354**	**4,948,906**	**678,763**	**8,366,691**	**22,662,245**
Charge for the year	**2,724,914**	**4,054,956**	**2,012,876**	**9,755**	**4,733,321**	**13,535,822**
Asset written off	**-**	**-**	**(416,807)**	**-**	**(228,257)**	**(645,064)**
At 30 June 2015	**6,307,445**	**9,140,310**	**6,544,975**	**688,518**	**12,871,755**	**35,553,003**
NET CARRYING AMOUNT						
At 30 June 2015	**28,471,343**	**39,243,940**	**7,540,062**	**106,927**	**23,592,737**	**98,955,009**
At 30 June 2014	15,218,115	31,453,352	7,270,219	55,587	12,312,888	66,310,161
At 30 June 2013	8,278,526	9,973,570	5,504,977	107,898	4,891,716	28,756,687

24. INTANGIBLE ASSETS

THE GROUP	Computer software	Banking software	Other	Goodwill	Non-compete agreement	Licence	Customer relations	Total
COST	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2012	11,994,505	17,119,155	5,765,930	-	-	-	-	34,879,590
Additions	2,063,040	-	1,976,525	-	-	-	-	4,039,565
At 30 June 2013	14,057,545	17,119,155	7,742,455	-	-	-	-	38,919,155
At 1 July 2013	14,057,545	17,119,155	7,742,455	-	-	-	-	38,919,155
Acquisition of subsidiary	-	-	-	206,770,834	41,195,130	32,586,791	124,608,880	405,161,635
Additions	818,386	28,565,330	-	-	-	-	-	29,383,716
At 30 June 2014	14,875,931	45,684,485	7,742,455	206,770,834	41,195,130	32,586,791	124,608,880	473,464,506
At 1 July 2014	**14,875,931**	**45,684,485**	**7,742,455**	**206,770,834**	**41,195,130**	**32,586,791**	**124,608,880**	**473,464,506**
Additions	**3,266,202**	**13,660,397**	**2,184,020**	**-**	**-**	**-**	**-**	**19,110,619**
At 30 June 2015	**18,142,133**	**59,344,882**	**9,926,475**	**206,770,834**	**41,195,130**	**32,586,791**	**124,608,880**	**492,575,125**
AMORTISATION								
At 1 July 2012	3,886,535	10,486,684	3,411,558	-	-	-	-	17,784,777
Charge for the year	2,806,494	2,434,307	473,365	-	-	-	-	5,714,166
At 30 June 2013	6,693,029	12,920,991	3,884,923	-	-	-	-	23,498,943
At 1 July 2013	6,693,029	12,920,991	3,884,923	-	-	-	-	23,498,943
Charge for the year	2,503,873	3,562,571	658,787	-	15,448,174	12,220,047	14,065,182	48,458,634
At 30 June 2014	9,196,902	16,483,562	4,543,710	-	15,448,174	12,220,047	14,065,182	71,957,577
At 1 July 2014	**9,196,902**	**16,483,562**	**4,543,710**	**-**	**15,448,174**	**12,220,047**	**14,065,182**	**71,957,577**
Charge for the year	**2,564,097**	**5,258,624**	**1,078,812**	**-**	**20,597,565**	**16,293,395**	**18,753,577**	**64,546,070**
At 30 June 2015	**11,760,999**	**21,742,186**	**5,622,522**	**-**	**36,045,739**	**28,513,442**	**32,818,759**	**136,503,647**
NET CARRYING AMOUNT								
At 30 June 2015	**6,381,134**	**37,602,696**	**4,303,953**	**206,770,834**	**5,149,391**	**4,073,349**	**91,790,121**	**356,071,478**
At 30 June 2014	5,679,029	29,200,923	3,198,745	206,770,834	25,746,956	20,366,744	110,543,698	401,506,929
At 30 June 2013	7,364,516	4,198,164	3,857,532	-	-	-	-	15,420,212

Other intangible assets consist of corporate lifetime membership and credit card related assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24. INTANGIBLE ASSETS (CONTINUED)

THE BANK	Computer software	Banking software	Other	Total
COST	MUR	MUR	MUR	MUR
At 1 July 2012	11,994,505	17,119,155	5,765,930	34,879,590
Additions	2,063,040	-	1,976,525	4,039,565
At 30 June 2013	14,057,545	17,119,155	7,742,455	38,919,155
At 1 July 2013	14,057,545	17,119,155	7,742,455	38,919,155
Additions	304,561	28,565,330	-	28,869,891
At 30 June 2014	14,362,106	45,684,485	7,742,455	67,789,046
At 1 July 2014	14,362,106	45,684,485	7,742,455	67,789,046
Additions	3,236,618	13,660,397	2,184,020	19,081,035
At 30 June 2015	17,598,724	59,344,882	9,926,475	86,870,081
AMORTISATION				
At 1 July 2012	3,886,535	10,486,684	3,411,558	17,784,777
Charge for the year	2,806,494	2,434,307	473,365	5,714,166
At 30 June 2013	6,693,029	12,920,991	3,884,923	23,498,943
At 1 July 2013	6,693,029	12,920,991	3,884,923	23,498,943
Charge for the year	2,402,179	3,562,571	658,787	6,623,537
At 30 June 2014	9,095,208	16,483,562	4,543,710	30,122,480
At 1 July 2014	9,095,208	16,483,562	4,543,710	30,122,480
Charge for the year	2,391,999	5,258,624	1,078,812	8,729,435
At 30 June 2015	11,487,207	21,742,186	5,622,522	38,851,915
NET CARRYING AMOUNT				
At 30 June 2015	6,111,517	37,602,696	4,303,953	48,018,166
At 30 June 2014	5,266,898	29,200,923	3,198,745	37,666,566
At 30 June 2013	7,364,516	4,198,164	3,857,532	15,420,212

25. OTHER ASSETS

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Dividend receivable	-	-	-	145,000,000	100,000,000	-
Trade receivables	63,694,772	39,087,968	-	-	-	-
Due from associates	40,291,821	34,575,283	-	-	-	-
Advance payment	36,010,671	22,511,135	2,049,924	36,010,671	22,511,135	2,049,924
Unpaid share capital (Note 31)	39,668,637	-	-	39,668,637	-	-
Indirect taxes receivable	24,998,780	15,754,881	8,227,808	24,998,780	15,754,881	8,227,808
Redemption monies receivable	-	16,968,232	44,131,317	-	-	-
Receivables from sales of shares	-	-	76,699,047	-	-	-
Due from financial institution	15,043,875	13,568,700	13,783,500	15,043,875	13,568,700	13,783,500
Prepaid expenses	7,306,936	8,391,391	3,155,966	4,687,586	4,272,417	3,155,966
Other receivables	36,727,716	46,213,553	17,275,462	22,740,932	18,110,136	14,734,794
	263,743,208	197,071,143	165,323,024	288,150,481	174,217,269	41,951,992

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	MUR	MUR	MUR	MUR
2015	40,804,131	3,229,345	4,142,026	15,519,271	63,694,772
2014	29,028,365	4,544,986	363,623	5,150,993	39,087,968

During the year, an amount of MUR 12,740,944 has been impaired at only the group level (2014: nil and 2013:nil).

Advance payment relates to amount paid for acquisition of equipment and software.

Redemption monies receivable represents amount receivables from the custodian bank in respect of Equity linked notes matured.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

26. DUE TO BANKS

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Borrowings from the Central Bank	227,411,484	895,114,510	285,481,149	227,411,484	895,114,510	285,481,149
Deposits from other banks	6,607	120,235,292	596,427,129	-	120,235,292	596,427,129
	227,418,091	1,015,349,802	881,908,278	227,411,484	1,015,349,802	881,908,278

The borrowings from the Central Bank are secured by the Bank's cash balances.

27. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
Personal	MUR	MUR	MUR	MUR	MUR	MUR
- Current accounts	6,698,761,816	4,165,513,995	1,548,919,672	6,698,761,817	4,165,513,995	1,548,919,672
- Savings accounts	3,298,552,787	2,214,327,175	2,284,554,692	3,298,552,787	2,214,327,175	2,284,554,692
- Term deposits	5,760,491,095	5,079,793,245	3,803,384,950	5,760,491,095	5,079,793,245	3,803,384,950
Business						
- Current accounts	29,169,754,040	18,018,076,708	9,537,905,376	29,333,507,046	18,340,581,093	9,546,181,747
- Savings accounts	381,478,634	490,321,534	409,821,293	381,478,634	490,321,534	409,821,293
- Term deposits	21,092,068,985	10,360,959,524	9,633,322,031	21,419,250,784	10,714,866,240	9,633,322,031
Government institutions						
- Current accounts	311	411	-	311	411	-
- Savings accounts	9,816,843	4,774,378	6,431,695	9,816,843	4,774,378	6,431,695
- Term deposits	26,791,204	79,776,712	-	26,791,204	79,776,712	-
	66,437,715,715	40,413,543,682	27,224,339,709	66,928,650,521	41,089,954,783	27,232,616,080

Included in 'Deposits from customers' accounts are deposits of MUR 800,734,640 (2014: MUR 359,380,491 and 2013: MUR 397,680,370) held as collateral against loans and advances to the respective customers.

28. DEBTS ISSUED

		THE GROUP			THE BANK		
		2015	2014	2013	2015	2014	2013
		MUR	MUR	MUR	MUR	MUR	MUR
(i)	Loan notes	1,776,243,723	1,691,445,400	57,253,644	-	-	-
(ii)	Unsecured subordinated bonds	915,326,452	742,495,796	883,069,803	1,094,274,560	1,033,574,296	883,069,803
		2,691,570,175	2,433,941,196	940,323,447	1,094,274,560	1,033,574,296	883,069,803

28. DEBTS ISSUED (CONTINUED)

(i) Loan notes

The loan notes issued represent the discounted value of capital guaranteed to investors of the associate on the structured products issued by the Group.

	THE GROUP		
	2015	2014	2013
The notes are due as follows:	MUR	MUR	MUR
Within 1 year	977,538,040	274,152,682	57,253,644
After 5 years	798,705,683	1,417,292,718	-
	1,776,243,723	1,691,445,400	57,253,644

Loan notes bear interest at 8.5% on average.

(ii) Unsecured subordinated bonds

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
The bonds are due as follows:	MUR	MUR	MUR	MUR	MUR	MUR
Within 1 year	-	-	20,348,815	-	-	20,348,815
After 1 year but before 5 years	915,326,452	583,534,994	413,142,042	1,094,274,560	874,613,494	413,142,042
After 5 years	-	158,960,802	449,578,946	-	158,960,802	449,578,946
	915,326,452	742,495,796	883,069,803	1,094,274,560	1,033,574,296	883,069,803

Interest on unsecured bonds denominated in MUR ranges between 7% to 9.15% while USD-denominated bonds bear interest that ranges between 4.2% to 5.23%.

29. AMOUNT DUE TO SUBSIDIARY

	THE BANK		
	2015	2014	2013
	MUR	MUR	MUR
Due to subsidiary in respect of structured notes	-	-	57,253,644

30. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Customer custody payable	251,981,504	419,673,543	-	251,981,504	419,673,543	-
Advance commission	82,378,989	64,051,785	59,663,582	82,378,989	64,051,785	59,663,582
Personnel related accruals	71,972,842	83,450,880	68,599,684	36,904,284	67,079,162	68,599,684
Dividend payable	69,860,689	-	-	69,860,689	-	-
Redemption monies payable	-	16,968,232	44,131,317	-	-	-
Unsecured bank loan	-	90,180,000	-	-	-	-
Other accruals	115,345,107	92,175,686	59,378,503	90,660,743	48,704,111	10,046,549
	591,539,131	766,500,126	231,773,086	531,786,209	599,508,601	138,309,815

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

30. OTHER LIABILITIES (CONTINUED)

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.

31. ORDINARY SHARES, SHARE APPLICATION MONIES, TREASURY SHARES AND CLASS A SHARES

	THE GROUP AND THE BANK		
	2015	2014	2013
	MUR	MUR	MUR
Ordinary shares of no par value			
Issued and fully paid	2,551,290,606	1,747,639,471	1,694,593,418
Issued and not yet paid (Note 25)	39,668,637	-	-
	2,590,959,243	1,747,639,471	1,694,593,418

Analysed as follows:	THE GROUP AND THE BANK					
Issued and fully paid	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
At 1 July	77,889,488	1,747,639,471	76,999,195	1,694,593,418	70,454,417	1,398,457,492
Issue of ordinary shares	17,973,036	803,651,135	890,293	53,046,053	6,544,778	296,135,926
Issued and not yet paid (Note 25)	809,564	39,668,637	-	-	-	-
At 30 June	96,672,088	2,590,959,243	77,889,488	1,747,639,471	76,999,195	1,694,593,418

On 29 June 2015, the Bank has issued 809,564 shares for a consideration of MUR 39,668,637. The consideration is still outstanding as at 30 June 2015.

Share application monies

On 26 June 2015, the Bank has received MUR 17,261,328 to issue 352,272 ordinary shares to the Founding Executives. These shares were not yet issued at reporting date.

	THE GROUP AND THE BANK					
Treasury shares	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
At 1 July	6,544,778	405,776,236	-	-	-	-
Acquired during the year	-	-	6,544,778	405,776,236	-	-
Issue of ordinary shares	(6,544,778)	(405,776,236)	-	-	-	-
At 30 June	-	-	6,544,778	405,776,236	-	-

31. ORDINARY SHARES, SHARE APPLICATION MONIES, TREASURY SHARES AND CLASS A SHARES (CONTINUED)

Class A shares

THE GROUP

Issued and fully paid	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
USD 20,000,000 Class A Series 1 Shares	2,000,000	604,580,000	2,000,000	604,580,000	-	-
MUR 800,000,000 Class A Series 2 Shares	8,000,000	800,000,000	8,000,000	800,000,000	-	-
Transaction costs	-	(4,811,881)	-	(4,335,799)	-	-
	10,000,000	1,399,768,119	10,000,000	1,400,244,201	-	-

Analysed as follows:	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
USD 20,000,000 Class A Series 1 Shares						
At 1 July	2,000,000	604,580,000	-	-	-	-
Issued during the year	-	-	2,000,000	604,580,000	-	-
At 30 June	2,000,000	604,580,000	2,000,000	604,580,000	-	-

	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
MUR 800,000,000 Class A Series 2 Shares		MUR		MUR		MUR
At 1 July	8,000,000	800,000,000	-	-	-	-
Issued during the year	-	-	8,000,000	800,000,000	-	-
At 30 June	8,000,000	800,000,000	8,000,000	800,000,000	-	-

THE BANK

Issued and fully paid	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
USD 20,000,000 Class A Series 1 Shares	2,000,000	604,580,000	2,000,000	604,580,000	-	-
MUR 800,000,000 Class A Series 2 Shares	8,000,000	800,000,000	8,000,000	800,000,000	-	-
Transaction costs	-	(18,811,881)	-	(18,335,799)	-	-
	10,000,000	1,385,768,119	10,000,000	1,386,244,201	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

31. ORDINARY SHARES, SHARE APPLICATION MONIES, TREASURY SHARES AND CLASS A SHARES (CONTINUED)

Analysed as follows:	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
USD 20,000,000 Class A Series 1 Shares						
At 1 July	2,000,000	604,580,000	-	-	-	-
Issued during the year	-	-	2,000,000	604,580,000	-	-
At 30 June	2,000,000	604,580,000	2,000,000	604,580,000	-	-

	2015		2014		2013	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
MUR 800,000,000 Class A Series 2 Shares		MUR		MUR		MUR
At 1 July	8,000,000	800,000,000	-	-	-	-
Issued during the year	-	-	8,000,000	800,000,000	-	-
At 30 June	8,000,000	800,000,000	8,000,000	800,000,000	-	-

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.

32. OTHER RESERVES

	THE GROUP							THE BANK			
	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Foreign currency translation reserve	Available for sales reserve	Associates other reserve	Total	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2012	14,006,307	47,074,772	32,805,952	(14,759)	-	-	93,872,272	14,006,307	47,074,772	32,805,952	93,887,031
Appropriation from retained earnings	-	45,389,388	68,949,044	-	-	-	114,338,432	-	45,389,388	68,949,044	114,338,432
Expense arising from equity-settled share-based payment transactions	1,842,167	-	-	-	-	-	1,842,167	1,842,167	-	-	1,842,167
Movement in revaluation reserve	-	-	-	-	-	2,122,705	2,122,705	-	-	-	-
Net investment hedging	-	-	-	48,401	-	-	48,401	-	-	-	-
Foreign currency translation	-	-	-	527,011	-	-	527,011	-	-	-	-
At 30 June 2013	15,848,474	92,464,160	101,754,996	560,653	-	2,122,705	212,750,988	15,848,474	92,464,160	101,754,996	210,067,630
At 1 July 2013	15,848,474	92,464,160	101,754,996	560,653	-	2,122,705	212,750,988	15,848,474	92,464,160	101,754,996	210,067,630
Appropriation from retained earnings	-	33,396,780	31,053,948	-	-	-	64,450,728	-	33,396,780	31,053,948	64,450,728
Expense arising from equity-settled share-based payment transactions	(1,565,582)	-	-	-	-	-	(1,565,582)	(1,565,582)	-	-	(1,565,582)
Gain on available-for-sale financial assets	-	-	-	-	1,977,927	-	1,977,927	-	-	-	-
Movement in revaluation reserve	-	-	-	-	-	(813,574)	(813,574)	-	-	-	-
Net investment hedging	-	-	-	7,007,543	-	-	7,007,543	-	-	-	-
Foreign currency translation	-	-	-	(9,630,208)	-	-	(9,630,208)	-	-	-	-
At 30 June 2014	14,282,892	125,860,940	132,808,944	(2,062,012)	1,977,927	1,309,131	274,177,822	14,282,892	125,860,940	132,808,944	272,952,776

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

32. OTHER RESERVES (CONTINUED)

	THE GROUP							THE BANK			
	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Foreign currency translation reserve	Available for sales reserve	Associates other reserve	Total	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2014	14,282,892	125,860,940	132,808,944	(2,062,012)	1,977,927	1,309,131	274,177,822	14,282,892	125,860,940	132,808,944	272,952,776
Appropriation from retained earnings	-	26,254,698	118,354,361	-	-	-	144,609,059	-	26,254,698	118,354,361	144,609,059
Expense arising from equity-settled share-based payment transactions	(359,774)	-	-	-	-	-	(359,774)	(359,774)	-	-	(359,774)
Gain on available-for-sale financial assets	-	-	-	-	1,998,535	-	1,998,535	-	-	-	-
Foreign currency translation	-	-	-	(677,597)	-	-	(677,597)	-	-	-	-
At 30 June 2015	13,923,118	152,115,638	251,163,305	(2,739,609)	3,976,462	1,309,131	419,748,045	13,923,118	152,115,638	251,163,305	417,202,061

32. OTHER RESERVES (CONTINUED)

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 3 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 year 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 MUR 8,214,526 (2014: MUR 20,148,464; 2013: nil). The number of share options granted during the year amounted to 352,272 (2014: 704,544; 2013 : nil) at an average price of MUR 23.13 per share (2014: MUR 33.13; 2013:nil). 704,544 share options at an average price of MUR 23.13 per share are outstanding at 30 June 2015 (2014: 1,056,816 at MUR 33.13; 2013:nil). The average remaining contractual life of the share options outstanding as at 30 June 2015 is 2 years (2014: 3 years; 2013: 4 years). The share options were bought back by the Bank for a total price of MUR 8,574,300 (2014: MUR 21,714,046; 2013: nil), hence, the net movement of MUR 359,774 for the year ended 30 June 2015(2014: MUR (1,565,582); 2013: nil).

(b) General employee plan

Other employees were granted 240,057 Employee (non-voting) shares in February 2009. The shares, whose fair value 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 Reserve

This reserve arises on retranslation of foreign operations on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments recorded at fair value

Determination of 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.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

THE GROUP	2015		
	Level 1	Level 2	Total fair value
	MUR	MUR	MUR
Financial assets			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	51,302,665	51,302,665
Forward exchange option contracts	-	17,224,468	17,224,468
Options Linked Notes	-	148,856,015	148,856,015
Index Linked Notes	-	-	-
Call Option	-	-	-
	-	217,383,148	217,383,148
Financial investments - held-for-trading			
Government debts securities	-	1,699,736,996	1,699,736,996
Unquoted equity investments	-	1,072,420,679	1,072,420,679
Listed equity shares	5,928,894	-	5,928,894
Corporate debt securities	-	267,387,288	267,387,288
	5,928,894	3,039,544,963	3,045,473,857
Financial investments - available-for-sale			
Equity shares	-	22,539,271	22,539,271
Preference shares	-	-	-
	-	22,539,271	22,539,271
	5,928,894	3,279,467,382	3,285,396,276
Financial liabilities			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	(37,550,970)	(37,550,970)
Forward exchange option contracts	-	(17,224,468)	(17,224,468)
Options Linked Notes	-	(148,856,015)	(148,856,015)
Index Linked Notes	-	-	-
Put Option	-	(351,463,000)	(351,463,000)
	-	(555,094,453)	(555,094,453)

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP	2014		
	Level 1	Level 2	Total fair value
	MUR	MUR	MUR
Financial assets			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	67,849,179	67,849,179
Forward exchange option contracts	-	8,239,095	8,239,095
Options Linked Notes	-	166,315,145	166,315,145
Index Linked Notes	-	618,442,030	618,442,030
Call Option	-	-	-
	-	860,845,449	860,845,449
Financial investments - held-for-trading			
Government debts securities	-	1,657,362,034	1,657,362,034
Unquoted equity investments	-	724,732,217	724,732,217
Listed equity shares	-	-	-
Corporate debt securtities	-	254,050,687	254,050,687
	-	2,636,144,938	2,636,144,938
Financial investments - available-for-sale			
Equity shares	-	20,530,318	20,530,318
Preference shares	-	302,300,000	302,300,000
	-	322,830,318	322,830,318
	-	3,819,820,705	3,819,820,705
Financial liabilities			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	(64,445,815)	(64,445,815)
Forward exchange option contracts	-	(8,239,095)	(8,239,095)
Options Linked Notes	-	(166,315,145)	(166,315,145)
Index Linked Notes	-	(618,442,030)	(618,442,030)
Put Option	-	-	-
	-	(857,442,085)	(857,442,085)

THE GROUP	2013		
	Level 1	Level 2	Total fair value
	MUR	MUR	MUR
Financial assets			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	24,557,924	24,557,924
Forward exchange option contracts	-	1,079,237	1,079,237
Options Linked Notes	-	-	-
Index Linked Notes	16,544,199	-	16,544,199
Call Option	26,400,000	-	26,400,000
	42,944,199	25,637,161	68,581,360
Financial investments - held-for-trading			
Government debts securities	-	336,909,022	336,909,022
Unquoted equity investments	-	-	-
Listed equity shares	-	-	-
Corporate debt securtities	-	195,776,496	195,776,496
	-	532,685,518	532,685,518
Financial investments - available-for-sale			
Equity shares	-	40,722,657	40,722,657
Preference shares	-	-	-
	-	40,722,657	40,722,657
	42,944,199	599,045,336	641,989,535
Financial liabilities			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	(48,618,447)	(48,618,447)
Forward exchange option contracts	-	(1,079,237)	(1,079,237)
Options Linked Notes	-	-	-
Index Linked Notes	(16,544,199)	-	(16,544,199)
Put Option	-	-	-
	(16,544,199)	(49,697,684)	(66,241,883)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33.

(a) Financial instruments recorded at fair value (Continued)

THE BANK

	2015		
	Level 1	Level 2	Total fair value
	MUR	MUR	MUR
Financial assets			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	51,302,665	51,302,665
Forward exchange option contracts	-	17,224,468	17,224,468
	-	68,527,133	68,527,133
Financial investments - held-for-trading			
Government debts securities	-	1,699,736,996	1,699,736,996
Corporate debt securities	-	267,387,288	267,387,288
	-	1,967,124,284	1,967,124,284
	-	2,035,651,417	2,035,651,417
Financial liabilities			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	(37,550,970)	(37,550,970)
Forward exchange option contracts	-	(17,224,468)	(17,224,468)
	-	(54,775,438)	(54,775,438)

THE BANK

	2014		
	Level 1	Level 2	Total fair value
	MUR	MUR	MUR
Financial assets			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	67,849,179	67,849,179
Forward exchange option contracts	-	8,239,095	8,239,095
	-	76,088,274	76,088,274
Financial investments - held-for-trading			
Government debts securities	-	1,657,361,434	1,657,361,434
Corporate debt securities	-	254,050,687	254,050,687
	-	1,911,412,121	1,911,412,121
	-	1,987,500,395	1,987,500,395
Financial liabilities			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	(64,445,815)	(64,445,815)
Forward exchange option contracts	-	(8,239,095)	(8,239,095)
	-	(72,684,910)	(72,684,910)

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (Continued)

THE BANK

	2013		
	Level 1	Level 2	Total fair value
Financial assets	MUR	MUR	MUR
Derivatives held-for-trading			
Forward foreign exchange contracts	-	24,557,924	24,557,924
Forward exchange option contracts	-	1,079,237	1,079,237
	-	25,637,161	25,637,161
Financial investments - held-for-trading			
Government debts securities	-	336,909,022	336,909,022
Corporate debt securities	-	195,776,496	195,776,496
	-	532,685,518	532,685,518
	-	558,322,679	558,322,679
Financial liabilities			
Derivatives held-for-trading			
Forward foreign exchange contracts	-	(48,618,447)	(48,618,447)
Forward exchange option contracts	-	(1,079,237)	(1,079,237)
	-	(49,697,684)	(49,697,684)

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

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 on the net assets value of the investee.

Derivatives

Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and forward 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

33. 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 already 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 are 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 2015		30 June 2014		30 June 2013	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	MUR	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	2,514,212,771	2,514,212,771	2,021,271,956	2,021,271,956	1,598,715,632	1,598,715,632
Due from banks	41,447,016,418	41,447,016,418	18,265,309,349	18,265,309,349	9,009,843,939	9,009,843,939
Loans and advances to customers	21,772,734,670	21,913,774,717	17,227,454,645	17,469,252,375	14,007,752,016	14,073,739,817
Financial investments -held-to-maturity	5,071,692,345	5,295,321,214	6,836,836,907	7,045,147,184	5,807,802,824	6,086,987,347
Financial investments -available-for-sale	18,510,000	18,510,000	18,510,000	18,510,000	-	-
Other assets (excluding prepayments, accrued income and stock)	182,384,835	182,384,835	161,601,219	161,601,219	155,875,242	155,875,242
	71,006,551,039	71,371,219,955	44,530,984,076	44,981,092,083	30,579,989,653	30,925,161,977
Financial liabilities						
Due to banks	(227,418,091)	(227,418,091)	(1,015,349,802)	(1,015,349,802)	(881,908,278)	(881,908,278)
Deposits from customers	(66,437,715,715)	(66,517,488,594)	(40,413,543,682)	(40,149,650,436)	(27,224,339,709)	(27,062,407,224)
Debts issued	(2,691,570,175)	(2,730,995,362)	(2,433,941,196)	(2,481,654,171)	(940,323,447)	(919,440,892)
Other liabilities	(591,539,131)	(591,539,131)	(766,500,126)	(766,500,126)	(231,773,086)	(231,773,086)
	(69,948,243,112)	(70,067,441,178)	(44,629,334,806)	(44,413,154,535)	(29,278,344,520)	(29,095,529,480)

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial assets and liabilities not carried at fair value (Continued)

THE BANK	30 June 2015		30 June 2014		30 June 2013	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	MUR	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	2,512,469,499	2,512,469,499	2,019,624,517	2,019,624,517	1,598,715,632	1,598,715,632
Due from banks	41,434,529,360	41,434,529,360	18,251,137,955	18,251,137,955	9,009,807,334	9,009,807,334
Loans and advances to customers	21,707,867,640	21,848,907,688	17,397,054,742	17,701,127,887	14,007,752,016	14,073,739,817
Financial investments -held-to-maturity	5,071,692,345	5,295,321,214	6,836,836,907	7,045,147,184	5,807,802,824	6,086,987,347
Other assets (excluding prepayments, accrued income and stock)	209,411,458	209,411,458	142,866,319	142,866,319	32,504,210	32,504,210
	70,935,970,302	71,300,639,219	44,647,520,440	45,159,903,861	30,456,582,016	30,801,754,340

	30 June 2015		30 June 2014		30 June 2013	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial liabilities	MUR	MUR	MUR	MUR	MUR	MUR
Due to banks	(227,411,484)	(227,411,484)	(1,015,349,802)	(1,015,349,802)	(881,908,278)	(881,908,278)
Deposits from customers	(66,928,650,521)	(67,008,423,400)	(41,089,954,783)	(40,821,898,232)	(27,232,616,080)	(27,070,682,919)
Amount due to subsidiary	-	-	-	-	(57,253,644)	(40,958,620)
Debts issued	(1,094,274,560)	(1,133,699,747)	(1,033,574,296)	(1,082,126,014)	(883,069,803)	(976,676,536)
Other liabilities	(531,786,209)	(531,786,209)	(599,508,601)	(599,508,601)	(138,309,815)	(138,309,815)
	(68,782,122,774)	(68,901,320,840)	(43,738,387,482)	(43,518,882,649)	(29,193,157,620)	(29,108,536,168)

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 already 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.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

34. ADDITIONAL CASH FLOW INFORMATION

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
(a) Cash and Cash equivalents						
Cash in hand (Note 12)	20,629,621	8,002,296	9,224,082	18,886,349	6,354,857	9,224,082
Unrestricted balances with the Central Bank (Note 12)	749,827,357	1,086,077,874	936,542,007	749,827,357	1,086,077,874	936,542,007
Short term placements with other banks (Note 13)	3,043,568,090	5,237,600,841	4,112,254,461	3,043,568,090	5,237,600,841	4,112,254,461
Current accounts with other banks (Note 13)	27,471,232,291	11,304,367,438	3,907,500,896	27,458,745,233	11,290,196,044	3,907,464,291
Other amounts due (Note 13)	2,773,639	2,491,147	1,967,498	2,773,639	2,491,147	1,967,498
	31,288,030,998	17,638,539,596	8,967,488,944	31,273,800,668	17,622,720,763	8,967,452,339
(b) Change in operating assets						
Net change in mandatory balances with the Central Bank	(191,396,625)	(274,242,243)	(57,457,629)	(191,396,625)	(274,242,243)	(57,457,629)
Net change in placement with the Central Bank	(625,167,382)	-	-	(625,167,382)	-	-
Net change in medium term placements with other banks	(9,208,592,475)	(732,728,839)	(299,696,906)	(9,208,592,475)	(732,728,839)	(299,696,906)
Net change in derivative financial instruments	643,462,301	(818,664,089)	121,962,968	7,561,141	(50,451,113)	99,224,122
Net change in loans and advances to customers	(4,685,430,416)	(3,268,387,722)	(1,209,562,860)	(5,279,891,191)	(3,616,835,015)	(1,209,448,401)
Net change in financial investments - held-to-maturity	1,765,144,562	(1,029,034,083)	(2,301,795,099)	1,765,144,562	(1,029,034,083)	(2,301,795,099)
Net change in financial investments - held-for-trading	(409,328,919)	(2,070,448,729)	629,857,982	(55,712,163)	(1,378,726,603)	629,857,982
Net change in other assets	(27,003,429)	11,009,258	(135,882,156)	(74,264,575)	(132,265,277)	(12,586,554)
	(12,738,312,383)	(8,182,496,447)	(3,252,573,700)	(13,662,318,708)	(7,214,283,173)	(3,151,902,485)
(c) Change in operating liabilities						
Net change in due to banks	(787,931,711)	133,441,524	873,392,265	(787,938,318)	133,441,524	873,392,265
Net change in derivative financial instruments	(302,347,632)	791,200,202	(60,670,264)	(17,909,472)	22,987,226	(14,631,418)
Net change in amount due to subsidiary	-	-	-	-	(57,253,644)	(65,892,532)
Net change in debts issued	258,747,832	1,495,937,060	236,370,940	61,819,119	152,823,804	302,263,471
Net change in deposits from customers	26,084,144,373	13,321,183,342	7,568,391,997	25,898,668,078	13,989,318,072	7,574,971,937
Net change in other liabilities	(244,821,685)	385,002,079	81,529,391	(137,583,081)	461,198,786	7,027,856
	25,007,791,177	16,126,764,207	8,699,014,329	25,017,056,326	14,702,515,768	8,677,131,579

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

34. ADDITIONAL CASH FLOW INFORMATION (CONTINUED)

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
(d) Non-cash items included in profit before tax						
Depreciation of equipment	15,888,206	8,591,580	4,695,949	13,535,822	6,877,644	4,694,856
Amortisation of intangible assets	64,546,070	48,458,634	5,714,166	8,729,435	6,623,537	5,714,166
Equipment written off	686,494	534,985	826,548	686,494	302,105	826,548
Impairment loss on available for sales financial asset	327,647,054	-	-	-	-	-
Fair value hedge	-	-	-	(82,315,777)	7,007,543	48,401
Bad debts written off	335,810	643,738	2,318,303	371,634,688	643,737	2,318,303
Net interest (Receivable)/ payable	(158,256,268)	(83,120,874)	30,019,485	36,073,877	(83,120,874)	29,569,484
Fair value gain on consolidation	-	(125,845,708)	-	-	-	-
Employee shares scheme	(359,774)	(1,565,582)	1,842,167	(359,774)	(1,565,582)	1,842,167
Share of net profit in joint venture	-	(2,664,054)	(16,283,494)	-	-	-
Impairment loss on subsidiary	-	-	-	302,554,154	217,000,000	-
Impairment loss on associates	118,564,966	144,246,639	-	-	-	-
Share of loss of associate	-	129,175,128	177,483,655	-	-	-
Net allowance for credit impairment	236,979,654	67,710,745	(1,152,052)	500,278,533	175,710,745	(1,152,052)
	606,032,212	186,165,231	205,464,727	1,150,817,452	329,478,855	43,861,873

35. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(a) THE GROUP

	2015			2014			2013		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	2,262,709,021	251,503,750	2,514,212,771	1,757,105,713	264,166,243	2,021,271,956	1,486,240,513	112,475,119	1,598,715,632
Due from banks	41,447,016,418	-	41,447,016,418	18,265,309,349	-	18,265,309,349	9,009,843,939	-	9,009,843,939
Derivative financial instruments	115,897,698	101,485,450	217,383,148	73,860,508	786,984,941	860,845,449	68,581,360	-	68,581,360
Financial investments - held-for-trading	2,374,491,702	670,982,155	3,045,473,857	2,537,003,379	99,141,559	2,636,144,938	505,710,260	26,975,258	532,685,518
Loans and advances to customers	10,647,131,857	11,125,602,813	21,772,734,670	5,951,059,731	11,276,394,914	17,227,454,645	6,690,554,545	7,317,197,471	14,007,752,016
Financial investments - available-for-sale	-	41,049,271	41,049,271	-	341,340,318	341,340,318	-	40,722,657	40,722,657
Investment in joint venture	-	-	-	-	-	-	-	55,177,034	55,177,034
Investment in associates	-	-	-	-	118,564,966	118,564,966	-	225,313,514	225,313,514
Financial investments held-to-maturity	2,482,717,020	2,588,975,325	5,071,692,345	3,849,196,126	2,987,640,781	6,836,836,907	1,815,526,378	3,992,276,446	5,807,802,824
Equipment	-	103,495,720	103,495,720	-	71,207,441	71,207,441	-	28,763,936	28,763,936
Intangible assets	-	356,071,478	356,071,478	-	401,506,929	401,506,929	-	15,420,212	15,420,212
Other assets	263,743,208	-	263,743,208	197,071,143	-	197,071,143	165,323,024	-	165,323,024
Deferred tax assets	-	24,060,186	24,060,186	-	12,644,071	12,644,071	-	8,055,035	8,055,035
TOTAL ASSETS	59,593,706,924	15,263,226,148	74,856,933,072	32,630,605,949	16,359,592,163	48,990,198,112	19,741,780,019	11,822,376,682	31,564,156,701
LIABILITIES									
Due to banks	6,607	227,411,484	227,418,091	724,825,945	290,523,857	1,015,349,802	596,427,129	285,481,149	881,908,278
Derivative financial instruments	453,609,003	101,485,450	555,094,453	849,202,990	8,239,095	857,442,085	66,241,883	-	66,241,883
Deposits from customers	62,230,526,216	4,207,189,499	66,437,715,715	36,137,540,803	4,276,002,879	40,413,543,682	24,843,274,408	2,381,065,301	27,224,339,709
Debts issued	976,853,699	1,714,716,476	2,691,570,175	274,152,682	2,159,788,514	2,433,941,196	77,602,459	862,720,988	940,323,447
Other liabilities	591,539,131	-	591,539,131	766,500,126	-	766,500,126	231,773,086	-	231,773,086
Current tax liabilities	67,835,800	-	67,835,800	53,040,200	-	53,040,200	22,175,979	-	22,175,979
Deferred tax liabilities	-	114,281	114,281	-	-	-	-	-	-
TOTAL LIABILITIES	64,320,370,456	6,250,917,190	70,571,287,646	38,805,262,746	6,734,554,345	45,539,817,091	25,837,494,944	3,529,267,438	29,366,762,382

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2015			2014			2013		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
ASSETS									
Cash and balances with the Central Bank	2,260,965,749	251,503,750	2,512,469,499	1,755,458,274	264,166,243	2,019,624,517	1,486,240,513	112,475,119	1,598,715,632
Due from banks	41,434,529,360	-	41,434,529,360	18,251,137,955	-	18,251,137,955	9,009,807,334	-	9,009,807,334
Derivative financial instruments	68,527,133	-	68,527,133	63,684,827	12,403,447	76,088,274	25,637,161	-	25,637,161
Financial investments - held-for-trading	1,603,974,157	363,150,127	1,967,124,284	1,812,270,562	99,141,559	1,911,412,121	505,710,260	26,975,258	532,685,518
Loans and advances to customers	10,582,264,826	11,125,602,813	21,707,867,639	5,876,580,662	11,520,474,080	17,397,054,742	6,690,554,545	7,317,197,471	14,007,752,016
Financial investments held-to-maturity	2,482,717,020	2,588,975,325	5,071,692,345	3,849,196,126	2,987,640,781	6,836,836,907	1,815,526,378	3,992,276,446	5,807,802,824
Investment in subsidiaries	-	189,562,500	189,562,500	-	409,800,877	409,800,877	-	383,115,237	383,115,237
Equipment	-	98,955,009	98,955,009	-	66,310,161	66,310,161	-	28,756,687	28,756,687
Intangible assets	-	48,018,166	48,018,166	-	37,666,566	37,666,566	-	15,420,212	15,420,212
Other assets	288,150,481	-	288,150,481	174,217,269	-	174,217,269	41,951,992	-	41,951,992
Deferred tax assets	-	19,607,046	19,607,046	-	8,897,222	8,897,222	-	8,055,035	8,055,035
TOTAL ASSETS	58,721,128,726	14,685,374,736	73,406,503,462	31,782,545,675	15,406,500,936	47,189,046,611	19,575,428,183	11,884,271,465	31,459,699,648
LIABILITIES									
Due to banks	-	227,411,484	227,411,484	724,825,945	290,523,857	1,015,349,802	596,427,129	285,481,149	881,908,278
Derivative financial instruments	54,775,438	-	54,775,438	64,445,815	8,239,095	72,684,910	49,697,684	-	49,697,684
Deposits from customers	62,581,370,912	4,347,279,609	66,928,650,521	36,460,045,188	4,629,909,595	41,089,954,783	24,851,550,779	2,381,065,301	27,232,616,080
Debts issued	-	1,094,274,560	1,094,274,560	-	1,033,574,296	1,033,574,296	20,348,815	862,720,988	883,069,803
Amount due to subsidiary	-	-	-	-	-	-	57,253,644	-	57,253,644
Other liabilities	531,786,209	-	531,786,209	599,508,601	-	599,508,601	138,309,815	-	138,309,815
Current tax liabilities	51,327,383	-	51,327,383	44,739,421	-	44,739,421	22,175,979	-	22,175,979
TOTAL LIABILITIES	63,219,259,942	5,668,965,653	68,888,225,595	37,893,564,970	5,962,246,843	43,855,811,813	25,735,763,845	3,529,267,438	29,265,031,283

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

36. 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		
	2015	2014	2013
Contingent liabilities	MUR	MUR	MUR
Financial guarantees	506,251,554	959,129,631	933,113,726
Letters of credit	602,223,377	26,596,083	74,893,394
	1,108,474,931	985,725,714	1,008,007,120
Commitments			
Undrawn commitments to lend	2,813,290,903	1,911,470,245	2,061,074,593
Total	3,921,765,834	2,897,195,959	3,069,081,713

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		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Within one year	30,823,248	25,328,494	17,459,824	30,823,248	25,328,494	17,459,824
After one year but not more than five years	55,661,120	57,916,613	48,631,672	55,661,120	57,916,613	48,631,672
	86,484,368	83,245,107	66,091,496	86,484,368	83,245,107	66,091,496

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.

37. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2015	2014	2013	2015	2014	2013
Compensation of key management personnel of the Group and the Bank	MUR	MUR	MUR	MUR	MUR	MUR
Short-term employee benefits	123,088,887	132,570,499	90,732,561	95,646,933	121,241,747	90,732,561
Share-based payments	8,574,301	18,582,882	1,842,167	8,574,301	18,582,882	1,842,167
	131,663,188	151,153,381	92,574,728	104,221,234	139,824,629	92,574,728

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	2015		2014		2013	
	Balances as at 30 June 2015	Income from / (expense to)	Balances as at 30 June 2014	Income from / (expense to)	Balances as at 30 June 2013	Income from / (expense to)
Directors of the Bank:	MUR	MUR	MUR	MUR	MUR	MUR
Loans and advances	59,108,972	5,806,631	159,770,326	2,821,008	15,076,668	328,469
Deposits from customers:						
- Term deposits	7,452,586	(344,161)	6,034,271	(144,179)	12,207,016	(96,001)
- Savings and current accounts	24,374,569	(686,015)	33,041,787	(909,170)	26,199,247	-
	31,827,155	(1,030,176)	39,076,058	(1,053,349)	38,406,263	(96,001)
Directors' fees	-	(2,890,479)	-	(2,151,781)	-	(1,917,534)
Other fees	-	(29,046,632)	-	-	-	-
	31,827,155	(32,967,287)	39,076,058	(3,205,130)	38,406,263	(2,013,535)

THE BANK	2015		2014		2013	
	Balances as at 30 June 2015	Income from / (expense to)	Balances as at 30 June 2014	Income from / (expense to)	Balances as at 30 June 2013	Income from / (expense to)
Directors of the Bank:	MUR	MUR	MUR	MUR	MUR	MUR
Loans and advances	58,079,247	5,806,631	159,713,883	2,762,144	15,076,668	328,469
Deposits from customers:						
- Term deposits	7,452,586	(344,161)	6,034,271	(144,179)	12,207,016	(96,001)
- Savings and current accounts	24,284,150	(681,128)	32,463,144	(895,045)	26,199,247	-
	31,736,736	(1,025,289)	38,497,415	(1,039,224)	38,406,263	(96,001)
Directors' fees	-	(2,890,479)	-	(2,151,781)	-	(1,917,534)
Other fees	-	(29,046,632)	-	-	-	-
	31,736,736	(32,962,400)	38,497,415	(3,191,005)	38,406,263	(2,013,535)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

37. RELATED PARTY DISCLOSURES (CONTINUED)

THE GROUP AND THE BANK	2015		2014		2013	
	Balances as at 30 June 2015	Income from / (expense to)	Balances as at 30 June 2014	Income from / (expense to)	Balances as at 30 June 2013	Income from / (expense to)
Key management personnel of the Bank:	MUR	MUR	MUR	MUR	MUR	MUR
Loans and advances	34,253,760	1,818,111	43,289,558	1,229,213	6,725,727	175,014
Deposits from customers:						
- Term deposits	6,480,697	(337,622)	7,159,187	(338,775)	15,344,837	(446,628)
- Savings and current accounts	19,571,671	(284,167)	16,516,031	(282,518)	15,454,292	-
	26,052,368	(621,789)	23,675,218	(621,293)	30,799,129	(446,628)
Class A Dividend paid	-	(395,127)	-	-	-	-
	26,052,368	(1,016,916)	23,675,218	(621,293)	30,799,129	(446,628)

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 interest 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
2015	MUR	MUR	MUR	MUR	MUR	MUR
Entities with significant influence over the Group	1,580,000	55,592,136	30,291,932	24,667,407	692,902,713	461,393,612
Associates	394,341	-	-	-	172,566	-
	1,974,341	55,592,136	30,291,932	24,667,407	693,075,279	461,393,612
2014						
Entities with significant influence over the Group	23,918	35,353,543	37,602,444	6,849,874	766,440,860	222,308,903
Associates	1,192,648	-	-	-	-	67,171
	1,216,566	35,353,543	37,602,444	6,849,874	766,440,860	222,376,074
2013						
Entities with significant influence over the Group	10,290,488	23,165,824	55,772,400	5,383,781	1,055,903,737	292,032,427
Associates	77,325	-	-	-	15,112,402	877,117
Joint venture	-	-	-	20,447,039	-	557,160,641
	10,367,813	23,165,824	55,772,400	25,830,820	1,071,016,139	850,070,185

37. RELATED PARTY DISCLOSURES (CONTINUED)

(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
2015	MUR	MUR	MUR	MUR	MUR	MUR
Entities with significant influence over the Bank	1,580,000	55,592,136	30,291,932	24,667,407	692,902,713	461,393,612
Subsidiary companies	2,369,052	6,783,271	20,728,525	33,130,694	14,249,182	851,911,312
Associates	394,341	-	-	-	172,566	-
	4,343,393	62,375,407	51,020,457	57,798,101	707,324,461	1,313,304,924
2014						
Entities with significant influence over the Bank	23,918	35,353,543	37,602,444	6,849,874	766,440,860	222,308,903
Subsidiary companies	100,000,000	21,325,000	2,522,803	32,178,543	431,707,734	977,111,926
Associates	1,192,648	-	-	-	-	67,171
	101,216,566	56,678,543	40,125,247	39,028,417	1,198,148,594	1,199,488,000
2013						
Entities with significant influence over the Bank	10,290,488	23,165,824	55,772,400	5,383,781	1,055,903,737	292,032,427
Subsidiary companies	-	-	-	-	-	65,529,339
Associates	77,325	-	-	-	15,112,402	877,117
Joint venture	-	-	-	20,447,039	-	557,160,641
	10,367,813	23,165,824	55,772,400	25,830,820	1,071,016,139	915,599,524

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. For the year ended 30 June 2015, the Bank has made a provision of MUR 132,151,992 on amounts owed by related parties (2014: MUR 108,000,000 and 2013: nil). At 30 June 2015 a loan of MUR 56,308,927 was non-performing (2014: MUR 302,382,367 and 2013: nil). In addition, for the year ended 30 June 2015, the Bank has written off MUR 371,634,688 on amounts owed by related parties (2014 and 2013: nil).

The total on and off balance sheet exposure to the related parties amounted to MUR 1,114,013,248 (2014: MUR 923,067,565 and 2013: MUR 675,682,999) representing 5.04% (2014: 5.23% and 2013: 5%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to MUR 754,284,530 (2014: MUR 864,654,834 and 2013: MUR 664,757,170) representing 18% (2014: 31% and 2013: 35%) 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 has issued letters of guarantee on behalf of related parties amounting to MUR 64,582,813 (2014: MUR 106,152,650).

The Bank acts as custodian for AfrAsia Capital Management Ltd. The latter has deposits in Kingdom Bank Limited amounting to USD 1,153,168 (2014: USD 1,453,168; 2013: nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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 Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk 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.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Risk measurement and reporting systems (Continued)

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 29.7m in respect of country risk as at 30 June 2015 (2014 : MUR 21.6m and 2013: MUR 14.5m). This is included in Tier 2 capital as part of 'general banking reserves and portfolio provisions'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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 2015 was MUR 3,129,798,282 (2014: MUR 2,232,220,750 and 2013: MUR 2,233,831,250) 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		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets						
Cash and balances with the Central Bank	2,514,212,771	2,021,271,956	1,598,715,632	2,512,469,499	2,019,624,517	1,598,715,632
Due from banks						
Placement with other banks	13,973,010,488	6,958,450,764	5,100,375,545	13,973,010,488	6,958,450,764	5,100,375,545
Current accounts	27,471,232,291	11,304,367,438	3,907,500,896	27,458,745,233	11,290,196,044	3,907,464,291
Other amounts due	2,773,639	2,491,147	1,967,498	2,773,639	2,491,147	1,967,498
	41,447,016,418	18,265,309,349	9,009,843,939	41,434,529,360	18,251,137,955	9,009,807,334
Derivative financial instruments	217,383,148	860,845,449	68,581,360	68,527,133	76,088,274	25,637,161
Financial investments - held-for-trading (excluding equity investment)	1,967,124,284	1,911,412,121	532,685,518	1,967,124,284	1,911,412,121	532,685,518
Loans and advances to customers						
Retail and personal	1,723,243,906	1,471,552,841	1,064,217,996	1,723,243,906	1,471,552,841	1,064,217,996
Business	8,817,332,215	6,619,061,123	5,389,764,800	8,831,053,105	6,623,339,052	5,389,764,800
Entities outside Mauritius	11,494,180,539	9,209,664,378	7,525,052,383	11,415,592,619	9,482,986,546	7,525,052,383
Credit cards	123,967,610	76,522,058	110,995,584	123,967,610	76,522,058	110,995,584
	22,158,724,270	17,376,800,400	14,090,030,763	22,093,857,240	17,654,400,497	14,090,030,763
Financial investments-held-to-maturity	5,071,692,345	6,836,836,907	5,807,802,824	5,071,692,345	6,836,836,907	5,807,802,824
Other assets (excluding prepayments, accrued income and stock)	182,384,835	161,601,219	155,875,242	209,411,458	142,866,319	32,504,210
	73,558,538,071	47,434,077,401	31,263,535,278	73,357,611,319	46,892,366,590	31,097,183,442

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Mauritius	21,868,223,391	19,668,925,987	16,774,324,279	21,913,742,746	19,742,600,836	16,627,616,642
France	1,361,556,948	1,109,041,970	69,137,407	1,361,556,948	1,109,041,970	69,137,407
United Kingdom	4,632,363,798	5,879,404,440	2,928,421,528	4,632,363,798	5,862,436,208	2,928,421,528
United States of America	15,576,501,920	4,688,981,776	1,543,542,838	15,576,501,920	4,688,981,776	1,543,542,838
India	4,960,384,045	3,695,291,789	4,561,703,765	4,960,384,045	3,695,291,788	4,561,703,765
Other	25,159,507,969	12,392,431,439	5,386,405,461	24,913,061,862	11,794,014,012	5,366,761,262
	73,558,538,071	47,434,077,401	31,263,535,278	73,357,611,319	46,892,366,590	31,097,183,442

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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		
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Agriculture	1,782,760,520	1,512,606,886	1,321,050,470	1,782,760,520	1,512,606,886	1,321,050,470
Construction, infrastructure and real estate	2,288,265,927	2,001,323,033	1,683,111,127	2,288,265,927	1,999,748,798	1,683,111,127
Financial and business services	51,457,245,904	23,980,648,549	12,804,083,930	51,294,694,710	23,443,199,286	12,637,732,094
Government	355,794,129	7,859,098,194	5,517,114,050	355,794,129	7,859,098,194	5,517,114,050
Information, communication and technology	225,664,685	190,808,750	525,123,679	225,664,685	190,808,750	525,123,679
Manufacturing	2,636,024,837	2,669,885,488	2,638,845,641	2,636,024,837	2,669,885,488	2,638,845,641
Personal	1,847,211,516	1,548,093,127	1,175,260,955	1,847,211,516	1,548,093,127	1,175,260,955
Tourism	2,807,935,904	2,099,398,265	1,611,733,657	2,807,935,904	2,099,398,265	1,611,733,657
Traders	1,803,567,496	1,659,413,914	1,456,639,729	1,803,567,496	1,659,413,914	1,456,639,729
Others	8,354,067,154	3,912,801,195	2,530,572,040	8,315,691,595	3,910,113,882	2,530,572,040
	73,558,538,071	47,434,077,401	31,263,535,278	73,357,611,319	46,892,366,590	31,097,183,442

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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 2015 is MUR 23,453,232,090 (2014: MUR 29,907,475,135 and 2013: MUR 25,633,558,275). All other financial assets are unsecured.

Credit quality per class of financial assets

The table on the next page 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

38. 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 2015	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	2,514,212,771	-	-	-	2,514,212,771
Due from banks	41,447,016,418	-	-	-	41,447,016,418
Derivative financial instruments	217,383,148	-	-	-	217,383,148
Financial investments - held-for-trading	1,967,124,284	-	-	-	1,967,124,284
Loans and advances to customers	19,566,856,245	593,212,792	850,521,490	1,148,133,743	22,158,724,270
- Corporate lending	12,426,787,861	329,462,279	519,209,255	925,619,030	14,201,078,425
- Business banking	5,540,658,349	214,647,470	220,340,730	129,539,906	6,105,186,455
- Private/personal	1,599,410,035	49,103,043	110,971,505	92,974,807	1,852,459,390
Financial investments - held-to-maturity	5,071,692,345	-	-	-	5,071,692,345
Other assets (excluding prepayments, accrued income and stock)	182,384,835	-	-	-	182,384,835
	70,966,670,046	593,212,792	850,521,490	1,148,133,743	73,558,538,071
30 June 2014					
Cash and balances with the Central Bank	2,021,271,956	-	-	-	2,021,271,956
Due from banks	18,265,309,349	-	-	-	18,265,309,349
Derivative financial instruments	860,845,449	-	-	-	860,845,449
Financial investments - held-for-trading	1,911,412,121	-	-	-	1,911,412,121
Loans and advances to customers	15,835,738,958	419,893,045	953,417,818	167,750,579	17,376,800,400
- Corporate lending	10,307,216,773	206,935,225	841,822,219	117,964,598	11,473,938,815
- Business banking	4,158,127,337	106,128,176	52,981,439	31,323,981	4,348,560,933
- Private/personal	1,370,394,848	106,829,644	58,614,160	18,462,000	1,554,300,652
Financial investments - held-to-maturity	6,836,836,907	-	-	-	6,836,836,907
Other assets (excluding prepayments, accrued income and stock)	161,601,219	-	-	-	161,601,219
	45,893,015,959	419,893,045	953,417,818	167,750,579	47,434,077,401
30 June 2013					
Cash and balances with the Central Bank	1,598,715,632	-	-	-	1,598,715,632
Due from banks	9,009,843,939	-	-	-	9,009,843,939
Derivative financial instruments	68,581,360	-	-	-	68,581,360
Financial investments - held-for-trading	532,685,518	-	-	-	532,685,518
Loans and advances to customers	12,981,181,739	585,944,979	443,065,729	79,838,316	14,090,030,763
- Corporate lending	9,042,365,007	460,904,899	253,180,038	43,951,593	9,800,401,537
- Business banking	2,890,242,539	74,651,183	115,384,358	27,763,194	3,108,041,274
- Pivate/personal	1,048,574,193	50,388,897	74,501,333	8,123,529	1,181,587,952
Financial investments - held-to-maturity	5,807,802,824	-	-	-	5,807,802,824
Other assets (excluding prepayments, accrued income and stock)	155,875,242	-	-	-	155,875,242
	30,154,686,254	585,944,979	443,065,729	79,838,316	31,263,535,278

38. 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 2015	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	2,512,469,499	-	-	-	2,512,469,499
Due from banks	41,434,529,360	-	-	-	41,434,529,360
Derivative financial instruments	68,527,133	-	-	-	68,527,133
Financial investments - held-for-trading	1,967,124,284	-	-	-	1,967,124,284
Loans and advances to customers	19,501,989,215	593,212,792	850,521,490	1,148,133,743	22,093,857,240
- Corporate lending	12,361,920,831	329,462,279	519,209,255	925,619,030	14,136,211,395
- Business banking	5,540,658,349	214,647,470	220,340,730	129,539,906	6,105,186,455
- Private/personal	1,599,410,035	49,103,043	110,971,505	92,974,807	1,852,459,390
Financial investments - held-to-maturity	5,071,692,345	-	-	-	5,071,692,345
Other assets (excluding prepayments, accrued income and stock)	209,411,458	-	-	-	209,411,458
	70,765,743,294	593,212,792	850,521,490	1,148,133,743	73,357,611,319
30 June 2014					
Cash and balances with the Central Bank	2,019,624,517	-	-	-	2,019,624,517
Due from banks	18,251,137,955	-	-	-	18,251,137,955
Derivative financial instruments	76,088,274	-	-	-	76,088,274
Financial investments - held-for-trading	1,911,412,121	-	-	-	1,911,412,121
Loans and advances to customers	15,811,339,055	419,893,045	953,417,818	469,750,579	17,654,400,497
- Corporate lending	10,307,216,773	206,935,225	841,822,219	419,964,598	11,775,938,815
- Business banking	4,133,727,434	106,128,176	52,981,439	31,323,981	4,324,161,030
- Private/personal	1,370,394,848	106,829,644	58,614,160	18,462,000	1,554,300,652
Financial investments - held-to-maturity	6,836,836,907	-	-	-	6,836,836,907
Other assets (excluding prepayments, accrued income and stock)	142,866,319	-	-	-	142,866,319
	45,049,305,147	419,893,045	953,417,818	469,750,579	46,892,366,590
30 June 2013					
Cash and balances with the Central Bank	1,598,715,632	-	-	-	1,598,715,632
Due from banks	9,009,807,334	-	-	-	9,009,807,334
Derivative financial instruments	25,637,161	-	-	-	25,637,161
Financial investments - held-for-trading	532,685,518	-	-	-	532,685,518
Loans and advances to customers	12,981,181,739	585,944,979	443,065,729	79,838,316	14,090,030,763
- Corporate lending	9,042,365,007	460,904,899	253,180,038	43,951,593	9,800,401,537
- Business banking	2,890,242,539	74,651,183	115,384,358	27,763,194	3,108,041,274
- Private/personal	1,048,574,193	50,388,897	74,501,333	8,123,529	1,181,587,952
Financial investments - held-to-maturity	5,807,802,824	-	-	-	5,807,802,824
Other assets (excluding prepayments, accrued income and stock)	32,504,210	-	-	-	32,504,210
	29,988,334,418	585,944,979	443,065,729	79,838,316	31,097,183,442

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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.

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 2015	MUR	MUR	MUR	MUR	MUR
Loans and advances to customers					
- Corporate lending	320,511,562	19,885,757	17,007,087	161,804,849	519,209,255
- Business banking	141,322,320	56,318,590	5,133,327	17,566,493	220,340,730
- Private/personal	70,498,818	4,049,562	8,142,199	28,280,926	110,971,505
	532,332,700	80,253,909	30,282,613	207,652,268	850,521,490
30 June 2014					
Loans and advances to customers					
- Corporate lending	483,698,977	100,257,212	34,253,602	221,754,466	839,964,257
- Business banking	36,101,469	2,720,639	8,882,021	7,135,272	54,839,401
- Private/personal	41,973,643	6,708,440	4,343,372	5,588,705	58,614,160
	561,774,089	109,686,291	47,478,995	234,478,443	953,417,818
30 June 2013					
Loans and advances to customers					
- Corporate lending	174,674,116	22,525,736	7,490,373	48,489,813	253,180,038
- Business banking	108,702,874	1,610,610	2,660,352	2,410,522	115,384,358
- Private/personal	51,125,190	2,435,078	4,147,569	16,793,496	74,501,333
	334,502,180	26,571,424	14,298,294	67,693,831	443,065,729

See Note 7 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 2015 amounts to MUR 6,157,739,622 (2014: MUR 5,034,478,117 and 2013: MUR 2,965,968,889) and MUR 865,229,380 (2014: MUR 167,368,212 and 2013: MUR 79,838,316) respectively.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2014: Nil and 2013: 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'.

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.

	2015	2014	2013
	MUR	MUR	MUR
Financial guarantees	506,251,554	959,129,631	933,113,726
Letters of credit	602,223,377	26,596,083	74,893,394
Other undrawn commitments to lend	2,813,290,903	1,911,470,245	2,061,074,593
	3,921,765,834	2,897,195,959	3,069,081,713

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

38. 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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and balances with the Central Bank	780,791,820	463,941,609	182,601,612	835,373,980	2,262,709,021	251,503,750	-	251,503,750	2,514,212,771
Due from banks	27,495,961,325	9,087,782,029	4,743,377,173	119,895,891	41,447,016,418	-	-	-	41,447,016,418
Derivative financial instruments	-	30,999,408	19,691,570	65,206,720	115,897,698	101,485,450	-	101,485,450	217,383,148
Financial investments - held-for-trading	-	299,704,000	593,154,607	1,481,633,095	2,374,491,702	665,053,261	5,928,894	670,982,155	3,045,473,857
Loans and advances to customers	1,728,657,020	4,344,534,900	1,962,273,365	2,611,666,572	10,647,131,857	9,375,624,873	1,749,977,940	11,125,602,813	21,772,734,670
Financial investments - held-to-maturity	-	623,245,553	942,727,516	916,743,951	2,482,717,020	2,033,863,625	555,111,700	2,588,975,325	5,071,692,345
Other assets (excluding prepayments, accrued income and stock)	-	-	-	182,384,835	182,384,835	-	-	-	182,384,835
Total	30,005,410,165	14,850,207,499	8,443,825,843	6,212,905,044	59,512,348,551	12,427,530,959	2,311,018,534	14,738,549,493	74,250,898,044
Liabilities									
Due to banks	6,608	-	-	-	6,608	196,568,198	30,843,286	227,411,484	227,418,092
Derivative financial instruments	351,463,000	30,519,254	5,876,521	65,750,228	453,609,003	101,485,450	-	101,485,450	555,094,453
Deposits from customers:									
-Current account	35,868,516,167	-	-	-	35,868,516,167	-	-	-	35,868,516,167
-Savings account	3,689,848,264	-	-	-	3,689,848,264	-	-	-	3,689,848,264
-Term deposits	-	14,322,996,628	2,949,288,972	5,399,876,185	22,672,161,785	3,823,103,749	384,085,750	4,207,189,499	26,879,351,284
	39,558,364,431	14,322,996,628	2,949,288,972	5,399,876,185	62,230,526,216	3,823,103,749	384,085,750	4,207,189,499	66,437,715,715
Debts issued	-	-	-	976,853,699	976,853,699	1,714,716,476	-	1,714,716,476	2,691,570,175
Other liabilities	-	-	-	591,539,131	591,539,131	-	-	-	591,539,131
Total	39,909,834,039	14,353,515,882	2,955,165,493	7,034,019,243	64,252,534,657	5,835,873,873	414,929,036	6,250,802,909	70,503,337,566
Net liquidity gap	(9,904,423,874)	496,691,617	5,488,660,350	(821,114,199)	(4,740,186,106)	6,591,657,086	1,896,089,498	8,487,746,584	3,747,560,478

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and balances with the Central Bank	779,048,548	463,941,609	182,601,612	835,373,980	2,260,965,749	251,503,750	-	251,503,750	2,512,469,499
Due from banks	27,483,474,267	9,087,782,029	4,743,377,173	119,895,891	41,434,529,360	-	-	-	41,434,529,360
Derivative financial instruments	-	30,999,408	19,691,570	17,836,155	68,527,133	-	-	-	68,527,133
Financial investments - held-for-trading	-	299,704,000	593,154,607	711,115,550	1,603,974,157	363,150,127	-	363,150,127	1,967,124,284
Loans and advances to customers	1,663,789,989	4,344,534,900	1,962,273,365	2,611,666,572	10,582,264,826	9,375,624,873	1,749,977,940	11,125,602,813	21,707,867,639
Financial investments - held-to-maturity	-	623,245,553	942,727,516	916,743,951	2,482,717,020	2,033,863,625	555,111,700	2,588,975,325	5,071,692,345
Other assets (excluding prepayments, accrued income and stock)	-	-	-	209,411,458	209,411,458	-	-	-	209,411,458
Total	29,926,312,804	14,850,207,499	8,443,825,843	5,422,043,557	58,642,389,703	12,024,142,375	2,305,089,640	14,329,232,015	72,971,621,718
Liabilities									
Due to banks	-	-	-	-	-	196,568,198	30,843,286	227,411,484	227,411,484
Derivative financial instruments	-	30,519,254	5,876,521	18,379,663	54,775,438	-	-	-	54,775,438
Deposits from customers:									
-Current account	36,032,269,174	-	-	-	36,032,269,174	-	-	-	36,032,269,174
-Savings account	3,689,848,264	-	-	-	3,689,848,264	-	-	-	3,689,848,264
-Term deposits	-	14,364,281,119	3,028,122,158	5,466,850,197	22,859,253,474	3,963,193,859	384,085,750	4,347,279,609	27,206,533,083
	39,722,117,438	14,364,281,119	3,028,122,158	5,466,850,197	62,581,370,912	3,963,193,859	384,085,750	4,347,279,609	66,928,650,521
Debts issued	-	-	-	-	-	1,094,274,560	-	1,094,274,560	1,094,274,560
Other liabilities	-	-	-	531,786,209	531,786,209	-	-	-	531,786,209
Total	39,722,117,438	14,394,800,373	3,033,998,679	6,017,016,069	63,167,932,559	5,254,036,617	414,929,036	5,668,965,653	68,836,898,212
Net liquidity gap	(9,795,804,634)	455,407,126	5,409,827,164	(594,972,512)	(4,525,542,856)	6,770,105,758	1,890,160,604	8,660,266,362	4,134,723,506

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and balances with the Central Bank	1,100,245,287	358,346,106	152,075,041	146,439,279	1,757,105,713	264,166,243	-	264,166,243	2,021,271,956
Due from banks	11,349,396,591	5,195,248,125	1,662,809,140	57,855,493	18,265,309,349	-	-	-	18,265,309,349
Derivative financial instruments	-	3,178,450	4,566,498	66,115,560	73,860,508	786,984,941	-	786,984,941	860,845,449
Financial investments - held-for-trading	-	489,740,342	623,018,600	1,424,244,437	2,537,003,379	99,141,559	-	99,141,559	2,636,144,938
Loans and advances to customers	1,315,529,585	3,107,544,938	1,389,537,091	287,793,872	6,100,405,486	8,095,585,137	3,180,809,777	11,276,394,914	17,376,800,400
Financial investments - held-to-maturity	-	1,252,051,675	1,175,989,656	1,421,154,795	3,849,196,126	2,433,047,527	554,593,254	2,987,640,781	6,836,836,907
Other assets (excluding prepayments, accrued income and stock)	-	-	-	161,601,219	161,601,219	-	-	-	161,601,219
Total	13,765,171,463	10,406,109,636	5,007,996,026	3,565,204,655	32,744,481,780	11,678,925,407	3,735,403,031	15,414,328,438	48,158,810,218
Liabilities									
Due to banks	-	686,018,522	30,528,130	8,279,293	724,825,945	290,523,857	-	290,523,857	1,015,349,802
Derivative financial instruments	-	11,031,805	41,306,381	796,864,804	849,202,990	8,239,095	-	8,239,095	857,442,085
Deposits from customers:									
-Current account	22,183,591,114	-	-	-	22,183,591,114	-	-	-	22,183,591,114
-Savings account	2,709,423,086	-	-	-	2,709,423,086	-	-	-	2,709,423,086
-Term deposits	-	4,713,551,622	2,574,255,778	3,956,719,203	11,244,526,603	3,941,307,681	334,695,198	4,276,002,879	15,520,529,482
	24,893,014,200	4,713,551,622	2,574,255,778	3,956,719,203	36,137,540,803	3,941,307,681	334,695,198	4,276,002,879	40,413,543,682
Debts issued	-	-	-	274,152,682	274,152,682	583,534,994	1,576,253,520	2,159,788,514	2,433,941,196
Other liabilities	-	-	-	766,500,126	766,500,126	-	-	-	766,500,126
Total	24,893,014,200	5,410,601,949	2,646,090,289	5,802,516,108	38,752,222,546	4,823,605,627	1,910,948,718	6,734,554,345	45,486,776,891
Net liquidity gap	(11,127,842,737)	4,995,507,687	2,361,905,737	(2,237,311,454)	(6,007,740,766)	6,855,319,780	1,824,454,313	8,679,774,093	2,672,033,326

38. 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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and balances with the Central Bank	1,098,597,848	358,346,106	152,075,041	146,439,279	1,755,458,274	264,166,243	-	264,166,243	2,019,624,517
Due from banks	11,335,225,197	5,195,248,125	1,662,809,140	57,855,493	18,251,137,955	-	-	-	18,251,137,955
Derivative financial instruments	-	3,178,450	4,566,498	55,939,879	63,684,827	12,403,447	-	12,403,447	76,088,274
Financial investments - held-for-trading	-	489,740,342	623,018,600	699,511,620	1,812,270,562	99,141,559	-	99,141,559	1,911,412,121
Loans and advances to customers	1,349,050,516	3,107,544,938	1,389,537,091	287,793,872	6,133,926,417	8,339,664,303	3,180,809,777	11,520,474,080	17,654,400,497
Financial investments - held-to-maturity	-	1,252,051,675	1,175,989,656	1,421,154,795	3,849,196,126	2,433,047,527	554,593,254	2,987,640,781	6,836,836,907
Other assets (excluding prepayments, accrued income and stock)	-	-	-	142,866,319	142,866,319	-	-	-	142,866,319
Total	13,782,873,561	10,406,109,636	5,007,996,026	2,811,561,257	32,008,540,480	11,148,423,079	3,735,403,031	14,883,826,110	46,892,366,590
Liabilities									
Due to banks	-	686,018,522	30,528,130	8,279,293	724,825,945	290,523,857	-	290,523,857	1,015,349,802
Derivative financial instruments	-	11,031,805	41,306,381	12,107,629	64,445,815	8,239,095	-	8,239,095	72,684,910
Deposits from customers:									
-Current account	22,506,095,499	-	-	-	22,506,095,499	-	-	-	22,506,095,499
-Savings account	2,709,423,086	-	-	-	2,709,423,086	-	-	-	2,709,423,086
-Term deposits	-	4,713,551,622	2,574,255,778	3,956,719,203	11,244,526,603	4,295,214,397	334,695,198	4,629,909,595	15,874,436,198
	25,215,518,585	4,713,551,622	2,574,255,778	3,956,719,203	36,460,045,188	4,295,214,397	334,695,198	4,629,909,595	41,089,954,783
Debts issued	-	-	-	-	-	874,612,702	158,961,594	1,033,574,296	1,033,574,296
Other liabilities	-	-	-	599,508,601	599,508,601	-	-	-	599,508,601
Total	25,215,518,585	5,410,601,949	2,646,090,289	4,576,614,726	37,848,825,549	5,468,590,051	493,656,792	5,962,246,843	43,811,072,392
Net liquidity gap	(11,432,645,024)	4,995,507,687	2,361,905,737	(1,765,053,470)	(5,840,285,069)	5,679,833,028	3,241,746,239	8,921,579,267	3,081,294,197

38. 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 2013								
	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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and balances with the Central Bank	936,542,007	269,753,065	121,654,818	158,290,623	1,486,240,513	112,475,119	-	112,475,119	1,598,715,632
Due from banks	3,909,468,394	4,112,254,461	988,121,084	-	9,009,843,939	-	-	-	9,009,843,939
Derivative financial instruments	-	37,072,741	4,792,144	26,716,475	68,581,360	-	-	-	68,581,360
Financial investments - held-for-trading	-	377,217,260	99,067,500	29,425,500	505,710,260	26,975,258	-	26,975,258	532,685,518
Loans and advances to customers	1,057,478,245	2,755,074,884	763,940,783	2,196,339,380	6,772,833,292	6,253,115,804	1,064,081,667	7,317,197,471	14,090,030,763
Financial investments - held-to-maturity	-	625,934,664	749,697,105	439,894,609	1,815,526,378	3,428,619,983	563,656,463	3,992,276,446	5,807,802,824
Other assets (excluding prepayments, accrued income and stock)	-	-	-	155,875,242	155,875,242	-	-	-	155,875,242
Total	5,903,488,646	8,177,307,075	2,727,273,434	3,006,541,829	19,814,610,984	9,821,186,164	1,627,738,130	11,448,924,294	31,263,535,278
Liabilities									
Due to banks	-	306,119,164	29,873,046	260,434,919	596,427,129	285,481,149	-	285,481,149	881,908,278
Derivative financial instruments	-	54,865,806	7,697,629	3,678,448	66,241,883	-	-	-	66,241,883
Deposits from customers:									
-Current account	11,086,825,048	-	-	-	11,086,825,048	-	-	-	11,086,825,048
-Savings account	2,700,807,680	-	-	-	2,700,807,680	-	-	-	2,700,807,680
-Term deposits	-	4,605,739,442	2,181,649,803	4,268,252,435	11,055,641,680	2,088,726,966	292,338,335	2,381,065,301	13,436,706,981
	13,787,632,728	4,605,739,442	2,181,649,803	4,268,252,435	24,843,274,408	2,088,726,966	292,338,335	2,381,065,301	27,224,339,709
Debts issued	-	-	-	77,602,459	77,602,459	554,170,636	308,550,352	862,720,988	940,323,447
Other liabilities	-	55,143,145	-	176,629,941	231,773,086	-	-	-	231,773,086
Total	13,787,632,728	5,021,867,557	2,219,220,478	4,786,598,202	25,815,318,965	2,928,378,751	600,888,687	3,529,267,438	29,344,586,403
Net liquidity gap	(7,884,144,082)	3,155,439,518	508,052,956	(1,780,056,373)	(6,000,707,981)	6,892,807,413	1,026,849,443	7,919,656,856	1,918,948,875

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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 2013								
	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	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	936,542,007	269,753,065	121,654,818	158,290,623	1,486,240,513	112,475,119	-	112,475,119	1,598,715,632
Due from banks	3,909,431,789	4,112,254,461	988,121,084	-	9,009,807,334	-	-	-	9,009,807,334
Derivative financial instruments	-	17,428,542	4,792,144	3,416,475	25,637,161	-	-	-	25,637,161
Financial investments - held-for-trading	-	377,217,260	99,067,500	29,425,500	505,710,260	26,975,258	-	26,975,258	532,685,518
Loans and advances to customers	1,057,478,245	2,755,074,884	763,940,783	2,196,339,380	6,772,833,292	6,253,115,804	1,064,081,667	7,317,197,471	14,090,030,763
Financial investments - held-to-maturity	-	625,934,664	749,697,105	439,894,609	1,815,526,378	3,428,619,983	563,656,463	3,992,276,446	5,807,802,824
Other assets (excluding prepayments, accrued income and stock)	-	-	-	32,504,210	32,504,210	-	-	-	32,504,210
Total	5,903,452,041	8,157,662,876	2,727,273,434	2,859,870,797	19,648,259,148	9,821,186,164	1,627,738,130	11,448,924,294	31,097,183,442
Liabilities									
Due to banks	-	306,119,164	29,873,046	260,434,919	596,427,129	285,481,149	-	285,481,149	881,908,278
Derivative financial instruments	-	38,321,607	7,697,629	3,678,448	49,697,684	-	-	-	49,697,684
Deposits from customers:									
-Current account	11,095,101,419	-	-	-	11,095,101,419	-	-	-	11,095,101,419
-Savings account	2,700,807,680	-	-	-	2,700,807,680	-	-	-	2,700,807,680
-Term deposits	-	4,605,376,107	2,181,649,803	4,268,252,435	11,055,278,345	2,089,090,301	292,338,335	2,381,428,636	13,436,706,981
	13,795,909,099	4,605,376,107	2,181,649,803	4,268,252,435	24,851,187,444	2,089,090,301	292,338,335	2,381,428,636	27,232,616,080
Debts issued	-	-	-	20,348,815	20,348,815	554,170,636	308,550,352	862,720,988	883,069,803
Amount due to subsidiary	-	-	-	57,253,644	57,253,644	-	-	-	57,253,644
Other liabilities	-	-	-	138,309,815	138,309,815	-	-	-	138,309,815
Total	13,795,909,099	4,949,816,878	2,219,220,478	4,748,278,076	25,713,224,531	2,928,742,086	600,888,687	3,529,630,773	29,242,855,304
Net liquidity gap	(7,892,457,058)	3,207,845,998	508,052,956	(1,888,407,279)	(6,064,965,383)	6,892,444,078	1,026,849,443	7,919,293,521	1,854,328,138

38. 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 2015	MUR	MUR	MUR	MUR
Contingent liabilities	865,648,292	116,258,107	126,568,532	1,108,474,931
Commitments	929,037,716	838,887,419	1,045,365,768	2,813,290,903
Total	1,794,686,008	955,145,526	1,171,934,300	3,921,765,834
30 June 2014				
Contingent liabilities	259,072,333	668,326,774	58,326,607	985,725,714
Commitments	531,147,052	1,182,257,213	198,065,980	1,911,470,245
Total	790,219,385	1,850,583,987	256,392,587	2,897,195,959
30 June 2013				
Contingent liabilities	655,060,046	286,821,586	66,125,488	1,008,007,120
Commitments	811,945,218	955,684,228	293,445,147	2,061,074,593
Total	1,467,005,264	1,242,505,814	359,570,635	3,069,081,713

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

(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, with all other variables held constant, of the Group's and the Bank's statement of comprehensive income and equity.

The sensitivity of the statement of comprehensive income 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 total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP

Currency		2015	2014	2013
	Change in Basis points	Sensitivity of profit or loss	Sensitivity of profit or loss	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+50	137,097	(97,033)	206,307
	- 50	(137,097)	97,033	(206,307)
EUR	+50	1,340,816	(1,482,000)	(2,295,221)
	- 50	(1,340,816)	1,482,000	2,295,221
GBP	+50	(3,890,007)	(2,733,288)	(155,065)
	- 50	3,890,007	2,733,288	155,065
MUR	+100	16,001,586	11,422,336	(9,578,790)
	-100	(16,001,586)	(11,422,336)	9,578,790
USD	+50	(18,425,302)	(8,768,268)	3,808,749
	- 50	18,425,302	8,768,268	(3,808,749)

THE BANK

Currency		2015	2014	2013
	Change in Basis points	Sensitivity of profit or loss	Sensitivity of profit or loss	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+50	137,070	(141,698)	205,511
	- 50	(137,070)	141,698	(205,511)
EUR	+50	1,333,020	(1,523,345)	(2,295,221)
	- 50	(1,333,020)	1,523,345	2,295,221
GBP	+50	(3,890,007)	(2,733,772)	(155,065)
	- 50	3,890,007	2,733,772	155,065
MUR	+100	15,995,811	10,791,572	(9,479,415)
	-100	(15,995,811)	(10,791,572)	9,479,415
USD	+50	(17,538,186)	(8,985,887)	3,801,615
	- 50	17,538,186	8,985,887	(3,801,615)

38. 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

	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	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	2,514,212,771	-	-	-	-	-	-	2,514,212,771
Due from banks	41,447,016,418	27,495,961,325	9,087,782,029	4,743,377,173	119,895,891	-	-	-
Loans and advances to customers	21,772,734,670	1,166,593,675	14,698,369,329	1,106,768,240	-	4,801,003,426	-	-
Financial investments held-to-maturity	5,071,692,345	-	623,245,553	942,727,516	916,743,951	2,045,053,325	543,922,000	-
Total assets	70,805,656,204	28,662,555,000	24,409,396,911	6,792,872,929	1,036,639,842	6,846,056,751	543,922,000	2,514,212,771
Liabilities								
Due to banks	227,418,091	-	-	-	-	196,568,198	30,849,893	-
Deposits from customers	66,437,715,715	39,558,364,433	16,889,454,006	2,822,317,668	4,875,002,363	2,025,666,494	266,910,751	-
Debts issued	2,691,570,175	-	-	-	-	2,691,570,175	-	-
Total liabilities	69,356,703,981	39,558,364,433	16,889,454,006	2,822,317,668	4,875,002,363	4,913,804,867	297,760,644	-
Total interest sensitivity gap	1,448,952,223	(10,895,809,433)	7,519,942,905	3,970,555,261	(3,838,362,521)	1,932,251,884	246,161,356	2,514,212,771

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	2,021,271,956	-	-	-	-	-	-	2,021,271,956
Due from banks	18,265,309,349	11,769,070,133	4,775,574,584	1,662,809,140	57,855,492	-	-	-
Loans and advances to customers	17,227,454,645	1,134,337,354	13,690,791,032	147,718,539	183,939,344	1,938,784,564	131,883,812	-
Financial investments held-to-maturity	6,836,836,907	-	1,252,051,675	1,175,989,656	1,421,154,794	2,433,047,528	554,593,254	-
Total assets	44,350,872,857	12,903,407,487	19,718,417,291	2,986,517,335	1,662,949,630	4,371,832,092	686,477,066	2,021,271,956
Liabilities								
Due to banks	1,015,349,802	-	686,018,523	30,528,130	8,279,292	290,523,857	-	-
Deposits from customers	40,413,543,682	24,847,488,738	7,668,353,982	2,373,777,914	3,476,956,538	1,831,737,839	215,228,671	-
Debts issued	2,433,941,196	-	-	-	274,152,682	583,534,994	1,576,253,520	-
Total liabilities	43,862,834,680	24,847,488,738	8,354,372,505	2,404,306,044	3,759,388,512	2,705,796,690	1,791,482,191	-
Total interest sensitivity gap	488,038,177	(11,944,081,251)	11,364,044,786	582,211,291	(2,096,438,882)	1,666,035,402	(1,105,005,125)	2,021,271,956

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP

	2013							
	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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets								
Cash and balances with the Central Bank	1,598,715,632	-	-	-	-	-	-	1,598,715,632
Due from banks	9,009,843,939	3,909,468,394	4,112,254,461	988,121,084	-	-	-	-
Loans and advances to customers	14,007,752,016	1,001,074,592	12,845,665,619	139,009,144	15,532,593	6,470,068	-	-
Financial investments held-to-maturity	5,807,802,824	-	625,934,663	749,697,105	439,894,609	3,428,619,984	563,656,463	-
Total assets	30,424,114,411	4,910,542,986	17,583,854,743	1,876,827,333	455,427,202	3,435,090,052	563,656,463	1,598,715,632
Liabilities								
Due to banks	881,908,278	-	306,119,164	29,873,046	260,434,919	-	285,481,149	-
Deposits from customers	27,224,339,708	13,787,996,063	7,367,060,627	1,985,524,047	3,259,145,853	603,300,255	221,312,863	-
Debts issued	940,323,447	-	-	-	57,253,644	574,519,451	308,550,352	-
Total liabilities	29,046,571,433	13,787,996,063	7,673,179,791	2,015,397,093	3,576,834,416	1,177,819,706	815,344,364	-
Total interest sensitivity gap	1,377,542,978	(8,877,453,077)	9,910,674,952	(138,569,760)	(3,121,407,214)	2,257,270,346	(251,687,901)	1,598,715,632

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. 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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets								
Cash and balances with the Central Bank	2,512,469,499	-	-	-	-	-	-	2,512,469,499
Due from banks	41,434,529,360	27,483,474,267	9,087,782,029	4,743,377,173	119,895,891	-	-	-
Loans and advances to customers	21,707,867,640	1,088,005,755	14,712,090,219	1,106,768,240	-	4,801,003,426		-
Financial investments held-to-maturity	5,071,692,345	-	623,245,553	942,727,516	916,743,951	2,045,053,325	543,922,000	-
Total assets	70,726,558,844	28,571,480,022	24,423,117,801	6,792,872,929	1,036,639,842	6,846,056,751	543,922,000	2,512,469,499
Liabilities								
Due to banks	227,411,484	-	-	-	-	196,568,198	30,843,286	-
Deposits from customers	66,928,650,521	39,722,117,438	16,930,738,497	2,901,150,854	4,941,976,377	2,165,756,604	266,910,751	-
Debts issued	1,094,274,560	-	-	-	-	1,094,274,560	-	-
Total liabilities	68,250,336,565	39,722,117,438	16,930,738,497	2,901,150,854	4,941,976,377	3,456,599,362	297,754,037	-
Total interest sensitivity gap	2,476,222,279	(11,150,637,416)	7,492,379,304	3,891,722,075	(3,905,336,535)	3,389,457,389	246,167,963	2,512,469,499

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets								
Cash and balances with the Central Bank	2,019,624,517	-	-	-	-	-	-	2,019,624,517
Due from banks	18,251,137,955	11,754,898,739	4,775,574,584	1,662,809,140	57,855,492	-	-	-
Loans and advances to customers	17,397,054,742	1,167,940,651	13,885,091,033	147,718,539	183,939,343	1,880,481,364	131,883,812	-
Financial investments held-to-maturity	6,836,836,907	-	1,252,051,675	1,175,989,656	1,421,154,794	2,433,047,528	554,593,254	-
Total assets	44,504,654,121	12,922,839,390	19,912,717,292	2,986,517,335	1,662,949,629	4,313,528,892	686,477,066	2,019,624,517
Liabilities								
Due to banks	1,015,349,802	-	686,018,523	30,528,130	8,279,292	290,523,857	-	-
Deposits from customers	41,089,954,783	25,215,518,584	7,733,888,643	2,373,777,914	3,476,956,538	2,074,584,433	215,228,671	-
Debts issued	1,033,574,296	-	-	-	-	874,612,702	158,961,594	-
Total liabilities	43,138,878,881	25,215,518,584	8,419,907,166	2,404,306,044	3,485,235,830	3,239,720,992	374,190,265	-
Total interest sensitivity gap	1,365,775,240	(12,292,679,194)	11,492,810,126	582,211,291	(1,822,286,201)	1,073,807,900	312,286,801	2,019,624,517

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK	2013							
	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
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets								
Cash and balances with the Central Bank	1,598,715,632	-	-	-	-	-	-	1,598,715,632
Due from banks	9,009,807,334	3,909,431,789	4,112,254,461	988,121,084	-	-	-	-
Loans and advances to customers	14,007,752,016	1,001,074,592	12,845,665,619	139,009,144	15,532,593	6,470,068	-	-
Financial investments held-to-maturity	5,807,802,824	-	625,934,663	749,697,105	439,894,609	3,428,619,984	563,656,463	-
Total assets	30,424,077,806	4,910,506,381	17,583,854,743	1,876,827,333	455,427,202	3,435,090,052	563,656,463	1,598,715,632
Liabilities								
Due to banks	881,908,278	-	306,119,164	29,873,046	260,434,919	-	285,481,149	-
Deposits from customers	27,232,616,080	13,796,272,434	7,367,060,628	1,985,524,047	3,259,145,853	603,300,255	221,312,863	-
Amount due to subsidiary	57,253,644	-	57,253,644	-	-	-	-	-
Debts issued	883,069,803	-	-	-	-	574,519,451	308,550,352	-
Total liabilities	29,054,847,805	13,796,272,434	7,730,433,436	2,015,397,093	3,519,580,772	1,177,819,706	815,344,364	-
Total interest sensitivity gap	1,369,230,001	(8,885,766,053)	9,853,421,307	(138,569,760)	(3,064,153,570)	2,257,270,346	(251,687,901)	1,598,715,632

38. 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 2015 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 comprehensive income (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 statement of profit or loss and other comprehensive income, 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

		2015		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	45,933,361	(47,717,828)	(1,784,468)
	-5%	(45,933,361)	47,717,828	1,784,468
EUR	+5%	676,954,898	(669,708,347)	7,246,551
	-5%	(676,954,898)	669,708,347	(7,246,551)
GBP	+5%	195,728,262	(197,098,577)	(1,370,315)
	-5%	(195,728,262)	197,098,577	1,370,315
USD	+5%	2,107,614,393	(2,139,310,349)	(31,695,956)
	-5%	(2,107,614,393)	2,139,310,349	31,695,956

		2014		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	38,574,899	(39,126,226)	(551,327)
	-5%	(38,574,899)	39,126,226	551,327
EUR	+5%	390,332,708	(383,611,607)	6,721,101
	-5%	(390,332,708)	383,611,607	(6,721,101)
GBP	+5%	176,539,480	(196,358,413)	(19,818,933)
	-5%	(176,539,480)	196,358,413	19,818,933
USD	+5%	1,152,644,918	(1,168,377,218)	(15,732,300)
	-5%	(1,152,644,918)	1,168,377,218	15,732,300

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk

		2013		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	18,396,712	(17,770,950)	625,762
	-5%	(18,396,712)	17,770,950	(625,762)
EUR	+5%	200,211,250	(199,895,100)	316,150
	-5%	(200,211,250)	199,895,100	(316,150)
GBP	+5%	117,630,800	(117,167,200)	463,600
	-5%	(117,630,800)	117,167,200	(463,600)
USD	+5%	681,712,342	(688,731,300)	(7,018,958)
	-5%	(681,712,342)	688,731,300	7,018,958

THE BANK

		2015		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	31,654,014	(31,553,225)	100,789
	-5%	(31,654,014)	31,553,225	(100,789)
EUR	+5%	664,378,798	(657,827,424)	6,551,374
	-5%	(664,378,798)	657,827,424	(6,551,374)
GBP	+5%	194,886,377	(194,601,041)	285,336
	-5%	(194,886,377)	194,601,041	(285,336)
USD	+5%	2,070,531,022	(2,058,420,938)	12,110,084
	-5%	(2,070,531,022)	2,058,420,938	(12,110,084)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk

Currency	% Change in Currency rate	2014 Effect of change in currency on Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	19,116,600	(19,060,850)	55,750
	-5%	(19,116,600)	19,060,850	(55,750)
EUR	+5%	386,881,050	(379,834,450)	7,046,600
	-5%	(386,881,050)	379,834,450	(7,046,600)
GBP	+5%	148,112,150	(147,928,150)	184,000
	-5%	(148,112,150)	147,928,150	(184,000)
USD	+5%	1,136,440,400	(1,126,762,950)	9,677,450
	-5%	(1,136,440,400)	1,126,762,950	(9,677,450)

Currency	% Change in Currency rate	2013 Effect of change in currency on Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	18,386,500	(17,770,950)	615,550
	-5%	(18,386,500)	17,770,950	(615,550)
EUR	+5%	200,211,250	(199,895,100)	316,150
	-5%	(200,211,250)	199,895,100	(316,150)
GBP	+5%	117,630,800	(117,167,200)	463,600
	-5%	(117,630,800)	117,167,200	(463,600)
USD	+5%	681,711,350	(688,731,300)	(7,019,950)
	-5%	(681,711,350)	688,731,300	7,019,950

(e) Operational risk

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

(f) 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 2015 would have increased equity by MUR 4,104,927 (2014: MUR 3,904,032 and 2013: MUR 4,073,457). An equivalent decrease would have resulted in an equivalent but opposite impact.

39. 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	Basel II	Basel II	Basel III	Basel II	Basel II
	2015	2014	2013	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR
Tier 1 capital	3,545,651,424	2,842,913,548	1,946,510,722	4,016,507,479	2,797,816,628	1,892,472,425
Tier 2 capital	971,081,526	997,650,362	856,535,188	896,798,836	699,662,361	805,222,843
Total capital	4,516,732,950	3,840,563,910	2,803,045,910	4,913,306,315	3,497,478,989	2,697,695,268
Risk-weighted assets	37,083,799,978	28,826,897,217	21,915,200,195	35,881,489,348	26,757,280,201	21,664,853,953
	%	%	%	%	%	%
Capital adequacy ratio	12.18	13.32	12.79	13.69	13.07	12.45

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.

40. EVENTS AFTER REPORTING DATE

On 27th July 2015, a third party exercised the put option under the put option agreement with AfrAsia Holdings Limited (AHL) as mentioned in note 14.

41. HEDGE ACCOUNTING

(a) THE GROUP

Hedge of net investment in foreign operations

In prior year, 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 438 million (2013 and 2012: MUR 300 million), 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.

During the year the hedge was ineffective and MUR 82,315,776 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 and 2013.

(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:

	2015	2014	2013
Gains/(losses) on:	MUR	MUR	MUR
Hedged instruments	(82,315,777)	7,007,543	48,401
Hedged items attributable to the hedged risk	82,315,777	(7,007,543)	(48,401)
Hedge ineffectiveness recognised immediately in profit or loss	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

42. OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

THE GROUP

2015

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported on balance sheet	Cash collateral	Net amount
	MUR	MUR	MUR	MUR	MUR
ASSETS					
Cash and balances with the Central Bank	2,514,212,771	-	2,514,212,771	-	2,514,212,771
Due from banks	41,447,016,418	-	41,447,016,418	-	41,447,016,418
Derivative financial instruments	273,327,070	(55,943,922)	217,383,148	-	217,383,148
Financial investments - held-for-trading	3,045,473,857	-	3,045,473,857	-	3,045,473,857
Loans and advances to customers	21,772,734,670	-	21,772,734,670	(800,734,640)	20,972,000,030
Financial investments – available-for-sale	41,049,271	-	41,049,271	-	41,049,271
Financial investments - held-to-maturity	5,071,692,345	-	5,071,692,345	-	5,071,692,345
Other assets	263,743,208	-	263,743,208	-	263,743,208
	74,429,249,610	(55,943,922)	74,373,305,688	(800,734,640)	73,572,571,048
LIABILITIES					
Due to banks	227,418,091	-	227,418,091	-	227,418,091
Derivative financial instruments	611,038,375	(55,943,922)	555,094,453	-	555,094,453
Deposits from customers	66,437,715,715	-	66,437,715,715	(800,734,640)	65,636,981,075
Debts issued	2,691,570,175	-	2,691,570,175	-	2,691,570,175
Current tax liabilities	67,835,800	-	67,835,800	-	67,835,800
Other liabilities	591,539,131	-	591,539,131	-	591,539,131
	70,627,117,287	(55,943,922)	70,571,173,365	(800,734,640)	69,770,438,725

2014

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported on balance sheet	Cash collateral	Net amount
	MUR	MUR	MUR	MUR	MUR
ASSETS					
Cash and balances with the Central Bank	2,021,271,956	-	2,021,271,956	-	2,021,271,956
Due from banks	18,265,309,349	-	18,265,309,349	-	18,265,309,349
Derivative financial instruments	894,952,856	(34,107,407)	860,845,449	-	860,845,449
Financial investments - held-for-trading	2,636,144,938	-	2,636,144,938	-	2,636,144,938
Loans and advances to customers	17,227,454,645	-	17,227,454,645	(359,380,491)	16,868,074,154
Financial investments – available-for-sale	341,340,318	-	341,340,318	-	341,340,318
Financial investments - held-to-maturity	6,836,836,907	-	6,836,836,907	-	6,836,836,907
Other assets	197,071,143	-	197,071,143	-	197,071,143
	48,420,382,112	(34,107,407)	48,386,274,705	(359,380,491)	48,026,894,214
LIABILITIES					
Due to banks	1,015,349,802	-	1,015,349,802	-	1,015,349,802
Derivative financial instruments	891,549,492	(34,107,407)	857,442,085	-	857,442,085
Deposits from customers	40,413,543,682	-	40,413,543,682	(359,380,491)	40,054,163,191
Debts issued	2,433,941,196	-	2,433,941,196	-	2,433,941,196
Current tax liabilities	53,040,200	-	53,040,200	-	53,040,200
Other liabilities	766,500,126	-	766,500,126	-	766,500,126
	45,573,924,498	(34,107,407)	45,539,817,091	(359,380,491)	45,180,436,600

42. OFFSETTING FINANCIAL INSTRUMENTS (CONITNUED)

THE GROUP (CONTINUED)

2013

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported on balance sheet	Cash collateral	Net amount
	MUR	MUR	MUR	MUR	MUR
ASSETS					
Cash and balances with the Central Bank	1,598,715,632	-	1,598,715,632	-	1,598,715,632
Due from banks	9,009,843,939	-	9,009,843,939	-	9,009,843,939
Derivative financial instruments	105,667,695	(37,086,335)	68,581,360	-	68,581,360
Financial investments - held-for-trading	532,685,518	-	532,685,518	-	532,685,518
Loans and advances to customers	14,007,752,016	-	14,007,752,016	(397,680,370)	13,610,071,646
Financial investments – available-for-sale	40,722,657	-	40,722,657	-	40,722,657
Financial investments - held-to-maturity	5,807,802,824	-	5,807,802,824	-	5,807,802,824
Other assets	165,323,024	-	165,323,024	-	165,323,024
	31,268,513,305	(37,086,335)	31,231,426,970	(397,680,370)	30,833,746,600
LIABILITIES					
Due to banks	881,908,278	-	881,908,278	-	881,908,278
Derivative financial instruments	103,328,218	(37,086,335)	66,241,883	-	66,241,883
Deposits from customers	27,224,339,709	-	27,224,339,709	(397,680,370)	26,826,659,339
Debts issued	940,323,447	-	940,323,447	-	940,323,447
Other liabilities	231,773,086	-	231,773,086	-	231,773,086
Current tax liabilities	22,175,979	-	22,175,979	-	22,175,979
	29,403,848,717	(37,086,335)	29,366,762,382	(397,680,370)	28,969,082,012

THE BANK

2015

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offtset	Net amount reported on balance sheet	Cash collateral	Net amount
	MUR	MUR	MUR	MUR	MUR
ASSETS					
Cash and balances with the Central Bank	2,512,469,499	-	2,512,469,499	-	2,512,469,499
Due from banks	41,434,529,360	-	41,434,529,360	-	41,434,529,360
Derivative financial instruments	124,471,055	(55,943,922)	68,527,133	-	68,527,133
Financial investments - held-for-trading	1,967,124,284	-	1,967,124,284	-	1,967,124,284
Loans and advances to customers	21,707,867,640	-	21,707,867,640	(800,734,640)	20,907,133,000
Financial investments - held-to-maturity	5,071,692,345	-	5,071,692,345	-	5,071,692,345
Other assets	288,150,481	-	288,150,481	-	288,150,481
	73,106,304,664	(55,943,922)	73,050,360,742	(800,734,640)	72,249,626,102
LIABILITIES					
Due to banks	227,411,484	-	227,411,484	-	227,411,484
Derivative financial instruments	110,719,360	(55,943,922)	54,775,438	-	54,775,438
Deposits from customers	66,928,650,521	-	66,928,650,521	(800,734,640)	66,127,915,881
Debts issued	1,094,274,560	-	1,094,274,560	-	1,094,274,560
Other liabilities	531,786,209	-	531,786,209	-	531,786,209
Current tax liabilities	51,327,383	-	51,327,383	-	51,327,383
	68,944,169,517	(55,943,922)	68,888,225,595	(800,734,640)	68,087,490,955

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

42. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (CONTINUED)

2014

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported on balance sheet	Cash collateral	Net amount
	MUR	MUR	MUR	MUR	MUR
ASSETS					
Cash and balances with the Central Bank	2,019,624,517	-	2,019,624,517	-	2,019,624,517
Due from banks	18,251,137,955	-	18,251,137,955	-	18,251,137,955
Derivative financial instruments	110,195,681	(34,107,407)	76,088,274	-	76,088,274
Financial investments - held-for-trading	1,911,412,121	-	1,911,412,121	-	1,911,412,121
Loans and advances to customers	17,397,054,742	-	17,397,054,742	(359,380,491)	17,037,674,251
Financial investments - held-to-maturity	6,836,836,907	-	6,836,836,907	-	6,836,836,907
Other assets	174,217,269	-	174,217,269	-	174,217,269
	46,700,479,191	(34,107,407)	46,666,371,784	(359,380,491)	46,306,991,293
LIABILITIES					
Due to banks	1,015,349,802	-	1,015,349,802	-	1,015,349,802
Derivative financial instruments	106,792,317	(34,107,407)	72,684,910	-	72,684,910
Deposits from customers	41,089,954,783	-	41,089,954,783	(359,380,491)	40,730,574,292
Debts issued	1,033,574,296	-	1,033,574,296	-	1,033,574,296
Current tax liabilities	44,739,421	-	44,739,421	-	44,739,421
Other liabilities	599,508,601	-	599,508,601	-	599,508,601
	43,889,919,220	(34,107,407)	43,855,811,813	(359,380,491)	43,496,431,322

2013

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported on balance sheet	Cash collateral	Net amount
	MUR	MUR	MUR	MUR	MUR
ASSETS					
Cash and balances with the Central Bank	1,598,715,632	-	1,598,715,632	-	1,598,715,632
Due from banks	9,009,807,334	-	9,009,807,334	-	9,009,807,334
Derivative financial instruments	62,723,496	(37,086,335)	25,637,161	-	25,637,161
Financial investments - held-for-trading	532,685,518	-	532,685,518	-	532,685,518
Loans and advances to customers	14,007,752,016	-	14,007,752,016	(397,680,370)	13,610,071,646
Financial investments - held-to-maturity	5,807,802,824	-	5,807,802,824	-	5,807,802,824
Other assets	41,951,992	-	41,951,992	-	41,951,992
	31,061,438,812	(37,086,335)	31,024,352,477	(397,680,370)	30,626,672,107
LIABILITIES					
Due to banks	881,908,278	-	881,908,278	-	881,908,278
Derivative financial instruments	86,784,019	(37,086,335)	49,697,684	-	49,697,684
Deposits from customers	27,232,616,080	-	27,232,616,080	(397,680,370)	26,834,935,710
Debts issued	883,069,803	-	883,069,803	-	883,069,803
Amount due to subsidiary	57,253,644	-	57,253,644	-	57,253,644
Current tax liabilities	22,175,979	-	22,175,979	-	22,175,979
Other liabilities	138,309,815	-	138,309,815	-	138,309,815
	29,302,117,618	(37,086,335)	29,265,031,283	(397,680,370)	28,867,350,913

42. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

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 2015 and 2014 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. 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 2015			Year ended 30 June 2014			Year ended 30 June 2013		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Interest income	I	913,802,768	695,350,032	1,609,152,800	839,320,302	514,037,220	1,353,357,522	692,779,816	293,834,348	986,614,164
Interest expense	II	(581,822,887)	(166,740,827)	(748,563,714)	(558,281,599)	(136,056,888)	(694,338,487)	(494,437,182)	(125,929,855)	(620,367,037)
Net interest income		331,979,881	528,609,205	860,589,086	281,038,702	377,980,332	659,019,035	198,342,634	167,904,493	366,247,127
Fees and commission income	III	85,546,262	200,441,292	285,987,554	52,027,438	144,636,432	196,663,870	43,235,956	133,290,889	176,526,845
Fees and commission expense	III	(21,262,851)	(51,505,450)	(72,768,301)	(12,052,577)	(25,990,813)	(38,043,390)	(15,542,817)	(5,187,644)	(20,730,461)
Net fees and commission income	III	64,283,411	148,935,842	213,219,253	39,974,861	118,645,619	158,620,480	27,693,139	128,103,245	155,796,384
Net trading income	IVa	142,459,120	328,622,564	471,081,684	160,219,339	85,595,841	245,815,180	70,398,931	62,054,860	132,453,791
Other operating income	IVb	46,265,584	55,597,596	101,863,180	100,251,080	12,853,350	113,104,430	5,199,960	4,136,736	9,336,696
Total operating income		584,987,996	1,061,765,207	1,646,753,203	581,483,983	595,075,142	1,176,559,125	301,634,664	362,199,334	663,833,998
(Net allowance for credit impairment)/reversal of impairment charge	V	(63,220,403)	(437,058,130)	(500,278,533)	(7,342,449)	(168,368,296)	(175,710,745)	(884,075)	2,036,127	1,152,052
Net operating income		521,767,593	624,707,078	1,146,474,670	574,141,534	426,706,846	1,000,848,380	300,750,589	364,235,461	664,986,050
Personnel expenses		(131,356,696)	(162,687,415)	(294,044,111)	(166,055,163)	(122,821,645)	(288,876,808)	(108,697,724)	(88,934,501)	(197,632,225)
Depreciation of equipment		(5,081,453)	(8,454,369)	(13,535,822)	(3,173,982)	(3,703,662)	(6,877,644)	(4,694,856)	-	(4,694,856)
Amortisation of intangible assets		(3,277,098)	(5,452,337)	(8,729,435)	(3,056,714)	(3,566,823)	(6,623,537)	(5,714,166)	-	(5,714,166)
Other operating expenses		(102,889,882)	(170,482,653)	(273,372,535)	(80,436,588)	(111,822,060)	(192,258,648)	(50,473,629)	(66,383,577)	(116,857,206)
Total operating expenses		(242,605,129)	(347,076,774)	(589,681,903)	(252,722,447)	(241,914,190)	(494,636,637)	(169,580,375)	(155,318,078)	(324,898,453)
Operating profit		279,162,464	277,630,304	556,792,767	321,419,087	184,792,656	506,211,743	131,170,214	208,917,383	340,087,597
Impairment loss on subsidiary		-	(302,554,154)	(302,554,154)	-	(217,000,000)	(217,000,000)	-	-	-
Profit before tax		279,162,464	(24,923,850)	254,238,613	321,419,087	(32,207,344)	289,211,743	131,170,214	208,917,383	340,087,597
Tax expense		(69,022,934)	(10,184,361)	(79,207,295)	(57,668,334)	(8,898,211)	(66,566,545)	(29,182,861)	(8,308,814)	(37,491,675)
Profit for the year		210,139,530	(35,108,211)	175,031,318	263,750,753	(41,105,555)	222,645,198	101,987,353	200,608,569	302,595,922

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

		2015			2014			2013		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
ASSETS										
Cash and balances with the Central Bank	VI	2,507,172,500	5,296,999	2,512,469,499	2,017,641,075	1,983,442	2,019,624,517	1,596,948,624	1,767,008	1,598,715,632
Due from banks	VII	1,967,313,292	39,467,216,068	41,434,529,360	1,310,030,772	16,941,107,183	18,251,137,955	2,789,660,123	6,220,147,211	9,009,807,334
Derivative financial instruments	VIII	49,661,188	18,865,945	68,527,133	53,155,459	22,932,815	76,088,274	3,799,034	21,838,127	25,637,161
Financial investments - held-for-trading	IX	1,790,436,916	176,687,368	1,967,124,284	1,683,895,942	227,516,179	1,911,412,121	363,884,280	168,801,238	532,685,518
Loans and advances to customers	X	10,161,522,717	11,546,344,923	21,707,867,640	7,773,016,903	9,624,037,839	17,397,054,742	6,224,016,147	7,783,735,869	14,007,752,016
Investment in subsidiaries	XI	189,562,500	-	189,562,500	189,562,500	220,238,377	409,800,877	83,562,500	299,552,737	383,115,237
Investment in associates	XII	-	-	-	-	-	-	-	-	-
Financial investments - held-to-maturity	XIII	4,940,784,803	130,907,542	5,071,692,345	6,706,788,589	130,048,318	6,836,836,907	5,557,402,326	250,400,498	5,807,802,824
Equipment	XIV	98,955,009	-	98,955,009	66,310,161	-	66,310,161	28,756,687	-	28,756,687
Intangible assets	XV	48,018,166	-	48,018,166	37,666,566	-	37,666,566	15,420,212	-	15,420,212
Other assets	XVI	211,906,371	76,244,110	288,150,481	155,300,338	18,916,931	174,217,269	37,416,386	4,535,606	41,951,992
Deferred tax assets		12,503,197	7,103,849	19,607,046	6,819,741	2,077,481	8,897,222	7,512,236	542,799	8,055,035
TOTAL ASSETS		21,977,836,659	51,428,666,804	73,406,503,463	20,000,188,046	27,188,858,565	47,189,046,611	16,708,378,555	14,751,321,093	31,459,699,648
LIABILITIES AND EQUITY										
Due to banks	XVII	227,411,484	-	227,411,484	1,015,349,802	-	1,015,349,802	881,908,278	-	881,908,278
Derivative financial instruments	VIII	21,734,691	33,040,747	54,775,438	31,566,236	41,118,674	72,684,910	44,835,402	4,862,282	49,697,684
Deposits from customers	XVIII	18,116,075,962	48,812,574,559	66,928,650,521	14,990,745,118	26,099,209,665	41,089,954,783	12,504,446,511	14,728,169,569	27,232,616,080
Debts issued	XIX	1,094,274,560	-	1,094,274,560	1,033,574,296	-	1,033,574,296	883,069,803	-	883,069,803
Amount due to subsidiary	XX	-	-	-	-	-	-	57,253,644	-	57,253,644
Other liabilities	XXI	193,787,898	337,998,311	531,786,209	118,713,498	480,795,103	599,508,601	82,366,295	55,943,520	138,309,815
Current tax liabilities		41,112,574	10,214,809	51,327,383	40,538,138	4,201,283	44,739,421	14,081,506	8,094,473	22,175,979
TOTAL LIABILITIES		19,694,397,169	49,193,828,426	68,888,225,595	17,230,487,088	26,625,324,725	43,855,811,813	14,467,961,439	14,797,069,844	29,265,031,283
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Issued capital				3,976,727,362			2,728,107,436			1,694,593,418
Share application monies				17,261,328			-			-
Retained earnings				107,087,117			332,174,586			290,007,317
Other reserves				417,202,061			272,952,776			210,067,630
TOTAL EQUITY				4,518,277,868			3,333,234,798			2,194,668,365
TOTAL LIABILITIES AND EQUITY				73,406,503,463			47,189,046,611			31,459,699,648

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

	2015			2014			2013		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
I INTEREST INCOME									
Due from banks	11,776,580	176,486,847	188,263,427	13,463,392	105,306,195	118,769,587	13,597,841	18,592,047	32,189,888
Loans and advances to customers	629,143,495	501,141,780	1,130,285,275	546,815,561	389,940,772	936,756,333	440,661,207	267,593,622	708,254,829
Financial investments held-to-maturity	270,610,311	17,721,405	288,331,716	279,041,348	18,790,253	297,831,602	238,520,768	7,648,679	246,169,447
Placements with Central Bank	2,272,382	-	2,272,382	-	-	-	-	-	-
	913,802,768	695,350,032	1,609,152,800	839,320,302	514,037,220	1,353,357,522	692,779,816	293,834,348	986,614,164
II INTEREST EXPENSE									
Due to banks	4,613,164	2,463,053	7,076,217	15,028,605	30,264	15,058,869	4,731,182	82	4,731,264
Deposits from customers	498,453,273	164,277,774	662,731,047	467,560,375	136,026,624	603,586,999	412,795,862	125,929,773	538,725,635
Other	78,756,450	-	78,756,450	75,692,619	-	75,692,619	76,910,138	-	76,910,138
	581,822,887	166,740,827	748,563,714	558,281,599	136,056,888	694,338,487	494,437,182	125,929,855	620,367,037
III NET FEES AND COMMISSION INCOME									
Fees and commission income									
Credit related fees and commission income	79,462,529	194,555,840	274,018,369	44,076,606	141,234,964	185,311,570	37,645,095	116,962,725	154,607,820
Other fees received	6,083,733	5,885,452	11,969,185	7,950,832	3,401,468	11,352,300	5,590,861	16,328,164	21,919,025
Total fees and commission income	85,546,262	200,441,292	285,987,554	52,027,438	144,636,432	196,663,870	43,235,956	133,290,889	176,526,845
Fees and commission expense									
Other fees	(21,262,851)	(51,505,450)	(72,768,301)	(12,052,577)	(25,990,813)	(38,043,390)	(15,542,817)	(5,187,644)	(20,730,461)
Total fees and commission expense	(21,262,851)	(51,505,450)	(72,768,301)	(12,052,577)	(25,990,813)	(38,043,390)	(15,542,817)	(5,187,644)	(20,730,461)
Net fees and commission income	64,283,411	148,935,842	213,219,253	39,974,861	118,645,619	158,620,480	27,693,139	128,103,245	155,796,384
IVa NET TRADING INCOME									
Financial investments held-for-trading	32,235,299	7,535,298	39,770,597	18,902,151	20,919,596	39,821,747	37,668,277	816,795	38,485,072
Foreign exchange	110,223,821	321,087,266	431,311,087	141,317,188	64,676,245	205,993,433	32,730,654	61,238,065	93,968,719
	142,459,120	328,622,564	471,081,684	160,219,339	85,595,841	245,815,180	70,398,931	62,054,860	132,453,791

43. SEGMENTAL REPORTING (CONTINUED)

	2015			2014			2013		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
IVb OTHER OPERATING INCOME									
Dividend income	45,000,000	-	45,000,000	100,000,000	-	100,000,000	-	-	-
Custody fees	766,983	27,928,767	28,695,750	-	4,148,512	4,148,512	-	461,547	461,547
Transaction and other related fees	498,601	27,668,829	28,167,430	251,080	8,704,838	8,955,918	5,199,960	3,675,189	8,875,149
	46,265,584	55,597,596	101,863,180	100,251,080	12,853,350	113,104,430	5,199,960	4,136,736	9,336,696
V NET ALLOWANCE FOR CREDIT IMPAIRMENT / (REVERSAL OF IMPAIRMENT CHARGE)									
Portfolio and specific provisions on loans and advances to customers	63,220,403	437,058,130	500,278,533	7,342,449	168,368,296	175,710,745	884,075	(2,036,127)	(1,152,052)
	63,220,403	437,058,130	500,278,533	7,342,449	168,368,296	175,710,745	884,075	(2,036,127)	(1,152,052)
VI CASH AND BALANCES WITH THE CENTRAL BANK									
Cash in hand	13,589,350	5,296,999	18,886,349	4,371,415	1,983,442	6,354,857	7,457,074	1,767,008	9,224,082
Current account with the Central Bank	1,868,415,768	-	1,868,415,768	2,013,269,660	-	2,013,269,660	1,589,491,550	-	1,589,491,550
Placements with the Central Bank	625,167,382	-	625,167,382	-	-	-	-	-	-
	2,507,172,500	5,296,999	2,512,469,499	2,017,641,075	1,983,442	2,019,624,517	1,596,948,624	1,767,008	1,598,715,632

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

VII DUE FROM BANKS

	2015			2014			2013		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Placements with other banks	1,963,057,421	12,009,953,067	13,973,010,488	1,293,077,154	5,665,373,610	6,958,450,764	2,377,170,276	2,723,205,268	5,100,375,544
Current accounts with other banks	2,959,779	27,455,785,454	27,458,745,233	15,786,833	11,274,409,211	11,290,196,044	412,426,395	3,495,037,897	3,907,464,292
Other amounts due	1,296,092	1,477,547	2,773,639	1,166,785	1,324,362	2,491,147	63,452	1,904,046	1,967,498
	1,967,313,292	39,467,216,068	41,434,529,360	1,310,030,772	16,941,107,183	18,251,137,955	2,789,660,123	6,220,147,211	9,009,807,334

VIII DERIVATIVE FINANCIAL INSTRUMENTS

	2015			
	Segment A	Segment B	Total	Notional Amount
	MUR	MUR	MUR	MUR
ASSETS				
Derivatives held-for-trading				
Forward Exchange Option Contracts	17,224,468	-	17,224,468	12,835,526,333
Forward Foreign Exchange Contracts	32,436,720	18,865,945	51,302,665	6,371,801,440
	49,661,188	18,865,945	68,527,133	19,207,327,773
LIABILITIES				
Derivatives held-for-trading				
Forward Exchange Option Contracts	-	(17,224,468)	(17,224,468)	12,835,526,333
Forward Foreign Exchange Contracts	(21,734,691)	(15,816,279)	(37,550,970)	6,371,801,440
	(21,734,691)	(33,040,747)	(54,775,438)	19,207,327,773

43. SEGMENTAL REPORTING (CONTINUED)

VIII DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2014			
	Segment A	Segment B	Total	Notional Amount
ASSETS	MUR	MUR	MUR	MUR
Derivatives held-for-trading				
Forward Exchange Option Contracts	53,155,459	14,693,720	67,849,179	8,134,678,605
Forward Foreign Exchange Contracts	-	8,239,095	8,239,095	8,661,329,435
	53,155,459	22,932,815	76,088,274	16,796,008,040
LIABILITIES				
Derivatives held-for-trading				
Forward Exchange Option Contracts	(23,327,141)	(41,118,674)	(64,445,815)	8,134,678,605
Forward Foreign Exchange Contracts	(8,239,095)	-	(8,239,095)	8,661,329,435
	(31,566,236)	(41,118,674)	(72,684,910)	16,796,008,040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

VIII DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2013			
	Segment A	Segment B	Total	Notional Amount
	MUR	MUR	MUR	MUR
ASSETS				
Derivatives held-for-trading				
Forward Exchange Option Contracts	1,079,237	-	1,079,237	7,811,593,494
Forward Foreign Exchange Contracts	2,719,797	21,838,127	24,557,924	1,328,243,859
	3,799,034	21,838,127	25,637,161	9,139,837,353
LIABILITIES				
Derivatives held-for-trading				
Forward Exchange Option Contracts	-	(1,079,237)	(1,079,237)	7,811,593,494
Forward Foreign Exchange Contracts	(44,835,402)	(3,783,045)	(48,618,447)	2,437,455,113
	(44,835,402)	(4,862,282)	(49,697,684)	10,249,048,607

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

		2015			2014			2013		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
IX	FINANCIAL INVESTMENTS - HELD-FOR-TRADING	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
	Government of Mauritius debt securities	1,699,736,996	-	1,699,736,996	1,657,361,434	-	1,657,361,434	336,909,022	-	336,909,022
	Debt securities	90,699,920	176,687,368	267,387,288	26,534,508	227,516,179	254,050,687	26,975,258	168,801,238	195,776,496
		1,790,436,916	176,687,368	1,967,124,284	1,683,895,942	227,516,179	1,911,412,121	363,884,280	168,801,238	532,685,518
X	LOANS AND ADVANCES TO CUSTOMERS									
	(a) Remaining term to maturity									
	Within 3 months	4,616,614,503	1,777,699,987	6,394,314,490	3,309,656,315	1,156,401,417	4,466,057,732	3,027,077,859	571,996,847	3,599,074,706
	Over 3 to 6 months	348,377,012	1,613,896,353	1,962,273,365	381,003,658	1,011,783,808	1,392,787,466	460,454,817	123,166,823	583,621,640
	Over 6 to 12 months	814,153,824	1,797,512,748	2,611,666,572	92,355,460	170,447,130	262,802,590	181,929,806	1,738,875,999	1,920,805,805
	Over 1 to 5 years	3,538,688,306	5,836,936,567	9,375,624,873	1,812,979,148	6,551,223,696	8,364,202,844	1,262,643,446	4,090,800,703	5,353,444,149
	Over 5 years	973,137,786	776,840,154	1,749,977,940	2,243,586,446	924,963,419	3,168,549,865	1,351,775,631	1,281,308,832	2,633,084,463
		10,290,971,431	11,802,885,809	22,093,857,240	7,839,581,027	9,814,819,470	17,654,400,497	6,283,881,559	7,806,149,204	14,090,030,763
	Less Allowances for impairment losses	(129,448,714)	(256,540,886)	(385,989,600)	(66,564,124)	(190,781,631)	(257,345,755)	(59,865,412)	(22,413,335)	(82,278,747)
	Loans and advances	10,161,522,717	11,546,344,923	21,707,867,640	7,773,016,903	9,624,037,839	17,397,054,742	6,224,016,147	7,783,735,869	14,007,752,016
	(b) Credit concentration of risk by industry sectors									
	Agriculture and fishing	730,235,899	197,499,719	927,735,618	505,454,896	170,052,302	675,507,198	400,769,176	81,520,796	482,289,972
	Manufacturing	595,444,832	2,040,567,815	2,636,012,647	640,152,626	2,028,889,791	2,669,042,417	570,852,433	2,067,993,208	2,638,845,641
	Tourism	2,763,201,739	37,769,459	2,800,971,198	2,033,075,413	64,633,026	2,097,708,439	1,518,555,428	92,791,660	1,611,347,088
	Transport	11,270,573	471,913,556	483,184,129	13,963,240	154,958,864	168,922,104	2,518,855	158,707,692	161,226,547
	Construction, infrastructure and real estate	1,662,342,463	625,923,463	2,288,265,926	1,528,828,600	800,915,055	2,329,743,655	1,379,454,947	303,656,180	1,683,111,127
	Financial and business services	1,509,195,597	2,347,038,003	3,856,233,600	701,871,053	1,968,832,507	2,670,703,560	498,514,671	1,211,813,779	1,710,328,450
	Traders	1,163,486,334	639,665,572	1,803,151,906	977,503,843	681,866,200	1,659,370,043	847,375,183	608,539,966	1,455,915,149
	Personal	1,459,918,327	387,293,189	1,847,211,516	1,216,241,975	331,832,924	1,548,074,899	894,116,760	281,096,821	1,175,213,581
	Professional	7,951,318	-	7,951,318	8,830,236	-	8,830,236	8,511,285	7,239	8,518,524
	Global Business Licence Holders (GBL)	-	3,618,016,898	3,618,016,898	-	2,155,427,834	2,155,427,834	-	2,158,512,616	2,158,512,616
	Information, communication and technology	98,088,792	63,371,539	161,460,331	61,902,480	128,703,598	190,606,078	46,012,174	479,111,505	525,123,679
	Government	-	355,794,129	355,794,129	-	305,506,542	305,506,542	-	309,788,246	309,788,246
	Other entities	289,835,557	1,018,032,467	1,307,868,024	151,756,665	1,023,200,827	1,174,957,492	117,200,647	52,609,496	169,810,143
		10,290,971,431	11,802,885,809	22,093,857,240	7,839,581,027	9,814,819,470	17,654,400,497	6,283,881,559	7,806,149,204	14,090,030,763

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Allowance for credit losses

	2015			2014			2013		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
At beginning of year	66,564,124	190,781,631	257,345,755	59,865,412	22,413,335	82,278,747	61,081,048	24,668,054	85,749,102
Amount written off against allowance	(335,813)	(371,298,875)	(371,634,688)	(643,737)	-	(643,737)	(2,099,711)	(218,592)	(2,318,303)
Charge for the year	63,220,403	437,058,130	500,278,533	7,342,449	168,368,296	175,710,745	884,075	(2,036,127)	(1,152,052)
At end of year	129,448,714	256,540,886	385,989,600	66,564,124	190,781,631	257,345,755	59,865,412	22,413,335	82,278,747

(d) Allowance for credit losses by sector

	2015				Total		
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Agriculture and fishing	927,735,618	-	-	5,697,003	5,697,003	3,375,530	3,102,074
Manufacturing	2,636,012,647	251,191,005	8,972,097	15,245,991	24,218,088	12,739,774	10,751,923
Tourism	2,800,971,198	23,351,489	1,116,402	16,874,186	17,990,588	10,633,379	10,903,897
Transport	483,184,129	-	-	2,755,262	2,755,262	800,455	540,469
Construction, infrastructure and real estate	2,288,265,926	376,853,156	22,999,310	13,658,537	36,657,847	12,019,835	11,145,743
Financial and business services	3,856,233,600	274,022,531	110,252,701	21,903,333	132,156,034	12,722,536	6,138,868
Traders	1,803,151,906	18,744,561	19,051,648	10,462,111	29,513,759	26,726,663	15,517,814
Personal	1,847,211,516	92,974,807	8,136,822	14,573,480	22,710,302	14,493,794	14,068,895
Professional	7,951,318	-	-	46,618	46,618	42,431	56,659
Information, communication and technology	161,460,331	798,115	761,188	860,816	1,622,004	1,070,852	2,099,407
Government	355,794,129	-	-	2,032,863	2,032,863	1,439,009	1,021,724
Global Business Licence Holders (GBL)	3,618,016,898	85,480,536	58,948,293	20,386,129	79,334,422	155,775,848	6,124,093
Other entities	1,307,868,024	24,717,544	24,719,905	6,534,905	31,254,810	5,505,649	807,181
	22,093,857,240	1,148,133,744	254,958,366	131,031,234	385,989,600	257,345,755	82,278,747

43. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Allowance for credit losses by sector (Continued)

	2015				Total		
Analysed by Segments:	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2015	2014	2013
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Segment A							
Agriculture and fishing	730,235,899	-	-	4,568,570	4,568,570	2,574,543	2,833,208
Manufacturing	595,444,832	244,012,104	1,792,429	3,587,016	5,379,445	3,183,219	3,931,400
Tourism	2,763,201,739	23,351,489	1,116,402	16,658,387	17,774,789	10,328,942	10,597,857
Transport	11,270,573	-	-	58,940	58,940	70,562	17,029
Construction, infrastructure and real estate	1,662,342,463	376,853,156	22,999,310	10,082,264	33,081,575	8,247,334	10,144,244
Financial and business services	1,509,195,597	217,713,604	10,000,282	9,151,538	19,151,820	3,448,865	3,499,241
Traders	1,163,486,334	18,744,561	19,051,648	6,836,195	25,887,843	23,586,103	13,534,343
Personal	1,459,918,327	82,403,606	8,013,810	12,638,655	20,652,465	13,289,116	13,526,724
Professional	7,951,318	-	-	46,618	46,618	42,431	56,635
Information, communication and technology	98,088,792	798,115	761,188	498,736	1,259,924	1,070,841	1,078,413
Government	-	-	-	-	-	-	-
Global Business Licence Holders (GBL)	-	-	-	-	-	-	-
Other entities	289,835,557	290	-	1,586,726	1,586,726	722,168	646,318
	10,290,971,432	963,876,925	63,735,068	65,713,646	129,448,714	66,564,124	59,865,412
Segment B							
Agriculture and fishing	197,499,719	-	-	1,128,433	1,128,433	800,987	268,866
Manufacturing	2,040,567,815	7,178,901	7,179,669	11,658,975	18,838,644	9,556,555	6,820,523
Tourism	37,769,459	-	-	215,799	215,799	304,437	306,040
Transport	471,913,556	-	-	2,696,322	2,696,322	729,893	523,440
Construction, infrastructure and real estate	625,923,463	-	-	3,576,272	3,576,272	3,772,501	1,001,499
Financial and business services	2,347,038,003	56,308,927	100,252,419	12,751,795	113,004,214	9,273,671	2,639,627
Traders	639,665,572	-	-	3,625,916	3,625,916	3,140,560	1,983,471
Personal	387,293,189	10,571,200	123,012	1,934,825	2,057,837	1,204,678	542,171
Professional	-	-	-	-	-	-	24
Information, communication and technology	63,371,539	-	-	362,079	362,079	11	1,020,994
Government	355,794,129	-	-	2,032,863	2,032,863	1,439,009	1,021,724
Global Business Licence Holders (GBL)	3,618,016,898	85,480,536	58,948,293	20,386,129	79,334,422	155,775,848	6,124,093
Other entities	1,018,032,467	24,717,254	24,719,905	4,948,179	29,668,084	4,783,481	160,863
	11,802,885,808	184,256,818	191,223,298	65,317,589	256,540,886	190,781,631	22,413,335

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

	2015			2014			2013		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
XI INVESTMENT IN SUBSIDIARIES									
Cost									
At 30 June	189,562,500	-	189,562,500	189,562,500	220,238,377	409,800,877	83,562,500	299,552,737	383,115,237
XII INVESTMENT IN ASSOCIATES									
Cost									
At 30 June	-	-	-	-	-	-	-	-	-
XIII FINANCIAL INVESTMENTS-HELD-TO-MATURITY									
Unquoted investments									
Government of Mauritius debt securities	4,029,687,456	-	4,029,687,456	5,896,223,411	-	5,896,223,411	4,746,886,818	-	4,746,886,818
Other debt securities	911,097,347	130,907,542	1,042,004,889	810,565,178	130,048,318	940,613,496	810,515,508	250,400,498	1,060,916,006
	4,940,784,803	130,907,542	5,071,692,345	6,706,788,589	130,048,318	6,836,836,907	5,557,402,326	250,400,498	5,807,802,824

43. SEGMENTAL REPORTING (CONTINUED)

XIV EQUIPMENT

	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
	MUR	MUR	MUR	MUR	MUR	MUR
Segment A						
COST						
At 1 July 2012	4,224,886	8,166,951	5,131,768	700,572	8,679,563	26,903,740
Additions	6,421,799	5,487,428	4,124,404	-	3,930,856	19,964,487
Assets written off	-	(427,288)	(162,676)	(29,280)	(1,425,379)	(2,044,623)
At 30 June 2013	10,646,685	13,227,091	9,093,496	671,292	11,185,040	44,823,604
At 1 July 2013	10,646,685	13,227,091	9,093,496	671,292	11,185,040	44,823,604
Additions	8,153,961	23,311,615	3,472,838	63,058	9,731,751	44,733,223
Assets written off	-	-	(347,209)	-	(237,212)	(584,421)
At 30 June 2014	18,800,646	36,538,706	12,219,125	734,350	20,679,579	88,972,406
At 1 July 2014	18,800,646	36,538,706	12,219,125	734,350	20,679,579	88,972,406
Additions	15,978,142	11,845,544	2,810,835	61,095	16,171,548	46,867,164
Assets written off	-	-	(944,923)	-	(386,635)	(1,331,558)
At 30 June 2015	34,778,788	48,384,250	14,085,037	795,445	36,464,492	134,508,012
DEPRECIATION						
At 1 July 2012	1,531,089	2,284,961	2,494,450	444,120	5,835,516	12,590,136
Charge for the year	837,070	1,138,274	1,148,224	139,133	1,432,155	4,694,856
Assets written off	-	(169,714)	(54,155)	(19,859)	(974,347)	(1,218,075)
At 30 June 2013	2,368,159	3,253,521	3,588,519	563,394	6,293,324	16,066,917
At 1 July 2013	2,368,159	3,253,521	3,588,519	563,394	6,293,324	16,066,917
Charge for the year	1,214,372	1,831,833	1,482,366	115,369	2,233,703	6,877,643
Assets written off	-	-	(121,979)	-	(160,336)	(282,315)
At 30 June 2014	3,582,531	5,085,354	4,948,906	678,763	8,366,691	22,662,245
At 1 July 2014	3,582,531	5,085,354	4,948,906	678,763	8,366,691	22,662,245
Charge for the year	2,724,914	4,054,956	2,012,876	9,755	4,733,321	13,535,822
Assets written off	-	-	(416,807)	-	(228,257)	(645,064)
At 30 June 2015	6,307,445	9,140,310	6,544,975	688,518	12,871,755	35,553,003
NET CARRYING AMOUNT						
At 30 June 2015	28,471,343	39,243,940	7,540,062	106,927	23,592,738	98,955,009
At 30 June 2014	15,218,115	31,453,352	7,270,219	55,587	12,312,888	66,310,161
At 30 June 2013	8,278,526	9,973,570	5,504,977	107,898	4,891,716	28,756,687

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

43. SEGMENTAL REPORTING (CONTINUED)

XV INTANGIBLE ASSETS

Segment A	Computer software	Banking software	Other	Total
COST	MUR	MUR	MUR	MUR
At 1 July 2012	11,994,505	17,119,155	5,765,930	34,879,590
Additions	2,063,040	-	1,976,525	4,039,565
At 30 June 2013	14,057,545	17,119,155	7,742,455	38,919,155
At 1 July 2013	14,057,545	17,119,155	7,742,455	38,919,155
Additions	304,561	28,565,330	-	28,869,891
At 30 June 2014	14,362,106	45,684,485	7,742,455	67,789,046
At 1 July 2014	14,362,106	45,684,485	7,742,455	67,789,046
Additions	3,236,618	13,660,397	2,184,020	19,081,035
At 30 June 2015	17,598,724	59,344,882	9,926,475	86,870,081
AMORTISATION				
At 1 July 2012	3,886,535	10,486,684	3,411,558	17,784,777
Charge for the year	2,806,494	2,434,307	473,365	5,714,166
At 30 June 2013	6,693,029	12,920,991	3,884,923	23,498,943
At 1 July 2013	6,693,029	12,920,991	3,884,923	23,498,943
Charge for the year	2,402,179	3,562,571	658,787	6,623,537
At 30 June 2014	9,095,208	16,483,562	4,543,710	30,122,480
At 1 July 2014	9,095,208	16,483,562	4,543,710	30,122,480
Charge for the year	2,391,999	5,258,624	1,078,812	8,729,435
At 30 June 2015	11,487,207	21,742,186	5,622,522	38,851,915
NET CARRYING AMOUNT				
At 30 June 2015	6,111,517	37,602,696	4,303,953	48,018,166
At 30 June 2014	5,266,898	29,200,923	3,198,745	37,666,566
At 30 June 2013	7,364,516	4,198,164	3,857,532	15,420,212

43. SEGMENTAL REPORTING (CONTINUED)

	2015			2014			2013		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
XVI OTHER ASSETS									
Accrued income	408,828	5,535,534	5,944,362	1,771,637	4,814,271	6,585,908	3,692,721	2,108,938	5,801,659
Prepayments	3,018,754	2,668,832	5,687,586	2,497,955	1,774,462	4,272,417	2,340,141	815,825	3,155,966
Share application money	-	-	-	2,524,869	-	2,524,869	2,524,869	-	2,524,869
Dividend receivable	145,000,000	-	145,000,000	100,000,000	-	100,000,000	-	-	-
Other receivables	63,478,789	68,039,744	131,518,533	48,505,877	12,328,198	60,834,075	28,858,655	1,610,843	30,469,498
	211,906,371	76,244,110	288,150,481	155,300,338	18,916,931	174,217,269	37,416,386	4,535,606	41,951,992
XVII DUE TO BANKS									
Deposits with other banks	227,411,484	-	227,411,484	1,015,349,802	-	1,015,349,802	881,908,278	-	881,908,278
	227,411,484	-	227,411,484	1,015,349,802	-	1,015,349,802	881,908,278	-	881,908,278
XVIII DEPOSITS FROM CUSTOMERS									
Personal									
- Current and savings accounts	3,748,702,193	6,248,612,411	9,997,314,604	2,256,965,138	4,122,876,032	6,379,841,170	2,155,869,955	1,677,604,409	3,833,474,364
- Term deposits	3,746,304,435	2,014,186,660	5,760,491,095	3,509,931,675	1,569,861,570	5,079,793,245	2,925,547,828	877,837,122	3,803,384,950
Business									
- Current and savings accounts	4,295,024,146	25,419,961,534	29,714,985,680	3,067,482,168	15,763,420,460	18,830,902,628	2,025,635,187	7,930,367,853	9,956,003,040
- Term deposits	6,289,436,830	15,129,813,954	21,419,250,784	6,071,814,637	4,643,051,603	10,714,866,240	5,390,961,846	4,242,360,185	9,633,322,031
Government institutions									
- Current and savings accounts	9,817,154	-	9,817,154	4,774,788	-	4,774,788	6,431,695	-	6,431,695
- Term deposits	26,791,204	-	26,791,204	79,776,712	-	79,776,712	-	-	-
	18,116,075,962	48,812,574,559	66,928,650,521	14,990,745,118	26,099,209,665	41,089,954,783	12,504,446,511	14,728,169,569	27,232,616,080
XIX DEBTS ISSUED									
Unsecured subordinated bonds	1,094,274,560	-	1,094,274,560	1,033,574,296	-	1,033,574,296	883,069,803	-	883,069,803
XX AMOUNT DUE TO SUBSIDIARY									
Funds due to subsidiary in respect of structured notes	-	-	-	-	-	-	57,253,644	-	57,253,644
XXI OTHER LIABILITIES									
Other payable and sundry creditors	193,787,898	337,998,311	531,786,209	118,713,498	480,795,103	599,508,601	82,366,295	55,943,520	138,309,815

NOTES

NOTES