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. This paper is certified by FSC (Forest Stewardship Council) which 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.

"Connecting people, places, products and possibilities"

AfrAsia Bank Limited has always been known for innovative products and exceptional tailor-made advice, but today the brand stands for more.

Our success goes beyond our abilities and jurisdictional advantages. We are entrepreneurial relationship bankers based in Mauritius, building bridges between Africa, Asia and the World.

Our team of professionals is dedicated to helping our clients reach their objectives, wherever they may be, while bringing them service excellence. More than just bankers, we are partners.

Moving towards Integrated Reporting

To be in line with the International Integrated Reporting Council, AfrAsia Bank Limited continues to implement some principles of Integrated Reporting as part of its Annual Report 2014, combining strategy, sustainability and financial data to provide a holistic view of the Bank as well as its ability to create and sustain value for all its stakeholders.

CONTENTS

For the latest financial information, refer to our Investor Relations site:
investor-relations.afrasiabank.com

FINANCIAL HIGHLIGHTS

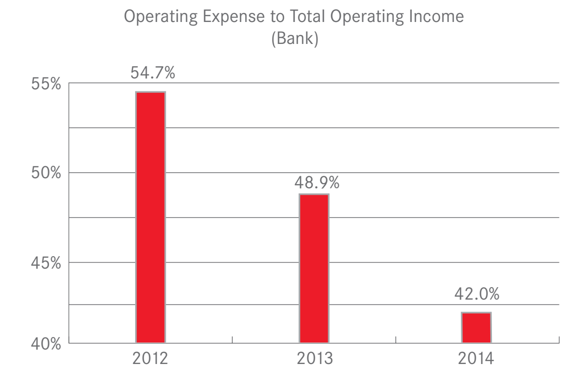
AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

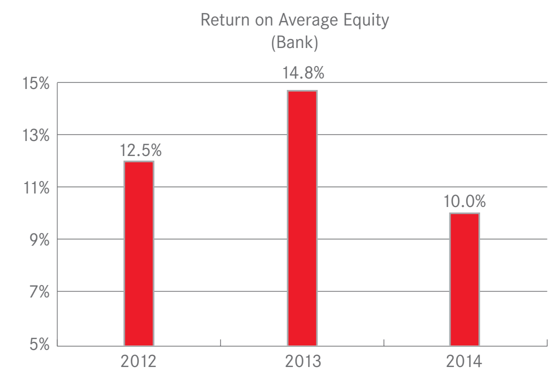
	YEAR ENDED 30 JUNE 2014	YEAR ENDED 30 JUNE 2013	YEAR ENDED 30 JUNE 2012
STATEMENT OF COMPREHENSIVE INCOME (MUR'000)			
Net Interest Income	**661,169**	366,249	322,522
Non Interest Income	**563,930**	360,555	165,056
Total Income	**1,225,099**	726,804	487,578
Operating Expenses	**611,958**	326,043	272,422
Profit after tax	**324,524**	203,035	270,377
STATEMENT OF FINANCIAL POSITION (MUR'000)			
Total Assets	**48,990,198**	31,564,157	22,392,352
Total Loans	**17,227,455**	14,007,752	12,784,321
Total Deposits	**40,413,544**	27,224,340	19,626,671
Shareholders' Funds	**3,450,381**	2,197,394	1,781,751
PERFORMANCE RATIO (%)			
Return on Average Equity	**13.3**	10.0	17.5
Loan to Deposit Ratio	**42.6**	51.5	65.1
Operating Expense to Total Operating Income	**50.0**	44.9	55.9
CAPITAL ADEQUACY RATIO (%)			
Basel II	**13.3**	12.8	13.5

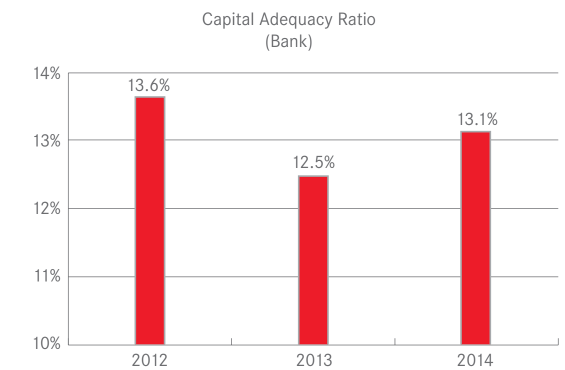
AfrAsia Bank Limited and its Group Entities have consistently been on a rising trend as shown by the figures above. AfrAsia Bank Limited and its Group Entities have been successful in achieving its strategic objective of expanding and extending its core business activities namely Corporate Banking, Corporate Finance, Private Banking and Wealth Management by strengthening its local market share through product differentiation and by increasing its foreign customer base.

THE BANK

On a stand-alone basis, the Bank closed its seventh year of operations on a solid note reporting an operating profit of MUR 506m, a 49% increase on the previous year. However, an unfavourable liquidity situation prevailing in Zimbabwe and significant losses incurred by AfrAsia Bank Zimbabwe Limited affected the Bank's results considerably, giving rise to an impairment loss of MUR 217m on its investment in Zimbabwe and a net credit impairment of MUR 108m on a loan to its subsidiary. As a result, the Profit of the Bank for the year ended 30 June 2014 amounted to MUR 223m.



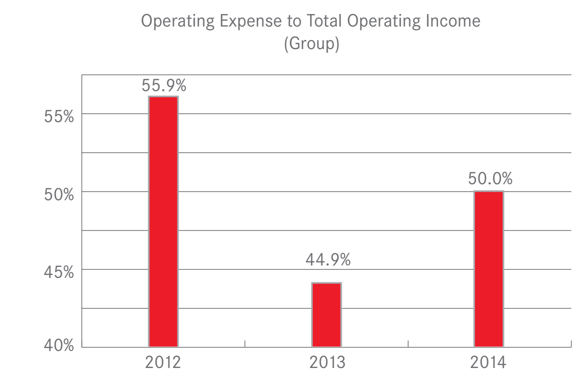


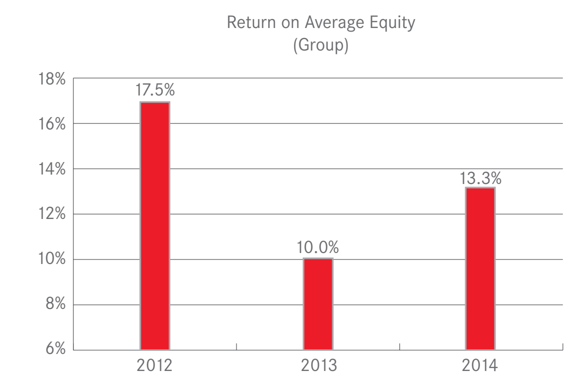


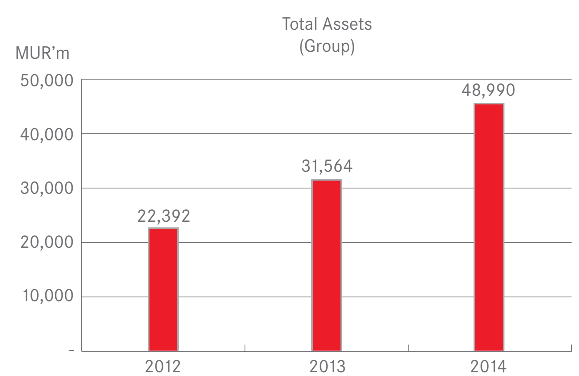
FINANCIAL HIGHLIGHTS (CONTINUED)

THE GROUP

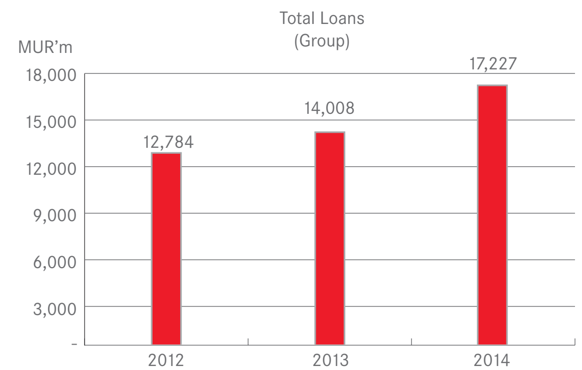
The Group's results were more subdued, being affected by negative returns from its investment made in Zimbabwe through its associate AfrAsia Kingdom (Zimbabwe) Limited. This was mainly due to non-performing loans. A restructuring at shareholder, Board and management levels has been initiated together with a capital raising exercise which is expected to turn around the business. AfrAsia Investments Limited, AfrAsia Corporate Finance (Africa) Limited, AfrAsia Capital Management Limited and AfrAsia Corporate Finance (Pty) Limited performed satisfactorily.

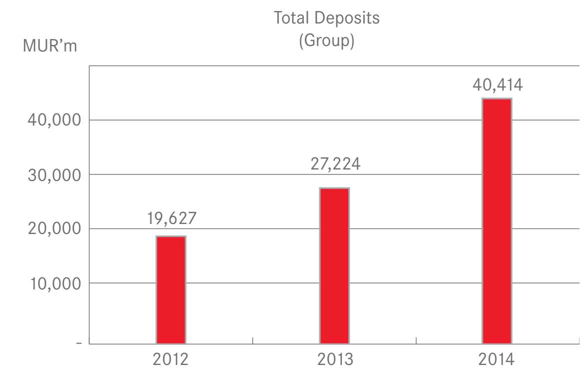


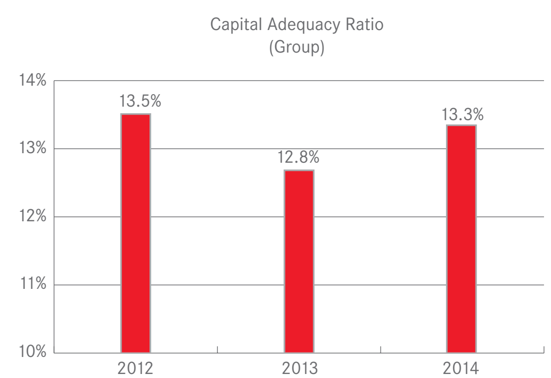




AfrAsia Bank Limited and its Group Entities | Annual Report 2014







KEY PERFORMANCE HIGHLIGHTS

Operating Profit (Bank)
+49%
2014: MUR 506,211,743
2013: MUR 340,087,597

Total Operating Income (Bank)
+77%
2014: MUR 1,176,559,125
2013: MUR 663,833,998

Dividends per share (Bank)
+20%
2014: MUR 1.50
2013: MUR 1.25

Deposits (Bank)
+51%
2014: MUR 41,089,954,783
2013: MUR 27,232,616,080

Total Equity (Bank)
+52%
2014: MUR 3,333,234,798
2013: MUR 2,194,668,365

Loans and Advances (Bank)
+24%
2014: MUR 17,397,054,742
2013: MUR 14,007,752,016

USD 1.3
Billion of deposits and investments under management as at 30 June 2014

104
Countries where we have clients

18,426
Bank accounts

1ST
Bank in Mauritius to launch a rewards programme with real time flight and hotel booking worldwide

3RD
Largest local bank in Mauritius in terms of Segment B Operations (Non-Resident)

14
Awards received since 2008

After 7 years of operations, AfrAsia Bank Limited's **ambition** to become a bigger player in African countries is being recognised as it continues to build bridges between Africa, Asia and the World.

CORPORATE PROFILE AND STRATEGY

AFRASIA BANK LIMITED – BUILDING BRIDGES BETWEEN AFRICA, ASIA AND THE WORLD

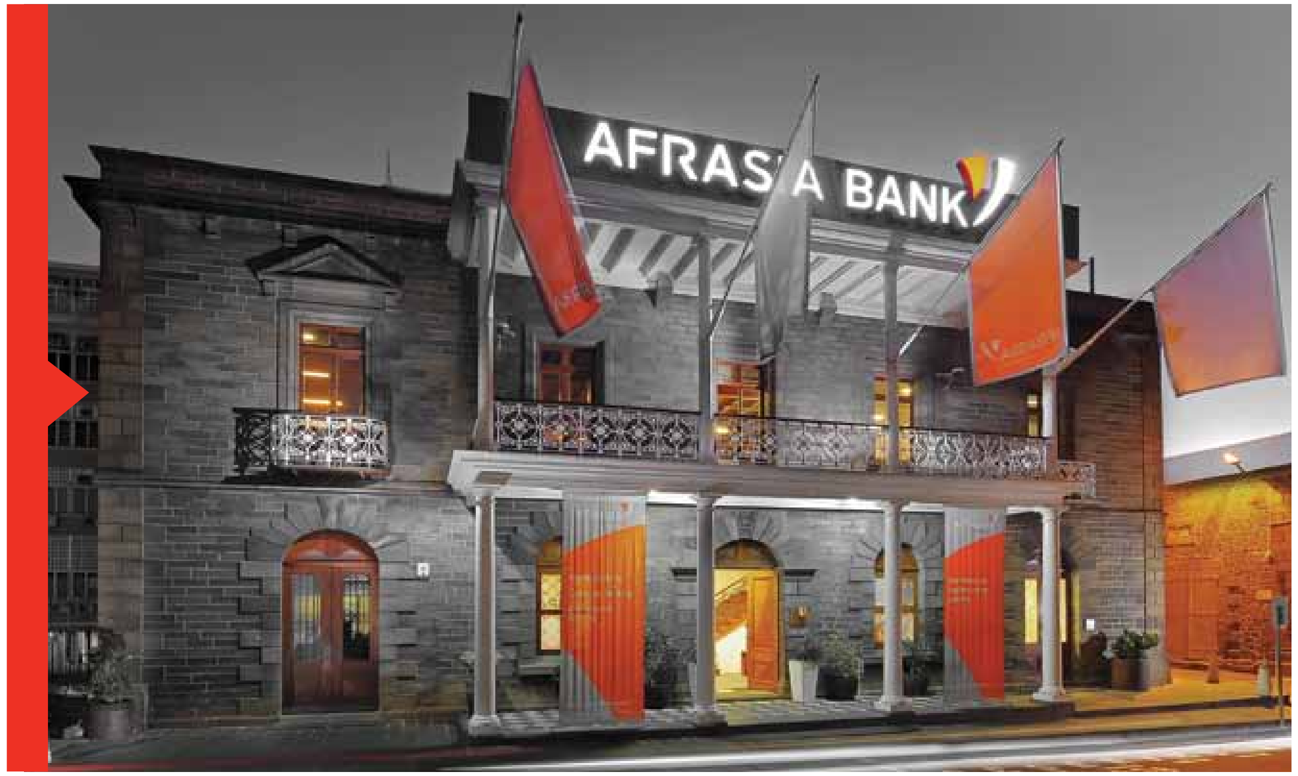
Strategically based in Mauritius and with representation in key markets, AfrAsia Bank Limited serves the Africa-Asia trade corridor, combining its strengths and expertise in four core divisions:

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

Since its inception, the Bank has expanded through a combination of substantial organic growth and a series of strategic acquisitions, with core activities in Mauritius, South Africa, the United Kingdom and Zimbabwe.

The Bank's core banking and transactional capabilities are in Mauritius along with Representative Offices in Cape Town, Johannesburg and London, its asset management arm, AfrAsia Capital Management Limited and its investment banking arm, AfrAsia Corporate Finance (Pty) Ltd as well as its associate, AfrAsia Zimbabwe Holdings Limited.

The strategic aims are grounded in line to be a leading regional bank connecting Africa, Asia and the World using Mauritius as the gateway of investment. The Bank's international network allows matching opportunity with investment while growing and preserving clients' wealth and enabling them to enjoy the rewards of emerging markets.



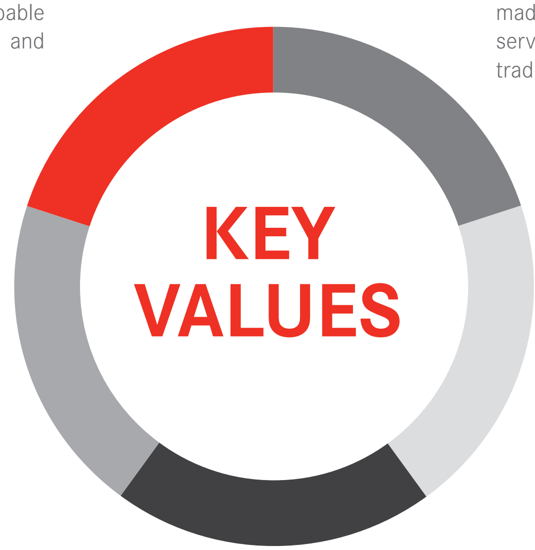
CORPORATE PROFILE AND STRATEGY

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.



CAN-DO ATTITUDE

The Bank's employees are focused, proficient and friendly. We are capable of bringing you service excellence and efficient products.

DISRUPTIVE BANKING

AfrAsia Bank Limited provides you with tailor-made, innovative and attractive products and services which are entirely different from traditional banking.

GENUINENESS

AfrAsia Bank is committed to best-in-class governance and all credit decisions are processed independently of shareholders.

PASSIONATE PARTNERS

The team of professionals is dedicated to providing you with the highest standard of service. More than just bankers, we are partners.

PRIVILEGED RELATIONSHIPS

Establishing a privileged and durable relationship takes time and requires a specialist advisor with whom you can build an open and confidential dialogue - that is what makes us stand out.

AfrAsia Bank Limited and its Group Entities | Annual Report 2014

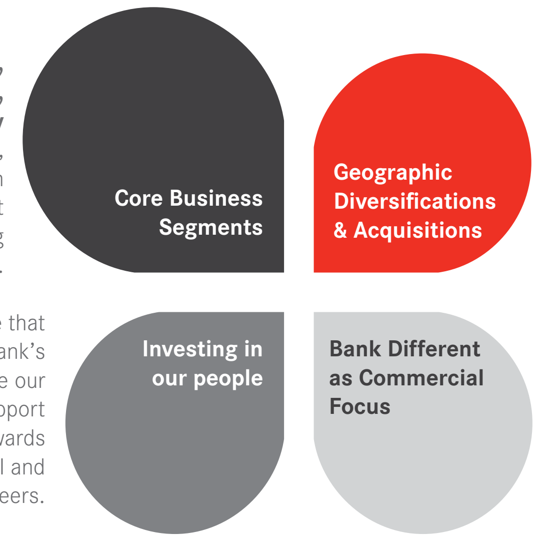
STRATEGY AND BUSINESS MODEL

AfrAsia Bank Limited is in a strong position to capitalise on its distinct leading banking capabilities to continue to outperform the underlying emerging markets, Africa's and Asia's growth. Its international reach, together with its passionate team, ensures the Bank has a local insight with a global foresight to further build and sustain long-term privileged relationships with customers around the world.

The African continent provides tremendous growth opportunity for AfrAsia Bank Limited. With the devised strategy, the Bank is well-positioned to benefit from this emerging market opportunity using the Mauritius International Financial Centre as a gateway for investment.

The Bank's strategy is implemented through the key themes below:

Private Banking & Wealth Management, Corporate & Investment Banking, Global Business, Treasury
Develop innovative banking solutions, across the region and internationally, with a dedicated passionate team to meet changing client needs and remain a leading competitive bank in core business lines.



Expand the Bank's presence in the SADC, COMESA regions, across Africa, Asia and Europe as well as emerging markets while developing its tailored banking solutions to a wider market.

Build a talent pipeline that is in line with AfrAsia Bank's ambitions, reinforce our key values and support employees towards challenging, meaningful and fulfilling careers.

Enhance the AfrAsia brand locally and internationally, offer a brand experience that is homogenous and different from its competitors, develop multi-channel strategies adapted to customers' needs and tailored to their demands, while always pursuing a customer-centric approach built on long-term relationships, attentiveness and transparency.

CORPORATE PROFILE AND STRATEGY (CONTINUED)

EXECUTING ITS STRATEGY TO BUILD BRIDGES BETWEEN AFRICA, ASIA AND THE WORLD

STRATEGY	ACHIEVEMENTS	OPPORTUNITIES	RISKS
PRIVATE BANKING AND WEALTH MANAGEMENT (Please refer to page 100 - 101)			
To be the best Private Bank in the region To differentiate the Bank in its target market through its value proposition To have a complete offering of world class standard To develop synergies with internal and external partners To deliver tailored, highly relevant and bespoke products, solutions and services to clients	Recruitment of high calibre international private bankers Number of clients increased by 24% between 2013 and 2014 Assets under management growing by 66.75% between 2013 and 2014 Awarded Best Private Bank in Mauritius 2013 by The Banker (page 26) Awarded Best Local Private Bank in Mauritius 2012 and 2013 by Euromoney (page 26)	Growing number of High Net Worth Individuals in Africa and the region Low interest rate prevailing on the market offers opportunities for more diverse and sophisticated investment Risk aversion of foreign banks on the African market creates prospects for Private Banks	Highly - regulated industry Change in regulations in Mauritius Interest rate, market and credit risks (page 66, 72)
Global Custody To be a market leader for wealth management and global custody services on the local market and in the region One-stop-shop for High Net Worth Individuals providing a wide range of value added services and products The Bank offers global custody services in all major markets (e.g US, Europe, Asia, Australia, South Africa) and exotic markets (e.g. 21 African markets) among others The department has access to a wide range of products, ranging from Fund services to structure product and p-notes among other vanilla products and covers a wide range of markets	Asset under custody has increased by 200% over the last year Number of clients increased by 88.7% between 2013 and 2014 New custody software under implementation Restructuring of the custody services department, including the recruitment of experienced resources (page 101)	Access to new clients from different jurisdictions focusing more on custody business and Wealth Management – High Net Worth Individuals, Corporates, Foreign Institutions and Asset Managers Limited number of role players on the markets which means less competitors	Change in regulations in Mauritius Operations risk (page 76) Liquidity risk (page 74)

STRATEGY	ACHIEVEMENTS	OPPORTUNITIES	RISKS
CORPORATE AND INVESTMENT BANKING (Please refer to page 99)			
To consolidate its position on financing of conglomerates and increase the Bank's share of business on the overall corporate market, with key focus on trade finance and foreign exchange capabilities respectively Continue to lay emphasis on the quality of service and to have a diversified assets book To focus on fee based generators: fee based Income and FX Income Quick decision making and turnaround time	Relationships with more than 85% of the Top 100 companies in Mauritius Deposits in Corporate segment have experienced a significant increase (+46%) Strong growth of 22% in corporate assets	Significant scope for future growth through better penetration of Top 100 companies and expanding corporate customer base to include the 300 top corporates, as well as selective business in Madagascar The Bank is well-positioned to fuel the growth of its assets due to the recent increase in its capital base Consolidate our Relationship Management Team in order to maintain focus on growing business from Corporates	Companies are increasingly multi-banked and getting a share of their wallet can be challenging The current interest rate environment prevailing, together with the yield curve at its lowest point, increasing deposit book will be a challenging task (page 72) With the current economic outlook for Mauritius, new project developments in the four corporate segments are slowing down
GLOBAL BUSINESS (Please refer to page 102 - 104)			
To capture cross-border trade and investment flows routed via the Mauritius International Financial Centre (IFC), more specifically those going into the African continent To be the reference bank for Intermediaries based in Mauritius and other reputable IFCs	Geographic client diversification in 104 countries with 8,768 bank accounts as at 30 June 2014. Clients include several Africa Private Equity Funds and Special Purpose Vehicles The Bank has been present as the Africa specialist at several strategic financial roadshows and conferences namely, the Africa CEO Forum, PE conferences in Lagos, Accra and China Offshore Summit promoting Mauritius as an IFC and outlining the Bank's capabilities Working with 121 intermediaries in Mauritius and 117 based outside of Mauritius, as at 30 June 2014	Mauritius continues to be the preferred jurisdiction for cross-border investments. The Bank will capture more of such flows by working closely with Private Equity advisors, lawyers, trade financiers, banks and others Since the Bank is offering a strong client service delivery to Intermediaries, it helps to capture a bigger portion of clients' business flows	Mauritius being 'blacklisted' by the OECD /FATF/G20 countries Double Taxation Agreement (DTA) renegotiation Establishment of new bilateral trade agreements (outside of COMESA and SADC) Changes in the legal framework, which makes client adoption more cumbersome Country, Currency and Credit Risks (page 66, 70, 72)

CORPORATE PROFILE AND STRATEGY (CONTINUED)

STRATEGY	ACHIEVEMENTS	OPPORTUNITIES	RISKS
TREASURY			
The Bank strives to provide sophisticated and competitive Forex and Money Market products to meet clients' commercial and investment needs	New product developments in the form of FX Structured products and yield enhancement products such as Geared Forwards, Chooser Forwards, Non-Deliverable Forwards and Dual Currency Deposits	Investors are looking for yield enhancement ideas in the current low interest rate environment. As such, the Bank is working on different types of investment products to cater for the sophisticated investor community	The slowdown in the Mauritian economy is having an impact in the local foreign exchange market with a marked decrease in flows
GEOGRAPHIC DIVERSIFICATION AND ACQUISITIONS			
To develop win-win strategic partnerships with leading financial services organisations to complement the Bank's growing capabilities and serve Mauritius and the dynamic Africa and Asia trade and investment corridor.	AfrAsia Corporate Finance as a Johannesburg Stock Exchange approved advisor (page 105) Axys Capital Management rebranded as AfrAsia Capital Management in October 2013 (page 105 - 106) Launch of a Representative Office in London to extend its reach across UK and European network of investors actively involved in Africa (page 104)	Sharpening the Bank's focus into other markets namely Kenya, Mozambique, Tanzania and Uganda as well as European markets such as London and Switzerland	Political instability in Africa The perception of Zimbabwe to investors Different economic and social environments impact on credit and currency risks (page 70 - 74)
INVESTING IN OUR PEOPLE (Please refer to page 54 - 55)			
To become the most preferred employer for the financial sector in the region by 2015	16 employees provided with new career opportunities through promotion 70 attending external training events and over MUR 2.6m invested in learning and growth 2 CEO road shows 2 Health and Safety events in addition to the bi-monthly mandatory committee meetings The number of employees trained in First Aid increased from 6 to 12	Recruit a dedicated resource person for talent acquisition, retention, learning and growth Provide more opportunities for growth in the structure of the Bank as well as the Group Continue to improve on-boarding process to ensure we remain 'Bank Different'	New competitors entering the market Labour market is becoming more fluid – higher rate of employee turnover Size and scale of the Bank's business model limits career path when compared to larger employers

STRATEGY	ACHIEVEMENTS	OPPORTUNITIES	RISKS
INVESTING IN OUR PEOPLE (CONTINUED)			
	7 social events/activities throughout the year; co-ordinated by the employees, for the employees Maximise synergies within the GML Group, through joint events/activities such as environmental initiatives and the National ID Card Project	Invest in HRM system, bring HR data closer to end users and increase empowerment for employees	Skills gaps are still evident in the market
BANK DIFFERENT AS COMMERCIAL FOCUS			
To position AfrAsia Bank Limited as a regional bank with a global reach, with the ability to customise innovative products and tailor-made advice for local and international markets. To promote the Bank as entrepreneurial relationship bankers building bridges between Africa, Asia and the World To connect people, places, products and possibilities, always living up to our 'Bank Different' approach	Customer Initiative: Launching XtraMiles, Africa's first rewards programme offering real time flights, hotels and car rental booking to our World and Titanium MasterCard cardholders Hosting roadshows, participating in panel discussions and speaking at international conferences to showcase investment opportunities in Africa and beyond while using the Mauritius IFC Revamping the website with dedicated microsites for Private Banking and Wealth Management and International Banking to provide segmented information and a seamless browsing experience Launching mobile apps, a microsite and an online chat system for the Annual Report 2013 to enhance online financial reporting Growing its global presence through targeted PR initiatives in renowned international media across Africa, Asia and Europe The first Mauritian bank to have its Internet Banking platform in Chinese language	Devising sponsorship strategies to associate the brand to its stakeholders' lifestyles, namely through the AfrAsia Bank Mauritius Open, AfrAsia Bank Cape Wine Auction, AfrAsia Barcelona Club Developing innovative banking solutions and rewards adapted to customers' lifestyles Reinforcing digital marketing initiatives to promote the brand and its services online Using technology to respond to clients' changing needs and lifestyles	Reputational Risk Assessment of product risk and KYC The risk of being blacklisted on Google and other search engines if guidelines are not respected

CORPORATE PROFILE AND STRATEGY (CONTINUED)

OPERATIONAL FOOTPRINT

MAURITIUS (PORT LOUIS AND EBENE)

- The Bank was incorporated in 2007
- Launch of a flagship branch in Ebene in October 2014 (post balance sheet)
- Core divisions: Private Banking & Wealth Management, Corporate & Investment Banking, International Banking, Treasury
- Market leading position in its core business lines: Private Banking & Wealth Management
- Asset Management: AfrAsia Capital Management

SOUTH AFRICA REPRESENTATIVE OFFICES (JOHANNESBURG AND CAPE TOWN)

- Launched in February 2010
- Core international products and services: Corporate Banking & Investment Banking, Investment Banking solutions, Private Banking & Wealth Management and Treasury structured through Mauritius
- Works with its corporate finance subsidiary AfrAsia Corporate Finance (Pty) Ltd located in Cape Town

UNITED KINGDOM REPRESENTATIVE OFFICE (LONDON)

- Launched in March 2014 and located in Mayfair
- Acts as a focal point for AfrAsia Bank Limited's London Advisory Panel, which supports the Bank in extending its reach across the UK and European network of investors, advisers, intermediaries and businesses who are actively involved in Africa
- AfrAsia Bank Limited's private equity initiative is focused on the financial services sector in East Africa, offering both investment capital and wealth of AfrAsia Bank Limited's sector expertise to assist in accelerating growth

ZIMBABWE

- AfrAsia Bank Limited owns 46% of Kingdom Bank, rebranded as AfrAsia Zimbabwe Holdings Limited
- Subsidiaries include: AfrAsia Bank Zimbabwe Limited, AfrAsia Capital Management (Private) Limited, MicroKing Finance
- Core Business lines: Personal, SME and Business, Corporate

STRATEGIC PARTNERS

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 and diversification, commerce and industry, financial services, talent sourcing, offshore, insurance, hospitality, real estate and biotechnology. The Group employs over 15,000 persons with a turnover of approximately MUR 29bn and asset size at MUR 46.5bn in 2013. GML is ranked first in the Top 100 companies in Mauritius for the last four years and third in the Indian Ocean.

For more information please visit www.gmltogether.com

SOCIETE DE PROMOTION ET DE PARTICIPATION POUR LA COOPERATION ECONOMIQUE S.A (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.

For more information please visit www.proparco.fr

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 is the second largest shareholder of the Bank and provides guidance and support to our international expansion.

For more information please visit www.intrasiacapital.com

CORPORATE PROFILE AND STRATEGY (CONTINUED)

OUR KEY RELATIONSHIPS

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 THE BANK ENGAGES WITH STAKEHOLDERS	STAKEHOLDERS' CONTRIBUTION TO VALUE CREATION	WHAT STAKEHOLDERS EXPECT FROM THE BANK	WHAT CONCERNS STAKEHOLDERS
EMPLOYEES AND MANAGEMENT	• Face to face meetings • CEO road shows • Social events/activities • Internal training and coaching • External learning and growth opportunities • Committees and Work groups • Newsletters • Recognition and reward	• Employees form the foundation of the business. They deliver the quality, innovation and integrity that is the key to continued success	• An environment that is safe, stimulating and rewarding. The opportunity to achieve both company and personal goals	• A safe and healthy place to work • Opportunities for training and career enhancement • Open door management style and positive internal culture • Recognition of a job well done through feedback and coaching • Competitive remuneration and rewards • A high level of employee empowerment and autonomy
SHAREHOLDERS AND INVESTORS	• Regular presentations and road shows • External newsletters • Integrated reports, media releases and published results - Board Meetings - Annual General Meetings - Webpage dedicated to Investor Relations	• 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 • Capital expenditure for current and future periods

AfrAsia Bank Limited and its Group Entities | Annual Report 2014

STAKEHOLDER GROUP	HOW THE BANK ENGAGES WITH STAKEHOLDERS	STAKEHOLDERS' CONTRIBUTION TO VALUE CREATION	WHAT STAKEHOLDERS EXPECT FROM THE BANK	WHAT CONCERNS STAKEHOLDERS
GOVERNMENT REGULATORY AUTHORITIES	• Meetings between the Bank and regulators • Specific work groups • Written communication • Filing of regulatory returns • Onsite and offsite supervision by regulators	• The Bank is granted a banking licence by the regulator and is allowed to operate as a bank and engage in business activities specified in the licence • The regulator provides the enabling regulatory framework	• Providing banking services in a transparent and responsible way • Ensuring customer satisfaction • Complying with acts, regulations and guidelines	• Products and services being provided to customers • Compliance with acts and regulations • Transparency and disclosure of relevant information • The Bank's duty of confidentiality • Duties of directors and senior management • Appropriate Customer Due Diligence and KYC • Appropriate internal control • Good risk management • Proper complaints handling • Good Corporate Governance
CUSTOMERS	• Customer meetings and site visits • Conferences/Seminars • Business association meetings • Digital communication via emails, social media channels	• Customers provide the basis for continued growth	• Listening and crafting innovative, tailor-made banking solutions that respect their financial aspirations and lifestyles • Expecting client interactions are as simple and instant as possible	• 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
SUPPLIERS AND SERVICES	• Supplier meetings and site visits on a regular basis • Supplier and service providers performance level agreements • Business association meetings	• Careful selection of the Bank's supplies, normally from world class suppliers, products and services that support its growth	• Providing joint growth opportunities in a responsive and mutually respectful manner, with timely payment and favourable contract terms	• Ensuring long term support with firms that have been in the market for sufficiently long and have a wide ranging clientele, especially in banking sector • Health & Safety: necessary policies are in place in addition to having a Health & Safety officer to look after the legal compliance for Health & Safety • Preferential procurements depending on the uniqueness of the supplies and in-time deliveries

CORPORATE PROFILE AND STRATEGY (CONTINUED)

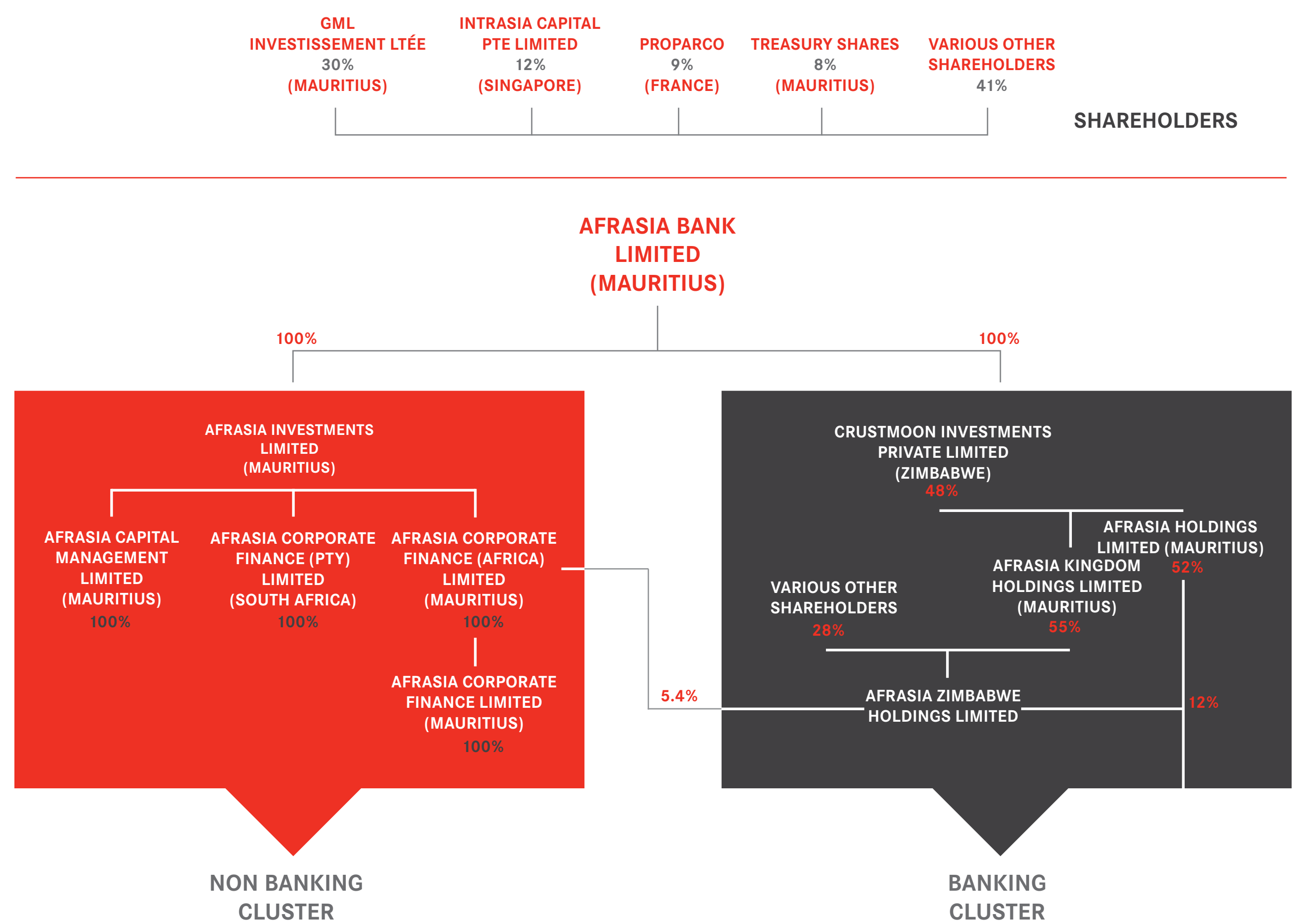
LICENCES

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)	Financial Services Commission
AfrAsia Zimbabwe Holdings Limited	Mauritius (GBL1)	Financial Services Commission
AfrAsia Bank Zimbabwe Limited	Zimbabwe	Reserve Bank of Zimbabwe
AfrAsia Corporate Finance (Pty) Limited	South Africa	South African Reserve Bank, Financial Services Board (FSB-South Africa), Johannesburg Stock Exchange
AfrAsia Corporate Finance (Africa) Limited	Mauritius (GBL1)	Financial Services Commission
AfrAsia Capital Management Limited	Mauritius (Domestic)	Financial Services Commission

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

AFRASIA GROUP STRUCTURE



ACCOLADES

Clients have always been a touchstone for AfrAsia Bank Limited. The Bank is driven by a strong commitment to excellence and client satisfaction. Its wealth of experience, together with a loyal clientele, has brought a string of accolades.

2014

Online Reporting (PricewaterHouseCoopers Mauritius)

Financial Institutions Reporting (PricewaterHouseCoopers Mauritius)

1st Private Bank for Fixed Income Portfolio Management in Mauritius (Euromoney)

Best Private Bank for Private Equity Investment in Mauritius (Euromoney)

2013

Best Private Bank in Mauritius (The Banker/Private Wealth Management)

Online Reporting (PricewaterHouseCoopers Mauritius)

Best Bank in Southern Africa (African Banker)

Best Local Private Bank (Euromoney)

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2012

Best Private Bank for Super Affluent in Mauritius

Best Local Private Bank (Euromoney)

HR Leadership Award (Global HR excellence awards - world HRD congress)

2008 - 2011

Most Innovative Bank in Mauritius (World Finance)

Quality Recognition for achieving high Straight Through Processing rate for payments and transfers (Citi Bank)

Best Private Bank in Mauritius (Euromoney)

RANKINGS

Listed among Top 200 African Banks 2014

(The Africa Report)

152nd in Africa

CHAIRMAN'S REVIEW

Dear Shareholders and Partners,

Seven years ago, we had a bold dream: to become a bank of reference for the Corporate segment and the Private Banking market in Mauritius and the region and to capture Mauritius's potential as an International Financial Centre and the compelling opportunities the Hopeful Continent had to offer. AfrAsia Bank Limited was created.

With GML, the Number 1 Group in Mauritius as anchor shareholder, an innovative mindset and strategic thinking, we have continued to go our own way ever since. We became a unique entity that blended entrepreneurial verve, tactical thinking, and operational excellence, with everything united by a passionate commitment to success.

AfrAsia Bank Limited closed this financial year on a solid note reporting record operating profit and net income pre-exceptional items and maintaining its robust growth in loans, assets and deposits. To support its rapid growth, AfrAsia Bank Limited raised additional capital totaling MUR 1.39bn in the form of Class A shares from a broad range of investors. This capital raising has helped to strengthen the Bank's capital base with AfrAsia Bank Limited posting a Capital Adequacy Ratio of 13.1% as at 30 June 2014. It has always been the strategy of the Bank to raise capital as and when required to support the growth of the balance sheet and also diversify its shareholders' base.

I thank our shareholders and my fellow Directors for their essential role in what is becoming an ever-increasingly highly regulated industry. Such regulation however has contributed to our financial services industry remaining strong yet vibrant in Mauritius.

We believe that we have set up the right framework, the right strategy and appropriate tools to outperform and exponentially grow from a startup bank to a renowned and innovative financial institution.

This continued commitment and professional excellence from our stakeholders makes me confident that the years ahead for AfrAsia Bank Limited are going to be as – or even more – exciting and rewarding than the last 7 years.

THE CHALLENGE OF LEVERAGING AFRICA'S POTENTIAL

While other countries may stagnate under economic pressures, Mauritius has made a successful expansion from sugar cane production to a diverse and dynamic economy. Financial services now contribute significantly to the nation's coffers with an increased focus on enterprise building as the island seeks to become a knowledge and investment hub for the region.

Having concentrated on European markets for more than 40 years, Mauritius has made robust efforts to integrate with its mainland counterparts particularly those within the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). Hence the decision for the Bank to look closely at these markets as we dive into countless opportunities to exploit the Africa-Asia trade corridor. We have considerably beefed up our capabilities in Africa and now offer trading settlements in eight African currencies amongst which Zambia, Nigeria, Botswana, Kenya and Tanzania.

> Africa remains first and foremost an emerging continent with growing markets and rising industries and it is imperative for AfrAsia Bank to continue positioning itself to capture the opportunities while ensuring that risks are well managed and mitigated.

But dealing in Africa is not risk free, as our investment in Zimbabwe has demonstrated. In light of the challenges faced by our operations there, the Group has embarked on a turn-around strategy whose key component revolves around raising additional funding and even capital to tackle the liquidity issues on the ground. Concurrently, we have ensured that the risks of Zimbabwe are ring-fenced and do not affect our main stream operations on the AfrAsia Bank balance sheet.

Going forward, our strategy in Africa will be centered towards building durable partnerships with key players on the continent, be it with strong corporate clients, investors and Private Equity funds as well as banks.

Africa remains first and foremost an emerging continent with growing markets and rising industries and it is imperative for AfrAsia Bank Limited to continuously position itself to capture the opportunities while ensuring that risks are well managed and mitigated.

CORPORATE GOVERNANCE

As a Group, we are committed to upholding the highest levels of corporate governance and have implemented a comprehensive governance framework. The Bank has been an award winner at PwC Corporate Reporting Awards for 2 consecutive years and last year, we bagged both 'Online Reporting' and 'Financial Institutions' awards. Full details of our Corporate Governance Report are provided in this Annual Report.

We also have a strong, experienced and diverse Board with balanced expertise, and the Board exercises solid controls as well as strategic oversight on the Management team. The Board composition now includes Nicolas Weiss as a non-executive Director with more than 26 years of experience in the finance industry. We will continue to review the composition of the Board to ensure that we have the right mix of skills and appropriate diversity to set the strategic direction of AfrAsia Bank Limited and oversee its successful establishment in the region and internationally.

POSITIONED FOR PERFORMANCE

This year has seen the Bank reach new key milestones. Our balance sheet has now crossed the USD 1.5bn mark with new capital raised and strong growth on both deposits and loans. Net Operating Income has been above MUR 1bn and Operating Profits have crossed MUR 500m. Net Profit for the year has however been lower at MUR 223m as we have prudently passed a provision related to our Zimbabwe investment. We have recorded a 57% increase in total comprehensive income at Group level, from MUR 206m in 2013 to MUR 323m, with the contribution of our wholly-owned subsidiaries AfrAsia Corporate Finance and AfrAsia Capital Management.

As the Bank keeps on expanding, we also have the opportunity to build a robust and complete business continuity capability at Ebene. With the implementation of a new flagship branch in Ebene, CyberCity, we continue to put technology at the heart of our business strategy through digital interactive walls, screens and displays with multi-touch functionalities, to provide a distinctive customer experience.

The Bank has also opened a new Representative Office in London, licensed by the Financial Services Authority.

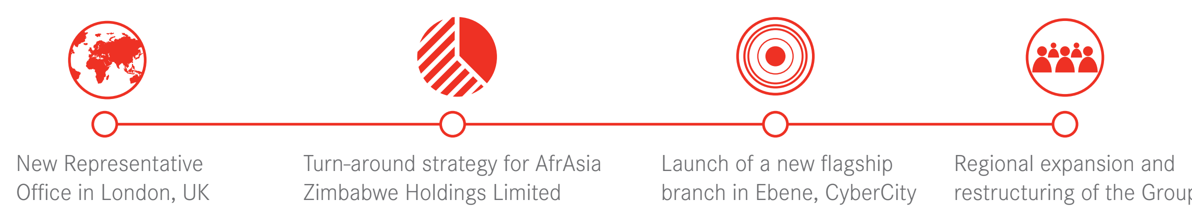
LOOKING AHEAD

As we continue in our mission of growing the franchise for the benefit of all stakeholders, we are conscious of the necessity of keeping a strong corporate governance framework and managing risks. The compliance framework of the Group needs to also evolve in line with regulatory requirements that become more complex and stringent. Accordingly, the Group has embarked on a restructuring plan that will see the creation of a top holding company named AfrAsia Financial Holdings Ltd (AFHL). Entities of the Group will be split between a banking cluster and a non-banking cluster. And within the banking cluster, the Zimbabwe entities will also cease to be subsidiaries of the Bank and will be held separately. This will also ensure that the Zimbabwe investment is further ring-fenced and help isolate any potential additional risks associated therewith. We expect to complete the restructuring before 31st December 2014.

I expect the Bank to keep focusing on its core target segments where it has made significant inroads over the past years and which should continue contributing to the value creation process. It is also by showing an unmatched combination of vision, business acumen and experience that the dedicated executive team and employees continue to uphold the 'Bank Different' approach. I am proud to note the unremitting commitment of the Chief Executive Officer and his team in tirelessly building a business of value and growth. May I take this opportunity, as Chairman of the Bank and for the last year, due to rotation imposed by Bank of Mauritius, to thank my fellow Directors and all the team members for the support during this year and since 2007.

AfrAsia Bank will continue this 'Bank Different' journey with all our stakeholders, who continuously inspire us to exceed expectations and drive the franchise to new heights.

Arnaud Lagesse
Chairman



CHIEF EXECUTIVE OFFICER'S MESSAGE

2014 – A SIGNIFICANT YEAR OF PROGRESS

With customers in 104 countries and a brand that is becoming well-known regionally, we have grown in resilience as a powerful boutique corporate and private bank with corporate finance, asset management, trade finance and global custody capabilities.

Decisions about where and when to invest are centered on the creation of value. In 2013 we introduced a series of technology initiatives across the Bank aimed at finding more efficient ways to deliver superior service to our customers.

These efforts are designed to drive sustainable revenue growth by deepening existing customer relationships and forging new ones.

FINANCIAL STRENGTH

On the back of this customer investment, we are pleased to record significant growth in our financial performances. Operating profit for the Bank reached MUR 506m for the year ended 30 June 2014, a 49% increase on MUR 340m we reported in the previous year. Indeed, the strong increase in operating profit was driven by an 80% increase in net interest income and an 86% increase in net trading income, both from serving our customers better. Net Operating Income after credit provisions crossed the MUR 1bn mark, an increase of 51% over the previous year.

With the current liquidity issues in Zimbabwe, our subsidiary AfrAsia Zimbabwe Holdings Ltd has been affected by these challenges. However plans to revitalize the Group are being set out and several strategies are being rolled out to restore confidence of the stakeholders. The turn-around strategy involves key local and international investors to address the liquidity issue through an equity raise and Senior Secured Note. This turnaround has had my personal and direct involvement.

Nonetheless, our local operations have not been affected by the challenges faced in Zimbabwe. Liquidity ratio as at June 2014 was at 92.5%, as compared to 83.5% in June 2013. The Bank has successfully recorded no excess following the new guidelines on Liquidity Risk Management issued by the Bank of Mauritius.

Our customer loans and advances as at June 2013 amounted to MUR 17.4bn and customer deposits at MUR 41.1bn, a 24% increase and 51% increase from the previous year, respectively. Total assets grew to MUR 47bn which is a 50% increase over the previous year. Our strong growth is derived partly from the level of service the Bank offers and the unique competitive advantage the Mauritian market offers to investors locally and internationally. We plan to continue to build on our relevance in the region through operational presence in selective markets and use our head office in Mauritius and regional office in South Africa to support those developments. Our London representative office in the UK was opened during the year as well.

MARKETING AND BRANDING

We have been at the forefront of pioneering initiatives with numerous key launches on both the domestic and international market, as can be seen in the '2013-2014 – At a Glance' section of the report. Our strategy remains to participate in various trade shows and conferences, such as Mines & Money, African Mining Indaba, STEP, deepening thus our presence on several African, Asian and European markets. We affiliated with once in a lifetime opportunities through sports and social involvement for education and groundbreaking with title sponsorships such as AfrAsia Barcelona Club as well as the communities in which we operate through the AfrAsia Bank Cape Wine Auction, a charity-driven initiative in South Africa.

Our AfrAsia XtraMiles programme, launched in December 2013, a pioneering initiative in Africa, aims at anticipating our clients' needs tailoring the most rewarding experiences for them. This platform is linked to our credit cards and deposits offering our clients unique opportunities in their travel and leisure endeavours.

Moreover, with the consolidation of our operations at AfrAsia Capital, AfrAsia Corporate Finance and AfrAsia Bank Zimbabwe Ltd, we are working towards building the brand more completely this year.

OPERATIONS AND HUMAN RESOURCES

AfrAsia Bank has an extraordinary depth of talented people who understand the business. Nevertheless, we needed to reinforce our skill set with the opening of our London Representative Office as well as strengthening our workforce in South Africa, to tap into the opportunities arising in the European and African markets. With the rapid growth of the Bank and its subsidiaries, the talent pool has been deepened with several appointments in its core business lines, Finance, Legal, Asset Management, Human Resources, IT and Marketing together with various internal promotions.

To further prevent and mitigate operational risks, the Bank has implemented Business Continuity Management framework to provide for a disaster recovery site and appropriate plans as a commitment to continue business to our shareholders, customers and employees. Following the major flood damage caused in March 2013, the back office of the Bank moved to Ebene, which is a technological hub also known to be the next financial centre of the island as will further explain the Risk Management Report. A state-of-the-art branch in the Ebene CyberCity, with full service banking, was also launched to simultaneously celebrate the Bank's 7th anniversary in October.

> We remain exceptionally positive about the long-term prospects of Africa and the emerging markets which AfrAsia Bank will leverage on. As we pursue our corporate mission, we remain assured that the chosen strategic direction is sound.

FUTURE OUTLOOK

Overall, we remain exceptionally positive about the long-term prospects of Africa and the emerging markets which AfrAsia Bank Limited will leverage on. As we pursue our corporate mission, we remain assured that the chosen strategic direction is sound. Sustaining business for the next financial year is of utmost importance as we expand our client base through active market engagement primarily in the Southern and Eastern African regions. Over 60% of our balance sheet assets are now outside of Mauritius.

The future priorities remain to provide dedicated customer service, with tailor-made banking solutions and advice through our Representative Offices, subsidiaries and related companies. We will also continue to invest into the customer experience which should represent instantaneous, transparent services with seamless multichannel access.

We have set ambitious but achievable targets that will position us as an above-market performer, creating long-term stakeholder value in our growing expansion.

James Benoit
Chief Executive Officer

+51%

Deposits (Bank)

2014: MUR 41,089,954,783
2013: MUR 27,232,616,080

Performing beyond expectations is key to achieving financial strength, and we are committed to sustaining growth rates in the years ahead.

The Bank's operating results reflect its commitment to build collaborative and privileged relationships with its customers.

104

Countries where we have clients

Total Operating Income (Bank)

2014: MUR 1,176,559,125
2013: MUR 663,833,998

+77%

CORPORATE GOVERNANCE REPORT

(INCLUDING OTHER STATUTORY DISCLOSURES AS PER SECTION 221 MAURITIUS 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 2014

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

Arnaud LAGESSE	**James BENOIT**	**Jean DE FONDAUMIÈRE**
Chairperson	*Chief Executive Officer*	*Director*

25 September 2014

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.

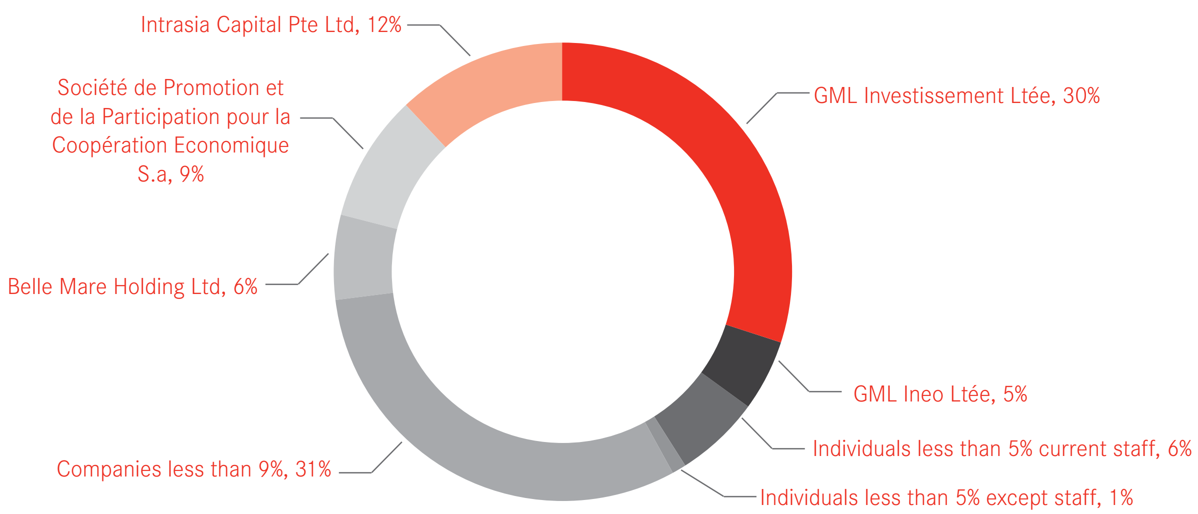
STATEMENT OF AFFAIRS AND REVIEW OF ACTIVITIES

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 reputation renowned across various continents contributing to a capital base of MUR 3.5bn as at 30 June 2014. Conversely, the Bank's aim is to ensure that there is proper and efficient information dissemination to all of its shareholders ensuring rights of minority shareholders are not neglected. We also highlight that approximately 6% of the Bank's shareholding structure is held by current staff of the Bank, a growth of 3% from last financial year.

The shareholding structure as at 30 June 2014 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 the:

- determination of the Bank's purpose, strategy and values, in addition to providing feedback to management on the implementation of same
- monitoring and evaluating the implementation of the Bank's strategies, policies as well as 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 Mauritius Banking Act 2004, the Financial Services Act 2007 and the Mauritius Companies Act 2001. The Board also follows the principle of good corporate governance as recommended in the National Code on Corporate Governance where, for example, the Bank makes full disclosure of the compensation of its Executive Directors as in the Attendance report of the Statement of Corporate Governance Practices.

PRIOR APPROVAL OF THE BOARD

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

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

COMPOSITION OF THE BOARD

The constitution of AfrAsia Bank Limited provides for a Board comprising a minimum of five Directors and maximum of twelve Directors. Currently, the Bank has a unitary Board of eleven 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, the eleven members, two of whom are Executive Directors and nine Non-Executive Directors, function independently of management.

The Board welcomed a new member, Mr Nicolas Weiss, as non-executive Director on 1 November 2013. A complete induction pack was submitted to him and he was given various opportunities to discuss this with the Chief Executive Officer and Corporate Officers to better understand the business.

During the year under review, the Board met on six 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 and its subsidiaries during the year ended 30 June 2014 were as follows:

THE COMPANY
AFRASIA BANK LIMITED

Arnaud LAGESSE (Chairperson)
Jean-Claude BÉGA
James BENOIT
Brett CHILDS
Jean DE FONDAUMIÈRE
Catherine MCILRAITH
Nicolas WEISS (Appointed on 1 November 2013)
Lim Sit Chen LAM PAK NG
Kamben PADAYACHY
Michael John PIKE
Graeme ROBERTSON
Kevindra TEEROOVENGADUM (Resigned on 26 March 2014)
Thierry LAGESSE (Resigned on 12 August 2013)

BOARD OF DIRECTORS

ARNAUD LAGESSE
Non-Executive Director and Chairperson
Appointed: 12 January 2007 and
13 February 2007 respectively
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 1995 as the Finance and Administrative Director before becoming, in August 2005, its Chief Executive Officer. He also participated in the National Corporate Governance Committee as a member of the Board of Directors' subcommittee. He is a member of the Board of Directors of several of the country's major companies and is also the Chairperson of Alteo Limited, BlueLife Limited, LUX Island Resorts Ltd and Ireland Blyth Ltd interalia, eight of which are listed on the Stock Exchange of Mauritius. He 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 Chairperson of GML Fondation Joseph Lagesse since July 2012.

Committees:
Board of Directors (Chairperson)
Corporate Governance Committee

JAMES BENOIT
Chief Executive Officer and Executive Director
Appointed: 31 May 2007
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, London, India, UK, Vietnam, Singapore, Philippines and Mauritius. James Benoit is not a director of any listed company in Mauritius.

Committees:
Board of Directors
Risk Committee
Conduct Review Committee (In Attendance)
Audit Committee (In Attendance)
Corporate Governance Committee
(In Attendance)

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, after which he founded and built a successful venture capital business focused on the IT industry, ultimately culminating in the listing of companies on the London Stock Exchange, Finnish HEX exchange and exiting other investments via trade sales. 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 ('MIoD') 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

NICOLAS WEISS
Non-Executive Director
Appointed: 1 November 2013
Qualifications: MBA from Cranfield University (UK)

Nicolas Weiss, 50, is the father of five children and is a Telecommunications engineer. He is an Essec Business School graduated and holds an MBA from Cranfield (UK). Nicolas Weiss started his career in 1988 at Deltabanque, where he developed an interest rate risk management system. He later developed portfolio insurance and market arbitrage models. In 1991, he joined M.Philippe Oddo and helped raise the clientele of Institutional Investors for mutual funds actions, bonds and derivatives. In 1993, he joined Mr. Le Baron Edmond de Rothschild and was General Manager & Shareholder to the creation of AssMgt subsidiaries of the Rothschild Group in Europe: Rothschild Asset Management (20bn), E.de AssMgt Rothschild Investment Services ($4bn), and Rothschild Multi Management (5bn). Nicolas Weiss was also director and treasurer for 'Rothschild Fundations' since 1997. He left the Rothschild Group in 2010 to settle in Mauritius. Nicolas Weiss has been teaching finance at ESSEC, at Paris Dauphine and at Arts et Métiers. He is a jury member at ESSEC since 1987

Committees:
Board of Directors
Corporate Governance Committee

BOARD OF DIRECTORS (CONTINUED)

LIM SIT CHEN LAM PAK NG
Independent Non-Executive Director
Appointed: 12 February 2007
Qualifications: MBA degree from the Graduate School of Business of Columbia University, New York, N.Y, USA

Lim Sit Chen (Maurice) is a Mauritian and Canadian citizen, born in 1947. He is the founding partner of Stewardship Consulting, a strategy consulting firm in Singapore. Prior to Stewardship Consulting, Maurice was in banking, advising multinational companies, Government agencies and fund management companies in financial strategy, investment management, treasury and risk management. He has worked in London, Montreal, New York, Singapore and Tokyo. Maurice Lam is also a director of AfrAsia Investments Ltd, a subsidiary of the Bank. He is a Director of Gamma-Civic Ltd, a company listed on the Stock Exchange of Mauritius.

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

KAMBEN PADAYACHY
Executive Director
Appointed: 14 February 2011
Qualifications: Master degree in Monetary Economics from the University of Paris Dauphine and a post-graduate degree in Banking and Finance

Kamben is 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 is the Deputy CEO and Head of Global Banking, Treasury and Markets at AfrAsia Bank Limited. He is not a Director of any listed company in Mauritius.

Committee:
Board of Directors

MICHAEL JOHN PIKE
Independent Non-Executive Director
Appointed: 19 January 2009
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)
Conduct Review Committee (Chairperson)

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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. He is also Director of a number of companies including LUX Island Resorts Ltd, Alteo Limited and Alternate Director of BlueLife Limited. Jean-Claude is a director of four 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

Born in 1950 and 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 not a Director of any company listed in Mauritius.

Committee:
Board of Directors

KEVINDRA TEEROOVENGADUM
Independent Non-Executive Director
Appointed: 5 December 2012
Resigned: 26 March 2014
Qualifications: BSc Economics, MSc Finance, MBA (University of Leicester)

Kevindra has spent his career working in partnership with African companies to help them build their respective countries. After gaining his MBA and MSc in Finance from Leicester, England, he moved back to Mauritius and worked for KPMG, Deloitte and Ernst & Young in corporate finance and business consultancy before moving to the Pan-African advisory and investment banking boutique, Loita Capital Partners Group in Johannesburg. There, he assisted clients in fundraising activities in countries including Angola, Cameroon, Ivory Coast, Ghana, Kenya, Nigeria, Tanzania and Zambia and covering multiple sectors including banking, telecoms, commodities, and logistics. In 2007, Kevindra joined Actis to be part of the Africa Real Estate team as a Director. Actis was one of the first to have a dedicated Private Equity Real Estate Fund focused on developing real estate on the continent. Kevindra Teeroovengadum is a Director of one listed company on the Stock Exchange of Mauritius.

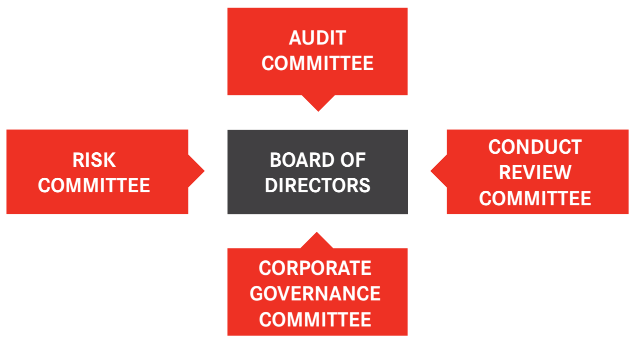
Committee:
Board of Directors

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 Mauritius 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 as could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the committee or as may otherwise come to its attention, and
- appoint auditors.

During the year under review, the Audit Committee met four times. As at 30 June 2014, 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
- Loteswar FANGOO, Head of Compliance
- Bishwajit MAZUMDER, Head of Group Operations
- Deshmukh-Rao DHONDEE, Head of Group Internal Audit

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 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 members are:

- Michael PIKE, Chairperson
- Jean DE FONDAUMIÈRE
- Catherine MCILRAITH

Also attending this committee:

- James BENOIT, Chief Executive Officer
- Joelle NG FOONG LEE, Head of Credit and Risk
- 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 Mauritius Banking Act 2004.

AfrAsia Bank Limited and its Group Entities | Annual Report 2014

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 are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice
- ensures effective communication between stakeholders
- 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 three members are:

- Lim Sit CHEN LAM PAK NG, Chairperson
- Arnaud LAGESSE
- Nicolas WEISS

Also attending this committee:

- James BENOIT, Chief Executive Officer

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 are James Benoit, Chief Executive Officer and the three Independent Directors:

- Michael PIKE, Chairperson
- Lim Sit CHEN LAM PAK NG
- Catherine MCILRAITH

Also attending this committee:

- Kamben PADAYACHY, Deputy CEO, Head of Global Banking, Treasury and Markets
- Jennifer JEAN-LOUIS, Head of Finance and Treasury Back Office
- Joelle NG FOONG LEE, Head of Credit and Risk

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 2014, as well as their individual remuneration and benefits, are shown below:

	BOARD MEETING	RISK COMMITTEE	CORPORATE GOVERNANCE COMMITTEE	CONDUCT REVIEW COMMITTEE	AUDIT COMMITTEE	REMUNERATION AND BENEFITS
DIRECTORS						MUR
Arnaud LAGESSE	6 out of 6	-	4 out of 4	-	-	-
Jean-Claude BÉGA	6 out of 6	-	-	-	-	250,000
James BENOIT	6 out of 6	4 out of 4	*	*	*	35,009,306
Brett CHILDS	5 out of 6	-	-	-	3 out of 4	325,000
Catherine MCILRAITH	4 out of 6	3 out of 4	-	3 out of 4	3 out of 4	475,000
Jean DE FONDAUMIÈRE	6 out of 6	-	-	4 out of 4	4 out of 4	425,000
Nicolas WEISS (appointed on 1 November 2013)	4 out of 6	-	3 out of 4	-	-	85,479
Lim Sit CHEN LAM PAK NG	6 out of 6	4 out of 4	4 out of 4	-	-	425,000
Kevindra TEEROOVENGADUM (resigned on 26 March 2014)	4 out of 6	-	-	-	-	-
Michael JOHN PIKE	6 out of 6	4 out of 4	-	4 out of 4	-	450,000
Kamben PADAYACHY	6 out of 6	-	-	-	-	19,949,653
Graeme ROBERTSON	5 out of 6	-	-	-	-	250,000
Thierry LAGESSE (resigned on 12 August 2013)	-	-	-	-	-	-
ADVISOR						
Jean Paul DE CHAZAL	-	-	-	2 out of 4	-	75,000

* Director also attends these committees.

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 which 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 2014 were as follows:

	YEAR ENDED 30 JUNE 2014		YEAR ENDED 30 JUNE 2013		YEAR ENDED 30 JUNE 2012	
	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	**54,958,959**	**2,760,479**	38,344,339	1,917,534	28,926,872	1,948,631
The Subsidiaries						
AfrAsia Investments Limited	-	-	-	-	-	-
AfrAsia Holdings Limited	-	-	-	-	-	-
AfrAsia Corporate Finance (Pty) Limited	**4,115,961**	**10,139,902**	-	-	-	-
AfrAsia Corporate Finance (Africa) Limited	-	-	-	-	-	-
AfrAsia Capital Management Limited	-	**5,854,092**	-	-	-	-
AfrAsia Corporate Finance (Mauritius) Limited	-	-	-	-	-	-

The Directors did not derive any remuneration or benefits from Group entities.

DIRECTORS' SERVICE CONTRACTS WITH THE BANK AND ITS SUBSIDIARIES

James BENOIT has a service contract with the Bank for a period of five years expiring on 3 June 2017 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

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 unexpired service contract with the Bank.

Kamben PADAYACHY 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.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' SHARE INTEREST

The interests of the Directors in the securities of the Group and the Bank as at 30 June 2014 were:

	YEAR ENDED 30 JUNE 2014		YEAR ENDED 30 JUNE 2013		YEAR ENDED 30 JUNE 2012	
Directors	Ordinary shares held directly	% Shares held indirectly	Ordinary shares held directly	% Shares held indirectly	Ordinary shares held directly	% Shares held indirectly
Arnaud LAGESSE	-	7.61	-	6.73	-	7.10
Jean-Claude BÉGA	-	-	-	-	-	-
James BENOIT	2,557,829	-	749,270	-	1,063,820	-
Brett CHILDS	-	-	-	-	-	-
Jean de FONDAUMIÈRE	-	-	-	-	-	-
Catherine MCILRAITH	-	-	-	-	-	-
Thierry LAGESSE (resigned 12 August 2013)	-	6.01	-	6.08	-	6.52
Nicolas WEISS	-	-	-	-	-	-
Lim Sit Chen LAM PAK NG	-	-	-	-	-	-
Kamben PADAYACHY	895,813	-	598,320	-	648,320	-
Michael John PIKE	-	-	-	-	-	-
Graeme ROBERTSON	-	12.18	-	12.32	-	13.46
Kevindra TEEROOVENGADUM (resigned 26 March 2014)	-	-	-	-	-	-

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 Mauritius Banking Act 2004, Mauritius 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 can then be sought for distribution of same.

In general, the Bank aims for a 40% payout ratio. It has achieved a satisfactory financial return to again allow that and dividends of MUR 116,027,201, that is, MUR 1.5 per share have been declared and paid during the year under review (2013: MUR 88,068,022, that is, MUR 1.25 per share / 2012: MUR 34,560,878, that is, MUR 60 cents per share).

SHARE OPTION PLANS

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

AUDITORS' REMUNERATION

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

	YEAR ENDED 30 JUNE 2014		YEAR ENDED 30 JUNE 2013		YEAR ENDED 30 JUNE 2012	
	Audit	Other*	Audit	Other*	Audit	Other*
	MUR	MUR	MUR	MUR	MUR	MUR
Ernst & Young						
The Bank						
AfrAsia Bank Limited	1,791,493	1,062,993	1,142,992	75,825	1,556,623	55,000
The Subsidiaries						
AfrAsia Investments Limited	171,000	310,500	140,000	28,750	103,500	28,750
AfrAsia Holdings Limited	45,480	13,800	40,000	13,800	-	-
AfrAsia Corporate Finance (Pty) Limited	389,743	-	-	-	-	-
AfrAsia Corporate Finance (Africa) Limited	151,394	-	-	-	-	-
AfrAsia Corporate Finance (Mauritius) Limited	120,600	-	-	-	-	-
AfrAsia Capital Management Limited	333,500	-	-	-	-	-
KPMG						
The Bank						
AfrAsia Bank Limited	1,535,000	-	-	-	-	-

* Fees captured under 'Other' are principally fees paid to Ernst & Young for taxation services rendered to the Bank and its subsidiaries.

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Please refer to the Risk Management Report on page 60 - 84.

ANTI-MONEY LAUNDERING

Please refer to the Risk Management Report on page 60 - 84.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SENIOR MANAGEMENT TEAM PROFILE

"It is amazing to see how our start-up bank has evolved and developed into a financial institution with such international reach. We have remained focused on our strategic aims and put together a team of leaders who share the same passion to execute our powerful vision. In the future, AfrAsia Bank will continue its impressive growth trajectory and keep on building bridges between Africa, Asia and the World."

KAMBEN PADAYACHY

Deputy CEO, Head of Global Banking Treasury and Markets

Ben Padayachy is one of the Founding Executives of AfrAsia Bank Limited; he has a vast experience in banking, having successively worked with institutions such as BNP Paribas (BNPI), Barclays Bank and Standard Bank. He has throughout his career held senior management roles at both retail and corporate banking levels and also originated investment banking transactions from debt capital markets to structured trade finance. Ben holds a Master in Monetary Economics from the University of Paris Dauphine and a post-graduate degree in Banking and Finance; he is also a Director on the Board of AfrAsia Capital Management Limited, AfrAsia Special Opportunities Fund, AfrAsia Investments Ltd and AfrAsia Bank Zimbabwe Limited.

"I can summarise my experience in four words - Uniqueness in the approach!"

ROUBEN CHOCALINGUM

General Manager, Head of Domestic Banking Relationships and Sales

Rouben started his career in 1992 with the State Bank of Mauritius where he acquired extensive experience in credit and corporate banking before moving to Standard Bank (Mauritius) in 2006. In 2007, he joined AfrAsia Bank Limited as a Founding Executive member of the management team. With over 20 years of experience, along with qualifications in Business Administration and Banking Studies, he continues to develop the Bank's domestic client base.

"Working with AfrAsia is having the opportunity of positioning Mauritius as the upcoming financial centre of Africa and the region. We bring our pool of talents and innovative products to customers and contribute to their lifestyle. Privileged relationships are what we are all about."

THIERRY VALLET

General Manager, Executive Director of AfrAsia Private Bank

Thierry started his career as an engineer and worked for companies such as LONRHO, ILLOVO and IBL. In 2000, he travelled to Paris to undertake an MBA in International Finance; his financial career started in 2002 when he worked for Groupe Generali as an Insurance Inspector. In 2005 he returned to Mauritius and joined the Mauritius Commercial Bank Limited (MCB) as Corporate Banker. He left in 2007 to join AfrAsia Bank Limited. As well as being one of the founders, Thierry is responsible for strategic development and heads AfrAsia Private Banking.

"AfrAsia has been so far the best place to work while moving through the 25 years of my career path on both Banking and Technology front. The Bank's remarkable growth since 2007 attracts high quality employees from the local and international banking industry and this provides a great working environment with a shared pool of banking knowledge. Adopting technology to adapt with growing needs of our customers is what makes AfrAsia stand out and provide a different customer experience."

SOODESH BEEGUN

Head of Information Communication Technology (ICT)

Soodesh holds an MBA (IS) from University of Technology Mauritius, a Certificate in Banking Studies from University of Mauritius, an Oracle DBA and WEB programmer's Certificates from NIIT Mauritius. He started his career at IOIB Ltd in 1987 and has more than 20 years of experience in the Banking/IT sector. In 1994, he moved from Banking to Agriculture when he joined F.U.E.L as Assistant Planters' Adviser. In 2000, he returned to the financial industry to join SBI Mauritius Limited as Head of ICT and, in March 2009, Soodesh joined AfrAsia Bank Limited as Head of ICT.

"Different! Disruptive! Can Do Attitude! Genuineness! AfrAsia is certainly not for the faint-hearted! But for the restless looking for Opportunity, Empowerment and Recognition-Surprisingly gratifying! Gratifying also to be able to serve the organization by pre-emptively seeking to make it risk-free! An absolute ingredient for long term sustainability!"

DESHMUKH-RAO (Vinod) DHONDEE

Head of Group Internal Audit

Deshmukh-Rao (Vinod) Dhondee has extensive banking experience in the Global Business and Domestic Banking environment mostly acquired at middle and senior management level at HSBC, where he started his career. At HSBC, he occupied various managerial positions in the Personal Banking and Corporate divisions, Sub Custody business as well as several roles in risk management functions (namely Credit Risk and Recovery, Operational Risk, Compliance and Internal Control). Vinod also served as Director for several HSBC Global business companies and is currently acting as Deputy CEO for AfrAsia Zimbabwe Holdings Limited.

"Being part of the AfrAsia Bank team and ensuring the Bank is complying with all the legal and regulatory requirements, is a great opportunity and continuous challenge. It is a privilege to provide solutions and advisory assistance to relevant departments and the senior management of the Bank."

LOTESWAR (Anil) FANGOO

Head of Compliance

Anil started his career at Indian Ocean International Bank Ltd (now SBI Mauritius) in 1990. He joined AfrAsia Bank Limited in July 2009 as Head of Compliance. He gained extensive experience in the Legal Department before moving on to master both Retail and Corporate Banking. Prior to joining our team, Anil headed the Legal and Compliance Department at SBI Mauritius. Legal, compliance and credit recovery are his fortes. He is a member of the Mauritius Institute of Directors (MIOD) and Association of Certified Fraud Examiners (ACFE).

CORPORATE GOVERNANCE REPORT (CONTINUED)

"Joining in 2008, AfrAsia Bank has given me a lot of opportunities that would not have been made available at another company. From a team of 2 when we started, nowadays Global Business Division is almost 25 in Mauritius only and, servicing clients from more than 100 countries. I enjoy dealing with clients with different profiles. The experience is really international and I am always learning. AfrAsia Bank also has a good work ethic, which makes the experience even more exciting."

YOGESH GOKOOL
Head of International Banking, Trusts and Custody

Yogesh has over 20 years of experience in financial management gained whilst working for International Financial Services Limited, a leading International Management Company in Mauritius. He also worked for Deutsche Bank (Mauritius) where he headed the fiduciary services division. In 2008 he joined AfrAsia Bank Limited. Yogesh is a member of the Society of Trust and Estate Practitioners (STEP), the Association of International Wealth Management (AIWM) and the Mauritius Institute of Directors (MIoD).

"At inception, there were some sceptical views about the novelty of setting up a niche market driven local private bank. Thanks to a committed team of great believers we saw the Bank growing from strength to strength and it is with much excitement that I look forward to the next phase of the Bank's expansion within the region."

JENNIFER JEAN-LOUIS
Head of Finance and Treasury Back Office

Jennifer joined AfrAsia Bank Limited in 2007 as Head of Finance and Treasury Back office. She is responsible for the Bank's financial management frameworks incorporating finance, taxation and treasury back office. Jennifer has more than 20 years of experience gained on the local and international market. She holds a Master degree in Applied Finances, is a Chartered Accountant and a Fellow Member of the Taxation Institute of Australia.

"Every business has its own challenges and when faced with challenge the AfrAsia Bank team acts fast to find the most suitable solution. The team work in AfrAsia Bank was extremely helpful in delivering some big targets such as Core Banking Software migration with much more smoothness than it would have been without it. Great teamwork that we experience from time to time possibly results from the work culture of providing opportunities to all employees."

BISHWAJIT MAZUMDER
Head of Group Operations

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

"Communication, Marketing & PR are vital in differentiating ourselves to be the right corporate storyteller. We always strive to think outside the box to innovatively connect with our clients and provide products and services that exceed their expectations. Choosing an organisation whose values strongly resonate with you, and that the people around you live, as well as a brand that you believe in, are fundamental. It is fascinating to experience new and challenging opportunities everyday!"

SUNEETA MOTALA
Head of Marketing and Public Relations

Suneeta has 20 years of banking experience. She started her career at HSBC in 1994, undertaking several key responsibilities in Sales & Marketing, Credit & Risk, CRM as well as branch operations. Before joining AfrAsia Bank Limited in July 2007, she was Head of Marketing at MPCB Limited. Suneeta holds a Pre Associateship from the Chartered Institute of Bankers and an International Certificate for Financial Advisors from the Chartered Insurance Institute as well as a General Management Certificate from ESSEC Business School, (France).

"Fast-paced, demanding, challenging and intellectually stimulating, life at AfrAsia requires exceptional adaptability and stamina. My 7 years at AfrAsia with its dynamic framework has given me the passion to tackle my profession here. The transformative financial services industry calls for a strong team that ensures each internal/external risk is identified, assessed, reported and monitored while managing and mitigating those risks. From a team of 3 to now 20, we are determined to set industry standards in all that we do."

JOELLE NG FOONG LEE
Head of Credit and Risk

In September 2007, Joelle left the Mauritius Commercial Bank Ltd (MCB) to join AfrAsia Bank Limited. As Head of Credit & Risk Management she is responsible for Credit Administration and overall Risk Management for the Bank. She has more than 17 years of experience in banking, 7 of which are at middle and senior management level. Joelle started her career in 1994 with HSBC in Personal Banking before moving to Credit & Risk Management as Credit Recovery & Credit Risk Manager. She held the role of Special Assets Manager at MCB before joining AfrAsia Bank Limited. Joelle holds an International Certificate for Financial Advisers of the Chartered Insurance Institute (CII) and a certificate in Banking Studies from the University of Mauritius.

"What's exciting and challenging in the Treasury Department is that we try to live up to the maximum our core values every day; it is really an adrenalin booster to see the passion with which the team strives to serve our clients (whom we consider more as partners) with the can-do attitude that has become our second nature"

DWEJENDRANATH (Jen) RAMANAH
Head of Treasury

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

"I enjoy working alongside individuals that are passionate about what they do and how they do it. I love hearing colleagues say: 'This is the best place I've ever worked in. It really is Bank Different!' Comments like these make all my efforts worthwhile!"

MAUREEN TREANOR

Head of Human Resources and Change Management

Maureen started her career with Barclays Bank (UK) approximately 25 years ago. In June 2010 she left Bramer Bank and joined AfrAsia Bank Limited as Head of Human Resources and Change Management. Maureen has experience in the UK and African markets, with qualifications in Human Resources and Project Management. She is currently undertaking an MBA and is a member of the Mauritius Institute of Directors (MIoD).

"There are many reasons to be excited about working for AfrAsia. The global nature of our operation not only presents stimulating challenges and opportunities, but is compounded by the fact that we are positioned in one of the world's most exciting growth regions. Then there's the team itself; big enough to make an impact on the market, yet small enough for each individual member to know that no matter who or where they are, their contribution can make a difference."

SOUTH AFRICA REPRESENTATIVE OFFICES

COLIN GRIEVE

Chief Representative Officer

Colin has over 25 years of 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. During his career, he has acted as mandated lead arranger in Pan-African banking transactions, is the author of a book on investment strategy and is a Master of Commerce graduate from one of South Africa's leading universities.

"Being part of the AfrAsia Group enables AfrAsia Corporate Finance to provide our clients with world-class international service in a distinctly African context. With offices, expertise and capacity in both Mauritius and South Africa, the two are countries at the forefront of the African growth story, AfrAsia is able to meet the needs of clients seeking to participate in markets servicing the world's next billion consumers."

AFRASIA CORPORATE FINANCE (PTY) LIMITED

CHARLES PETTIT

Chief Executive

Charles graduated from the University of Cape Town with a First Class Honours degree in Finance and subsequently qualified as a CFA charter holder while working in London for Close Brothers Corporate Finance. At Close Brothers, Charles worked on a wide range of M&A and Restructuring transactions and following his return to South Africa in 2008 established AfrAsia Corporate Finance to focus on the provision of independent advisory services to clients in the SADC region. Charles has also served as CEO of Johannesburg Stock Exchange-listed company Torre Industries Limited since August 2012.

"After spending more than 16 years in the asset management business, it is hard to imagine how this industry can evolve. However, at AfrAsia Bank we are inspired to constantly push our limits and explore new boundaries in order to thrive in this dynamic industry."

AFRASIA CAPITAL MANAGEMENT LIMITED

SWADICQ NUTHAY

Chief Executive

Swadicq holds an MSc in International Business & Finance from the University of Reading, UK, with specialisation in international financial markets and risk management. He is also holder of a BSc (Hons) in Economics and is an affiliate member of the CFA Institute. Swadicq has more than 16 years' experience as fund manager. He started his career with AXYS in 1998 and was, until September 2013, the Managing Director of Axys Capital Management. He has also worked as a consultant for a risk management consultancy firm in Mauritius and has performed several risk management assignments for parastatal bodies and companies operating in different sectors of the economy. Swadicq joined the AfrAsia Group as Chief Executive of AfrAsia Capital Management Ltd in October 2013.

"Being part of the AfrAsia family gives us in Zimbabwe the sense that we are part of a unique, upcoming, technologically driven avant-garde brand with global reach. At AfrAsia relationships are pivotal to our success and for us no mountain is too high!"

AFRASIA ZIMBABWE HOLDINGS LIMITED

LYNN MUKONOWESHURO

Chief Executive Officer

Lynn holds a Bachelor of Science degree from the University of Zimbabwe, Masters of Business Administration (MBA) from Nottingham Trent University, Euromoney training on Bank Operations and Asset and Liability Management from Riskflow Institute South Africa. Prior to joining Kingdom as the Group Human Resources Director and her appointment as the Group Chief Executive Officer, she worked for TA Holdings Limited, The Coca-Cola Company and IBM covering Central and Southern Africa. She has extensive leadership and management experience and a global perspective combined with significant international market experience gained from working in leadership positions across the African continent and Indian Ocean Islands.

CORPORATE GOVERNANCE REPORT (CONTINUED)

COMPANY SECRETARY

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

REMUNERATION PHILOSOPHY

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

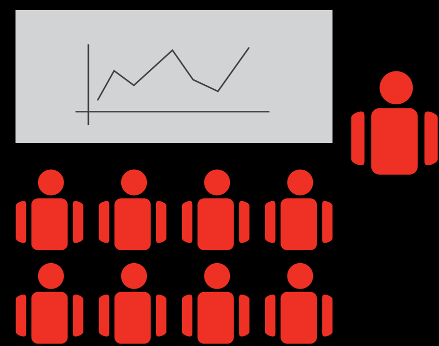
INCENTIVE STRUCTURE OF THE BANK, REMUNERATION POLICIES AND EXECUTIVE COMPENSATION

With the 'Bank Different' approach, the experience within the senior management team and the support from the Board of Directors has once again helped us produce fantastic results. As well as offering competitive remuneration and compensation packages, the values and culture within AfrAsia Bank Limited are ensuring its continued success. The Bank's balanced scorecard approach to performance management helps ensure development, feedback and continued growth for individuals and the organisation. With over 180 employees both locally and overseas, some key HR goals for the year included:

Reward & retain talent

- As well as seeking out the best talent, at AfrAsia Bank Limited, high performing individuals are recognised and rewarded through feedback, promotions and other non-financial rewards
- ROERS (Return on Equity Reward Scheme) has proven to be well received by the Board of Directors and the employees. From the outset, the ROERS Scheme was expected to be a tool to both reward and retain the best talent. The Bank is pleased to note that this is the case, as its employee turnover continues to be within industry norms

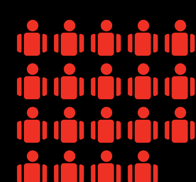
> The Bank aims to develop future leaders at all levels in its business.



Provide growth through career opportunities and training:

- The Bank aims to develop future leaders at all levels in its business; over 16 employees were promoted to higher positions.
- With unemployment amongst the youth increasing and many fresh graduates finding it difficult to secure work, the Bank has taken a proactive approach to providing over 37 students the opportunity to undergo internships over the last 12 months; some of these students have been earmarked for roles within the Bank upon their graduation
- The Bank policies and practices are reviewed every year to help ensure that it is all inclusive and provides equal opportunities. AfrAsia Bank Limited are working with the Ministry of Finance via the Youth Empowerment Programme scheme and Training and Employment of Disabled Persons Board to help improve the availability of information in relation to job opportunities within the Bank
- The Bank has noted an increasing number of Mauritians returning from overseas; a new talent pool is emerging. Our strong presence online, international and local branding have helped us tap into this global talent pool.

180+
EMPLOYEES



'Protect' THE unique culture through THE BANK'S values employee engagement

- Results of the employee engagement survey were cascaded during a face to face communication event and high level results are available on the Bank's website
- There's a risk of culture dilution when new businesses come into the corporate structure (i.e. AfrAsia Capital Management and AfrAsia Corporate Finance); early engagement, alignment of policies, joint activities and communication have enabled the protection of the Bank's unique culture and values
- The Bank's social committee, The AfrAsians, planned and organized a variety of social events and activities throughout the year. Anyone can be part of this very dynamic team that allows members to demonstrate leadership and management skills they might not have the opportunity to show in their day to day role. The AfrAsian's help new colleagues to become more involved and integrated into the 'Bank Different' culture
- In addition to this, the Health & Safety Committee organises activities that focus on wellbeing in the workplace; these are always appreciated by the employees
- More strategies are planned for the coming year as the brand continues to grow in Mauritius and globally

Continue to improve internal communication

- Information sharing is an important part of AfrAsia Bank's culture; the CEO presents high level results, strategy and introduces new initiatives through regular roadshows. Feedback from these events is used when preparing for the next event
- 'The AfrAsian' newsletter is circulated for general information to colleagues and clients. We also have a dedicated email address for feedback and suggestion boxes in communal areas. These touch points, along with our open door style of management, help make AfrAsia Bank Limited a great place to work

MATERIAL CLAUSES OF CONSTITUTION

Article 21.2 of the Bank's Constitution provides for a list of matters which is 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 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, GML Ineo Ltée, Intrasia Capital Pte Ltd, Matalla Holdings Limited Pension Fund, C I Industries Retirement Fund and McPin Foundation.

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 671,391 of gifts and donations during the year ended 30 June 2014 (2013: MUR 271,746 / 2012: MUR 2,918,961).

POLITICAL DONATIONS

The Group and the Bank did not make any political donations during the year ended 30 June 2014 (2013: Nil / 2012: Nil).

RELATED PARTY TRANSACTIONS

Please refer to the note on 'Related Party Disclosures' contained on Note 37 of the Annual Report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

HEALTH AND SAFETY

Caring for its employees

- Several years ago management made a commitment to help employees remain safe and healthy. We continue to develop initiatives that concentrate on improving the general well-being of the workforce and maintain a safety culture at work
- The Health and Safety Officer continues to conduct regular coaching and awareness sessions
- A proactive approach to health and safety as well as ensuring the compliance to the regulatory framework has helped develop the culture of a safe working environment
- The office attendants and drivers have been trained in first aid and defensive driving techniques. Several more employees are now qualified first aiders while others have attended fire awareness training sessions. Although the Bank is not operating in a high risk environment in regards to health and safety, it values the role safety has to play in the day to day running of the Bank
- In April each year, we celebrate International Safety Day. This year we arranged for a local supplier to conduct eye examinations and provide advice to those working with electronic equipment on a regular basis

Ethics

The Conduct and Ethics policy is one of the first policies we share with new colleagues when they join the Bank. This policy is in line with Section 65 of the Bank of Mauritius 'Guidelines on Corporate Governance' and outlines all expectations in terms of professional behaviour that the Bank wants to see at all levels of the organisation. Both the Human Resources & Executive Committees regularly review internal policies to ensure they reflect the new challenges that impact the business. This year the Code of Ethics and the Corporate Integrity Policy were amended to include new whistle-blowing guidelines for anyone wishing to raise a concern. After each review the policies are circulated to all employees, queries are addressed via one to one coaching with line Managers or in group workshops.

ENVIRONMENTAL ACTIONS AND SOCIAL ISSUES

Please refer to the Corporate Social Responsibility section on page 114 of the Annual Report

SOCIAL RESPONSIBILITY

Please refer to the Corporate Social Responsibility section on page 114 of this Annual Report

MEETING OF AND RELATIONSHIP WITH STAKEHOLDERS

The Bank's Key Relationships: Please refer to the Key Relationships section in Corporate Profile on page 22 of the Annual Report.

SHAREHOLDERS' CALENDAR

Financial Year End	June
Annual Meeting of Shareholders	December

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PUBLICATION OF FINANCIAL STATEMENTS

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

DIVIDENDS

Declaration	September
Payment	Upon receipt of approval from local regulators

IBL CORPORATE SERVICES LTD COMPANY SECRETARY

25 September 2014

We firmly believe that disruptive **innovation** is radical in differentiating ourselves and creating value for our stakeholders.

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, the Bank's goal remains to maintain the confidence of stakeholders by mitigating its 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, our risk management objectives are to:

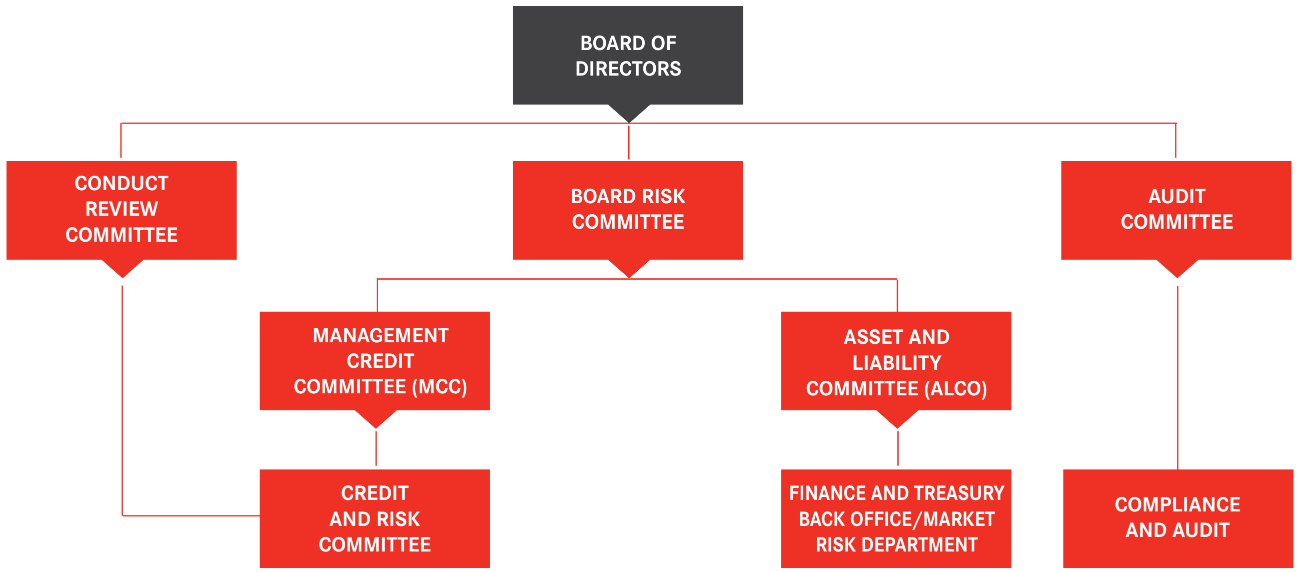
- identify the significant risks to the Bank
- formulate the Bank's risk appetite and to ensure that business profiles and plans are consistent with it
- establish strong and independent reviews in a dynamic structure, optimisation of risk and return decisions are taken as closely as possible to business
- ensure the 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 changes to the Board to meet the challenges of the dynamic market.

The Bank also has a clear organisational structure besides comprehensive policies and procedures to identify, evaluate, monitor and control assorted 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.

RISK MANAGEMENT REPORT (CONTINUED)

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



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

- approving the delegation of credit limits to management and approving any transactions exceeding those delegated authorities
- reviewing and recommending for Board approval the Bank's Risk Appetite Framework at least annually and reviewing the alignment of the Bank's strategic plan with the Risk Appetite Framework
- reviewing and approving risk management policies recommended by Bank management for identifying, accepting, monitoring, managing and reporting on the significant risks to which the Bank is exposed; as part of such reviews, satisfy itself with the manner in which material exceptions to such policies are identified, monitored, measured and controlled, as well as the remedial actions taken when exceptions are identified
- reviewing and recommending for Board approval the Bank's credit risk strategy at least annually
- reviewing, monitoring and recommending to the Board for approval of risk related policies, procedures and standards as required by regulatory agencies
- overseeing the risk management function, having regard to its independence; by periodically reviewing the results of independent reviews of the risk management function and reporting such results to the Board; and overseeing that deficiencies identified related to the risk management function are remedied within an appropriate time frame and reporting to the Board on the progress of necessary corrective actions
- reviewing on a quarterly basis management's report on the Bank's lending profile and discussing identified material risks and emerging risk issues and trends with management
- 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 non-executive independent Directors, one 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), composed of three non-executive independent Directors and one Advisor, met four times during the year under review.
- CRC reviews the Bank's transactions with parties ensuring that the latter are in compliance with all reporting and/or approval procedures of the Bank of Mauritius and all related party transactions with any shareholder when said dealings are above 2% of Tier 1 capital ensures that transactions which could materially affect the financial stability of the Bank are identified at source.

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 eight permanent members among whom are three voting members (the CEO, the Head of Finance & Treasury Back Office and the Head of Credit & Risk). The other five members are "in attendance" (the General Manager, Head of Banking Treasury and Markets, the Head of Domestic Banking Relationships & Sales, the Head of Strategic Development and the Credit Risk Managers - International Business & Domestic Corporate).

Assets and Liabilities Committee

- The Bank's Assets and Liabilities 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.

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 AfrAsia Bank Limited 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 its 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
- maximise the stakeholders' value.

Organisation and structure

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

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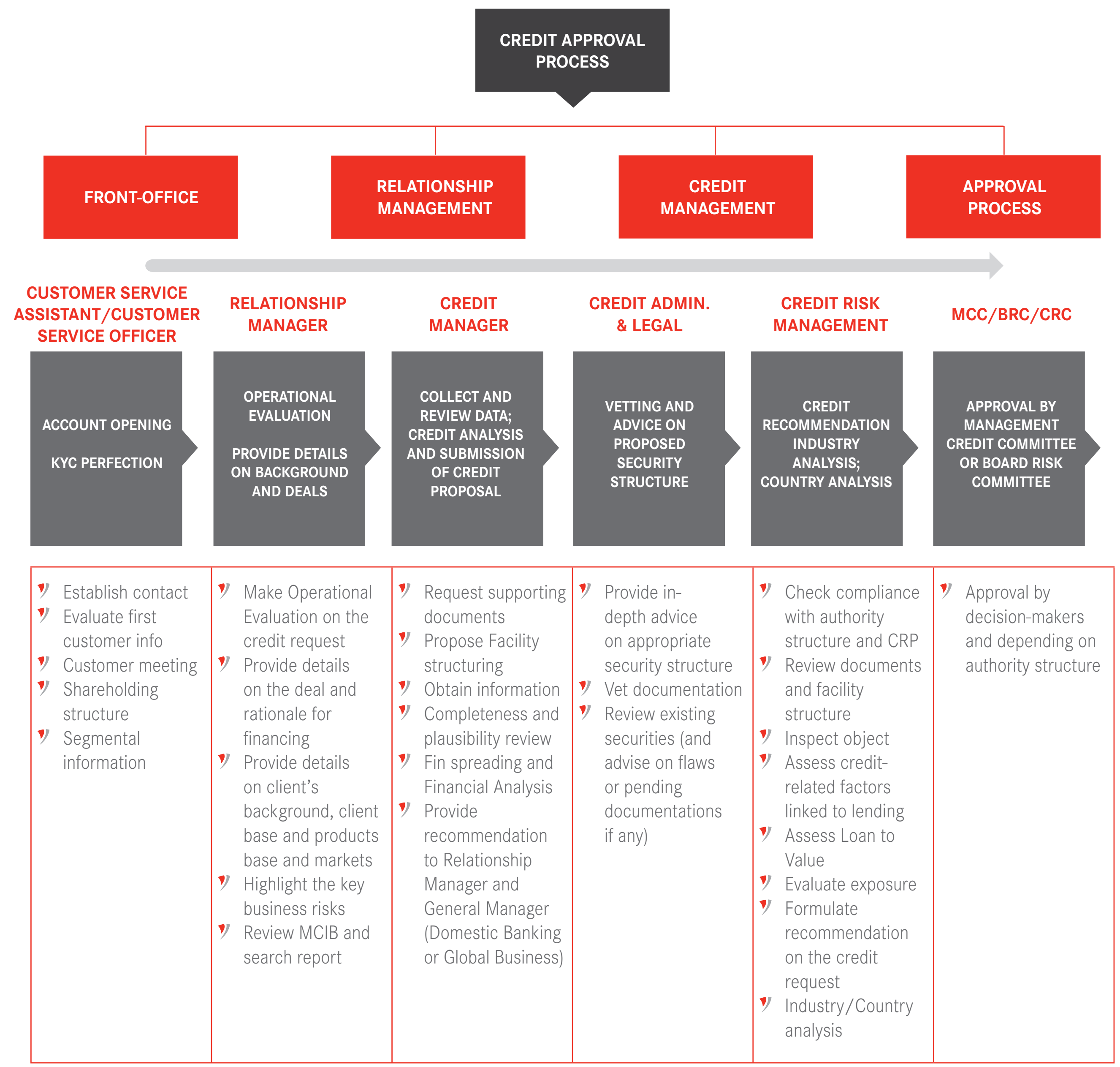
An overview of the credit approval process and procedures is depicted below;



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

Credit rating

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

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

CREDIT MONITORING

Monitoring weaknesses in portfolios

Credit risk exposures and weaknesses are in fact managed through the robust credit assessment, structuring and regular monitoring process. The latter, under the responsibility of the Credit Recovery Unit, involves the monitoring of daily credit excesses on accounts as well as the review of all potential credit losses on a timely basis. Those exposures showing signs of deterioration are put on watch list, the files are reviewed at least monthly to ensure prompt actions are taken. The basis to provisioning and loan assessment is based on the Guideline on Credit Impairment measurement and Income Recognition issued by 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 watchlists (WL) comprising two categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default.

These lists are updated monthly and circulated to the relevant recovery manager. Once an account has been placed on WL, the exposure is carefully monitored and, where appropriate, exposure reductions are effected. When an account becomes impaired, it will normally, but not necessarily, have passed through each of the two categories, which reflect the need for increasing caution and control. Where a borrower's financial health gives grounds for concern, it is immediately placed into the appropriate category. While all 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 shall be classified and monitored by the recovery unit.

RISK MANAGEMENT REPORT (CONTINUED)

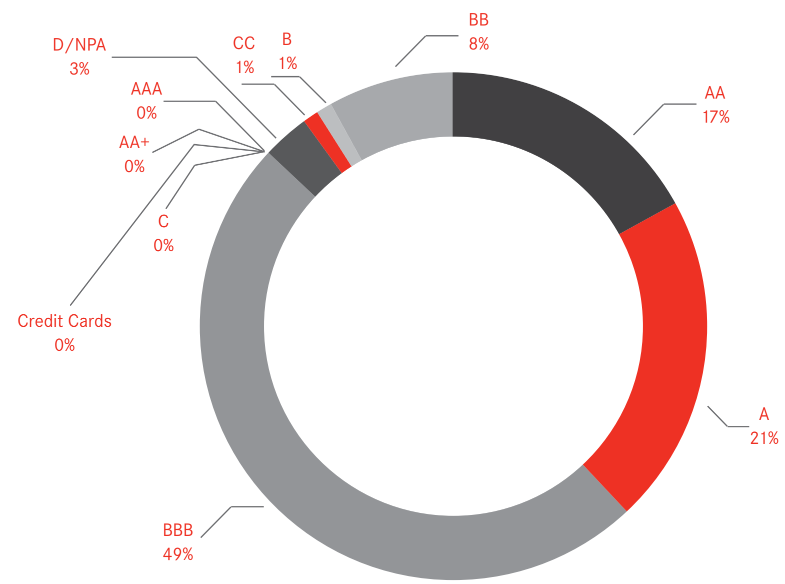
ASSET CREDIT QUALITY

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

- A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract
- The impairment allowance includes allowances against financial assets that have been individually impaired and that are subject to collective impairment, and
- Loans neither past due nor impaired consist predominantly of loans that are performing.

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

CRISIL RATING	OVERALL CRISIL RATING (MUR)	%
AAA	0	0
AA+	32,397,888	0
AA	2,971,349,073	17
A	3,760,903,151	21
BBB	8,619,850,581	49
BB	1,373,864,849	8
B	157,244,394	1
CC	159,564,906	1
C	37,917,378	0
D/NPA	464,786,219	3
Sub-Total	17,577,878,440	
Credit Cards	76,522,058	0
Grand Total	17,654,400,497	100



As at 30 June 2014, 96% 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 4% were either sub-investment grade (facilities being on the 'watchlist' where there are arrears or borrowings classified as non-performing).

Total Non-Performing Assets (including credit cards NPA of MUR 4,964,253) were at MUR 469,750,579, 2.66% of total asset book. This has increased from last FY from 0.57%. The Bank has classified as NPA, a large facility granted to one of its subsidiaries. If we exclude the latter from computation, our NPA to asset book would have been at 0.95%.

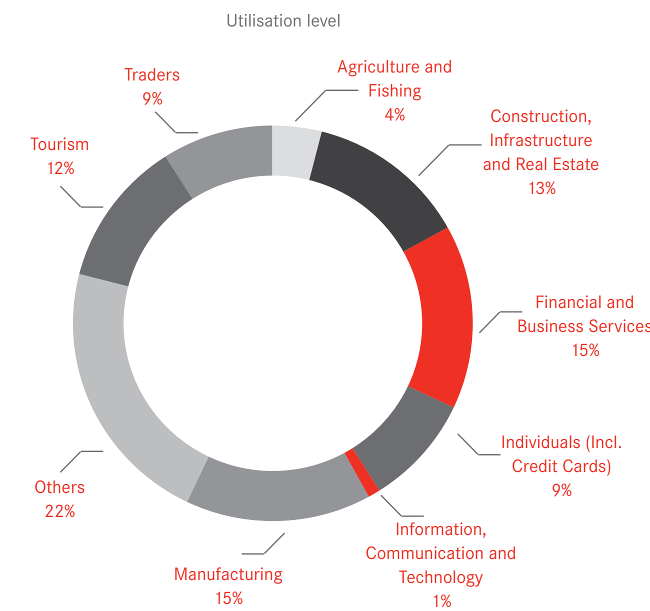
CREDIT EXPOSURE

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

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

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

SECTORS	OUTSTANDING BALANCE	
	30 JUNE 2014 (MUR'000)	30 JUNE 2013 (MUR'000)
Agriculture and Fishing	675,507	482,290
Construction, Infrastructure and Real Estate	2,329,744	1,683,111
Financial and Business Services	2,670,704	1,710,325
Individuals (incl. Credit Cards)	1,548,075	1,175,214
Information, Communication and Technology	190,606	525,124
Manufacturing	2,669,042	2,638,846
Others	3,813,644	2,807,856
Tourism	2,097,708	1,611,347
Traders	1,659,370	1,455,915
Total Exposure	17,654,400	14,090,031



During the financial year 2014, AfrAsia Bank Limited succeeded in building a well-diversified loan book by economic sector, with exposures well-spread across major economic sectors and no single sector exceeding 30% of the Bank's overall loan book.

RISK MANAGEMENT REPORT (CONTINUED)

CONCENTRATION OF RISK / LARGE EXPOSURES

The Bank of Mauritius Guidelines on Credit Concentration (revised December 2011) restrict the granting of credit facilities to non-financial institutions and other related parties, to:

- a maximum exposure to any single customer of 25%
- to 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 Bank has always kept its large exposures within these limits. For instance, our concentration ratio of large exposures above 15% was 221% as at 30 June 2014, well within the regulatory limit of 600% as shown below:

CAPITAL BASE AS AT 30 JUNE 2014	MUR'000
Tier I	2,797,818
Tier II	699,663
Capital Base	3,497,481
Total Large Exposures (15% above)	7,719,201
% Large exposure v/s Capital Base (Limitation 600%)	221%

To manage industry risk, AfrAsia Bank also prepares economic and industry reports which are submitted to the Board Risk Committee, that highlight industry developments and risks to the Bank's credit portfolio. These reports are used to define strategies for both our industry portfolio and individual counterparties within the portfolio.

COUNTRY RISK

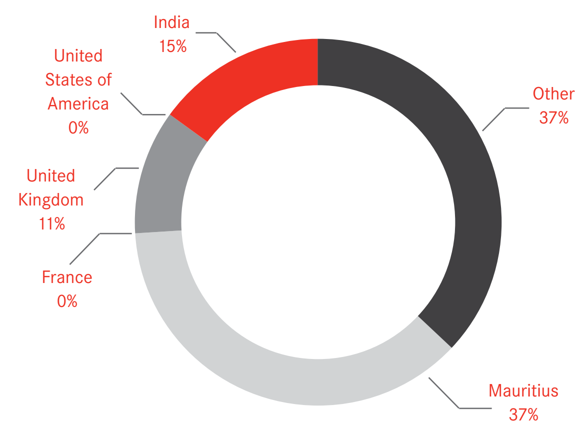
The Bank conducts regional banking in accordance with our Africa-Asia strategic mandate. Hence, managing country risk is another key component of the Bank's overall concentration risk management approach.

The assessment of country risk involves the determination of the nature of risks associated with individual country exposures and the evaluation of country conditions. In this way, the Bank makes a thorough evaluation of risks which may be associated with its cross-border operations and which have the potential to adversely affect its risk profile.

A 'Country Watch' process is also essential for the country risk assessment and is currently being set up. The analysts collect and filter the information relating to countries where the Bank has exposures. The country risk management process aims to not only look to macro conjectures but to integrate a regular watch of governance, regulations and to provide long term projections.

LOANS & PLACEMENTS

Loans & Placements as of 30th June 2014



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.

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.

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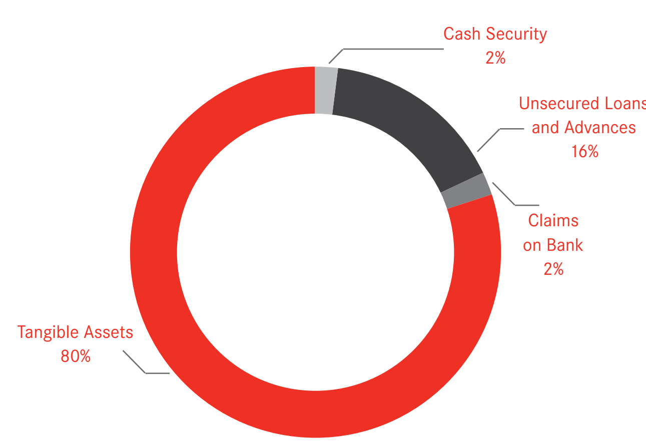
Collateral cover



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 have been netted off against exposure is 2% of the asset book, whilst 2% 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, which is composed of some of the Executive Committee members. ALCO meets at least once monthly to review the ALCO risk ratios, financials and other relevant information.

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 risk, 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.

RISK MANAGEMENT REPORT (CONTINUED)

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 balance sheet to variations in interest rates. This measurement is calculated for all currencies to which the Group is exposed.

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

- treasury desk mainly redirects 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
- the funding stems mainly from clients' current accounts, time deposits and saving accounts
- the impact of interest rate fluctuations on the Bank's Net Interest Income (NII) over a 1 year period is limited. The most significant sensitivities for NII are for a further decrease of MUR rate and an increase in Fed rates. See Note 38(d)(i) for Interest Rate Risk Analysis

CURRENCY RISK

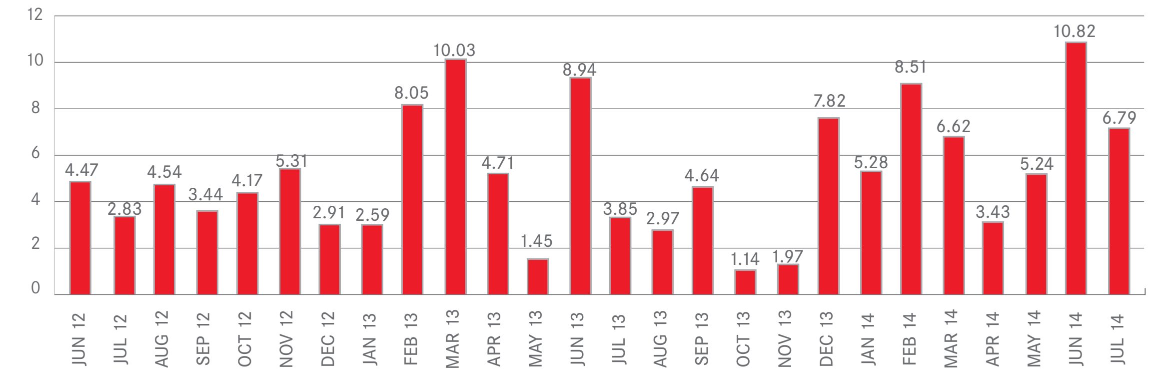
Currency risk or foreign exchange risk is defined as the risk that the value of the Bank's foreign currency positions may be adversely affected by movements in foreign exchange rates.

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 FX 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 relative 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 regard to the Bank's currency risk:

- The Bank's net open, either overbought/oversold, position against the Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 30 June 2014, which is in compliance with the Bank of Mauritius requirements.



- 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%	382,332	381,217	19,117	(19,061)	56
	-5%			(19,117)	19,061	(56)
EUR	+5%	7,737,621	7,596,689	386,881	(379,834)	7,047
	-5%			(386,881)	379,834	(7,047)
GBP	+5%	2,962,243	2,958,563	148,112	(147,928)	184
	-5%			(148,112)	147,928	(184)
USD	+5%	22,728,808	22,535,259	1,136,440	(1,126,763)	9,677
	-5%			(1,136,440)	1,126,763	(9,677)
OTHERS	+5%	3,273,730	3,305,692	163,687	(165,285)	(1,598)
	-5%			(163,687)	165,285	1,598

RISK MANAGEMENT REPORT (CONTINUED)

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:

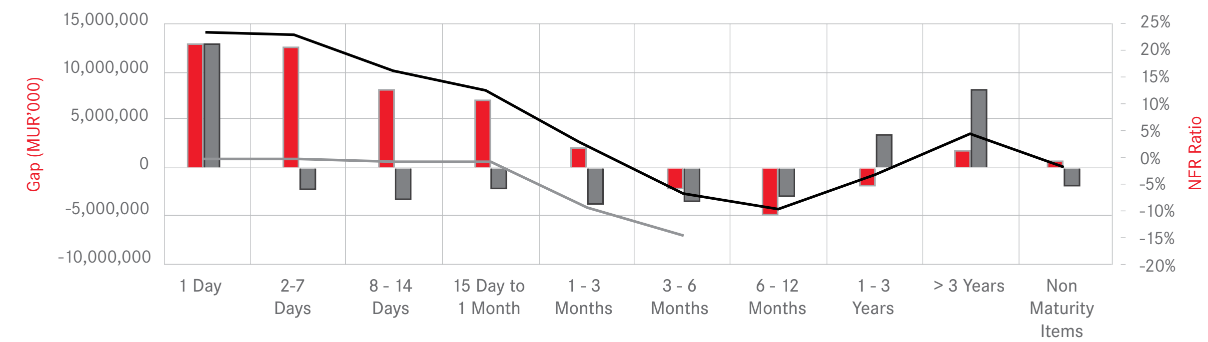
- Dealers' limits:
  - Dealers operate within limits approved and are tightly monitored by Back Office
  - Dealers request for sign-off from approved signatories ahead of a deal that triggers their dealing limits
- Counterparty limits
  - Exposure is determined according to the nature of the contract and its maturity
- Product limits
  - Dealers can only transact in products that have been approved by Board Risk Committee
  - Product limits are tightly monitored at the Treasury Back Office
- Forex Exposure limits
  - FX 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 new guidelines on Liquidity Risk Management issued by the Bank of Mauritius. No excess is recorded as at 30 June 2014.

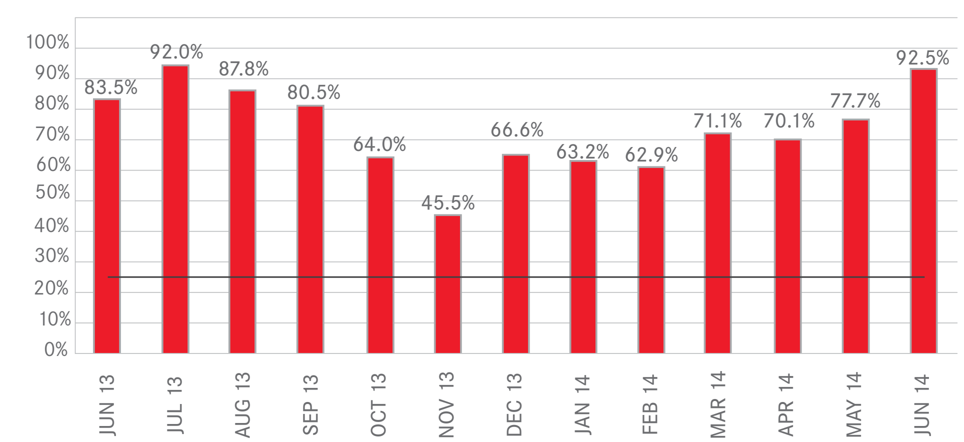
Liquidity Gap Analysis - Mur + FCY JUNE 2014



	1 Day	2-7 Days	8 - 14 Days	15 Day to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	> 3 Years	Non Maturity Items
Gum Gap	12,593,129	12,349,067	8,519,078	6,221,179	1,558,934	-2,970,855	-5,973,466	-2.662,058	2,915,669	203
Interval Gap	12,593,129	-244,061	-3,829,989	-2,297,899	-4,662,245	-4,349,790	-3,182,610	3,311,407	5,577,728	-2,915,467
NFR Ratio	22.87%	22.43%	15.47%	11.30%	2.83%	-5.07%	-10.85%	-4.83	5.30%	0.00%
Bank of Mauritius 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 below shows the month end liquidity ratio maintained during the financial year ended 30 June 2014 against the limit approved by the Board Risk Committee.

Liquidity Ratio - June 13 to June 14



RISK MANAGEMENT REPORT (CONTINUED)

OPERATIONAL RISKS

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 2 Basic Indicator Approach, where the capital charge for Operational Risk is taken at 15% of average gross income over the past 3 years.

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

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

The review conducted during the financial year ended June 2014 showed that risk ranges from low to low to medium and one department with a medium-to-high risk. The overall results were unchanged from last financial year end. Additional controls have been put in place and additional staff recruited. Restructuring with the help of consultants has been undertaken in FY 2013 following the review for the 'B' rated department.

Results from the last review made:

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	D
Information Technology	C
Administration	C
Business Operations	B

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

Where the Risk Matrix / Measurement at the Bank being:

		EXPOSURE				
		1	2	3	4	5
ABSOLUTE/ INHERENT LEVEL OF RISK	>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

Improvements were noted in the Business Operations department in the various Inherent Level of Risk, overall. However it has remained at the same Average Rating as per last FY. It should be highlighted that additional controls and changes have been made in the department including creation of new posts to ensure higher levels of control.

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 being currently implemented to cater for the higher volume of trades and also based on new products the Bank is offering to clients. In the financial year 2014 - 2015, the Bank is expecting the system to be fully implemented as well as a new ALM (Asset & Liability Management) system under testing for implementation which the Bank intends to start as from October 2014. The two systems will enhance the level of controls and risk monitoring capabilities.

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INFORMATION RISK MANAGEMENT

AfrAsia Bank Limited recognises the critical importance of information security and places same as one of the essential preconditions for doing business. IT-related risk is any risk related to information technology. This relatively new term is due to an increasing awareness that IT risk is simply one facet of a multitude of risks that are relevant to banks and the real-world processes they support. The impact of an event on an information asset is usually taken to be the product of vulnerability in the asset and the asset's value to its stakeholders. Thus, IT risk can be expanded to:

Risk = Threat × Vulnerability × Asset Value

IT risks are primarily grouped in three segments:

1. Confidentiality
2. Integrity
3. Availability

In AfrAsia Bank Limited's IT set up, all three segments are evaluated and mitigated to the extent required to avoid any exposure to the Bank. The data with the Bank is kept confidential and any access to any system is only need-based i.e. on a need to know basis. Users are given access rights that are based on the roles that they are expected to play in the Bank. No one can login to any computer software without a valid ID and Password already approved by the Line Manager, reviewed by Compliance and activated by IT.

All transactions that take place are undertaken following a four eyed principle i.e. with maker and checker that ensure the integrity of the data. There are segregation of duties between Sales, Business Operations, Finance and Credit. All these play their role to validate the date and check the overall integrity of data. IT happens to be the custodian of data and does not have any access or right to update any data either from application or from Database. A clear demarcation is maintained in IT for the Production and test environments. Any update is not put to live systems unless tested and certified by users.

A detailed Business Continuity Plan is in place and is updated every year to ensure that the business will not come to a halt because of non-availability of the system. A Disaster Recovery Plan and DR Site is in place for every system in the Bank to make sure that business is available. Necessary and optimum redundancy is built up with respect to hardware, software and network. Annual maintenance contract and Service Level Agreements are in place to ensure that all the suppliers provide necessary service in time.

Various levels of information security have been addressed including:

- Physically, the IT data centre has been moved to a secure location out of Port Louis in a secure building with high-raised flooring, dual air-conditioning, dual UPS and automatic power generator facilities and fire-fighting equipment. Access to data centre is controlled via biometric access card
- The local area network is protected by firewall and all accesses to the various servers and services are password protected with expiry lifetime set
- Network is secured by firewall set at both hardware and software level with content filtering and network management tools to manage same
- Access to the core banking and internet banking system, SWIFT and other critical systems is managed by restricting access rights to given set of functionalities, thus limiting the range of operations for a given user as per requirement
- Firewall and antivirus software are in place for securing the network
- Email platform is secured through Symantec technology support and detection of unsolicited email is in place
- Use of secured email with encryption to transmit data to customer who can get access via secured portal
- Internet banking secured site has VeriSign SSL certification
- Data backup is taken on a daily basis and systems backups are done as per required frequency.

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 the Bank's 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 objective. This minimises operational, financial, legal, reputational and other material consequences arising from any disruption.

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 reflect the risk they represent to the operation of the banking system
- In a 'worst case scenario' the recovery time objective (RTO) is set as 24 hours to a maximum and certain functions may be recovered within the threshold of 4 hours after declaring a crisis. The recovery point objective is set to the state of business as of previous end of day.

RISK MANAGEMENT REPORT (CONTINUED)

- for the core banking system, the recovery point objective is set to 15 minutes as the data replication is scheduled every 15 minutes to the Disaster Recovery Site
- 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 implementing approaches to business continuity management that reflect the 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 reviews the policy every year in view to improve resilience as the Bank moves forward. The ultimate objective is to cater for any eventual disruption of operations to be restored in a minimum lapse of time and that the Bank will be back to normal operation within a reasonable time frame.

Following the floods disaster in March 2013, the Bank has moved its data centre to a safer zone and has an adequate Disaster Recovery Site. During this movement, all services were tested from both Main Site and DR site. The tests were done conclusively and the Bank was able to start its IT services from the new data centre on Monday 7th April 2014.

INTERNAL AUDIT

The Bank has adopted a three-layer control system:

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

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

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

The coverage of the Bank's internal audit also includes the entities where the Bank has material shareholding interests.

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

Periodically, all departments are required to certify that all previous audit recommendations have been implemented and not allowed to lapse. Over and above, Internal Audit carries out checks to ensure such implementation.

A total of 21 audit reports have been issued during the period of July 2013 to June 2014 and as at date all related recommendations have been implemented.

For the forthcoming year the Bank is targeting to systematically conduct audits of entities at least per the following frequency:

Risk rating of entity	No of Audits annually
High	2
Medium	1
Low	once every two years

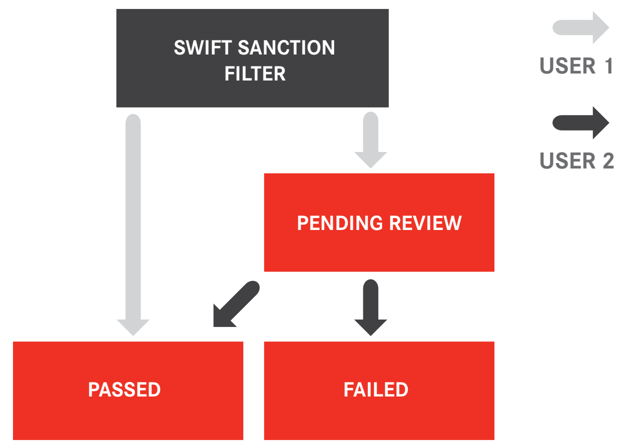
During the financial year ended 30 June 2014, the Bank has strengthened its audit team through the recruitment of one Senior Audit Officer and one Audit Officer.

COMPLIANCE

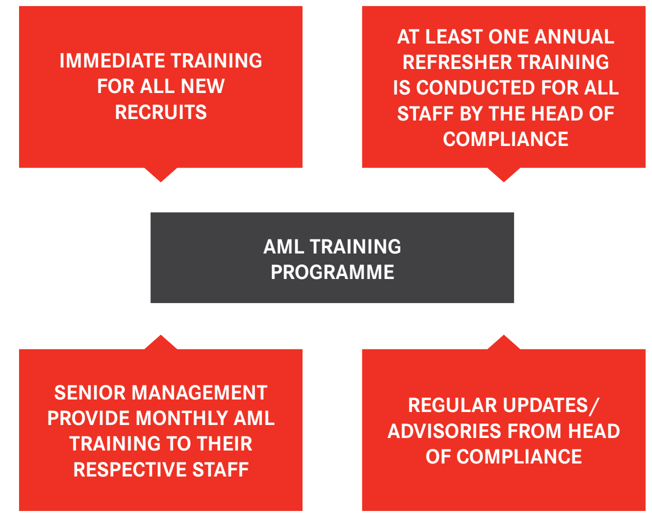
The Compliance Function assesses and ensures that all the Bank's activities comply with the relevant laws, regulations and internal policies and procedures. Compliance reviews are conducted across departments and appropriate recommendations are made.

Any type of non-compliance and risk identified is duly reported to Senior Management, the Compliance Committee, Audit Committee of the Board and the Board of Directors. It also co-ordinates and supports the activities within the Bank and provides expertise and advice in compliance-related matters. The summary activity of the Compliance Committee, which meets at a regular monthly interval, is forwarded to the Audit Committee of the Board on a quarterly basis.

A Sanction Screening system is in place to enable real time screening of all details contained in incoming and outgoing Swift messages. 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. This screening tool helps to reduce the Bank's risk of being exposed in facilitating payments for individuals and organizations blacklisted under the US, EU, OFAC and UNSC.



To manage the money laundering risk which the Bank could be exposed to, the Compliance function through the Money Laundering Reporting Officer tracks and reviews suspicious transactions. Moreover, it is empowered to independently report to the Financial Intelligence Unit ('FIU') any suspicious transactions. A partly automated Transaction Monitoring system is actually in place for detection of higher risk transactions to guard against money laundering. Now, the Anti-Money Laundering ('AML') framework adopted by the Bank will be further supported by the installation of AML software. The AML software will improve the KYC profiling of customers through enhanced due diligence, customer identification, screening and customer risk scoring. It will also enhance the monitoring and review of customers and their activities and allows the Bank to manage financial crime and regulatory risk more effectively. The AML Training Programme of the Bank is set up as per the image below:



With the internal procedures and control in place, the Bank is able to detect attempted frauds and prevent losses for all parties involved. As per the instructions issued to senior management and front liners, all attempted frauds are also duly reported to the Bank of Mauritius. Between July 2013 - June 2014, 18 attempted frauds cases, amounting to MUR 37.3m, were detected and reported by the Bank. Furthermore the internal control and existing policy and procedure were reviewed and strengthened.

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

- conducting independent investigations for suspicious cases and ensuring that appropriate actions and decisions are taken
- assisting investigative authorities in conducting investigations
- handling Court cases and summons filed against the Bank
- managing the Bank's Complaint Desk
- implementation of FATCA (Foreign Account Tax Compliance Act) by preparing Action Plan document, modifying Account Opening Forms and providing training to Sales staff
- assisting the Bank of Mauritius, Financial Services Commission and external auditors during their audit
- providing support on new projects of the Bank (E-Statements, XtraMiles, Physical Archiving and Prepaid Cards)

RISK MANAGEMENT REPORT (CONTINUED)

- preparing and circulating to staff of the Bank, action points and summary of changes in existing Legislations and Guidelines and new Legislations and Guidelines. On a quarterly basis the regulatory changes are also reported to the Board Audit Committee
- assisting other departments in setting up and preparing Policies and Procedures
- actively participating in Compliance meetings held at the Bank of Mauritius and Mauritius Bankers Association level, and
- compliance workshops are organised for Senior Management and Relationship Managers to discuss compliance issues and update them about recent regulatory developments.

Furthermore the Compliance Function will now be responsible for the compliance of the entities under the AfrAsia Group and the Representative Offices in South Africa and UK.

PHYSICAL SECURITY

AfrAsia Bank Limited ensures the physical safety of its employees, customers and assets and reviews and addresses its controls and procedures on an on-going basis.

On a more practical level, this includes the following measures taken since the launch of the Bank:

- the Bank has engaged the services of the Mauritius Police Force to provide armed guards during the operational hours of the Bank in Port Louis
- a specialised private security agency also ensures a round-the-clock service to the Bank's personnel, customers and its assets on both Port Louis Main Branch/Head Office and Ebene Operation centre
- a 24-hour alarm system is also in place
- the risks of fire have been addressed by fitting the building with fire detection and alarm systems throughout with proper training to take the right measures in the event of a fire and fire drills
- the vault room is entirely built with reinforced concrete using the latest standards. Access within the Bank, offices and operation center is controlled using magnetic cards
- the Bank is equipped with security cameras and each access to the building is monitored and registered on the system for future review and
- biometric access device introduced for data centre access in Ebene.

Anti-flood gate has been set up in specific areas in Port Louis Branch.

SYSTEM UPGRADE - CHALLENGES

Core Banking Software Migration

In line with the approved IT Blue Print, the Bank started with the upgrade of our Core Banking Software in September 2013. The project was a very critical one as the Core Banking Software happens to be that one piece of software through which most of the Bank's services are provided to all its clients. The software was to be upgraded after a gap of about seven years to the latest version.

Oracle Corporation was the supplier of the software since 2007 and the project plan was worked out to be a four month exercise to upgrade it to the latest version. A Core Banking Group was formed of 20 people handpicked by the business, back office and IT. This group was the driver for this project since the beginning of the upgrade till the User Testing and Post migration issues resolutions.

The Core Banking team was matched with about 12 specialists from Oracle/IBM ranging from product specialists to trainers to hard core software, hardware database and operating system people. Oracle, being a global entity follows the best practices for all its projects.

It was also decided to have a Quality Assurance team to keep a sanity check on the whole process and FinTech, Kenya was selected for this work of independent assurance provider. With all this readiness, the project was initiated and the cutover happened on 24th February 2014, i.e., when we went live on the new upgraded software.

The logistics were a challenge as the existing premises were not equipped for the teams that were to land up for the project. New premises were taken up as a Project Office in Port Louis, furnished and wired within a record time of two weeks.

Project kicked off with Oracle conducting a product walkthrough for the entire Core Banking Software with the Core Banking Team. This work was primarily done to help Oracle set up the product parameters and identify gaps that were required for business processes.

Oracle then took some time to do the product set up on their off-site labs and they were back on site in November 2013 with software to start with 1st round of User Acceptance testing ('UAT'). The UAT 1 found the changes that were still required for Oracle to work on to start with the 2nd round of User testing by December 2013. The UAT 2 was completed by mid-January 2014.

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Post UAT 2, about 40 sessions were conducted to train 100% of the Bank's staff. The training was conducted by the Core Banking Team with support from Oracle.

Core Banking Team then started to refine the reports that were to be generated from the upgraded software. The original target for going live was end of January 2014 but this was not reached due to some of the reports and the changes in Credit products. It took about two weeks of additional time to smooth out the rough edges before going live. Finally, the cutover started on 21st February 2014 night and on 24th February 2014 the team was ready to serve the clients.

For the last six months the Bank is in the new environment, which is now fully stabilised in all aspects. It was a big challenge taken by the Bank, and the Bank staff at all levels walked the proverbial extra mile to make it happen. The entire process was monitored and independently certified by the QA and has also been audited by our External Auditors as a successful migration of Oracle Core Banking Software from version 7.3 to version 12.0.1. Consciously, the Bank had taken the decision to keep this upgrade 'As Is' and now once stabilised, the Bank is on its onward journey to upgrade other software such as Internet Banking etc., to bring in the latest in IT to simplify the life of stakeholders. We have been able to cut down many work around, implement stricter controls and reduce the turnaround time for all its processes.

MANAGING DISASTER EVENT

Movement of Data and Operations centre to Ebene

Since 2007, the Bank has been operating from the registered office in Port Louis. In 2012, to accomodate the growing numbers of staff, other premises were opened next to the headquarters. However, Port Louis was flooded on 30th March 2013 and the Bank was impacted by the sudden rise of water level in the area. IT, which was on the ground floor, was not impacted but as a precautionary measure, by June 2013, the decision was taken to look for another place to move the IT and back office functions along with the opening of another branch outside Port Louis. A site was identified for this move. The agencies were appointed after going through the process of floating and request for proposal and selection process.

The new premises were ready to move into by March 2014 along with the interiors and networking in place for IT and other offices. It was then decided to move IT first as once IT services are available at the new premises, it is easier to move other departments. Moving the IT with live servers over the weekend was a big challenge which was executed by the IT team to perfection. It was once again the 'can-do' attitude of the team and hard work at all levels that resulted in another smooth migration.

RISK MANAGEMENT REPORT (CONTINUED)

CAPITAL STRUCTURE AND ADEQUACY

AfrAsia Bank Limited closed its seventh financial year with a conservative statement of financial position reflecting a capital adequacy ratio of 13.07%, above the minimum recommended regulatory requirement of 10%.

The table hereunder provides a summary of our capital structure under Basel II as at 30 June 2014. Of note, Tier I Core Capital consists of paid-up capital, share premium, statutory reserve, and surplus arising from sale of fixed assets, general reserve, other disclosed free reserves and undistributed balance in retained earnings attributable to previous years.

Accumulated losses, current year's interim losses, goodwill and other intangible assets are deducted from Tier I Core Capital. Tier I Core Capital provides the most stable and readily available support to a Bank against unforeseen losses.

Tier II Capital is less permanent in nature, consisting primarily of profit participation rights, long-term subordinated debt, unrealised gains on listed securities and other inherent loss allowances. The Bank consolidated its Tier II capital during the year to reach MUR 580m as at 30 June 2014.

AFRASIA BANK LIMITED BASEL II	2014	2013	2012
	MUR'000	MUR'000	MUR'000
Tier I Capital			
Paid up or assigned capital	3,133,884	1,694,593	1,398,457
Share premium	14,283	-	-
Statutory reserve	125,861	92,464	47,075
General reserve	-	30,440	36,745
Other disclosed free reserves	332,175	290,007	199,885
Deduct:			
Other tangible assets	(37,667)	(15,420)	(17,095)
Deferred tax	(8,897)	(8,055)	(7,638)
Treasury shares	(405,776)	-	-
Core capital	**3,153,863**	**2,084,030**	**1,657,429**
Less:			
50% investment in unconsolidated banking and financial subsidiary companies	(94,781)	(41,781)	(31,781)
50% investment in capital of other banks and financial institutions	(261,264)	(149,776)	(149,800)
50% of significant minority investments in other entities	-	-	-
Net core capital	**2,797,818**	**1,892,472**	**1,475,848**
Tier II Capital			
General Banking Reserve	132,809	87,163	-
Portfolio provisions	86,554	68,317	74,687
Term subordinated debt (limited to a maximum of 50% of total core capital)	836,345	841,301	565,480
Supplementary Capital	**1,055,708**	**996,780**	**640,167**
Less:			
50% investment in unconsolidated banking and financial subsidiary companies	(94,781)	(41,781)	(31,781)
50% investment in capital of other banks and financial institutions	(261,264)	(149,776)	(149,800)
50% of significant minority investments in other entities	-	-	-
Net Supplementary Capital	**699,663**	**805,223**	**458,586**
Capital Base	3,497,481	2,697,695	1,934,433
Total Risk Weighted Assets	26,757,280	21,664,854	14,230,547
Capital Adequacy Ratio (%)	13.07	12.45	13.59

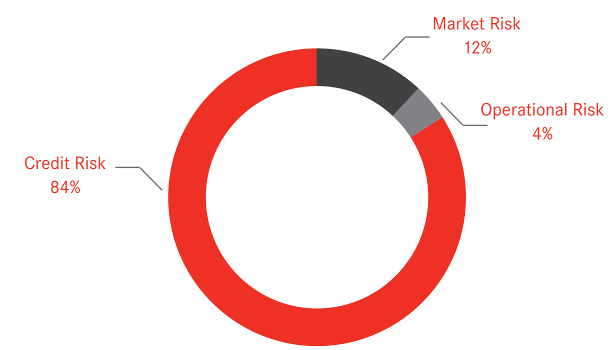
RISK WEIGHTED ASSETS

Basel II – Total Risk Weighted Assets as at 30th June 2014 was at MUR 26,757,280,201 versus capital base of MUR 3,497,478,988. Analysis by risk type:

- Credit Risk — MUR 22.53bn (84.2%)**
- Market Risk — MUR 3.06bn (11.5%)
- Operational Risk — MUR 1.17bn (4.4%)

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

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

Stress testing is one of the main elements of the ICAAP and is performed on a monthly basis via ALCO to measure impact of changes on interest rate (negative and positive interest rate shocks of 100bps across all maturity buckets), foreign currency (5% variance in exchange rates) and liquidity position. On at least an annual basis, stress tests are done on the Bank's portfolio to assess any impact on key performance indicators such as asset downgrade, decline in specific sectors, deposit withdrawal and defaulting counterparties as well as on the Bank's ability to meet capital requirements on the targeted plans. The ICAAP process is to ensure that the capital base reflects the risk and return profile of its business operations while adhering to all regulatory and statutory requirements and good corporate governance. ICAAP certificate for FY 2013 has been prepared in line with the guidelines and shows that the Bank has adequate capital to sustain targeted growth.

Basel III

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

RISK MANAGEMENT REPORT (CONTINUED)

RELATED PARTY TRANSACTIONS, POLICIES AND PRACTICES

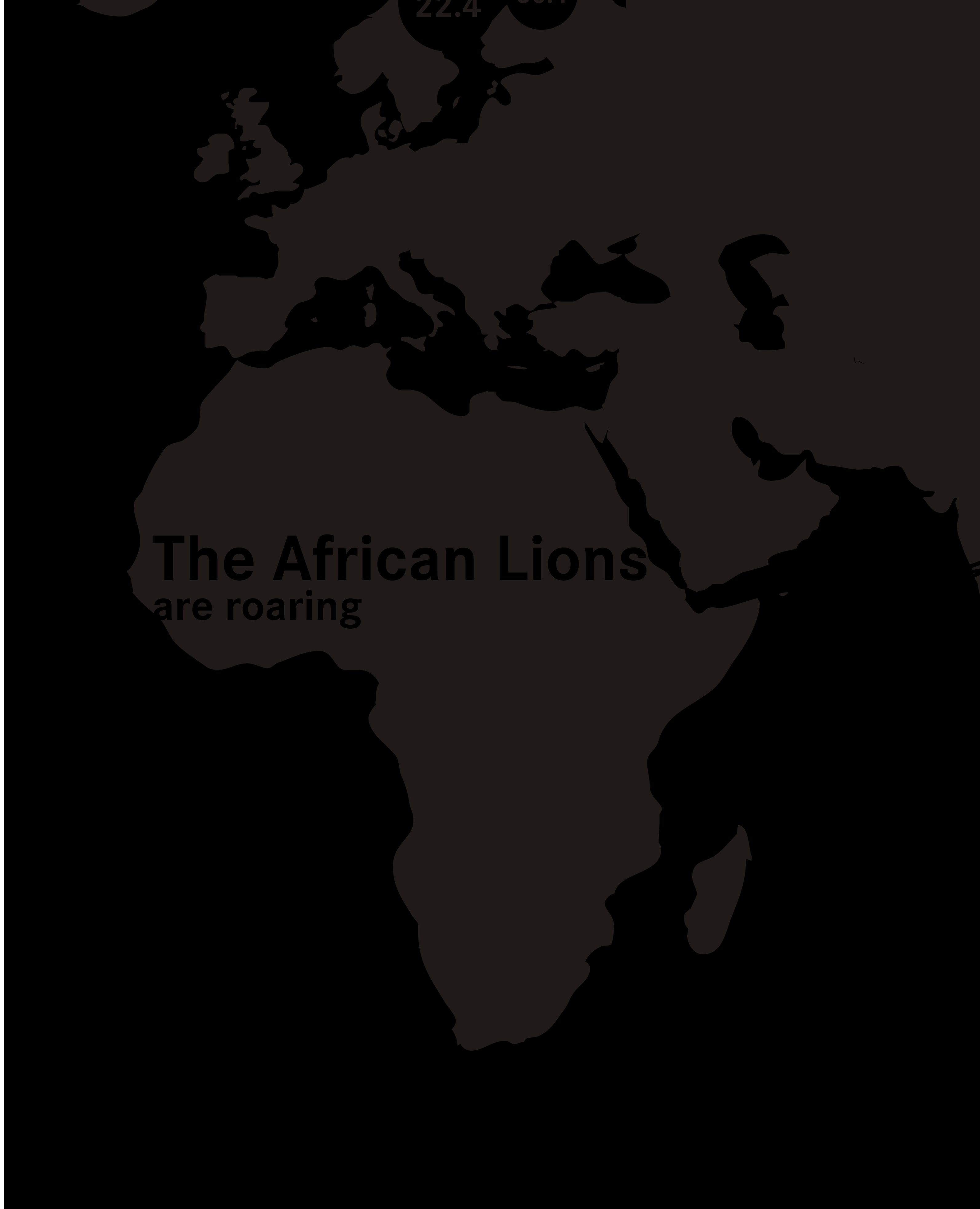
The Bank adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius in January 2009. In line with this Guideline, the Board of Directors appointed a Conduct Review Committee to review and approve all related party transactions. The Board has also adopted a policy which sets 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.

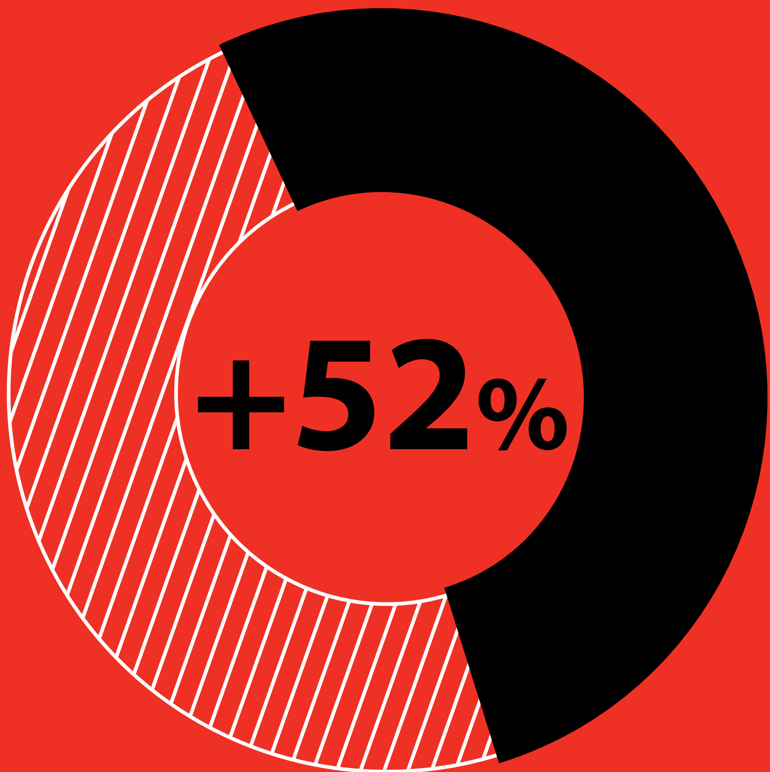
The Conduct Review Committee ('CRC') comprises three independent directors and one independent advisor who are not officers and employees of the Bank. This Committee is responsible for the approval of all Category 1 and Category 2 related party transactions, which are not exempted as per Bank of Mauritius 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 AfrAsia Bank Limited 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 2014, related party exposure was within regulatory guidelines at 39.6% (Cat 1 and Cat 2). However, the Bank has made a provision of MUR 108m 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.





Total Equity (Bank)

2014: MUR 3,333,234,798
2013: MUR 2,194,668,365

18,426

Bank accounts

Being at the avant-garde of the markets, AfrAsia Bank Limited has always aimed at providing best-of-breed differentiated solutions to help clients achieve their financial aspirations.

The Bank aims at diversifying our credit exposure into the region and offsetting any slower demand in Mauritius.

Loans and Advances (Bank)

2014: MUR 17,397,054,742
2013: MUR 14,007,752,016

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OUTLOOK

REVIEW OF DEVELOPMENTS IN MAURITIUS

The economy in 2014: Resilient but slightly below potential

Even though 2013 had ended on an unpredictable note amidst widespread uncertainties impinging on business sentiments, most analysts had predicted that 2014 would be a relatively better year in terms of growth and economic climate – in Mauritius and elsewhere. As it turned out, the much-awaited recovery has proved to be rather uneven globally and below expectations, especially in Mauritius' main trading partner economies. Worse, economic recovery has not materialized in the ailing Euro area despite signs in late 2013 that panic was beginning to subside.

The impact effect on the Mauritius economy is visible: output will remain slightly below potential yet again in 2014. The real GDP growth rate of 4.0% expected by policymakers at the time of the budget presentation in November 2013 would most probably level down to around 3.5% by end 2014 according to Statistics Mauritius. Whilst this is below expectations, however, it appears to be more encouraging than in 2012 (3.4%) and 2013 (3.2%).

Indeed, despite the smouldering economic landscape of the Euro zone, the economy of Mauritius has remained relatively resilient. It has successfully stayed away from recession over the years due to a combination of effective policy responses and stimuli in various forms, and at various levels, to support the local economy. Most macroeconomic fundamentals have fared relatively well. No banks or major companies have closed down since 2008 as a result of the global meltdown. In both 2013 and 2014, all key economic sectors have acted as engines of growth except the construction sector.

> "In both 2013 and 2014, all key economic sectors have acted as engines of growth except Construction."

The economy remains open and business friendly, with a transparent and predictable investment regime. International trade in goods and services represents some 115% of GDP and has remained a key contributor to the performance of the domestic economy. Mauritius is also classified by UNDP as a high human development country with a relatively high standard of living. In terms of governance, public-sector management, political stability, competitiveness and some other notable indicators, it has consistently ranked Number One in Africa during the past few years. In the World Economic Forum's (WEF) Global Competitiveness Report 2014-2015 released in September 2014, for instance, Mauritius has moved up six positions to 39th place and consolidated its lead in the region, surpassing South Africa by a solid 17 places.

> "Despite the smouldering economic landscape of the Euro zone, the economy of Mauritius has remained relatively resilient."

Other achievements in 2014 include: a reduction in the unemployment rate from 8.0% to 7.8%; an inflation rate contained at 2.8%; a reduction in the budget deficit to 3.2% (down from 3.5 % in 2013); rising FDI (some USD 260m in the first semester of 2014 alone) but also rising outbound FDI (reaching USD 137 m in 2013); a slight improvement in the current account deficit; and continued accumulation of foreign exchange reserves.

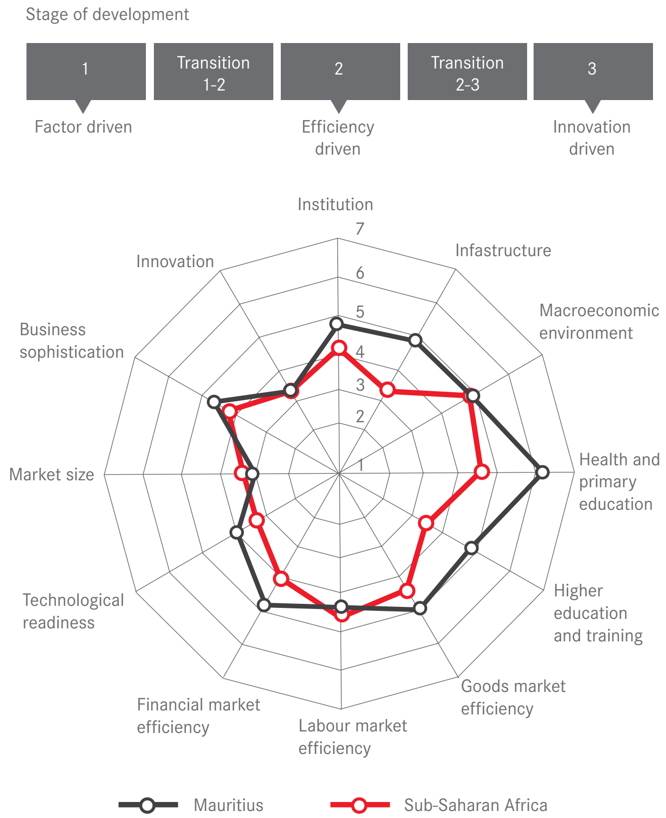
Caveats: No place for complacency

Against this backdrop, the Bank believes the authorities still need to step up efforts to strengthen the basic requirements for long-run sustained economic growth. This entails the pursuit of the reform agenda, which appears to have stalled. Economic issues that need to be addressed include labour market reforms, fiscal consolidation, an ageing population, efficiency of state-owned enterprises, sustainability of the social protection system, income inequality and, most importantly, the development of knowledge-intensive sectors.

Regarding the latter, the Bank views it a priority to speed up the transition from an efficiency-driven to an innovation-driven economy. Mauritius lags behind in terms of innovation as depicted in the Exhibit below. Whilst the key driver to a high-income economy remains the capacity of the country to innovate, Mauritius ranks deceptively low in key innovation indicators of the WEF (91st, 93rd, and 101st out of 144 countries in Quality of scientific research institutions, Availability of scientists and engineers, and university industry collaboration in R&D respectively.)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Figure 1: Stage of development, Mauritius v/s Sub-Saharan Africa



Source: The Global Competitiveness Report 2014-2015, World Economic Forum

Other major economic issues requiring immediate attention include the falling investment rate and the all-time low savings rate; continued depression in the construction sector; excess liquidity in the financial system; loss of competitiveness of key economic sectors; and the problem of youth unemployment.

Performance of key economic sectors: All positive except construction

GDP at basic prices is expected to grow by 3.5% in 2014, which is about a percentage point lower than what was predicted at the beginning of the year. This performance has been achieved against the backdrop of subdued demand in Mauritius' key trading partner countries and recession in the Euro zone. As in 2013, all keys sectors have contributed positively to the growth of the economy, except construction.

Figure 2: Annual growth rate (%) by industry, 2014

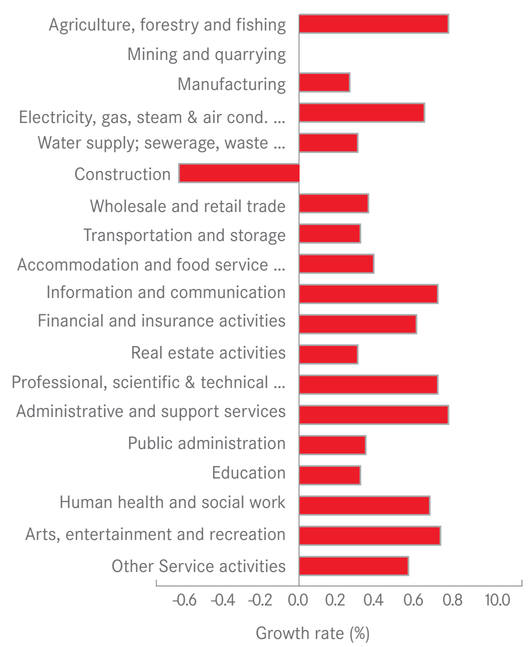


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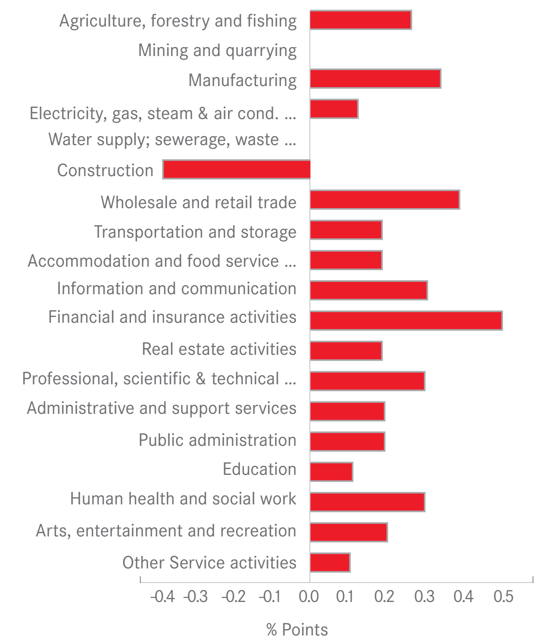
Figure 3: Contribution to GDP growth, 2014



Source: National Accounts Estimates, Statistics Mauritius (September 2014 issue)

The leading contributors to GDP growth in 2014 are expected to be 'Financial and insurance activities' (0.5%) and 'Wholesale et al'(0.4%).

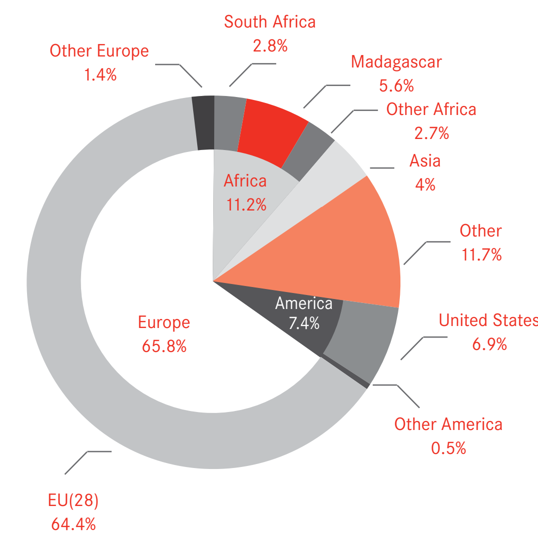
"Manufacturing", "ICT", "Professional, scientific and technical activities" and "Human health and social work activities" are to contribute 0.3% each to GDP. "Construction" sector on the other hand, with a contraction of 6.7%, is expected to take a toll on GDP with a negative contribution of 0.4% to GDP.

Status of exports: Slow diversification away from EU into Asia and Africa

Since the beginning of the financial crisis in 2008, emphasis in Mauritius has been on reducing the dependence of Mauritius on its traditional trading partners such as UK and the euro area. Successive Government budgets have sought to provide assistance to encourage enterprises to diversify away from EU and into the Asian and African markets. As depicted in the Exhibit below, the share of exports to the EU has fallen from 64.4% in 2007 to 57% in 2013. This is expected to reach around 52% in 2014. In parallel, exports to Asia have increased to 10.5% in 2013, up from only 4% in 2007, thus suggesting that incentives such as additional flights to Asia and targeted assistance to exporting enterprises may have played a role to diversify the export base.

"The share of exports to the EU has decreased from 64.4% in 2007 to an expected 52% in 2014."

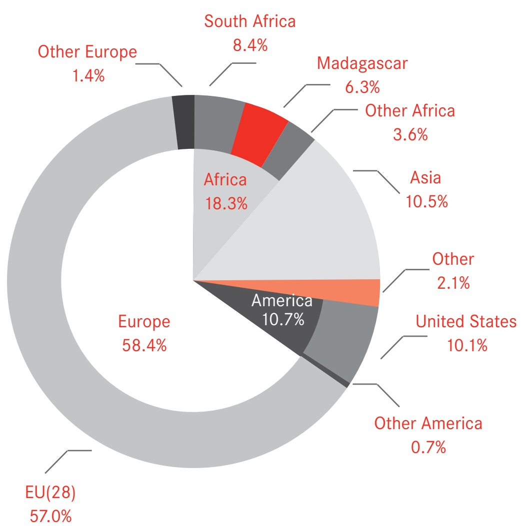
Figure 4: Directions of Merchandise Trade: Exports (f.o.b) in 2007



Total: US$ 2.2 bn

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Figure 4: Directions of Merchandise Trade: Exports (f.o.b) in 2013



Total: US$ 2.3bn

Source: Trade Policy Review, World Trade Organisation, September 2014

Importance of RTAs and economic diplomacy for Mauritius

Whilst the interaction with Asian markets has been positive, trade with regional countries and Africa has remained erratic over the years and slow to pick up despite the substantial network of IPPAs and DTA Agreements with African countries. The share of Africa in total exports has increased marginally from 11.2% to 18.3% between 2007 and 2013. Exports to South Africa have declined significantly due to the depreciation of the Rand. Between the first semester of 2013 and 2014, the value of exports to South Africa has fallen by 11%. On the other hand, merchandise trade to the United States is expected to increase further following the recent successful extension of trade preferences under AGOA.

The authorities have now signified their intention to be more aggressive to capitalize on Mauritius' impressive network of regional trade agreements (RTAs) to boost trade with regional trade blocs and Africa in general. Mauritius forms part of the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Indian Ocean Commission and the Indian Ocean Rim Association for Regional Cooperation. The network of RTAs currently comprises 6 agreements with a total of 24 trading partners. Almost all tariff lines are covered, except in the case of Pakistan whose agreement is rather limited in scope.

The 24 trading partners are: Burundi, Comoros, Djibouti, Egypt, Kenya, Libya Arab Jamahiriya, Rwanda, South Sudan, Madagascar, Seychelles, Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe, Turkey, European Union and Pakistan. As to the 40 IPPAs which have been signed so far, 17 of them have yet to come into force. 37 out of the 54 DTA Agreements are already in force.

The performance of the import and export sectors relative to each of the 6 agreements is summarized in the table below. It reveals the heavy dependence of Mauritius on the treaty with EU even though this has adopted a declining trend in recent years.

> "The network of RTAs currently comprises 6 agreements with a total of 24 trading partners."

Mauritius' merchandise trade arising out of its six regional trade agreements in 2013

Merchandise trade with:	Exports as a % of total exports	Imports as a % of total imports
1. COMESA member states	8.8%*	3.3%
2. SADC member states	9.0%	7.2%
3. Pakistan	0.0%	0.5%
4. European Union (28 countries)	57.0%	22.3%
5. Turkey	0.2%	0.9%
6. Madagascar	6.3%	0.5%

**Monthly to Madagascar*

DTA Agreements with India under threat…yet again

FDI: Even more critical

FDI flows have been playing a decisive role in recent years to compensate for declining domestic investments and to finance the ballooning current account deficit. The exhibit below shows the evolution of FDI during the past seven years.

Figure 5: Foreign Direct Investment (FDI) flows (2007-2013)

	2007	2008	2009	2010	2011[a]	2012[a]	2013[b]	Share of total in 2013 (%)
Total FDI in Mauritius (USD million)	367.0	402.6	275.3	451.5	448.5	680.7	310.3	100.0
By sector								
Real estate activities	121.8	159.5	134.8	110.8	182.1	252.4	193.2	62.3
of which - IRS/RES/HIS[c]	89.0	93.0	64.9	65.8	116.6	141.3	149.9	48.3
Construction	1.4	2.4	6.6	41.8	73.6	77.0	24.9	8.0
Financial and insurance activities	129.3	160.9	42.9	150.4	68.6	184.2	23.4	7.5
Agriculture, forestry and fishing	0.6	15.8	0.0	0.0	7.5	4.2	22.1	7.1
Wholesale and retail trade; repair of motor vehicles and	1.2	3.6	9.1	4.0	20.9	24.8	10.7	3.4

Source: Trade Policy Review, World Trade Organisation (September 2014)

The results in 2014 are expected to be better than 2013 given that FDI flows have already exceeded USD 260m in the first semester. Most investments originated from France and South Africa. Of particular interest is the reduction of FDI from China, probably due to the completion of a number of major infrastructure projects. As in previous years, the real estate sector has remained the biggest recipient of FDI, accounting for some 40% of the total - USD 106m, 65% of which has been directed to Integrated Resort Scheme (IRS) projects.

It is also noteworthy that the new trend of outbound FDI seems to be gaining momentum. During the first semester of 2014, it has increased to some USD 330m (up from USD 222m during the same period in 2013). Over 40% of outbound FDI went to the African region, mostly to Kenya and Madagascar, and in specific sectors such as accommodation and food services, financial services, and real estate.

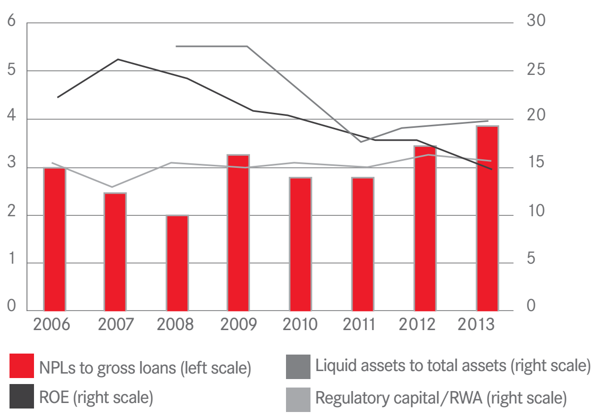
> "FDI flows have been playing a decisive role in recent years to compensate for declining domestic investments and to finance the ballooning current account deficit."

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Banking sector health check and monetary developments

Using the Financial Soundness Indicators (FSI) as a tool to assess the health of the banking sector, the IMF concluded in its Article IV 2014 Report that "the Mauritian banking system is healthy at the aggregate level," with a capital adequacy ratio well above the regulatory minimum of 10%. The overall liquidity ratio increased from 17% to 20% between end-2012 and June 2013 but the IMF notes that this has not fully recovered to the pre-crisis level (2008 and 2009). The analysis also demonstrates that the decrease in liquidity was caused mainly by the global business (Segment B) sector while the onshore (Segment A) sector managed to maintain its liquidity ratio.

Figure 6: Mauritius - Financial Soundness Indicators



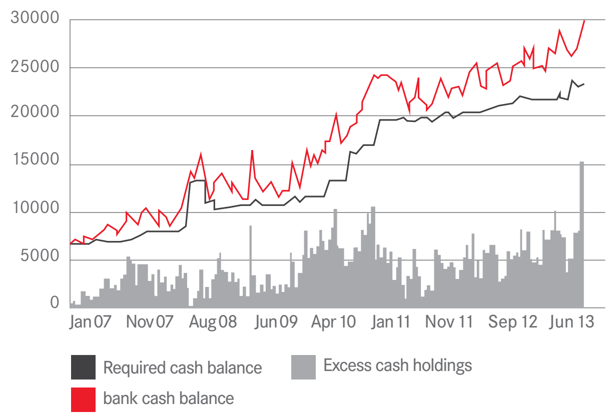
Source: 2014 Article IV Consultation – Staff Report, IMF Country Report No. 14/107, May 2014

> "The Bank of Mauritius has announced that, from now onwards, it intends to adopt a formal inflation-targeting approach."

Excess liquidity in the financial system

For several years, the financial system has remained plagued with excess liquidity, which amounted to MUR 10.9bn in September 2014, slightly down from a high of MUR 11.8bn six months earlier. It is feared that this problem of excess liquidity may have been undermining the monetary policy transmission mechanism, thus thwarting the effectiveness of monetary policy. In response, the Bank of Mauritius and the Ministry of Finance and Economic Development (MoFED) have publicly announced their intention to curtail the problem by inter alia "preparing a Memorandum of Understanding to set an inflation target while reining in excess liquidity." The Bank of Mauritius has announced that, from now onwards, it intends to adopt a formal inflation-targeting approach.

Figure 7: Excess Cash Holdings by Banks in Mauritius (Rs million)



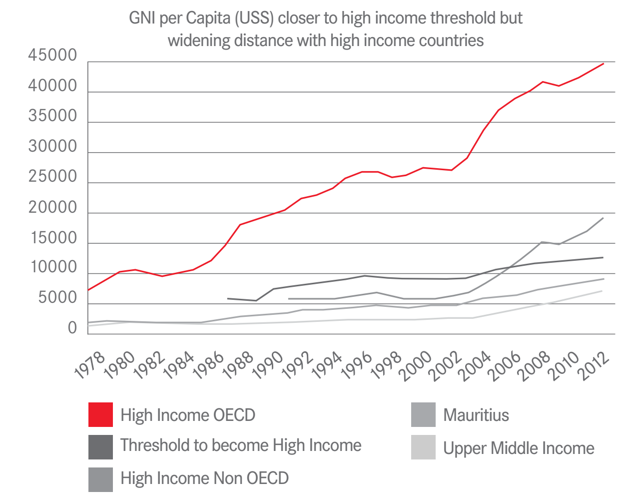
Source: 2014 Article IV Consultation – Staff Report, IMF Country Report No. 14/107, May 2014

Another bold move was undertaken in July 2014 when the Government issued a 5 year Savings Bond for MUR 2bn at a coupon rate of 6 percent per annum – much higher than prevailing savings deposit rates - targeted towards individual investors. Sometime later, Government further issued 3-year Savings Notes for an amount of MUR 2bn at a coupon rate of 5.25% per annum. Other measures taken to mop up excess liquidity in the system include: hiking of the fortnightly average CRR from 8% to 9% as well as the daily minimum CRR from 5.5% to 6.5%.

The path to high-income status

Mauritius is an upper-middle income country aspiring to reach high income status in the next six years. The Bank commends this new ambition of the country as well as its renewed cooperation with the World Bank Group to attain this goal.

Figure 8: The road to a high-income economy

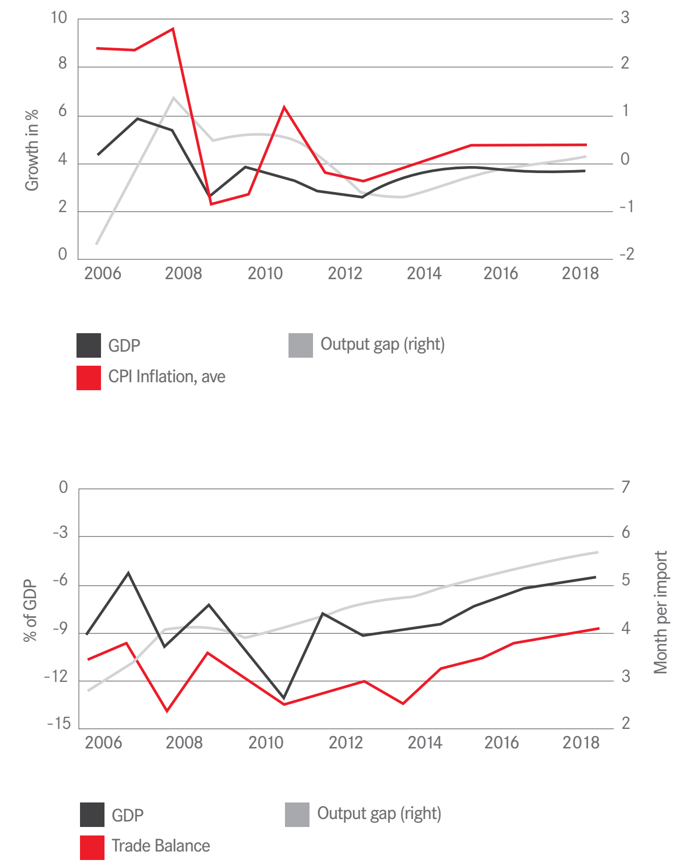


Our ambition to raise the status of Mauritius to a high-income country and the current income per capita from USD 9,900 to USD 12,700 would require much higher growth path, from the current 3.5% - 4% to 5.5% - 6.0%. This can only be achieved if we embark on a new set of bold reforms to address the structural weakness of our economy so as to foster growth.

Future outlook

As depicted below, the IMF has slashed its growth forecasts for Mauritius to some 4% annually until 2019, which is largely insufficient to meet the aspirations of the business community and the population in general. The pursuit of a new and bold reform agenda coupled with new strategic direction for the economy could change the paradigm altogether and lead Mauritius to a high-income economy earlier than planned.

Figure 9: Macroeconomic projections, 2006-2019



Source: Article IV Consultation – Staff Report, May 2014

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INTERNATIONAL ECONOMIC OUTLOOK

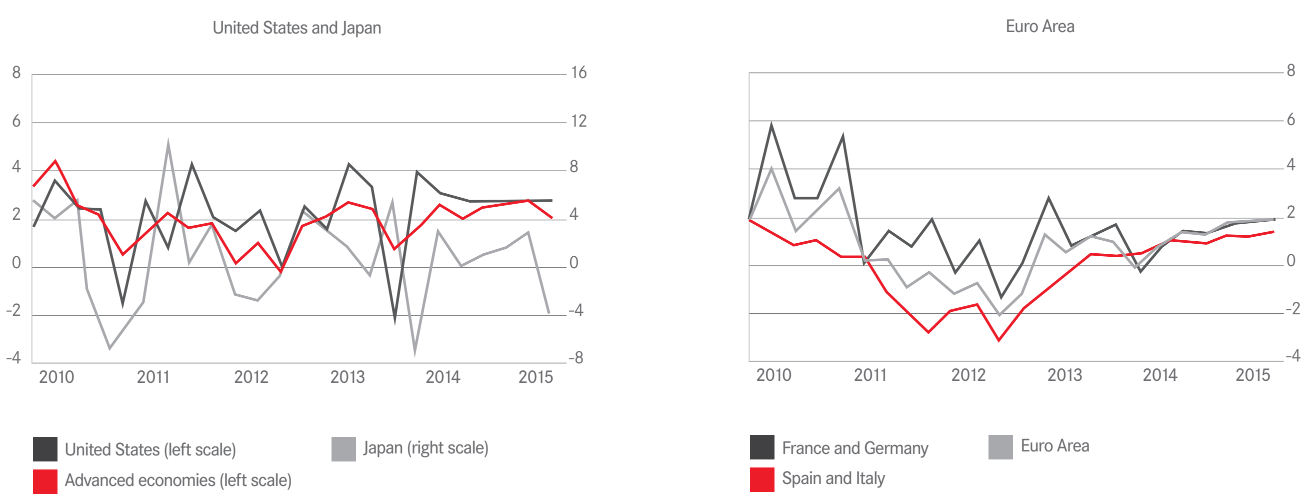
Growth rebound in Q2 of 2015

At the dawn of 2015, expectations were rising that perhaps the depression would subside, especially in the euro area and that finally, after seven years of economic and financial turmoil, the world would be back on a steady growth path. No sooner had the end-of-year wish been made than the bad news started to flow in from countries of the Eurozone. Five years after Greece had kickstarted the euro crisis (by admitting that its budget deficit was twice as big as had previously been reported) there are still no signs of sustained recovery. The economic landscape has deteriorated further with Germany set to face stiff challenges to stay out of recession. What is infinitely worse is the spectre of deflation looming large on the euro area.

Elsewhere, the situation in the United States and the UK appears less gloomy. Annual growth in the UK is expected to be close to 3% over the 2015-2016 period and the unemployment rate is projected to be 5.5% in 2016. This is in stark contrast with Continental Europe where the unemployment rate is not expected to fall below double digits, where it had been since 2012, until 2016.

In its World Economic Outlook report published in October 2014, the IMF posits that global growth is projected to "rebound to an annual rate of about 3.7% in the second half of 2014 and into 2015" as depicted below. The United States is expected to experience the strongest rebound in growth. These forecasts are slightly weaker as compared with the IMF's July 2014 issue.

Figure 10: GDP Growth Forecasts (Annualised quarterly % change)



"According to the IMF, global growth is projected to rebound to an annual rate of about 3.7 % in the second half of 2014 and into 2015."

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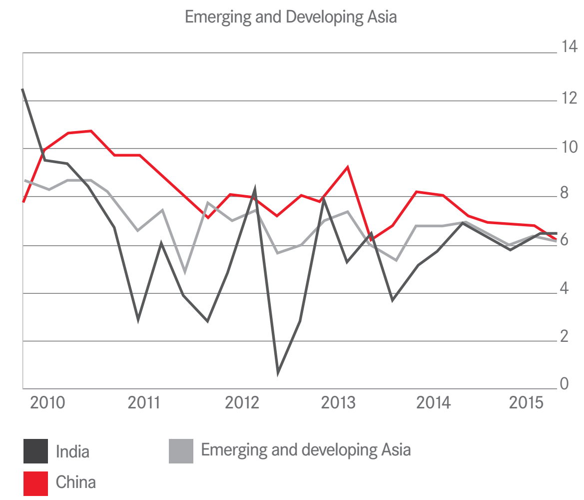


Source: World Economic Outlook October 2014, IMF

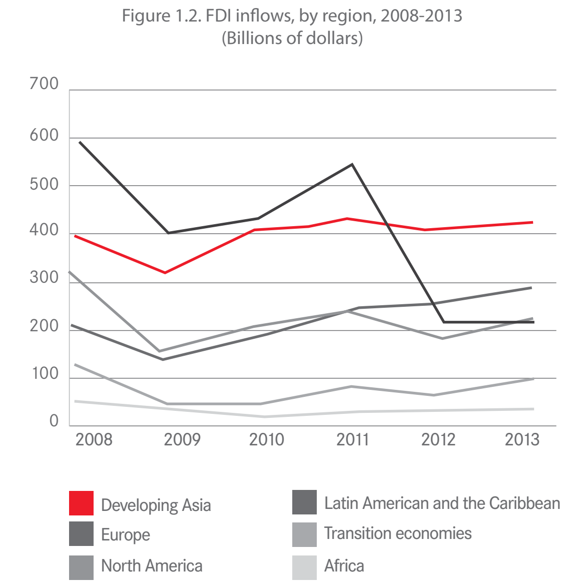
Global investment trends

2012 was the year when, for the first time in history, developing countries outperformed their developed counterparts in terms of FDI inflows. The trend persisted in 2013, with the former group maintaining its lead further. Indeed, the World Investment Report (WIR) 2014 reveals that developing economies managed to attract USD 778bn worth of FDI in 2013, which represents 54% of global flows. Developed economies experienced a slight growth of 9% to reach USD 566bn. The remaining USD 108bn went to so-called transition economies.

The WIR 2014 calls for "cautious optimism" as global FDI returned to a sustained growth path, with inflows rising 9% in 2013 to reach USD 1.45bn. Forecasts made by UNCTAD reveals FDI flows could reach USD 1.6tn in 2014, USD 1.7tn in 2015 and USD 1.8tn in 2016, with relatively larger increases in developed countries.

"2012 was the year when, for the first time in history, developing countries outperformed their developed counterparts in terms of FDI inflows. The trend persisted in 2013..."

Figure 11: FDI flows by regions, 2007-2013

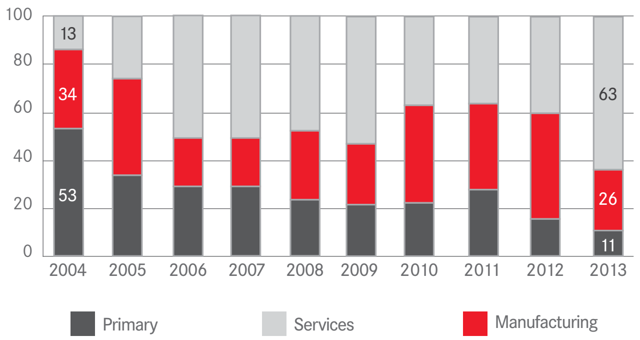


Source: World Investment Report 2014, UNCTAD

Africa attracted USD 57bn worth of FDI in 2013, up 4% as compared with 2012. The main drivers were customer-oriented sectors which attracted international and regional marketseeking flows amidst expectations of sustained growth of an emerging middle class. These sectors include ICT, Tourism & Hospitality, Finance, Retail and Food industries. Infrastructure investments also remained a key driver of FDI flows, especially intraregional investments led by South African, Kenyan and Nigerian corporations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Figure 12: Evolution of the sectoral distribution of announced greenfield FDI projects in Africa, 2004–2013 (% of total value): Notable shift from Manufacturing to Services



Source: World Investment Report(WIR) 2014, UNCTAD

The WIR 2014 reports that it was the Eastern and Southern African sub-regions which contributed significantly to the overall increase in FDI flows. FDI to Southern Africa witnessed nearly 100% growth to reach USD 13bn, largely accounted for by record-high flows to South Africa and Mozambique.

FDI increased by 15% to USD 6.2bn mainly due to rising flows to Ethiopia and Kenya. The latter is reported to be slowly becoming a favoured business hub, not only for oil and gas exploration but also for industries such as manufacturing and transport and logistics. Both North and Central & West Africa regions recorded negative growth rate of FDI.

Regional integration in Africa

African leaders have also shown determination to increase the pace of regional integration. This was first agreed to in the 1991 Abuja Treaty, which had the ambitious goal of setting up an African Economic Community through a gradual process.

Mauritius has participated in this phased process since 2011, when negotiations on the COMESA-EAC-SADC Free Trade Area (FTA) were launched in 2011. Twenty-six African countries are involved in this tripartite FTA with the objective of achieving a common market as well as a single investment area. Whilst the Bank commends such efforts towards regional integration, it remains realistic in its expectations given that fully achieving these ambitious goals could take decades, as evidenced by the laborious experience of Europe in this field.

Outlook for Sub-Saharan Africa

In its Regional Economic Outlook released in October 2014, the IMF reports that Sub-Saharan Africa (SSA) is "expected to continue being the second fastest growing region in the world, just behind emerging and developing Asia. Whether this generates inclusive growth, however, remains a matter of concern, as poverty rates and inequality are still high across the region." GDP growth is forecast to be about 5% in 2014 and 5.75% in 2015 assuming that the Ebola virus is contained and that there is no further exacerbation to business confidence and labour market as well as infrastructure bottlenecks in selected economies such as South Africa and Ghana.

In contrast, economic activity in South Africa is projected to remain subdued, perhaps ending 2014 with a growth rate of 1.4%. If labour relations improve enough to allow inventory rebuilding, the IMF expects growth in 2015 to rebound to 2.3%, which would still be among the lowest in SSA. It is believed that infrastructure constraints could only be expected to be lifted in a gradual manner as from 2016 when new power plants are projected to start operations.

"Sub-Saharan Africa is expected to continue being the second fastest growing region in the world, just behind emerging and developing Asia."

BUSINESS SEGMENTS REVIEW

CORPORATE BANKING

During the year under review, Corporate Banking segment continued building strong client relationships and strengthening capabilities to deliver a superior client service.

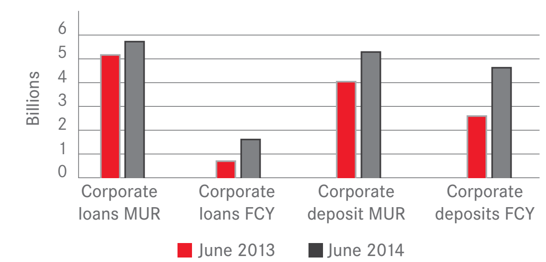
This segment has maintained focus and expanded business by leveraging on IT system upgrade, reorganisation and efficient operational processes. Major initiatives undertaken included the review of the processes, in line with policies and regulations, in order to enable fast turnaround time and flexibility while continuing to lay emphasis on the Bank's quality of service.

Corporate Banking segment posted solid financial results while further developing its sustainable business model. The challenge was to maintain margins and volumes within the Bank's risk appetite in a market where competition intensified.

Advances grew by 22% during the financial year 2014 whereas trade finance and foreign transactions improved, generating higher fee income.

Deposits in Corporate segment experienced a significant growth of 46% with a balanced mix in rupee deposits (54%) and foreign currency deposits (46%).

Corporate assets & liabilities growth



High increase of 13% 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.

During the past year, major clients in hospitality, property development and construction sectors were taken on board and Corporate Banking segment has among its clients most of the Top 100 Companies in Mauritius contributing to a diversified assets book. This segment has been strengthening relationships with more regular visits and extracting value with the existing clients.

Looking ahead, this segment is aiming to further improve performance through better penetration of Top 100 Companies, expansion of the customer base to include the 300 Top Corporates as well as selective business in Madagascar.

Despite the challenging economic environment conditions, the Corporate Banking segment is confident that it can leverage on its core competencies and existing capabilities in order to withstand the difficult times and subsequently maintain its market and product development thrust.

Customers remain at the heart of what we do and it is our ambition to be the best Bank for our clients and to provide the highest quality of service.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRIVATE BANKING AND WEALTH MANAGEMENT

In the current environment, private banks face tougher regulations, enhanced competition and increasing costs, making it increasingly difficult to maintain the service level and profitability. Through its diversification strategy and continuous technological developments, the Private Banking business line ensures that it is constantly reinventing its value proposition to maintain its quality and service differentiation.

Target market: Africa, Europe, Asia and the Indian Ocean region

The Bank targets the High Net Worth Individuals who are looking for sophisticated products and a customized approach. Through its presence in London, roadshows in the European region and our footprint in Eastern Africa, AfrAsia Bank Limited has developed its networking in the region. Africa is the continent of opportunities offering tremendous growth prospects. AfrAsia Bank Limited's partnerships with reputable organisations on the continent will enable it to unlock these possibilities.

Distribution channels: Private Bankers, Wealth Managers and Family Offices, Asset Managers, other Financial Partners

Service is at the heart of its offer and the Bank aims at building a privileged relationship with customers through its experienced private bankers. AfrAsia Bank Limited also has an important network of well-established financial providers.

Product offering: Tailor-made products and services to address the needs of targeted market segments

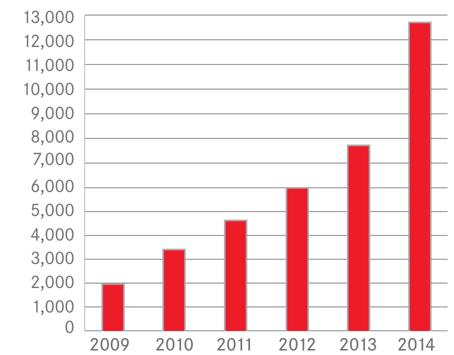
The Bank has a full range of products and services adapted to the ever changing needs of its customers and prevailing economic conditions. Its offering spans from traditional banking products offering attractive returns to investment solutions through specialist investment houses including in-house asset management arm AfrAsia Capital Management (ACM). The Bank offers carefully selected products that will generate the maximum return given a desired level of risk.

The approach: A dedicated, personalized and unparalleled customer service

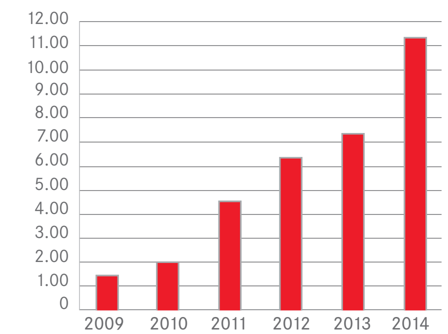
The Bank's differentiation is in its specialized approach towards customers. Private Bankers will ensure that they understand and anticipate client needs so as to assist customers in achieving their immediate and long-term wealth goals. A personalized solution is provided to each customer.

Performance review

Private clients at AfrAsia Bank Limited over the past 6 years



Private Banking - Deposits growth (MUR'bn)



Over the past financial year, deposits from Private Banking clients have increased by 50.06%

> To service the growing customer base, the Bank has increased the number of Private Bankers and Relationship Managers.

In this line, the Bank has also increased securities services offering. New resources are being added to the custody team while an automated system is being implemented. Developing this segment of the business led to an asset under custody growth of 500% over the financial year.

> Private Banking individual client base expanded by 58.06%. This is mainly backed by the constant search for new revenue streams and the development of niche products and services for the Bank's customer base: development of securities services, the availability of innovative investment products such as the USASIA note which offered a final performance greater than 147%.

The Bank is already present in South Africa, Zimbabwe and the UK. The upper middle class income group is expanding on the African continent representing potential for growth for AfrAsia Bank Limited out of Mauritius, where its scope for growth is limited given that 23 licensed banks are already sharing the market.

Future Outlook

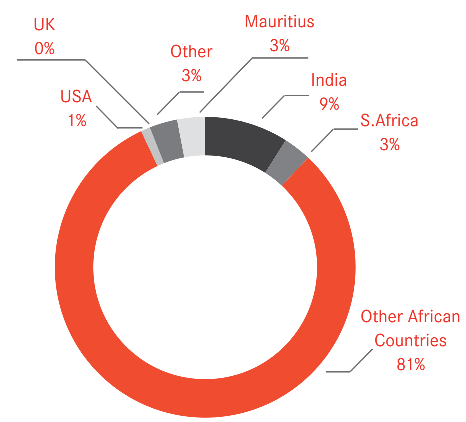
The aim is to position the Bank as a Private Banking specialist. This aim has shaped a work culture deriving from an entrepreneurial approach which led to the increase and greater diversification of our client base. As a result, new services are being provided to ensure the growth of the Bank's asset under management and asset under custody. The strategy is clear: offer a sophisticated and innovative line of services to the High Net Worth Individuals locally and abroad - presenting the 'Bank Different' approach.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

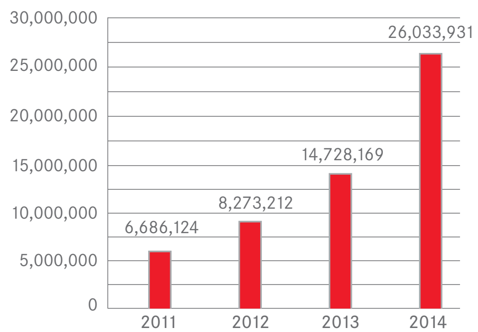
GLOBAL BUSINESS BANKING

Leveraging on the image and reputation of Mauritius as an International Financial Centre (IFC) par excellence, the Global Business Desk continued its business expansion during the year under review by widening and diversifying its market-related initiatives, resulting in a sustained increase in the balances of Segment B deposits and advances.

Segment B - loans and advances by country

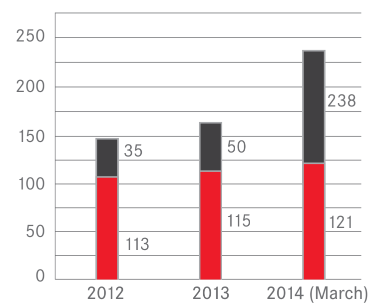


Deposits from customers - segment B
(MUR'm 000)



The Desk further developed and nurtured its business relationships with International Management Companies and other key players within the Global Business Industry, not only in Mauritius but also from other IFCs. As at 30 June 2014, the Bank had been dealing with 121 intermediaries in Mauritius and 117 intermediaries from outside Mauritius.

New IMC



The solid performance of the Global Business Desk reflects the success of a series of key initiatives already instigated in previous financial years in further establishing the Bank's brand, strategic positioning and credentials regionally and internationally. The Desk geared up its capabilities and bolstered its field presence through participation in selected international conferences and road shows as well as sponsorship of high-profile networking events. For instance, the Bank actively supported the first ever Mines and Money conference in Mauritius in June 2014, the 2014 STEP South Africa conference, the annual conference of an international trust company, the Mining Indaba, the AVCA and Super Return Private Equity conferences.

In addition to business prospecting missions and road trips in targeted markets, the Desk also capitalized on cross-selling opportunities across business segments and locations in order to enhance the visibility of the Bank's value proposition. In August 2013, the Desk together with the South Africa Representative Office partnered with Discovery South Africa in an Offshore Bootcamp in Johannesburg, which was attended by more than 150 South African Independent Financial Analysts.

Moreover, in view of the challenging conditions in India, which include the country's poor macroeconomic growth due to high inflation, a weak currency, which depreciated nearly 20% against the US dollar between May and August 2013, slow growth in both public and private consumption and a fall in fixed investments to 8% in 2013 from 11% in 2012, AfrAsia Bank Limited has considerably reduced its exposure to the Indian economy and diversified its loan portfolio to the African markets. This strategy was already adopted by the Bank since early 2012 well before the start of the Indian crisis. However, the Bank will continue to review its position on India should the political climate improve.

Exposure to the African Continent is made up of a combination of both short and long term assets. The short term assets are made up primarily of working capital facilities such as overdrafts and trade finance lines while the term funding assets are generally made up of term loans up to 5 years, project finance loans and leverage finance transactions. AfrAsia Bank Limited has also increased its participation in syndicated facilities to African Corporates which constituted 31% of current total advances.

All the business realizations for the year under review have been achieved thanks to significant resources devoted to staff development and competency enhancement, particularly via targeted in-house trainings. Given the increasing number of international intermediaries (based outside of Mauritius) adopted by the Desk and the resulting business, a separate dedicated team has been set up to deal with those intermediaries and their Clients. 2014 has seen the adoption of the US FATCA laws by more than 100 countries around the world and more onerous compliance requirements on the banking sector in general. The OECD has also been fostering automatic exchange of client information amongst countries, which will make the movement of capital more transparent, going forward.

Future outlook

The future strategy of the Global Business continues to be on reinforcing its positioning on the regional and the international front, with a specific focus on Africa given the attractive economic potential of the Continent. The focus remains on expanding the international reach of the Bank through increased field visibility, the fostering of enhanced business relationship and the gearing up of internal capabilities.

> Leveraging on the image and reputation of Mauritius as an International Financial Centre (IFC) par excellence, the Global Business Desk continued its business expansion.

AFRICA STRATEGY

From left to right: Parikshat Tulsidas, Robin Smither, Kamben Padayachy and Yogesh Gokool

AfrAsia Bank Limited's aspirations remains in upholding its 'Bank Different' approach and further developing its deep understanding and experience of Africa. The Hopeful Continent has embarked on a process of economic transformation which is far from complete. AfrAsia Bank Limited's ambition is to be inclusive and be at the centre of this transformational growth. The Bank will continue to deliver sustainable shareholder value by maintaining its position as a leading boutique financial services organization across Sub-Saharan Africa. This will be achieved by:

- developing and expanding the Bank's Financial Institutions Network, primarily in Sub-Saharan Africa, by being the preferred provider of FCY liquidity in the region
- delivering continued focus on the Bank's trade finance book (including structured trade and commodity finance) and the relevant interplay this has between Africa and Asia
- sharing the Bank's expertise on financial markets with its partner banks in Sub-Saharan Africa to help them develop their treasury offerings
- supporting existing customers' needs by ensuring that its core product offering is in line with their growth aspirations and offering them a one-stop shop for their cash management in Africa
- helping regional companies, using Mauritius as an investment platform, to make payments in different African currencies as well as offering them FX hedging solutions in local African currencies
- expanding the Bank's client base through active market engagement and co-lending with our partner Financial Institutions in Africa
- helping African multi-nationals and regional players source competitively priced foreign currency funding to expand their businesses in the region
- building the Bank's term asset book through client origination and participation in primary syndications

The Bank will continue to build on its relevance in the region through operational presence in selective markets and use its Head Office in Mauritius and regional office in South Africa to support its balance sheet growth on the African continent.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SOUTH AFRICA OFFICES

Located in the two largest cities in Africa's biggest economy, Johannesburg and Cape Town, the primary function of the South Africa Offices are to represent the Bank. This is accomplished in a variety of ways:

- promoting Mauritius as an international financial and business destination and AfrAsia Bank Limited as the banking brand of choice
- utilising established relationships with African corporates and banks to inform them on the lending, transactional banking and treasury services that the Bank offers in Mauritius
- developing networks with local and international introducers, and
- informing Private Banking clients of the products and services offered in Mauritius.

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 ranking, competitive and personalised service to enable AfrAsia Bank Limited to successfully compete for international banking in the South African market.

The team in SA

From left to right: Colin Grieve, Anne Ferreira, Guguethu Mlambo, Ravi Teji and Nthabiseng Magengenene

Since its 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 clients about international banking through Mauritius. This could vary between being able to discuss the use of global business companies to take advantage of double-taxation agreements to speaking to individuals about IRS schemes.

Key success

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 profile of African companies and intermediaries choosing to do business with AfrAsia Bank Limited.

Future outlook

Each year the South African Representative Offices continue their contribution to the Bank in expanding its reach into African markets.

LONDON OFFICE

The London office was opened in March 2014 and is located in the Mayfair area. The decision to open a London office reflects the city's importance as a nexus and conduit for much of the flow of capital, ideas and enterprise between Sub-Saharan Africa and the rest of the world. It was established with the following objectives:

- to offer a point of contact for AfrAsia Bank Limited's clients and contacts who themselves are either based in, or are passing through, London
- to act as a base for building and expanding AfrAsia Bank Limited's network across the city

The current London Representative is Garry Sharp, who has 33 years of experience in banking and private equity and who, in addition to living and working in London for most of that time, has worked extensively in a broad range of African countries since 1996.

AFRASIA CORPORATE FINANCE

AfrAsia Corporate Finance (ACF) is the corporate finance arm of AfrAsia Group and an authorised financial service provider. ACF offers financial advisory and capital raising solutions to clients in connection with Mergers & Acquisitions, Restructurings and other strategic matters. AfrAsia Corporate Finance Africa (ACF Africa) holds a collective investment scheme licence and is the fund manager for AfrAsia Special Opportunities Fund (ASOF), a direct lending fund that integrates the provision of capital with the advisory capabilities of ACF.

ASOF provides an alternative to bank finance and uses the established network of ACF to originate unique lending opportunities. Lending structures are primarily senior secured, specialised credit investments, including leveraged buyout transactions; turnarounds; restructurings and exit financings. ASOF currently has Assets under Management of almost USD 50m and is fully invested in a portfolio of high yielding, diversified loans. In the current financial year, ASOF has invested in 15 transactions, totalling ZAR 453m.

ACF advises a wide range of organisations across the SADC region, from listed corporates to private equity funds and financial institutions. ACF's advisory solutions are grouped into the following core offerings: Merger & Acquisitions, Restructuring, Capital Raising and Structured Finance Solutions. ACF is able to support its client relationships with innovative financing solutions that assist in unlocking opportunities that would not ordinarily be available to the client.

In the current financial year, ACF was approved by the Johannesburg Stock Exchange (JSE) to provide Designated Advisor and Sponsor services to its clients which has enabled ACF to enhance its offering by providing advice in respect of transacting in accordance with the applicable regulations in the listed environment, including the conduct of corporate actions by JSE-listed companies.

During the same time period, the ACF team has advised on sixteen M&A and capital raising transactions. These have included a ZAR 300m equity private placement and ZAR 357m debt capital raise for Torre Industries, the restructuring and reclassification of Convergenet Holdings as a JSE-listed Investment Holding Company, subsequent ZAR 150m private placement and acquisition of 5 investee companies and a number of high-profile Mauritian bond issuances for clients.

Future Outlook

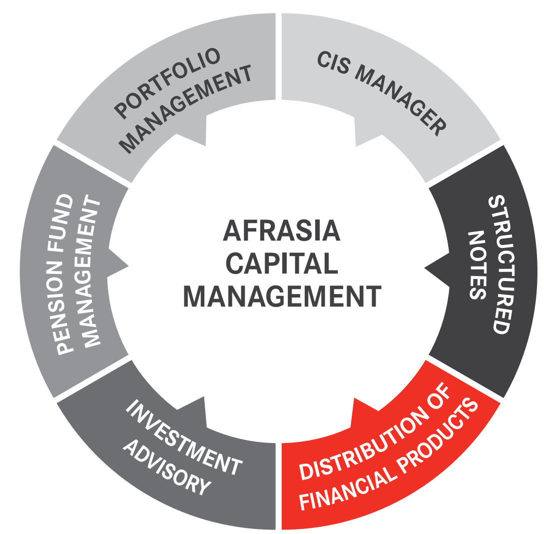
The increasing size and importance of Mauritius as a regional financial centre will inevitably lead to further integration with African capital markets and particularly, South Africa. As Mauritian corporate and financial institutions seek access to the South African capital markets and expand their African businesses, ACF's position as a Mauritian-based financial adviser with offices in Johannesburg and Cape Town, together with its established track record of delivering solutions-driven results, means it is ideally positioned to capitalise on this trend in the 2015 financial year.

For more information please visit www.afrasiacf.com

AFRASIA CAPITAL MANAGEMENT

Established in 1991, and with over 22 years of solid investment management experience, AfrAsia Capital Management Ltd (ACM), formally known as Axys Capital Management, is one of the leading asset managers in Mauritius. Over the years, ACM has built a sound reputation for delivering innovative investment solutions backed by a solid track record.

The Company is regulated by the Financial Services Commission and currently holds three licences namely Investment Advisor (unrestricted), Collective Investment Scheme Manager and Distributor of Financial Products. The organisation's capabilities are broad and wide-ranged, as follows:



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ACM's portfolio management capabilities encompass access to global markets and all asset classes, on both a discretionary and non-discretionary basis. Assisted by a very-experienced team, ACM boasts a solid reputation in delivering returns across asset classes and regions. ACM conducts both a top-down and a bottom-up approach for its portfolios under management and advocates a rigorous monitoring of markets which allows ACM to swiftly adapt to changing market conditions.

ACM has extensive experience in managing pension funds, with a client base that includes major companies in different sectors of the economy, and the performance across pension portfolios has been commendable.

ACM, under its licence of CIS Manager, also manages six in-house funds to-date, and one jointly with its sister company, AfrAsia Corporate Finance, to offer a diverse geographical exposure and asset classes to investors while catering for differing risk profiles. Three of its CIS are listed on the Stock Exchange of Mauritius, namely ACM India Focus Fund, ACM European Ltd and ACM Aussie Ltd. Apart from its own funds, ACM also uses partners' and brokers' funds to complete its holistic offer.

Developments over the financial year

Over the financial year 2013-2014, ACM was subject to a major re-hauling in its structure. In October 2013, the Company (which was previously known as Axys Capital Management with 50% of its stakes owned by the Axys Group) was bought wholly by the AfrAsia Group. ACM is now a fully-owned subsidiary of the AfrAsia Group. Within the framework of its re-structuring plan, ACM has embarked on a recruitment exercise and to date has nine investment experts, assisted by five back-office professionals and headed by the CEO. All of them possess extensive experience in financial markets, backed by a solid educational background.

Riding on the wave of new blood and enthusiasm, ACM has launched many innovative products in line with the market conjuncture.

Collective Investment Schemes (CIS)

On the CIS front, ACM launched the ACM Global Bond Fund to cater for volatility in markets and to answer investors' quest for fixed-income instruments. Since its creation in November 2013, the Fund has delivered appreciable returns of 4.4% in USD as at 30th June 2014.

ACM continues its high-quality management of its other existing CIS funds. Over the past financial year, the in-house CIS have delivered strong returns as shown in the table below:

ACM funds	Currency	1-Year
Bond Funds		
ACM Global Bond Fund*	USD	5.99%
ACM High Yield Fund	MUR	5.71%
Equity Funds		
ACM Aussie Growth Fund	AUD	25.53%
ACM European Fund	EUR	12.39%
ACM India Focus Fund	USD	31.67%
ACM Global Equity Fund	USD	14.10%

**ACM Global Bond Fund started on 21 November 2013. However performance over one year has been calculated based on our in-house strategy.*

ACM has also launched an innovative retirement product – Horizon My Retirement Plan. The objective of the Plan is to provide a long-term financial planning tool to individuals based on their retirement goals. The Plan works in two phases: the investment phase whereby the investor contributes monthly amounts to accumulate savings for retirement and the benefits recoupment phase whereby the investor can either cash in all accumulated funds as a lump sum or take the money as monthly instalments. The Plan is quite innovative in the sense that the investment strategy is based on life-styling, that is, contributions of the investors are allocated in different strategies based on age, and, as an investor moves from one age band to another, the funds are re-allocated accordingly. In that effect, a 'young' investor would have his/her funds vested into an aggressive strategy more geared towards equity markets, and as and when he/she approaches middle-age, his/her funds would have more exposure to fixed-income instruments.

Furthermore, ACM has enlarged its array of fund providers and has signed agreements with reputable asset houses. These fund houses provide ACM with more specialised funds, which will assist fund managers in their portfolio management and keep on delivering stellar returns to investors.

Future Outlook

ACM, being now fully integrated within AfrAsia Group, aims for continued synergy within the Group and delivers innovative products to suit market needs. In that vein, some new CIS are in the process of being created to cater for fluctuating market conditions.

For more information please visit www.afrasiacm.com

AFRASIA ZIMBABWE HOLDINGS LIMITED

Macro-Economic Environment

The macro-economic fundamentals have largely shown a downward trend resulting in a revision in the GDP forecast. The economy has suffered general liquidity challenges and the financial services sector has not been spared. The liquidity issues have been further amplified by the absence of a lender of last resort and a very tame interbank market.

Rationalization Programme

To set the foundation for AfrAsia Bank Zimbabwe Limited's (ABZL) recovery efforts, the Group embarked on a major rationalization programme aimed at stabilizing the business, focusing on cost containment, optimizing resources and identifying growth opportunities in a challenging environment. This streamlining of operations is on-going and has resulted in a reduction of the branch network with five branches having closed.

For the future outlook, the Group will continuously monitor progress and remains ready to respond to any emerging challenges and opportunities in the economy.

Non-performing loans

ABZL successfully embarked on a reassessment exercise of its non-performing loan (NPL) book. Currently with one of the cleanest books in the banking sector, the Bank has improved its risk management processes, strengthened the Board oversight on lending policy and revamped internal policies. Focus going forward is strictly on secured lending targeting various growth sectors of Zimbabwe's economy.

Financial Performance

ABZL was not spared from the harsh economic conditions that prevailed during the period under review. The persistent liquidity shortages created challenges in meeting customer cash requirements, and hampered creation of interest earning assets. The Bank incurred a loss after taxation for the period under review of USD 5.2m compared to a loss after taxation of USD 20.2m reported for the eighteen months ended 30 June 2013. Despite making the loss, the Bank managed to reduce the impairment loss on loan and advances from USD 23.5m reported for the eighteen months ended 30 June 2013 to the current year figure of USD 2.1m. The Group's strategic cost containment measures managed to release USD 8.3m in cost savings during the year.

Stakeholder relations

During the period under review AZHL has kept its stakeholders updated on developments within the Group mainly through engagement and communiqués. There has been some targeted media focus as well.

We have embarked on a plan to raise long term funding to resolve the liquidity challenges in a decisive manner. These involve a combination of equity sourcing, sale of assets and issuance of bonds and similar type instruments. We are expecting these initiatives to come to fruition in the next 6 months.

In view of the financial performance of the Zimbabwe operations, AfrAsia Bank has prudently provided for an amount of MUR 325m in the financial year 2013-2014.

For more information please visit www.afrasiabank.co.zw

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL HIGHLIGHTS – YEAR UNDER REVIEW

AfrAsia Bank Limited (the 'Bank') recorded satisfactory operating profits of MUR 506m in its seventh financial cycle. This financial performance of the Bank was achieved by strengthening its local market share through its market differentiation strategy. The Bank has also secured steady growth in operating revenue from interest and non-interest sources by a sustained expansion across its core lines of businesses of Corporate Banking, Corporate Finance, Private Banking and Wealth Management. The operating profit represents a net increase of 49% from last year.

INTEREST INCOME

The Bank recognised interest income of MUR 1.4bn for the year under review. Interest income continues to be the main source of revenue for the Bank. An increase of 37% as compared to previous year was reported. This was primarily driven by loans and advances to customers.

INTEREST EXPENSE

Interest expense of the Bank grew by 12% during the year under review, with increase of 13% in Segment A and 8% in Segment B. This was due to stickiness of customers.

Net interest income improved to MUR 659m, showing growth of 42% in Segment A and 125% in Segment B.

NON-INTEREST INCOME

Non-interest income amounted to MUR 518m for the financial year 2014 (2013: MUR 297m), an increase of 74% mainly due to fees and commission, net trading income and other operating income. Net fees and commission income increased by 2% to MUR 159m. Net trading income increased by 86% which is in line with new treasury products. New products like XtraMiles have been introduced giving more advantages to customers.

NON-INTEREST EXPENSES

Non-interest expense increased by 52% in line with business volumes. There has been continued investment in human resources, technology, customer service and branding. The cost to income ratio was 42% as at 30 June 2014. Personnel expenses grew as expected by 46% mainly due to the recruitment of key experienced people during the year.

ASSETS

Total assets of the Bank amounted to MUR 47bn, representing an increase of 50%.

LOANS AND ADVANCES

AfrAsia Bank Limited pursued its strategy of geographical diversification, which resulted in advances to non-resident and Global Business Licence Holders progressing year-on-year. Total advances grew by 24% to MUR 17.4bn with strong growth in personal and corporate. Impaired advances at 30 June 2014, amounted to MUR 176m representing 1% of total gross advances.

DEPOSITS

Total deposit base grew by 51% contributed by all business lines resulting in an increase of MUR 13.9bn. This allowed to maintain a conservative loan-to-deposit ratio of 42%. The Bank raised MUR 14bn deposits during the year with MUR 2.5bn and MUR 11.5bn from Segment A and Segment B respectively, showing the strength of the global business flows.

CAPITAL

The Bank is very adequately capitalised with a Capital Adequacy Ratio of 13.1% as at 30 June 2014. MUR 159m of Tier II debts were raised during the year under review. Class A shares capital amounting to MUR 1.4bn was also raised during the year. Going forward, with Basel III in effect as of 1 July 2014, Capital Adequacy Ratio analysis will be supplemented with Tier I minimum requirements and numerous other capital buffers to be monitored.

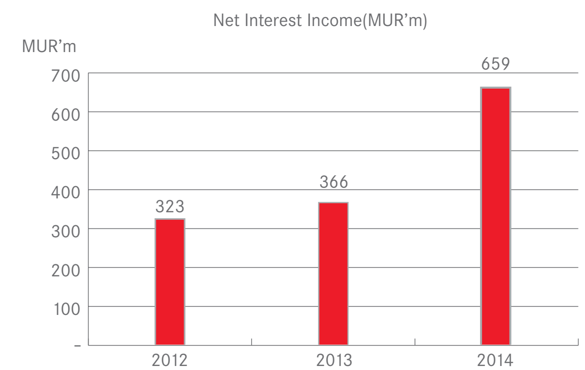
> AfrAsia Bank pursued its strategy of geographical diversification, which resulted in advances to non-resident and Global Business Licence Holders progressing year-on-year.

FINANCIAL ANALYSIS

REVENUE GROWTH

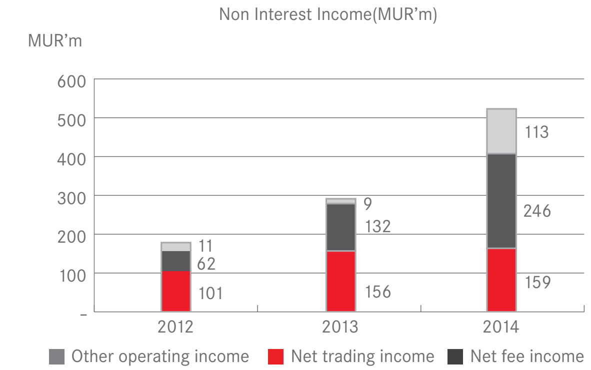
Net Interest Income

The Bank's commitment to customer lending grew the Bank's net interest income by 80%, equivalent to an approximate MUR 293m as compared to last year. The growth was primarily driven by interest income on customer loans and current accounts. This reflects a satisfactory achievement, indicating the Bank's ability to deploy its available funds to higher generating interest rate assets along with its ability to grow its client base with attractive deposits campaigns across various currencies. Overall, interest income of MUR 1.4bn and interest expense of MUR 694m were recorded.



Non-Interest Income

The Bank's performance in the area of non-interest income was satisfactory with MUR 518m being achieved for the year ended 30 June 2014 despite some softness due to a volatile and excess liquid environment. The main drivers include net fees and commission income of MUR 159m and foreign currencies dealing profits including swap transactions and held-for-trading financial investments income of MUR 246m.

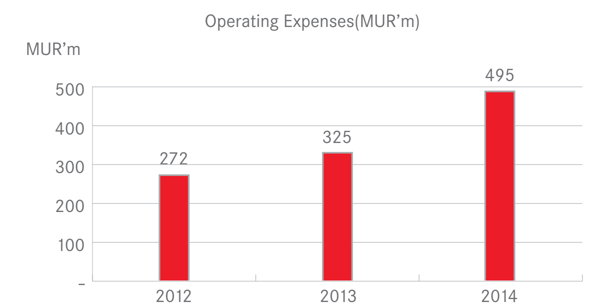


Cost control

While continuing to invest in capacity building and preparing itself for the future, the Bank maintained tight cost control. The cost to income ratio remained as low as 42%, reflecting its efficiency efforts.

As such, there has been continued investment in human resources, technology, premises, customer service and branding. Staff costs and employee benefits stood at MUR 289m, an increase of 46% compared to previous year. The Bank has a well-defined strategy to retain and attract professional staff across all layers of the Bank.

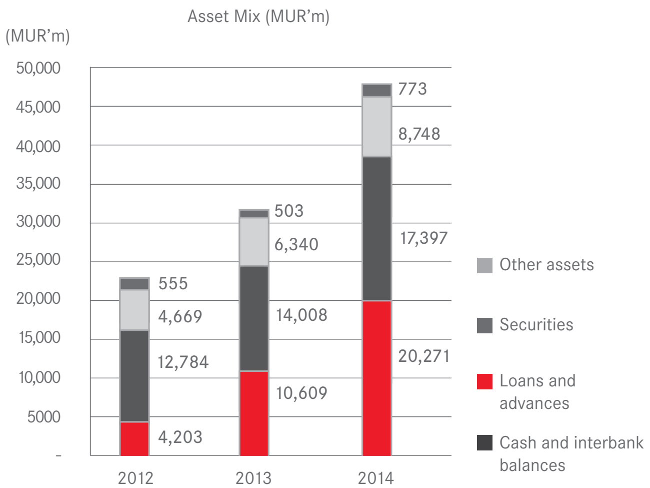
The core of its other non-interest expenses of MUR 206m is reflected in its marketing strategy to secure market share and gain greater visibility locally and internationally.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

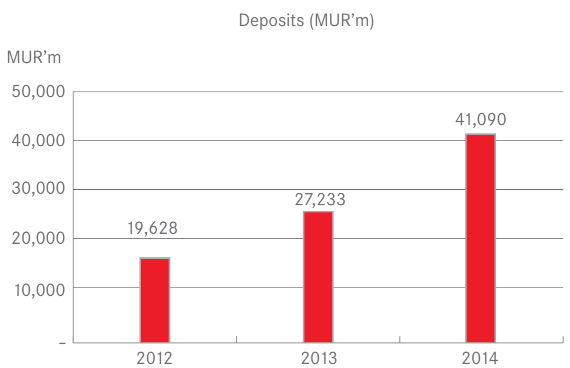
Asset mix

The total assets increased by 50% to MUR 47bn 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 total assets are securities at MUR 8.7bn, loans and advances to customers at MUR 17.4bn and cash and balances due from banks at MUR 20.3bn and other assets at MUR 773m.



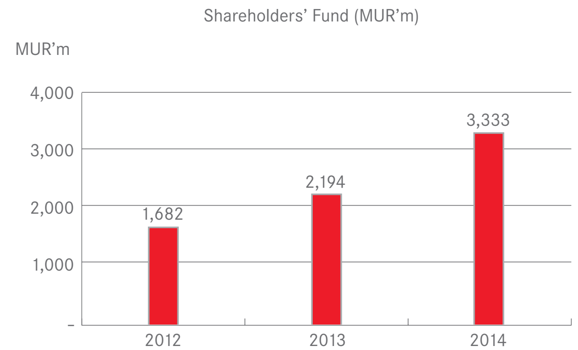
Deposits

The Bank's deposit base exceeded the targets to reach MUR 41bn as at 30 June 2014, an increase of 51% or MUR 14bn over the year. This solid customer deposit growth reflected the privileged and collaborative relationship with customers, with a healthy split between 36% to Segment A and 64% to Segment B, in line with its deposits growth strategy.



Capital resources

The Bank closed the year with Class A shares and Tier II Core Capital including reserves of MUR 3.5bn. This represents a risk-weighted capital adequacy ratio (calculated under Basel II requirements) of 13.1%, a ratio above the minimum recommended level set by the Bank of Mauritius in terms of risks taken with depositors' monies. The Bank remained well capitalised with share capital and reserves of MUR 3.3bn. Additional MUR 1.56bn share capital was raised during the year under review.



CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

OBJECTIVES FOR 2013/14	PERFORMANCE FOR 2013/14	OBJECTIVES FOR 2014/15
Statement of Comprehensive Income – Operating Income		
Budgeted operating income for 2013/14 stood at MUR 790m, main contributor being Net Interest Income	The Bank realised an operating income of MUR 1bn for the financial year 2013/14	Budgeted operating income for 2014/15 to stand at MUR 1.3bn, main contributor being Net Interest Income
Statement of Comprehensive Income – Operating Expenses		
Operating expenses was expected to remain as low as MUR 390m	Operating expenses for the year ended 30 June 2014 stood at MUR 495m. Expenses rose to match the income growth	Operating expenses are expected to remain as low as MUR 653m, with an increase of 31% from actual expenses
Statement of Financial Position – Loans and Advances		
Loans and advances were expected to exceed the MUR 20bn milestone	Loans and advances stood at MUR 17.4bn as we managed credit exposure tightly due to economic slowdown	Loans and advances are expected to stand at MUR 22.1bn
Statement of Financial Position – Deposits Growth		
Sustained increase in deposits was expected to bring the customer base to over MUR 31bn	The stickiness of the customer base brought a 51% increase of customer deposits reaching MUR 41bn	Deposits are to continue their rising trend to reach MUR 44.3bn
Statement of Financial Position – Asset Quality		
Non-performing loans were expected to remain under 1% of gross loans	Non-performing loans amounted to MUR 469.8m at 30 June 2014 representing 0.96% of the Bank's gross loans	Non-performing loans is expected to return to 1% of gross loans
Statement of Financial Position – Capital Management		
Capital adequacy ratio was expected to remain above the regulatory requirement of 10%	The Bank remained well capitalised, closing the year with a capital adequacy ratio of 13.3%	Capital adequacy ratio is expected to remain above the regulatory requirement of 10%. New Basel III ratios will be implemented during the year
Performance Ratio – Return on Average Equity		
Return on average equity for the Group was targeted to be around 13%.	The Group's return on average equity stood at 10.3% for the year under review, driven lower due to investment impairment	Return on average equity for the Group is targeted to be above 19.33%
Performance Ratio – Cost to Income		
Cost control was expected to bring a cost to income ratio of under 50%	The cost to income ratio of 42% reflected good cost control system at the Bank	Cost controls are still expected to maintain a cost to income ratio of under 50%

To support growth and guard against possible setback in the environment, AfrAsia Bank Limited's focus remains on maintaining solid and balanced financial fundamentals. The Bank endeavours to maintain excellent portfolio quality and efficiency level while ensuring adequate capital and strong liquidity at all times. AfrAsia Bank Limited believes that people are its main assets and fundamental to the Bank's growth. The Bank has put together a strong leadership team and will continue to invest in attracting, developing and retaining talent. The Bank is upgrading its technology with a core system upgrade after seven years of operations to maintain its edge and will engage in a comprehensive review of its processes to improve efficiency and service quality.

During the year under review the Bank continued its 'Bank Different' strategy. AfrAsia Bank Limited is committed to serve its customers in the tough prevailing economic conditions and it will continue to serve Mauritius and the dynamic Africa-Asia trade and investment corridor, in which Mauritius plays a vital role as a regional financial and logistics hub.

The Bank has been consolidating its presence locally while pursuing an aggressive strategy of **expansion** regionally and internationally.

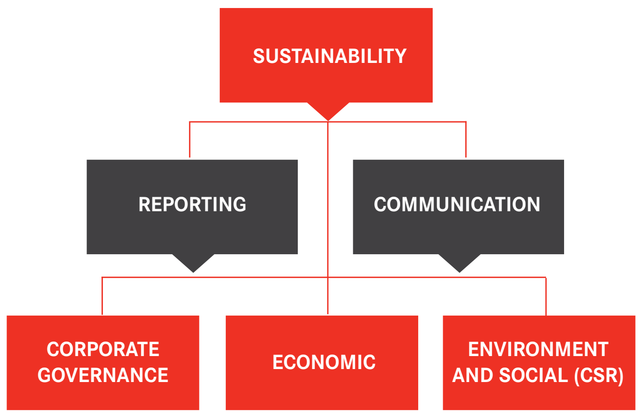
With Mauritius emerging further as the gateway for business into Africa, AfrAsia Bank Limited has positioned itself clearly as the 'Africa Specialist' and leveraging numerous opportunities to sell this compelling story.

ENGAGING THE SUSTAINABILITY PATH

AfrAsia Bank Limited has always been committed to sustainable development. The Bank believes that its ongoing commitment to sustainability will provide a competitive edge, as well as align its operations with standards and expectations that are increasingly important to all of its local and global stakeholders. The Bank is now working towards a sustainability structure in line with its corporate culture.

The sponsoring of 'Africa Rising Conference' in October 2013 gave an insight on the increasing engagement of AfrAsia Bank Limited towards corporate governance and sustainability. The conference offered a platform for the exchange of knowledge, through leadership and best practices in governance, value creation and sustainable growth. Please refer to '2013-2014 At a Glance' section on page 122.

The Bank's sustainability strategy focuses on three main pillars: Corporate Governance, Economic, Social and Environment



CORPORATE GOVERNANCE

Please refer to the corporate governance report on page 34 - 57.

ECONOMY

Long-term financing of the economy

With customers in over 104 countries around the world, our deposit growth reached MUR 41.1bn. 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 for the long-term.

Please refer to the Management Discussion and Analysis section on page 99 - 107 of this Annual Report

Responsible Employer

The Bank is an employer of choice and has taken on board several new employees to build up its team.

The Bank aims at being a centre of excellence when it comes to banking and career choice. It seeks to achieve relentless customer focus which makes the Bank different from other financial institutions, and this is applied right across its operations.

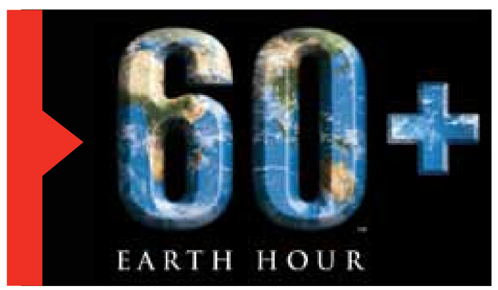
AfrAsia Bank Limited obtained the Global HR Excellence Awards 2012 - World HRD Congress.

ENVIRONMENT

Reducing our carbon footprint

As the Bank expands, it is important to continue to look for more ways to be more environmentally friendly and reduce our carbon footprint. The Bank continues with its existing 'green' programmes such as recycling paper, plastics, ink cartridges, mobile phones, batteries, cardboard, and are also making better use of modern technology for communicating with colleagues overseas to reduce the level of business travel. Initial steps to measure and better understand its carbon footprint, were also undertaken to have a more proactive approach to reducing it over a period of time. Two employees who recently attended a 3-day workshop, will work with a dedicated resource person to set up our monitoring, reporting and overall management of our carbon footprint going forward.

Earth Hour



Once again the Bank took part in Earth Hour; companies and individuals are encouraged to switch off non-essential lights for one hour on the last Saturday of March as a gesture towards increasing global awareness. Candles and informative leaflets (on recycled paper) were distributed to encourage a high level of participation from colleagues & clients.

For more information please visit www.earthhour.org

AfrAsia Bank Limited and its Group Entities | Annual Report 2014

World Environment Day

World Environment Day is celebrated in June; this year the Bank worked in collaboration with Fondation Joseph Lagesse (FJL) to share tips and information on how each individual can take action and come together to work towards a cleaner, greener, sustainable future.

Employees were encouraged to participate in CSR activities, many of which take place on weekends and after hours; several employees use their own time to take part in initiatives such as - Clean up Mauritius and other environmental projects.

Think Green Charter

AfrAsia Bank Limited is a partner to the the 'GML Think Green' initiative as part of its commitment to environment. The aims of Think Green Committee are to:

- encourage an integrated social, economic and environmental approach to the activities of all Group companies and to minimise any ecological impact. Some companies recently signed up to the Global Reporting Initiative, adapting their management procedures as necessary.
- develop environmental education projects, internally targeting employees and externally the population at large and particularly children.
- organise awareness campaigns at Group level or support worldwide events for example, the Earth Hour, in which companies are invited to actively participate.

Guide de l'Eco-Employé

Fondation Joseph Lagesse (FJL) has launched its 'Guide de l'Eco-employé' for employees of the GML Group and AfrAsia Bank Limited is actually working towards the implementation this programme.

For more information please visit www.gmltogether.com/gml-outils-view/eco-guide/SCO_0001/

SOCIAL

Terrain For Interactive Pedagogy Through Arts (TIPA)

AfrAsia Bank Limited has been sponsoring TIPA for the last two years. The programme has been implemented in ZEP (Zones d'Education Prioritaires) schools in Mauritius.

Centre d'Eveil of Bois Marchand (For children between 2 and 4 years old)

Children of Centre d'Eveil of Bois Marchand performing for their end of year show.

A day care centre for children, set up by the Fondation Joseph Lagesse in Bois Marchand, a suburb mostly inhabited by squatters living in extreme poverty. The day care centre aims to provide the children a safe pedagogical environment that prepares them them for pre-primary/primary schools. Our employees often volunteer to help these children, and frequently donate food, clothes, books, toys and games. Our continued support has created a bond and consolidated the relationship between our organisations.

"La Ferme Intégrée" - Maison Familiale Rurale du Nord

MFR is a unique agricultural project in Mauritius, encouraging entrepreneurship and offering the students skills that will increase their prospects for employment. The Bank played an important role by assisting in the setting up of their 'home farm' in October 2009. As an extension of our commitment to Maison Familiale Rurale du Nord (MFR), the Bank rolled out a financial literacy project to teenagers. The self-managed farm continues to flourish under the leadership of the students and its financial literacy programme helped in providing the basic financial skills these young adults will need for the future.

Needy Students Scholarship Schemes

AfrAsia Bank Limited provides scholarships to needy students at tertiary level in collaboration with Fondation Joseph Lagesse. This scheme is in line with the company's vision for sustainability. The Bank supports young people in their learning by giving them the opportunity to thrive in a corporate environment.

ENGAGING THE SUSTAINABILITY PATH (CONTINUED)

The AfrAsia Bank Cape Wine Auction 2014: Linking passion with charity

The inaugural 2014 AfrAsia Bank Cape Wine Auction which took place in Stellenbosch, Cape Town, witnessed the remarkable realisation of a bold dream when an astounding ZAR 7.045m was raised for education.

Sharing Nelson Mandela's belief "Education is the most powerful weapon which can be used to change the world," the AfrAsia Bank Cape Wine Auction was about the spirit of the community - vintners, bidders and volunteers all gathered to make a difference in the lives of many South African children for years and even lifetimes. In line with its commitment to education and social transformation, the Bank was honoured to be associated to this unique event to raise significant support to the Pebbles Project and Make a Difference Foundation. This charity wine auction is another further step in the Bank's Corporate Social Responsibility approach to reinforce sustaining positive social development of the communities it operates in.

Highlights of the day included an art cameo by talented artist John Adams whose live 8-minute surprise portrait of Nelson Mandela was auctioned to AfrAsia Bank Limited, now being showcased in AfrAsia World of Art Private Collection.

For more information please visit www.thecapewineauction.com

Artist John Adams with his 8 min painting of Nelson Mandela that was sold to AfrAsia Bank Limited for its World of Art private collection

SPORTS

Football First: AfrAsia Barcelona Club

The 24 top players during their 1 week training with FC Barcelona in July 2014 (post balance sheet).

AfrAsia Bank Limited sponsors a landmark programme in the football sphere, the AfrAsia Barcelona Club, a first for Mauritius and Sub-Saharan Africa. Its affiliation to this one-of-a kind sponsorship is a thought-through strategic move as the Bank develops its global reach and reinforce its activities dedicated to children, education and development in line with its CSR approach.

For more information please visit www.afrasiabarcelonaclub.com

Rugby Union Mauritius

Rugby is synonymous of collaborative teamwork, innovative play, strategic thinking and of a highly competitive nature, which fits perfectly within AfrAsia Bank Limited's philosophy. The Bank is committed to developing rugby for children from vulnerable groups and help in the development of sports in Mauritius.

FUTURE OUTLOOK

AfrAsia Bank Limited will increase its focus in future years on the People, Planet, Profit aspects. The Bank will dedicate its sustainability structure to Corporate Governance reporting, helping the economy through responsible products and practices, invest its CSR fund in children education, development and environment.

The Bank has and will continue to work in collaboration with the Fondation Joseph Lagesse and support a small number of dedicated projects that have a positive impact on local communities and the environment. The Bank will also develop new programmes for employees to put them at the top of its sustainability agenda. The Bank is developing an international CSR perspective that fits in the corporate culture of the company. With the wine auction already a success in South Africa, the Bank will be introducing fundraising events to help towards alleviation of poverty in the local communities where it is present.

One of the key aspects of good CSR practices involves effective and transparent communication channels with internal and external stakeholders. This process is a key to identifying issues of concerns that the company should address, and to inform all stakeholders about the outcomes for each programme.

As from the next financial year, AfrAsia Bank Limited will embark on international sustainability reporting that reflects the Bank's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

Sustainability reporting will help AfrAsia Bank Limited measure, understand and communicate its economic, environmental, and social and governance performance.

The Bank wants to align its sustainability reporting with two reporting tools that are most pertaining to the Bank's context and the global context: the Global Reporting Initiatives and the UN Global Compact.

It is no longer a question of why to invest in Africa but of how.

We continue to tap into the African market and be instrumental in plans to identify and enhance the untapped synergies in the region.

+23

places in the **Top 200** African Banks in The Africa Report 2014

Relationships with

85%

of the **Top 100** companies in Mauritius

We keep on upholding our corporate philosophy to be the reference bank serving the Africa-Asia trade corridor and beyond using Mauritius as the springboard, a fact being strongly acknowledged by our clients.

2013-2014 AT A GLANCE

SEPTEMBER 2013

ACM complete acquisition – AfrAsia Capital Management

In view of its ambition for strategic expansion, AfrAsia Bank Limited has acquired the remaining 50% stake from Axys Capital Management, which became effective on 30th September 2013, and the entity was rebranded as AfrAsia Capital Management (ACM). The combination of these two successful companies is meant to bring value-driven growth while creating significant density in our key markets and further leverage our business model in the region.

OCTOBER 2013

Africa Rising: MIOD-IODSA International Conference

Focusing on corporate governance and sustainability, the international conference 'Africa Rising' took place at the Hilton Resort Mauritius, in October 2013 where AfrAsia Bank was the platinum sponsor of the event. Kamben Padayachy, Deputy CEO of AfrAsia Bank, Head of Global Banking, Treasury and Markets, spoke on 'Investment opportunities and risks in Africa'.

OCTOBER 2013

AfrAsia World of Art

On 3rd October 2013, AfrAsia Bank introduced the AfrAsia World of Art in collaboration with 3A The Excellence of Art. To mark the launch event, the Bank was honoured to welcome Joseph Klibansky whose work has been exhibited in galleries around the world including London, Amsterdam and Paris. The attempt to mix and match banking with fine arts is another expression of AfrAsia Bank's unabated quest for excellence.

AfrAsia World of Art regularly hosts exhibitions and artworks from renowned international artists such as Omar Galliani, Simon Back and Olivier Tops, together with celebrated Mauritian artists. The gallery also showcases the Bank's private art collection.

AfrAsia Bank Limited and its Group Entities | Annual Report 2014

OCTOBER 2013

AfrAsia Tecoma Award 2013

On Friday 11th October, Vincent D'Arifat, General Manager of Précigraph, was recognised "Entrepreneur of the Year 2013" at the AfrAsia Tecoma Awards gala night.

As entrepreneurial relationship bankers actively building bridges between Africa, Asia and the rest of the World, AfrAsia Bank Limited's involvement in the AfrAsia Tecoma Awards demonstrates its commitment to foster entrepreneurial spirit while also recognising the exceptional achievements of business leaders in their respective industry spheres.

For more information please visit
www.maurice.tecoma-award.com

NOVEMBER 2013

WCA Executive Investment Sunnit and CEO 2013

AfrAsia Bank sponsored the WCA Africa Investment Summit & CEO Forum held in November 2013, focusing of investment business connections and private wealth investing.

CEO James Benoit was a speaker on a discussion forum themed 'Family Offices, Alternate & Private Wealth Investment Vehicles'.

2013-2014 AT A GLANCE (CONTINUED)

DECEMBER 2013

XtraMiles, a first in Mauritius

AfrAsia Bank Limited introduced its rewards programme offering real time booking on over 900 airlines and at 250,000 hotels to its World and Titanium MasterCard cardholders. XtraMiles is a new currency that clients can collect not only on everyday spending, but also on bank deposits and investments held with the Bank.

For more information please visit xtramiles.afrasiabank.com

DECEMBER 2013

AfrAsia Golf Masters 2013

The 2013 edition of the AfrAsia Golf Masters was held from 2-7 December, at the Four Seasons Golf Club, Anahita, Mauritius, gathering the twenty best players of the Allianz Golf Tour (French Professional Circuit) and ten specially invited guest players of the European Tour. The tournament, which also featured on the calendar of the 'Fédération Française de Golf', was worth a total prize money of EUR 100,000. Francois Calmels was the winner of the 2013 Edition.

With the AfrAsia Golf Masters series, the Bank aims at sharing our clients' passion for a sport that knows no boundaries and also contribute to the promotion of Mauritius as a golf destination of choice.

For more information please visit www.afrasiagolfmasters.com

JANUARY 2014

Horizon My Retirement Plan

Launched by AfrAsia Capital management Horizon - My Retirement Plan is an open-ended scheme giving investors the possibility to stop and/or withdraw their investment at any point during their lifetime in the product. It basically works in two phases:

- The Investment phase - where investors contribute monthly amounts to their portfolio and accumulate savings for their retirement.
- The Benefits Recoupment phase - wherein they reap the returns of their lifetime savings to enjoy their retirement peacefully.

For more information please visit www.myfuture.mu

FEBRUARY 2014

Investing in African Mining Indaba Conference 2014

From 3rd to 6th February 2014, AfrAsia Bank attended the Investing in African Mining Indaba gathering in Cape Town, South Africa. As a catalyst of several billion dollars of foreign direct investment, Investing in African Mining Indaba opened this year with the milestone of twenty years of facilitating deals that have changed the face of the mining industry in South Africa and on the continent.

2013-2014 AT A GLANCE (CONTINUED)

MARCH 2014

London Representative Office

After Johannesburg and Cape Town, AfrAsia Bank announced this year the opening of its third representative office in London. Garry Sharp is acting as Head of Private Equity and London Representative Office.

MARCH 2014

AfrAsia Bank Cape Wine Auction

The inaugural 2014 AfrAsia Bank Cape Wine Auction, which took place on Saturday 15th March in Stellenbosch, Cape Town, witnessed the remarkable realisation of a bold dream when an astounding ZAR 7.045m was raised for education. This is another further step in the Bank's Corporate Social Responsibility approach to reinforce sustaining positive social development in the countries it operates in.

For more information please visit
www.thecapewineauction.com

APRIL 2014

Annual African Private Equity & Venture Capital (AVCA) Conference

The AVCA Conference 2014, held in Lagos (Nigeria) was placed under the general theme of 'Private Equity: A catalyst for change'. Head of AfrAsia London Representative Office and Private Equity, Garry Sharp, participated in the Panel Discussion theme "Evolution of the Fundraising Landscape: Expanding the Investor Base".

MAY 2014

STEP Conference 2014

The second STEP Conference held in South Africa, explored local issues whilst also maintaining a strong regional focus. The two-day conference covered a wide range of specialist topics and featured top industry speakers, among whom, AfrAsia Bank Limited's SA Chief Representative Officer, Colin Grieve.

2013-2014 AT A GLANCE (CONTINUED)

MAY 2014

Africa Financial Services Investment Conference

The Africa Financial Services Investment Conference, was held in Brighton (UK) on the 15th and 16th May. Further to being a silver sponsor of the conference, Parikshat Tulsidas, Head of Business Development – Africa, was one of the key speakers focusing on the theme 'AfrAsia Bank – Banking Innovation at its best in Mauritius and beyond'.

MAY 2014

China Offshore Summit 2014

AfrAsia Bank was among the key sponsors of the 3rd Annual China Offshore Summit held in Beijing on 28-29 May 2014.

Being actively involved in such conferences confirms AfrAsia Bank's established strategy and aspiration to be the leading bank in promoting Mauritius as a regional and financial business centre of excellence.

AfrAsia Bank Limited and its Group Entities | Annual Report 2014

JUNE 2014

The SAVCA - KPMG Private Equity Industry Survey 2014

AfrAsia Bank limited, in partnership with SAVCA and KMPG, co-hosted the much anticipated Private Equity Industry Survey – an annual Industry report, now in its 14th year.

The survey focused on the 2013 calendar year, and reflected a 17% increase of funds under management with the current total of funds sitting at ZAR 162.2bn as at 31 December 2013. Interestingly, half of the 2013 investments were channelled into infrastructure.

JUNE 2014

Mines & Money Access Africa 2014

Mines and Money Access Africa is dedicated to investment and capital raising for African mining projects. Held in Mauritius, the bridge for investment from Asia into Africa is a chance to take advantage of Mauritius's investment protection and tax treaties while meeting with Asian investors and mining companies in a neutral location.

AfrAsia Bank Limited CEO James Benoit was also among the panel speakers, focusing on the theme: "Mauritius Focus: Structuring deals and securing capital". Deputy CEO Kamben Padayachy outlined AfrAsia Bank Limited's capabilities as a regional boutique bank, bridging Africa to the World, and using Mauritius as an International Financial Centre of substance.

2013-2014 AT A GLANCE (CONTINUED)

NEWSROOM

MAURITIUS

INTERNATIONAL

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 2014 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, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review and Risk 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 there from, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Arnaud LAGESSE
Chairperson

James BENOIT
Chief Executive Officer

Jean DE FONDAUMIÈRE
Director

25 September 2014

ADMINISTRATIVE INFORMATION

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CONTENTS

Certificate from the Company Secretary

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

IBL Corporate Services Ltd
Company Secretary

25 September 2014.

Independent Auditors' Report
To the Members of Afrasia Bank Limited and its Group Entities

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 2014, 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 136 to 233.

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 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 Companies Act and Banking Act 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements give a true and fair view of the consolidated and separate financial position of AfrAsia Bank Limited as at 30 June 2014 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.

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.

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 requirement 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

25 September 2014

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

		THE GROUP			THE BANK		
		Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012
	Notes	MUR	MUR	MUR	MUR	MUR	MUR
Interest income	3	1,362,483,541	986,611,615	829,224,426	1,353,357,522	986,614,164	829,230,689
Interest expense	4	(701,314,270)	(620,362,470)	(506,702,114)	(694,338,487)	(620,367,037)	(506,702,307)
Net interest income		661,169,271	366,249,145	322,522,312	659,019,035	366,247,127	322,528,382
Fees and commission income	5	330,712,409	179,492,120	116,006,675	196,663,870	176,526,845	116,006,675
Fees and commission expense	5	(36,193,075)	(21,367,222)	(14,620,861)	(38,043,390)	(20,730,461)	(14,576,701)
Net fees and commission income	5	294,519,334	158,124,898	101,385,814	158,620,480	155,796,384	101,429,974
Net trading income	6a	248,816,151	193,093,707	62,062,243	245,815,180	132,453,791	62,056,737
Other operating income	6b	20,594,390	9,336,696	1,608,361	113,104,430	9,336,696	11,210,410
Total operating income		1,225,099,146	726,804,446	487,578,730	1,176,559,125	663,833,998	497,225,503
(Net allowance for credit impairment)/ Reversal of impairment charge	7	(67,710,745)	1,152,052	(24,874,478)	(175,710,745)	1,152,052	(24,874,478)
Net operating income		1,157,388,401	727,956,498	462,704,252	1,000,848,380	664,986,050	472,351,025
Personnel expenses	8	(341,433,820)	(197,632,225)	(172,852,372)	(288,876,808)	(197,632,225)	(172,852,372)
Depreciation of equipment	23	(8,591,580)	(4,695,949)	(3,227,502)	(6,877,644)	(4,694,856)	(3,226,406)
Amortisation of intangible assets	24	(48,458,634)	(5,714,166)	(4,031,198)	(6,623,537)	(5,714,166)	(4,031,198)
Other operating expenses	9	(213,474,417)	(118,000,522)	(92,310,605)	(192,258,648)	(116,857,206)	(91,881,232)
Total operating expenses		(611,958,451)	(326,042,862)	(272,421,677)	(494,636,637)	(324,898,453)	(271,991,208)
Operating profit		545,429,950	401,913,636	190,282,575	506,211,743	340,087,597	200,359,817
Share of profit of joint venture	21	2,664,054	16,283,494	6,777,014	-	-	-
Fair value gain on acquisition of subsidiaries	19	125,845,708	-	-	-	-	-
Impairment loss on subsidiary	18	-	-	-	(217,000,000)	-	-
Impairment loss on associate	22	(144,246,639)	-	-	-	-	-
Share of (loss)/profit of associates	22	(129,175,128)	(177,483,655)	93,403,802	-	-	-
Profit before tax		400,517,945	240,713,475	290,463,391	289,211,743	340,087,597	200,359,817
Tax expense	10	(75,994,166)	(37,678,683)	(20,086,630)	(66,566,545)	(37,491,675)	(20,092,051)
Profit for the year		324,523,779	203,034,792	270,376,761	222,645,198	302,595,922	180,267,766
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 financial assets		1,977,927	-	-	-	-	-
Exchange differences on translation of foreign operations		(9,630,208)	527,011	17,414,350	-	-	-
Net gain/(loss) on hedge of a net investment		7,007,543	48,401	(17,429,109)	-	-	-
Total other comprehensive income to be reclassified to profit or loss in subsequent period		(1,458,312)	2,698,117	(14,759)	-	-	-
Total comprehensive income for the year		323,065,467	205,732,909	270,362,002	222,645,198	302,595,922	180,267,766

The notes on pages 141 to 233 form an integral part of these financial statements.
Auditors' report on page 135.

Statements of Financial Position

As at 30 June 2014

		THE GROUP			THE BANK		
		2014	2013	2012	**2014**	2013	2012
	Notes	**MUR**	MUR	MUR	**MUR**	MUR	MUR
ASSETS							
Cash and balances with the Central Bank	12	**2,021,271,956**	1,598,715,632	676,371,624	**2,019,624,517**	1,598,715,632	676,371,624
Due from banks	13	**18,265,309,349**	9,009,843,939	3,527,186,481	**18,251,137,955**	9,009,807,334	3,527,119,302
Derivative financial instruments	14	**860,845,449**	68,581,360	190,544,328	**76,088,274**	25,637,161	123,782,046
Financial investments - held-for-trading	15	**2,636,144,938**	532,685,518	1,162,543,500	**1,911,412,121**	532,685,518	1,162,543,500
Loans and advances to customers	16	**17,227,454,645**	14,007,752,016	12,784,321,295	**17,397,054,742**	14,007,752,016	12,784,435,754
Financial investments – available-for-sale	17	**341,340,318**	40,722,657	14,999,997	**-**	-	-
Financial investments - held-to-maturity	17	**6,836,836,907**	5,807,802,824	3,506,007,725	**6,836,836,907**	5,807,802,824	3,506,007,725
Investment in subsidiaries	18	**-**	-	-	**409,800,877**	383,115,237	363,163,638
Investment in joint venture	21	**-**	55,177,034	53,393,539	**-**	-	-
Investment in associates	22	**118,564,966**	225,313,514	408,444,360	**-**	-	-
Equipment	23	**71,207,441**	28,763,936	14,321,946	**66,310,161**	28,756,687	14,313,604
Intangible assets	24	**401,506,929**	15,420,212	17,094,812	**37,666,566**	15,420,212	17,094,812
Other assets	25	**197,071,143**	165,323,024	29,440,868	**174,217,269**	41,951,992	29,365,439
Deferred tax assets	10	**12,644,071**	8,055,035	7,681,088	**8,897,222**	8,055,035	7,637,567
TOTAL ASSETS		**48,990,198,112**	31,564,156,701	22,392,351,563	**47,189,046,611**	31,459,699,648	22,211,835,011
LIABILITIES AND EQUITY							
Due to banks	26	**1,015,349,802**	881,908,278	8,516,013	**1,015,349,802**	881,908,278	8,516,013
Derivative financial instruments	14	**857,442,085**	66,241,883	126,912,147	**72,684,910**	49,697,684	63,249,865
Deposits from customers	27	**40,413,543,682**	27,224,339,709	19,626,670,732	**41,089,954,783**	27,232,616,080	19,628,367,164
Debts issued	28	**2,433,941,196**	940,323,447	688,625,890	**1,033,574,296**	883,069,803	565,479,715
Amount due to subsidiary	29	**-**	-	-	**-**	57,253,644	123,146,176
Current tax liabilities	10	**53,040,200**	22,175,979	9,631,747	**44,739,421**	22,175,979	9,631,747
Other liabilities	30	**766,500,126**	231,773,086	150,243,695	**599,508,601**	138,309,815	131,281,959
TOTAL LIABILITIES		**45,539,817,091**	29,366,762,382	20,610,600,224	**43,855,811,813**	29,265,031,283	20,529,672,639
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Ordinary shares	31	**1,747,639,471**	1,694,593,418	1,398,457,492	**1,747,639,471**	1,694,593,418	1,398,457,492
Class A shares	31	**1,400,244,201**	-	-	**1,386,244,201**	-	-
Treasury shares	31	**(405,776,236)**	-	-	**(405,776,236)**	-	-
Retained earnings		**434,095,763**	290,049,913	289,421,575	**332,174,586**	290,007,317	189,817,849
Other reserves	32	**274,177,822**	212,750,988	93,872,272	**272,952,776**	210,067,630	93,887,031
TOTAL EQUITY		**3,450,381,021**	2,197,394,319	1,781,751,339	**3,333,234,798**	2,194,668,365	1,682,162,372
TOTAL LIABILITIES AND EQUITY		**48,990,198,112**	31,564,156,701	22,392,351,563	**47,189,046,611**	31,459,699,648	22,211,835,011

The financial statements have been approved for issue by the Board of Directors on 25 September 2014.

Arnaud LAGESSE
Chairman

James BENOIT
Chief Executive Officer

Jean DE FONDAUMIERE
Director

The notes on pages 141 to 233 form an integral part of these financial statements.
Auditors' report on page 135.

Statements of Changes in Equity

For the Year Ended 30 June 2014

(a) THE GROUP

	Ordinary shares	Treasury shares	Class A shares	Retained earnings	Other reserves	Total
	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2011	921,638,335	-	-	100,758,107	46,487,399	1,068,883,841
Profit for the year	-	-	-	270,376,761	-	270,376,761
Other comprehensive income	-	-	-	-	(14,759)	(14,759)
Total comprehensive income for the year	-	-	-	270,376,761	(14,759)	270,362,002
Issue of shares (Note 31)	476,819,157	-	-	-	-	476,819,157
Share-based payments (Note 32)	-	-	-	-	247,217	247,217
Appropriation of reserves (Note 32)	-	-	-	(47,152,415)	47,152,415	-
Dividends	-	-	-	(34,560,878)	-	(34,560,878)
At 30 June 2012	1,398,457,492	-	-	289,421,575	93,872,272	1,781,751,339
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	-	-	-	(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	-	-	-	(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

The notes on pages 141 to 233 form an integral part of these financial statements.
Auditors' report on page 135.

Statements of Changes in Equity

For the Year Ended 30 June 2014

(b) THE BANK

	Ordinary shares	Treasury shares	Class A shares	Retained earnings	Other reserves	Total
	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2011	921,638,335	-	-	91,263,376	46,487,399	1,059,389,110
Profit for the year	-	-	-	180,267,766	-	180,267,766
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	180,267,766	-	180,267,766
Issue of shares (Note 31)	476,819,157	-	-	-	-	476,819,157
Share-based payments (Note 32)	-	-	-	-	247,217	247,217
Appropriation of reserves (Note 32)	-	-	-	(47,152,415)	47,152,415	-
Dividends	-	-	-	(34,560,878)	-	(34,560,878)
At 30 June 2012	1,398,457,492	-	-	189,817,849	93,887,031	1,682,162,372
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	-	-	-	(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 32)	-	(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	-	-	-	(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

The notes on pages 141 to 233 form an integral part of these financial statements.
Auditors' report on page 135.

Statements of Cash Flows

For the Year Ended 30 June 2014

		THE GROUP			THE BANK		
		2014	2013	2012	2014	2013	2012
	Notes	MUR	MUR	MUR	MUR	MUR	MUR
OPERATING ACTIVITIES							
Profit before tax		400,517,945	240,713,475	290,463,391	289,211,743	340,087,597	200,359,817
Adjustments for:							
Change in operating assets	34(b)	(8,182,496,447)	(3,252,573,700)	(6,214,707,025)	(7,214,283,173)	(3,151,902,485)	(6,228,100,501)
Change in operating liabilities	34(c)	16,126,764,207	8,699,014,329	4,768,890,790	14,702,515,768	8,677,131,579	4,783,074,018
Non-cash items included in profit before tax	34(d)	186,165,231	205,464,727	(50,137,685)	329,478,856	43,861,873	23,769,562
Tax paid		(55,408,902)	(25,508,399)	(33,987,059)	(44,845,290)	(25,364,911)	(33,987,059)
Net cash flows from/(used in) operating activities		8,475,542,034	5,867,110,432	(1,239,477,588)	8,062,077,904	5,883,813,653	(1,254,884,163)
INVESTING ACTIVITIES							
Purchase of equipment	23	(46,704,683)	(19,964,487)	(4,306,677)	(44,733,223)	(19,964,487)	(4,306,677)
Purchase of investment in associates	22	(144,693,183)	(643,843)	(307,355,868)	-	-	(9,696,696)
Purchase of intangible assets	24	(29,383,716)	(4,039,565)	(7,534,988)	(28,869,891)	(4,039,565)	(7,534,988)
Investment in subsidiaries	18	-	-	-	(250,693,183)	(20,000,000)	(320,734,529)
Investment in joint venture		-	(500,000)	-	-	-	-
Purchase of available-for-sale financial investments		(300,575,661)	(25,662,280)	(14,999,997)	-	-	-
Proceeds from sale of investment in associates		-	-	-	-	-	23,562,500
Acquisition of subsidiaries, net of cash acquired	19	(225,689,438)	-	-	-	-	-
Dividend income		-	23,413,740	-	-	-	-
Net cash flows used in investing activities		(747,046,681)	(27,396,435)	(334,197,530)	(324,296,297)	(44,004,052)	(318,710,390)
FINANCING ACTIVITIES							
Issue of shares		1,453,290,254	296,135,926	476,819,157	1,439,290,254	296,135,926	476,819,157
Acquisition of treasury shares	31	(405,776,236)	-	-	(405,776,236)	-	-
Dividends paid	11	(116,027,201)	(88,068,022)	(34,560,878)	(116,027,201)	(88,068,022)	(34,560,878)
Net cash flows from financing activities		931,486,817	208,067,904	442,258,279	917,486,817	208,067,904	442,258,279
Net cash flows for the year		8,659,982,170	6,047,781,901	(1,131,416,839)	8,655,268,424	6,047,877,505	(1,131,336,274)
Movement in cash and cash equivalents							
Cash and cash equivalents at 1 July		8,967,488,944	2,919,642,013	4,051,058,852	8,967,452,339	2,919,574,834	4,050,911,108
Net increase/(decrease) in cash and cash equivalents		8,659,982,170	6,047,781,901	(1,131,416,839)	8,655,268,424	6,047,877,505	(1,131,336,274)
Net foreign exchange difference		11,068,482	65,030	-	-	-	-
Cash and cash equivalents at 30 June	34(a)	17,638,539,596	8,967,488,944	2,919,642,013	17,622,720,763	8,967,452,339	2,919,574,834
Operational cash flows from interest							
Interest paid		567,015,589	566,729,381	443,083,735	560,039,806	576,208,690	454,110,197
Interest received		1,311,305,734	725,408,056	651,789,243	1,302,179,715	725,410,605	780,458,900

The notes on pages 141 to 233 form an integral part of these financial statements.
Auditors' report on page 135.

Notes to the Financial Statements
Year Ended 30 June 2014

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 2014 were authorised for issue in accordance with a resolution of the directors on 25 September 2014.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Bank 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 and the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Presentation of financial statements

The Group and the Bank present their statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statements of financial position date (current) and more than 12 months after the statement of financial position 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 and its subsidiaries as at 30 June 2014. 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; and
(iii) The Group's voting rights and potential voting rights.

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

2.2 Significant accounting judgements and estimates

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

Going concern

Management has made an assessment of the Group's and the Bank's ability to continue as a going concern and is satisfied that the Group and the Bank have 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 and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting judgements and estimates (Continued)

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group and the Bank 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 and the Bank 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 and the Bank make judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

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

Impairment of non-financial assets

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

2.3 Change in accounting policies

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 2013:

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 27 Separate Financial Statements (2011)	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2013
Amendments	
IAS 19 Employee Benefits	1 January 2013
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013
Government Loans (Amendments to IFRS 1)	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Interpretations	
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Change in accounting policies (Continued)

New or revised standards

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities' which are now known as 'structured entities'). Under IFRS 10, control is based on whether an investor has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the returns.

This Group has reassessed whether it has control over its investee based on the above criteria and this has not resulted in an impact on the Group performance and position during the year.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures. This new standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly);
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

This new standard had no impact on the financial position or performance of the Group as the investment in the joint venture has always been accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on;
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information); and
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

IFRS 12 has no impact on the financial position and performance of the Group. However, additional disclosures have been made in note 22 in the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Change in accounting policies (Continued)

New or revised standards (Continued)

IFRS 13 Fair Value Measurement (continued)

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

Additional disclosures have been made in the financial statements to comply with the requirements of this new standard.

IAS 27 Separate Financial Statements (2011)

This is an amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

This new standard had no impact on the financial position or performance of the Bank.

IAS 28 Investments in Associates and Joint Ventures (2011)

This Standard supersedes IAS 28 Investments in Associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

This new standard had no impact on the financial position or performance of the Group and the Bank.

Amendments

Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The disclosure requirements in IFRS 7 Financial Instruments: Disclosures were amended to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This amendment had resulted in additional disclosures to be made in the financial statements in respect of the Group and Bank netting arrangements. Such arrangement has been disclosed in Note 42.

Government Loans (Amendments to IFRS 1)

IFRS 1 First-time Adoption of International Financial Reporting Standards was amended to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans.

This amendment had no impact on the financial position of the Group and the Bank as it is not a first time adopter of IFRS.

Annual Improvements 2009-2011 Cycle

The following are annual improvements to existing standards:

- IFRS 1 – Permits the repeated application of IFRS 1, and clarification on accounting for borrowing costs on certain qualifying assets;
- IAS 1 – Clarifies the requirements for comparative information;
- IAS 16 – Clarifies the classification of servicing equipment;
- IAS 32 – Clarifies that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes; and
- IAS 34 – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.

These amendments had no impact on the financial position or performance of the Group and the Bank.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Change in accounting policies (Continued)

Amendments (Continued)

IAS 19 Employee Benefits

This is an amended version of IAS 19 Employee Benefits with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes.

The corridor mechanism for pension plans has been removed. This means all changes in the value of defined benefit plans will be recognised as they occur. Those movements are recorded immediately in other comprehensive income.

Other changes as a result of the revised standard include:

- Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested.
- The distinction between short-term and other long-term employee benefits is now based on expected timing of settlement rather than employee entitlement. Changes in the carrying amount of liabilities for other long-term employment benefits will continue to be recognised in profit or loss.

The Group and the Bank operate a defined contribution pension plan and so is not impacted by the amendments to the accounting for defined benefit plans.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities were amended to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

The amendments described above did not have any impact on the Group's and the Bank's financial position or performance.

Interpretations

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

The amendments described above did not have any impact on the Group's and the Bank's financial position or performance as neither the Group nor the Bank engage in mining activities.

2.4 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.

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(a) Foreign currency translation (Continued)

(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.

(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 and Bank 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 and Bank 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 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) Financial assets or financial liabilities designated at fair value through profit or loss

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statements of financial position at fair value. Changes in fair value are recorded in 'Net trading income'. Interest earned or incurred is accrued in 'Net trading income', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

(vi) '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 and the Bank 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.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

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

(vii) 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 and the Bank have 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 and the Bank were 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 and the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

(viii) 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 of the payment 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.

(ix) 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 and the Bank intend to sell immediately or in the near term and those that the Group and the Bank, upon initial recognition, designates as at fair value through profit or loss;
- Those that the Group and the Bank upon initial recognition, designates as available-for-sale;
- Those for which the Group and the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from banks' and 'Loans and advances 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 and the Bank 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 the Bank, 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).

(x) Debts issued and other borrowed fund

Financial instruments issued by the Group and the Bank that are not designated at fair value through profit or loss, are classified as liabilities under 'Debts issued' and 'Other borrowed fund' where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, 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.

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

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

(xi) Reclassification of financial assets

Effective from 1 July 2008, the Group and the Bank 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 and the Bank 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 or the Bank 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 and 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.

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 and the Bank 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 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 and the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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 and the Bank could be required to repay.

(ii) Financial liabilities

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

(d) Fair value measurement

The Group and the Bank 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.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(d) Fair value measurement (Continued)

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 and the Bank 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 and the Bank 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 and the Bank 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 and the Bank 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 and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss and other comprehensive income in 'Net allowance for credit impairment'. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group or the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's and the Bank'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.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(e) Impairment of financial assets (Continued)

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

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 and Bank seek to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

(f) Hedge accounting

The Group makes use of non-derivative instruments to manage exposures to foreign currency risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the statements of profit or loss and other comprehensive income in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statements of profit or loss in 'Net trading income'. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statements of financial position and is also recognised in the statements of profit or loss and other comprehensive income in 'Net trading income'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For a hedged item recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated effective interest rate (EIR) method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in profit or loss.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(f) Hedge accounting (Continued)

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 Bank 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.

(ii) Fees and commission income

The Group and the Bank 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.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(h) Recognition of income and expenses (Continued)

(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) 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.

(j) Interest in joint venture

The Group

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using the equity method.

Under the equity method, the interest in joint venture is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statements of profit or loss and other comprehensive income reflect the share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit of the joint venture is shown on the face of the statements of profit or loss and other comprehensive income. This is the profit attributable to equity holders of the joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interest in joint venture. The Group determines at each reporting date whether there is any objective evidence that the interest in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

The Bank

Investment in joint venture is accounted for at cost in the Bank's separate financial statement, less any accumulated impairment in value.

(k) 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.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(k) Investment in an associate (Continued)

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.

(l) 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.

(m) Provisions

Provisions are recognised when the Group or the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

(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 amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(o) 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.

(p) 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.

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(p) Intangible assets

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%

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.

(q) Impairment of non-financial assets

The Group and the Bank assess 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 and the Bank estimate 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 and the Bank estimate 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.

(r) Financial guarantees

In the ordinary course of business, the Group and the Bank give 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.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(s) Pension benefits

Defined contribution pension plan

The Group and the Bank operate 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 (through 'Other comprehensive income') on the statement of financial position include:

- 'Other reserves' which relate to expenses arising from equity-settled share-based payment transactions;
- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004; and
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk.

Further details are included in Note 32.

(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 either in either profit or loss or as a change to OCI. 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.

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

(v) Business Combination and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(w) Taxes

(i) Current tax

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

The Bank is liable to pay a special levy of 10% on chargeable 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.

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.4 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.

Notes to the Financial Statements

Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Standard issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank 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	1 January 2018
- IFRS 14 Regulatory Deferral Accounts	1 January 2016
- IFRS 15 Revenue from Contracts with Customers	1 January 2017
- 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) – effective 1 January 2014	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
- 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
- IFRIC 21 Levies	1 January 2014

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:

Amendments in 2009

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances);
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss;
- All other instruments (including all derivatives) are measured at fair value with changes recognised in profit or loss; and

The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines

Amendments in 2010

- A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement; and
- The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Amendments in 2013

- Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures;
- Permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss;
- Removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements.

The Group and the Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 and the Bank is not a first time adopter of IFRS.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Standard issued but not yet effective (Continued)

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

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

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

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

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

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.

The Group and the Bank is currently assessing the impact of adoption of this standard.

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 will not have an impact as neither the Group nor the Bank 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.

This amendment may have an impact on the disclosure in future, if assets are impaired and the fair value less costs of disposal is used as the recoverable amount.

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 and the Bank is still assessing the impact of adoption of this standard.

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

This amendment to IAS 19 Employee Benefits clarifies 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 contributions, 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 will not have an impact as neither the Group nor the Bank contributes towards a defined benefit scheme.

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Standard issued but not yet effective (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;

Annual Improvements 2010-2012 Cycle - effective 1 July 2014

- 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.

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.

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 amendment will not have an impact since the Group and the Bank do not have any interests in joint operations.

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

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

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

Notes to the Financial Statements
Year Ended 30 June 2014

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Standard issued but not yet effective (Continued)

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 will not have an impact on the Group and the Bank.

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

Notes to the Financial Statements
Year Ended 30 June 2014

3. INTEREST INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR
Interest income on:						
- Due from banks	118,769,517	32,187,339	46,985,947	118,769,587	32,189,888	46,992,210
- Loans and advances to customers	945,882,421	708,254,829	639,853,147	936,756,333	708,254,829	639,853,147
- Financial investments - held-to- maturity	297,831,603	246,169,447	142,385,332	297,831,602	246,169,447	142,385,332
	1,362,483,541	986,611,615	829,224,426	1,353,357,522	986,614,164	829,230,689

4. INTEREST EXPENSE

	THE GROUP			THE BANK		
	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR
Interest expense on:						
- Due to banks	18,834,326	4,731,264	796,495	15,058,870	4,731,264	796,495
- Deposits from customers	603,586,999	538,721,068	451,731,987	603,586,999	538,725,635	451,732,180
- Other	78,892,945	76,910,138	54,173,632	75,692,618	76,910,138	54,173,632
	701,314,270	620,362,470	506,702,114	694,338,487	620,367,037	506,702,307

5. NET FEES AND COMMISSION INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR
Fees and commission income						
Credit related fees and commission income	182,453,850	154,607,820	104,071,363	182,453,850	154,607,820	104,071,363
Other fees received	148,258,559	24,884,300	11,935,312	14,210,020	21,919,025	11,935,312
Total fees and commission income	330,712,409	179,492,120	116,006,675	196,663,870	176,526,845	116,006,675
Fees and commission expense						
Other fees	(36,193,075)	(21,367,222)	(14,620,861)	(38,043,390)	(20,730,461)	(14,576,701)
Total fees and commission expense	(36,193,075)	(21,367,222)	(14,620,861)	(38,043,390)	(20,730,461)	(14,576,701)
Net fees and commission income	294,519,334	158,124,898	101,385,814	158,620,480	155,796,384	101,429,974

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

6a. NET TRADING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR	Year ended 30 June 2014 MUR	Year ended 30 June 2013 MUR	Year ended 30 June 2012 MUR
Net gain on financial investments held-for-trading	36,532,362	99,124,988	35,141,513	39,821,746	38,485,072	35,141,513
Foreign exchange gain	212,283,789	93,968,719	26,920,730	205,993,434	93,968,719	26,915,224
	248,816,151	193,093,707	62,062,243	245,815,180	132,453,791	62,056,737

Net gain on financial investments held-for-trading includes both realised and unrealised gain.
Foreign exchange income includes realised and unrealised gains and losses from spot and forward contracts and other currency derivatives.

Notes to the Financial Statements
Year Ended 30 June 2014

6b. OTHER OPERATING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	**Year ended 30 June 2014**	Year ended 30 June 2013	Year ended 30 June 2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Dividend income	**-**	-	-	**100,000,000**	-	-
Custody fees	**4,148,512**	461,547	371,123	**4,148,512**	461,547	371,123
Bad debts recovered	**4,545,974**	-	-	**-**	-	-
Others	**11,899,904**	8,875,149	1,237,238	**8,955,918**	8,875,149	10,839,287
	20,594,390	9,336,696	1,608,361	**113,104,430**	9,336,696	11,210,410

Included in 'Others' for 2012 is an amount of MUR 9.6m for a gain on disposal of joint venture which has been eliminated on consolidation.

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 2014	Year ended 30 June 2013	Year ended 30 June 2012	**Year ended 30 June 2014**	Year ended 30 June 2013	Year ended 30 June 2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
- Retail and personal	**1,082,631**	1,087,167	127,404	**1,082,631**	1,087,167	127,404
- Business	**5,947,885**	(1,470,956)	21,945,813	**5,947,885**	(1,470,956)	21,945,813
- Entities outside Mauritius	**60,882,300**	(1,720,862)	2,071,358	**168,882,300**	(1,720,862)	2,071,358
- Credit cards	**(202,071)**	952,599	729,903	**(202,071)**	952,599	729,903
	67,710,745	(1,152,052)	24,874,478	**175,710,745**	(1,152,052)	24,874,478

Please refer to Note 16 for more details.

8. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	**Year ended 30 June 2014**	Year ended 30 June 2013	Year ended 30 June 2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Salaries	**194,225,472**	104,954,036	84,680,374	**142,693,633**	104,954,036	84,680,374
Staff benefits	**119,330,355**	87,642,345	84,350,943	**119,099,759**	87,642,345	84,350,943
Pension cost-Defined contribution scheme	**6,482,786**	4,257,726	3,348,907	**5,688,209**	4,257,726	3,348,907
Training expenses	**1,246,743**	697,311	224,931	**1,246,743**	697,311	224,931
Share-based payments	**20,148,464**	80,807	247,217	**20,148,464**	80,807	247,217
	341,433,820	197,632,225	172,852,372	**288,876,808**	197,632,225	172,852,372

9. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	**Year ended 30 June 2014**	Year ended 30 June 2013	Year ended 30 June 2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Advertising and marketing expenses	**50,457,525**	31,255,872	19,220,251	**50,223,892**	31,255,872	19,220,251
Administrative expenses	**119,529,135**	67,534,713	51,106,581	**105,495,715**	66,391,397	50,677,208
Equipment written off	**302,106**	826,545	121,480	**302,106**	826,545	121,480
Professional fees	**43,185,651**	18,383,392	21,862,293	**36,236,935**	18,383,392	21,862,293
	213,474,417	118,000,522	92,310,605	**192,258,648**	116,857,206	91,881,232

Notes to the Financial Statements

Year Ended 30 June 2014

10. TAXATION

(a) Statements of financial position

	THE GROUP			THE BANK		
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	**Year ended 30 June 2014**	Year ended 30 June 2013	Year ended 30 June 2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Corporate tax liability:						
Current year	**55,319,333**	25,984,319	17,266,705	**43,007,994**	25,840,828	17,266,705
Tax paid under advance payment scheme	**(23,995,867)**	(13,595,311)	(13,985,888)	**(19,985,307)**	(13,451,823)	(13,985,888)
	31,323,466	12,389,008	3,280,817	**23,022,687**	12,389,005	3,280,817
Special levy	**21,716,734**	9,786,972	6,350,930	**21,716,734**	9,786,974	6,350,930
Current tax liabilities	**53,040,200**	22,175,980	9,631,747	**44,739,421**	22,175,979	9,631,747

Corporate Social Responsibility fund

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

Special levy

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

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

The components of income tax expense for the years ended 30 June 2014, 2013 and 2012 are as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	**Year ended 30 June 2014**	Year ended 30 June 2013	Year ended 30 June 2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Current tax						
- Current income tax	**55,319,333**	25,984,317	17,266,705	**43,007,994**	25,840,828	17,266,705
- Adjustment in respect of current income tax of prior period	**-**	392,787	-	**-**	392,788	-
Corporate social responsibility fund	**3,547,136**	1,888,552	1,617,956	**2,684,004**	1,888,552	1,617,956
Special levy	**21,716,734**	9,786,972	6,350,930	**21,716,734**	9,786,972	6,350,930
Deferred tax						
- Adjustment in respect of deferred tax of prior period	**(199,203)**	-	-	**(199,203)**	(247,068)	(2,166,089)
- Relating to origination and reversal of temporary differences	**(4,389,834)**	(373,945)	(5,148,961)	**(642,984)**	(170,398)	(2,977,451)
Tax expense reported in the statements of profit or loss and other comprensive income	**75,994,166**	37,678,683	20,086,630	**66,566,545**	37,491,674	20,092,051

Notes to the Financial Statements

Year Ended 30 June 2014

10. TAXATION

(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 2014, 2013 and 2012 is as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	**Year ended 30 June 2014**	Year ended 30 June 2013	Year ended 30 June 2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Accounting profit before tax	400,517,945	240,713,475	290,463,391	289,211,743	340,087,597	200,359,817
At statutory income tax rate of 15%	60,077,692	36,107,021	43,569,509	43,381,761	51,013,140	30,053,973
Deemed credit on Segment B profits	(45,347,968)	(26,067,620)	(14,780,924)	(41,731,574)	(25,070,086)	(14,780,923)
Over provision of deferred tax asset in prior year	(199,203)	(203,546)	(2,166,060)	(199,203)	(247,067)	(2,166,089)
Under-provision in corporate tax in prior year	-	392,788	-	-	392,788	-
Non deductible expenses	55,940,199	917,037	522,350	55,714,823	469,681	451,022
Non taxable income	(20,365,707)	(6,653,112)	-	(15,000,000)	(742,306)	-
Tax effect of joint venture and associates	-	21,441,654	(15,027,137)	-	-	(1,434,824)
Utilisation of previously unrecognised tax losses	-	(74,552)	-	-	-	-
Withholding tax	625,283	143,488	-	-	-	-
Assets not eligible for capital allowance	-	-	-	-	-	-
Corporate social responsibility fund	3,547,136	1,888,552	1,617,956	2,684,004	1,888,552	1,617,956
Special levy	21,716,734	9,786,972	6,350,936	21,716,734	9,786,972	6,350,936
Tax expense reported in the statements of profit or loss and other comprehensive income	75,994,166	37,678,683	20,086,630	66,566,545	37,491,675	20,092,051

(d) Deferred tax

THE GROUP	**Deferred tax assets**	**Statement of Profit or loss**	Deferred tax assets	Statement of Profit or loss	Deferred tax assets	Statement of Profit or loss
	2014	**2014**	2013	2013	2012	2012
	MUR	**MUR**	MUR	MUR	MUR	MUR
Impairment allowances on loans and advances to customers	(15,901,541)	6,249,329	(9,652,212)	91,903	(9,744,115)	(3,210,800)
Accelerated capital allowances	3,526,225	(1,929,048)	1,597,177	(465,848)	2,106,548	177,528
Tax losses	-	-	-	-	(43,521)	(4,006)
Other temporary differences	(268,755)	268,755	-	-	-	(2,111,683)
	(12,644,071)	4,589,036	(8,055,035)	(373,945)	(7,681,088)	(5,148,961)

THE BANK	**Deferred tax assets**	**Statement of Profit or loss**	Deferred tax assets	Statement of Profit or loss	Deferred tax assets	Statement of Profit or loss
	2014	2014	2013	**2013**	2012	2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Impairment allowances on loans and advances to customers	(12,423,447)	2,771,235	(9,652,212)	91,903	(9,744,115)	(3,210,800)
Accelerated capital allowances	3,526,225	(1,929,048)	1,597,177	(509,369)	2,106,548	178,943
Other temporary differences	-	-	-	-	-	(2,111,683)
	(8,897,222)	842,187	(8,055,035)	(417,466)	(7,637,567)	(5,143,540)

Notes to the Financial Statements

Year Ended 30 June 2014

11. DIVIDENDS

	THE GROUP AND THE BANK		
	2014	2013	2012
	MUR	MUR	MUR
Dividends on ordinary shares:			
Dividend for 2014: MUR 1.5 per share (2013: MUR 1.25 and 2012: 60 cents)	116,027,201	88,068,022	34,560,878

12. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Cash in hand (Note 34(a))	8,002,296	9,224,082	10,209,993	6,354,857	9,224,082	10,209,993
Unrestricted balances with the Central Bank (Note 34 (a))	1,086,077,874	936,542,007	70,669,717	1,086,077,874	936,542,007	70,669,717
Mandatory balances with the Central Bank	927,191,786	652,949,543	595,491,914	927,191,786	652,949,543	595,491,914
	2,021,271,956	1,598,715,632	676,371,624	2,019,624,517	1,598,715,632	676,371,624

Mandatory reserve deposits are not avalilable for use in the Bank's day-to-day operations.

13. DUE FROM BANKS

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Short term placements with other banks (Note 34(a))	5,237,600,841	4,112,254,461	2,291,312,701	5,237,600,841	4,112,254,461	2,291,312,701
Medium term placements with other banks	1,720,849,923	988,121,084	688,424,178	1,720,849,923	988,121,084	688,424,178
Current accounts with other banks (Note 34(a))	11,304,367,438	3,907,500,896	546,146,846	11,290,196,044	3,907,464,291	546,079,667
Other amounts due (Note 34(a))	2,491,147	1,967,498	1,302,756	2,491,147	1,967,498	1,302,756
	18,265,309,349	9,009,843,939	3,527,186,481	18,251,137,955	9,009,807,334	3,527,119,302

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.

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) THE GROUP

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2014	2014	2014	2013	2013	2013	2012	2012	2012
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Fund Options Transactions	-	-	-	-	-	-	31	(31)	117,610,000
Equity Linked Notes	-	-	-	-	-	-	61,572,917	(61,572,917)	67,968,167
Options Linked Notes	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	18,027,556	(18,027,556)	13,927,500
Call Option	-	-	-	26,400,000	-	26,400,000	3,100,000	-	3,100,000
Forward Exchange Option Contracts	8,239,095	(8,239,095)	8,661,329,435	1,079,237	(1,079,237)	7,811,593,494	-	-	-
Forward Foreign Exchange Contracts	67,849,179	(64,445,815)	8,134,678,605	24,557,924	(48,618,447)	3,765,698,972	107,843,824	(47,311,643)	6,006,908,653
	860,845,449	(857,442,085)	18,190,962,460	68,581,360	(66,241,883)	11,615,453,466	190,544,328	(126,912,147)	6,209,514,320

(b) THE BANK

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2014	2014	2014	2013	2013	2013	2012	2012	2012
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Fund Options Transactions	-	-	-	-	-	-	31	(31)	117,610,000
Equity Linked Notes	-	-	-	-	-	-	15,938,191	(15,938,191)	16,175,492
Index Linked Options	-	-	-	-	-	-	-	-	-
Forward Exchange Option Contracts	8,239,095	(8,239,095)	8,661,329,435	1,079,237	(1,079,237)	7,811,593,494	-	-	-
Forward Foreign Exchange Contracts	67,849,179	(64,445,815)	8,134,678,605	24,557,924	(48,618,447)	3,765,698,972	107,843,824	(47,311,643)	6,006,908,653
	76,088,274	(72,684,910)	16,796,008,040	25,637,161	(49,697,684)	11,577,292,466	123,782,046	(63,249,865)	6,140,694,145

As at 30 June 2014, 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.

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.

Notes to the Financial Statements
Year Ended 30 June 2014

15. FINANCIAL INVESTMENTS - HELD-FOR-TRADING

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Unquoted investments						
Government of Mauritius debt securities	1,657,362,034	336,909,022	1,162,543,500	1,657,361,434	336,909,022	1,162,543,500
Unquoted equity investments	724,732,217	-	-	-	-	-
Corporate debt securities	254,050,687	195,776,496	-	254,050,687	195,776,496	-
	2,636,144,938	532,685,518	1,162,543,500	1,911,412,121	532,685,518	1,162,543,500

16. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Retail and personal	1,471,552,841	1,064,217,996	810,048,341	1,471,552,841	1,064,217,996	810,048,341
Business	6,619,061,123	5,389,764,800	5,713,721,439	6,623,339,052	5,389,764,800	5,713,835,898
Entities outside Mauritius	9,209,664,378	7,525,052,383	6,268,232,677	9,482,986,546	7,525,052,383	6,268,232,677
Credit cards	76,522,058	110,995,584	78,067,940	76,522,058	110,995,584	78,067,940
Gross core loans and advances to customers	17,376,800,400	14,090,030,763	12,870,070,397	17,654,400,497	14,090,030,763	12,870,184,856
Less: Allowance for impairment losses	(149,345,755)	(82,278,747)	(85,749,102)	(257,345,755)	(82,278,747)	(85,749,102)
	17,227,454,645	14,007,752,016	12,784,321,295	17,397,054,742	14,007,752,016	12,784,435,754

Impairment allowance for loans and advances to customers

THE GROUP

(a) A reconciliation of the allowance for impairment losses for loans and advances by class is as follows:

	Retail and personal	Business	Entities outside Mauritius	Credit cards	Total
	MUR	MUR	MUR	MUR	MUR
At 1 July 2011	6,087,992	26,276,067	21,520,668	6,989,897	60,874,624
Charge for the year	127,404	21,945,813	2,071,358	729,903	24,874,478
At 30 June 2012	6,215,396	48,221,880	23,592,026	7,719,800	85,749,102
At 30 June 2012:					
Specific impairment	1,877,619	6,877,894	-	2,306,557	11,062,070
Collective impairment	4,337,777	41,343,986	23,592,026	5,413,243	74,687,032
	6,215,396	48,221,880	23,592,026	7,719,800	85,749,102
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	-	40,307,841	-	5,672,478	45,980,319

Notes to the Financial Statements

Year Ended 30 June 2014

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (Continued)

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**

THE BANK

	Retail and personal	Business	Entities outside Mauritius	Credit cards	Total
	MUR	MUR	MUR	MUR	MUR
At 1 July 2011	6,087,992	26,276,067	21,520,668	6,989,897	60,874,624
Charge for the year	127,404	21,945,813	2,071,358	729,903	24,874,478
At 30 June 2012	6,215,396	48,221,880	23,592,026	7,719,800	85,749,102
At 30 June 2012:					-
Specific impairment	1,877,619	6,877,894	-	2,306,557	11,062,070
Collective impairment	4,337,777	41,343,986	23,592,026	5,413,243	74,687,032
	6,215,396	48,221,880	23,592,026	7,719,800	85,749,102
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	-	40,307,841	-	5,672,478	45,980,319

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Year Ended 30 June 2014

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

Included in specific provision is an amount of MUR 8.2m relating to suspended interest.

Notes to the Financial Statements
Year Ended 30 June 2014

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 2011	3,934,000	56,940,624	60,874,624	3,934,000	56,940,624	60,874,624
Charge for the year	7,128,070	17,746,408	24,874,478	7,128,070	17,746,408	24,874,478
At 30 June 2012	11,062,070	74,687,032	85,749,102	11,062,070	74,687,032	85,749,102
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**

17. FINANCIAL INVESTMENTS

AVAILABLE-FOR-SALE	THE GROUP		
	2014	2013	2012
	MUR	MUR	MUR
Investment in equity shares	**39,040,318**	40,722,657	14,999,997
Investment in preference shares	**302,300,000**	-	-
	341,340,318	40,722,657	14,999,997

Available-for-sale investments for an amount of MUR 18.5m are stated at cost since their fair value cannot be reliably measured due to no active market and an absence of track record for such or similar investments.

HELD-TO-MATURITY	THE GROUP AND THE BANK		
	2014	2013	2012
	MUR	MUR	MUR
Government of Mauritius debt securities	**5,896,223,411**	4,746,886,818	3,506,007,725
Other corporate debt securities	**940,613,496**	1,060,916,006	-
	6,836,836,907	5,807,802,824	3,506,007,725

Notes to the Financial Statements
Year Ended 30 June 2014

18. INVESTMENT IN SUBSIDIARIES

	THE BANK		
	2014	2013	2012
Cost	**MUR**	MUR	MUR
At start	383,115,237	363,163,638	25,000,000
Acquisition during the year	250,693,183	20,000,000	320,734,529
	633,808,420	383,163,638	345,734,529
Impairment loss	(217,000,000)	-	-
Fair value hedge movement	(7,007,543)	(48,401)	17,429,109
At 30 June	409,800,877	383,115,237	363,163,638

The details of the subsidiaries are as follows:

	Country of Incorporation	Class of Shares	% Holdings 2014	2013	2012
AfrAsia Investments Limited	Mauritius	Ordinary	100	100	100
AfrAsia Holdings Limited	Mauritius	Ordinary	100	100	100
AfrAsia Capital Management Ltd (Note 21)	Mauritius	Ordinary	100	50	50
AfrAsia Corporate Finance (Africa) Ltd (Note 22)	Mauritius	Ordinary	100	50	50
AfrAsia Corporate Finance (Pty) Ltd (Note 22)	South Africa	Ordinary	100	50	50
AfrAsia Corporate Finance Limited	Mauritius	Ordinary	100	-	-

The Bank invested USD 9,680,000 in AfrAsia Holdings Limited in 2012. 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.

In 2014, the impairment loss represents the write-down of the Bank's investment in its subsidiary, AfrAsia Holdings Limited ("AHL"), for MUR 217,000,000. AHL holds interest in AfrAsia Zimbabwe Holdings Limited ("AZHL") which has been affected by the unfavourable liquidity situation prevailing in Zimbabwe. This was recognised in the statement of profit or loss and other comprehensive income as Impairment loss on subsidiary. The recoverable amount of MUR 220,238,377 as at 30 June 2014 was based on the Bank's share of the fair value less costs of disposal of AZHL.

The Bank used a market valuation technique based on comparable public companies (peers) in the same industry, size and leverage and calculated an appropriate trading multiple for each comparable company identified.

The multiple is calculated by dividing the market capitalisation of the comparable companies by their respective net book values. The trading multiple is then adjusted for illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets value of AZHL to measure the fair value.

19. BUSINESS COMBINATION

On 1 October 2013, the Group acquired the remaining 50% of the ordinary shares of AfrAsia Capital Management Limited ("ACML") and 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 ("ACF Group") into one cash generating unit ("CGU").

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
Assets	MUR	MUR	MUR
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
Available-for-sale investment	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

Notes to the Financial Statements
Year Ended 30 June 2014

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

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 both investees was approximate to their fair value. However, both entities have various contracts and licences which were not accounted for in the financial statements of these investees and management has assessed the fair value of these intangible assets at the acquisition date.

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 (Note 21, Note 22)	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

Note (b) - Intangible assets on acquisition
Intangible assets recognised at the acquisition on the entities at the acquisition date is as follows:

	ACML	ACF Group	Total
	MUR	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 for 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.

Notes to the Financial Statements

Year Ended 30 June 2014

19. BUSINESS COMBINATION (CONTINUED)

Summarised statement of profit or loss of subsidiaries acquired during the year:

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	108,551,930	214,486,463
(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	132,355,905	225,689,438

20. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations with indefinite life has been allocated to the two CGUs below.

Carrying amount of goodwill allocated to each of the CGUs:

	ACML	ACF Group	Total
	2014	2014	2014
	MUR	MUR	MUR
Goodwill	134,903,710	71,867,124	206,770,834

The Group performed its annual impairment test in June 2014.

The recoverable amounts of ACML and ACF Group are MUR 244m and MUR 208m respectively as at 30 June 2014, which have 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 an impairment for these CGUs.

The following assumption has been used in the assessment of intangible assets with indefinite life:

	ACML	ACF Group
	%	%
Discount rates	19.0%	23.8%

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
	MUR	MUR
1% increase in Discount rates (WACC)	(5,615,081)	(4,944,794)
1% decrease in Discount rates (WACC)	5,817,039	5,155,723

Notes to the Financial Statements
Year Ended 30 June 2014

21. INVESTMENT IN JOINT VENTURE

In prior year the Group, through AfrAsia Investments Limited, has 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 has become a subsidiary entity of the Group.

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

	THE GROUP		
	2014	2013	2012
Share of the joint venture's statement of financial position:	**MUR**	MUR	MUR
Current assets	-	110,158,770	46,374,390
Non-current assets	-	743,662,830	234,762,174
Current liabilities	-	(837,604,045)	(266,193,258)
Non-current liabilities	-	(12,803)	(15,753)
Equity	-	16,204,752	14,927,553
Share of the joint venture's revenue and profit:			
Revenue	6,305,521	35,073,627	22,922,052
Administrative expenses	(3,169,144)	(15,578,431)	(14,994,433)
Other income	30,018	153,250	19,352
Net finance revenue	43,309	78,119	331,491
Income tax expense	(545,650)	(3,443,071)	(1,501,448)
Profit after tax	2,664,054	16,283,494	6,777,014
Carrying amount of the investment	-	55,177,034	53,393,539

22. INVESTMENT IN ASSOCIATES

THE GROUP

		THE GROUP		
		2014	2013	2012
The investment in associates are as follows:	Country of incorporation		% Holding	
AfrAsia Kingdom Holdings Limited ("AKHL")	Mauritius	52.0%	52.0%	52.00%
AfrAsia Corporate Finance (Africa) Ltd	Mauritius	100.0%	50.0%	50.00%
AfrAsia Corporate Finance (Pty) Ltd	South Africa	100.0%	50.0%	50.00%

AKHL is a private limited company incorporated in Mauritius. Its principal activity is to act as an investment holding company.

AfrAsia Bank Limited does not consider AKHL as its subsidiary as it is not exposed to or have rights to variability in returns from its involvement with AKHL and does not have the ability to affect those return through its power over the entity pursuant to the shareholder's agreement with the other investor. Accordingly, the financial statements of these entities have not been consolidated in the group financial statements.

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 have become subsidiaries of the Group.

Notes to the Financial Statements
Year Ended 30 June 2014

22. INVESTMENT IN ASSOCIATES (CONTINUED)

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

AfrAsia Kingdom Holdings Limited	**THE GROUP**		
	2014	2013	2012
	MUR	MUR	MUR
Opening balance	**179,688,223**	376,826,129	-
Additions	**144,693,183**	643,843	297,657,725
Acquisition of subsidiaries	**74,610,566**	-	-
Share of (loss)/profit after tax	**(130,621,292)**	(199,904,454)	79,168,404
Foreign exchange loss	**(4,745,501)**	-	-
Impairment loss	**(144,246,639)**	-	-
Share of other reserves	**(813,574)**	2,122,705	-
Closing balance	**118,564,966**	179,688,223	376,826,129

AfrAsia Corporate Finance (Pty) Ltd	**THE GROUP**		
	2014	2013	2012
	MUR	MUR	MUR
Opening balance	**39,640,536**	24,163,908	7,684,689
Additions	**-**	-	9,696,696
Share of profit after tax	**(1,262,483)**	18,683,981	6,782,523
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	24,163,908

AfrAsia Corporate Finance (Africa) Ltd	**THE GROUP**		
	2014	2013	2012
	MUR	MUR	MUR
Opening balance	**5,984,755**	7,454,323	-
Additions	**-**	-	1,447
Share of profit after tax	**2,708,647**	3,736,818	7,452,876
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	7,454,323
Statements of financial position			
Investment in associates	**118,564,966**	225,313,514	408,444,360
Statements of comprehensive income			
Share of (loss)/profit of associates	**(129,175,128)**	(177,483,655)	93,403,802

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

	THE GROUP		
	2014	2013	2012
Share of the associates' statement of financial position:	**MUR**	MUR	MUR
Assets	**1,475,821,435**	2,520,585,989	2,121,102,947
Liabilities	**(1,169,672,273)**	(2,219,895,674)	(1,727,002,968)
Equity	**306,149,162**	300,690,315	394,099,979
Share of the associates' revenue and profit:			
Revenue	**431,033,091**	774,264,880	259,283,396
Profit after tax	**(129,175,128)**	(177,483,655)	93,403,802

The Directors have reviewed the financial position and performance of the above associates and are of the opinion that an impairment loss of MUR 144m should be made on the investment in AfrAsia Kingdom Holdings Limited based on the net recoverable amount.

Notes to the Financial Statements
Year Ended 30 June 2014

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 2011	3,920,160	6,079,210	4,774,781	700,572	7,458,689	22,933,412
Additions	304,736	2,094,091	486,817	-	1,421,033	4,306,677
Assets written off	-	(6,360)	(118,905)	-	(165,791)	(291,056)
At 30 June 2012	4,224,896	8,166,941	5,142,693	700,572	8,713,931	26,949,033
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	11,208,988	46,704,683
Exchange loss	(44,922)	(85,541)	(1,539)	(8,693)	(141,711)	(281,312)
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	23,148,758	94,967,902
DEPRECIATION						
At 1 July 2011	1,116,150	1,535,620	1,844,691	304,006	4,768,694	9,569,161
Charge for the year	414,938	750,507	681,134	140,114	1,240,809	3,227,502
Assets written off	-	(1,166)	(29,186)	-	(139,224)	(169,576)
At 30 June 2012	1,531,088	2,284,961	2,496,639	444,120	5,870,279	12,627,087
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	2,273,701	1,487,377	141,847	3,022,600	8,591,580
Exchange loss	(21,489)	(23,071)	(1,190)	(1,594)	(53,519)	(100,863)
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
NET CARRYING AMOUNT						
At 30 June 2014	15,848,417	33,207,797	7,270,125	417,762	14,462,246	71,207,441
At 30 June 2013	8,278,537	9,973,560	5,512,621	107,897	4,891,321	28,763,936
At 30 June 2012	2,693,808	5,881,980	2,646,054	256,452	2,843,652	14,321,946

Notes to the Financial Statements

Year Ended 30 June 2014

23. EQUIPMENT (CONTINUED)

(b) THE BANK	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
	MUR	MUR	MUR	MUR	MUR	MUR
COST						
At 1 July 2011	3,920,150	6,079,220	4,763,856	700,572	7,424,321	22,888,119
Additions	304,736	2,094,091	486,817	-	1,421,033	4,306,677
Assets written off	-	(6,360)	(118,905)	-	(165,791)	(291,056)
At 30 June 2012	4,224,886	8,166,951	5,131,768	700,572	8,679,563	26,903,740
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**
DEPRECIATION						
At 1 July 2011	1,116,151	1,535,620	1,843,598	304,006	4,733,931	9,533,306
Charge for the year	414,938	750,507	680,038	140,114	1,240,809	3,226,406
Assets written off	-	(1,166)	(29,186)	-	(139,224)	(169,576)
At 30 June 2012	1,531,089	2,284,961	2,494,450	444,120	5,835,516	12,590,136
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**
Assets 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**
NET CARRYING AMOUNT						
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
At 30 June 2012	2,693,797	5,881,990	2,637,318	256,452	2,844,047	14,313,604

Notes to the Financial Statements

Year Ended 30 June 2014

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 2011	4,880,141	16,698,531	5,765,930		-	-	-	27,344,602
Additions	7,114,364	420,624	-	-	-	-	-	7,534,988
At 30 June 2012	11,994,505	17,119,155	5,765,930	-	-	-	-	34,879,590
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**
AMORTISATION								
At 1 July 2011	2,311,540	8,072,219	3,369,820	-	-	-	-	13,753,579
Charge for the year	1,574,995	2,414,465	41,738	-	-	-	-	4,031,198
At 30 June 2012	3,886,535	10,486,684	3,411,558	-	-	-	-	17,784,777
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**
NET CARRYING AMOUNT								
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
At 30 June 2012	8,107,970	6,632,471	2,354,371	-	-	-	-	17,094,812

Other intangible assets consist of corporate lifetime membership and credit card related assets.

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24. INTANGIBLE ASSETS (CONTINUED)

THE BANK

	Computer software	Banking software	Other	Total
COST	MUR	MUR	MUR	MUR
At 1 July 2011	4,880,141	16,698,531	5,765,930	27,344,602
Additions	7,114,364	420,624	-	7,534,988
At 30 June 2012	11,994,505	17,119,155	5,765,930	34,879,590
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**
AMORTISATION				
At 1 July 2011	2,311,540	8,072,219	3,369,820	13,753,579
Charge for the year	1,574,995	2,414,465	41,738	4,031,198
At 30 June 2012	3,886,535	10,486,684	3,411,558	17,784,777
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**
NET CARRYING AMOUNT				
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
At 30 June 2012	8,107,970	6,632,471	2,354,371	17,094,812

Notes to the Financial Statements

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25. OTHER ASSETS

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Accrued income	6,585,908	5,801,659	1,067,763	6,585,908	5,801,659	1,067,763
Prepayments	8,391,391	3,155,966	1,802,486	4,272,417	3,155,966	1,742,487
Share application money	2,524,869	2,524,869	2,524,869	2,524,869	2,524,869	2,524,869
Dividend receivables	-	-	-	100,000,000	-	-
Other receivables	179,568,975	153,840,530	24,045,750	60,834,075	30,469,498	24,030,320
	197,071,143	165,323,024	29,440,868	174,217,269	41,951,992	29,365,439

Other assets are unsecured, interest-free and repayable within one year.

26. DUE TO BANKS

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Borrowings from the Central Bank	895,114,510	285,481,149	-	895,114,510	285,481,149	-
Deposits from other banks	120,235,292	596,427,129	8,516,013	120,235,292	596,427,129	8,516,013
	1,015,349,802	881,908,278	8,516,013	1,015,349,802	881,908,278	8,516,013

27. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Personal						
- Current accounts	4,165,513,995	1,548,919,672	1,034,585,384	4,165,513,995	1,548,919,672	1,034,585,384
- Savings accounts	2,214,327,175	2,284,554,692	1,536,579,839	2,214,327,175	2,284,554,692	1,536,579,839
- Term deposits	5,079,793,245	3,803,384,950	4,022,613,523	5,079,793,245	3,803,384,950	4,022,613,523
Business						
- Current accounts	18,018,076,708	9,537,905,376	4,561,370,392	18,340,581,093	9,546,181,747	4,563,066,824
- Savings accounts	490,321,534	409,821,293	417,908,551	490,321,534	409,821,293	417,908,551
- Term deposits	10,360,959,524	9,633,322,031	8,015,315,508	10,714,866,240	9,633,322,031	8,015,315,508
Government institutions						
- Current accounts	411	-	-	411	-	-
- Savings accounts	4,774,378	6,431,695	38,297,535	4,774,378	6,431,695	38,297,535
- Term deposits	79,776,712	-	-	79,776,712	-	-
	40,413,543,682	27,224,339,709	19,626,670,732	41,089,954,783	27,232,616,080	19,628,367,164

Included in 'Deposits from customers' accounts are deposits of MUR 359,380,491 (2013: MUR 397,680,370 and 2012: MUR 553,511,408) held as collateral against loans and advances to the respective customers.

Notes to the Financial Statements
Year Ended 30 June 2014

28. DEBTS ISSUED

	THE GROUP			THE BANK		
	2014	2013	2012	**2014**	2013	2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
(i) Loan notes	1,691,445,400	57,253,644	123,146,175	-	-	-
(ii) Unsecured subordinated bonds	742,495,796	883,069,803	565,479,715	1,033,574,296	883,069,803	565,479,715
	2,433,941,196	940,323,447	688,625,890	1,033,574,296	883,069,803	565,479,715

(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		
	2014	2013	2012
	MUR	MUR	MUR
The notes are due as follows:			
Within 1 year	274,152,682	57,253,644	70,378,857
After 2 years but before 5 years	-	-	52,767,318
After 5 years	1,417,292,718	-	-
	1,691,445,400	57,253,644	123,146,175

Loan notes bear interest at 8.5% on average.

(ii) Unsecured subordinated bonds

The subordinated bonds are unsecured and subordinated to the claims of depositors and other creditors in the event of a winding up of the Bank.

	THE GROUP			THE BANK		
	2014	2013	2012	**2014**	2013	2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
The bonds are due as follows:						
Within 1 year	-	20,348,815	-	-	20,348,815	-
After 1 year but before 5 years	583,534,994	413,142,042	-	874,613,494	413,142,042	-
After 5 years	158,960,802	449,578,946	565,479,715	158,960,802	449,578,946	565,479,715
	742,495,796	883,069,803	565,479,715	1,033,574,296	883,069,803	565,479,715

Unsecured bonds denominated in MUR bear interest that range between 7% to 9.15% while USD-denominated bonds bear interest that ranges between 4.2% to 5.23%.

Notes to the Financial Statements
Year Ended 30 June 2014

29. AMOUNT DUE TO SUBSIDIARY

	THE BANK		
	2014	2013	2012
	MUR	MUR	MUR
Funds due to subsidiary in respect of structured notes	-	57,253,644	123,146,176

The amount due to subsidiary of MUR 57m has been repaid during the year.

30. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Accounts payable and sundry creditors	766,500,126	231,773,086	150,243,695	599,508,601	138,309,815	131,281,959

Other liabilities are interest-free and repayable within one year.

31. ORDINARY SHARES, TREASURY SHARES AND CLASS A SHARES

Issued and fully paid

	THE GROUP AND THE BANK		
	2014	2013	2012
	MUR	MUR	MUR
Ordinary shares of no par value	1,747,639,471	1,694,593,418	1,398,457,492

Analysed as follows:

	THE GROUP AND THE BANK					
	2014		2013		2012	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
At 1 July	76,999,195	1,694,593,418	70,454,417	1,398,457,492	57,601,463	921,638,335
Issue of ordinary shares	890,293	53,046,053	6,544,778	296,135,926	12,852,954	476,819,157
At 30 June	77,889,488	1,747,639,471	76,999,195	1,694,593,418	70,454,417	1,398,457,492

Treasury shares

	THE GROUP AND THE BANK					
	2014		2013		2012	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
At 1 July	-	-	-	-	-	-
Acquired during the year	6,544,778	405,776,236	-	-	-	-
At 30 June	6,544,778	405,776,236	-	-	-	-

Notes to the Financial Statements

Year Ended 30 June 2014

31. ORDINARY SHARES, TREASURY SHARES AND CLASS A SHARES (CONTINUED)

Class A shares

THE GROUP

Issued and fully paid	2014		2013		2012	
	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	-	-	-	-
MUR 800,000,000 Class A Series 2 Shares	8,000,000	800,000,000	-	-	-	-
Transaction costs	-	(4,335,799)	-	-	-	-
	10,000,000	1,400,244,201	-	-	-	-

Analysed as follows:	2014		2013		2012	
	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	-	-	-	-	-	-
Issue during the year	2,000,000	604,580,000	-	-	-	-
At 30 June	2,000,000	604,580,000	-	-	-	-

	2014		2013		2012	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR		MUR		MUR
MUR 800,000,000 Class A Series 2 Shares						
At 1 July	-	-	-	-	-	-
Issue during the year	8,000,000	800,000,000	-	-	-	-
At 30 June	8,000,000	800,000,000	-	-	-	-

THE BANK

Issued and fully paid	2014		2013		2012	
	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	-	-	-	-
MUR 800,000,000 Class A Series 2 Shares	8,000,000	800,000,000	-	-	-	-
Transaction costs	-	(18,335,799)	-	-	-	-
	10,000,000	1,386,244,201	-	-	-	-

Analysed as follows:	2014		2013		2012	
	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	-	-	-	-	-	-
Issue during the year	2,000,000	604,580,000	-	-	-	-
At 30 June	2,000,000	604,580,000	-	-	-	-

	2014		2013		2012	
	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	-	-	-	-	-	-
Issue during the year	8,000,000	800,000,000	-	-	-	-
At 30 June	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.

At the Group level transaction costs have been adjusted for professional fees of MUR 14m paid to a subsidiary of the Bank.

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 2011	13,759,090	20,034,607	12,693,702	-	-	-	46,487,399	13,759,090	20,034,607	12,693,702	46,487,399
Appropriation from retained earnings	-	27,040,165	20,112,250	-	-	-	47,152,415	-	27,040,165	20,112,250	47,152,415
Expense arising from equity-settled share-based payment transactions	247,217	-	-	-	-	-	247,217	247,217	-	-	247,217
Net investment hedging	-	-	-	(17,429,109)	-	-	(17,429,109)	-	-	-	-
Foreign currency translation	-	-	-	17,414,350	-	-	17,414,350	-	-	-	-
At 30 June 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
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

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 20,148,464 (2013: nil). The number of share options granted during the year amounted to 704,544 (2013: nil) at an average price of MUR 33.13 per share. 1,056,816 share options at an average price of MUR 33.13 per share are outstanding at 30 June 2014 (2013: 1,761,360 at MUR 33.13). The average remaining contractual life of the share options outstanding as at 30 June 2014 is 3 years (2013: 4 years). The share options were bought back by the Bank for a total price of MUR 21,714,046. Hence, the net movement of MUR (1,565,582) for the year ended 30 June 2014.

(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.

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Year Ended 30 June 2014

32. OTHER RESERVES (CONTINUED)

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 net of opening revenue deficit 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 requirements including country risk.

ASSOCIATES OTHER RESERVE

This reserve relates to the Group's share of available-for-sale reserve in associates.

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve arises on retranslation of foreign operations on consolidation.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments recorded at fair value

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

THE GROUP	2014			2013			2012		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Derivatives held-for-trading									
Forward foreign exchange contracts	-	67,849,179	67,849,179	-	24,557,924	24,557,924	-	107,843,824	107,843,824
Forward exchange option contracts	-	8,239,095	8,239,095	-	1,079,237	1,079,237	-	-	-
Fund Options Transactions	-	-	-	-	-	-	31	-	31
Equity Linked Notes	-	-	-	-	-	-	61,572,917	-	61,572,917
Options Linked Notes	-	166,315,145	166,315,145	-	-	-	-	-	-
Index Linked Notes	-	618,442,030	618,442,030	16,544,199	-	16,544,199	18,027,556	-	18,027,556
Call Option	-	-	-	26,400,000	-	26,400,000	3,100,000	-	3,100,000
	-	860,845,449	860,845,449	42,944,199	25,637,161	68,581,360	82,700,504	107,843,824	190,544,328
Financial investments - held-for-trading									
Government debts securities	-	1,657,362,034	1,657,362,034	-	336,909,022	336,909,022	-	1,162,543,500	1,162,543,500
Unquoted equity investments	-	724,732,217	724,732,217	-	-	-	-	-	-
Corporate debt securtities	-	254,050,687	254,050,687	-	195,776,496	195,776,496	-	-	-
	-	2,636,144,938	2,636,144,938	-	532,685,518	532,685,518	-	1,162,543,500	1,162,543,500
Financial investments - available-for-sale									
Equity shares	-	20,530,318	20,530,318	-	40,722,657	40,722,657	-	14,999,997	14,999,997
Preference shares	-	302,300,000	302,300,000	-	-	-	-	-	-
	-	322,830,318	322,830,318	-	40,722,657	40,722,657	-	14,999,997	14,999,997
	-	3,819,820,705	3,819,820,705	42,944,199	599,045,336	641,989,535	82,700,504	1,285,387,321	1,368,087,825
Financial liabilities									
Derivatives held-for-trading									
Forward foreign exchange contracts	-	(8,239,095)	(8,239,095)	-	(48,618,447)	(48,618,447)	-	(47,311,643)	(47,311,643)
Forward exchange option contracts	-	(64,445,815)	(64,445,815)	-	(1,079,237)	(1,079,237)	-	-	-
Fund Options Transactions	-	-	-	-	-	-	(31)	-	(31)
Equity Linked Notes	-	-	-	-	-	-	(61,572,917)	-	(61,572,917)
Options Linked Notes	-	(166,315,145)	(166,315,145)	-	-	-	-	-	-
Index Linked Notes	-	(618,442,030)	(618,442,030)	(16,544,199)	-	(16,544,199)	(18,027,556)	-	(18,027,556)
	-	(857,442,085)	(857,442,085)	(16,544,199)	(49,697,684)	(66,241,883)	(79,600,504)	(47,311,643)	(126,912,147)

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments recorded at fair value (Continued)

THE BANK	2014			2013			2012		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets									
Derivatives held-for-trading									
Forward foreign exchange contracts	-	67,849,179	67,849,179	-	24,557,924	24,557,924	-	107,843,824	107,843,824
Forward exchange option contracts	-	8,239,095	8,239,095	-	1,079,237	1,079,237	-	-	-
Fund Options Transactions	-	-	-	-	-	-	31	-	31
Equity Linked Notes	-	-	-	-	-	-	15,938,191	-	15,938,191
	-	76,088,274	76,088,274	-	25,637,161	25,637,161	15,938,222	107,843,824	123,782,046
Financial investments - held-for-trading									
Government debts securities	-	1,657,361,434	1,657,361,434	-	336,909,022	336,909,022	-	1,162,543,500	1,162,543,500
Corporate debt securities	-	254,050,687	254,050,687	-	195,776,496	195,776,496	-	-	-
	-	1,911,412,121	1,911,412,121	-	532,685,518	532,685,518	-	1,162,543,500	1,162,543,500
	-	1,987,500,395	1,987,500,395	-	558,322,679	558,322,679	15,938,222	1,270,387,324	1,286,325,546
Financial liabilities									
Derivatives held-for-trading									
Forward foreign exchange contracts	-	(64,445,815)	(64,445,815)	-	(48,618,447)	(48,618,447)	-	(47,311,643)	(47,311,643)
Forward exchange option contracts	-	(8,239,095)	(8,239,095)	-	(1,079,237)	(1,079,237)	-	-	-
Fund Options Transactions	-	-	-	-	-	-	(31)	-	(31)
Equity Linked Notes	-	-	-	-	-	-	(15,938,191)	-	(15,938,191)
	-	(72,684,910)	(72,684,910)	-	(49,697,684)	(49,697,684)	(15,938,222)	(47,311,643)	(63,249,865)
	-	(72,684,910)	(72,684,910)	-	(49,697,684)	(49,697,684)	(15,938,222)	(47,311,643)	(63,249,865)

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 use 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 while the preference shares have been kept at cost as the Group has acquired the investment during the year.

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.

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Year Ended 30 June 2014

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 2014		30 June 2013		30 June 2012	
	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	2,021,271,956	2,021,271,956	1,598,715,632	1,598,715,632	676,371,624	676,371,624
Due from banks	18,265,309,349	18,265,309,349	9,009,843,939	9,009,843,939	3,527,186,481	3,527,186,481
Loans and advances to customers	17,227,454,645	17,469,252,375	14,007,752,016	14,073,739,817	12,784,321,295	12,938,732,689
Financial investments - held-to-maturity	6,836,836,907	7,045,147,184	5,807,802,824	6,086,987,347	3,506,007,725	3,543,758,127
Financial investments - available-for-sale	18,510,000	18,510,000	-	-	-	-
Other assets (excluding prepayments, accrued income and stock)	161,601,219	161,601,219	155,875,242	155,875,242	20,455,377	20,455,377
	44,530,984,076	44,981,092,083	30,579,989,653	30,925,161,977	20,514,342,502	20,706,504,298
Financial liabilities						
Due to banks	(1,015,349,802)	(1,015,349,802)	(881,908,278)	(881,908,278)	(8,516,013)	(8,516,673)
Deposits from customers	(40,413,543,682)	(40,149,650,436)	(27,224,339,709)	(27,062,407,224)	(19,626,670,732)	(19,468,503,141)
Debts issued	(2,433,941,196)	(2,481,654,171)	(940,323,447)	(919,440,892)	(688,625,890)	(752,045,526)
Other liabilities	(766,500,126)	(766,500,126)	(231,773,086)	(231,773,086)	(150,243,695)	(150,243,695)
	(44,629,334,806)	(44,413,154,535)	(29,278,344,520)	(29,095,529,480)	(20,474,056,330)	(20,379,309,035)

Notes to the Financial Statements

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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 2014		30 June 2013		30 June 2012	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets						
Cash and balances with the Central Bank	2,019,624,517	2,019,624,517	1,598,715,632	1,598,715,632	676,371,624	676,371,624
Due from banks	18,251,137,955	18,251,137,955	9,009,807,334	9,009,807,334	3,527,119,302	3,527,119,302
Loans and advances to customers	17,397,054,742	17,701,127,887	14,007,752,016	14,073,739,817	12,784,435,754	12,938,847,148
Financial investments - held-to-maturity	6,836,836,907	7,045,147,184	5,807,802,824	6,086,987,347	3,506,007,725	3,543,758,127
Other assets (excluding prepayments, accrued income and stock)	142,866,319	142,866,319	32,504,210	32,504,210	20,439,947	20,439,947
	44,647,520,440	45,159,903,862	30,456,582,016	30,801,754,340	20,514,374,352	20,706,536,148

	30 June 2014		30 June 2013		30 June 2012	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR	MUR	MUR	MUR	MUR	MUR
Financial liabilities						
Due to banks	(1,015,349,802)	(1,015,349,802)	(881,908,278)	(881,908,278)	(8,516,013)	(8,516,673)
Deposits from customers	(41,089,954,783)	(40,821,898,232)	(27,232,616,080)	(27,070,682,919)	(19,628,367,164)	(19,470,199,573)
Amount due to subsidiary	-	-	(57,253,644)	(40,958,620)	(123,146,176)	(102,434,976)
Debts issued	(1,033,574,296)	(1,082,126,014)	(883,069,803)	(976,676,536)	(565,479,715)	(628,899,351)
Other liabilities	(599,508,601)	(599,508,601)	(138,309,815)	(138,309,815)	(131,281,959)	(131,281,959)
	(43,738,387,482)	(43,518,882,649)	(29,193,157,620)	(29,108,536,168)	(20,456,791,027)	(20,341,332,532)

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 2 in the fair value hierarchy.

Notes to the Financial Statements
Year Ended 30 June 2014

34. ADDITIONAL CASH FLOW INFORMATION

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
(a) Cash and cash equivalents						
Cash in hand (Note 12)	8,002,296	9,224,082	10,209,993	6,354,857	9,224,082	10,209,993
Unrestricted balances with the Central Bank (Note 12)	1,086,077,874	936,542,007	70,669,717	1,086,077,874	936,542,007	70,669,717
Short term placements with other banks (Note 13)	5,237,600,841	4,112,254,461	2,291,312,701	5,237,600,841	4,112,254,461	2,291,312,701
Current accounts with other banks (Note 13)	11,304,367,438	3,907,500,896	546,146,846	11,290,196,044	3,907,464,291	546,079,667
Other amounts due (Note 13)	2,491,147	1,967,498	1,302,756	2,491,147	1,967,498	1,302,756
	17,638,539,596	8,967,488,944	2,919,642,013	17,622,720,763	8,967,452,339	2,919,574,834
(b) Change in operating assets						
Net change in mandatory balances with the Central Bank	(274,242,243)	(57,457,629)	19,173,283	(274,242,243)	(57,457,629)	19,173,283
Net change in medium term placements with other banks	(732,728,839)	(299,696,906)	(323,988,674)	(732,728,839)	(299,696,906)	(323,988,674)
Net change in derivative financial instruments	(818,664,089)	121,962,968	(9,342,944)	(50,451,113)	99,224,122	(22,684,972)
Net change in loans and advances to customers	(3,268,387,722)	(1,209,562,860)	(4,224,766,209)	(3,616,835,015)	(1,209,448,401)	(4,224,880,668)
Net change in financial investments - held-to-maturity	(1,029,034,083)	(2,301,795,099)	(945,514,942)	(1,029,034,083)	(2,301,795,099)	(945,514,942)
Net change in financial investments - held-for-trading	(2,070,448,729)	629,857,982	(720,739,500)	(1,378,726,603)	629,857,982	(720,739,500)
Net change in other assets	11,009,258	(135,882,156)	(9,528,039)	(132,265,277)	(12,586,554)	(9,465,028)
	(8,182,496,447)	(3,252,573,700)	(6,214,707,025)	(7,214,283,173)	(3,151,902,485)	(6,228,100,501)
(c) Change in operating liabilities						
Net change in due to banks	133,441,524	873,392,265	(19,967,320)	133,441,524	873,392,265	(19,967,320)
Net change in derivative financial instruments	791,200,202	(60,670,264)	1,586,509	22,987,226	(14,631,418)	14,928,537
Net change in amount due to subsidiary	-	-	-	(57,253,644)	(65,892,532)	(2,370,122)
Net change in debts issued	1,495,937,060	236,370,940	141,042,774	152,823,804	302,263,471	143,412,897
Net change in deposits from customers	13,321,183,342	7,568,391,997	4,612,114,801	13,989,318,072	7,574,971,937	4,613,729,227
Net change in other liabilities	385,002,079	81,529,391	34,114,026	461,198,786	7,027,856	33,340,799
	16,126,764,207	8,699,014,329	4,768,890,790	14,702,515,768	8,677,131,579	4,783,074,018
(d) Non-cash items included in profit before tax						
Depreciation of equipment	8,591,580	4,695,949	3,227,502	6,877,644	4,694,856	3,226,407
Amortisation of intangible assets	48,458,634	5,714,166	4,031,198	6,623,537	5,714,166	4,031,198
Equipment written off	534,985	826,548	121,480	302,105	826,548	121,480
Fair value hedge	-	-	-	7,007,543	48,401	(17,429,109)
Bad debts written off	643,738	2,318,303	-	643,738	2,318,303	-
Profit on disposal of investment in associate	-	-	-	-	-	(9,565,493)
Net interest payable	(83,120,874)	30,019,485	17,541,257	(83,120,874)	29,569,484	18,263,384
Fair value gain on consolidation	(125,845,708)	-	-	-	-	-
Employee shares scheme	(1,565,582)	1,842,167	247,217	(1,565,582)	1,842,167	247,217
Share of net profit in joint venture	(2,664,054)	(16,283,494)	(6,777,014)	-	-	-
Impairment loss on subsidiary	-	-	-	217,000,000	-	-
Impairment loss on associates	144,246,639	-	-	-	-	-
Share of loss/(profit) in associate	129,175,128	177,483,655	(93,403,802)	-	-	-
Net allowance for credit impairment	67,710,745	(1,152,052)	24,874,478	175,710,745	(1,152,052)	24,874,478
	186,165,231	205,464,727	(50,137,684)	329,478,856	43,861,873	23,769,562

Notes to the Financial Statements
Year Ended 30 June 2014

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.

(a) **THE GROUP**

	2014			2013			2012		
	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	1,757,105,713	264,166,243	2,021,271,956	1,486,240,513	112,475,119	1,598,715,632	595,820,273	80,551,351	676,371,624
Due from banks	18,265,309,349	-	18,265,309,349	9,009,843,939	-	9,009,843,939	3,527,186,481	-	3,527,186,481
Derivative financial instruments	73,860,508	786,984,941	860,845,449	68,581,360	-	68,581,360	169,416,572	21,127,756	190,544,328
Financial investments - held-for-trading	2,537,003,379	99,141,559	2,636,144,938	505,710,260	26,975,258	532,685,518	1,162,543,500	-	1,162,543,500
Loans and advances to customers	5,951,059,731	11,276,394,914	17,227,454,645	6,690,554,545	7,317,197,471	14,007,752,016	8,032,672,507	4,751,648,788	12,784,321,295
Financial investments – available-for-sale	-	341,340,318	341,340,318	-	40,722,657	40,722,657	-	14,999,997	14,999,997
Investment in joint venture	-	-	-	-	55,177,034	55,177,034	-	53,393,539	53,393,539
Investment in associates	-	118,564,966	118,564,966	-	225,313,514	225,313,514	-	408,444,360	408,444,360
Financial investments held-to-maturity	3,849,196,126	2,987,640,781	6,836,836,907	1,815,526,378	3,992,276,446	5,807,802,824	2,042,893,857	1,463,113,868	3,506,007,725
Equipment	-	71,207,441	71,207,441	-	28,763,936	28,763,936	-	14,321,946	14,321,946
Intangible assets	-	401,506,929	401,506,929	-	15,420,212	15,420,212	-	17,094,812	17,094,812
Deferred tax assets	-	12,644,071	12,644,071	-	8,055,035	8,055,035	-	7,681,088	7,681,088
Other assets	197,071,143	-	197,071,143	165,323,024	-	165,323,024	29,440,868	-	29,440,868
TOTAL ASSETS	32,630,605,949	16,359,592,163	48,990,198,112	19,741,780,019	11,822,376,682	31,564,156,701	15,559,974,058	6,832,377,505	22,392,351,563
LIABILITIES						-			
Due to banks	724,825,945	290,523,857	1,015,349,802	596,427,129	285,481,149	881,908,278	8,516,013	-	8,516,013
Derivative financial instruments	849,202,990	8,239,095	857,442,085	66,241,883	-	66,241,883	108,884,391	18,027,756	126,912,147
Deposits from customers	36,137,540,803	4,276,002,879	40,413,543,682	24,843,274,408	2,381,065,301	27,224,339,709	18,011,078,593	1,615,592,139	19,626,670,732
Debts issued	274,152,682	2,159,788,514	2,433,941,196	77,602,459	862,720,988	940,323,447	70,378,857	618,247,033	688,625,890
Current tax liabilities	53,040,200	-	53,040,200	22,175,979	-	22,175,979	9,631,747	-	9,631,747
Other liabilities	766,500,126	-	766,500,126	231,773,086	-	231,773,086	150,243,695	-	150,243,695
TOTAL LIABILITIES	38,805,262,746	6,734,554,345	45,539,817,091	25,837,494,944	3,529,267,438	29,366,762,382	18,358,733,296	2,251,866,928	20,610,600,224

Notes to the Financial Statements
Year Ended 30 June 2014

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2014			2013			2012		
	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	1,755,458,274	264,166,243	2,019,624,517	1,486,240,513	112,475,119	1,598,715,632	595,820,273	80,551,351	676,371,624
Due from banks	18,251,137,955	-	18,251,137,955	9,009,807,334	-	9,009,807,334	3,527,119,302	-	3,527,119,302
Derivative financial instruments	63,684,827	12,403,447	76,088,274	25,637,161	-	25,637,161	123,782,046	-	123,782,046
Financial investments - held-for-trading	1,812,270,562	99,141,559	1,911,412,121	505,710,260	26,975,258	532,685,518	1,162,543,500	-	1,162,543,500
Loans and advances to customers	5,876,580,662	11,520,474,080	17,397,054,742	6,690,554,545	7,317,197,471	14,007,752,016	7,947,037,864	4,837,397,890	12,784,435,754
Financial investments held-to-maturity	3,849,196,126	2,987,640,781	6,836,836,907	1,815,526,378	3,992,276,446	5,807,802,824	2,042,893,857	1,463,113,868	3,506,007,725
Investment in subsidiaries	-	409,800,877	409,800,877	-	383,115,237	383,115,237	-	363,163,638	363,163,638
Equipment	-	66,310,161	66,310,161	-	28,756,687	28,756,687	-	14,313,604	14,313,604
Intangible assets	-	37,666,566	37,666,566	-	15,420,212	15,420,212	-	17,094,812	17,094,812
Deferred tax assets	-	8,897,222	8,897,222	-	8,055,035	8,055,035	-	7,637,567	7,637,567
Other assets	174,217,269	-	174,217,269	41,951,992	-	41,951,992	29,365,439	-	29,365,439
TOTAL ASSETS	31,782,545,675	15,406,500,936	47,189,046,611	19,575,428,183	11,884,271,465	31,459,699,648	15,428,562,281	6,783,272,730	22,211,835,011
LIABILITIES									
Due to banks	724,825,945	290,523,857	1,015,349,802	596,427,129	285,481,149	881,908,278	8,516,013	-	8,516,013
Derivative financial instruments	64,445,815	8,239,095	72,684,910	49,697,684	-	49,697,684	63,249,865	-	63,249,865
Deposits from customers	36,460,045,188	4,629,909,595	41,089,954,783	24,851,550,779	2,381,065,301	27,232,616,080	18,012,775,025	1,615,592,139	19,628,367,164
Debts issued	-	1,033,574,296	1,033,574,296	20,348,815	862,720,988	883,069,803	-	565,479,715	565,479,715
Amount due to subsidiary	-	-	-	57,253,644	-	57,253,644	70,378,857	52,767,319	123,146,176
Current tax liabilities	44,739,421	-	44,739,421	22,175,979	-	22,175,979	9,631,747	-	9,631,747
Other liabilities	599,508,601	-	599,508,601	138,309,815	-	138,309,815	131,281,959	-	131,281,959
TOTAL LIABILITIES	37,893,564,970	5,962,246,843	43,855,811,813	25,735,763,845	3,529,267,438	29,265,031,283	18,295,833,466	2,233,839,173	20,529,672,639

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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		
	2014	2013	2012
Contingent liabilities	**MUR**	MUR	MUR
Financial guarantees	**959,129,631**	933,113,726	770,993,082
Letters of credit	**26,596,083**	74,893,394	497,770,493
	985,725,714	1,008,007,120	1,268,763,575
Commitments			
Undrawn commitments to lend	**1,911,470,245**	2,061,074,593	1,537,283,398
Total	**2,897,195,959**	3,069,081,713	2,806,046,973

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		
	2014	2013	2012	**2014**	2013	2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Within one year	**25,328,494**	17,459,824	14,104,939	**25,328,494**	17,459,824	14,104,939
After one year but not more than five years	**57,916,613**	48,631,672	58,627,410	**57,916,613**	48,631,672	58,627,410
	83,245,107	66,091,496	72,732,349	**83,245,107**	66,091,496	72,732,349

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.

Notes to the Financial Statements

Year Ended 30 June 2014

37. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Compensation of key management personnel of the Group and the Bank						
Short-term employee benefits	132,570,499	90,732,561	56,505,783	121,241,747	90,732,561	56,505,783
Share-based payments	18,582,882	1,842,167	2,255,912	18,582,882	1,842,167	2,255,912
	151,153,381	92,574,728	58,761,695	139,824,629	92,574,728	58,761,695

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	2014		2013		2012	
	Balances as at 30 June 2014	Income from/ (expense to)	Balances as at 30 June 2013	Income from/ (expense to)	Balances as at 30 June 2012	Income from/ (expense to)
Directors of the Bank:	MUR	MUR	MUR	MUR	MUR	MUR
Loans and advances	159,770,326	2,821,008	15,076,668	328,469	4,653,512	443,244
Deposits from customers:						
- Term deposits	6,034,271	(144,179)	12,207,016	(96,001)	12,697,956	(90,749)
- Savings and current accounts	33,041,787	(909,170)	26,199,247	-	20,516,625	(183,263)
	39,076,058	(1,053,349)	38,406,263	(96,001)	33,214,581	(274,012)
Directors' fees	-	(2,151,781)	-	(1,917,534)	-	(1,948,631)
	39,076,058	(3,205,130)	38,406,263	(2,013,535)	33,214,581	(2,222,643)

THE BANK	2014		2013		2012	
	Balances as at 30 June 2014	Income from/ (expense to)	Balances as at 30 June 2013	Income from/ (expense to)	Balances as at 30 June 2012	Income from/ (expense to)
Directors of the Bank:	MUR	MUR	MUR	MUR	MUR	MUR
Loans and advances	159,713,883	2,762,144	15,076,668	328,469	4,653,512	443,244
Deposits from customers:						
- Term deposits	6,034,271	(144,179)	12,207,016	(96,001)	12,697,956	(90,749)
- Savings and current accounts	32,463,144	(895,045)	26,199,247	-	20,516,625	(183,263)
	38,497,415	(1,039,224)	38,406,263	(96,001)	33,214,581	(274,012)
Directors' fees	-	(2,151,781)	-	(1,917,534)	-	(1,948,631)
	38,497,415	(3,191,005)	38,406,263	(2,013,535)	33,214,581	(2,222,643)

THE GROUP AND THE BANK	2014		2013		2012	
	Balances as at 30 June 2014	Income from/ (expense to)	Balances as at 30 June 2013	Income from/ (expense to)	Balances as at 30 June 2012	Income from/ (expense to)
Key management personnel of the Bank:	MUR	MUR	MUR	MUR	MUR	MUR
Loans and advances	43,289,558	1,229,213	6,725,727	175,014	20,201,009	626,899
Deposits from customers:						
- Term deposits	7,159,187	(338,775)	15,344,837	(446,628)	6,439,855	(61,448)
- Savings and current accounts	16,516,031	(282,518)	15,454,292	-	9,498,913	(208,668)
	23,675,218	(621,293)	30,799,129	(446,628)	15,938,768	(270,116)

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.

Notes to the Financial Statements

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37. RELATED PARTY DISCLOSURES (CONTINUED)

(a) THE GROUP

2014	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
	MUR	MUR	MUR	MUR	MUR	MUR
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

	Income/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
	MUR	MUR	MUR	MUR	MUR	MUR
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
2012						
Entities with significant influence over the Group	-	25,091,034	10,638,684	10,155,002	172,174,885	295,107,251
Associates	-	-	72,048	20	3,711,056	1,840,151
Joint venture	-	-	-	13,828,649	-	310,442,665
	-	25,091,034	10,710,732	23,983,671	175,885,941	607,390,067

(b) THE BANK

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
2012						
Entities with significant influence over the Bank	-	25,091,034	10,638,684	10,155,002	172,174,885	295,107,251
Subsidiary company	-	9,108	9,108	242	274,551	1,856,482
Associates	-	-	72,048	20	3,711,056	1,840,151
Joint venture	-	-	-	13,828,649	-	310,442,665
	-	25,100,142	10,719,840	23,983,913	176,160,492	609,246,549

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2014, the Bank has made a provision of MUR 108,000,000 on amounts owed by related parties (2013 and 2012: nil). At 30 June 2014 a loan of MUR 302,382,367 was non-performing (2013 and 2012: nil).

The total on and off balance sheet exposure to the related parties amounted to MUR 923,067,565 (2013: MUR 675,682,999 and 2012: MUR 417,049,235) representing 5.23% (2013: 5% and 2012: 2%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to MUR 864,654,834 (2013: MUR 664,757,170 and 2012: MUR 389,784,631) representing 31% (2013: 35% and 2012: 26%) 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 letter of guarantee on behalf of related parties amounting to 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 1,453,168.

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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 operation 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 is 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.

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.

Notes to the Financial Statements
Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(a) Risk measurement and reporting systems (Continued)

Risk mitigation

As part of its overall risk management, the Group and the Bank use derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Group and the Bank actively use collaterals to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's and the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(b) Credit risk

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

The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group and the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

The Group and the Bank make available to its customers guarantees which may require that the Group and the Bank make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group and the Bank to similar risks to loans and are mitigated by the same control process and policies.

Country risk

Credit risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

In accordance with the Bank of Mauritius guideline on country risk management, the Bank has provided an amount of MUR 21.6m in respect of country risk as at 30 June 2014. This is included in Tier II capital as part of 'general banking reserves and portfolio provisions'.

Notes to the Financial Statements

Year Ended 30 June 2014

38. 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 2014 was MUR 2,232,220,750 (2013: MUR 2,233,831,250 and 2012: MUR 858,880,093) 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		
	2014	2013	2012	**2014**	2013	2012
Financial assets	**MUR**	MUR	MUR	**MUR**	MUR	MUR
Cash and balances with the Central Bank	**2,021,271,956**	1,598,715,632	676,371,624	**2,019,624,517**	1,598,715,632	676,371,624
Due from banks						
Placement with other banks	**6,958,450,764**	5,100,375,545	2,979,736,879	**6,958,450,764**	5,100,375,545	2,979,736,879
Current accounts	**11,304,367,438**	3,907,500,896	546,146,846	**11,290,196,044**	3,907,464,291	546,079,667
Other amounts due	**2,491,147**	1,967,498	1,302,756	**2,491,147**	1,967,498	1,302,756
	18,265,309,349	9,009,843,939	3,527,186,481	**18,251,137,955**	9,009,807,334	3,527,119,302
Derivative financial instruments	**860,845,449**	68,581,360	190,544,328	**76,088,274**	25,637,161	123,782,046
Financial investments - held-for-trading (excluding equity investment)	**1,911,412,121**	532,685,518	1,162,543,500	**1,911,412,121**	532,685,518	1,162,543,500
Loans and advances to customers						
Retail and personal	**1,471,552,841**	1,064,217,996	810,048,341	**1,471,552,841**	1,064,217,996	810,048,341
Business	**6,619,061,123**	5,389,764,800	5,713,721,439	**6,623,339,052**	5,389,764,800	5,713,835,898
Entities outside Mauritius	**9,209,664,378**	7,525,052,383	6,268,232,677	**9,482,986,546**	7,525,052,383	6,268,232,677
Credit cards	**76,522,058**	110,995,584	78,067,940	**76,522,058**	110,995,584	78,067,940
	17,376,800,400	14,090,030,763	12,870,070,397	**17,654,400,497**	14,090,030,763	12,870,184,856
Financial investments-held-to-maturity	**6,836,836,907**	5,807,802,824	3,506,007,725	**6,836,836,907**	5,807,802,824	3,506,007,725
Other assets (excluding prepayments, accrued income and stock)	**161,601,219**	155,875,242	20,455,377	**142,866,319**	32,504,210	20,439,947
	47,434,077,401	31,263,535,278	21,953,179,432	**46,892,366,590**	31,097,183,442	21,886,449,000

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		
	2014	2013	2012	**2014**	2013	2012
	MUR	MUR	MUR	**MUR**	MUR	MUR
Mauritius	**19,668,925,987**	16,774,324,279	12,900,385,037	**19,742,600,836**	16,627,616,642	12,900,416,887
France	**1,109,041,970**	69,137,407	42,921,169	**1,109,041,970**	69,137,407	42,921,169
United Kingdom	**5,879,404,440**	2,928,421,528	1,007,466,082	**5,862,436,208**	2,928,421,528	1,007,466,082
United States of America	**4,688,981,776**	1,543,542,838	306,700,614	**4,688,981,776**	1,543,542,838	306,700,614
India	**3,695,291,789**	4,561,703,765	4,376,515,583	**3,695,291,788**	4,561,703,765	4,376,515,583
Other	**12,392,431,439**	5,386,405,461	3,319,190,947	**11,794,014,012**	5,366,761,262	3,252,428,665
	47,434,077,401	31,263,535,278	21,953,179,432	**46,892,366,590**	31,097,183,442	21,886,449,000

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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		
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Agriculture	1,512,606,886	1,321,050,470	420,306,775	1,512,606,886	1,321,050,470	420,306,775
Construction, infrastructure and real estate	2,001,323,033	1,683,111,127	1,453,060,431	1,999,748,798	1,683,111,127	1,453,060,431
Financial and business services	23,980,648,549	12,804,083,930	12,834,700,893	23,443,199,286	12,637,732,094	12,767,980,469
Government	7,859,098,194	5,517,114,050	103,538,187	7,859,098,194	5,517,114,050	103,538,187
Information, communication and technology	190,808,750	525,123,679	372,889,283	190,808,750	525,123,679	372,889,283
Manufacturing	2,669,885,488	2,638,845,641	2,269,121,826	2,669,885,488	2,638,845,641	2,269,121,826
Personal	1,548,093,127	1,175,260,955	888,116,282	1,548,093,127	1,175,260,955	888,116,282
Tourism	2,099,398,265	1,611,733,657	1,332,745,608	2,099,398,265	1,611,733,657	1,332,745,608
Traders	1,659,413,914	1,456,639,729	877,038,164	1,659,413,914	1,456,639,729	877,038,164
Others	3,912,801,195	2,530,572,040	1,401,661,983	3,910,113,882	2,530,572,040	1,401,651,975
	47,434,077,401	31,263,535,278	21,953,179,432	46,892,366,590	31,097,183,442	21,886,449,000

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 receive on loans and advances as at 30 June 2014 is MUR 29,907,475,135 (2013: MUR 25,633,558,275). All other financial assets are unsecured.

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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 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.

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 2014	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	-	-	-	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
- 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)	155,875,242	-	-	-	155,875,242
	30,154,686,254	585,944,979	443,065,729	79,838,316	31,263,535,278
30 June 2012					
Cash and balances with the Central Bank	676,371,624	-	-	-	676,371,624
Due from banks	3,527,186,481	-	-	-	3,527,186,481
Derivative financial instruments	190,544,328	-	-	-	190,544,328
Financial investments - held-for-trading	1,162,543,500	-	-	-	1,162,543,500
Loans and advances to customers	12,052,914,020	397,831,934	373,344,124	45,980,319	12,870,070,397
- Corporate lending	9,594,540,746	229,370,342	246,635,848	84,463	10,070,631,399
- Business banking	1,630,822,827	134,086,445	100,476,117	40,223,378	1,905,608,767
- Private/personal	827,550,447	34,375,147	26,232,159	5,672,478	893,830,231
Financial investments - held-to-maturity	3,506,007,725	-	-	-	3,506,007,725
Other assets (excluding prepayments, accrued income and stock)	20,455,377	-	-	-	20,455,377
	21,136,023,055	397,831,934	373,344,124	45,980,319	21,953,179,432

Notes to the Financial Statements
Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets (Continued)

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 2014	MUR	MUR	MUR	MUR	MUR
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
30 June 2012					
Cash and balances with the Central Bank	676,371,624	-	-	-	676,371,624
Due from banks	3,527,119,302	-	-	-	3,527,119,302
Derivative financial instruments	123,782,046	-	-	-	123,782,046
Financial investments - held-for-trading	1,162,543,500	-	-	-	1,162,543,500
Loans and advances to customers	12,053,028,479	397,831,934	373,344,124	45,980,319	12,870,184,856
- Corporate lending	9,594,540,746	229,370,342	246,635,848	84,463	10,070,631,399
- Business banking	1,630,937,286	134,086,445	100,476,117	40,223,378	1,905,723,226
- Private/personal	827,550,447	34,375,147	26,232,159	5,672,478	893,830,231
Financial investments - held-to-maturity	3,506,007,725	-	-	-	3,506,007,725
Other assets (excluding prepayments, accrued income and stock)	20,439,947	-	-	-	20,439,947
	21,069,292,623	397,831,934	373,344,124	45,980,319	21,886,449,000

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.

Notes to the Financial Statements

Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

THE GROUP AND THE BANK

	Amount in arrears				
	More than 91 days	61 to 90 days	31 to 60 days	Less than 30 days	Total
30 June 2014	MUR	MUR	MUR	MUR	MUR
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
30 June 2012					
Loans and advances to customers					
- Corporate lending	86,667,683	78,138,312	25,842,060	55,987,793	246,635,848
- Business banking	17,993,071	705,256	1,011,365	80,766,425	100,476,117
- Private/personal	16,304,692	1,741,529	3,590,711	4,595,227	26,232,159
	120,965,446	80,585,097	30,444,136	141,349,445	373,344,124

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 2014 amounts to MUR 5,034,478,117 (2013: MUR 2,965,968,889 and 2012: MUR 1,662,517,608) and MUR 167,368,212 (2013: MUR 79,838,316 and 2012: MUR 45,980,319) respectively.

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2013: Nil and 2012: 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'.

Notes to the Financial Statements
Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

Commitments and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	2014	2013	2012
	MUR	MUR	MUR
Financial guarantees	959,129,631	933,113,726	770,993,082
Letters of credit	26,596,083	74,893,394	497,770,493
Other undrawn commitments to lend	1,911,470,245	2,061,074,593	1,537,283,398
	2,897,195,959	3,069,081,713	2,806,046,973

(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.

Notes to the Financial Statements
Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP	30 June 2014								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
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
-Time 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

Notes to the Financial Statements
Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK	30 June 2014								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
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
-Time 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	(1,765,053,469)	(5,840,285,069)	5,679,833,028	3,241,746,239	8,921,579,267	3,081,294,198

Notes to the Financial Statements

Year Ended 30 June 2014

38. 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
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	3,909,468,394	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
-Time 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
Year Ended 30 June 2014

38. 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
-Time 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

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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 2012								
	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	88,580,497	217,818,735	116,479,332	172,941,709	595,820,273	80,551,351	-	80,551,351	676,371,624
Due from banks	547,449,602	2,291,312,701	688,424,178	-	3,527,186,481	-	-	-	3,527,186,481
Derivative financial instruments	-	20,176,675	68,540,450	80,699,447	169,416,572	21,127,756	-	21,127,756	190,544,328
Financial investments - held-for-trading	-	572,426,250	395,167,250	194,950,000	1,162,543,500	-	-	-	1,162,543,500
Loans and advances to customers	855,852,527	4,247,761,724	2,090,185,639	838,872,617	8,032,672,507	4,830,862,970	6,534,920	4,837,397,890	12,870,070,397
Financial investments - available-for-sale	-	-	-	-	-	14,999,997	-	14,999,997	14,999,997
Financial investments held-to-maturity	-	370,344,723	440,405,365	1,232,143,769	2,042,893,857	1,216,411,129	246,702,739	1,463,113,868	3,506,007,725
Other assets (excluding prepayments, accrued income and stock)	11,064,096	-	5,920,740	-	16,984,836	3,470,541	-	3,470,541	20,455,377
Total	1,502,946,722	7,719,840,808	3,805,122,954	2,519,607,542	15,547,518,026	6,167,423,744	253,237,659	6,420,661,403	21,968,179,429
Liabilities									
Due to banks	-	3,380,887	4,278,628	856,498	8,516,013	-	-	-	8,516,013
Derivative financial instruments	-	18,375,572	44,863,457	45,645,362	108,884,391	18,027,756	-	18,027,756	126,912,147
Deposits from customers:									
-Current account	5,595,955,776	-	-	-	5,595,955,776	-	-	-	5,595,955,776
-Savings account	1,992,785,925	-	-	-	1,992,785,925	-	-	-	1,992,785,925
-Time deposits	-	4,300,132,870	2,214,527,459	3,907,676,563	10,422,336,892	1,337,846,256	277,745,883	1,615,592,139	12,037,929,031
	489,778,440	9,152,019,400	3,995,868,721	4,373,412,032	18,011,078,593	1,337,846,256	277,745,883	1,615,592,139	19,626,670,732
Debts issued	-	-	-	70,378,857	70,378,857	52,767,318	565,479,715	618,247,033	688,625,890
Other liabilities	-	8,902,577	72,259,323	19,483,215	100,645,115	49,598,580	-	49,598,580	150,243,695
Total	489,778,440	9,182,678,436	4,117,270,129	4,509,775,964	18,299,502,969	1,458,239,910	843,225,598	2,301,465,508	20,600,968,477
Net liquidity gap	1,013,168,282	(1,462,837,628)	(312,147,175)	(1,990,168,422)	(2,751,984,943)	4,709,183,834	(589,987,939)	4,119,195,895	1,367,210,952

38. 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 2012								
	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	88,580,497	217,818,735	116,479,332	172,941,709	595,820,273	80,551,351	-	80,551,351	676,371,624
Due from banks	547,382,423	2,291,312,701	688,424,178	-	3,527,119,302	-	-	-	3,527,119,302
Derivative financial instruments	-	20,176,675	68,540,450	35,064,921	123,782,046	-	-	-	123,782,046
Financial investments - held-for-trading	-	572,426,250	395,167,250	194,950,000	1,162,543,500	-	-	-	1,162,543,500
Loans and advances to customers	855,852,527	4,247,761,724	2,090,300,098	838,872,617	8,032,786,966	4,830,862,970	6,534,920	4,837,397,890	12,870,184,856
Financial investments held-to-maturity	-	370,344,723	440,405,365	1,232,143,769	2,042,893,857	1,216,411,129	246,702,739	1,463,113,868	3,506,007,725
Other assets (excluding prepayments, accrued income and stock)	11,064,096	-	5,905,310	-	16,969,406	3,470,541	-	3,470,541	20,439,947
Total	1,502,879,543	7,719,840,808	3,805,221,983	2,473,973,016	15,501,915,350	6,131,295,991	253,237,659	6,384,533,650	21,886,449,000
Liabilities									
Due to banks	-	3,380,887	4,278,628	856,498	8,516,013	-	-	-	8,516,013
Derivative financial instruments	-	18,375,572	44,863,457	10,836	63,249,865	-	-	-	63,249,865
Deposits from customers:									
-Current account	5,597,652,208	-	-	-	5,597,652,208	-	-	-	5,597,652,208
-Savings account	1,992,785,925	-	-	-	1,992,785,925	-	-	-	1,992,785,925
-Time deposits	-	4,300,132,870	2,214,527,459	3,907,676,563	10,422,336,892	1,337,846,256	277,745,883	1,615,592,139	12,037,929,031
	491,474,871	9,152,019,400	3,995,868,722	4,373,412,032	18,012,775,025	1,337,846,256	277,745,883	1,615,592,139	19,628,367,164
Debts issued	-	-	-	-	-	-	565,479,715	565,479,715	565,479,715
Amount due to subsidiary	-	-	-	70,378,857	70,378,857	52,767,319	-	52,767,319	123,146,176
Other liabilities	-	8,902,577	72,259,323	521,479	81,683,379	49,598,580	-	49,598,580	131,281,959
Total	491,474,871	9,182,678,436	4,117,270,130	4,445,179,702	18,236,603,139	1,440,212,155	843,225,598	2,283,437,753	20,520,040,892
Net liquidity gap	1,011,404,672	(1,462,837,628)	(312,048,147)	(1,971,206,686)	(2,734,687,789)	4,691,083,836	(589,987,939)	4,101,095,897	1,366,408,108

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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 2014	MUR	MUR	MUR	MUR
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
30 June 2012				
Contingent liabilities	855,238,615	336,050,060	77,474,900	1,268,763,575
Commitments	489,061,913	1,048,221,485	-	1,537,283,398
Total	1,344,300,528	1,384,271,545	77,474,900	2,806,046,973

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.

THE GROUP

		2014	2013	2012
Currency	**Change in Basis points**	**Sensitivity of profit or loss**	Sensitivity of profit or loss	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+50	(97,033)	206,307	70,275
	- 50	97,033	(206,307)	(70,275)
EUR	+50	(1,482,000)	(2,295,221)	(39,408)
	- 50	1,482,000	2,295,221	39,408
GBP	+50	(2,733,288)	(155,065)	(133,259)
	- 50	2,733,288	155,065	133,259
MUR	+100	11,422,336	(9,578,790)	14,151,360
	-100	(11,422,336)	9,578,790	(14,151,360)
USD	+50	(8,768,268)	3,808,749	(4,903,497)
	- 50	8,768,268	(3,808,749)	4,903,497

THE BANK

		2014	2013	2012
Currency	**Change in Basis points**	**Sensitivity of profit or loss**	Sensitivity of profit or loss	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+50	(141,698)	205,511	70,275
	- 50	141,698	(205,511)	(70,275)
EUR	+50	(1,523,345)	(2,295,221)	(39,408)
	- 50	1,523,345	2,295,221	39,408
GBP	+50	(2,733,772)	(155,065)	(133,259)
	- 50	2,733,772	155,065	133,259
MUR	+100	10,791,572	(9,479,415)	14,151,360
	-100	(10,791,572)	9,479,415	(14,151,360)
USD	+50	(8,985,887)	3,801,615	(4,903,497)
	- 50	8,985,887	(3,801,615)	4,903,497

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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	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

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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
Assets	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
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

38. RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP

	2012							
	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	676,371,624	-	-	-	-	-	-	676,371,624
Due from banks	3,527,186,481	547,382,424	2,293,608,757	686,195,300	-	-	-	-
Loans and advances to customers	12,784,321,295	832,509,414	10,483,022,028	1,457,061,205	1,842,777	9,885,871	-	-
Financial investments held-to-maturity	3,506,007,725	-	370,344,721	440,405,368	1,232,143,769	1,216,411,128	246,702,739	-
Total assets	20,493,887,125	1,379,891,838	13,146,975,506	2,583,661,873	1,233,986,546	1,226,296,999	246,702,739	676,371,624
Liabilities								
Due to banks	8,516,013	-	3,380,886	4,278,629	856,498	-	-	-
Deposits from customers	19,626,670,732	7,588,741,043	6,562,007,426	2,015,308,770	2,784,951,758	675,661,735	-	-
Debts issued	688,625,890	-	-	-	-	123,146,175	565,479,715	-
Total liabilities	20,323,812,635	7,588,741,043	6,565,388,312	2,019,587,399	2,785,808,256	798,807,910	565,479,715	-
Total interest sensitivity gap	170,074,490	(6,208,849,205)	6,581,587,194	564,074,474	(1,551,821,710)	427,489,089	(318,776,976)	676,371,624

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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
Assets	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
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

Notes to the Financial Statements
Year Ended 30 June 2014

38. 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
Assets	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
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

Notes to the Financial Statements
Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK	2012							
	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	676,371,624	-	-	-	-	-	-	676,371,624
Due from banks	3,527,119,302	547,382,423	2,291,312,701	688,424,178	-	-	-	-
Loans and advances to customers	12,784,435,754	832,509,414	10,483,136,487	1,457,061,205	1,842,777	9,885,871	-	-
Financial investments held-to-maturity	3,506,007,725	-	370,344,721	440,405,368	1,232,143,769	1,216,411,128	246,702,739	-
Total assets	20,493,934,405	1,379,891,837	13,144,793,909	2,585,890,751	1,233,986,546	1,226,296,999	246,702,739	676,371,624
Liabilities								
Due to banks	8,516,013	-	3,380,886	4,278,629	856,498	-	-	-
Deposits from customers	19,628,367,164	7,590,437,475	6,562,007,427	2,015,308,770	2,784,951,758	675,661,735	-	-
Amount due to subsidiary	123,146,176	-	-	-	-	123,146,176	-	-
Debts issued	565,479,715	-	-	-	-	-	565,479,715	-
Total liabilities	20,325,509,068	7,590,437,475	6,565,388,313	2,019,587,399	2,785,808,256	798,807,911	565,479,715	-
Total interest sensitivity gap	168,425,337	(6,210,545,638)	6,579,405,596	566,303,352	(1,551,821,710)	427,489,088	(318,776,976)	676,371,624

38. 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 2014 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

	2014				2013			
		Effect of change in currency on				Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR		MUR	MUR	MUR
AUD	+5%	38,574,899	(39,126,226)	(551,327)	+5%	18,396,712	(17,770,950)	625,762
	-5%	(38,574,899)	39,126,226	551,327	-5%	(18,396,712)	17,770,950	(625,762)
EUR	+5%	390,332,708	(383,611,607)	6,721,101	+5%	200,211,250	(199,895,100)	316,150
	-5%	(390,332,708)	383,611,607	(6,721,101)	-5%	(200,211,250)	199,895,100	(316,150)
GBP	+5%	176,539,480	(196,358,413)	(19,818,933)	+5%	117,630,800	(117,167,200)	463,600
	-5%	(176,539,480)	196,358,413	19,818,933	-5%	(117,630,800)	117,167,200	(463,600)
USD	+5%	1,152,644,918	(1,168,377,218)	(15,732,300)	+5%	681,712,342	(688,731,300)	(7,018,958)
	-5%	(1,152,644,918)	1,168,377,218	15,732,300	-5%	(681,712,342)	688,731,300	7,018,958

		2012		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	12,400,005	(12,767,166)	(367,161)
	-5%	(12,400,005)	12,767,166	367,161
EUR	+5%	146,089,991	(146,152,007)	(62,016)
	-5%	(146,089,991)	146,152,007	62,016
GBP	+5%	103,593,542	(103,527,068)	66,474
	-5%	(103,593,542)	103,527,068	(66,474)
USD	+5%	514,626,763	(511,573,360)	3,053,403
	-5%	(514,626,763)	511,573,360	(3,053,403)

Notes to the Financial Statements
Year Ended 30 June 2014

38. RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK

	2014				2013			
		Effect of change in currency on				Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR		MUR	MUR	MUR
AUD	+5%	19,116,600	(19,060,850)	55,750	+5%	18,386,500	(17,770,950)	615,550
	-5%	(19,116,600)	19,060,850	(55,750)	-5%	(18,386,500)	17,770,950	(615,550)
EUR	+5%	386,881,050	(379,834,450)	7,046,600	+5%	200,211,250	(199,895,100)	316,150
	-5%	(386,881,050)	379,834,450	(7,046,600)	-5%	(200,211,250)	199,895,100	(316,150)
GBP	+5%	148,112,150	(147,928,150)	184,000	+5%	117,630,800	(117,167,200)	463,600
	-5%	(148,112,150)	147,928,150	(184,000)	-5%	(117,630,800)	117,167,200	(463,600)
USD	+5%	1,136,440,400	(1,126,762,950)	9,677,450	+5%	681,711,350	(688,731,300)	(7,019,950)
	-5%	(1,136,440,400)	1,126,762,950	(9,677,450)	-5%	(681,711,350)	688,731,300	7,019,950

		2012		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		MUR	MUR	MUR
AUD	+5%	12,389,793	(12,767,166)	(377,373)
	-5%	(12,389,793)	12,767,166	377,373
EUR	+5%	146,089,991	(146,152,007)	(62,016)
	-5%	(146,089,991)	146,152,007	62,016
GBP	+5%	103,593,542	(103,527,068)	66,474
	-5%	(103,593,542)	103,527,068	(66,474)
USD	+5%	514,625,771	(511,573,360)	3,052,411
	-5%	(514,625,771)	511,573,360	(3,052,411)

(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 2014 would have increased equity by MUR 3,904,032 (2013: MUR 4,073,457 and 2012: MUR 1,500,000). An equivalent decrease would have resulted in an equivalent but opposite impact.

Notes to the Financial Statements
Year Ended 30 June 2014

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 II	Basel II	Basel II	Basel II	Basel II	Basel II
	2014	2013	2012	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR
Tier 1 capital	2,842,913,548	1,946,510,722	1,526,056,489	2,797,816,628	1,892,472,425	1,475,848,174
Tier 2 capital	997,650,362	856,535,188	409,247,798	699,662,361	805,222,843	458,584,928
Total capital	3,840,563,910	2,803,045,910	1,935,304,287	3,497,478,989	2,697,695,268	1,934,433,102
Risk-weighted assets	28,826,897,217	21,915,200,195	14,322,800,625	26,757,280,201	21,664,853,953	14,230,547,482
	%	%	%	%	%	%
Capital adequacy ratio	13.32	12.79	13.51	13.07	12.45	13.59

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

There has been no material events after the reporting date that require disclosure in the financial statements for the year ended 30 June 2014.

41. HEDGE ACCOUNTING

(a) THE GROUP

Hedge of net investment in foreign operations

The Group hedges part of the currency risk of its net investment in foreign operations using a portfolio of identified deposits from customers and debts issued.

Included in 'deposit from customers' and 'debts issued' at 30 June 2014 was an amount of MUR 438m (2013: MUR 300m 2012: 300m), which has been designated as a hedge of the Bank's net investment in its subsidiary, AfrAsia Holdings Limited, and is being 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, are transferred to equity to offset any gains or losses on translation of the net investment in the subsidiary.

No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss during the year ended 30 June 2014 (2013 & 2012: Nil).

(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, deposit 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:	THE BANK		
	2014	2013	2012
Gains/(losses) on:	MUR	MUR	MUR
Hedged instruments	7,007,543	48,401	(17,429,109)
Hedged items attributable to the hedged risk	(7,007,543)	(48,401)	17,429,109
Hedge ineffectiveness recognised immediately in profit or loss	-	-	-

Notes to the Financial Statements

Year Ended 30 June 2014

42. OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

THE GROUP

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
ASSETS	MUR	MUR	MUR	MUR	MUR
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
Amount due to subsidiary	-	-	-	-	-
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

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
ASSETS	MUR	MUR	MUR	MUR	MUR
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
Amount due to subsidiary	-	-	-	-	-
Current tax liabilities	22,175,979	-	22,175,979	-	22,175,979
Other liabilities	231,773,086	-	231,773,086	-	231,773,086
	29,403,848,717	(37,086,335)	29,366,762,382	(397,680,370)	28,969,082,012

Notes to the Financial Statements

Year Ended 30 June 2014

42. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP (CONTINUED)

2012

	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
ASSETS	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	676,371,624	-	676,371,624	-	676,371,624
Due from banks	3,527,186,481	-	3,527,186,481	-	3,527,186,481
Derivative financial instruments	190,544,328	-	190,544,328	-	190,544,328
Financial investments - held-for-trading	1,162,543,500	-	1,162,543,500	-	1,162,543,500
Loans and advances to customers	12,784,321,295	-	12,784,321,295	(553,511,408)	12,230,809,887
Financial investments – available-for-sale	14,999,997	-	14,999,997	-	14,999,997
Financial investments - held-to-maturity	3,506,007,725	-	3,506,007,725	-	3,506,007,725
Other assets	29,440,868	-	29,440,868	-	29,440,868
	21,891,415,818	-	21,891,415,818	(553,511,408)	21,337,904,410
LIABILITIES					
Due to banks	8,516,013	-	8,516,013	-	8,516,013
Derivative financial instruments	126,912,147	-	126,912,147	-	126,912,147
Deposits from customers	19,626,670,732	-	19,626,670,732	(553,511,408)	19,073,159,324
Debts issued	688,625,890	-	688,625,890	-	688,625,890
Amount due to subsidiary	-	-	-	-	-
Current tax liabilities	9,631,747	-	9,631,747	-	9,631,747
Other liabilities	150,243,695	-	150,243,695	-	150,243,695
	20,610,600,224	-	20,610,600,224	(553,511,408)	20,057,088,816

THE BANK

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
ASSETS	MUR	MUR	MUR	MUR	MUR
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 – available-for-sale	-	-	-	-	-
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
Amount due to subsidiary	-	-	-	-	-
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

Notes to the Financial Statements
Year Ended 30 June 2014

42. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (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
ASSETS	MUR	MUR	MUR	MUR	MUR
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 – available-for-sale	-	-	-	-	-
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

2012

	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
ASSETS	MUR	MUR	MUR	MUR	MUR
Cash and balances with the Central Bank	676,371,624	-	676,371,624	-	676,371,624
Due from banks	3,527,119,302	-	3,527,119,302	-	3,527,119,302
Derivative financial instruments	123,782,046	-	123,782,046	-	123,782,046
Financial investments - held-for-trading	1,162,543,500	-	1,162,543,500	-	1,162,543,500
Loans and advances to customers	12,784,435,754	-	12,784,435,754	(553,511,408)	12,230,924,346
Financial investments – available-for-sale	-	-	-	-	-
Financial investments - held-to-maturity	3,506,007,725	-	3,506,007,725	-	3,506,007,725
Other assets	29,365,439	-	29,365,439	-	29,365,439
	21,809,625,390	-	21,809,625,390	(553,511,408)	21,256,113,982
LIABILITIES					
Due to banks	8,516,013	-	8,516,013	-	8,516,013
Derivative financial instruments	63,249,865	-	63,249,865	-	63,249,865
Deposits from customers	19,628,367,164	-	19,628,367,164	(553,511,408)	19,074,855,756
Debts issued	565,479,715	-	565,479,715	-	565,479,715
Amount due to subsidiary	123,146,176	-	123,146,176	-	123,146,176
Current tax liabilities	9,631,747	-	9,631,747	-	9,631,747
Other liabilities	131,281,959	-	131,281,959	-	131,281,959
	20,529,672,639	-	20,529,672,639	(553,511,408)	19,976,161,231

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 air 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 2014 and 2013 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

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 2014			Year ended 30 June 2013			Year ended 30 June 2012		
		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	839,320,302	514,037,220	1,353,357,522	692,779,816	293,834,348	986,614,164	579,935,254	249,295,435	829,230,689
Interest expense	II	(558,281,599)	(136,056,888)	(694,338,487)	(494,437,182)	(125,929,855)	(620,367,037)	(408,222,855)	(98,479,452)	(506,702,307)
Net interest income		281,038,702	377,980,332	659,019,035	198,342,634	167,904,493	366,247,127	171,712,399	150,815,983	322,528,382
Fees and commission income	III	52,027,438	144,636,432	196,663,870	43,235,956	133,290,889	176,526,845	38,065,682	77,940,993	116,006,675
Fees and commission expense	III	(12,052,577)	(25,990,813)	(38,043,390)	(15,542,817)	(5,187,644)	(20,730,461)	(10,469,358)	(4,107,343)	(14,576,701)
Net fees and commission income	III	39,974,861	118,645,619	158,620,480	27,693,139	128,103,245	155,796,384	27,596,324	73,833,650	101,429,974
Net trading income	IVa	160,219,339	85,595,841	245,815,180	70,398,931	62,054,860	132,453,791	47,497,524	14,559,213	62,056,737
Other operating income	IVb	100,251,080	12,853,350	113,104,430	5,199,960	4,136,736	9,336,696	425,394	10,785,016	11,210,410
Total operating income		581,483,983	595,075,142	1,176,559,125	301,634,664	362,199,334	663,833,998	247,231,641	249,993,862	497,225,503
(Net allowance for credit impairment)/reversal of impairment charge	V	(7,342,449)	(168,368,296)	(175,710,745)	(884,075)	2,036,127	1,152,052	(20,133,577)	(4,740,901)	(24,874,478)
Net operating income		574,141,534	426,706,846	1,000,848,380	300,750,589	364,235,461	664,986,050	227,098,064	245,252,961	472,351,025
Personnel expenses		(166,055,163)	(122,821,645)	(288,876,808)	(108,697,724)	(88,934,501)	(197,632,225)	(111,479,258)	(61,373,114)	(172,852,372)
Depreciation of equipment		(3,173,982)	(3,703,662)	(6,877,644)	(4,694,856)	-	(4,694,856)	(1,512,627)	(1,713,779)	(3,226,406)
Amortisation of intangible assets		(3,056,714)	(3,566,823)	(6,623,537)	(5,714,166)	-	(5,714,166)	(1,889,935)	(2,141,263)	(4,031,198)
Other operating expenses		(80,436,588)	(111,822,060)	(192,258,648)	(50,473,629)	(66,383,577)	(116,857,206)	(40,529,134)	(51,352,098)	(91,881,232)
Total operating expenses		(252,722,447)	(241,914,190)	(494,636,637)	(169,580,375)	(155,318,078)	(324,898,453)	(155,410,954)	(116,580,254)	(271,991,208)
Operating profit		321,419,087	184,792,656	506,211,743	131,170,214	208,917,383	340,087,597	71,687,110	128,672,707	200,359,817
Impairment loss on subsidiary		-	(217,000,000)	(217,000,000)	-	-	-	-	-	-
Profit before tax		321,419,087	(32,207,344)	289,211,743	131,170,214	208,917,383	340,087,597	71,687,110	128,672,707	200,359,817
Tax expense		(57,668,334)	(8,898,211)	(66,566,545)	(29,182,861)	(8,308,814)	(37,491,675)	(15,123,126)	(4,968,925)	(20,092,051)
Profit for the year		263,750,753	(41,105,555)	222,645,198	101,987,353	200,608,569	302,595,922	56,563,984	123,703,782	180,267,766

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

		2014			2013			2012		
		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	2,017,641,075	1,983,442	2,019,624,517	1,596,948,624	1,767,008	1,598,715,632	674,374,483	1,997,141	676,371,624
Due from banks	VII	1,310,030,772	16,941,107,183	18,251,137,955	2,789,660,123	6,220,147,211	9,009,807,334	2,057,378,886	1,469,740,416	3,527,119,302
Derivative financial instruments	VIII	53,155,459	22,932,815	76,088,274	3,799,034	21,838,127	25,637,161	105,848,216	17,933,830	123,782,046
Financial investments - held-for-trading	IX	1,683,895,942	227,516,179	1,911,412,121	363,884,280	168,801,238	532,685,518	1,162,543,500	-	1,162,543,500
Loans and advances to customers	X	7,773,016,903	9,624,037,839	17,397,054,742	6,224,016,147	7,783,735,869	14,007,752,016	5,310,745,941	7,473,689,813	12,784,435,754
Investment in subsidiaries	XI	189,562,500	220,238,377	409,800,877	83,562,500	299,552,737	383,115,237	63,562,500	299,601,138	363,163,638
Investment in associates	XII	-	-	-	-	-	-	-	-	-
Financial investments - held-to-maturity	XIII	6,706,788,589	130,048,318	6,836,836,907	5,557,402,326	250,400,498	5,807,802,824	3,506,007,725	-	3,506,007,725
Equipment	XIV	66,310,161	-	66,310,161	28,756,687	-	28,756,687	14,313,604	-	14,313,604
Intangible assets	XV	37,666,566	-	37,666,566	15,420,212	-	15,420,212	17,094,812	-	17,094,812
Deferred tax assets		6,819,741	2,077,481	8,897,222	7,512,236	542,799	8,055,035	6,880,427	757,140	7,637,567
Other assets	XVI	155,300,338	18,916,931	174,217,269	37,416,386	4,535,606	41,951,992	27,533,074	1,832,365	29,365,439
TOTAL ASSETS		20,000,188,046	27,188,858,565	47,189,046,611	16,708,378,555	14,751,321,093	31,459,699,648	12,946,283,168	9,265,551,843	22,211,835,011
LIABILITIES AND EQUITY										
Due to banks	XVII	1,015,349,802	-	1,015,349,802	881,908,278	-	881,908,278	8,516,013	-	8,516,013
Derivative financial instruments	VIII	31,566,236	41,118,674	72,684,910	44,835,402	4,862,282	49,697,684	46,205,612	17,044,253	63,249,865
Deposits from customers	XVIII	14,990,745,118	26,099,209,665	41,089,954,783	12,504,446,511	14,728,169,569	27,232,616,080	11,355,154,779	8,273,212,385	19,628,367,164
Debts issued	XIX	1,033,574,296	-	1,033,574,296	883,069,803	-	883,069,803	565,479,715	-	565,479,715
Amount due to subsidiary	XX	-	-	-	57,253,644	-	57,253,644	123,146,176	-	123,146,176
Current tax liabilities		40,538,138	4,201,283	44,739,421	14,081,506	8,094,473	22,175,979	7,249,739	2,382,008	9,631,747
Other liabilities	XXI	118,713,498	480,795,103	599,508,601	82,366,295	55,943,520	138,309,815	83,722,660	47,559,299	131,281,959
TOTAL LIABILITIES		17,230,487,088	26,625,324,725	43,855,811,813	14,467,961,439	14,797,069,844	29,265,031,283	12,189,474,694	8,340,197,945	20,529,672,639
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Issued capital				2,728,107,436			1,694,593,418			1,398,457,492
Retained earnings				332,174,586			290,007,317			189,817,849
Other reserves				272,952,776			210,067,630			93,887,031
TOTAL EQUITY				3,333,234,798			2,194,668,365			1,682,162,372
TOTAL LIABILITIES AND EQUITY				47,189,046,611			31,459,699,648			22,211,835,011

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

	2014			2013			2012		
	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	13,463,392	105,306,195	118,769,587	13,597,841	18,592,047	32,189,888	16,044,347	30,947,863	46,992,210
Loans and advances to customers	546,815,561	389,940,772	936,756,333	440,661,207	267,593,622	708,254,829	421,505,575	218,347,572	639,853,147
Financial investments held-to-maturity	279,041,348	18,790,253	297,831,602	238,520,768	7,648,679	246,169,447	142,385,332	-	142,385,332
	839,320,302	514,037,220	1,353,357,522	692,779,816	293,834,348	986,614,164	579,935,254	249,295,435	829,230,689
II INTEREST EXPENSE									
Due to banks	15,028,605	30,264	15,058,869	4,731,182	82	4,731,264	796,495	-	796,495
Deposits from customers	467,560,375	136,026,624	603,586,999	412,795,862	125,929,773	538,725,635	353,252,728	98,479,452	451,732,180
Other	75,692,619	-	75,692,619	76,910,138	-	76,910,138	54,173,632	-	54,173,632
	558,281,599	136,056,888	694,338,487	494,437,182	125,929,855	620,367,037	408,222,855	98,479,452	506,702,307
III NET FEES AND COMMISSION INCOME									
Fees and commission income									
Credit related fees and commission income	44,076,606	141,234,964	185,311,570	37,645,095	116,962,725	154,607,820	34,704,331	69,367,032	104,071,363
Other fees received	7,950,832	3,401,468	11,352,300	5,590,861	16,328,164	21,919,025	3,361,351	8,573,961	11,935,312
Total fees and commission income	52,027,438	144,636,432	196,663,870	43,235,956	133,290,889	176,526,845	38,065,682	77,940,993	116,006,675
Fees and commission expense									
Other fees	(12,052,577)	(25,990,813)	(38,043,390)	(15,542,817)	(5,187,644)	(20,730,461)	(10,469,358)	(4,107,343)	(14,576,701)
Total fees and commission expense	(12,052,577)	(25,990,813)	(38,043,390)	(15,542,817)	(5,187,644)	(20,730,461)	(10,469,358)	(4,107,343)	(14,576,701)
Net fees and commission income	39,974,861	118,645,619	158,620,480	27,693,139	128,103,245	155,796,384	27,596,324	73,833,650	101,429,974
IVa NET TRADING INCOME									
Financial investments held-for-trading	18,902,151	20,919,596	39,821,747	37,668,277	816,795	38,485,072	35,141,513	-	35,141,513
Foreign exchange	141,317,188	64,676,245	205,993,433	32,730,654	61,238,065	93,968,719	12,356,011	14,559,213	26,915,224
	160,219,339	85,595,841	245,815,180	70,398,931	62,054,860	132,453,791	47,497,524	14,559,213	62,056,737
IVb OTHER OPERATING INCOME									
Dividend income	100,000,000	-	100,000,000	-	-	-	-	-	-
Custody fees	-	4,148,512	4,148,512	-	461,547	461,547	-	371,123	371,123
Others	251,080	8,704,838	8,955,918	5,199,960	3,675,189	8,875,149	425,394	10,413,893	10,839,287
	100,251,080	12,853,350	113,104,430	5,199,960	4,136,736	9,336,696	425,394	10,785,016	11,210,410
V NET ALLOWANCE FOR CREDIT MPAIRMENT/REVERSAL OF IMPAIRMENT CHARGE									
Portfolio and specific provisions on loans and advances to customers	7,342,449	168,368,296	175,710,745	884,075	(2,036,127)	(1,152,052)	20,133,577	4,740,901	24,874,478
Bad debts written off	-	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-	-
	7,342,449	168,368,296	175,710,745	884,075	(2,036,127)	(1,152,052)	20,133,577	4,740,901	24,874,478
VI CASH AND BALANCES WITH THE CENTRAL BANK									
Cash in hand	4,371,415	1,983,442	6,354,857	7,457,074	1,767,008	9,224,082	8,212,852	1,997,141	10,209,993
Current account with the Central Bank	2,013,269,660	-	2,013,269,660	1,589,491,550	-	1,589,491,550	666,161,631	-	666,161,631
	2,017,641,075	1,983,442	2,019,624,517	1,596,948,624	1,767,008	1,598,715,632	674,374,483	1,997,141	676,371,624

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

VII DUE FROM BANKS

	2014			2013			2012		
	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	1,293,077,154	5,665,373,610	6,958,450,764	2,377,170,276	2,723,205,268	5,100,375,544	2,055,246,615	924,490,264	2,979,736,879
Current accounts with other banks	15,786,833	11,274,409,211	11,290,196,044	412,426,395	3,495,037,897	3,907,464,292	2,051,234	544,028,433	546,079,667
Other amounts due	1,166,785	1,324,362	2,491,147	63,452	1,904,046	1,967,498	81,037	1,221,719	1,302,756
	1,310,030,772	16,941,107,183	18,251,137,955	2,789,660,123	6,220,147,211	9,009,807,334	2,057,378,886	1,469,740,416	3,527,119,302

VIII DERIVATIVE FINANCIAL INSTRUMENTS

	2014				2013				2012			
	Segment A	Segment B	Total	Notional Amount	Segment A	Segment B	Total	Notional Amount	Segment A	Segment B	Total	Notional Amount
ASSETS	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Derivatives held-for-trading												
Fund Options Transactions	-	-	-	-	-	-	-	-	-	31	31	117,610,000
Equity Linked Notes	-	-	-	-	-	-	-	-	-	15,938,191	15,938,191	16,175,492
Forward Exchange Option Contracts	53,155,459	14,693,720	67,849,179	8,134,678,605	1,079,237	-	1,079,237	7,811,593,494	-	-	-	-
Forward Foreign Exchange Contracts	-	8,239,095	8,239,095	8,661,329,435	2,719,797	21,838,127	24,557,924	1,328,243,859	105,848,216	1,995,608	107,843,824	3,917,526,296
Index Linked Options	-	-	-	-	-	-	-	-	-	-	-	-
	53,155,459	22,932,815	76,088,274	16,796,008,040	3,799,034	21,838,127	25,637,161	9,139,837,353	105,848,216	17,933,830	123,782,046	4,051,311,788
LIABILITIES												
Derivatives held-for-trading												
Fund Options Transactions	-	-	-	-	-	-	-	-	-	(31)	(31)	117,610,000
Equity Linked Notes	-	-	-	-	-	-	-	-	-	(15,938,191)	(15,938,191)	16,175,492
Forward Exchange Option Contracts	(23,327,141)	(41,118,674)	(64,445,815)	8,134,678,605	-	(1,079,237)	(1,079,237)	7,811,593,494	-	-	-	-
Forward Foreign Exchange Contracts	(8,239,095)	-	(8,239,095)	8,661,329,435	(44,835,402)	(3,783,045)	(48,618,447)	2,437,455,113	(46,205,612)	(1,106,031)	(47,311,643)	2,089,382,357
Index Linked Options	-	-	-	-	-	-	-	-	-	-	-	-
	(31,566,236)	(41,118,674)	(72,684,910)	16,796,008,040	(44,835,402)	(4,862,282)	(49,697,684)	10,249,048,607	(46,205,612)	(17,044,253)	(63,249,865)	2,223,167,849

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

	2014			2013			2012		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
IX FINANCIAL INVESTMENTS - HELD-FOR-TRADING									
Government of Mauritius debt securities	1,657,361,434	-	1,657,361,434	336,909,022	-	336,909,022	1,162,543,500	-	1,162,543,500
Debt securities	26,534,508	227,516,179	254,050,687	26,975,258	168,801,238	195,776,496	-	-	-
	1,683,895,942	227,516,179	1,911,412,121	363,884,280	168,801,238	532,685,518	1,162,543,500	-	1,162,543,500
X LOANS AND ADVANCES TO CUSTOMERS									
(a) Remaining term to maturity									
Within 3 months	3,309,656,315	1,156,401,417	4,466,057,732	3,027,077,859	571,996,847	3,599,074,706	3,215,725,202	1,887,889,049	5,103,614,251
Over 3 to 6 months	381,003,658	1,011,783,808	1,392,787,466	460,454,817	123,166,823	583,621,640	446,230,543	1,644,069,555	2,090,300,098
Over 6 to 12 months	92,355,460	170,447,130	262,802,590	181,929,806	1,738,875,999	1,920,805,805	414,461,162	424,411,455	838,872,617
Over 1 to 5 years	1,812,979,148	6,551,223,696	8,364,202,844	1,262,643,446	4,090,800,703	5,353,444,149	1,295,410,082	3,541,987,808	4,837,397,890
Over 5 years	2,243,586,446	924,963,419	3,168,549,865	1,351,775,631	1,281,308,832	2,633,084,463	-	-	-
	7,839,581,027	9,814,819,470	17,654,400,497	6,283,881,559	7,806,149,204	14,090,030,763	5,371,826,989	7,498,357,867	12,870,184,856
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	505,454,896	170,052,302	675,507,198	400,769,176	81,520,796	482,289,972	420,306,775	-	420,306,775
Manufacturing	640,152,626	2,028,889,791	2,669,042,417	570,852,433	2,067,993,208	2,638,845,641	646,575,385	1,622,546,441	2,269,121,826
Tourism	2,033,075,413	64,633,026	2,097,708,439	1,518,555,428	92,791,660	1,611,347,088	1,213,232,551	119,513,057	1,332,745,608
Transport	13,963,240	154,958,864	168,922,104	2,518,855	158,707,692	161,226,547	605,969	158,937,687	159,543,656
Construction, infrastructure and real estate	1,528,828,600	800,915,055	2,329,743,655	1,379,454,947	303,656,180	1,683,111,127	1,143,149,366	309,911,065	1,453,060,431
Financial and business services	701,871,053	1,968,832,507	2,670,703,560	498,514,671	1,211,813,779	1,710,328,450	467,635,898	3,301,995,506	3,769,631,404
Traders	977,503,843	681,866,200	1,659,370,043	847,375,183	608,539,966	1,455,915,149	583,766,760	293,271,404	877,038,164
Personal	1,216,241,975	331,832,924	1,548,074,899	894,116,760	281,096,821	1,175,213,581	638,181,192	249,935,089	888,116,281
Professional	8,830,236	-	8,830,236	8,511,285	7,239	8,518,524	5,994,810	-	5,994,810
Global Business Licence Holders (GBL)	-	2,155,427,834	2,155,427,834	-	2,158,512,616	2,158,512,616	-	980,190,101	980,190,101
Information, communication and technology	61,902,480	128,703,598	190,606,078	46,012,174	479,111,505	525,123,679	40,353,058	332,536,225	372,889,283
Government	-	305,506,542	305,506,542	-	309,788,246	309,788,246	103,538,187	-	103,538,187
Other entities	151,756,665	1,023,200,827	1,174,957,492	117,200,647	52,609,496	169,810,143	108,487,038	129,521,292	238,008,330
	7,839,581,027	9,814,819,470	17,654,400,497	6,283,881,559	7,806,149,204	14,090,030,763	5,371,826,989	7,498,357,867	12,870,184,856

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Allowance for credit losses

	2014			2013			2012		
	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	59,865,412	22,413,335	82,278,747	61,081,048	24,668,054	85,749,102	39,225,640	21,648,984	60,874,624
Amount written off against allowance	(643,737)	-	(643,737)	(2,099,711)	(218,592)	(2,318,303)	-	-	-
Charge for the year	7,342,449	168,368,296	175,710,745	884,075	(2,036,127)	(1,152,052)	21,855,408	3,019,070	24,874,478
At end 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

(d) Allowance for credit losses by sector

	2014				Total		
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Agriculture and fishing	675,507,198	-	-	3,375,530	3,375,530	3,102,074	3,300,312
Manufacturing	2,669,042,417	-	-	12,739,774	12,739,774	10,751,923	16,531,082
Tourism	2,097,708,439	17,492,891	-	10,633,379	10,633,379	10,903,897	10,077,638
Transport	168,922,104	-	-	800,455	800,455	540,469	1,126,919
Construction, infrastructure and real estate	2,329,743,655	801,167	649,916	11,369,919	12,019,835	11,145,743	11,277,181
Financial and business services	2,670,703,560	1,160,313	282	12,722,254	12,722,536	6,138,868	5,612,740
Traders	1,659,370,043	54,268,634	18,923,748	7,802,915	26,726,663	15,517,814	11,494,535
Personal	1,548,074,899	18,462,000	4,944,923	9,548,871	14,493,794	14,068,895	13,935,195
Professional	8,830,236	-	-	42,431	42,431	56,659	46,865
Information, communication and technology	190,606,078	798,115	761,188	309,664	1,070,852	2,099,407	3,298,066
Government	305,506,542	-	-	1,439,009	1,439,009	1,021,724	-
Global Business Licence Holders (GBL)	2,155,427,834	375,903,470	145,694,650	10,081,198	155,775,848	6,124,093	7,154,963
Other entities	1,174,957,492	863,989	-	5,505,649	5,505,649	807,181	1,893,606
	17,654,400,497	469,750,579	170,974,707	86,371,048	257,345,755	82,278,747	85,749,102

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Allowance for credit losses by sector (Continued)

	2014				Total		
Analysed by Segments:	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2014	2013	2012
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Segment A							
Agriculture and fishing	505,454,896	-	-	2,574,543	2,574,543	2,833,208	3,300,312
Manufacturing	640,152,626	-	-	3,183,219	3,183,219	3,931,400	4,809,889
Tourism	2,033,075,413	17,492,891	-	10,328,942	10,328,942	10,597,857	9,210,604
Transport	13,963,240	-	-	70,562	70,562	17,029	3,909
Construction, infrastructure and real estate	1,528,828,600	801,167	649,916	7,597,418	8,247,334	10,144,244	9,031,161
Financial and business services	701,871,053	1,160,313	282	3,448,583	3,448,865	3,499,241	3,412,764
Traders	977,503,843	54,268,634	18,923,748	4,662,355	23,586,103	13,534,343	9,372,007
Personal	1,216,241,975	18,335,853	4,821,911	8,467,205	13,289,116	13,526,724	12,859,167
Professional	8,830,236	-	-	42,431	42,431	56,635	46,865
Information, communication and technology	61,902,480	798,115	761,188	309,653	1,070,841	1,078,413	886,734
Government	-	-	-	-	-	-	-
Global Business Licence Holders (GBL)	-	-	-	-	-	-	-
Other entities	151,756,665	863,989	-	722,168	722,168	646,318	992,673
	7,839,581,027	93,720,962	25,157,045	41,407,079	66,564,124	59,865,412	53,926,085
Segment B							
Agriculture and fishing	170,052,302	-	-	800,987	800,987	268,866	-
Manufacturing	2,028,889,791	-	-	9,556,555	9,556,555	6,820,523	11,721,193
Tourism	64,633,026	-	-	304,437	304,437	306,040	867,034
Transport	154,958,864	-	-	729,893	729,893	523,440	1,123,010
Construction, infrastructure and real estate	800,915,055	-	-	3,772,501	3,772,501	1,001,499	2,246,020
Financial and business services	1,968,832,507	-	-	9,273,671	9,273,671	2,639,627	2,199,976
Traders	681,866,200	-	-	3,140,560	3,140,560	1,983,471	2,122,528
Personal	331,832,924	126,147	123,012	1,081,666	1,204,678	542,171	1,076,028
Professional	-	-	-	-	-	24	-
Information, communication and technology	128,703,598	-	-	11	11	1,020,994	2,411,332
Government	305,506,542	-	-	1,439,009	1,439,009	1,021,724	-
Global Business Licence Holders (GBL)	2,155,427,834	375,903,470	145,694,650	10,081,198	155,775,848	6,124,093	7,154,963
Other entities	1,023,200,827	-	-	4,783,481	4,783,481	160,863	900,933
	9,814,819,470	376,029,617	145,817,662	44,963,969	190,781,631	22,413,335	31,823,017

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

	2014			2013			2012		
	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	220,238,377	409,800,877	83,562,500	299,552,737	383,115,237	63,562,500	299,601,138	363,163,638
XII INVESTMENT IN ASSOCIATES									
Cost									
At 30 June	-	-	-	-	-	-	-	-	-
XIII FINANCIAL INVESTMENTS-HELD-TO-MATURITY									
Unquoted investments									
Government of Mauritius debt securities	5,896,223,411	-	5,896,223,411	4,746,886,818	-	4,746,886,818	3,506,007,725	-	3,506,007,725
Other debt securities	810,565,178	130,048,318	940,613,496	810,515,508	250,400,498	1,060,916,006	-	-	-
	6,706,788,589	130,048,318	6,836,836,907	5,557,402,326	250,400,498	5,807,802,824	3,506,007,725	-	3,506,007,725

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

XIV EQUIPMENT

Segment A	Improvement to building	Furniture and fittings	Office equipment	Motor vehicle	Computer equipment	Total
	MUR	MUR	MUR	MUR	MUR	MUR
COST						
At 1 July 2011	3,920,150	6,079,220	4,763,856	700,572	7,424,321	22,888,119
Additions	304,736	2,094,091	486,817	-	1,421,033	4,306,677
Assets written off	-	(6,360)	(118,905)	-	(165,791)	(291,056)
At 30 June 2012	4,224,886	8,166,951	5,131,768	700,572	8,679,563	26,903,740
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**
DEPRECIATION						
At 1 July 2011	1,116,151	1,535,620	1,843,598	304,006	4,733,931	9,533,306
Charge for the year	414,938	750,507	680,038	140,114	1,240,809	3,226,406
Assets written off	-	(1,166)	(29,186)	-	(139,224)	(169,576)
At 30 June 2012	1,531,089	2,284,961	2,494,450	444,120	5,835,516	12,590,136
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**
NET CARRYING AMOUNT						
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
At 30 June 2012	2,693,797	5,881,990	2,637,318	256,452	2,844,047	14,313,604

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

XV INTANGIBLE ASSETS

Segment A	Computer software MUR	Banking software MUR	Other MUR	Total MUR
COST				
At 1 July 2011	4,880,141	16,698,531	5,765,930	27,344,602
Additions	7,114,364	420,624	-	7,534,988
At 30 June 2012	11,994,505	17,119,155	5,765,930	34,879,590
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**
AMORTISATION				
At 1 July 2011	2,311,540	8,072,219	3,369,820	13,753,579
Charge for the year	1,574,995	2,414,465	41,738	4,031,198
Assets written off	-	-	-	-
At 30 June 2012	3,886,535	10,486,684	3,411,558	17,784,777
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**
NET CARRYING AMOUNT				
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
At 30 June 2012	8,107,970	6,632,471	2,354,371	17,094,812

Notes to the Financial Statements
Year Ended 30 June 2014

43. SEGMENTAL REPORTING (CONTINUED)

	2014			2013			2012		
	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	1,771,637	4,814,271	6,585,908	3,692,721	2,108,938	5,801,659	1,067,763	-	1,067,763
Prepayments	2,497,955	1,774,462	4,272,417	2,340,141	815,825	3,155,966	1,483,167	259,320	1,742,487
Share capital money	2,524,869	-	2,524,869	2,524,869	-	2,524,869	2,524,869	-	2,524,869
Dividend receivable	100,000,000	-	100,000,000	-	-	-	-	-	-
Other receivables	48,505,877	12,328,198	60,834,075	28,858,655	1,610,843	30,469,498	22,457,275	1,573,045	24,030,320
	155,300,338	18,916,931	174,217,269	37,416,386	4,535,606	41,951,992	27,533,074	1,832,365	29,365,439
XVII DUE TO BANKS									
Deposits with other banks	1,015,349,802	-	1,015,349,802	881,908,278	-	881,908,278	8,516,013	-	8,516,013
	1,015,349,802	-	1,015,349,802	881,908,278	-	881,908,278	8,516,013	-	8,516,013
XVIII DEPOSITS FROM CUSTOMERS									
Personal									
- Current and savings accounts	2,256,965,138	4,122,876,032	6,379,841,170	2,155,869,955	1,677,604,409	3,833,474,364	1,694,808,147	876,357,076	2,571,165,223
- Term deposits	3,509,931,675	1,569,861,570	5,079,793,245	2,925,547,828	877,837,122	3,803,384,950	3,079,023,709	943,589,814	4,022,613,523
Business									
- Current and savings accounts	3,067,482,168	15,763,420,460	18,830,902,628	2,025,635,187	7,930,367,853	9,956,003,040	2,032,763,960	2,948,211,415	4,980,975,375
- Term deposits	6,071,814,637	4,643,051,603	10,714,866,240	5,390,961,846	4,242,360,185	9,633,322,031	4,510,261,428	3,505,054,080	8,015,315,508
Government institutions									
- Current and savings accounts	4,774,788	-	4,774,788	6,431,695	-	6,431,695	38,297,535	-	38,297,535
- Term deposits	79,776,712	-	79,776,712	-	-	-	-	-	-
	14,990,745,118	26,099,209,665	41,089,954,783	12,504,446,511	14,728,169,569	27,232,616,080	11,355,154,779	8,273,212,385	19,628,367,164
XIX DEBTS ISSUED									
Unsecured subordinated bonds	1,033,574,296	-	1,033,574,296	883,069,803	-	883,069,803	565,479,715	-	565,479,715
XX AMOUNT DUE TO SUBSIDIARY									
Funds due to subsidiary in respect of structured notes	-	-	-	57,253,644	-	57,253,644	123,146,176	-	123,146,176
XXI OTHER LIABILITIES									
Accounts payable and sundry creditors	118,713,498	480,795,103	599,508,601	82,366,295	55,943,520	138,309,815	83,722,660	47,559,299	131,281,959