ANNUAL REPORT

2017

EX

EMPLOYEE EXPERIENCE

DRIVING

CUSTOMER EXPERIENCE

CX

AFRASIA

bank different

EMPLOYEE EXPERIENCE (EX)

IS IMBUED WITH A STRONG SENSE OF PURPOSE THAT DRIVES
OUR ENTIRE TEAM TO DELIVER IRREPROACHABLE

CUSTOMER EXPERIENCE (CX).

THE IDEA IS SIMPLE: HAPPY EMPLOYEES = HAPPY CUSTOMERS.

Adopting Sustainability Practices

As part of our ongoing commitment to protect the environment and in line with the our AfrAsia Think Green Programme, we have used Lenza Green Paper for our Annual Report 2017, which has below features:

- Recycled paper produced of 100 % recovered fibre according FSC® recycled;

- Manufactured without chlorine bleaching; and

- High whiteness thanks to a special converting process for recovered fibre.

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

Moreover, we have considered the major concerns of the Global Reporting Initiative (GRI) and the International Integrated Reporting <IR> Framework in the implementation of our Annual Report. The latter has also been adapted to the requirements of the UN Global Compact Initiative which aims to encourage businesses worldwide to adopt sustainable and socially responsible policies.

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CORPORATE PROFILE

About Us

Regional banking with global reach

Headquartered in Mauritius' International Financial Centre with representative offices in Johannesburg and Cape Town, AfrAsia Bank Limited ("The Bank") bridges Africa and Asia, two of the fastest-growing markets. As a leading Domestic Systemically Important Bank, we provide a wide range of tailored financial solutions to corporations, financial institutions, governments and individuals.

Our entrepreneurial approach to banking and deep industry knowledge enable us to connect customers to opportunities. Our areas of expertise are:

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

Our Bank is built on the engagement of our robust shareholders - IBL, National Bank of Canada, and Intrasia Capital, the endeavours of a talented workforce and the expertise of our directors and management team.

The Bank's core banking unit is complemented by our assets management arm, AfrAsia Capital Management Limited all delivered with boutique agility and service.

This Year's Awards

Banker Africa-East Africa

- Best Corporate Bank

PwC Corporate Reporting Awards

- Financial Institutions
- Online Reporting
- Risk Management Disclosures - Financial Institutions

Global Brands Magazine

- Best Banking Brand in Mauritius
- Most Innovative Treasury Services
- Best Financial and Investment Solutions Provider
- Best Credit Card Rewards Program

Key Achievements

2007 - 2010

AfrAsia Bank Launch (2007)

First local bank to venture into Foreign Institutional Investor (FII) license (2009)

Opening of Cape Town and Johannesburg Representative Offices (2010)

2011

Introduced AfrAsia Global Custody Services

2013

XtraMiles

1st in Africa to launch pioneering rewards programme XtraMiles with access to 900 airlines, 250,000 hotels and more

2014

New Shareholder: National Bank of Canada, one of the leading banks in Canada

Opening of our first digital branch in Ebene

2015

Launch of AfrAsia Bank Mauritius Open, first worldwide tri-sanction tournament

Introduced first VISA Platinum prepaid card in MUR, EUR and USD

2016

Recorded a 148% growth in Net Profit After Tax

DARE

Launch of new DARE culture

2017

Launch of AfrAsia Foundation and AfrAsia School

AfrAsia Bank accredited by the Bank of Mauritius as a Primary Dealer

Recorded a Net Profit After Tax of MUR 804.7m (86% year-on-year)

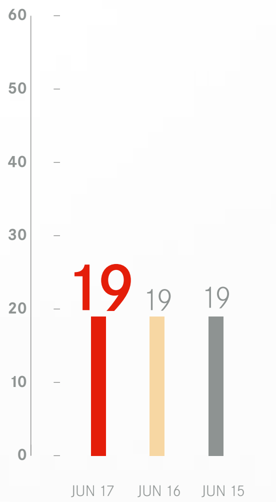
Pioneered successful deployment of cloud-based financial solutions in Mauritius

ARIYA

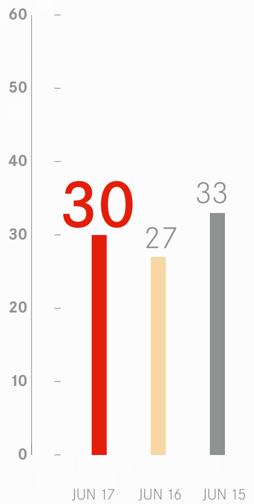
First bank in Mauritius to launch a chatbot for cards-related queries

Financial Highlights

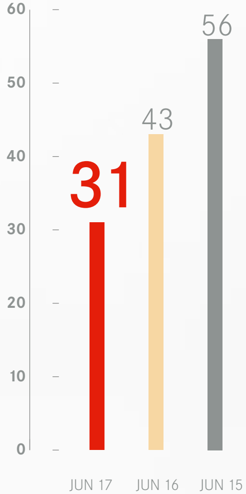
PERFORMANCE RATIOS (%)



RETURN ON AVERAGE EQUITY

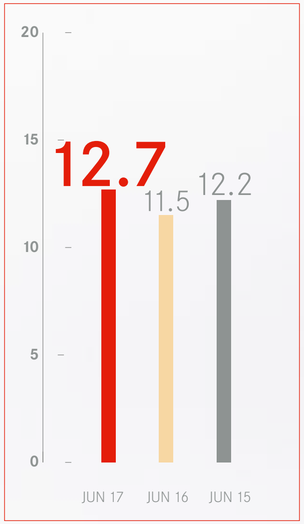


LOAN TO DEPOSIT RATIO



OPERATING EXPENSE TO TOTAL OPERATING INCOME

CAPITAL ADEQUACY RATIO (%)



AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

	YEAR ENDED 30 JUNE 2017	YEAR ENDED 30 JUNE 2016	YEAR ENDED 30 JUNE 2015
STATEMENT OF PROFIT OR LOSS (MUR'000)			
Net Interest Income	1,386,762	947,850	847,086
Non-Interest Income	1,139,009	1,017,453	543,259
Total Operating Income	2,525,771	1,965,303	1,390,345
Operating Expenses	770,861	851,719	781,954
Profit/(loss) after tax	804,109	639,739	(176,068)
STATEMENT OF FINANCIAL POSITION (MUR'000)			
Total Assets	101,398,622	88,550,615	74,856,932
Loans and Advances to Customers	27,512,745	21,958,341	21,772,735
Deposits from Customers	90,601,331	80,012,268	66,437,716
Total Equity (including Class A Shares)	5,932,253	4,786,466	4,285,645

Our 'Bank Different' Philosophy

We are big proponents of the equation EX driving CX. We have fostered a work culture in which our employees are equipped with the tools to lead, and participate in decision making by sharing their ideas. Each and every employee tells our compelling brand story, that of a financial institution that banks differently. But our employees aren't just storytellers, they are the storymakers.

01 Customer-Focus

- We place our clients' interests at the heart of what we do.
- We redefine the customer journey by building enduring steel relationships with our clients.
- Our aim is to be agile, creative, flexible and innovative. These qualities enable us to deliver outstanding service.

02 Teamwork

- Our entrepreneurial mindset drives our actions, performance and results.
- We retain the best talent, empower them, and let them outperform themselves.
- We have instilled an Open-Door policy that encourages employees to speak up and become true leaders.

03 Innovation

- We instill deep insight and knowledge of the market in everything we do.
- Putting customer experience at the core of our strategy has been a prerequisite to our digital transformation journey.
- We are thought-leaders, thinkers and doers who engage customers and embrace market challenges.

04 Sustainability

- We drive the organisation towards a triple bottom line (People, Planet and Profit).
- We optimize AfrAsia's positive impact on society and the environment, and ensure maximum long term business success in the interests of all stakeholders.
- We integrate sustainability throughout our business including policies, procedures and practices.

EX driving CX - Some Key Figures

EX

EMPLOYEE NET GROWTH
18%

INVESTMENT IN STAFF TRAINING
MUR **2.8m**

MUR **34m**
INCREASE IN DIGITAL TOOLS' INVESTMENT

INVESTMENT IN REVAMPED WORKSPACES
MUR **30m**

ENGAGEMENT SURVEY PARTICIPATION RATE
93%

INVESTMENT IN STAFF WELFARE
MUR **6m**

CX

% INCREASE IN CLIENT RELATIONSHIP BASE
>27%

89/100
B2B CUSTOMER RECOMMENDATION INDEX (CRI)

69/100
B2B CUSTOMER SATISFACTION INDEX (CSI)

CLIENTS IN
>130
COUNTRIES

HOLDING
15%
OF DOMESTIC FOREX MARKET FLOWS

Our Core Values

Our organization is committed to transforming the customer journey. Such a transformation requires a rewiring and cultural change, which is why we have chosen to DARE. DARE stands for our aspiration to DISRUPT the market through our ACTIONS while we ROCK as a team and make EVERYTHING at work fun and engaging.

How we decided to DARE

Since its inception ten years ago, AfrAsia has grown at a phenomenal rate. While our rapid expansion was a great satisfaction to all of us, it also came with its fair set of challenges, one of which was company culture. The people who had joined AfrAsia came from an eclectic mix of banks, backgrounds and companies. While growing from a staff of 40 to 300, although we embraced diversity, we wanted to instill a more unifying and inspiring culture. This is how we came up with the DARE acronym, a new set of bold core values that would help us grow while empowering all team members to feel part of AfrAsia.

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

Disruptive	BE THE CHANGE. THINK DIFFERENT, INNOVATE AND WORK SMART
Action	ACTIONS SPEAK LOUDER THAN WORDS. DO WHATEVER IT TAKES TO GET THE JOB DONE.
Rocking	PLAY AS A TEAM WITH DYNAMISM AND MUTUAL RESPECT.
E!!	EVERYONE, EVERYDAY, EVERYTHING FUN!!

Strategic Shareholders

Our shareholders provide strong support to the Bank's business model, financial standing and unique positioning in regional and international markets.

The Bank's anchor shareholder, IBL Ltd, is the largest business group in Mauritius with the highest market capitalisation after the major banks and employs over 21,000 people. The Group is active in various economic sectors, namely Agro, Building & Engineering, Commercial, Financial Services, Hospitality, Manufacturing & Processing, Logistic , Property and Life (Research and Innovation) and is one of the market leaders in many. IBL Ltd has registered a turnover of MUR 33.8bn and has an operating profit of MUR 2.7bn for the financial year 2016-2017, increasing by 9% and 14% respectively. The group is listed on the Stock Exchange of Mauritius(SEM) since the 14th of July 2016 and on the Stock Exchange of Mauritius Sustainability Index (SEMSI) since September 2017. It also has 6 companies listed on the SEM and 2 companies listed on the SEMSI.

http://www.iblgroup.com/

Founded in 1859, National Bank of Canada (NBC) is one of the six systemically important banks in Canada. It is an integrated provider of financial services to retail, commercial, corporate, and institutional clients. NBC has more than 21,000 employees and 2.3 million individual clients. Its head office is located in Montreal. Clients in the United States, Europe, and other parts of the world are served through a network of representative offices, subsidiaries, and partnerships. National Bank of Canada is listed on the Toronto Stock Exchange (TSX: NA) and its long-term senior debt is rated A+ by Fitch and A by S&P as at May 11, 2017.

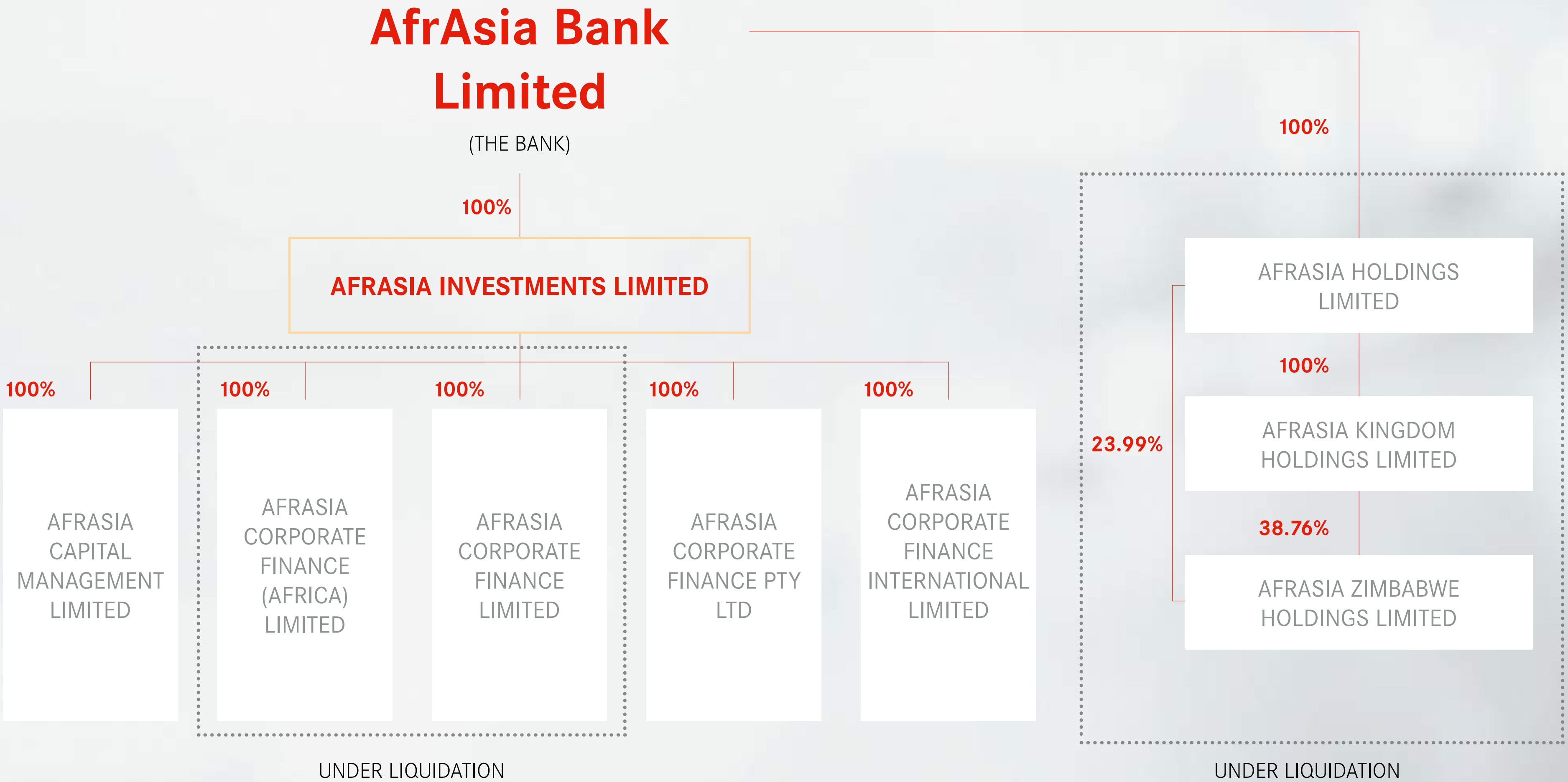
https://www.nbc.ca

Intrasia Capital is a Singapore based investment, development and boutique private equity firm 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 the energy and resources, real estate, financial services and agricultural sectors. The Company is the third largest shareholder of the Bank and provides guidance and support to our international expansion.

http://www.intrasiacapital.com/

AfrAsia Bank's Group Structure

The Bank is in the process of streamlining its group structure, including the liquidation of some of its dormant entities as demonstrated in the structure below:



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 August 29th, 2007. The Bank and its Group Entities have been granted the following licences:

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

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

Since May 2016, we have registered the AfrAsia Foundation at the Registrar of Foundations to act as the social arm of AfrAsia Bank and its subsidiaries. AfrAsia Foundation is also accredited as a charitable institution by the Mauritius Revenue Authority.

Core Business Segments

The Bank operates in four core business segments - Corporate Banking, Global Business Banking, Consumer Banking, Treasury & Markets - and is complemented by its assets management arm, AfrAsia Capital Management Ltd.

01 Corporate Banking

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

Key Achievements

- Relationship with **60%** of the top hundred companies in Mauritius and also increased our wallet share among the top players in different industries across sub-Saharan Africa;
- Customer asset book closed at **MUR 23.9bn** as at 30 June 2017 and **MUR 1.1bn** of interest income generated for the year ending June 2017;
- **MUR 6bn** of Segment A deposits being managed for funding of assets growth; and
- The division contributes to **44%** of the total Bank income with **MUR 1.1bn** revenue generated.

02 Global Business Banking

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

Key Achievements

- Geographic client diversification in more than **130** countries;
- Working with **145** intermediaries in Mauritius and **100** based outside Mauritius;
- Total Deposit Segment B increased by **24%** to reach MUR63bn; and
- Now opening accounts in **30** currencies and undertaking 3rd party payments in **100** currencies.

03 Consumer Banking

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

Key Achievements

- The number of clients increased by **4%** and deposits rose by above **1%** for this Financial Year;
- The External Asset Manager Desk has **MUR 19.4bn** its total assets over the past year;
- Assets Under Custody stood at **MUR 31.6bn**; and
- XtraMiles - **4%** increase in rewards value distributed to cardholders (air tickets, hotel stays, car rentals, etc.) to reach **MUR 6.56m.**

04 Treasury & Markets

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

Key Achievements

- Trading income for Treasury and Markets stood at **MUR696m** in FY2016/17 representing an upsurge of **19%** from FY2015/16;
- Market share of ABL in FX sales stood at **15%** in FY2016/17;
- Contribution of **57%** to the Bank's Net Interest Income in FY2016/17; and
- Represents **61%** of the Bank's total Operating Income in FY2016/17.

Chairman's Review

Dear Valued Shareholders,

I am pleased to present our Annual Report which marks the 10th Financial Year end reporting for AfrAsia Bank. Our "Bank Different" approach, combined with a clear vision, have enabled AfrAsia to carve a strong position in niche markets and build lasting relationships with customers, with focus on service efficiency and innovative solutions. We have seen the Bank growing from a start-up to a multiple award-winning Bank and we are now positioned to leverage arising opportunities.

Strategic and Economic Review

The Financial Year 2016-2017 was a challenging year, impacted by slower economic growth in Africa, significant political developments, namely the Brexit vote and one of the most hotly contested presidential elections in the United States and technology disruptions that are causing rapid changes in many industries. The global landscape affecting International Financial Centres is quickly evolving, with a stronger focus on transparency and a fair taxation system. Initiatives like the US FATCA have already been implemented worldwide, with Mauritius being among the early adopters.

In spite of the changing global environment, the Bank has performed resolutely well with a 25.7% increase in the Group's net profit and a return on average equity of 19%. This is a sure sign that the Bank has a resilient business model, which is anchored with clients in more than 130 countries thus reflecting a good geographic diversification in our key markets.

Africa remains the hinterland for Mauritius, and the island is well poised to be the financial gateway. The African continent remains a challenging environment for the banking business. Perceived country risks have increased in certain countries due to the weakness in oil prices and the worsening political situations. The Bank continues its strategy of providing financing and banking services to targeted economies of the African continent so as to constitute a diversified portfolio of countries. As part of its strategic priorities, AfrAsia also keeps on leveraging synergies between the Bank's business verticals to tap into the growing trade, investment and capital flows between Africa and Asia.

Capital Structure

During the course of the year, Proparco, jointly held by Agence Française de Développement (AFD), left our panel of shareholders as their investment arrived at maturity. We thank them for having contributed to our growth story and understand that their departure is in line with their normal investment practice. On the other hand, National Bank of Canada (NBC) acquired an additional 2.8% shareholding in AfrAsia Bank, bringing its total equity stake to 20.2%.

This additional investment further reinforces the long-term partnership intended to create value for both AfrAsia Bank and NBC, as we continue to pursue attractive growth opportunities.

Our capital adequacy ratio remains strong at 13.09% with a capital base of MUR 6bn. The Bank also had a successful rights issue of MUR 602.2m and no further Additional Tier 1 or Tier 2 capital was raised during the year.

Dividends

Dividends of MUR 1.00 per share were paid to our ordinary shareholders for the year, and in line with the Class A shares programme memorandum, the Bank paid MUR 142.5m in dividends during this Financial Year.

Corporate Governance

Committed to upholding the highest levels of corporate governance, the AfrAsia Group continues to follow and implement the governance framework together with the new Code of Corporate Governance from the local regulatory bodies. Our focus is to maintain good relationships with our various stakeholders through accountability and transparency.

Once again, the Bank was been an award-winner at the PwC Corporate Reporting Awards 2017, bagging three recognitions in the categories 'Financial Institutions', 'Risk Management' and 'Online Reporting', which reflects our commitment to financial Reporting, and communicating in a transparent manner with concise and clear information while keeping pace with best investor relations practices.

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 two new members, Luc Paiement as non-executive Director and Philippe Jewtoukoff as Independent non-executive Director who both bring more than 30 years of overseas experience in the banking industry. We will continue to review the Board composition to ensure that we have the right mix of skills and appropriate diversity to keep pace with the strategic direction of AfrAsia Group and oversee its successful positioning in the region and internationally.

> WE CONTINUE TO LEVERAGE OUR SHAREHOLDERS' EXPERTISE AND BUSINESS NETWORKS THAT CONTRIBUTE TO AFRASIA BANK'S STRATEGIC DEVELOPMENT.
>
> *Maurice Lam - Chairman*

Chairman's Review (cont'd)

Positioned for Growth

We achieved several milestones throughout the year. Our balance sheet crossed the MUR 100bn mark with new capital raised and the Bank saw strong growth both on deposits and loans. Net Operating Income surpassed MUR1.6bn and Operating Profits crossed MUR 900m. We recorded 29.8% increase in total comprehensive income at Group level, with the contribution of our asset management arm, AfrAsia Capital Management (ACM). ACM, now headed by the newly recruited CEO Bilal Adam, has undergone an organisational restructuring alongside a team of newly hired professionals from reputable asset management houses, the goal being to enhance its portfolio management expertise and passport their investment solutions that suit different segment of clients across Africa and Asia.

We continue to leverage our shareholders' expertise and business networks that contribute to AfrAsia Bank's strategic development. Our anchor shareholder, IBL, the largest conglomerate in Mauritius, continues to help the bank in expanding its image and footprint across geographies while Intrasia Capital keeps on providing us with guidance and support in our expansion into Africa and South East Asia. Additionally, our partnership with National Bank of Canada has allowed us to explore new opportunities, mainly in the film financing industry. In this respect, we were delighted to announce our unique involvement in financing part of the first major Hollywood movie being shot in Mauritius, 'Serenity' under the Mauritian Film Rebate Scheme. This is a unique opportunity for AfrAsia Bank and reflects our ambition to "Bank Different".

WE ARE INVESTING IN TECHNOLOGY TO ENHANCE THE DELIVERY OF OUR SERVICES AND POSITION THE BANK AS A 'DIGITAL BANK'.

Maurice Lam - Chairman

Our brand remains strong both in local and international markets, and we look forward to building relationships and enhancing our business networks through our speaking events, roadshows and our flagship event, AfrAsia Bank Mauritius Open.

Looking Ahead

We, your representatives on the Board, remain committed to the creation of wealth for you, shareholders, as the only guiding principle in our decision-making. We continue to make good progress in our strategy and we enter the Financial Year 2017-2018 with the restructuring of our business verticals to generate further synergies within the AfrAsia Group. Together with a strong capital base and a conservative balance sheet, we are looking into diversifying our asset exposure into new markets, mainly in South East Asia, the Middle East and West Africa. We are investing in technology to enhance the delivery of our services and position the Bank as a 'Digital Bank' with the aim of improving the customer experience journey while integrating the fundamentals of sustainability in everything we do. This will require our team members to embrace a different mindset that will turn us into innovators. We are also carrying out changes in our banking platform, the back-end and front-end alike, with an increased use of cloud technology and processes.

I would like to extend a thank you note to the management team and all the passionate employees who continue to uphold the 'Bank Different' approach with an unmatched combination of vision, business acumen and hard work to build a franchise of value.

MAURICE LAM
Chairman

OUR STRATEGIC PRIORITIES

Chief Executive Officer's Message

Dear Valued Partner,

The year ended June 2017 has been a remarkable year in terms of achievements. The growth in income and Net Profit after Tax at MUR 2.5bn and MUR 804.7m recorded a notable increase of 32% and 86% over the previous year respectively. AfrAsia's success today lies as much in its performance as in the adoption of our strategy towards building a sustainable growth pattern.

Reason to celebrate

This creates a great feeling of joy at a time where our bank is at crossroads where complacency has no place. We have a long roadmap and have yet to perfect the art of service excellence toward all our clients. Increase in assets and liabilities to/ from customers from over 130 countries gives us the confidence that we can understand different customer needs and adapt to varying standards of service in a commercially successful manner. We have to ensure that we keep on improving in this regard.

This result is also satisfying as it documents growth in all income lines and especially after taking significant provisions on our impaired assets and improving our coverage ratio. The efforts to improve the quality of assets by superior skill sets, processes and systems are clearly benefiting us. Investments in technology, reorganization and design of the workplace to break silos and encourage teamwork are showing signs of significant benefits. Governance and controls have improved and will remain at the core of how we run our business.

Our guiding principles

During the course of the year, we have realised that if we are to build our franchise on the three principles we identified last year - Customer Focus, Teamwork and Innovation - then we must also introduce a change in Corporate Culture in a way that it becomes part of our DNA. With our customer experience strategy, Employee Experience (EX) driving Customer Experience (CX), we embarked on a detailed exercise, spearheaded by the team members, to

> THE AIM IS NOT TO PLOUGH FOR GROWTH AT ALL COSTS BUT MORE IMPORTANTLY, MAKE WAY FOR SOUND SUSTAINABLE GROWTH.
>
> *Sanjiv Bhasin - Chief Executive Officer*

design, launch and sustain the effort in creating the correct environment to grow our commitment to the principles of customer excellence and the values we wish to encourage. This effort has been a grand success but has to be sustained over a long period to become better accepted. It will take time but we are witnessing a cha nge in behaviour and the excitement it creates is infectious.

Innovation and relevant technology are critical to the growth of business. The challenge is about meeting the ever-changing customer needs and ensuring that our internal team develops a comfort in using new technology. Building on technology helps us understand customer needs, generates the confidence in people who will use it to deliver the service, and ultimately keeps us ultimately at the forefront of innovation. Being ‘different’ is our promise and we have to integrate it to everything we do. We are constantly attempting to get better at understanding this dynamic environment by experimenting and creating focus groups. Such initiatives help us learn and establish a connection with the customer and hopefully develop the customer/bank bond, which we believe will be the backbone to sustainable success.

Going back to basics

There is consensus that the pace of change is challenging. Competition is making growth and survival in the banking business difficult. Economic and credit environment in our targeted markets are also areas which require a cautious approach to growth. Regulations in the banking industry are constantly being amended to drive the industry to ensure good business is banked. We, in this global assessment, are constantly preparing the organisation to remain relevant. The aim is not to plough for growth at all costs but more importantly, make way for sound sustainable growth. While achieving financial objectives engenders profit, we are equally concerned with human, social and environmental factors that drive our company forward. Our strategic focus remains unchanged , that is, Customer Focus, Teamwork and Innovation and drives desire to become our customers’ institution of choice and for our employees to say “AfrAsia is the place to be!”

Actions speaks louder than words

As a responsible institution, the drive towards CSR and Sustainability cannot be under-estimated. Beyond our “Bank Different” promise, we aspire to be meaningful contributors to building a better future by banking responsibly. Sometimes and largely inadvertently, the commercial objectives and drive tend to overshadow the efforts in the two critical areas. We continue to sustain and grow the passion amongst staff for these efforts, not only as an investment in selected causes but more importantly as the whole team’s willingness to work alongside the investment to create an impact on society.

Our commitment is reflected in our engagement with the United Nation’s Sustainable Development Goals (SDGs), which guide our Sustainability Strategy. We are pursuing catalytic change by weaving these SDGs into our overall corporate strategy. Our Sustainability Committee, which I personally oversee, ensures that our “Responsible Bank 2020” goals integrate the triple bottom-line thinking (People, Planet, and Profit), starting with our employees and clients, extending to our stakeholders and trickling down into our communities. During the year, our major areas of focus have been mostly on the Social and Environmental Capitals. In this context, we have selected meaningful areas of support and will ensure that this effort has the desired results.

The humility we all need to reach greater heights

Success in all areas is underpinned by strong commitment, passion and hard work on behalf of the entire team. I wish to thank them for their efforts and shall continue demanding that together we dare to keep improving, as a team. This constant questioning is key and healthy. Our customers and investors have been a constant source of encouragement and we at AfrAsia Bank will ensure that we remain the recipients of their business, investments and above all, guidance. We wish to excel in our area of business and all feedback is welcomed and appreciated as that becomes our guiding philosophy.

We have embarked on a journey of excellence and our future success lies in AfrAsia team members’ ability to listen and adapt to clients’ needs. The immediate future, with the introduction of IFRS 9, requires us to change the manner in which we conduct and manage our business. We are preparing AfrAsia for this, to be fully compliant as per the regulatory guidelines.

SANJIV BHASIN
Chief Executive Officer

DISRUPTIVE
ACTION
ROCKING
EVERYONE, EVERYDAY, EVERYTHING FUN!

ALIGNING EMPLOYEE EXPERIENCE WITH CUSTOMER EXPERIENCE

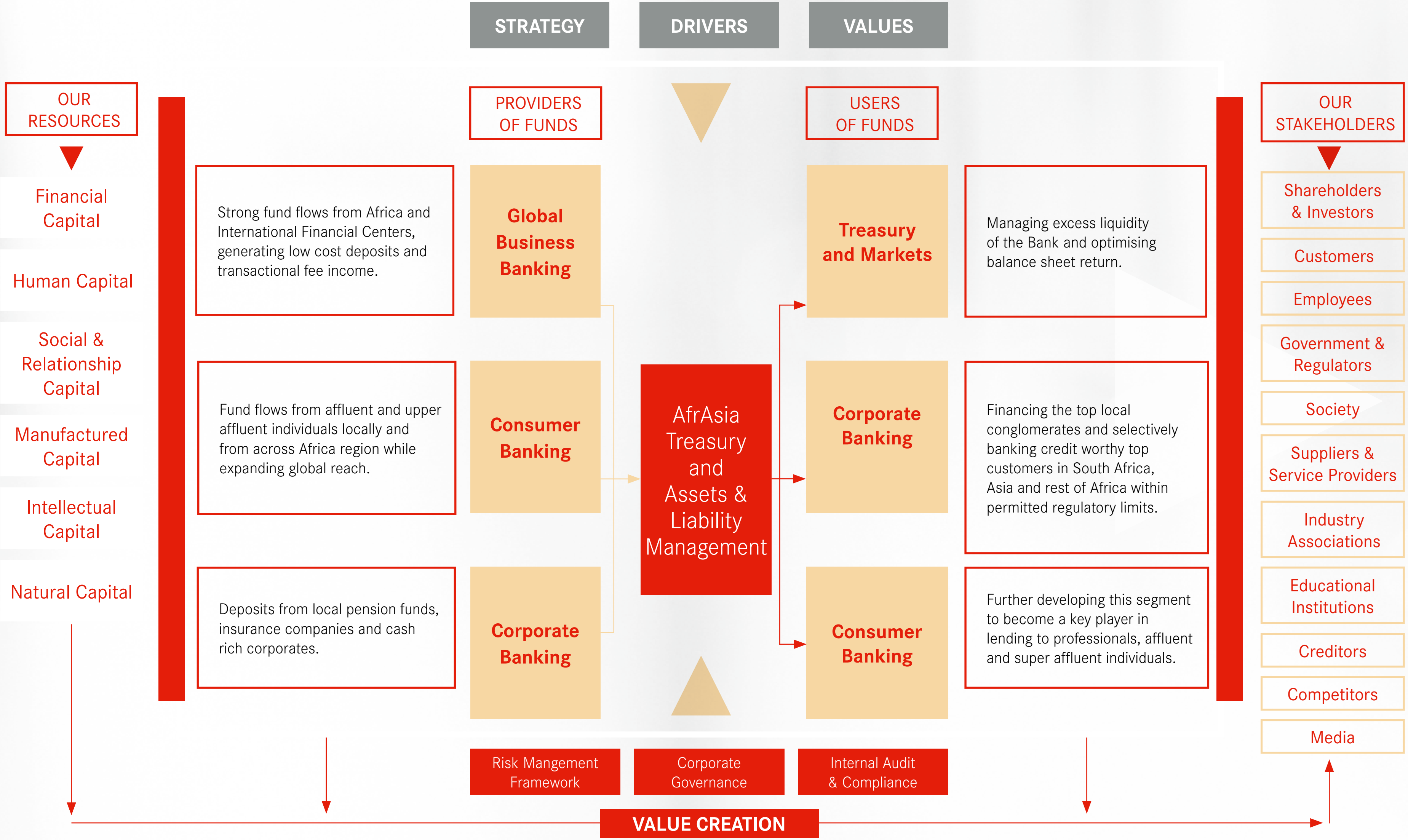
"OUR DARING ATTITUDE IS AN ODDITY IN THE CORPORATE WORLD OF FINANCE. YET, IT IS THE MOTOR THAT DRIVES US TO SUCCESS. "

Ishrat, AfrAsia Capital Management


Dare to Rock...
Dare to be Real!

Our Business Model & Strategy

Our business model seeks to create sustainable value for all our stakeholders. The value creation mechanism has been depicted in the chart and flow diagram.



How we Create Sustainable Value

OUR STRATEGY

We analyse and strategize to ensure our daily operations are aligned with our long-term vision for our Bank and the values we embody.

We aim to:

- Become the leading bank in Mauritius in terms of Customer Service;
- Improve the Bank's profitability in a sustainable way with improved risk management processes;
- Build an organizational culture that is inclusive, collaborative and purposeful; and
- Define a clear digital agenda and invest smartly in FinTech solutions that transform our multi-channel platforms while ensuring a secured banking environment.

OUR BUSINESS SEGMENTS

Corporate Banking

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

Read more on page 115 «

Global Business Banking

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

Read more on page 116 «

Consumer Banking

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

Read more on page 117 «

Treasury & Markets

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

Read more on page 119 «

DIFFERENTIATING OURSELVES

Customer-Focused Approach

We redefine the customer journey by building enduring steel relationships with our clients and providing them with an optimal customer experience through our multi-channel approach.

Read more on page 6 «

Teamwork

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

Read more on page 6 «

Innovation

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

Read more on page 6 «

Sustainability

In our commitment to work towards 'A Responsible Bank', we have decided to review our Sustainability structure to think more broadly and beyond our bottom line, towards a triple bottom line thinking: 3P's – Planet, People, Profit.

Our 2020 Sustainability Strategy is aligned with the Sustainable Development Goals and works towards being 'able to sustain' our business responsibly.

Read more on page 80 «

MANAGING OURSELVES

Internal Control Framework & Risk Management

Effective risk management is crucial to the long-term health of our firm. We adopted the "Three Lines of Defense" model:

- First line of defense: Business Units – Day to day risk management and control
- Second line of defense: Risk and Compliance – Functions that develop and maintain risk management policies and methodologies, identify and monitor new and emerging risks and enforce the enterprise risk management mode
- Third line of defense: Internal Audit – Functions that provide independent assurance that risk management is working effectively

Compliance

The Compliance Function sets standards for effectively complying with relevant laws, regulations and supervisory requirements. Our policies and procedures ensure that the Bank has implemented all relevant Acts, Guidelines, Regulations and Rules. The Compliance Function must also identify, assess and monitor compliance risks faced by the Bank, in addition to advising and reporting any major risks to Senior Management, the Audit Committee of the Board and the Board of Directors.

Read more on page 152 «

Corporate Governance & Leadership

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

Read more on page 52 «

Values-led Culture

We have committed our organization to transforming our company culture. Such a transformation requires a rewiring and cultural change, which is why we have chosen a set of values that reflect who we are and what we stand for.

Read more on page 8 «

MEASURING OURSELVES

Our Balanced Scorecard

The balanced scorecard tool is used to align business activities to the strategic vision of the organisation. We are able to track financial results while monitoring progress of all growth areas, thus ensuring coherence across all levels of the organisation. It also facilitates the implementation of our long-term strategy through structured short-term actions and enables rapid decision-making based on both financial and non-financial measures.

The scorecard is divided into 4 perspectives, namely Customer, Internal Operations, Financial and Learning & Growth. These components provide an overview of our performance relative to our strategic objectives*. The tool is a reliable means of communication as it provides clarity and regular updates on strategy, enables an alignment of individual goals with the overall strategy of the Bank, bridges the gap between strategic objectives, long-term targets and annual budgets, and provides a periodic performance review which can be used to improve strategy in line with changes in the market environment and technological improvements.

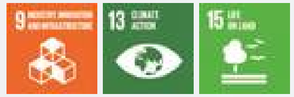
How we use our resources

The Bank relies on resources to differenciate itself and create sustainable value for all stakeholders. We aspire to achieve the right balance and ensure resources are used and managed effectively for current and future growth. It is a challenge to measure some of these resources; hence we have provided approximate values while giving an overview of the framework and context within which the resources have been managed.

RESOURCES	INDICATORS	2015-2016	HOW WE MANAGE OUR RESOURCES	2016-2017	ALIGNMENT TO SUSTAINABLE DEVELOPMENT GOALS
Financial Capital	Eligible Risk-Weighted capital	MUR 5.0bn	While ensuring that shareholders' value is maximised, we remain guided by the Guideline on Scope of Application of Basel III and Eligible Capital which require the Bank to maintain a minimum level of regulatory capital. *Read more page 155 to 160 «*	MUR 6.0bn	
	Capital Adequacy Ratio	11.7%		13.09%	
	Customer Deposits	MUR 80.4bn	We have in place a funding strategy aimed at reinforcing our core deposit base. Although our deposits are increasing, our objective is to reduce our cost of funding across currencies.	MUR 91.1bn	
	% Deposit Base in FCY	83%	Our deposit base in FCY is mainly in USD, EUR and GBP. We also hold deposits in other major currencies, like AUD, CHF, JPY, etc.	86%	*Read more on page 80 «*

RESOURCES	INDICATORS	2015-2016	HOW WE MANAGE OUR RESOURCES	2016-2017	ALIGNMENT TO SUSTAINABLE DEVELOPMENT GOALS
Human Capital	Number of Employees	266	Our workforce increased by 18% with a greater focus on the support functions to fuel business growth.	314	
	Diversity (Men: Women)	47:53	Leveraging diverse backgrounds and experiences while respecting all people is key to the Bank	47:53	
	Total Investment in Training Unique Employees Trained Number of Training Hours	MUR 2.3m 120 >6,900	We strengthen our people's value through training and development initiatives. In FY 2015-2016, a culture workshop was organised for all staffs of the Bank.	MUR 3.6m 209 >3,600	*Read more on page 84* «
Social & Relationship Capital	Number of Customers › Individual Residents › Individual Non-Residents › Corporate Residents › Corporate Non-Residents	 >6k >8k >2k >6k	With an experienced team of entrepreneurial bankers and a customer-centric approach, we service our local and international clientele. We achieve our clients' financial aspirations by providing tailor-made banking solutions and advice whilst building privileged relationships.	 >7k >10k >3k >8k	
	B2B Customer Satisfaction Index B2B Customer Recommendation Index	n/a n/a	Customer experience being at the center of our growth strategies, we aim to engage in annual surveys to monitor satisfaction levels and adjust ourselves based on clients' valued feedback.	69/100 89/100	
	Staff CSR Volunteer Hours No. of Staff Volunteers	1,750 160	Our employees are encouraged to show dedication towards our social and environmental programmes by putting in time and effort. CSR events have been reduced during FY 2016-2017 due to increased strategic focus on the AfrAsia School project. We involve the staff in our projects for them to feel they are also part of the Banks' social initiatives.	>700 294	*Read more on page 82* «

How we use our resources (cont'd)

RESOURCES	INDICATORS	2015-2016	HOW WE MANAGE OUR RESOURCES	2016-2017	ALIGNMENT TO SUSTAINABLE DEVELOPMENT GOALS
Manufactured Capital	No. of Internet Banking (IB) users	8,830	We have been investing heavily in technology to ensure that our IT platform resiliently supports our growing franchise.	11,630	
	Volume of funds transfer on IB locally & internationally	89,965		87,827	
	Investment in digital tools (software/hardware) (USD)	300,000		1,000,000	*Read more on page 81* «
Natural Capital	Paper Consumption (reams)	8,640	Our customers are adopting e-statements and e-advices for their transaction monitoring, and our employees re-using paper as new procedures have been put in place to reduce our paper consumption. The Bank also has a policy for recycled paper purchase (certification FSC, ISO 14000).	5,400	
	Energy consumption (kwh)	679,400	We are aiming at decreasing our energy consumption by 20-30%, by 2020. We are embedding our sustainability approach in the financing of corporates and investment services to clients	755,950	
	Recycled Waste (KGs)	n/a	As part of the 3R's Movements, the Bank has undertaken to sell unused furniture, through an Attic Sale. This encourages reuse as well as partnership with local NGOs.	1,371	*Read more on page 86* «

How we distribute value created

For the financial year 2016-2017,
the distributable **financial value** is as follows:

- The Statutory reserve represents transfers from retained earnings in accordance with the Banking Act 2004 which stood at MUR 339.7m as at 30 June 2017
- Dividends paid/payable to ordinary Class-A Shareholders were MUR 100.4m and MUR 71.3m respectively for the year ended 30 June 2017

Retained Earnings

Shareholders

Our People

Society

- Personnel expenses amounted to MUR 436.4m for the year ended 30 June 2017
- Government taxes amounted to MUR 130.2m, while we also paid MUR 7.3m for Corporate Social Responsibility.

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

Customers

Offering relevant and innovative products and services efficiently and responsibly.

Read more on page 39 «

Our People

Developing, recognising and rewarding our employees while providing a work environment conducive to innovative idea generation.

Read more on page 39 «

Social & Environmental

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

Read more on page 41 «

Regulatory Bodies

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

Read more on page 40 «

Material themes

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

Material matters identification process

IDENTIFY

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

REVIEW AND ASSESS IMPACT

Assess the impact

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

Finding the right fit

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

REFER/ ADDRESS

Communicate and Consult

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

Constant Monitoring and Review

Reporting is a fundamental element to continuously improve the process. We have also established the risk culture in the DNA of each employee through a constant awareness programme in place.

Risk Management Parameters

Our Strategic Priorities

01 Customer Focus

Become the leading bank in Mauritius in terms of Customer Service

02 Sustainability

Improve the Bank's profitability in a sustainable way with improved risk management processes

03 Teamwork

Build an organizational culture that is inclusive, collaborative and purposeful

04 Innovation

Define a clear digital agenda and invest smartly in FinTech solutions that transform our multi-channel delivery platforms while ensuring a secured banking environment

Risk Matrix	Rating	Score
Risk Likelihood		
Neglible - may occur only in exceptional circumstances.	Rare	1
Might occur at some time.	Unlikely	2
Should occur at some time.	Often	3
Probably occur at some time.	Likely	4
Will occur in most circumstances	Expected	5
Risk Impact		
Customers not impacted or aware of problem.	Insignificant	1
Some customers aware but impact on them is negligible.	Minor	2
Significant number of customers aware of problems and encounter some inconvenience.	Moderate	3
Prolonge loss of service lasting 24 hours.	Major	4
Most customers suffer problems with their work that causes them major inconvenience.	Massive	5

Our Capitals

Financial

Financial Capital is the value of money that the Bank obtains from providers of capital, that is used to support business activities and profits generated thereof, distributes amongst its stakeholders as well as retains to fund business activities.

Intellectual

Intellectual Capital refers to the collective knowledge, research, thought leadership, brand management and intellectual property used to support business activities and lead public discourse on global challenges.

Manufactured

Manufactured Capital is the Bank's tangible and intangible infrastructure, including IT assets, used for value creation through business activities.

Human

Human Capital refers to the employees' competencies, knowledge and experience, and their capability to utilize these to meet stakeholder needs. It also refers to development programs undertaken for the employees.

Social and Relationship

Social & Relationship Capital refers to the relationships the Bank creates with its customers, investors, regulators, suppliers and community at large to create societal value as a responsible corporate citizen.

Natural

Natural Capital refers to the natural resources that the Bank uses to create value for its stakeholders, as well as climate finance it mobilizes to promote natural resource preservation and environmental mitigation.

Material themes (cont'd)

Risk Assessment

EXTERNAL FACTORS AND OPERATING ENVIRONMENT

	Material matters	Risks	Opportunities	Actions	Risk Owner	Strategic Priority Impacted	Capital Impacted
M1	Challenging economic environment	The economic environment across geographies where our customers are based from, the difficulty of constant pressures being exerted to meet demand for customer products and services and competition.	The economic environment creates opportunities for the Bank to act as a preferred secure platform bridging the Africa-Asia financial hubs. This generates opportunities for the Bank to further invest and develop new, innovative products as the market has become more dynamic and makes room for new products in the different market segments.	The management team continuously monitors and manages the changes in the economic environment through market/treasury and other updates from reliable sources.	Management	Sustainability Teamwork	Financial Intellectual
M2	Regular changes in regulatory guidelines	Evolution of the legal and regulatory framework in Mauritius and other jurisdictions with recent changes in various regulatory guidelines where the Bank should remain vigilant to meet the relevant banking and financial services requirement and guidelines. At times these changing guidelines also need banks to invest further in IT systems.	The banking systems around the world, and including our local regulations, are getting more resilient through more robust frameworks and operating guidelines.	Ensuring we are abiding and investing in tools and new procedures as per requirements of the new guidelines.	Management	Teamwork Innovation	Intellectual Manufactured

EXTERNAL FACTORS AND OPERATING ENVIRONMENT

	Material matters	Risks	Opportunities	Actions	Risk Owner	Strategic Priority Impacted	Capital Impacted
M3	Operational Challenges	Implementation of the right set of processes and operational framework to conduct its banking and non-banking activities in a more efficient manner and provide customers with services to their satisfaction.	Such challenges put the Bank into a dynamic operating mode, ensuring that the processes and procedures are in place to meet the demand in the banking environment. The Bank with the framework in place gets a better way to attract market share.	The Bank is under constant review for changes and to improve its processing efficiency. Various reviews done by external parties where the Bank is taking appropriate actions to improve its operations and processes.	Chief Operating Officer	Teamwork Customer Focus Innovation	Intellectual Manufactured Human

INFORMATION TECHNOLOGY

	Material matters	Risks	Opportunities	Actions	Risk Owner	Strategic Priority Impacted	Capital Impacted
M4	Existing IT Platforms	Various suppliers of systems for each unit/ department which needs interfacing between these systems.	The Bank sees it as an opportunity to interface all these systems. It has already invested in top platforms in different areas and through their integration it aims to enhance efficiency and customer satisfaction.	We are currently building interphases between platforms and introducing an API layer with the aim of being one of the best banking IT platforms in Mauritius.	Chief Operating Officer	Teamwork Innovation	Natural Manufactured

Material themes (cont'd)

INFORMATION TECHNOLOGY (continued)

	Material matters	Risks	Opportunities	Actions	Risk Owner	Strategic Priority Impacted	Capital Impacted
M5	Digital Transformation	Technology Investment risk associated with the right technology for the coming generation of customers and fulfilling the current gaps.	Technology is an area that can create multiple competitive advantages provided the right technology mix is used with a customer-centric approach.	Technology advancement worldwide creates opportunities and challenges for the Bank to effectively leverage relevant systems to improve customer experience and quality of service and meet competition. The Bank is currently embarking on a three-year transformation plan.	Chief Operating Officer	Teamwork Innovation	Natural Intellectual
M6	Cyber security	As enterprises strive to gain value by leveraging technology, the risk associated with digital business is increasing. Theft of personal information and private business information, misappropriation of resources, denial of service, and cyber-theft are becoming commonplace, affecting large and small enterprises.	As technology evolves, secured platforms provide a competitive edge to the Bank while introducing new ways of serving customers.	Several upgrades and firewall on our IT systems performed. Cyber-security being an ongoing priority for us, the Bank ensures updated and strong/robust secured platforms for its clients and staff.	Chief Operating Officer	Teamwork Innovation	Intellectual Manufactured

GENUINENESS AND COMMITMENT TOWARDS OUR CLIENTS

	Material matters	Risks	Opportunities	Actions	Risk Owner	Strategic Priority Impacted	Capital Impacted
M7	Fight against financial crime	Financial crime has been a material threat to banks around the globe leading to compliance and reputational risks.	Building an environment for clean operations will attract customers and investors and as such grow the bank into a desired and trusted partner for clients.	Ensure adequate controls and systems are in place. The Bank has invested in new tools and bringing up with additional controls year-on-year to combat this threat.	› Head of Compliance › Management	Teamwork Innovation	Intellectual Human
M8	Fair dealing	Non-observance of fair dealing policies leads to compliance and reputational risks.	Customers with the assurance that the Bank operates in a fair and transparent manner will be attracted. This will ultimately have positive impact on the customer acquisition and retention cost.	Constantly improving processes to ensure our commitment to clients is respected.	› Head of Compliance › Management	Teamwork Sustainability	Human Social and Relationship

Material themes (cont'd)

GENUINENESS AND COMMITMENT TOWARDS OUR CLIENTS (continued)

	Material matters	Risks	Opportunities	Actions	Risk Owner	Strategic Priority Impacted	Capital Impacted
M9	Responsible financing	The regulator and public demand that banks lend only for appropriate activities and purposes. Failure to do so gives rise to reputational and credit risks.	Having a sound lending structure will attract investments. Improving quality of assets at a consistent growth ultimately brings higher shareholders value.	The Bank tries to understand and respond to the challenges around customer behaviours, attitudes and their lifestyles; meet the specific niche market demands; and successfully offer them with tailor-made solutions.	› Chief Credit Officer › Management	Teamwork Sustainability	Human Manufactured

PEOPLE

	Material matters	Risks	Opportunities	Actions	Risk Owner	Strategic Priority Impacted	Capital Impacted
M10	Talent management and Employee Retention	The Bank requires employment of people with different skill sets to ensure service delivery in the right perspective and enhance the productivity of its operating business lines in line with change. Failure to do so can restrict future growth and expansion in new areas.	Building an internal culture set while recruiting the best breed from the market to sustain growth of the Bank.	The Bank ensures adequate training, packages and support to its existing employees as well as ensures the adequate talent are targeted on the market.	› Human Resources › Management	Teamwork Sustainability	Human Natural

As illustrated below, the major risks remained in the minor segment during the past financial year. However, the recent ransomware attacks worldwide made the Cyber Security Risk shift to the major segment.

HEATMAP

LIKELIHOOD	Insignificant	Minor	Moderate	Major	Massive
EXPECTED					
LIKELY		M3		M6	
OFTEN		M2, M7, M10	M5		
UNLIKELY		M1,M9			
RARE	M8	M4			

IMPACT

Stakeholder Relationship

Stakeholder Mapping

AfrAsia Bank engages with its key stakeholders aiming to build mutually beneficial and long lasting relationships. With this in mind, we keep a constant dialogue with our stakeholders, enabling us to respond in a timely manner to those issues identified as relevant, in accordance with the Bank's strategy and the demands and expectations of each stakeholder.

The following table lists key issues in 2016-2017, some raised by our stakeholders and other concerns that we identified and sought their input on.

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	HOW WE ENGAGE WITH OUR STAKEHOLDERS	THEIR CONTRIBUTION TO VALUE CREATION	WHAT OUR STAKEHOLDERS EXPECT FROM US	IMPACT ON OUR STRATEGIES
Clients	› Meetings and visits › Conferences, Roadshows and Presentations › Business meetings › Social Media › Overseas travelling in strategic markets Continuous assistance and guidance to counterparties	› Being the purpose of our business, customers provide a solid base for unremitting growth › Customers turning into our strategic partners as we leverage on their brand equity	› Quality of the Bank's product suite and service › Sustainability and financial solidity of the Bank › Enhanced customer relationship management practices › Seamless front-end experience with a secured banking environment, including for online channels	› Enhanced position to exploit long-term business opportunities › Enhanced brand value
Employees	› Meetings › CEO road shows › Social events › Engagement surveys › Health & Safety programmes › CSR and sustainability activities › Trainings, learning and development opportunities › Recognition and reward › 'DARE' culture programs	› Clear Key Performance Indicators abased on Bank's objectives and strategies › Passion, dedication, skills and attitude › Sharing of ideas for Bank's strategies	› An environment that encourages growth and open communication › The opportunity to achieve career goals in line with the Bank's aspirations › Ongoing communication and consultation › The ability to raise concerns and expectations › Trust and provide opportunities to excel	› Focus on employee experience creates a sense of belonging to the company and helps towards retention and engagement › Customer service excellence strategy › Employee brand value

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Stakeholder Relationship (cont'd)

	HOW WE ENGAGE WITH OUR STAKEHOLDERS	THEIR CONTRIBUTION TO VALUE CREATION	WHAT OUR STAKEHOLDERS EXPECT FROM US	IMPACT ON OUR STRATEGIES
Shareholders/ Investors	› Presentations and road shows › Newsletters › Annual reports, Press releases › Results Briefings › Board Meetings › Annual General Meeting › Investor Relations content	› Investors provide capital to foster stability and long-term growth	› Delivering sustainable returns › Leadership and strategic direction › Corporate governance and ethics › Progress with project pipelines, business plans and future growth projects › A high level of empowerment and autonomy	› Growth in revenue › Create awareness for less conflict with Top Management decisions
Suppliers	› Meetings › Site visits › Workshops › Business association meetings › Service level agreements	› Selecting elite suppliers to cater for the Bank's requirements and provide a superior rate of return › Valuable advice to deliver service excellence	› Fast decision-making and processing of payments › Uphold transparency vis-à-vis our suppliers to help us maintain good working relationships	› Supplier management focus on maximizing savings opportunities and minimizing risk
Government and Institutions	› Meetings, workgroups, committees between Bank and regulators › Written communication › Regulatory returns › Onsite and offsite supervision/ examinations by the regulators › Trilateral meetings	› The regulator provides the enabling regulatory framework › Protect customers' rights › Increased transparency in line with Banking Act	› Compliance with acts, regulations and other guidelines › Risk management and internal control › Complaints handling and customer care › AML/CFT and other financial crimes prevention › Request approval for new technology/ products/ services, and the advertising of same	› Create private-public sector partnership

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	HOW WE ENGAGE WITH OUR STAKEHOLDERS	THEIR CONTRIBUTION TO VALUE CREATION	WHAT OUR STAKEHOLDERS EXPECT FROM US	IMPACT ON OUR STRATEGIES
NGOs, Society, Environment	› CSR events › Social and environmental initiatives › Meetings with Entrepreneurs/ Corporates › Digital Communication › Newsletters › Media Releases	› Channels the giving back to society › Building connections that result into or reinforce long-term relationships › Better quality of life: social, literacy, health and environment	› Devising sustainable business strategies and offering › Our differentiation to sustainability programmes in society › Set up processes to assess the efficacy of our social and environmental initiatives	› Inclusive sustainability strategy with all stakeholders › Environmental sustainability › Social Impact investment › Enhance brand value
Industry Associations	› Industry association memberships, such as the Mauritius Bankers' Association › Memberships with various multi-stakeholder groups	› Global discussion of the capital and liquidity requirements for Financial Institutions › Review of legislation governing Financial Institutions › Continued business in a resource constrained economy	› Contribute to the global discussion on banking regulations	› Partnership for long term decisions/ programmes
Educational Institutions	› CSR initiatives to promote access to education › Collaboration with trainers, training centres and universities	› Development of a skilled workforce › Access to education for underserved and diverse communities	› Donations to schools › Collaboration for sustainable training development programmes	› Enhance our employees capacity for better employee experience
Creditors	› Regular calls › Emails › Meetings to inform on status	› Proper follow up of creditors leads to a healthy balance sheet	› Regular calls and communication › Information on laws and policies involved	› Helps towards healthy balance sheet › Towards sustainable profit and loss

Stakeholder Relationship (cont'd)

	HOW WE ENGAGE WITH OUR STAKEHOLDERS	THEIR CONTRIBUTION TO VALUE CREATION	WHAT OUR STAKEHOLDERS EXPECT FROM US	IMPACT ON OUR STRATEGIES
Competitors	› Enquiring on product and service offering › Meetings with our competitors through the Mauritius Bankers' Association (MBA)	› Helps to benchmark our products and services › Incites the Bank to work towards products/services differentiation	› Fair competition practices › Our attendance to industry related organisations meeting (MBA, Business Mauritius, etc)	› Brand enhancement and differentiation
Media	› Updates on strategies › Interviews with Senior Management › Press releases for all events sent to our media counterparts	› Communication channel for the Bank's strategies › Direct link to public › Platform to showcase our services and products › Give a public perspective to our events	› Trustworthy information › Regular communication on our strategies and developments › Articles related to our sector and the impact of the Bank on the economy › Contribution to industry related reports and articles	› Communication channel for brand enhancement

EX driving CX

Customer journey is the heart of all that we do. To deliver a seamless superior customer experience, we believe our employees must be engaged and empowered to do the right thing in any situation. Our EX driving CX philosophy is embedded in the foundation of our company culture - employees are our brand ambassadors and the most powerful advocates for our organisation and values. Their commitment shines through each time they interact with a client, devise a solution or implement a new process.

We have fostered an environment that is conducive to innovation and teamwork, delivered through four guiding principles:

1. Going "Digital" using Disruptive Technologies;
2. Operational Efficiency to deliver "instant gratification";
3. Customer Experience Transformation to solve "Jobs to be done"; and
4. Culture Alignment & Employee Engagement to DARE...

Our EX driving CX philosophy required that we transform our company culture. One of the first things we did was come up with a new set of core values, values that each and every employee would identify with and embody. DARE came to be because that's how our AfrAsians want to be. DARE stands for our aspiration to DISRUPT the market through our ACTIONS while we ROCK as a team and make EVERYTHING at work fun and engaging.

ALL OUR EFFORT AND INVESTMENT GO INTO EASING THE PROCESS OF "JOBS-TO-BE-DONE" BY THE CUSTOMER.

Vijit Yadav – Chief Operating Officer

Aligning EX to drive CX

Our end-goal is to foster an environment in which Employee Experience (EX) is imbued with a strong sense of purpose that drives our entire team to deliver irreproachable Customer Experience (CX). The idea is simple: Happy Employees = Happy Customers.

Our game plan? We start at the top, ensuring that all managers set the tone. The vision that EX drives CX then trickles down, until it is deeply ingrained in each and every employee. We took the time to think about what we stand for in order to foster a new bolder, stronger company culture. Here's how.

1. Going "Digital" using Disruptive Technologies

Digital disruption is occurring at every level of the banking industry and transforming the way we bank. Alternative business models are impacting traditional financial institutions.

Keeping Up with the Digital Age

The digital age has imposed greater needs for businesses to reshape their models and meet the demands of the new generation – and banking is at the forefront of this disruption. With Fintech companies capturing more market share in the financial sector and consumers' ever-growing expectations for more responsiveness and engagement, what banks sell and how they deliver has become crucial. Our answer lies in placing digital transformation at the top of our agenda and tapping into its wealth of opportunities. Our transformation starts with unlocking our back office and streamlining its processes and tools to deliver services.

Digital Banking

New technologies and unforeseen new competition combined with heightened customer expectations are reshaping the banking industry. Bearing in mind that every banking customer is a digital customer, we have sought to fundamentally alter the way our bank engages. We are investing in Cloud, Analytics, and Mobility technologies to facilitate internal processes to meet clients' ever-evolving demands. While we remain conservative on certain fronts, these nonetheless give us insight on how to better empower our workforce and client base.

2. Operational Efficiency to deliver "instant gratification".

Streamlined Processes & Cybersecurity

Entering a new era of banking requires the appropriate architecture. We are building our IT framework around simplified processes and efficiency. The aim is to generate substantial cost savings while simultaneously safeguarding the bank through robust cyber-security protocols. We have defined a clear digital agenda and have begun tackling Business Intelligence, automation processes and HRM, CX and Social applications.

Robotic Process Automation

Considering how time-consuming and redundant certain tasks can be, the success of a company largely depends on its ability to streamline and automate processes. Robotic Process Automation, or RPA, works alongside employees, around the clock, to make this possible.

In an industry like ours, where transaction volumes are high, virtualizing processes can lead to 100% accuracy, - no errors - drastically optimizing the ability of staff to focus on experiences and controls rather than be logged down by repetitive operational matters. By delegating tedious and cumbersome tasks to robots, our inherently entrepreneurial employees are given more time to focus on more creative and high-value work.

RPA also helps ensure higher compliance with ever-growing regulations. By eliminating data gaps usually associated to manual errors, we are making sure to provide an enterprise-wide, compliance report, and better preparing ourselves for any regulatory audit that may occur, while enabling heightened security standards.

Aligning EX to drive CX (cont'd)

3. Customer Experience Transformation to solve "Jobs to be done"

Customer Experience Training

We teach our employees to listen to our customers, identify their needs and come up with pertinent solutions. Our employees are equipped with the tools to identify the root cause of any given issue and make the customer experience seamless. Additionally, we have set up a Customer Experience department that, through its insights into customer feedback, monitors the efforts of each and every employee and ensures our customer-centric culture is spread evenly throughout the Bank.

Client Services Hub

In the "Age of the Customer" where social media and the Internet has accelerated the need to act quickly, customers have become rather demanding and rightly so. Customer service has never been more mobile or virtual. In response to this, we have created a Client Services Hub - a resource center, where clients can quickly find the answers they need. It brings together, within one team, all the competencies needed to achieve excellence: sales, marketing, customer service, analytics.

The Digital/Relationship Manager Combination

As we digitise our solutions, the Human Touch remains a priority. What is considered 'Banking' today, will steadily be delegated to the background and a combination of digital delivery/solution oriented relationship management will emerge. Our investment in people will encourage an even higher level of a partnering approach.

4. Culture Alignment & Employee Engagement to DARE...

Open-Floor Communication

We engage our employees by paving two-way communication and open dialogue that occurs in the early stages of any initiative we instigate or organizational changes that could affect our employees. Considering and accommodating the needs of our employees is among the Bank's top priorities.

Performance Management

We have implemented a performance management process that helps employees connect their on-the-job performance with the organization's goals. This process focuses on aligning the workforce, improving employee performance and development, building competencies and driving results. Such a process requires an open dialogue and constructive feedback between employees and managers, proper training and performance assessment tests, all of which contribute to our workforce's learning curve.

Reward System

We launched a new employee rewards programme, a way to reward the behaviours that are vital to our desired organizational culture, but namely to reward those who go the extra mile and consistently outperform themselves. The reward system fosters a healthy dose of competition and works as an incentive to embed our DARE values.

Creating Inclusive Spaces for Disruptive Ideation

Corporate jobs are notorious for their long hours, aggressive work environments and competitive incentives that pit employees against one another. We at AfrAsia have gone to great lengths to create an inclusive and cooperative company culture. In today's digitised world, transparency is gaining traction under the influence of Millennials, a generation that is set to dominate the workforce by 2025. The internet-era generation has high expectations and prioritises creativity, entrepreneurialism and Work/Life balance. Here is how they fit in at our firm.

Holistic approach to staff engagement

Our Human Resources department recruits and retains top talent by focusing on DARE values - our belief is that similarly cultured teams draw synergies leading to a superior Employee Experience, an integral part of our EX driving CX equation. Numerous factors contribute to a healthy, safe and positive workplace: career opportunity, mentorship, positive reinforcement, constructive feedback, meaningful work, a supportive environment, personal growth opportunities, and trust in leadership.

We understand that the right company culture helps retain talent, drive effectiveness and give a competitive edge, and we therefore utilize tools such as employee satisfaction and engagement surveys, bottom-up communication, coaching and development, a flexible working environment and value-congruence to achieve our vision.

Aligning EX to drive CX (cont'd)

PURPOSE AND VALUES	Our new values reflect who we are and what we stand for: DARE. It stands for our aspiration to DISRUPT the market through our ACTIONS while we ROCK as a team and make EVERYTHING at work fun and engaging, Everyday!
EMPLOYEE VALUE PROPOSITION (EVP)	Improving our employees' quality of life is essential. We aspire to be the best employer and are reviewing our EVP to ensure our employees fulfil their potential and achieve Work/Life Balance, while building future talent for the bank and Mauritius at large.
EMPLOYEE ENGAGEMENT	A survey measuring our employees' engagement level was carried out. Results are encouraging and we are committed to making it serve as a catalyst for change, creating an environment in which AfrAsians have a voice. We pledge to embed transparency in all that we do.
REMUNERATION AND RECOGNITION	Remuneration is based on performance measured by regular performance reviews. Career advice and coaching is provided to help employees attain goals to our attractive salaries and benefits make AfrAsia a great place to work. The AfrAsia Achiever Awards (AAA) programme has been put in place to reward employees who deliver exceptional service to clients.
DIVERSITY	We embrace an inclusive, supportive, merit-based culture that celebrates diversity and take pride in being an Equal Opportunity employer. We aspire to integrate more People With Disabilities (PWD) to the Banking sector and work in close collaboration with the Mauritius Bankers' Association and consultants from overseas in this regard to make this a reality. The Bank's sponsorship of the AfrAsia Foundation School is a sustainable step in this direction. Our Youth Employment Programme (YEP) enables unemployed youth to obtain a placement for a year with the possibility of permanently integrating AfrAsia dependent on performance. Of the 21 trainees, 8 are currently employed full-time.
TRAINING AND COACHING	New recruits undergo an induction programme to assimilate internal processes. A buddy programme is in place to serve to guide new colleagues. We mentor and coach our employees, equipping them with the tools to succeed. The individualized Training Needs Analysis tool enables us to identify an employee's weaknesses and focus on these areas. Senior and potential managers regularly undergo leadership training. This will positively impact our Succession planning and development of future talent beach strength across the Business.
HEALTH & SAFETY	Our employees' safety and well-being is our top priority, which is why we believe in prevention - managing hazards before they have a chance to occur. Business continuity and safety skills are conducted regularly and we also promote physical exercise and healthy eating through our 'Fruity Friday's' program, whereby seasonal fruits are provided to employees once a week. We also provide a comprehensive medical coverage that ensures the welfare of our employees, including preventive screening and post-hospitalization.


WE DARE

DISRUPTIVE

BE THE CHANGE. THINK DIFFERENT, INNOVATE AND WORK SMART

"DON'T SETTLE. CHALLENGE THE STATUS QUO, QUESTION EVERYTHING, STAY AHEAD. BUT NO MATTER WHAT, DO NOT SETTLE."

Krishna, Debt Capital Markets

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

AfrAsia Bank Limited ("AfrAsia Bank" / "ABL" / "the Bank"), a public company incorporated on 12 January 2007, holds a Banking Licence issued on 29 August 2007. It remains guided by:

- The principles issued by the Mauritius Financial Reporting Council in its "Guidelines on Compliance with the Code Corporate Governance 2013";
- The principles issued by the Bank of Mauritius in its "Guidelines on Corporate Governance 2004"; and
- The provisions of the Mauritius Companies Act 2001.

AfrAsia Bank Limited is a Public Interest Entity ("PIE") as per the Financial Reporting Act 2004.

Statement of Affairs and Review of Activities

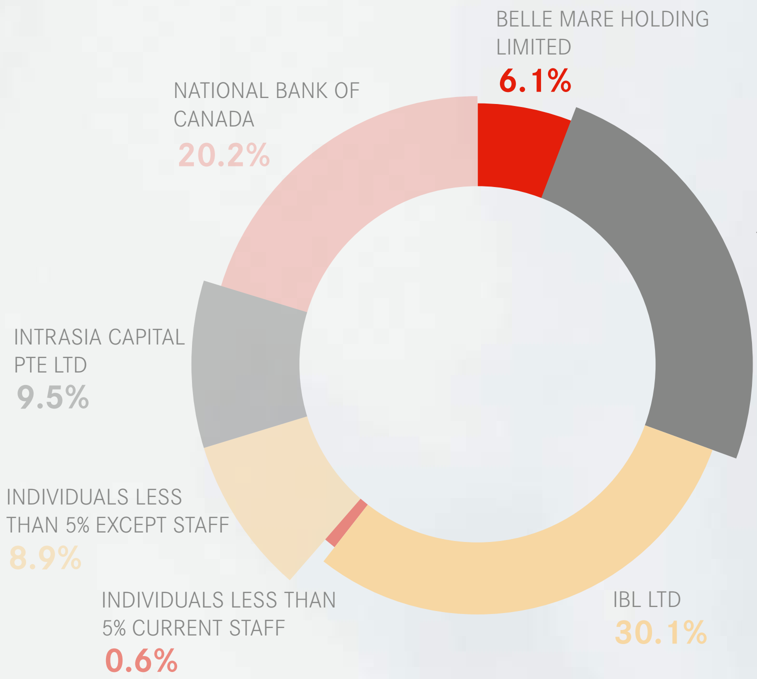
AfrAsia Bank's core banking and transactional capabilities are in Mauritius along with representative offices in Cape Town and Johannesburg. The Bank serves the Africa-Asia trade corridor, combining its strengths and expertise in four core divisions:

- Corporate Banking;
- Global Banking;
- Private Banking and Personal Banking; and
- Treasury and Markets.

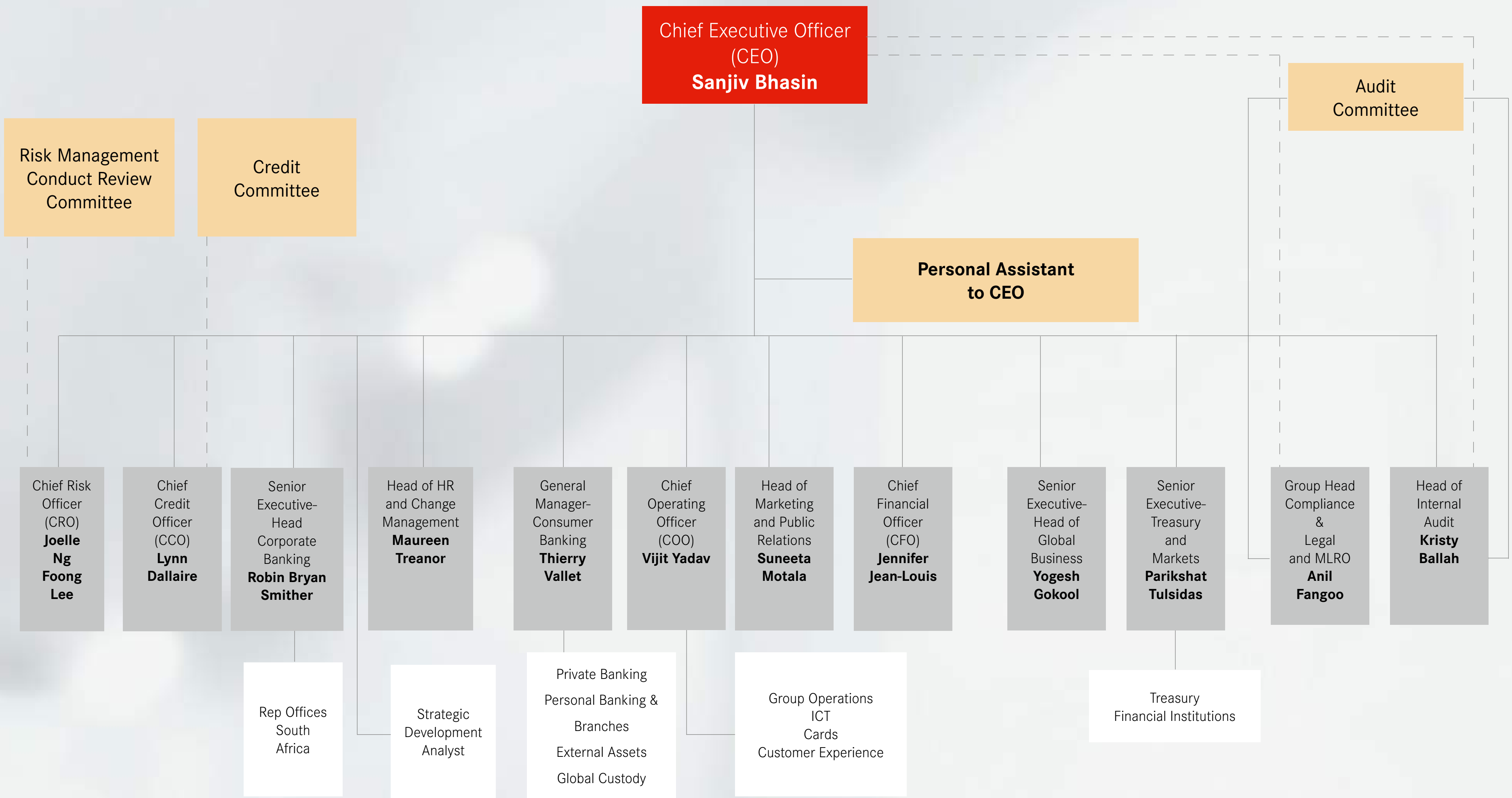
Shareholding Structure

AfrAsia Bank has a good mix of local and international private institutional investors of renowned reputation across various continents and had a capital base of MUR 6.0bn as at 30 June 2017. The Bank ensures that there is proper and efficient information dissemination to all of its shareholders and that the rights of minority shareholders are not neglected. It is noted that 0.6% of the Bank's shareholding is held by its staff.

The Bank's shareholding structure as at 30 June 2017 was as follows:



Organisational Chart



Board of Directors

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

The powers of Directors are set out in the Bank's Constitution and in the Terms of Reference for the Board first adopted on August 2007 and revised in June 2013. The Board is aware of its responsibilities to ensure that the Bank adheres to all relevant legislations such as the Banking Act 2004, the Financial Services Act 2007, Financial Reporting Act 2004 and the Companies Act 2001.

The Board also follows the principle of good corporate governance as recommended in the Code on Corporate Governance 2004 and the Bank of Mauritius Guidelines on Corporate Governance 2004. The Board reviews and approves on a regular basis the Bank's Code of Ethics to ensure that they are in line with the Bank's objectives. It also regularly monitors and evaluates the Bank's compliance with its Code of Ethics.

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

- Determining the Bank's purpose, strategy and values;
- Providing guidance, maintaining effective controls over the Bank and monitoring management in carrying out board plans and strategies;
- Monitoring and evaluating the implementation of the Bank's strategies, policies and management its performance criteria and business plans;
- Exercising leadership, enterprise, intellectual honesty, integrity, objectivity and judgement in directing the Bank so as to achieve sustainable prosperity;
- Ensuring that procedures and practices are in place to safeguard the Bank's assets and reputation and providing guarantee on the effectiveness of the Bank's internal control system;
- Monitoring and evaluating regularly compliance with the Code of Ethics;
- Approving and monitoring the Bank's risk management policies including the setting of limits by assessing its risk appetite, skills available for managing risk and its risk bearing capacity;
- Ensuring that succession is professionally planned in a timely manner;
- 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.

Prior Approval of the Board

As per the Mauritius Companies Act 2001, the Terms of Reference and the Bank's Constitution, 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 Bank;
- 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 provides for a Board comprising a minimum of five Directors and maximum of twelve Directors. As at 30 June 2017, the Bank had a unitary Board of ten members with a blend of experienced and well-known executives with high caliber from both local and international financiers. Of the ten directors, there is one Executive Director and nine Non-Executive Directors, the latter function independently of management. Out of the nine Non-Executive Directors, four are independent and do not have any relationship with either the Bank or its shareholders.

During the financial year, the Board welcomed two new members, Luc Paiement as Non-Executive Director on 19 December 2016 and Philippe Jewtoukoff as Independent Non-Executive Director on 16 May 2017. A complete induction pack was submitted to the newly appointed directors and they were given various opportunities to discuss with the Chief Executive Officer and Corporate Officers to better understand the business.

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

The Bank's Terms of Reference provides a clear distinction of the Chairperson's and Chief Executive Officer's roles and responsibilities. The CEO heads the Executive Committee to devise long-term strategies which are in line with shareholders' objectives and is responsible for all operational and day-to-day matters of the Bank. The Chairman, on the other hand, is responsible for leading the Board in the interests of good governance.

Board Appraisal

The Board of Directors goes through an ongoing performance appraisal exercise, led by the Chairperson, in order to ensure compliance with the Bank of Mauritius guidelines. Board appraisal is carried out by an internal questionnaire being sent and completed by all Board Members to assess their own individual performance, that of the Board and that of its Committees. The results of the appraisal exercise are presented to and discussed by the Corporate Governance Committee. In accordance with the National Code of Corporate Governance 2004, the Directors review the following elements:

- Board and Committees structure;
- Board efficiency and effectiveness;
- Risk management and governance;
- Strategic review and resource allocation;
- People issues and succession planning;
- Ethics management;
- Business performance; and
- Board Committees.

Directors

The Directors/Alternate Director of the Bank as at 30 June 2017 were as follows:

Lim Sit Chen Lam Pak Ng (Chairman)

Sanjiv Bhasin (Chief Executive Officer)

Jean-Claude Béga

Henri Calvet

Yves Jacquot

Graeme Robertson

Arvind Sethi

Nicolas Weiss

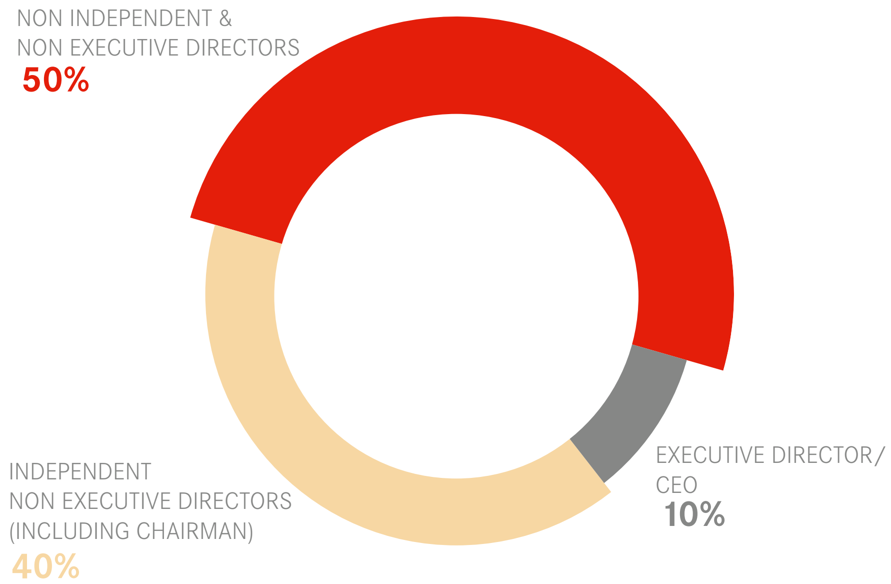
Luc Paiement (Appointed 19 December 2016)

Philippe Jewtoukoff (Appointed 16 May 2017)

Dominic Joseph Pierre Jacques (Alternate director to Yves Jacquot – Appointed 01 September 2016)

Mark Mulroney (Resigned on 19 December 2016)

Catherine McIlraith (Resigned on 23 February 2017)



Directors' Profile

LIM SIT CHEN (MAURICE) LAM PAK NG

Independent Non-Executive Chairman

Maurice is the founding partner of Stewardship Consulting, a company based in Singapore, providing strategy consulting services to family owned companies and government organisations. Prior to Stewardship Consulting, Maurice was in banking, advising public and private sector clients in treasury and risk management, financial strategy and investment management.

He has worked in London, Montreal, New York, Singapore and Tokyo.

Country of residence: Singapore

Master of Business Administration
Graduate School of Business of Columbia University, USA

Date first appointment as director: 12-Feb-07

Date of last re-appointment: 19-Dec-16

Length of service as director: 9 years 6 months

Present directorship

Listed entities:
Gamma Civic Ltd

Other non-listed entities:
Stewardship Consulting Pte Ltd
MIPSIT Co. Ltd

SANJIV BHASIN

Chief Executive Officer

Master of Business Administration in Finance
XLRI Jamshedpur

B.Com (Hons) degree in Accounting and Finance
Delhi University, India

Date first appointment as director: 19-Nov-15

Date of last re-appointment: 19-Dec-16

Length of service as director: 1 year 7 months

Present directorship

Other non-listed entities:
AfrAsia Capital Management Limited

Sanjiv has over 38 years of banking experience having held senior positions in Asia, Africa and UK markets and has headed international banks over the past 18 years as CEO. He started his career with HSBC in 1979 and, over the years, worked in various capacities mainly in the Corporate Banking, Investment Banking and Credit & Risk Management divisions in India, UK & Mauritius until 2004. His last role at HSBC was Chief Operating Officer HSBC India. From 2004 to 2008 he was the Managing Director & CEO of RaboBank in India growing the franchise to become the largest one in all foreign Asia. He thereafter joined DBS India, leading them to be the fourth largest foreign bank in India during his tenure while conceiving their digital banking array.

He is a successful leader of change and a major driver of growth at both corporate and operational levels, with a track record of delivering results in competitive markets. Sanjiv continues to build beneficial customer and staff relationships while driving banks to embrace the digital change.

Country of residence: Mauritius

JEAN-CLAUDE BÉGA

Non-Executive Director

Fellow of the Association of Chartered Certified Accountants

Date first appointment as director: 28- Oct-11

Date of last re-appointment: 19-Dec-16

Length of service as director: 5 years

Present directorship

Listed entities:

Alteo Limited

Lux* Island Resorts Ltd

Mauritian Eagle Insurance Company Limited (Non-Executive Chairman)

Phoenix Investment Company Limited

Phoenix Beverages Limited

The Bee Equity Partners Ltd (Non-Executive Chairman)

Present directorship (continued)

Other non-listed entities:

AfrAsia Capital Management Limited

AfrAsia Corporate Finance Limited

Anahita Estates Limited (Non-Executive Chairman)

Anahita Residences and Villas Limited

Anglo African Investments Ltd (Non-Executive Chairman)

Book Printing Services Ltd

Camp Investment Company Limited

DTOS Ltd (Non-Executive Chairman)

Edena S.A

GML Finance Holding Ltd

Interface International Ltd

International Sugar Expertise & Management Limited

Knights and Johns Management Ltd (Non-Executive Chairman)

Mauritian Stationery Manufacturers Limited

Phoenix Management Company Ltd

Printvest Holding Ltd

SPCB Ltée

The (Mauritius) Glass Gallery Ltd

Jean-Claude joined GML in 1997 and has been nominated as Group Head of Financial Services and Business Development of IBL Ltd on 1 July 2016 following the amalgamation between Ireland Blyth Limited and GML Investissement Limitée. He started his career in 1980 and spent 7 years as external auditor. He then joined a sugar group and performed various functions within accounting and finance. Jean-Claude currently oversees IBL Group's financial services activities as well as business development activities including M&A, strategic initiatives and integration.

Country of residence: Mauritius

Directors' Profile (cont'd)

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

Country of residence: France

YVES JACQUOT

Non-Executive Director

Master of Business Administration
ESSEC Business School

Date first appointment as director: 16-Jan-15

Date of last re-appointment: 19-Dec-16

Length of service as director: 2 years 5 months

Present directorship

Other non-listed entities:
AfrAsia Capital Management Limited
AfrAsia Investments Limited

HENRI CALVET

Independent Non-Executive Director

Graduate of Ecole Normale Supérieure de Cachan

University degree in Economics
Paris-I Panthéon-Sorbonne

Date first appointment as director: 23-Mar-15

Date of last re-appointment: 19-Dec-16

Length of service as director: 2 years 3 months

Present directorship

Other non-listed entities:
H2C CONSEIL
Advanced Bank of Asia

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

Country of residence: France

HSBC InvestDirect (India) Ltd
Old World Hospitality
Sundaram Asset Management Ltd
Tikka Town Pvt Ltd

After a brief career in financial journalism, as Assistant Editor for the Economic Times from 1979 to 1980, Arvind joined Grindlays Bank in 1981. He spent virtually all his career in foreign exchange, fixed income and derivatives, occupying senior roles in India such as Manager Treasury HSBC, General Manager Global Markets ANZ Grindlays and Managing Director Global Markets at Bank of America. Arvind was also the Head of Retail Banking at HSBC India in 1995/96 and during his career he had assignments with the ANZ treasury in Melbourne and HSBC's Debt Capital Markets in London. From 2001 to 2012, he was a Financial Advisor and Trainer in Financial instruments and Derivatives. He started the Fixed Income & Money Market Association of India (FIMMDA) and was its Chairman in 1999 & 2000. He was also part of the RBI's Committees on Foreign Exchange and Bond Market. He led a turnaround of Tata Asset Management as its MD & CEO from 2012 to 2015 and has also served as an Independent Director on the Board of Rabo India Finance Limited and Canara Robeco Asset Management.

Country of residence: India

ARVIND MADAN SETHI

Independent Non-Executive Director

MA Hons in Philosophy, Politics & Economics
Keble, Oxford University, UK

Date first appointment as director: 20-Apr-16

Date of last re-appointment: 19-Dec-16

Length of service as director: 1 year 2 months

Present directorship

Other non-listed entities:
Bloom Plantation and Resort Private Limited
CAP-M Consulting India Pvt Ltd
Bear Falls Plantation Resort Private Limited
Eden Plantation Resort Private Limited
Flourish Plantation Resort Private Limited
HSBC InvestDirect Financial Services (India) Ltd

GRAEME ROBERTSON

Non-Executive Director

Fellow of the Australian Institute of Company Directors

BA Sociology
University of New South Wales

Date first appointment as director: 16-Aug-11

Date of last re-appointment: 19-Dec-16

Length of service as director: 5 years 11 months

Present directorship

Listed companies:
Intra Energy Corporation - Chairperson
NuEnergy Gas Limited

Other non-listed entities:
AfrAsia Capital Management Limited
AfrAsia Investments Limited
Intrasia Capital Pte Ltd – Chairperson and owner of the group and its subsidiaries
AfrAsia Foundation – Chairperson
Madagascar Estates Development Partners – Chairperson
Vita Rice Limited – Chairperson
Nu Africa Gas Ltd – Chairperson

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 a humanitarian with interests in poverty alleviation and health improvement. He also acts as an Advisor to the Vice Prime Minister and Minister of Energy and Public Utilities in relation to the energy future of Mauritius.

Country of residence: Singapore

Directors' Profile (cont'd)

LUC PAIEMENT

Non-Executive Director

With 35 years of experience in the banking industry, Luc is recognized for his strong interpersonal skills and his ability to foster a culture of customer service excellence within his teams. He has held a variety of strategic positions in the wealth management and investment banking and institutional equity sectors. During his time at National Bank, he has been a key contributor to a series of transactions that have profoundly changed the organization and positioned it as a leader in Canada in a range of disciplines and in 1999 was named one of Canada's Top 40 under 40. Luc has been ranked among the Top 25 of Quebec's financial industry five times.

Country of residence: Canada

Bachelor of Commerce
Concordia University Montréal

Date first appointment as director: 19-Dec-16

Length of service as director: 6 months

Present directorship

Other non-listed entities:
AfrAsia Capital Management Limited
AfrAsia Investments Limited

NICOLAS WEISS

Non-Executive Director

Master of Business Administration degree
Cranfield University (UK)
ESSEC Business School
Ingenieur Telecoms

Date first appointment as director: 01-Nov-13

Date of last re-appointment: 19-Dec-16

Length of service as director: 3 years 7 months

Present directorship

Other non-listed entities:
AfrAsia Investments Limited
AfrAsia Capital Management Ltd
BAMI CONSULTING
Brink's (Mauritius) Ltd
Visiotouch Co Ltd

Nicolas is a Telecommunications engineer. He started his career in 1988 at Deltabanque, where he developed an interest rate risk management system. He later developed portfolio insurance and market arbitrage models. In 1991, he joined M.Philippe Oddo and helped raise the clientele of Institutional Investors for mutual funds actions, bonds and derivatives. In 1993, he joined Mr. Le Baron Edmond de Rothschild and was General Manager and Shareholder to the creation of AssMgt subsidiaries of the Rothschild Group in Europe: Rothschild Asset Management (EUR20bn), E.de AssMgt Rothschild Investment Services (USD4bn), and Rothschild Multi Management (EUR5bn). Nicolas Weiss was also director and treasurer for 'Rothschild Foundations' 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.

Country of residence: Mauritius

During his 33 years long career in the banking sector, Philippe has got a wide experience in the finance, asset -management and audit fields. He retired as CEO of the "Credit Cooperatif", a nationwide retail bank in France.

Since 2011, he became an independent consultant specialised in restructuring.

Philippe has also created a micro- finance network in West-Africa (Mali) in the nineties and has a strong knowledge of Madagascar where he had lived after his student life.

Country of residence: France

PHILIPPE JEWTOUKOFF

Independent
Non-Executive Director

ENSAE Paris
Université Paris-Saclay

DEA - Mathematics
Université Paris VI

Masters in Economic Sciences
Université Panthéon Sorbonne

Date first appointment as director: 16-May-17

Length of service as director: 1 month

Present directorship

Other non-listed entities:
PERMCO

DOMINIC JACQUES

Alternate Director
to Yves Jacquot

Certified Professional Accountant (CPA)

Chartered Financial Analyst (CFA)

HEC Montreal
BAA in Business
DESSCP in Accounting

Date first appointment as director: 01-Sep-16

Length of service as director: 8 months

Present directorship

Other non-listed entities:
ABA Bank (Cambodia)
ATA IT Ltd. (Thailand)

Dominic holds the position of Deputy Vice-President, International Development at National Bank of Canada. As such, he manages the Bank's portfolio of international investments. He started his career at PriceWaterhouseCoopers and joined National Bank of Canada in 2010 as Senior Manager, Strategy and Corporate Development. Dominic has a sound knowledge of the banking industry, having spent 15 years advising financial institutions on transactions and partnerships. Over the years, he has been based in Montreal, London, Paris and San Jose, California.

Country of residence: Canada

Board Committees

AfrAsia's Board Committees are used to enable the Board to discharge its powers and duties necessary for managing, directing and supervising the management of the business and affairs of the Bank.

The Bank has four Board Committees for more in-depth analysis and review of various issues as may be appropriate. A report is prepared by each Board Committee and presented to the Board after each meeting.

The Bank's Board Committees include: a Corporate Governance Committee, a Credit Committee, a Risk Management / Conduct Review Committee and an Audit Committee with their respective members as per below as at 30 June 2017:

DIRECTORS	CORPORATE GOVERNANCE COMMITTEE	CREDIT COMMITTEE	RISK MANAGEMENT/ CONDUCT REVIEW COMMITTEE	AUDIT COMMITTEE
Lim Sit Chen (Maurice) Lam Pak Ng	Chairman Date of appointment: 19 June 2013	Chairman Date of appointment: 07 June 2017	✓	
Sanjiv Bhasin	✓		✓	
Henri Calvet		✓	Chairman Date of appointment: 23 March 2015	✓
Yves Jacquot	✓	✓	✓	
Arvind Sethi			✓	Chairman Date of appointment: 27 July 2016
Nicolas Weiss	✓			
Mark Mulroney (Resigned on 19 December 2016)			✓	
Catherine McIlraith (Resigned on 23 February 2017)		Chairman Date of appointment: 18 November 2015		✓

Corporate Governance Committee

The core objectives of the Corporate Governance Committee include amongst others:

- To deal with all corporate governance issues and makes recommendations to the Board accordingly;
- To determine, agree and develop the Bank's general policy on corporate governance in accordance with the recommendations of the Code of Corporate Governance Guidelines issued by the Bank of Mauritius and ensures compliance with same;
- To ensure that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice;
- To ensure effective communication between stakeholders;
- To act as the Nomination and Remuneration Committees by selecting potential candidates for recommendation to the Board and approving the nomination and remuneration of the Directors and Senior Management;
- To review and advise on the general remuneration policy of the Bank;
- To oversee compensation, human resources and corporate social responsibility issues and related budgets;
- To oversee information governance and makes recommendations to the Board;
- To determine any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
- To ensure a review, at least annually, of the current Directors' performance and attendance at Board and Committee meetings; and
- To request an annual headcount and budget plan but leaves management to execute and report thereon at regular intervals.

Credit Committee

The Credit Committee performs several fundamental functions which include:

- Reviewing recommendations from Management Credit Committee (MCC) to grant a credit facility when exceeding delegated limits to the MCC;
- Monitoring of large credits, impaired credits and the overall level of provisioning; and
- Reviewing of restructured facilities which shall be approved by the sanctioning authority (one level higher) than the initial power.

Risk Management/Conduct Review Committee

Risk Management/Conduct Review Committee performs several fundamental functions which include:

- Reviewing the principal risks and have a global view on all risks which the Bank is facing which includes but not limited to credit, market, liquidity, operational, legal, compliance and reputational risks and the actions taken to mitigate the risks;
- Ensuring that the Bank maintains a satisfactory liquidity and solvency ratio at all times;
- Formulating and making recommendations to the Board in respect of risk management issues including limits setting and risk appetite;
- Having the mandate to require management to establish policies and procedures to comply with the requirements of the Guidelines on Related Party Transactions;
- Reviewing the policies and procedures periodically to ensure their continuing adequacy and enforcement;
- Reviewing and approving credit exposures to related parties;
- Ensuring market terms and conditions are applied to all related party transactions;
- Reviewing the practices of the financial institution to ensure that any transactions with related parties that may have a material effect on the stability and solvency of the Bank are identified and dealt with in a timely manner; and
- Reporting periodically and in any case not less frequently than on a quarterly basis to the Board of Directors on matters reviewed by it, including exception on policies, processes and limits.

Board Committees (cont'd)

Audit Committee

The Committee consisted of three independent Directors for a major part of the financial year, until Catherine McIlraith resigned after the Board meeting of February 2017 given she had reached 6 years' term of office.

During the year under review, the Committee met at least once every quarter in line with its approved Terms of Reference and consistent with good governance practices.

The main responsibilities of this Committee include, *inter alia*, regular reviews and monitoring of the following:

- Ensure that there is an open avenue of communication between the Head of Internal Audit, the External Auditors and the Board of Directors;
- Review annually and, if necessary propose for formal Board adoption, amendments to the Committee's Terms of Reference;
- Review and approve the audit plans (external and internal) to ensure that these are risk-based and address all activities over a measurable cycle, and ensure that the work of external and internal auditors is coordinated;
- Report to the Directors on the conduct of its responsibilities, with particular reference to the appointment, powers and duties of auditors, as per section 39 of the Banking Act 2004. In addition, the Committee should also approve the engagement letter setting out the scope and terms of external audit;
- Review the quarterly unaudited results and the audited financial statements of the Bank before they are approved by the Board of Directors;
- Require senior 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;
- Perform such additional duties as may be assigned to it by the Board of Directors;
- Ensure that the Bank complies with legal and regulatory requirements;
- Ensure that there is appropriate structure in place for identifying, monitoring, and managing compliance risk as well as a reporting system to advise the Committee and the Board of instances of non-compliance on a timely basis; and
- Ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors (internal and external), including internal control weaknesses and instances of non-compliance with laws.

Furthermore, the Committee reviews the annual audited financial statements before these are approved by the Board.

In carrying out its responsibilities, the Committee meets regularly with senior management of the Bank and regular reports are received from both internal and external auditors. The Committee has satisfied its responsibilities for the year in compliance with its approved Terms of Reference.

Attendance Report

The attendance report of the Directors at Board and Committee meetings for the year ended 30 June 2017, as well as their individual remuneration and benefits paid, are shown below:

	BOARD OF DIRECTORS	CORPORATE GOVERNANCE COMMITTEE	CREDIT COMMITTEE	RISK MANAGEMENT/ CONDUCT REVIEW COMMITTEE	AUDIT COMMITTEE	REMUNERATION PAID		
No of meetings held	**5**	**5**	**5**	**5**	**5**	**Fixed**	**Variable**	**Total**
						MUR'000	MUR'000	MUR'000
Lim Sit Chen Lam Pak Ng (Chairman)	5	5	5	5	-	6,600	-	6,600
Sanjiv Bhasin (Chief Executive Officer)	5	5	-	5	-	18,311	-	18,311
Jean-Claude Béga	5	-	-	-	-	736	-	736
Henri Calvet	4	-	5	5	5	440	870	1,310
Yves Jacquot	5	5	5	5	-	440	665	1,105
Graeme Robertson	5	-	-	-	-	440	-	440
Arvind Sethi	5	-	-	5	5	220	397	617
Nicolas Weiss	5	5	-	-	-	440	225	665
Luc Paiement (Appointed 19 December 2016)	2	-	-	-	-	16	-	16
Philippe Jewtoukoff (Appointed 16 May 2017)	1	-	-	-	-	-	-	-
Mark Mulroney (Resigned on 19 December 2016)	3	-	-	1	-	-	-	-
Catherine McIlraith (Resigned on 23 February 2017)	4	-	4	-	4	440	710	1,150

Directors' Remuneration and Benefits

Directors who are in full time employment with the Bank are entitled to a fixed salary as per their contract of employment. They do not receive any additional remuneration for attending the Board meetings and Committees.

The table below sets out the fee structure for Non-Executive Directors:

CATEGORY OF MEMBER	MUR'000	FEE DETAILS
Board Member	440	Fixed fee per annum
Committee Member	45	Per attendance
Additional fee to Credit Committee Member – Independent Only	200	Yearly
Additional fee to Credit Committee Member	15	Per attendance
Additional fee to Chairman of Committee	10	Per attendance
Risk Committee Member being also a Credit Committee Member	25	Per attendance

Total remuneration and benefits received, or due and receivable, by the Directors from the Bank and its subsidiaries for the year ended 30 June 2017 were as follows:

	YEAR ENDED 30 JUNE 2017		YEAR ENDED 30 JUNE 2016		YEAR ENDED 30 JUNE 2015	
	Executive Director	**Non-Executive Directors**	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
The Bank						
AfrAsia Bank Limited	**18,311**	**6,152**	33,257	13,889	33,456	33,587
The Subsidiaries						
AfrAsia Investments Limited	**-**	**-**	-	-	-	-
AfrAsia Holdings Limited (Under liquidation)	**-**	**-**	-	-	-	-
Stellar Advisers Pty Limited (disposed in December 2015)	**-**	**-**	17,010	-	20,063	-
AfrAsia Corporate Finance (Africa) Limited (Under liquidation)	**-**	**-**	-	-	-	-
AfrAsia Capital Management Limited	**2,449**	**-**	9,486	-	3,378	-
AfrAsia Corporate Finance (Pty) Limited	**-**	**-**	7,000	-	-	-
AfrAsia Corporate Finance Limited (Under liquidation)	**-**	**-**	-	-	-	-
AfrAsia Corporate Finance International Limited	**-**	**-**	-	-	-	-
AfrAsia Kingdom Holdings Limited (Under liquidation)	**-**	**-**	-	-	-	-

Directors' Service Contracts with the Bank and its Subsidiaries

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

Thierry Vallet, Director of AfrAsia Investments Limited and AfrAsia Corporate Finance International Limited, has a service contract with the Bank for a period of one year expiring on 30 June 2018 and thereafter renewable if agreed by both parties. The notice period for termination of the contract is six months.

Directors' Share Interest

The interests of the Directors in the securities of the Group and the Bank as at 30 June 2017 were:

	YEAR ENDED 30 JUNE 2017		YEAR ENDED 30 JUNE 2016		YEAR ENDED 30 JUNE 2015	
	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly	Ordinary Shares held directly and indirectly
	Number	%	Number	%	Number	%
Lim Sit Chen Lam Pak Ng (Chairman)	179,466	0.17	156,417	0.16	156,417	0.16
Sanjiv Bhasin (Chief Executive Officer)	-	-	-	-	-	-
Jean Claude Béga	-	-	-	-	-	-
Henri Calvet	-	-	-	-	-	-
Yves Jacquot	-	-	-	-	-	-
Graeme Robertson	10,701,848	10.03	10,095,394	10.41	10,095,394	10.44
Arvind Sethi	-	-	-	-	-	-
Nicolas Weiss	-	-	-	-	-	-
Luc Paiement (appointed on 19 December 2016)	-	-	-	-	-	-
Philippe Jewtoukoff (appointed on 26 May 2017)	-	-	-	-	-	-
Mark Mulroney (resigned on 19 December 2016)	-	-	-	-	-	-
Catherine McIlraith (resigned on 23 February 2017)	-	-	-	-	-	-
James Benoit (resigned on 23 September 2015)	Resigned	Resigned	1,883,241	1.94	1,707,105	1.77
Kamben Padayachy (resigned on 23 September 2015)	Resigned	Resigned	902,524	0.93	814,456	0.84

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

Conflicts of Interest

Conflicts of interest exist when transactions are held between the Bank/Group and its directors, significant shareholders and management.

Some of the actions that the Bank/Group and its related parties take to avoid conflicts of interest include amongst others:

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

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

Senior Management Team Profile

LYNN DALLAIRE

Chief Credit Officer

Fellow Member
Canadian Chartered Institute of Bankers

Master of Business Administration
University of Quebec, Montreal

Date joined AfrAsia: 24-Oct-16

A native of Quebec and a veteran banker, Lynn has an extensive experience acquired at National Bank of Canada over the past 39 years. She held various senior roles in internal audit, risk management, Business/corporate relationship management, workouts (debt restructuring), and at the corporate recovery center.

YOGESH GOKOOL

Senior Executive –
Head of Global Business

Member
Society of Trust and Estate Practitioners (STEP)
Association of International Wealth Management (AIWM)
Mauritius Institute of Directors (MIoD)

Date joined AfrAsia: 03-Jul-08

Yogesh has over 20 years of experience in financial management gained whilst working for International Financial Services Limited (now part of Sanne Group Plc), a leading International Management Company in Mauritius. He also worked for Deutsche Bank (Mauritius) where he headed the fiduciary services division.

Yogesh sits on the board of STEP Mauritius, which promotes Private Clients work and liaises with the Mauritius Government on current issues and the implementation of fiduciary legislation.

JENNIFER JEAN-LOUIS

Chief Financial Officer

Fellow Member
Institute of Chartered Accountants in England and Wales
Chartered Tax Advisor
Date joined AfrAsia: 30-Jul-07

Jennifer has been with the Bank since its inception and has contributed in the setting up of its financial management frameworks incorporating finance, taxation and treasury back office. She is a finance professional with over 20 years of experience gained locally and internationally in both public practice and the industry.

SUNEETA MOTALA

Head of Marketing and Public Relations

Pre Associateship - Chartered Institute of Bankers
MSc in Marketing - Salford University
International Certificate for Financial Advisor
Chartered Insurance Institute
General Management Certificate - ESSEC Business School, France
Date joined AfrAsia: 01-Jul-07

With more than 20 years of experience, including 12 years in a managerial position, Suneeta is an experienced marketer in the banking sector. She started her career at HSBC in 1994 spearheading responsibilities in Sales & Marketing, Credit & Risk, CRM and branch operations. In July 2007, she joined AfrAsia, a bank she contributed to building since inception with a unified branding, marketing and communications strategy, reckoned today as a key financial services player.

JOELLE NG FOONG LEE

Chief Risk Officer

Associate
Professional Risk Managers International Association (PRM)
General Management Program for Mauritius and South East Africa for Executives
Essec Business School
Banking Studies
University of Mauritius
Date joined AfrAsia: 17-Sep-07

Joelle is responsible for the overall Risk Management of the bank. She has more than 20 years of experience in the banking sector in Personal Banking, Recovery and in Credit and Risk Management having worked for HSBC and MCB prior to joining AfrAsia.

Senior Management Team Profile (cont'd)

ROBIN BRYAN SMITHER

Senior Executive – Head Corporate Banking

Master of Business Administration
University of Witwatersrand (WITS) South Africa

Post Graduate Diploma in Business Management
University of Witwatersrand (WITS) South Africa

Degree in Social Science (PPE) - University of Cape Town

Date joined AfrAsia: 07-Jan-13 (contractual)

Robin has over 16 years' experience in Corporate and Investment Banking with an extensive knowledge in global markets, investment banking and lending products. Robin was with Standard Bank for more than 11 years, spent 3 years in Mauritius as Head of Corporate Banking, followed by some time in South Africa as a senior banker to Standard Bank's large global multinational clients where he developed an extensive knowledge of Africa related banking and business. Robin currently heads up the domestic and international corporate banking activities for the bank. Robin also acts as a non-executive director on some of the AfrAsia Capital Management investment funds.

MAUREEN TREANOR

Head of Human Resources and Change Management

Member
Mauritius Institute of Directors (MIoD)

Qualifications in Human Resources (ABE UK) and Project Management
University of Mauritius

Current - Master of Business Administration
Edinburgh Business School

Date joined AfrAsia: 01-Jun-2010

Maureen started her career with Barclays Bank (UK) approximately 25 years ago. She joined AfrAsia as Head of Human Resources and Change Management in 2010 and has experience in the UK and African markets.

PARIKSHAT TULSIDAS

Senior Executive – Treasury & Markets

ACI Dealing Certificate
ACI

Bachelor of Arts in Marketing and HR
Middlesex University London

Date joined AfrAsia: 21-Jan-13

Parik, a Mauritian national, has over 15 years' experience in Financial Markets. He worked at the Standard Bank where he held the post of Head of Sales - Global Markets (Mauritius) for approximately 5 years. He then moved to Beijing as the General Manager, Global Markets Advisory (China) for the same company.

THIERRY VALLET

General Manager - Consumer Banking

Master of Business Administration - International Finance
HEC School of Management, Paris

Date joined AfrAsia: 20-Aug-07

Thierry started his career as an Engineer and worked for large companies such as LONRHO, ILLOVO and IBL. In 2000, he went back to school to do a MBA at HEC Paris where he specialised in International Finance. He then started his financial career working for Groupe Generali as an Insurance Inspector. In 2005, he returned to Mauritius and joined the Mauritius Commercial Bank Limited as Corporate Banker and moved to AfrAsia Bank in 2007 as Head of Strategic Development.

VIJIT YADAV

Chief Operating Officer

Master of Business Administration
International Management Institute, India

Diploma in Business Management and Administration
London School of Foreign Trade, UK

Masters and Bachelor's degree - History
St. Stephens College, Delhi University, India

Date joined AfrAsia: 08-Aug-16

Prior to joining AfrAsia, Vijit was Managing Director and Chief Operating Officer at DBS Bank, India where he oversaw the technological and digital transformation of the Bank in India. He was also a Member of the DBS Group Technology & Operations Executive Committee. Earlier, he spent 17 years at the HSBC Group, both in India and USA, running Business lines as well as Support functions. With a track record of over 27 years in the banking sector, he has extensive and valuable expertise in driving change in the Consumer and Corporate banking areas, digitizing Operations and digital implementations, amongst others.

Company Secretary

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

- Planning, organising and attending Board meetings, Board Committees and annual meetings of shareholders;
- Preparing notice of meetings, minutes of proceedings of all above-mentioned meetings and preparing and circularizing Written Resolutions;
- Renewing fees with Companies Division;
- Filing all statutory documents with Companies Division; and
- Maintaining of statutory records in accordance with Companies Act.

The Bank has outsourced its secretarial functions to IBL Management Ltd.

External Auditors

The Bank has appointed Deloitte to perform its external audit for the year ended 30 June 2017 through an audit tender carried out in December 2016. Audit fees of MUR 2.5m is payable to Deloitte for the audit of the financial year ended 30 June 2017. Ernst & Young and KPMG have been auditors for the prior years.

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

	YEAR ENDED 30 JUNE 2017		YEAR ENDED 30 JUNE 2016		YEAR ENDED 30 JUNE 2015	
	Audit	Other	Audit	Other	Audit	Other
	(MUR'000)	(MUR'000)	(MUR'000)	(MUR'000)	(MUR'000)	(MUR'000)
Deloitte						
The Bank						
AfrAsia Bank Limited	-	-	-	-	-	-
Ernst & Young						
The Bank						
AfrAsia Bank Limited	1 ,761	1,723	3,100	4,422	1,625	3,677
The Subsidiaries						
AfrAsia Investments Limited	183	39	150	86	160	-
AfrAsia Holdings Limited (Under liquidation)	-	-	-	-	50	-
Stellar Advisers Pty Limited (disposed in December 2015)	-	-	460	23	-	-
AfrAsia Corporate Finance (Africa) Limited (Under liquidation)	247	58	-	-	486	-
AfrAsia Capital Management Limited	426	19	178	173	180	-
AfrAsia Corporate Finance (Pty) Limited	212	-	142	115	99	-
AfrAsia Corporate Finance Limited (Under liquidation)	-	-	370	362	370	-
AfrAsia Corporate Finance International Limited	-	-	-	-	-	-
AfrAsia Kingdom Holdings Limited (Under liquidation)	-	-	71	6	-	-
KPMG						
The Bank						
AfrAsia Bank Limited	-	-	-	-	1,375	-

Other services relate to interim review work performed by Ernst & Young amongst others.

Internal Control, Internal Audit and Risk Management

Please refer to the Risk Management Report on page 128 «

Anti-Money Laundering

Please refer to the Risk Management Report on page 128 «

Dividend Policy

Dividends are proposed by management to its Board of Directors in line with the provisions of the Banking Act 2004, the Companies Act 2001 and the Bank's Constitution. Once the Board is satisfied with the Bank's recommendation and once the solvency tests are met, approval of the Bank of Mauritius is then sought prior to distribution to shareholders.

Dividend on Ordinary Shares

The Bank has achieved a satisfactory financial return to allow dividends of MUR 100.4m (MUR 1.00 per share), declared and paid during the year under review (2016: MUR27.3m that is, MUR 0.35 per share / 2015: MUR 117.7m that is, MUR 1.65 per share).

Dividend on Class A Shares

Dividend of MUR 71.3m were paid for the 6 months ended 31 December 2016 and MUR 71.2m for the 6 months ended 30 June 2016 (MUR 71.7m for the 6 months ended 31 December 2015, MUR 69.9m for the 6 months ended 30 June 2015).

Equity-Settled Share-Based Plan

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

Read on page 223 «

Material Clauses Of Constitution

Article 21.2 of the Bank's Constitution provides for a list of reserved matters which must be approved by special resolution 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. (Proparco). Following the exit of the latter on 30 December 2016, the Bank is in the process of amending its Constitution.

Shareholders' Agreement

The provisions of the current shareholders' agreement have for the most part been replicated in the Bank's Constitution. The current shareholders agreement is between Société de Promotion et de la Participation pour la Coopération Economique S.A., GML Investissement Ltée (now known as IBL Ltd resulting from the amalgamation of IBL Ltd and GML Investissement Ltée), Intrasia Capital Pte Ltd, National Bank of Canada and the Bank. Following the exit of Proparco, the Bank is in the process of amending the shareholders' agreement.

Significant Contracts

There is currently no significant contract between third parties and AfrAsia Bank Limited group of entities.

Management Agreements

There is currently no management agreement between third parties and AfrAsia Bank Limited group of entities.

Gifts and Donations

The Bank made MUR 0.6m of gifts and donations during the year ended 30 June 2017 (2016: MUR 0.2m / 2015: MUR 1.0m).

Political Donations

The Bank made no political donations during the year ended 30 June 2017 (2016: Nil / 2015: MUR 2.5m).

Related Party Transactions

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

Some Key Dates

Shareholders' Calendar

Financial Year End	June
Annual Meeting of Shareholders	November

Publication of Financial Statements

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

Dividends

Ordinary shares Dividends

Declaration	September
Payment	Upon receipt of approval from local regulators

Class A shares Dividends

Payment	Post June and December Upon receipt of approval from local regulators

The annual report is published in full on our website

Our Key Relationships

A credible Corporate Responsibility approach must include ongoing relations with primary stakeholders. When identifying community and diversity organizations to work with, we select those that align closely with our areas of focus.

We offer a variety of ways for stakeholders to contact us and let us know their needs and concerns. We actively maintain various channels of communication to learn what we are doing well and where we need to improve. In addition, based on different feedback received from all stakeholders, the Bank reviews its ways of communication and its involvement with them in order to enhance relationships with various stakeholders.

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

EMPLOYEES AND MANAGEMENT

HOW WE ENGAGE WITH OUR STAKEHOLDERS	› Face to face meetings › CEO road-shows › Social events/activities › Training and coaching • External learning and growth opportunities • Committees • Recognition and reward
THEIR CONTRIBUTION TO VALUE CREATION	› Clear Key Performance Indicators and targets are communicated › Passion and right attitude
WHAT OUR STAKEHOLDERS EXPECT FROM US	› An environment that encourages growth and open communication › Provides the opportunity to achieve personal goals whilst aligning to company objectives
WHAT CONCERNS OUR STAKEHOLDERS	› A safe and healthy place to work › Continued career enhancement › Open door management style; with mutual trust and positive culture › Regular feedback and coaching › Competitive remuneration and non-financial rewards › A high level of empowerment and autonomy

SHAREHOLDERS AND INVESTORS

HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Regular presentations and road-shows
- External newsletters
- Integrated reports, media releases and published results
  - Board meetings
  - Annual general meetings
  - Investor relations microsite

THEIR CONTRIBUTION TO VALUE CREATION

- Investors provide the financial capital necessary to sustain growth

WHAT OUR STAKEHOLDERS EXPECT FROM US

- Providing sustained returns on investment through sound risk management, strategic growth opportunities and good governance practices

WHAT CONCERNS OUR STAKEHOLDERS

- Delivering sustainable returns
- Leadership and strategic direction
- Corporate governance and ethics
- Progress with project pipelines, business plans and future growth projects
- A high level of empowerment and autonomy

GOVERNMENT AND REGULATORY AUTHORITIES

HOW WE ENGAGE WITH OUR STAKEHOLDERS

- Regular meetings with the regulators
- Workgroups – on issues and regulatory Guidelines
- Written communication
- Regulatory returns
- Onsite and offsite supervision by the regulators
- Trilateral meeting
- Regulatory Approvals

THEIR CONTRIBUTION TO VALUE CREATION

- The regulator provides the enabling regulatory framework

WHAT OUR STAKEHOLDERS EXPECT FROM US

- Providing banking and financial services in a transparent, secure and responsible way
- Ensuring customer satisfaction
- Complying with acts, regulations and guidelines

WHAT CONCERNS OUR STAKEHOLDERS

- Products and services being provided and their communication
- Compliance with acts and regulations
- Transparency and accessibility to accurate and up to date information
- The Bank's duty of confidentiality
- Duties of directors and senior management
- Appropriate Customer Due Diligence and Know Your Client (KYC)
- Risk management and internal control
- Complaints handling and customer care

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SUSTAINABILITY - DRIVING RESPONSIBLE BANKING 2020

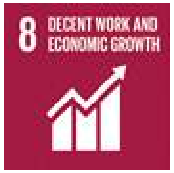
In today's emerging dynamic global economic environment, financial reporting alone does not adequately capture how organizations are responding to the changing externalities and creating value for their stakeholders.

As triple bottom line accounting becomes mainstream, the Bank believes that an integrated view on reporting, which looks at financial, human, social and relationship, natural, intellectual and manufactured capital, is the way forward.

Striving to pave the way towards one of our objectives 'Responsible Bank 2020' AfrAsia Bank has integrated sustainability into its business strategy since 2016.

AfrAsia Bank builds its Sustainability strategy in line with the Sustainable Development Goals (SDGs) of the United Nations to work towards 4 main pillars: Marketplace, Workplace, Social and Environmental responsibilities.

Financial Capital



Financial Capital is the value of money that the Bank obtains from providers of capital that is used to support business activities. Profits are then generated for distribution amongst its stakeholders and for retention to fund business activities:

- Contribute to a strong and stable financial sector through our moderate risk profile

Internal control and risk mitigation measures are put in place and implemented to ensure compliance with the relevant laws, regulations, internal policies and procedures.

As per the compliance plan approved by the Board of Directors, compliance team reviews department on a regular basis. Reports / findings are duly submitted to Senior Management, Audit Committee of the Board and the Board of Directors.

Moreover, the Compliance function is responsible to provide assurance and advise the Management and staff of the Bank concerning compliance and regulatory matters.

- Long-term Financing and Investments, and Financing with a Positive Impact

Our long term financing takes in some cases environmental and social considerations through the Equator Principles mentioned in some contracts with external parties.

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We have provided credit facilities to finance the following:

- Green energy projects/ Hydro /photo voltaic
- Low costs Housing Development
- Agricultural development for food sustainability
- Recycling

Intellectual Capital

Intellectual Capital refers to the collective knowledge, research, thought leadership, brand management and intellectual property used to support business activities and lead public discourse on global challenges.

AfrAsia Bank is reinforcing its intellectual capital through the following ways:

- *Expand our digital offering and reshape our distribution model to meet evolving client needs.*

We have embarked on a journey to modernize our technological platforms and adopting digital transformation. The main objective is to upgrade back office systems to address demands of the new age technologies. There are two major approaches that have been adopted. Firstly, this will involve modifications in the current IT systems to be compatible with analytics and mobility tools, revamping the data centres, improving the usability of application interface (API) and developing a suitable enterprise architecture framework with service oriented architecture enabled core system.

The second approach, digital banking, is the key to improve banking experience of the consumers. It includes all services that address the requirements of various set of customers.

- *Business Ethics*

The Board of Directors and the Senior Management of the Bank is fully dedicated in following and implementing corporate governance throughout the Bank and applying business ethics.

The Bank continuously works in maintaining good relationships with its various stakeholders through accountability and transparency.

The Bank has in place policies and procedures for Code of Conduct for all staff, which includes sections concerning Confidentiality, Conflict of Interest and Fair and Equitable Treatment.

Manufactured Capital

Manufactured Capital is the Bank's tangible and intangible infrastructure, including IT assets, used for value creation through business activities:

- Deliver value to our clients through a stable, secure and robust IT landscape, with a high availability of systems and low losses from cybercrime and fraud;
- Re-engineering and simplifying our IT landscape and accelerating the digitalisation of client processes, enabling us to be more agile and ready for the future.

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Sustainability - Driving Responsible Banking 2020 (cont'd)

Social and Relationship Capital

Social and Relationship Capital refers to the relationships the Bank creates with its customers, investors, regulators, suppliers and community at large to create societal values as a responsible corporate citizen:

› Customer experience

At AfrAsia Bank, we place customer journeys at the heart of everything we do. Our belief is that an engaged employee will result in happy customers. Our employees embody the customer experience every time they interact with a customer, tailor a product, or define a new process. At the workplace, we have adopted an outside-in mindset that promotes a strong customer centric culture by empowering employees with tools to manage customer expectations.

We are transforming our culture for our team to be customer journey centric and deliver a consistent and superior experience to our customers. We aim at providing our employees being our greatest asset with an environment that promotes team work and allows them to innovate.

As part of our strategic agenda, we have identified four important priorities to guide the Bank's efforts:

› Technology Modernization
› Operational Efficiency
› Culture alignment & Employee Engagement
› Customer Experience Transformation

We are investing in technology to transform and simplify customer journeys through the use of data analytics. We have embarked upon a digital transformation of the Bank to ensure a consistently excellent and contemporary customer experience while establishing highly efficient operations.

› Work on gaining public trust

AfrAsia Bank has built a solid reputation over the years, ensuring a strong and constant visibility on the local and regional markets. With a team of experts we have been providing thought leadership across media channels as well as during events and conferences. Our objective is to remain transparent in all our targeted communication and ensure that we action on feedback received. Our strategy is to nurture a close relationship with all stakeholders through a two-way communication.

Simultaneously, over and above the traditional 4Ps our marketers are putting more emphasis on the fifth 'P', People, as central to their strategies. Our HR's role is to help create an employee experience that is a mirror for the customer experience.

› Engaging other stakeholders through dialogue and acting on material issues raised, we continue to strengthen our cooperative relationships with them

During the past year the Bank has engaged in a major B2B customer survey to assess satisfaction levels, gather feedback on products and services, and establish an action plan based on recommendations received. We listen to our clients' needs and value interactions with our stakeholders.

› Compliance with national and international legislation

Policies and Procedures are in place and changes are done in line with new/updated laws, Bank of Mauritius and Financial Services Commission guidelines and regulations.

Trilateral meeting is held between the Bank of Mauritius, external auditors and the Bank. The Bank is also subject to onsite and offsite inspections by the regulators.

› Procurement management

The Bank's Procurement Strategy is to achieve cost savings through a new centralized procurement unit by going through supplier optimization (that is, the most competitive suppliers) to maximize quality standards and minimize overall cost.

The Green and Social Strategy to our procurement requests would be to optimize the selection of products and services that minimize the environmental and health impacts. Assessment of our purchases and determine whether products could be reduced/re-used/recycled or eliminated. Assessment of our suppliers is done by them completing a pre-qualification questionnaire.

› Corporate Social Responsibility

AfrAsia Foundation is the social arm of AfrAsia Bank and its subsidiaries. We have identified 3 main projects that will help shape the future of our world, with a commitment to help them grow and prosper over the long term. It is our goal to promote and provide lasting support, ensuring the success of these educational, health and environmental projects.

MUR 1.5M FUNDRAISED FOR LINK TO LIFE FOR A HIGH TECH SCREENING MACHINE

CREATION OF AFRASIA SCHOOL PROJECT AIMING AT PROVIDING PRESCHOOL AND AFTERSCHOOL COURSES FOR

100

CHILDREN FROM VULNERABLE GROUPS BY 2020

CANCER AWARENESS WORKSHOP DURING AFRASIA WOMEN'S HEALTH MONTH IN APRIL 2017

NO. OF VOLUNTEERING HOURS FROM AFRASIANS:

>700

IN COLLABORATION WITH MINERVA FIDUCIARY SERVICES (MAURITIUS) LIMITED

3000

PERSONS COLLABORATED TOWARDS A HUMAN CHAIN IN EBENE FOR AN AWARENESS CAMPAIGN

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Sustainability - Driving Responsible Banking 2020 (cont'd)

Human Capital

Human Capital refers to the employees' competencies, knowledge and experience and their capability to utilize these to meet stakeholder needs. The Bank puts its People at the forefront of its strategy and our Human Resources team is developing several strategies towards being the Employer of Choice in Mauritius.

STAFF FROM EUROPE, MAURITIUS, ASIA, SOUTH AFRICA, CANADA

- Attract, develop and retain the best people by defining a strong corporate identity, creating a culture of excellence and helping employees create their best place to work

Attract

Our continued two way communication, the Graduate Management Programme, Training Needs Analysis (TNA), introduction of a salary and grading structure along with a review of benefits, short term assignments with our colleagues in National Bank of Canada (NBC), new resourcing, onboarding and exit policies, health and welfare programmes will contribute to making AfrAsia Bank a great place to work.

Develop

Our induction programme has been running since 2015. It aims to give new recruits the basics in terms of legal, compliance, risks, IT, systems frameworks and processes relevant to AfrAsia Bank.

At AfrAsia Bank, we believe that efficient talent management is the stepping stone to our success.

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TRAINING COURSES WERE MADE AVAILABLE TO STAFF IN DIFFERENT FIELDS

>3,692

HOURS OF TRAINING DONE IN LAST FINANCIAL YEAR

FROM 219 EMPLOYEES IN 2015/2016 TO

285

EMPLOYEES IN 2016/2017

Retain

We are very open to feedback from our key stakeholders, that is, our employees. Quality of work life, learning and growth opportunities, pay and benefits, the introduction of new policies and adjusting exiting practices as well as employee welfare are some of the drivers guiding our action plan.

The recently launched IBL Banking Suite is offered to AfrAsia Bank employees. The IBL Fidelity Card, flexible working lifestyle, welfare programmes, team building events and social activities, recognition programme are but a few examples of what constitutes employee welfare.

INTRODUCTION OF SKIP LEVEL MEETINGS TO CATER FOR CONCERNS FROM EMPLOYEES

REVIEWING SALARY STRUCTURE AND BENEFITS

› Health & Safety

Our efforts have been around being more proactive as compared to being reactive. In this respect, we have, for instance, been working in close collaboration with the Administration Department to design a checklist in view of identifying hazards promptly.

Training sessions will be dispensed by the Safety & Health Officer accordingly. Awareness sessions have been run in induction for newcomers covering aspects like the importance attributed to Safety and Health at the Workplace, ergonomics, etc.

AfrAsia Bank has a comprehensive medical coverage in place including pre and post hospitalization, catastrophe and outpatient benefits. Employees avail of this benefit as from first day they join the Bank.

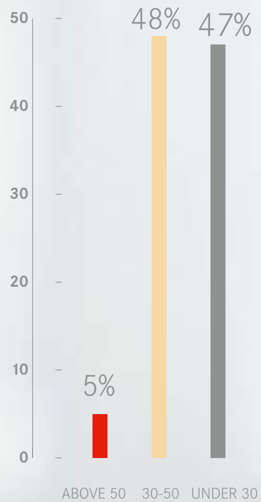
The Bank has recently revised the scheme to enhance its coverage such as expenses extended for treatment in Singapore, while there is now greater flexibility for employees who are abroad with higher limit for travel and accommodation costs.

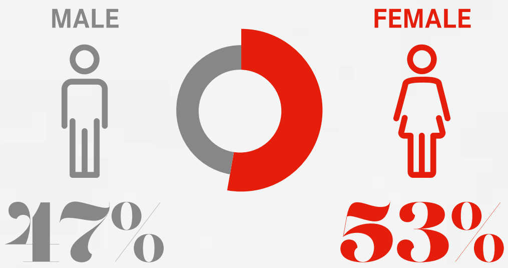
› Progress in the area of diversity, focusing on gender, cultural background and disability

We onboard, develop and promote employees based on merit and we provides the ground for all to act in view of achieving their potential. We believe in providing an inclusive culture within which employees feel respected and valued. Our diverse workforce allows us to better connect with our customers and address their needs and beyond.

WORKING ON THE INTEGRATION OF PERSONS WITH DISABILITIES

EMPLOYEES BY AGE GROUP (%)





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Sustainability - Driving Responsible Banking 2020 (cont'd)

- Employee capabilities for utilizing knowledge to meet stakeholder's needs

  In the coming year we will adopt a different approach; an all-encompassing training model starting with TNA and ending with evaluation of training aiming at making learning and development an investment where we can calculate Return on Investment (ROI).

  Today's work set up requires our employees to perform complex tasks in an efficient and cost-effective way. Training (a performance improvement tool) may be needed when employees are not performing at an expected level.

  A TNA helps identify employees who needs what in terms of training. It is counter-productive to offer training to employees who do not need it or to offer the wrong type of training.

- Culture shift

AfrAsia Bank has embarked on a culture journey and the exercise to redefine the values started in December 2016. The aim of this exercise was to instill values which are easy to remember using an acronym and which all staff would live and apply in their daily jobs.

The ultimate objective was to make our employees happy so they could in turn make our customers happy. A group of 25 culture ambassadors representing each department in the Bank worked on redefining the values.

The unveiling event was held on 7 April 2017 at Trianon Convention Centre. The Bank now has its official Anthem and Haka Dance/Choreography.

Natural Capital

Natural Capital refers to the natural resources that the Bank uses to create value for its stakeholders, as well as climate finance it mobilizes to promote natural resource preservation and environmental mitigation:

- From using recycled paper for our Annual Report, engaging in client education with regards to health and environment issues, or the re-use of old items for the branding of office space, we have for a few years now embarked in green marketing activities in line with our sustainability strategy.
- Following the "Reduce, Reuse and Recycle" project, AfrAsia Bank has an ongoing corporate environment programme which aims at having a direct environmental impact on a short lapse of time.
- To show its commitment to the project, AfrAsia Bank has gathered its employees for a clean-up event, during which 400kg of waste was collected in a period of 105 minutes. Among this waste, 59 Kg were classified as recyclable.
- As a value added to the internal project, AfrAsia Bank is working on reducing the general paper consumption by shifting to electronic reports such as e-statement, e-advise and e-payslips, among others.
- Aim to decrease energy consumption by 2020 by 20-30% compared with 2016.
- Embedding our sustainability approach in our financing to corporates and investment services to clients

›3,000

PAPERS AND ENVELOPES SAVED PER MONTH

DECREASE ENERGY CONSUMPTION BY

20%

BY 2020 COMPARED TO 2016

Reporting

We have been guided by the provisions of United Nations Global Compact (UNGC) for our internal structure and reporting.

Therefore, the next set was to align our way of doing business to our sustainable business model – focusing on Marketplace, Workplace, Social and Environmental.

The Bank is aiming at embarking on Global Reporting Initiative and reporting in line with the SDGs that reflects AfrAsia Bank's values and governance model, and demonstrates the link between its strategy and commitment to a sustainable economy. Sustainability will be key in driving the Bank's competitive advantage.

Sustainability - Driving Responsible Banking 2020 (cont'd)

Our Strategy Going forward

2015

> Introduction of sustainability reporting in Annual Report

> First reporting to UNGC

> Development of 4 pillars

2016

> Enhanced status for UNCG

> Enhancement of our social and natural capital through creation of AfrAsia Foundation

> Sustainability reporting on SDGs in annual report

> Sponsored film "Demain"

2017

> Participation to the SDG Conference in India

> Working on developping sustainability in our Integrated Report

> Research and Development of Global Reporting Initiative (GRI)

2017-2020

> Embrace GRI reporting

> Enhance our participation with UNGC

> Develop the reporting for all four pillars

> Work towards integrated report-ing for annual report

> Develop AfrAsia Foundation

> Participate and organize conferences on Sustainability

> Development of Sustainability Page on Website

AFRASIA FOUNDATION

AfrAsia Foundation is the social arm of AfrAsia Bank and its subsidiaries. We have identified 3 main projects that will help shape the future of our world, with a commitment to help them grow and prosper over the long term. It is our goal to promote and provide lasting support, ensuring the success of these educational, health and environmental projects.

In line with our sustainability strategy, the Foundation adopts the SDGs to work towards an integrated approach.

Our programmes align with 6 SDGs:

SDG 1: No Poverty

SDG 3: Good Health and Well-being

SDG 4: Equitable Quality Education and Promote Lifelong Learning Opportunities for all

SDG 13: Climate Actions

SDG 15: Life on Land

SDG 17: Partnerships for the Goals

AfrAsia Foundation's actions are based on the CSR initiatives of its founder, AfrAsia Bank and it is following the same strategy than the latter. In this perspective, AfrAsia Foundation has three main axes of practice, namely:

Education for the Poor and Vulnerable Populations

Since June 2016, we are working towards the implementation of our main programme 'AfrAsia School' which aims at providing a secure and healthy environment to vulnerable children, and to help them acquire adequate education through an early childhood education and nutrition support programme in a free pre-primary school.

AFRASIA FOUNDATION (cont'd)

AfrAsia Golf Academy

The project aims at giving vulnerable children access to golf as a sport. In collaboration with Ti Rayons Soleil and the Mauritius Golf Academy, AfrAsia Bank has decided to open Sport activities to a large group of 60 children.

The objective of this project is to promote education through sports and allow children to develop through sports, and on long term basis, allow them to combat poverty through this path.

Environmental Sustainability

Environmental initiatives include:

- Implementation of the Reduce, Reuse and Recycle programme;
- Awareness workshops and other initiatives for Environment Week; and
- Initiation of environmental sustainability within our Sustainability Committee.

Health

AfrAsia Foundation has embarked on a sustainability path and is moving towards the Sustainable Development Goal 3, which is to "ensure healthy lives and promote well-being for all at all ages".

We have been committed in raising awareness around cancer and in advocating around the preventive measures of cancer since 2014. In 2015 we have started our campaigns with 3 main activities during the year: Women Health Month in April, Ebene Chain initiative in August and the Movember Campaign in November.


AFRASIA
bank different
WE DARE

Statement of Compliance

(SECTION 75(3) OF THE FINANCIAL REPORTING ACT 2004)

AfrAsia Bank Limited and its Group Entities

Year ended 30 June 2017

We, the Directors of AfrAsia Bank Limited, confirm that to the best of our knowledge AfrAsia Bank Limited and its Group Entities have complied with all of its obligations and requirements under the Code of Corporate Governance 2004 in all material aspects except for Section 2.2.3. The reason for non-compliance is as per below.

Areas of Non-Compliance

Sections of the Code	Code of Corporate Governance issued by the National Committee of Corporate Governance (General Notice No. 844 of 2005)
Section 2	**Boards and Directors**
2.2.3	• Recommendation of the Code of Corporate Governance with respect to "Composition" indicates that all Boards should have a strong executive management presence with at least two Executives as members.
	• *Reason for AfrAsia non-compliance:* The Board is of the view that the spirit of the Code is met through the attendance and participation of the CEO as Executive Director and the Senior Executives in relevant Committees and Board deliberations.

Lim Sit Chen LAM PAK NG

Chairman

Sanjiv BHASIN

Chief Executive Officer

21 September 2017

CHIEF FINANCIAL OFFICER STATEMENT

A 10th year of operations marked by a commendable Net Profit of MUR 804.7m, representing a 86% growth from the last Financial Year, along with a total Balance Sheet size of +MUR 100bn and a capital base of almost MUR 6.0bn, are financial highlights worth noting, that set AfrAsia Bank on sound foundations for the next decade, one of sustainable growth.

Current Year Operations

We are particularly satisfied with the performance we have achieved this year, amidst a challenging environment, both locally and internationally, marked by scarcity of quality assets and the increased cost of compliance. The confidence of our various stakeholders, including shareholders, customers and employees, has been key to our achievements.

A capital base of MUR 191m in our first year of operation rising to MUR 6.0bn by the end of June 2017 and a capital adequacy ratio of 13%, are tantamount to the level of commitment of our shareholders, ranging from institutional to private investors, both local and international. Our core shareholders have demonstrated continued support to their investment. IBL Ltd remains as of date our anchor shareholder with a 30.1% stake. National Bank of Canada has also been consolidating its stake to 20.2% presently, while Intrasia Capital Pte Ltd remains our 3rd largest shareholder at 9.5%. Furthermore, the active trading of our shares is a reflection of its marketability and attractiveness to investors. AfrAsia has also maintained over the years a consistent dividend policy. This year's return to ordinary shareholders is proposed at MUR 1.50 per share, compared to MUR 1 per share for the previous Financial Year.

We continued increasing our customer deposit base, with MUR 91.1bn on the balance sheet as at 30th June 2017, split between our Private, Corporate and Institutional clients. We are today well positioned in both market segments A (residents) and B (non-residents), with a noticeable presence in Segment B at USD 2bn of customer deposits. On the lending side, the Bank's approach has remained conservative both on the local and international scene, with a well-balanced customer loans and advances portfolio of MUR 27.5bn across different segments and markets.

Our revenue base is well balanced between net interest income, net fee income and net trading income, with a total income of MUR 2.5bn for the year ended 30 June 2017. The Bank's fee income is reasonably split, with credit related income of MUR 385m and global custody income of MUR 200m amongst others. Furthermore, our robust net trading income reflects our strong market positioning, being one of the preferred provider of treasury instruments as well as structured and tailor-made solutions for our clients in Mauritius and across the region. Cost to Income ratio is also very sound at 29%.

In line with its strategy to maintain sustainable growth, the Bank keeps investing in its human resources, with a headcount of 314 at the end of the financial year 2017. The Bank has also heavily invested in the IT infrastructure to gear up for the next phase of innovation and digitalisation.

Looking into the future

AfrAsia Bank is well poised to continue its growth and achieve its target for the coming Financial Year, namely a Net Profit After Tax and After Comprehensive Income of MUR 1.3bn. Our operating environment remains however challenging, with increasing regulatory and statutory requirements that are likely to impact the whole banking industry, both locally and internationally.

A C T I O N

ACTIONS SPEAK LOUDER THAN WORDS.
DO WHATEVER IT TAKES TO GET THE JOB DONE!

"OUR ENTREPRENEURIAL SPIRIT IS WHY AND HOW WE GET THINGS DONE."

Nitin, Payment & Trade Services Hub

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Profile

AfrAsia Bank's core banking and transactional capabilities are in Mauritius along with representative offices in Cape Town and Johannesburg. The Bank serves the Africa-Asia trade corridor, combining its strengths and expertise in four core divisions:

- Corporate Banking;
- Global Banking;
- Private Banking and Personal Banking; and
- Treasury and Markets.

The Bank's core shareholders include amongst others (a) IBL Ltd, the largest conglomerate on the island (b) National Bank of Canada (NBC) and (c) Intrasia Capital Pte Ltd. AfrAsia Bank's core banking and transactional capabilities are complemented by its asset management arm, AfrAsia Capital Management Limited.

With an experienced team and regional foundations giving customers the reliability and trust of a global banking network, AfrAsia Bank helps clients achieve their financial aspirations, all delivered with boutique agility and service. AfrAsia Bank has obtained a number of awards for the quality of its private banking offers and level of innovation over the years.

The Bank offers a diversified range of financial products and a high quality of service to its customers along with flexibility and transparency through the commitment of its people towards customers. The goal is to deliver innovative products to local and international customers to enhance their banking experience. Since inception, the Bank has displayed a consistent and balanced level of growth. As at 30 June 2017, the Bank's deposits base stood at MUR 91.1bn while customer loans and advances stood at MUR 27.5bn, net of impairment provision.

In 2016, the Bank has set a 3-year strategy plan focused on (a) the consolidation of its existing technological platform, (b) enhancement in the quality of its portfolio of financial assets, (c) improvement in customer centricity including processes and procedures and (d) creation of value for its people. The financial year 2016/17 has been challenging in terms of building up the assets-base and strengthening the Financial Position while undergoing major upgrades in the Bank's IT platforms, increase in human resources; these changes are all in line with the growth strategy of the Bank.

Economic Outlook

Global Outlook: Performance and Risks

(Source: IMF July 2017)

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

From the IMF World Economic Outlook - July 17 (WEO), global outlook is projected to grow by 3.5% and 3.6% percent in 2017 and 2018 respectively.

High policy uncertainty may bring a market correction with a decrease in growth. Due to increased political stability in Europe, the latter is expected to benefit from a sustainable cyclical rebound in growth. Many advanced economies may face excess capacity and headwinds to potential growth from aging populations, weak investment, and slowly advancing productivity.

Although the U.S. Federal Reserve raised short-term interest rates in June, markets still expect a very gradual path of U.S. monetary policy normalization. Bond spreads over Germany have compressed sharply in France, Italy, and Spain on reduced electoral uncertainty and firming signs of recovery. Equity prices in advanced economies remain strong, signaling continued market optimism regarding corporate earnings. Markets are also optimistic about emerging market prospects as reflected in strengthening equity markets and some further compression of interest rate spreads. Oil exporters provide an exception to this pattern, in light of the marked weakening of oil prices since March.

As of end June, the U.S. dollar has depreciated by around 3½ percent in real effective terms since March, while the euro has strengthened by a similar amount because of the increased confidence in the euro area recovery and a decline in political risk. Over the same period, exchange rate changes across emerging market currencies have been relatively modest. Capital flows to emerging economies have been resilient in the first few months of 2017, with a notable pickup in non-resident portfolio inflows.

Short-term risks are broadly balanced, but medium-term risks are still skewed to the downside. Despite a decline in election-related risks, policy uncertainty remains at a high level and could well rise further, reflecting, for example, U.S. regulatory and fiscal policies uncertainties, negotiations of post-Brexit arrangements, or geopolitical risks. This could harm confidence, deter private investments, and weaken growth. In China, failure to continue the recent focus on addressing financial sector risks and curb excessive credit growth (mainly through tighter macro prudential policy settings) could result in an abrupt growth slowdown, with adverse spillovers to other countries through trade, commodity price, and confidence channels. Over the longer term, failure to lift potential growth and make growth more inclusive could fuel protectionism and hinder market-friendly reforms. The results could include disrupted global supply chains, lower global productivity, and less affordable tradable consumer goods, which harm low-income households disproportionately. Rising geopolitical tensions, domestic political discords, and shocks arising from weak governance and corruption can all weigh on economic activity.

Faced with divergent cyclical conditions, countries propose differing stances of monetary and fiscal policy. Among the low-income developing countries, the commodity exporters are particularly affected by macroeconomic imbalances, a challenge that would be exacerbated for the fuel exporters by a persistent decline in oil prices. Although policies for low-income developing countries vary, their main goal should be to strengthen their fiscal positions and foreign reserve holdings while the growth is still strong. Increasing pursuit of zero-sum policies is likely to affect all countries. An open world trading system is vital for global growth, but it must be supported by domestic policies to facilitate trade and technological adjustments.

Key Themes to consider for AfrAsia Bank

AfrAsia's commercial operations are linked, to various extents, to development and changes of economic conditions of the Emerging Market (EM) sphere and in advanced economies.

Expectations in advanced economies

- The growth forecast in the United States has been revised down from 2.3 percent to 2.1 percent in 2017 and from 2.5 percent to 2.1 percent in 2018. While the markdown in the 2017 forecast reflects in part the weak growth outturn in the first quarter of the year, the major factor behind the growth revision, especially for 2018, is the assumption that the fiscal policy will be less expansionary than previously assumed, given the uncertainty about the timing and nature of U.S. fiscal policy changes;
- The growth forecast has also been revised down for the United Kingdom for 2017;
- By contrast, growth projections for 2017 have been revised up for many euro area countries, including France, Germany, Italy, and Spain, where the growths for the first quarter of 2017 were generally above expectations. This, together with positive growth revisions for the last quarter of 2016 and high-frequency indicators for the second quarter of 2017, indicate stronger momentum in domestic demand than previously anticipated; and
- The growth forecast for 2017 was also revised up for Canada, where buoyant domestic demand boosted first-quarter growth to 3.7 percent and indicators suggest resilient second-quarter activity.

Expectations in Emerging and Developing Economies

Emerging and developing economies are projected to see a sustained pickup in activity, with growth rising from 4.3 percent in 2016 to 4.6 percent in 2017 and 4.8 percent in 2018. Growth is primarily driven by commodity importers, but its pickup reflects to an important extent gradually improving conditions in large commodity exporters that experienced recessions in 2015–16, in many cases caused or exacerbated by declining commodity prices.

- China's growth is expected to remain at 6.7 percent in 2017;
- Growth in India is forecast to pick up further in 2017 and 2018, in line with the April 2017 forecast; and
- In Sub-Saharan Africa, growth is projected to rise in 2017 and 2018, but will barely return to positive territory in per capita terms this year for the region as a whole and would remain negative for about a third of the countries in the region. Outlook for South Africa, which suffers from weak consumer and business confidence, remains difficult.

Economic Outlook (cont'd)

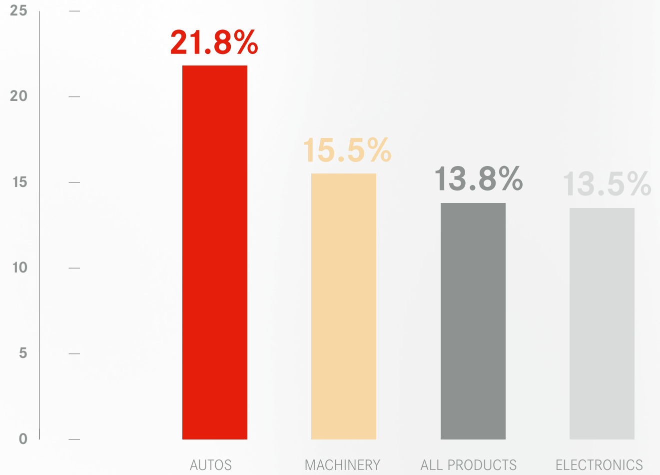
US Protectionism: Industry Impacts in the US and abroad

The Trump administration will drive a realignment of global trade flows in the coming years, with significant implications for various industries. More protectionist US trade policy will have an impact in both the US and abroad, particularly for aerospace, autos, agribusiness, electronics and machinery. Beyond the next couple of years, we expect a degree of compromise between the US and its trading partners that could roll back US tariffs in return for more liberalised international services trade.

The graph below shows US imports as a share of total imports for Autos, Machinery, All Products and Electronics. Together Autos, Machinery and Electronics make up more than 50% of total imports.

US Import Demand to Waver

Global - US Imports as a share of total imports, %

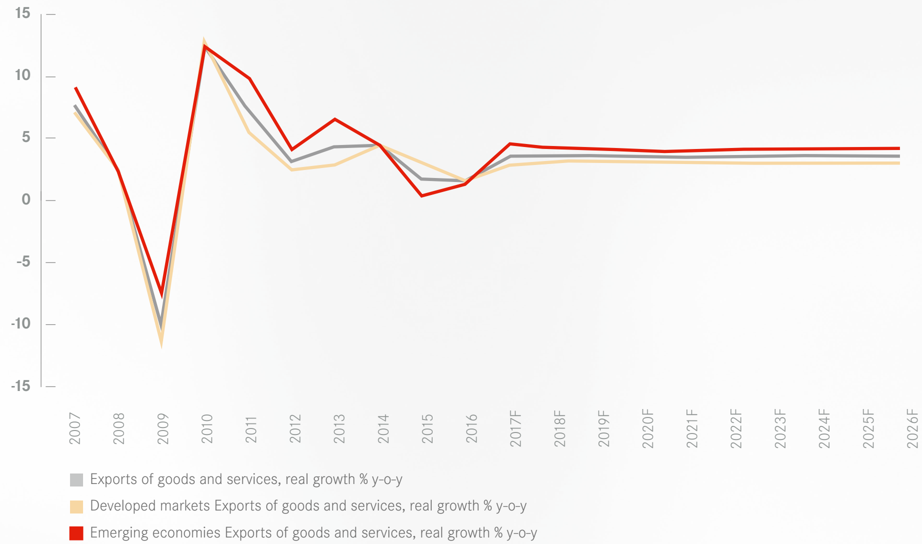


(Source: BMI Research)

Autos, Machinery and Electronics exports to US will suffer in the coming years. For autos, Germany, Japan, Mexico and South Korea will be particularly targeted. Electronics and machinery encompass several industries including ICT, industrial machinery and white goods manufacturing. China, South Korea, Malaysia, Taiwan and Vietnam will be the primary targets for ICT-related electronics imports (e.g. iPhones and computing hardware), while China, Japan and Germany will find machinery exports scrutinised (turbines, air conditioning units, refrigerators etc.).

Slower Growth Ahead

Global Export Volume Growth

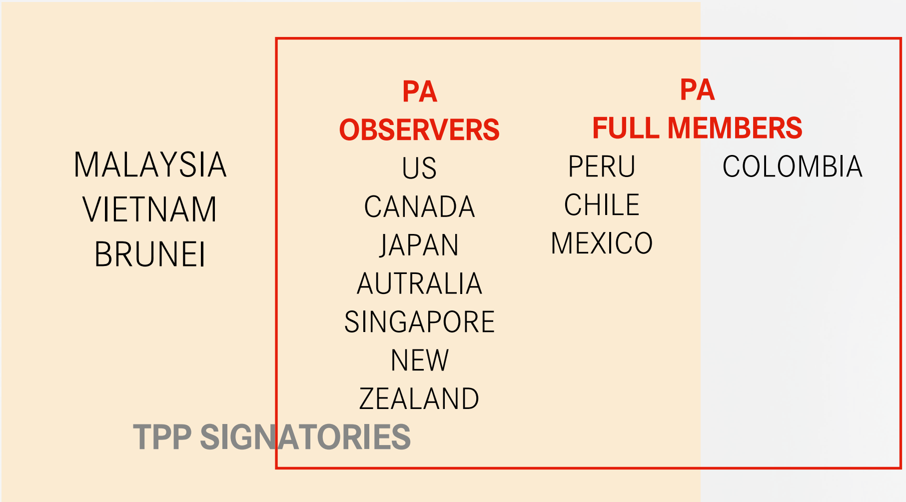


(Source: BMI Research)

Hence, Export Volume is forecasted to show no increase, as in the graph above. However, new trade deals are likely to be formed independent on US's decisions to participate, and this is likely to strengthen intra-emerging market trade over the long term. But even so, such deals, while expanding the geography of trade partnerships, are unlikely to be particularly ambitious in bringing down trade barriers. The chart below shows potential new deals among different countries.

NEW DEALS COULD EMERGE

COUNTRIES IN THE PACIFIC ALLIANCE AND TPP



(Source: BMI Research)

Brexit Implications

The government has consistently stated that no second referendum will be held on the final Brexit deal, with the June 2016 vote enough to provide the government with a mandate to leave the EU. The leader of the main opposition party, Jeremy Corbyn, has also ruled out the holding of a second referendum. At present, it appears that neither the Conservative party led by Prime Minister Theresa May, nor Northern Ireland's Democratic Unionist Party, which props up the minority Conservative administration, are in favour of a second public vote. If a second referendum were held and the vote went against the government, it would almost undoubtedly result in an early election being held, which could result in the Labour party taking power.

By-and-large, Brexit has not had a major impact on British foreign policy in the 12 months following the vote, barring what has clearly become a cooler relationship between London and the institutions of the EU and some staunch federalist member state governments. The main impact on foreign policy is likely to be realised after the UK leaves the EU.

There has already been talk from the British government about the potential for bilateral trade deals after Brexit, and fostering closer relations with major developed and emerging markets around the world is likely to prove crucial, post-Brexit. Enhancing ties with historic UK allies, such as the United States, Canada, Australia, and New Zealand, will likely be a fairly easy task given the linguistic and historical links between these countries. However, enhancing ties and trading relationships with major emerging markets may prove more difficult.

UK Foreign Office and International Trade Ministry are likely to seek closer ties, and an eventual trade with fast-growing, high population nations such as China, India, and Indonesia. However, this could take longer, given that economic and diplomatic relations with many emerging markets are not as strong as those with Anglophone nations, and even more so if the country in question is not part of the Commonwealth.

With the UK still part of the EU, there are significant harmonization efforts within the member states' diplomatic corps to come to an agreement with regards to foreign affairs. Once out of the EU, the UK will be able to set its own undiluted position on foreign affairs. For the EU, losing the UK means losing one of the world's strongest diplomatic services, with the UK's influence and networks particularly entrenched in former British colonies in sub-Saharan Africa and Australasia.

The UK will remain a member of the North Atlantic Treaty Organisation and will retain its permanent seat on the United Nations Security Council. Moreover, despite some media reports that the UK will threaten to withdraw from areas of security co-operation with the EU in an effort to try to gain a more favourable exit deal, we do not think this scenario is likely to actually occur. The UK would not only lose access to important information sharing, but would undoubtedly be ostracised within Europe, and potentially further afield, for being seen to put a potential trade deal ahead of the security of European, and its own, citizens.

Economic Outlook (cont'd)

The Mauritian Economy

The economy of Mauritius is among the most dynamic in the Sub-Saharan region in spite of its relatively low level of growth. A GDP growth of 3.5% was reported for the year 2016, a slight increment from the previous year and this upward trend is expected to continue over the next two years with growth forecasts of 3.9% and 4.0% for the year 2017 and 2018 respectively. However, a negative impact on the country's economy is expected particularly in the tourism sector due to the effects of Brexit and the sluggish growth in Europe.

Main Indicators	2014	2015	2016	2017 (e)	2018 (e)
GDP (billions USD)	12.61	11.51	11.95	12.25	12.85
GDP (Constant Prices, Annual % Change)	3.6	3.5	3.6	3.9	4.0
GDP per Capita (USD'000)	10	9	9	9	10
General Government Balance (in % of GDP)	-1.6	-1.1	-2.9	-2.0	0.3
General Government Gross Debt (in % of GDP)	56.2	62.3	62.7	62.2	60.5
Inflation Rate (%)	3.2	1.3	1.0	3.2	2.8
Current Account (billions USD)	-0.71	-0.56	-0.52	-1.00	-0.72
Current Account (in % of GDP)	-5.7	-4.9	-4.3	-8.1	-5.6

Note: (e) Estimated Data

(Source: IMF – World Economic Outlook Database)

Although the services industry is the major contributor to the country's GDP, Mauritius possesses a diversified economy in several sectors including offshore financial activities, the textile industry and the production of sugarcane. In addition, other developing sectors such as medical tourism, outsourcing, new technologies and the luxury industries also contribute to the economic growth of the country. The tourism industry is expected to flourish due to an increase in the number of Asian tourists, particularly Chinese. Medical tourism, outsourcing, new technologies and the luxury industry are among the growing sectors.

In 2016, the Central Bank lowered its lending rate to encourage consumption and increase inflation. The 2015-2019 development plan calls for a more diverse and inclusive economy, as well as a "blue" economy which puts forward maritime resources. In the longer term, authorities plan to promote "a second economic miracle" by developing new growth opportunities.

Perceived Risks

(Source: www.coface.fr June-17)

Growth Exposed to Brexit-Related Risks

The Mauritius economy, which is based around four key sectors, namely tourism, textile, sugar, and finance, is dominated by the services industry, which accounts for more than 70% of GDP. The tourism industry is heavily reliant on European countries, particularly France and the UK. Hence, tourists arrivals are expected to slow compared to 2016 because of slow economic growth in the European countries.

The amendment of provisions in the double taxation agreement agreed with India in May 2016, increasing the tax Indian investors are liable to pay, might be a burden on investment flows, particularly in the financial sector. Exports (-6% in Q1 2017) are forecast to keep suffering from weak demand in the United Kingdom, limiting the contribution foreign trade makes to growth.

However, a relatively expansionary budget policy is expected to support economic activity by targeting key sectors in the framework of an economic diversification programme (Vision 2030). As a whole, growth is expected to remain stable in 2017. Inflation should increase due to a rise in the price of imported oil and foodstuffs.

Budget and Current Account Deficits Widen

The 2017 budget is likely to be expansionary and boost the Mauritian economy. A rise in public spending, particularly aimed to complete infrastructure projects and develop new sectors, will probably not be offset by tax receipts, especially because the government has announced tax cuts for companies. Growth is likely to be stable and fiscal revenues are expected to modestly rise. Hence, budget deficit is expected to rise a little.

The current account balance is expected to deteriorate in 2017. The fall in the value of sterling is expected to affect exports of textiles and sugar.

Mauritius' financial system is robust. Although non-performing loans are still quite low, the proportion is rising, and now represents 8%. Brexit and changes to the double taxation agreement with India could affect this sector.

A New Government Weakened by Several Controversies

The elections of December 2014 gave the three-party coalition, Alliance Lepep, a majority in the parliament, with Sir Aneerood Jugnauth as Prime Minister. However, the government is now weakened because a political party (PMSD) resigned from the government in December 2016. The following month, Aneerood Jugnauth stepped down to make his son Prime Minister, who then appointed the former as Minister of Defense. This triggered several protests across the island. Still, its governance indicators are among the highest of Sub-Saharan African countries according to the World Bank.

New Rules for GBC

(Source: Times of India)

In the budget of 2017, Prime Minister Pravind Jugnauth has set new norms for GBC-1 companies operating in Mauritius. Foreign portfolio investors will have to satisfy further criteria to prove that they have commercial reasons to base in Mauritius and that they are not just shell companies. According to tax experts, this new requirement will not burden existing GBC-1 companies as they are already complying with the new requirements. However, an increase in tax on these companies, which will make Mauritius less competitive than its peer jurisdictions like Singapore, may deter them from continuing investments in Mauritius. This may potentially harm AfrAsia as GBC companies are the source of a large chunk of our deposits.

Financial Highlights - Year Under Review

Despite the highly competitive environment in which it operates in, AfrAsia Bank closed its 2017 financial year with a Net Profit after Tax and after Other Comprehensive Income of MUR 804.7m compared to MUR 433.1m in the previous financial year representing a 86% growth, year on year.

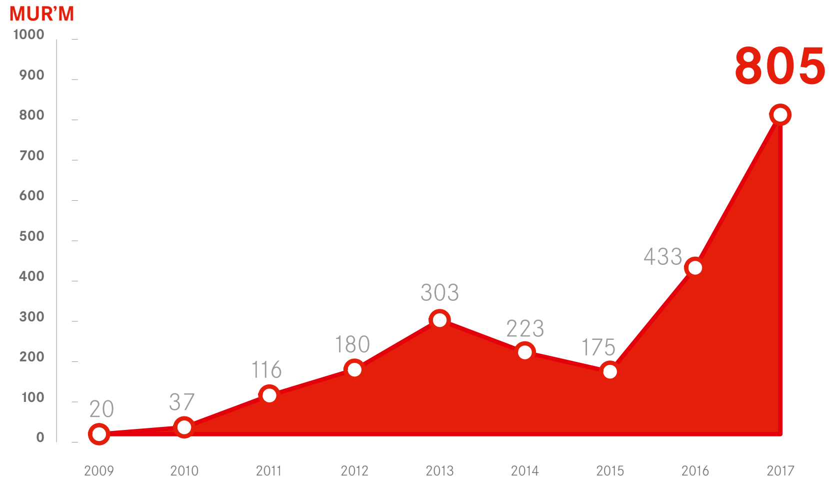
With an overall total operating income growth of 32%, that is, MUR 2.5bn in 2017 compared to MUR 1.9bn in 2016, a steady growth was noted across all business segments, with Net Interest Income increasing from MUR 965.7m to MUR 1.4bn in the year under review, along with a Net fee income growth of 24% as compared to the same period in the last year.

The Bank's focus on the lending side has been to adopt a conservative and disciplined approach and this is reflected in the loan book growing by 25% across both segments to reach MUR 27.5bn, net of any impairment charge.

Similarly, we continue to focus in delivering quality service and improving our ability to attract customer deposits with a deposit base growth of 13% over the last year to reach MUR 91.1bn (2016: MUR 80.4bn).

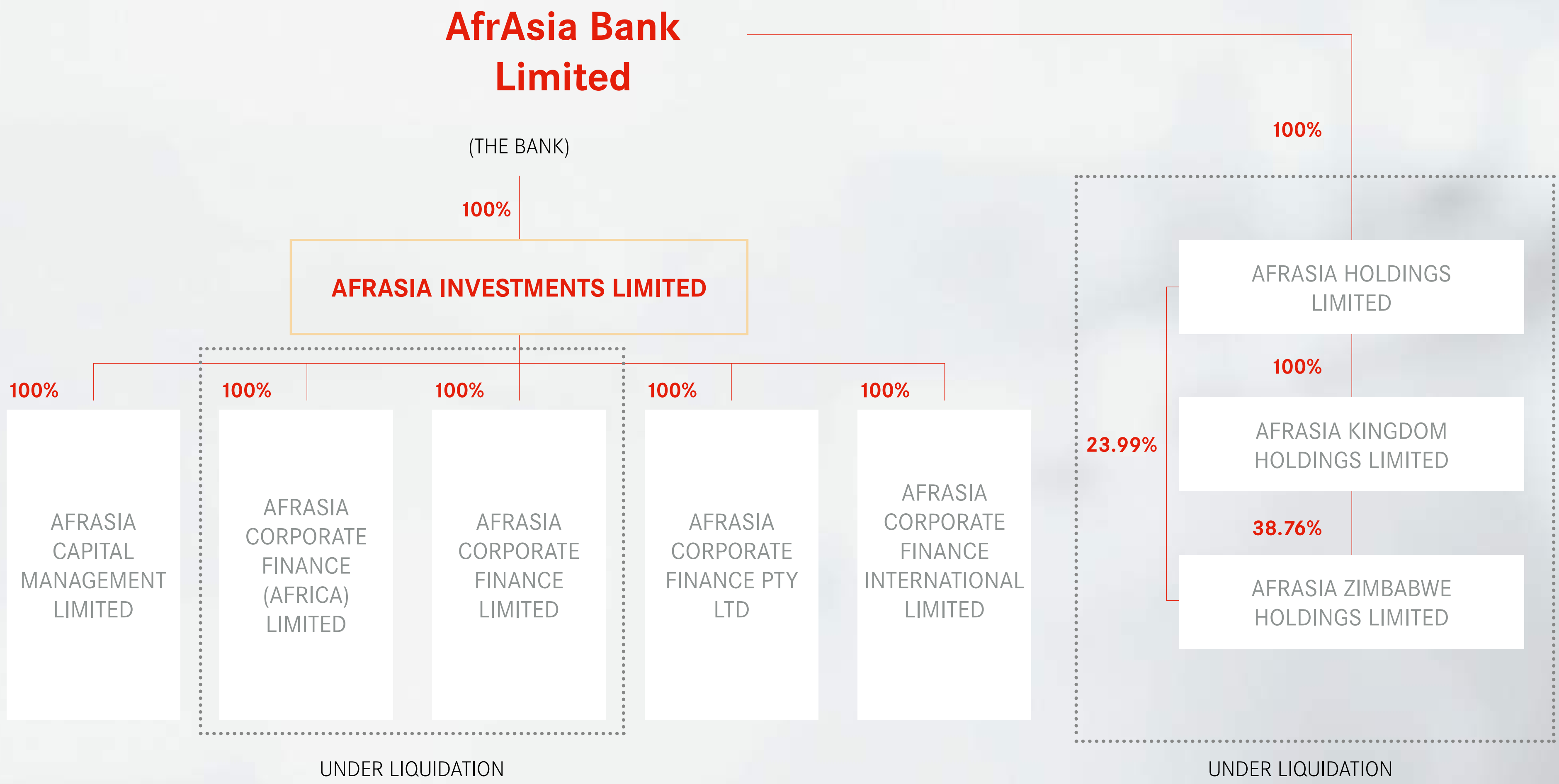
Overall, the Bank is confident that it has set the right base to achieve the targets set in its 3-year strategy plan with a conservative but stable loan book and steady growth in clients deposits translated into increase in Net interest income and Net fees income along with a disciplined approach towards spending.

Net profit after tax and other comprehensive income (NPAT & OCI)



AfrAsia Bank's Group Structure

The Bank is in the process of streamlining its group structure, and in line with same the liquidation of some of its dormant entities are underway demonstrated in the group structure below:



Current Year Performance against Objectives and Future Growth

OBJECTIVES FOR 2016/17	PERFORMANCE FOR 2016/17	OBJECTIVES FOR 2017/18
Statement of Comprehensive Income		
Total Operating Income		
• The objective for 2016/17 is to achieve MUR 2.7bn of Total Operating Income.	• Slightly short by about MUR 0.2bn, the Bank achieved MUR 2.5bn of Total Operating Income for the year ended 30 June 2017.	• The Bank forecasts a Total Operating Income of MUR 3.2bn for the financial year 2017/18.
Total Operating Expenses		
• The Bank expects to continue spending in the core areas of IT and human capital over this financial year and end with total operating expenses of MUR 1bn for 2016/17.	• With a close cost monitoring policy of its operating expenses, the Bank achieved the desired level of investment in IT and human capital and closed its financial year with total operating expenses amounting to MUR 712.2m, MUR 287.8m below budget.	• It is envisaged that continuous investment will be made in human resources and IT Infrastructure. The Bank expects to spend MUR 1.1bn as total operating expenses for the financial year 2017/18.
Statement of Financial Position		
Loans and Advances to Customers		
• It is envisaged that the Bank will close the next financial year with a loan to deposit ratio of 41%.	• Conservative lending with continued growth in the Bank's deposits base explains the subdued loan to deposit ratio of 30%.	• Total loans and advances to customers are expected to reach MUR 36.4bn and deposits from customers of MUR 108.1bn at end of June 2018, that is, a loan to deposit ratio of 34%.
Deposits from Customers		
• The Bank is on the right track and is expected to increase its customer portfolio to MUR 84bn for the next financial year.	• Focus around customer centricity is reflected in a growth in the Bank's customer base by about 13% to reach MUR 91.1bn year on year.	• An average growth rate of 19% is anticipated for customer deposits.

OBJECTIVES FOR 2016/17	PERFORMANCE FOR 2016/17	OBJECTIVES FOR 2017/18
Statement of Financial Position (continued)		
Asset Quality		
• The Bank's target is to close with a non-performing loans and advances as a percentage gross loans at 5%.	• Reflective of its conservative lending policy, the Bank's non-performing loans and advances represented 10% of gross loans as at the end of June 2017.	• Non-performing loans and advances as a percentage of gross loans is expected to maintain at the same or lower level than in 2016/17.
Capital Management		
• The Bank undertakes to meet its capital adequacy ratio as required under requirements under the Basel III provisions.	• The Bank's capital adequacy ratio stood at 13% for the year ended 30 June 2017, compared to 11% limit set by the Regulators. The Bank is considered as Domestic Systemically Important Bank (D-SIB).	• Capital adequacy ratio will be maintained in conformity with the Basel III provisions.
Performance Ratio		
Return on Average Equity		
• The target is to achieve a minimum return on average equity of at least that of the previous year.	• The Bank's return on average equity for the year 2016/2017 improved to 19% against 13% in 2015/16.	• For 2017/18, the Bank aims to attain a return on average equity of 23%.
Cost to Income		
• It is intended to achieve a cost to income of 34% for 2015/16.	• The Bank improved on its cost to income ratio and achieved 29% for the year under review.	• The cost to income ratio is targeted at 34% for 2017/18.

Financial Analysis

Profit or loss and other comprehensive income review

AFRASIA BANK LIMITED AND ITS GROUP ENTITIES

	THE GROUP		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
STATEMENT OF PROFIT OR LOSS (MUR'000)			
Net interest income	**1,386,762**	947,850	847,086
Non interest income	**1,139,009**	1,017,453	543,259
Total operating income	**2,525,771**	1,965,303	1,390,345
Total operating expenses	**770,861**	851,719	781,954
Profit/(Loss) after tax	**804,109**	639,739	(176,068)
STATEMENT OF FINANCIAL POSITION (MUR'000)			
Total assets	**101,398,622**	88,550,615	74,856,932
Loans and Advances to Customers	**27,512,745**	21,958,341	21,772,735
Deposits from Customers	**90,601,331**	80,012,268	66,437,716
Total equity (including Class A shares)	**5,932,253**	4,786,466	4,285,645
PERFORMANCE RATIO (%)			
Return on average equity	**19**	19	19
Loan to deposit ratio	**30**	27	33
Total operating expense to total operating income	**31**	43	56
CAPITAL ADEQUACY RATIO (%)			
Basel III	**12.7**	11.5	12.2

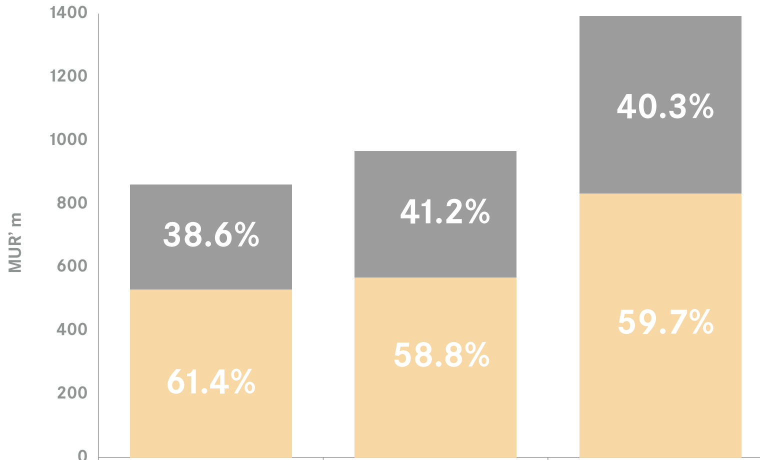
Revenue

NET INTEREST INCOME

The Bank's net interest income ("NII") grew steadily from MUR 965.7m to MUR 1,393m, that is, a growth of 44% year on year. In terms of split, the Bank's Net Interest Income (NII) is sourced 53% from customers and 47% from non-customers and the growth is noted across both Segment A ("Resident") and Segment B ("Non Resident"), 41% and 46% year on year respectively.

Moreover, Interest income grew by 21% reaching MUR 2.1bn compared to the previous year while a slight decrease on the interest expense side from MUR 774.9m to MUR 709.4m from 2016 to 2017, that is, a fall of 9% can be noted.

Net Interest Income



	2015	2016	2017
Segment A - MUR'm	332	398	561
Segment B - MUR'm	529	568	832

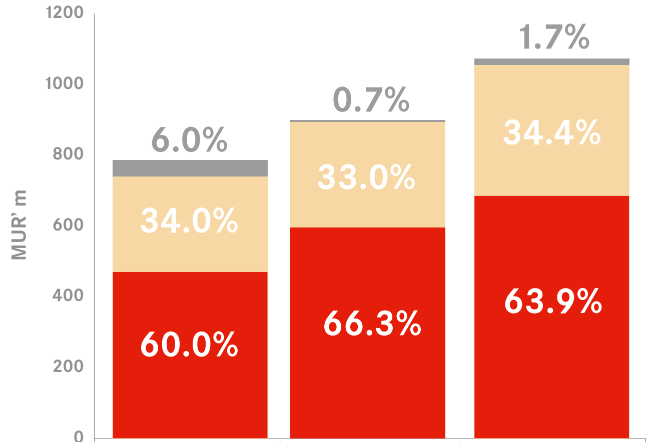
NON-INTEREST INCOME

The Bank's three main components of Non-interest Income are:

- Trading income of MUR 686m;
- Fees and commission income of MUR 369m; and
- Other operating income of MUR 18m.

Overall Net Trading Income, which represents 64% of the Bank's total Non-Interest Income, grew by 15% year-on-year compared to Net Fees and Commission Income which experienced a rise of 24%.

Non-Interest Income



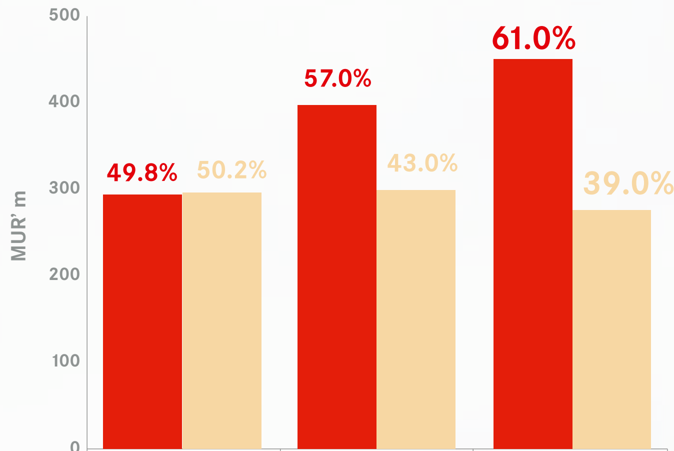
	2015	2016	2017
Other operating income - MUR'm	47	6	18
Net free income - MUR'm	268	298	369
Net trading income - MUR'm	471	595	686

Financial Analysis (cont'd)

Total Operating Expenses

While investment in technology system, physical infrastructure and human capital continued in line with its 3-year strategy plan, the Bank also adopted and successfully achieved a cost control policy which is reflected in a reduction in its Cost-to-Income Ratio, that is, 29% as compared to 37% for the last financial year.

Total Operating Expenses



	2015	2016	2017
Personnel expenses - MUR'm	294	397	436
Other costs - MUR'm	296	299	276

The Bank's split for total operating expenses is between Personnel Expenses and other costs which are approximately MUR 436.4m/MUR 275.8m compared to MUR 396.8m/MUR 299.3m in 2016.

Personnel Expenses (including trainees and contractual employees) of MUR 436.4m is on account of a headcount of 314 as at 30 June 2017 compared to MUR 396.8m on account of a headcount of 266 in 2016.

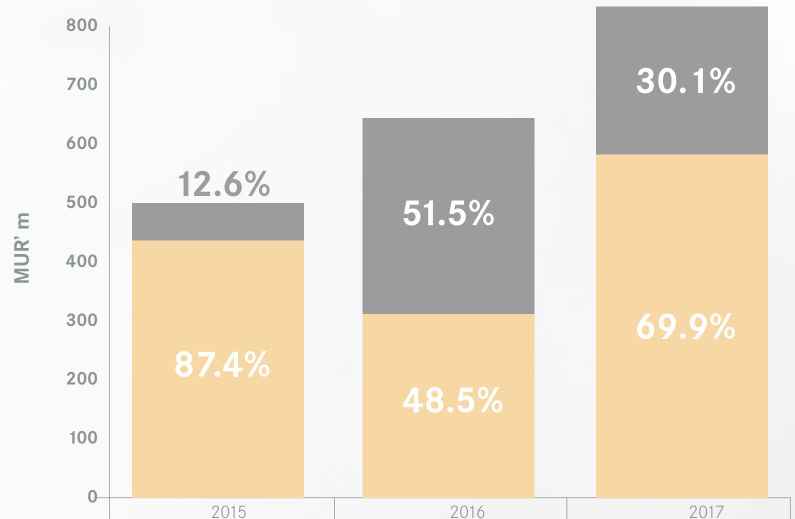
The Bank's main constituents of "Other Costs" are as follows:

- IT-related expenses;
- Professional fees;
- Communication costs;
- Depreciation, amortisation and write-offs of assets; and
- Advertising and marketing expenses.

Net Allowance for Credit Impairment

Net Allowance for Credit Impairment for the year ended 30 June 2017 amounted to MUR 834.3m, (2016: MUR 644.6m). The impairment with respect to Segment A is MUR 251.4m and Segment B MUR 582.9m as compared to last year of MUR 332.1m for Segment A and Segment B MUR 312.5m respectively.

Net Allowance for Credit Impairment



	2015	2016	2017
Segment A - MUR'm	63	332	251
Segment B - MUR'm	437	312	583

Taxation

The Bank's Income Tax Expense, as per its Statement of Comprehensive Income, has 3 components:

- Corporate tax – The applicable income tax rate in Mauritius is 15%, with a deemed tax credit of 80% applicable for Segment B income.
- Special levy – The Bank is liable to pay a special levy of 10% on chargeable income of Segment A, and 3.4% on Book Profit plus 1% on Operating Income of Segment B which has increased from MUR 48.1m in 2016 to MUR 66.3m from 2016 to 2017.
- Corporate Social Responsibility ('CSR') – The Bank is required to allocate 2% of its chargeable income under Segment A of the preceding financial year to Government-approved CSR projects. The CSR contributions for 2017 amounted to MUR 7.3m, compared to MUR 5.9m for 2016.

Overall, the Bank's Income Tax Expense, including the special levy and CSR, increased by 14.2% from MUR 89.9m in 2016 to MUR 102.7m in 2017. However, it is to be noted that the Bank's Effective Tax Rate decreased from 17.2% in 2016 compared to 11.2% in 2017, that is a 6% fall resulting from split between Segment A and Segment B operations between 2016 and 2017.

Financial Position Review

Total Assets

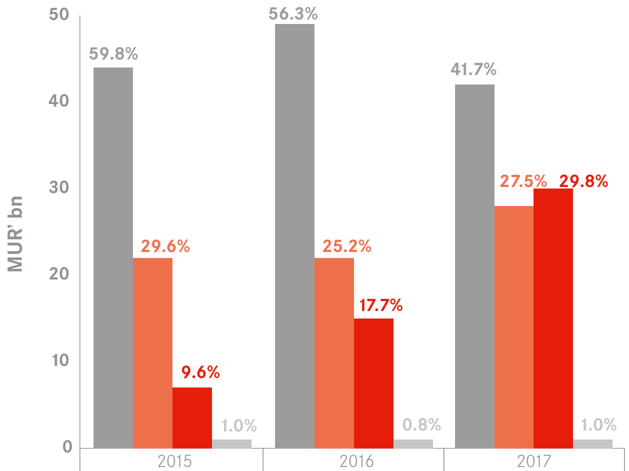
The Bank recorded Total Assets amounting to MUR 100.4bn (2016: MUR 87.1bn) on its 30 June 2017 Statement of Financial Position that is, an increase of 15% compared to the previous financial year.

Overall as shown in the chart below, the Bank managed to maintain a well-diversified assets mix represented by:

- Cash and balances with the Central Bank and Due from banks of MUR 42bn, representing 42% of Total assets;
- Loans and advances to customers amounting to MUR 27.5bn, that is, 27% of Total assets;
- Held-for-trading, Available-for-sale and Held-to-maturity financial investments of MUR 29.9bn; and
- Other remaining assets totalling MUR 1bn.

Financial Analysis (cont'd)

Assets Mix

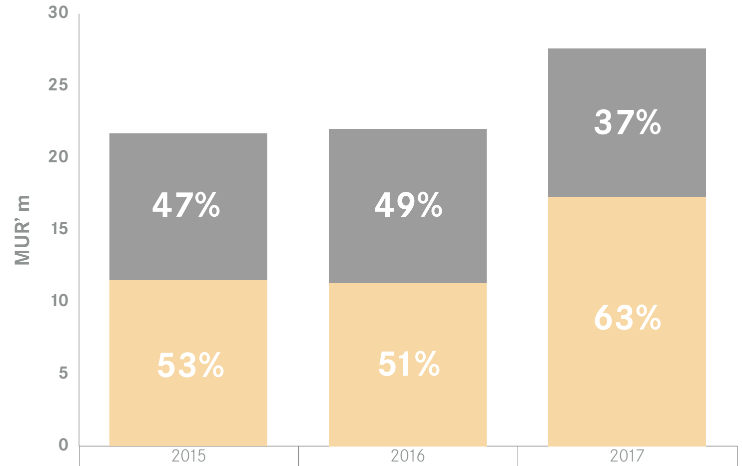


	2015	2016	2017
Cash and interbank balances - MUR'bn	44	49	42
Loans and advances - MUR'bn	22	22	28
Financial investments - MUR'bn	7	15	30
Other assets - MUR'bn	1	1	1

Loans and Advances to Customers

With its conservative lending policy, the Bank's loans and advances to customers grew by MUR 5.6bn, that is, a 25% growth increase year on year with a slight decrease of 4% in Segment A and 53% increase in Segment B.

Net loans split by segment



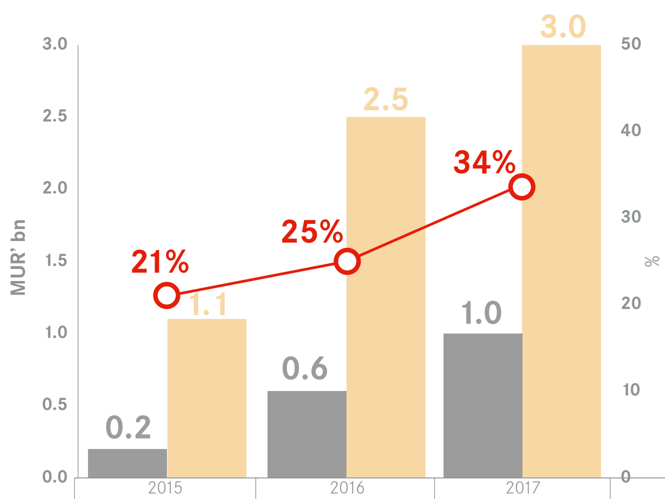
	2015	2016	2017
Segment A - MUR'm	10.2	10.7	10.3
Segment B - MUR'm	11.5	11.3	17.2

NON-PERFORMING ASSETS AND COVERAGE RATIO

Non-performing assets at MUR 3.0bn, represents 10% of total gross loans and advances to customers compared to MUR 2.5bn, that is, 11% for last year.

In terms of coverage ratio, calculated as a percentage of total Bank's non-performing assets, the Bank has adopted a conservative approach which is reflected in an increased coverage ratio of 34% compared to 25% last year, that is, a total of specific impairment of MUR 997m over non-performing assets of MUR 3.0bn, capital element only.

Specific impairment to non-performing assets

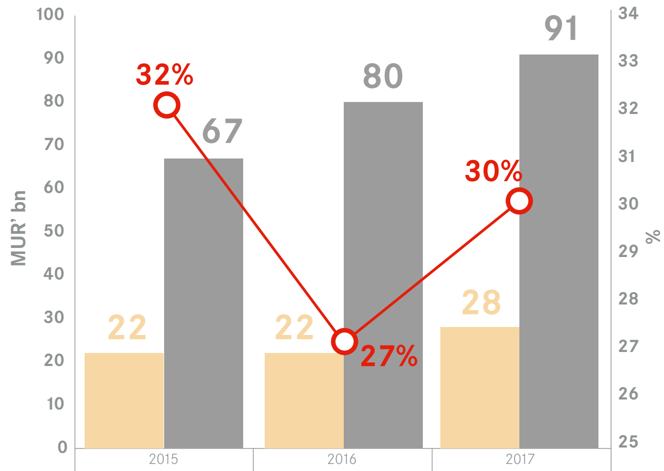


	2015	2016	2017
Specific impairment - MUR'bn	0.2	0.6	1.0
Non performing assets - MUR'bn	1.1	2.5	3.0
Coverage ratio -%	21	25	34

LOAN TO DEPOSIT RATIO

The Bank's conservative lending policy, along with its ability to service and attract deposits, is reflected in a subdued growth in the loan-to-deposit ratio from 27% in 2016 to 30% in 2017.

Loan to deposit ratio



	2015	2016	2017
Loans and Advances - MUR'bn	22	22	28
Deposits - MUR'bn	67	80	91
Loan to deposit ratio - %	32	27	30

Financial Analysis (cont'd)

Total liabilities

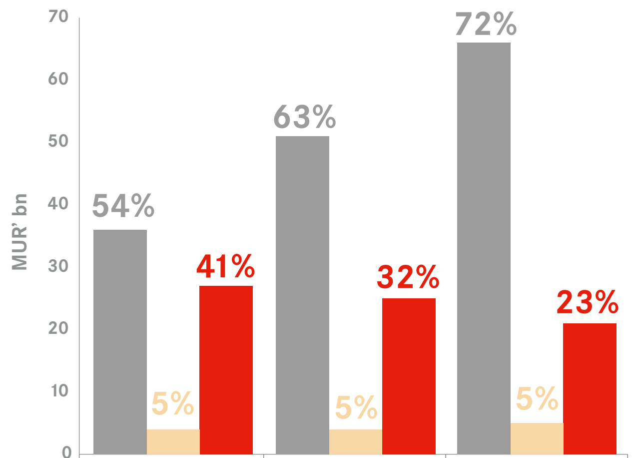
DEPOSITS FROM CUSTOMERS

Customers deposits reached MUR 91.1bn by the end of June 2017, representing a 13% growth from the previous year, with a balance of MUR 80.4bn.

Split of Customer Deposits was as follows:

- Current accounts MUR 65.7bn, that is, 72% of Total liabilities a 29% growth year-on-year;
- Fixed deposits MUR 20.7bn, that is, a drop of 17% year-on-year; and
- Savings accounts MUR 4.7bn, that is, a 7% growth year-on-year.

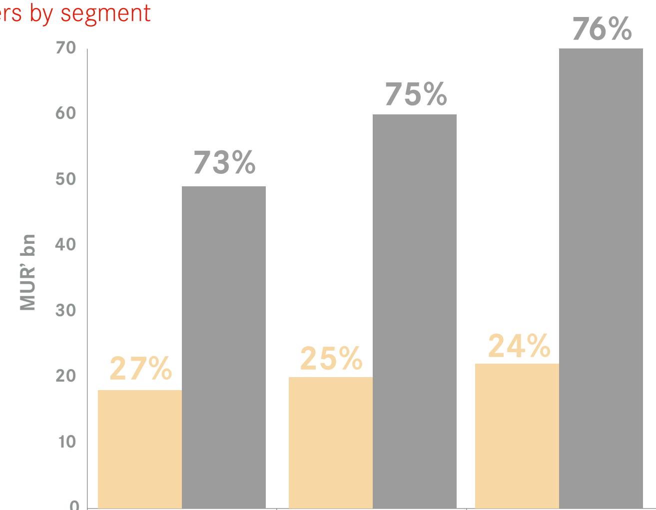
Deposits from customers breakdown



	2015	2016	2017
Current accounts - MUR'bn	36	51	66
Savings accounts - MUR'bn	4	4	5
Fixed deposits - MUR'bn	27	25	21

Below chart depicts Customer Deposits split by Segment – it is to be noted that for the financial year end, the Segment B represents 76% of the Total Customer Deposits which is consistent with last year.

Deposits from customers by segment



	2015	2016	2017
Segment A - MUR'bn	18	20	22
Segment B - MUR'bn	49	60	70

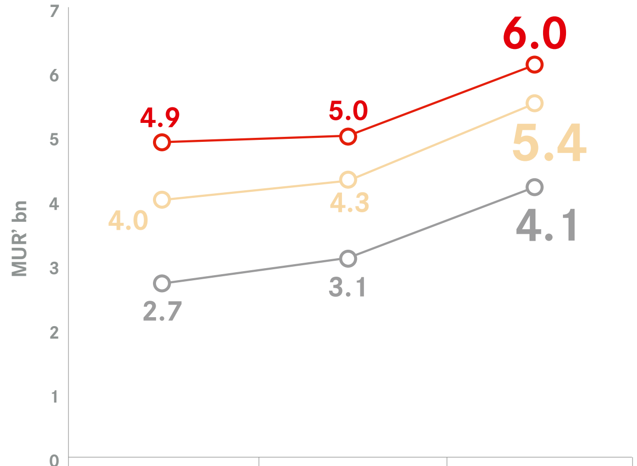
Capital resources

During the course of the year, the Bank had a successful rights issue of MUR 600m and by the end of June 2017, closed the year with a shareholders' equity of MUR 6.0bn. No further Additional Tier 1 (AT1) or Tier 2 capital (T2) was raised during the course of the year.

Dividends of MUR 1.00 per share, that is, MUR 100.4m were paid to its ordinary shareholders for the year ended 30 June 2017 compared to MUR 0.35 per share in the previous year. Furthermore, in line with its Class A shares programme memorandum and Series 1 and 2 issued in June 2014, the Bank paid MUR 142.5m of coupons during the year ended 30 June 2017.

On the regulatory side, with also a capital base of MUR 6.0bn, the Bank met all its capital adequacy ratios under Basel III . The split of capital base is as depicted below:

Capital Base

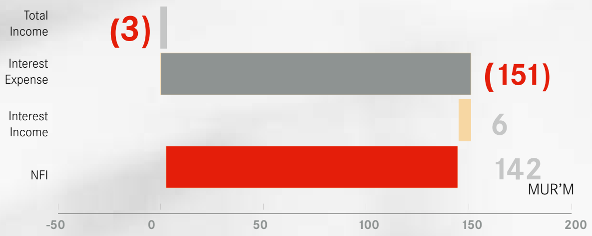


	2015	2016	2017
CET 1 (MUR'bn)	2.7	3.1	4.1
T1= CET1+AT1 (MUR'bn)	4.0	4.3	5.4
TC= T1+T2 (MUR'bn)	4.9	5.0	6.0

** T1: Tier 1 capital*
** T2: Tier 2 capital*
** CET1: Common Equity Tier 1 capital*
** AT1: Additional Tier 1 capital*
** TC: Total capital*

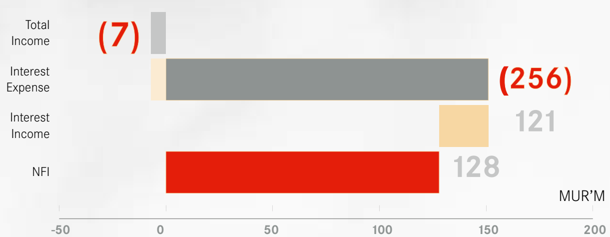
Business Segments' Achievements

The Bank operates through four core business lines and is complemented with its asset management arm, namely AfrAsia Capital Management (ACM). The value chain through the different business line is depicted in the diagram below.



Strong fund flows from Africa and IFCs, generating low cost deposits and transactional fee income.

Increase penetration in Africa and Europe to increase flows.



Fund flows from affluent and upper-affluent individuals locally and from across Africa region while expanding gobal reach.

Aspire to become the leader in the market in a few years.

Deposits from local pensions funds, insurance companies and cash rich corporates.

Providers of Fund

Global Banking
63%

Personal and Private Banking
22%

Corporate Banking
9%

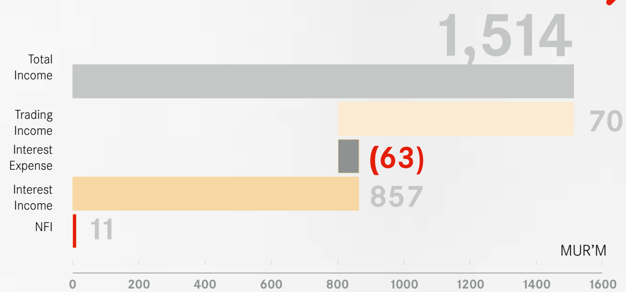
AfrAsia Treasury and Assets & Liability Management

Users of Fund

Treasury and Markets
74%

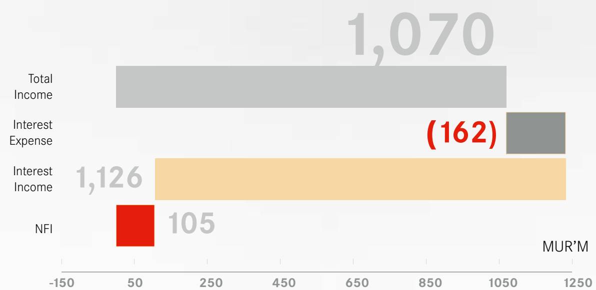
Corporate Banking
24%

Personal and Private Banking
2%



Strong Trading Income representating 15% of the Market share.

Managing excess liquidity of the Bank and optimising balance sheet return.



Focus on financing the top conglomerate locally and selectively banking credit worthy top customers in South Africa, Asia and Rest of Africa through customer centric, tailor made solutions and within permitted regulatory limits.

Develop the segment to become a key player in in lending to professionals, affluent and super affluent individuals.

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Corporate Banking

The division's experienced team of relationship managers will accompany clients in their projects and will advise them on the most profitable way to structure their financing requirements. AfrAsia Bank has developed innovative, flexible and attractive facilities to finance clients' working capital and trade finance and term funding requirements. Client's dedicated advisor will also be working closely with the Treasury team to provide the best possible foreign exchange solutions. We have a wide range of cash management and Trade finance products that will suit our clients' specific requirements.

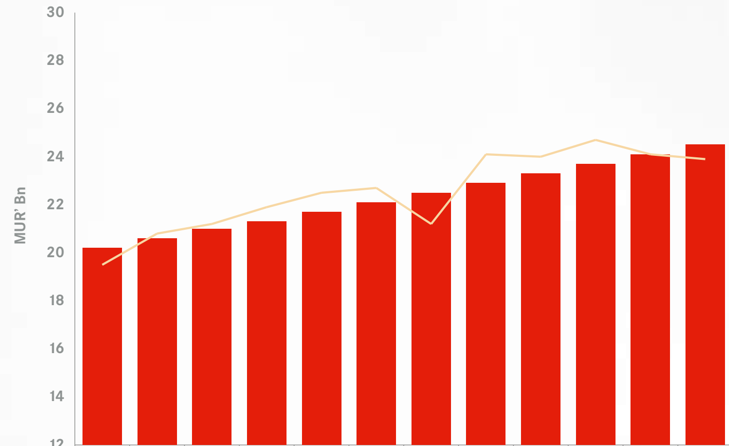
Corporate Banking also prides itself on the ability to provide Investment Banking Solutions to corporate clients. The division's expertise in this field includes Debt Capital Market and Bond Issuance, Debt and Equity Arrangement and Mergers and Acquisitions.

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

On the International front, the division's emphasis remains primarily Africa and Asia. Income is derived from business sourced out of client origination, bank syndications and bilateral agreements with financial institutions. Client solutions relative to product offerings emanate from our corporate lending, advisory and transactional banking divisions. We will also look to diversify our asset exposure into new markets, primarily in South East Asia, Rest of Africa and the Middle East & North Africa.

In terms of performance, the strategy is delivering results and year on year our asset book grew by 26% from prior year of MUR 18.9bn to close at MUR 23.9bn. The division has also fared well against set budget except for the closing balance at end of June 2017 and this was due to some large Corporates who repaid some short term facilities for their year-end reporting.

Loans and Advances: Actual vs Budget



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Budget	20.2	20.6	21.0	21.3	21.7	22.1	22.5	22.9	23.3	23.7	24.1	24.5
Actual Month End	19.5	20.8	21.2	21.9	22.5	22.7	21.2	24.1	24.0	24.7	24.1	23.9

Interest income grew by 33% year on year from MUR 856m to reach MUR 1.136m and this was on the back of good margin received on a higher average loan book, with enhanced margins. Corporate banking Fees income was 41% above budget driven by upfront structuring fees received during the year on International and Local mandates. Transactional and Trade Finance Fees also contributed to good income growth.

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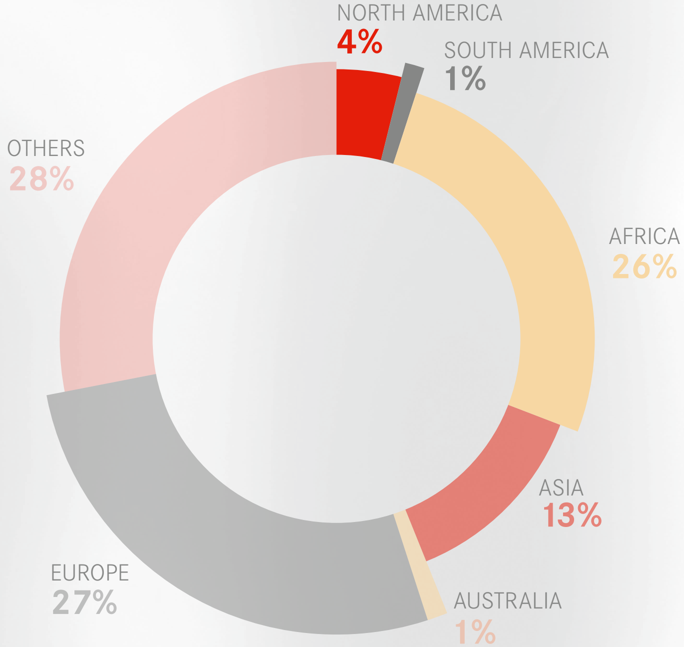
Business Segments' Achievements (cont'd)

Global Banking

Global Banking is the main provider of funds to the Bank contributing to around 63% of the Bank's deposit base. Global Banking aims at further building the long term liability book in view of supporting tenor asset creation and optimizing excess cash through treasury placement. This is being done through the division's ability to raise funding in different currencies and jurisdiction.

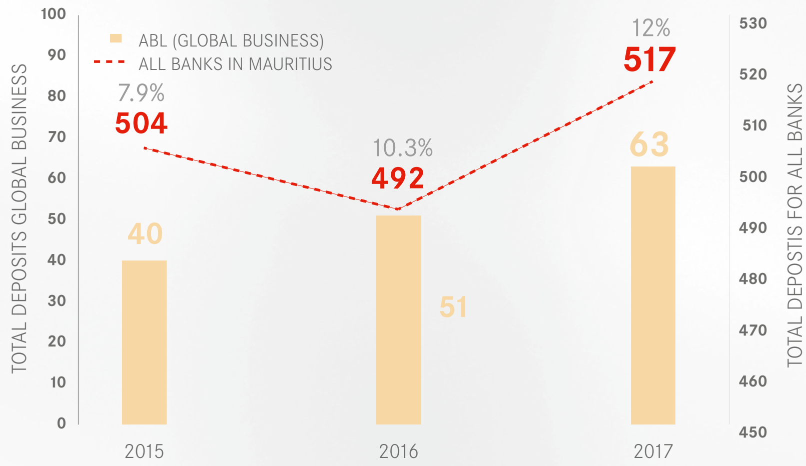
The division has also instilled specialist segments to best cope with clients' queries in terms of their financing, trade finance, treasury and investments requirements.

The geographic representation of Country Exposures from where funding are mainly sourced is depicted in the pie chart below:



The business through its quality and sophisticated banking products and services attracted clients with substance in more than 133 countries and working with 144 intermediaries in Mauritius and 90 based outside of Mauritius. Total Deposit for Global banking increased by 24% reaching MUR 63bn and outgrowing the market in terms of new incremental deposits acquired.

Deposits Trend (MUR bn)



It is worth noting that this incremental growth has been achieved in a tough environment where the total number of new incorporated Global Business Category 1 (GBC1) and Global Business Category 2 (GBC2) companies with the Financial Services Commission (FSC) has decreased year on year.

The other unique selling proposition of the Bank is the capability to open accounts in 30 currencies and undertaking third party payments in 75 currencies, allowing our clients to connect more efficiently to the different continents making business happen via AfrAsia Bank's Global Business segment.

In terms of infrastructure within the division, the Bank has invested a lot of time and energy to change and adapt with the best custody services presently being offered in Mauritius, supported by up to date custody platform.

We are also looking forward to further digitalize our transactional, trade, payroll processing services and direct FX trade platforms which will be integrated with our customers' accounting system. Digitalization will ensure that we remain relevant to our customers and at the same time increase our capacity in handling volume at lower costs. This initiative will be beneficial to both the Bank and its Customers.

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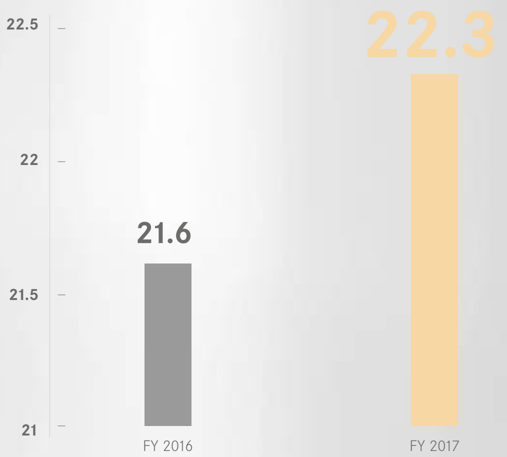
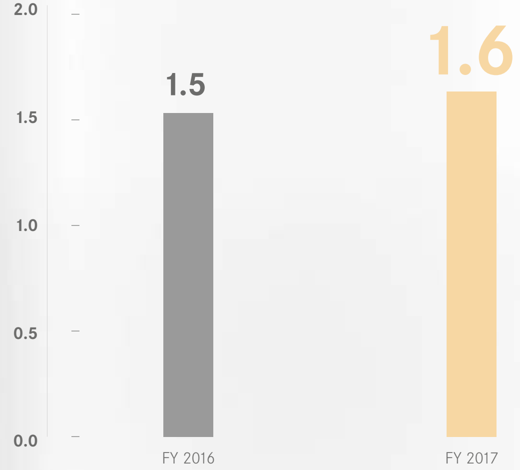
Consumer Banking

The Consumer Banking cluster, consisting of Personal Banking, Private Banking, External Asset Manager Desk and Global Custody, was structured in 2016 in order to optimize each segment's returns but also our client experience. Though this has enabled the Consumer Banking cluster to boost the Assets under Custody by 70%, the year on year growth on Deposits and Loans has been subdued at 3% and 7% respectively. Global Custody department has as a brought a record MUR 112.5m revenue to the Bank.

Consumer Banking - Deposits (MUR'Bn)



Consumer Banking - Loans (MUR'Bn)



Business Segments' Achievements (cont'd)

To better serve our High Net Worth Individual (HNWI), the focus is now on having a clearer definition on specific client segments, namely Personal and Private Banking. Eligibility criteria were set on income threshold and net worth for reallocating HNWI from Personal to Private and vice versa. We are in the process of reviewing existing customer portfolios and fitting them under the appropriate customer segment. At the same time, we are also working towards having clear and specific product propositions for the two segments.

Going forward, the organizational structure of Consumer Banking will be realigned. The External Asset Manager Desk will phase out and join the Global Banking cluster to capture existing business and better serve the clients through the acquired expertise.

Global Custody operations will be reallocated under the Operations department. As such, this will improve the synergy and allow trade instructions to be settled more smoothly.

The new Consumer Banking Department will therefore consist of Personal Banking, Private Banking and SME Banking. In order to further improve efficiency in both Sales and After-Sales, all after-sales transactional activities are being centralized under Business Support Unit. Also, the monitoring of delinquent loan accounts are being transferred to a Watch List Division under Credit Department. These two initiatives will enable relationship managers to henceforth focus entirely on Sales and Cross-selling of all the AfrAsia Group products to our various existing customer bases as well as going out to target new clients.

Growth initiatives in 2016/2017 include:

- Launch of a Loyalty Package for IBL Together Employees, including AfrAsia Group staff
- Target Personal Banking Business in the Ebene Cyber Towers
- Target Professionals, Managers and Executives in the Private Sector
- Target Expatriates working in Mauritius
- Target Buyers of IRS and other luxury villas

For our Private Banking cluster, several clients signed under advisory with assets under custody. Individuals continue to favour AfrAsia for its high quality service and quick response time. However, Common Reporting Standard (CRS) is expected to reduce attractiveness of the country for non-residents, especially for Europeans. Our growth in loans has slowed down due to more conservative strategy adopted by the bank.

Assets under Management for External Asset Management (EAM) have increased by more than 50% during the Financial Year. The desk has on-boarded new EAMs from Europe and has increased the collaboration with existing ones. To cater for the new organizational structuring and imminent reception of new business, the Desk is recruiting qualified staffs to continue to deliver best-in-class service. Focus for Financial Year 2017-18 will now be on Dubai and the Southern African regions. In addition, our new product offerings for the upcoming year will be Lombard loans, niche funds and proactive advice. The Desk is also planning to make collection of funds retrocessions on behalf of EAMs.

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Treasury & Markets

The three key pillars within the Treasury & Markets cluster are Treasury, Financial Institutions and Debt Capital Markets.

The aim of Treasury & Markets is to be the preferred provider of Treasury instruments as well as structured and tailor-made solutions to our clients in Mauritius and the region.

Treasury & Markets strike the right chord with the proposition of customer centric solutions, focusing on strong team dynamics and avant-gardism. The division remains guided by the ethos to effectively propose insights on future market behavior to clients countervailing irrational trends on the market.

Treasury & Markets' prerogative is to provide clients with tailored solutions by reinforcing AfrAsia Bank Limited's position as the market makers for foreign exchange, interest rate, debt, and other structured derivatives. AfrAsia Bank Limited further consolidates its stance as an innovative Financial Markets service provider catering not only to Mauritian demands but also effectively meeting financial requirements in the regional sphere.

While products and services can be replicated across the banking industry, it is the solutions driven approach and nimbleness that marks AfrAsia out. Our goal is to ensure that our client facing and support functions are aligned to consistently provide our clients with best in class services.

With the level of sophistication that we are bringing in, we aim to become the center of excellence in terms of Treasury and Markets solutions for the continent.

The Treasury unit serves a wide customer base including large domestic and international corporates; Trading companies, International Management Companies; Banks & Financial Institutions; Asset Management Companies and family offices; Fund Managers; Investment Funds; Financial Intermediaries; SMEs; Local and International HNWIs and External Asset Managers as well as government and parastatal institutions.

Whether the execution needs are driven by a transactional, hedging or investment strategy, the Treasury unit offers a full range of solutions, both standard and customized, to help our clients navigate the various challenges of continuously changing financial markets.

With the banking sector becoming increasingly competitive, it is critical for AfrAsia Bank Limited to remain ahead of the curve. In a bid to further enhance our product offering and customer centric approach coupled with bringing a consummate level of sophistication to our services, the Treasury team is structured as follows.

TREASURY			
TREASURY SALES	FX TRADING AND DERIVATIVES	FIXED INCOME TRADING & LIQUIDITY MANAGEMENT	STRUCTURING

Our specialist team of dealers work towards finding innovative solutions that facilitate the management and repackaging of risk exposures in foreign exchange, interest rates, and commodity markets. This enables us to respond to our customer's investment and hedging strategies, with the overall aim of being the preferred provider of Treasury services and make a positive difference to our clients and their businesses.

Our Product Suite includes:

- Foreign Exchange Solutions
- Interest Rate Management
- Yield-Enhanced Investments
- Money Market and Fixed income
- Commodities Trading

In terms of performance, our strategy is delivering excellent results with Trading Income of MUR 686m at the close of FY June 2017, a 15% growth year-on-year. Revenue on Foreign exchange amounted to MUR 526m, representing a 6% increase from the previous year. Money Markets and Fixed Income Trading grew by 51% from MUR 98m to MUR 147m.

In terms of FX turnover, our domestic banking volume firmly stood at USD 1.3bn, representing a 15% market share in the local market – cementing our robust position on the market.

Business Segments' Achievements (cont'd)

South African Representative Office (SAREPO)

With its offices in South Africa the SAREPO has continued to play a key role in consolidating AfrAsia's regional presence in Africa. Straddling Global Banking, Corporate Banking as well as Financial Institutions, this office has an extensive network and years of market knowledge in South and East Africa.

Politically and economically, 2016/2017 has been a tough year for South Africa. Rating agencies downgraded the country's rating to sub-investment grade citing the government's growing explicit and contingent exposure to nonfinancial public enterprises, a cabinet reshuffle that will likely place fiscal and growth outcomes at risk and growing government debt. That the economic performance of key trading partners remains sub-par and the country continues to be dogged by high levels of structural unemployment has not helped. In the event South Africa entered a technical recession in 2017.

Nevertheless South Africa's deep domestic financial markets and well-capitalised banking sector, well-developed private sector economy, relatively low levels foreign currency debt, flexible exchange rate, improving current account deficit as well as adherence to the Constitution and the rule of law still makes South Africa an attractive emerging market.

East Africa too is enjoying the spotlight of being a key growth region and entry point to the Africa continent and is currently experiencing an infrastructure boom. Within this context the Bank's team located in offices in Johannesburg and Cape Town continues to promote AfrAsia to corporates and private equity funds involved in expanding into African and international markets as well as individuals seeking international diversification.

AfrAsia Capital Management Ltd (ACM)

ACM offers a full range of investment services ranging from execution to discretionary management coupled with access to our privileged partnerships with the top 20 investment houses in the world, our 7 in house CIS funds, and our wide range of tailor-made investment solutions.

Over the past 26 years, ACM has established a select group of valued clients, comprising of institutions, family offices, pension funds, insurance companies, successful entrepreneurs and business leaders across 22 countries. Our client centric approach is to first gain a deep understanding of our clients' aspirations, risk appetites and then develop bespoke investment solutions to meet their specific needs.

In addition to an efficient risk profiling and client onboarding process, to facilitate the most seamless entry of the client to the full suite of our services, our investment toolkit facilitates investment into most of the world's leading economies across equities, bonds and alternative asset classes. We have an open architecture platform which allows dynamic and flexible investing whilst collaborating with the world's best performing asset managers.

Development over the Financial Year

ACM has appointed MR Bilal Adam as the new Chief Executive Officer and MR Michael Ng Thow Hing as his Deputy to bolster AfrAsia Group domestic foothold while enhancing our positioning in our areas of expertise across Asia and Africa.

ACM has undergone a restructure with a fresh team of qualified professionals recruited in conjunction with extended association with several renowned asset management houses, sharing their expertise and enhanced research database. These changes resulted in ACM heightening its portfolio management capability and delivering reliable risk-adjusted performance returns. Through reorganised leverage on the wider AfrAsia Group synergy, ACM can facilitate holistic investment solutions and gearing where necessary from one boutique bank to deliver excellent high touch client service.

A key achievement for the financial year has been the 24% risk-adjusted performance return in USD, net of fees, to investors of our SEM listed ACM India Focus Fund Ltd over the past 12 months (and 113% risk-adjusted performance return over 5 years). During the financial year, the fund has been marketed in two seminar-type events organised by ACM with the assistance of one of our preferred partners, Motilal Oswal. ACM has also developed a capital protected investment solution, which may deliver 10% to 40% return above capital in USD over 5 years designed for sophisticated investors. These activities have resulted in portfolios risk reduction and a significant increase in client's performance as compared to the previous year.

Risk Management

ACM remains committed to a strong risk management culture reinforced by an Enterprise Risk Management (ERM) assessment of the company. The implementation of this culture resulted in thorough due diligence on investment opportunities, financial soundness and an organised method of undergoing business development in a responsible manner. ACM adopts best practices to protect all stakeholders, satisfy regulators and promote the Mauritius investment brand. These have been our key initiatives:

- The Risk Committee has implemented further risk controls and practices. ACM has successfully completed its Business Continuity Plan and Disaster Recovery testing. The aim has been to effectively plan for and respond to any business disruptions and maintain high-quality service avoiding reputational risk;
- The internal legal and compliance team has been bolstered with new qualified recruits;
- A Client Review and Acceptance Committee is in place to strengthen the client onboarding process, risk profile assessment and investment proposal congruency. The Committee also assesses business relationships; and
- Applying control processes and reporting lines to ensure segregation of duties.

Overall, the key initiatives have been in line with ACM commitment to sustainable good governance and keeping the clients' interest at heart by proposing investment solutions suitable to their evolving requirements.

Financial Highlights

ACM achieved notable performance, amidst a challenging restructuring phase and operating environment exemplified by severe competition, posting a net profit margin of 28% for the financial year ending June 2017 compared to -11% for the previous year.

The positive bottom line has been supported on account of the new management's continuous efforts at reducing costs while attracting additional assets under management and ultimately improving the revenue base. Cost to income ratio improved from 103% for the financial year ended June 2016 to 66% for financial year ended June 2017.

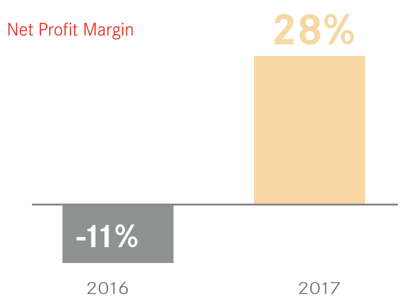
Looking Forward

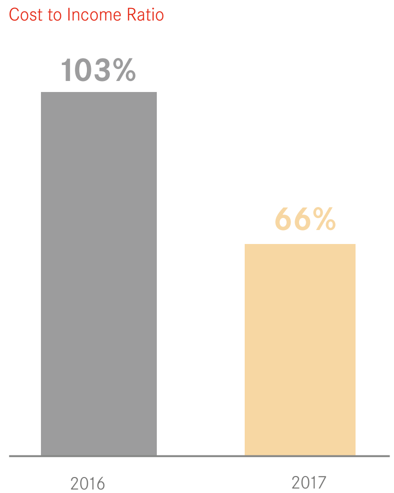
ACM remains committed to placing clients at the heart of its business, developing and maintaining long-standing relationships based on trust.

After embarking on a new phase of restructuring and development, ACM's aim is to conquer new market grounds to grow our clients' assets under management through strong sustainable performance and maintain our reputation in providing innovative investment solutions.

ACM has initiated a project to integrate enhanced Information Technology solutions to revamp operations and controls, resulting in more efficient reporting and decision-making for future business development. Additionally, ACM will maintain a robust risk culture and risk management methodologies through built-in risk controls.

With a strong foundation in terms of investment skills and an escalating market leading ACM brand, ACM will strengthen its staff base and broaden its product offerings to improve the investment experience for our niche clients.





ROC

PLAY AS A TEAM WITH DYNAMISM & MUTUAL
RESPECT IN A FUN ENVIRONMENT

KING

"AFRASIA'S COMPANY CULTURE?
EVERYDAY WE ALL HELP REIMAGINE,
CONCEIVE AND BUILD IT.
AND IT ROCKS! "

Vanisha, COO's Office

RISK MANAGEMENT REPORT

Chief Risk Officer Statement

According to Basel III framework, Banks and large financial institutions should have an independent senior executive with distinct responsibility for the risk management function and the institution's comprehensive risk management framework across the entire organization. Thus, the role of the Chief Risk Officer (CRO) is to work closely with the Chief Executive Officer (CEO), Chief Financial Officer (CFO), chair of the Audit and Risk Committee, other executive and non-executive committee members, senior managers across the Bank and shareholders. Moreover, the prime responsibility of the CRO is to develop, manage and refine qualitative and quantitative risk reporting which meets the needs of the Board, in order to support effective decision making and to create a high-achieving, well-controlled organization which can achieve growth targets safely.

2016/17 Focus Areas

01. Business/Strategic Risk
02. Credit Risk Management
03. Market & Liquidity Risk
04. Operational Risk Management
05. Reputational Risk

Risks and the way they are managed can have material impact on our business activities, on our financial outcomes and reputations and therefore, affects our targets and strategic priorities. Thus, as part of our risk culture and strategic process, we have developed a set of objectives and practices which are shared across the Bank to identify, analyze and mitigate those risks. We want to be known as a Bank with a robust emphasis on culture, ethics and fairness that our team and clienteles can be proud of. We will strive to take the appropriate actions to support and build our reputation for corporate responsibility.

Our risk management policy provides details of the Bank's governance and specific information on policies that the Bank defines to be of utmost significance in the way it conducts its affairs. Under our risk management frameworks, the Board manages risk by identifying, assessing and mitigating risks that could compromise the achievements of the Bank's medium and long term goals. This Enterprise Risk Management Framework (ERMF) has been in place since 2008.

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

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

The ERMF is a key element in setting up clear management objectives, whereby key activities, tools, practices and procedures are clearly established so that the material risks the Bank might encounter are identified, analyzed and mitigated with the appropriate actions to maintain the confidence of our stakeholders.

The prime objective of the risk management process is to provide a well-designed, concrete and straightforward set of three steps; Evaluate, Respond and Monitor (the E-R-M process), thus enabling management to identify and evaluate risks, determine the appropriate risk response, and monitor the efficacy of the system in relation to the risk profile.

EVALUATE

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

RESPOND

The appropriate risk response effectively and efficiently ensures that risks are kept within appetite, which is the level of risk that the Bank is prepared to accept while pursuing its business strategy. There are three types of response: (i) accept the risk but take necessary mitigating actions such as use of risk controls; (ii) stop the existing activity/do not start the proposed activity; or (iii) continue the activity but transfer risks to another party via the use of insurance.

MONITOR

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

Governance Structure

The Board leads the conduct of affairs and provides sound leadership to the Executives of the Bank. Clearly defined policies are set out by the Board which are then conveyed to Executives of the Bank via their delegated authority to facilitate them to oversee the course of actions of the business.

Through its risk management frameworks, the Board Risk Committee (BRC), sets the Bank's risk appetite, administers the establishment of robust enterprise-wide risk management procedures and sets risk limits to monitor the bank's various portfolios. Adequate internal control mechanism and up-to-date and comprehensive risk policies which adherence to legal and regulatory requirements, are set up and monitored by the BRC.

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

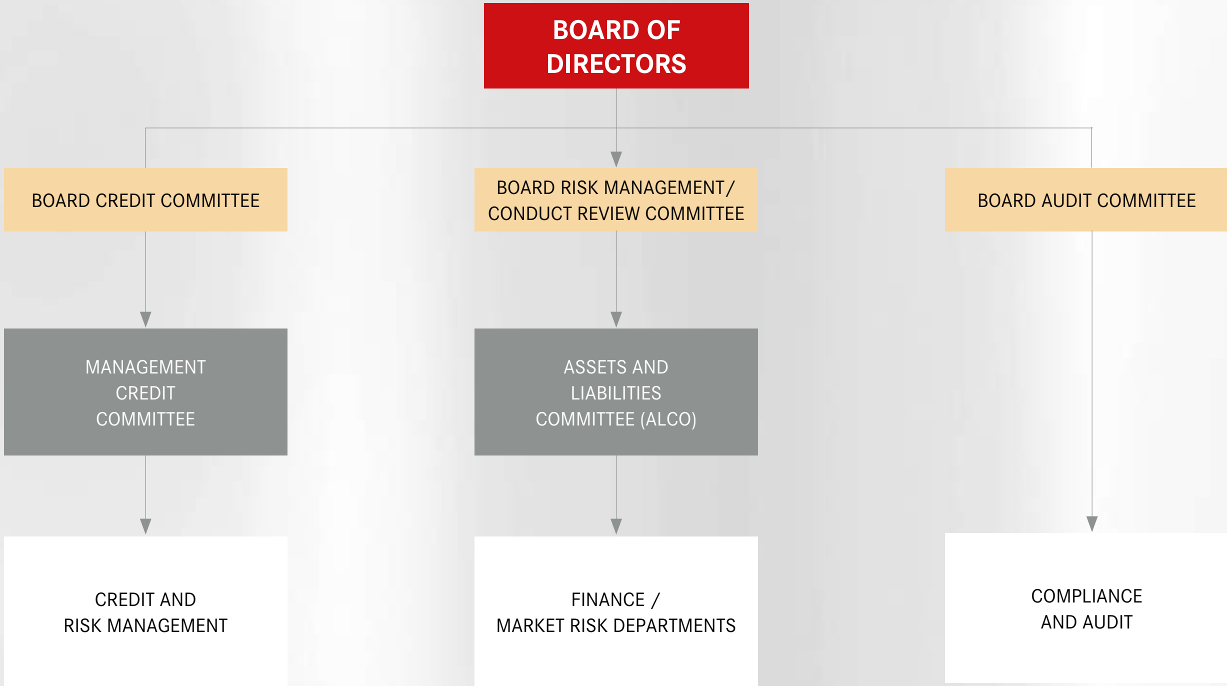
- Create, monitor and manage risk in a manner that complies with the Bank of Mauritius Guidelines and AfrAsia Bank's risk policy;
- Identify risk in each investment, loan or other activity of the Bank;
- Utilize appropriate, accurate and timely tools to measure risk; and
- Set acceptable risk parameters.

Corporate Governance

The Bank has a Corporate Integrity and Whistle-Blowing policy in place, which is reviewed on an annual basis. The purpose of the policy is to promote an atmosphere of honesty, openness, accountability and to encourage employees to conduct themselves to the best interest of the Bank; it is applicable across the board.

The Bank recognizes that the employees' contributions are key to achieve this objective and therefore, an employee who detects or suspects any irregularity, is encouraged to immediately report the matter to either the Group Head Compliance and Legal and MLRO, the Chief Executive Officer, or if appropriate, a member of the Board. The information received is handled in strictly confidentiality and from here the next steps are determined in regards to how an investigation will be conducted and by whom. Any disciplinary action taken is in accordance with the disciplinary procedures and the relevant legal provisions in force.

Risk Governance



Risk Appetite Management

The Bank's risk appetite is defined by a Risk appetite framework set by the board. It aids to emphasize its strong risk culture and helps define thresholds to manage aggregate risks through an acceptable scale.

In line with Bank of Mauritius Guidelines on credit and country risk management, the board has established a set of policies and procedures in respect to cross-border activities which clearly translate Bank's strategic goals and risk parameters.

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Committees established by the Board of Directors

Credit Committee

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

Risk Management/ Conduct Review Committee

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

Audit Committee

- The Audit Committee is composed of the three non-executive independent directors, which met five 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.

Committees established by Management

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 MUR50M and those referred by lower mandates or, which cannot be sanctioned at lower levels.
- MCC reports to the BCC and comprises eight permanent members among whom are three voting members (the CEO, the Chief Finance Officer and the Chief Credit Officer). The other five members are "in attendance".

Assets and Liabilities Committee (ALCO)

- The Bank's Asset and Liability Committee's overall responsibility is to ensure that the Bank's overall asset and liability structure including its liquidity, currency and interest rate risks are managed within limits and targets set by the Board Risk Committee.
- This committee, which comprises the CEO, Chief Operating Officer, Chief Risk Officer, the General Manager, Senior Executive - Corporate Banking & Global Business, Senior Executive - Treasury & Markets, Head of Treasury, the Marker Risk Executive and Market risk officer meet at least once a month.

The Credit Committee (BCC) performs certain essential functions for the Bank which include:

- Approving the designation 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 on an annual basis 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 noteworthy risks to which the Bank is exposed; and
- Reviewing and recommending for Board approval the Bank's credit risk strategy at least annually.

The numerous functions of BRC for the Bank consists of but not limited to:

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

Consistent reporting facilitates the Board of Directors to monitor whether the overall risk policies are being complied with and whether they are in line with the Bank's strategies and goals. In addition, the Board regularly reviews reports by analyzing the Bank's portfolio, including data on industry concentrations and country analysis.

Stress-Testing

Stress-testing is an integral part of the Bank's risk management process as it consists of both sensitivity analysis and scenario analysis. It helps to assess the adequacy of internal capital levels in relation to its risk profile as addressed in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP covers an assessment of risk and capital assessment as to how the Bank's capital adequacy ratios thrives in parallel to its growth strategy and highlights how growth in risk-weighted assets will upkeep the Bank in complying with further regulatory requirements .

Risk Weights

The Basel III capital regulations have been implemented in Mauritius with effect from 1 July, 2014. Banks have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis. To ensure smooth transition to Basel III, the Bank has set up appropriate transitional arrangements for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital etc. In view of the gradual phase-in of regulatory adjustments to the Common Equity component of Tier 1 capital under Basel III, certain specific prescriptions of Basel III capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities etc.) will also continue to apply in a phased manner. Essentially, advances to customers will be weighted at an approved percentage unless collateralized/guaranteed by eligible security/guarantors in which case, a lower risk weight may be applicable. The Board also agreed on 100% weightage for exposure to unrated clients as per BOM Guidelines.

Management of Key Risk Areas

Credit Risk

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

Credit risk arises from the possibility of financial losses stemming from the failure of clients or counterparties to meet their financial obligations to the Bank. Credit processes control the credit risk of individual and corporate clients. Other sources of credit risk arise from trading activities, including: debt securities, settlement balances with market counterparties, amongst others.

The credit risk management objective is to maintain a rigorous and effective integrated risk management framework to ensure that all controls are in line with risk processes based on international best practices.

Organization and Structure

The Bank has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring that there is an adequate segregation of tasks. Credit policies and the credit processes monitor and manage credit risk in a manner that complies with the Bank of Mauritius guidelines and AfrAsia Bank's risk appetite.

Aligning Employee Expectation (EX) with Customer Expectation (CX)

In January 2017, IBL loan Package was offered to AfrAsia employees. The loan facility offered special conditions to staff. The new facility motivates staff and provides a sturdier sense of belonging towards the Bank given the special conditions. This will impact the employee's experience, replicating positively on the customer experience as staff is expected to reproduce their "wow" experience in their work and to clients in general.

Credit risk policies

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

CREDIT APPROVAL PROCESS

FRONT OFFICE | RELATIONSHIP MANAGEMENT | CREDIT MANAGEMENT | APPROVAL PROCESS

CSA/CSO | RELATIONSHIP MANAGER | CREDIT MANAGER | CREDIT ADMIN & LEGAL | CREDIT RISK MANAGEMENT | MCC/BRC/CRC

ACCOUNT OPENING; KYC PERFECTION

- Establishes contact
- Evaluates first customer information
- Customer meeting
- Shareholding structure
- Segmental information

OPERATIONAL EVALUATION PROVIDE DETAILS ON BACKGROUND & DEALS

- Performs Operational Evaluation on the credit request
- Provides details on the deal and rationale for financing
- Provides details on client's background, client base and products base and markets
- Highlights the key business risks
- Reviews MCIB and searches reports

COLLECT AND REVIEW DATA; CREDIT ANALYSIS AND SUBMISSION OF CREDIT PROPOSAL

- Requests supporting documents
- Proposes facility structuring
- Obtains information
- Completeness and plausibility review
- Financial spreading and Financial Analysis
- Provides recommendations to RM & to GM (Domestic Banking or Global Business)

VETTING AND ADVICE ON PROPOSED SECURITY STRUCTURE

- Provides in-depth advice on appropriate security structure;
- Vetting of documentation
- Reviews of existing securities (and advises on flaws or pending documentations if any)

CREDIT RECOMMENDATION INDUSTRY ANALYSIS; COUNTRY ANALYSIS

- Checks compliance with authority structure and Credit Risk Policy
- Reviews documents and facility structure
- Assesses credit-related factors linked to lending
- Assesses Loan to Value
- Evaluates exposure
- Formulates recommendation on the credit request
- Industry/Country analysis

APPROVAL BY MANAGEMENT CREDIT COMMITTEE OR BOARD RISK COMMITTEE

- Approval by decision-makers and depending on authority structure

Management of Key Risk Areas (cont'd)

Roles and Responsibilities

First Line of Defence

The responsibilities of the credit risk management teams in the businesses, the sanctioning team and their shared services include:

- Acting as an enabler to approve facilities proposed;
- 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.

Second Line of Defence

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

The Board controls and oversees of the credit risk policies for the Bank and these policies are reviewed at least on an annual basis. The credit team is working on a revamped credit policy to consider the dynamics prevailing in the existing economic outlook. The policies will 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.

Credit facilities are generally granted on the basis of an understanding of customers' individual financial circumstances to determine repayment capacity, cash flows assessments, market conditions industry outlook and security assessment. 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 III 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. The Bank uses the CRISIL Risk Solutions to provide a suite of software that is critical for ensuring compliance with regulatory guidelines. 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 rating grades and description for each grade is as follows:

RATING GRADE	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	Invetment Grade - High Safety	Borrowers rated AA are judged to offer high safety of timely payment. They differ in safety from AA+ only marginally.
A	Invetment 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	High 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 and Income Recognition issued by the Bank of Mauritius.

Regular and adhoc checks are performed to ensure that guidelines and policies set by the Board are adhered to.

Corporate portfolios

Corporate accounts that are showing signs of deterioration or a likelihood of potential credit losses risk are recorded on the watch lists (WL) comprising two categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default. These lists are updated monthly and circulated to the relevant recovery manager. Once an account has been placed on WL, the exposure is carefully monitored and, where appropriate, exposure reductions are effected. When an account becomes impaired, it will normally, but not necessarily, have passed through each of the two categories, which reflect the need for increasing caution and control. Where a borrower's financial health gives grounds for concern, it is immediately placed into the appropriate category. While all borrower, regardless of financial health, are subject to a full review of all facilities on at least an annual basis, more frequent interim reviews may be undertaken should circumstances dictate.

Retail portfolios

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

Asset Credit Quality

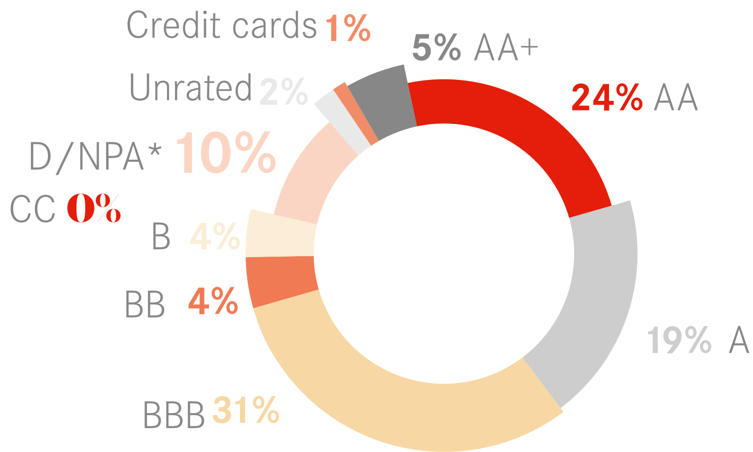
All loans and advances are categorized as neither past due nor impaired; past due but not impaired; or impaired, which includes restructured loans.

- A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract;
- The impairment allowance includes specific allowances against financial assets that have been individually impaired and financial assets that are not impaired but that are subject to collective impairment;
- Loans neither past due nor impaired consist predominantly of loans that are performing; and
- In carrying out credit transactions, AfrAsia Bank strives not only to improve its volume growth, but also keeps in mind the quality of its loan portfolio.

Management of Key Risk Areas (cont'd)

CRISIL RATING	DESCRIPTION	OVERALL CRISIL RATING MUR'000	%
AA+	High safety	1,495,806	5.1%
AA	High safety	7,056,155	24.1%
A	Adequate safety	5,443,071	18.6%
BBB	Moderate safety	9,165,628	31.3%
BB	Moderate safety	1,208,034	4.1%
B	Minimum safety	1,087,622	3.7%
CC	Inadequate safety	20,646	0.1%
D/NPA*	Default	2,971,905	10.16%
Sub-Total		28,448,866	
Credit Cards		115,231	0.4%
Unrated	Unrated	688,200	2.4%
Grand-Total		29,252,297	100.0%

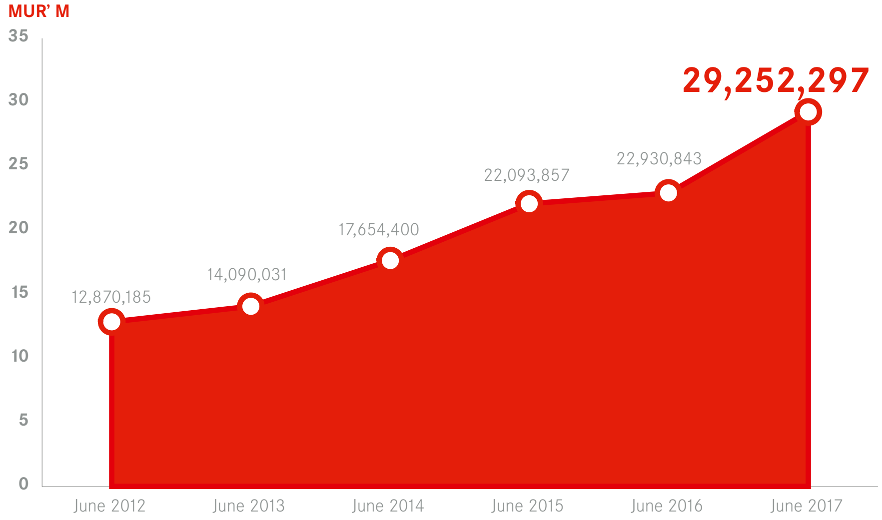
* NPA Balance Outstanding includes NPA Credit Cards of MUR 14.9m
Source: CRISIL Rating system of the Bank



OUTSTANDING BALANCE

SECTOR	30-JUN-17	30-JUN-16
	MUR'000	
Agriculture and fishing	1,196,959	555,911
Manufacturing	2,999,322	1,916,741
Tourism	2,149,109	3,012,701
Transport	549,164	
Construction, infrastructure and real estate	3,170,516	2,915,291
Financial and business services	6,327,016	4,268,189
Traders	1,679,998	
Personal	1,734,220	
Professional	6,233	
Information, communication and technology	87,348	96,694
Government	271,646	
Global Business Licence Holders (GBL)	3,596,604	
Commerce		2,149,004
Individuals		1,779,351
Other entities	5,484,162	6,236,961
Total Exposure	29,252,297	22,930,843

Outstanding balance past 5 years



During the financial year 2016/17, AfrAsia Bank has taken active steps in prudently managing its exposures and ensuring that its loan book is judiciously diversified, while periodically conducting stress tests to assess the resilience of its portfolio in case of unfavorable events. Over the years, the Bank has been keeping a close attention on its credit concentration to ensure it meets regulatory requirements.

Management of Key Risk Areas (cont'd)

Concentration of Risk

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

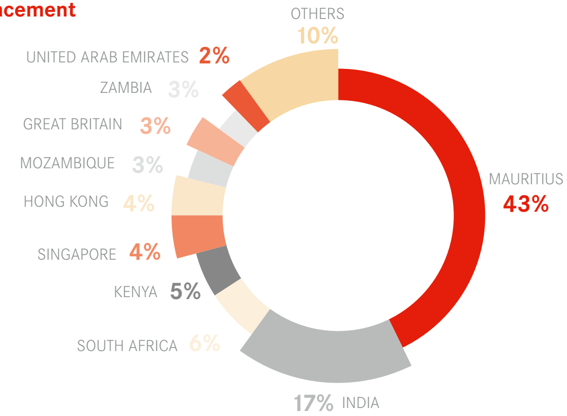
- A maximum exposure to any single customer of 25% of the Bank's capital base;
- Related group of companies to 40% of the Bank's capital base; and
- In aggregate, any individual exposure of 15% above of the Bank's capital base shall not exceed 800% of its capital base.

Key focus of the Bank's macro credit risk management approach is to avoid any undue concentrations in its credit portfolio, whether in terms of counterparty, group, portfolio, product, country, sovereign, or currency. The Bank has always kept its large exposures within these limits. For instance, our concentration ratio of large exposures above 15% was 132% as at 30 June 2017, well within the regulatory limit as shown below:

CAPITAL @ 30 JUNE 2017	(MUR'000)
Tier 1 Capital	5,438,989
Tier 2 Capital	574,782
Capital Base	6,013,771
Total Large Exposures (15% above)	7,947,386
% Large Exposure Vs Capital Base (limitation 600%)	132%

Comprehensive assessment of credit risk portfolio for provision are part of ABL's portfolio management process to mitigate subsequent risk and diversification across numerous geographical frontiers, sectors, segment and products; with the main objectives of maximizing shareholder value. Furthermore, economic reports, country and industry analysis are prepared and submitted to the Board Risk Committee to highlight trade 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
Loan And Placement



The Board of Directors is responsible for setting the Bank's tolerance for country risks. It has delegated authority for the day-to-day management of the country risk policy to MCC.

This policy will also ensure effective oversight by the Board of Directors and Senior Management in ensuring that country risk is managed satisfactorily.

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

Country Risk Assessment

Assessment of country risk involves the determination of the nature of risks associated with individual country exposure and the evaluation of country conditions. In this connexion, the Bank conducts a thorough evaluation of risks associated with its cross-border operation and which have the potential to adversely affect its risk profile. The aim is to identify the risk of a shock, such as an economic crisis or a sudden change in the political environment that would affect those conducting business within a country.

Credit and Risk team analyses the following elements:

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

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

Country risks also arise where borrowers in a particular country are, or are expected to be, unwilling and unable to fulfil their foreign obligations for reasons beyond the usual risk that arise in relation to lending. Political, social and economic factors may give rise to instability in these markets. Thus, in order to mitigate those risks, a country risk management is undertaken by ABL to determine the level of risk on a Case to Case basis but within each assigned country limit. The country risk policy is set in line with BOM's guidelines for country risk management (April 2010). Adherence must therefore be made to the Bank's country risk policy which covers country risk authorization request process for all cross-border exposure approvals, including security arrangement mechanisms will then need to be established.

According to ABL's country risk policy, the Bank would set exposure limits for individual countries to manage and monitor Country risk. Country exposure limits should apply to all on and off balance sheet exposures to foreign borrowers. While it is the responsibility of the BRC to approve the proposed structure of limits, investment strategy and the related limits with regards to the Bank risk appetite, the Board of Directors is also responsible for setting the Bank's tolerance for country risks.

Country risk ratings issued by external credit agency (S&P, Moody's or BMI research) are also used by the bank to evaluate risk of each country. The Bank utilizes two other types of approach:

› A bottom-up approach: analysis of the country risk pertaining in each cross-border credit files, placements, financial products;

› A top-down approach:

  - Analysis of the concentration/diversification of country risk in the Bank's portfolio; and
  - Analysis of the global or regional economic and political movements and their adverse effects on the country risk profiles.

Management of Key Risk Areas (cont'd)

COUNTRY LIMIT

An appropriate structure of limits is set for each individual country exposure. The determination of limits is based on the following:

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

The Board of Directors validates the structure and value of the limits. The Bank's operations are performed strictly within the approved limits.

Credit Risk Mitigation

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

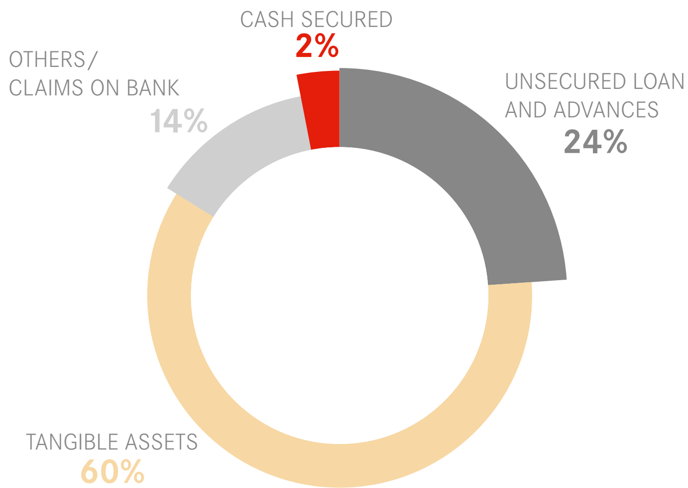
Enforcement legal certainty of enforceability and effectiveness is another technique used to enforce the risk mitigation. Where a claim on counterparty is secured against eligible collateral, the secured portion of the claim is weighted according to the risk weight of the collateral and the unsecured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

As an indication, claims secured by cash which has been netted off against exposure is 2% of the asset book, whilst 14% of total asset book was for claims on banks.

COLLATERAL CHART

DETAILS	MUR (000)
Cash Secured	499,174
Unsecured loan and advances	7,073,464
Tangible Assets	17,510,421
Others/Claims on Bank	4,169,238
Total loan Book	29,252,297

Collateral Chart



Market Risk

Market risk represents the risk of a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market risk factors.

The function of Market Risk, who reports to the Bank's Chief Risk Officer (CRO), is to works in close partnership with the lines of business to identify and monitor market risks throughout the bank and to define market risk policies and procedures.

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.

The Market Risk unit is responsible amongst others for the following risk controlling activities:

- Ensure that the Bank's risk strategy is deployed and that the market risk management policies are implemented;
- Perform the day-to-day independent monitoring, measurement, assessment, reporting the current market risk profile vs. approved risk limits, warning levels and risk limit usage targets, and escalate relevant information, such as exceeding of market risk limits to Senior Management and the Board;
- Perform periodic reviews of all market risk limits across all levels of the Limit Approving Authority in order to ensure the appropriateness and effectiveness of the market risk limit structure relative to the risk undertaken by Business units;
- Perform independent price verification of financial instruments and make in coordination with other corporate functions the necessary prudent valuation adjustments to reflect fair value;
- Perform P&L decompositions of financial instruments/portfolios per risk factors in order to have full understanding of the risk involved;
- Assess the quality and accuracy of risk measurement tools & methodologies using a series of quantitative techniques;
- Monitor and control financial instruments post trade portfolio reclassifications. The Bank uses the following guiding principles in allocating transactions to portfolios: Transactions are allocated definitively to one of the portfolios type (trading or structural portfolios) upon execution; and
- Develop and implement new and evolving risk measurement tools on an ongoing basis and in accordance with best practices.

Risk Profile Overview

Market risks arise from the Bank's participation in market making, trading, investment and asset/ liability management activities:

- **Trading-market risks** includes market-making activities and trading operations which involve taking positions for example in bonds, foreign exchange instruments or derivative products.
  - **Market making activities include:**
    - Selling of Mauritian Government papers to Banks
    - Selling of FX products to clients (Spots)
    - Selling of structured solutions (FWDs, Swaps, Structured FWDs, OTC Derivatives and Structured Products)
  - **Proprietary Trading activities include:**
    - Fixed Income proprietary trading
    - FX proprietary trading
    - Option proprietary trading
- **Non-trading market risks** arises from the Bank's non-trading asset and liability positions in structural portfolios, as well as funding and liquidity portfolios.
  - **Structural Interest Rate Risk:** This interest rate risk arises mainly from residual duration gaps (surplus or deficit) between assets and liabilities. AfrAsia Bank uses several indicators to measure this risk :
    - **Interest rate gap analysis**
      - **Net interest income sensitivity** to variations in interest rates and various stress scenarios over a 1-year rolling horizon
      - **Economic value sensitivity** is a synthetic indicator. It is calculated as the sensitivity of the economic value of the balance sheet to variations in interest rates.

Management of Key Risk Areas (cont'd)

- **Structural Foreign Currency Risk:** By nature of its cross-border commercial activities, the institution has to manage actively a multi-currency balance sheet. Foreign currency risk arises from the related structural currency mismatches on the Balance Sheet. AfrAsia Bank uses several indicators to measure this risk:
  - **Daily Net Exposure**
  - **Daily Value At Risk per currency pair**
  - **Overall Daily Value At Risk**

Market Risk Management

Guiding principles

The Bank's Market Risk Management are based on the following Guiding Principles:

1. **Independent and Objective Risk Oversight from Risk Department** - Responsible for establishing practices and processes to formulate, set proper controls, identify, measure, monitor, review and report the adherence to the Bank's risk appetite and related metrics, independently from Business Lines as a "second-line of defense". Risk Department performs a strong and rigorous Bank-Wide oversight and independent challenge to the first line by reviewing, inquiring and discussing market risk related matters;

2. **Accountability of Business Lines** – Business Lines are owners of market risks which are generated by their activities. They are responsible and accountable for the management of market risk as a ''first-line of defense'';

3. **Clear and Complete Understanding of Risks** –The decision-making process across the Bank is based on a clear and complete understanding of market risk, supported by accurate and expert's judgment;

4. **Efficient Balance of Risk and Reward** – Business Lines strategies must align and be consistent with the Bank's market risk appetite enabling an efficient balance between risk and reward. The Bank's market risk profile must be managed to an acceptable level of exposure and within the boundaries set by the market risk appetite targets which protect shareholder value; and

5. **Robust and Integrated Risk and Control Culture** – Risk management is proactive and integrated in the Bank's day-to-day decision-making process and strategies through the setting of market risk limits which cascade from market risk appetite targets to all business activities of the Bank. The market risk limit setting framework is comprehensive, rigorous, dynamic and in accordance with the complexity of Business Lines' activities and risks undertaken.

Assets and Liabilities Management (ALM)

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

ALM Committee (ALCO) and Board of Directors

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

On a monthly basis, the 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 ALM strategy, policies and procedures to ALCO, which is composed of some of the Executive Committee members. ALCO meets at least once monthly to review the ALM risk ratios, financials and other relevant information.

Measures, Limits and Controls

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.

Market Risk Appetite is approved by the Board and represents the maximum level of market risk that the Bank is prepared to accept in order to achieve business objectives.

In order to be effective, forward-looking and operational, the risk appetite targets established by the Board are cascaded down to Business Lines that are exposed to market risk through the establishment of operational market risk limits according to levels of Limit Approving Authority.

The purpose of the market risk limits is to set out the boundary conditions under which business activities should be run to ensure that the market risk exposure stays within the Bank's market risk appetite targets, including during downturn periods.

The Bank uses a variety of risk measures to estimate the size of potential losses for both moderate and more severe scenarios, under both short-term and long-term time horizons.

Not all activities need to have the same limit structure and adequate market risk limits are established in accordance with the complexity of the activity and risks undertaken:

› **Daily Value At Risk :**
  - VaR is a statistical measure of risk that is used to quantify risks across products, per types of risks and aggregate risk on a portfolio basis, from the individual trading desk up to the Bank level. VaR is defined as the maximum loss at a specific confidence level over a certain horizon under normal market conditions;

› **Sensitivity Limits:**
  - The limits applied to instrument's price sensitivity to changes in several pricing parameters known as the "Greeks" which include but are not limited to delta, gamma, vega, theta, rho and other relevant factors;

› **Treasury operational 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 trigger their dealing limits;

› **Counterparty limits**
  - Exposure is determined according to the nature of the contract and its maturity; and

› **Stop-Loss Limits and Loss Investigation Thresholds**
  - Daily and Monthly Stop-Loss limit are assigned to set the maximum loss a proprietary trading portfolio could take before an escalation in reporting or corrective action is taken; and
  - Daily and monthly Investigation thresholds also apply to proprietary trading activities. Once the loss has reached the threshold, discussions take place between Market risk unit and Business units in order to determine if remedial action is needed.

Management of Key Risk Areas (cont'd)

Focus on Structural Interest Rate Risk

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

The three most important indicators are:

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

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

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

NET INTEREST INCOME SENSITIVITY - (MUR)

Change in (bp)	Sensitivity			Scen 1	Scen 2	Scen 3
Govt Bond Yield Curve	1	0	0	0	(20)	(40)
PLR	0	1	0	(35)	(35)	(35)
Saving Rate	0	0	1	(35)	(35)	(35)
Impact on NII (in Mur millions)	0.6	0.7	(1.0)	10.6	(1.8)	(14.1)

NET INTEREST INCOME SENSITIVITY - (USD)

						as of Jun -17
Change in (bp)	Sensitivity			Scen 1	Scen 2	Scen 3
Market Rate (Libor,Fed)	1	0	0	25	25	25
Current Account Rate	0	1	0	0	0	10
Deposit Rate	0	0	1	0	25	25
Impact on NII (in Mur millions)	3.5	(4.2)	(0.9)	87.6	64.6	22.2
as a % of annual NII						

Focus on Currency Risk

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

The Bank's net open, either overbought/oversold, position against the Rupee have been no more than 15% of Tier I capital, throughout the financial year ended 30 June 2017, which is in compliance to the Bank of Mauritius requirements.

				EFFECT ON PROFIT OF CHANGE IN			
CURRENCY	% CHANGE IN CURRENCY RATE	ASSETS	LIABILITIES	ASSETS	LIABILITIES	NET POSITION	SENSITIVITY OF NET INCOME AND EQUITY
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
AUD	+5%	1,214,309	1,209,667	60,715	-60,483	4,642	232
	-5%			-60,715	60,483		-232
EUR	+5%	14,215,929	14,267,847	710,796	-713,392	-51,918	-2,596
	-5%			-710,796	713,392		2,596
GBP	+5%	6,924,757	6,934,842	346,238	-346,742	-10,085	-504
	-5%			-346,238	346,742		504
USD	+5%	62,098,207	61,849,327	3,104,910	-3,092,466	248,880	12,444
	-5%			-3,104,910	3,092,466		-12,444
OTHERS - FCY	+5%	1,923,699	1,923,699	96,185	-96,185	0	0
	-5%			-96,185	96,185		0
ZAR	+5%	1,416,887	1,437,835	70,844	-71,892	-20,948	-1,047
	-5%			-70,844	71,892		1,047

Management of Key Risk Areas (cont'd)

Focus on Liquidity Risk

Liquidity risk is managed in line with the new guidelines on Liquidity Risk Management issued by the Bank of Mauritius (BOM). In this respect, the Bank set up funding requirement forward looking indicators, which are built using:

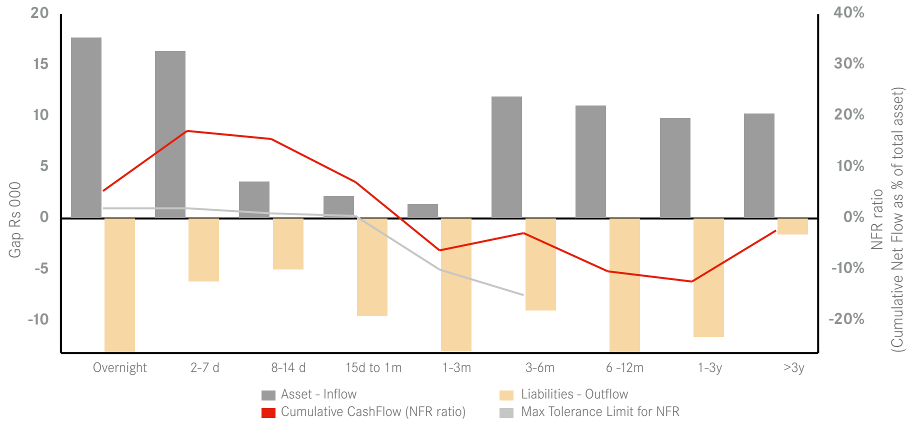
- Assets and Liabilities' maturity ladders constructed for selected maturity dates on a day-to-day basis and on a much longer period; and
- Behavioral patterns for non-maturing items. The patterns are derived using conservative statistical models, which are back-tested on regular basis.

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

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

As at 30 June 2017, no funding stress point was foreseen beyond our risk tolerance limit.

AfrAsia's FCY cashflow survival horizon



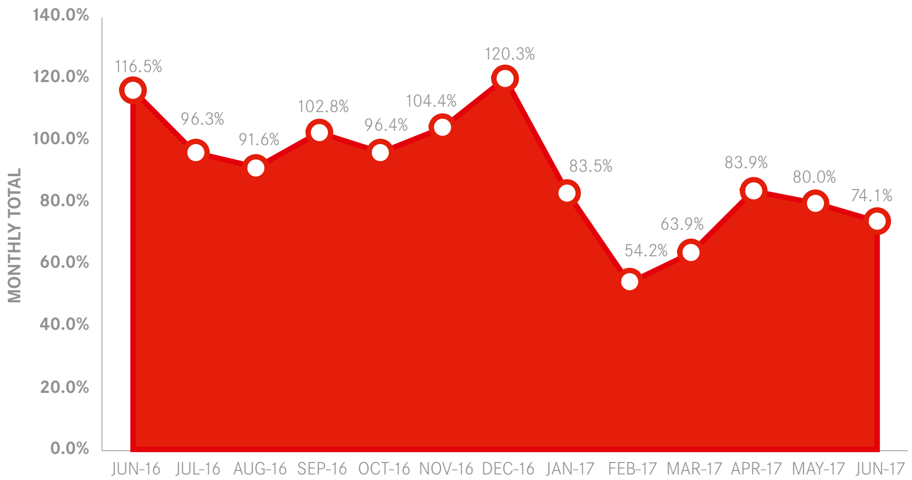
Please note that the model for Cash flow survival horizon (Liquidity Gap Analysis) differs from the IFRS Liquidity models and assumptions.

From an ALM perspective, we focus on the Bank of Mauritius requirements. The purpose is to lay emphasis on the risks and to manage the medium and long-term financing needs. These models are constructed in accordance with Bank of Mauritius guidelines and reviewed by the Asset and Liability Committee.

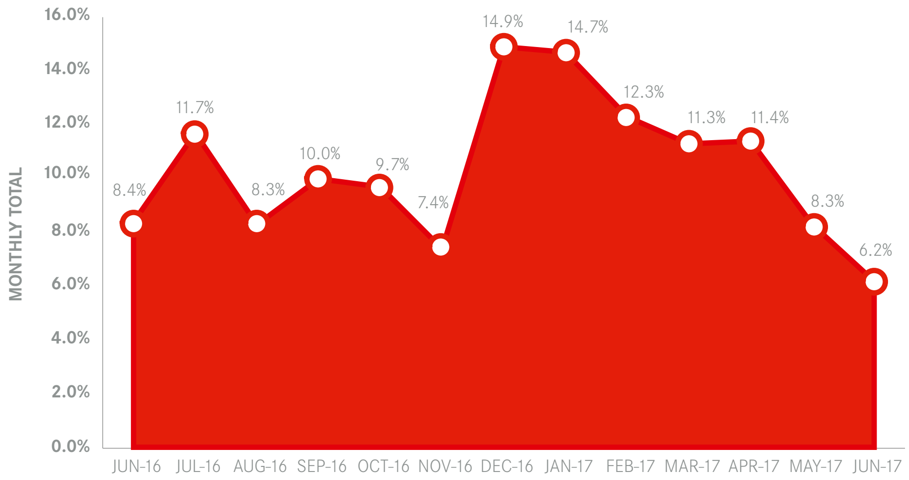
The liquidity ratio assesses the extent to which assets can be readily converted into cash or cash substitutes to meet financial obligations.

AfrAsia Bank Limited's liquidity ratio reflects a strong liquidity position, adequate to absorb the impact of a stressed liquidity and funding environment. The table below shows the month end liquidity ratio maintained during the financial year ended 30 June 2017 against the limit approved by the Board Risk Committee.

Liquidity Ratio



Liquidity Concentration Ratio



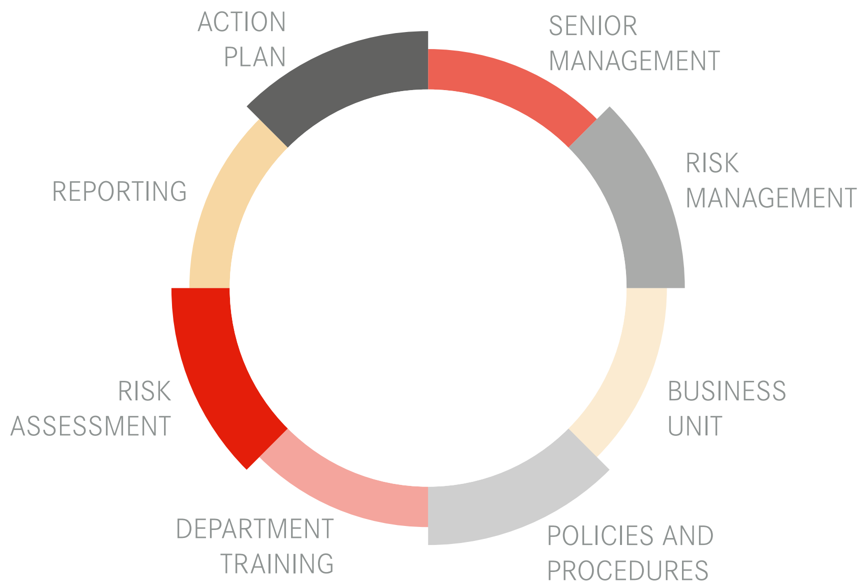
Management of Key Risk Areas (cont'd)

Operational Risk Management

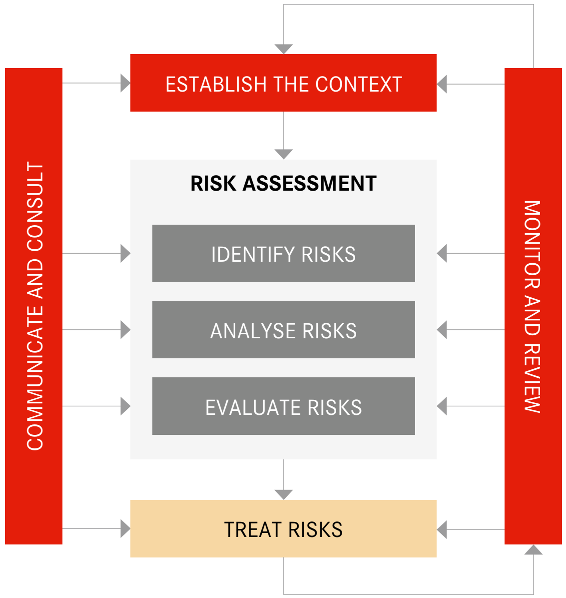
The management of operational risk is a key feature of sound risk management practice in modern financial markets precisely in Banking. The recognition of operational risk as a specific category next to market and credit risk by the Basel Committee on Banking Supervision in the Revised International Capital Framework demonstrates its growing importance. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework is coordinated by a dedicated and independent team to achieve operational excellence and to ensure alignment with best market practice. Operational risks include risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. The Bank limits its operational risks with business procedures and internal controls that updated and adjusted to its current business conditions on an on-going basis. The Bank has been computing its operational risk capital requirement computation in line with requirement from Bank of Mauritius 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.

Operational Risk Management



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

The review conducted during the financial year ended June 2017 showed that risk ranges from low to medium. The overall results were unchanged from last financial year end. Additional controls have been put in place, in line with the various structural changes brought during the year, including re-organisation of the service hub and the customer facing teams to ensure higher controls. The risk at the cybersecurity level was pronounced with more recurrent phishing attacks and ransomware incidents across the world. Prudent measures and control remained our focus to ensure safeguard of systems and data.

Inherent level of Risk increasing in the Treasury operations was further mitigated through implementation of new treasury system, which is currently in its post implementation phase. The Bank has embarked on digital transformation initiatives and technology platforms to support Bank growth have been identified and implementation has already been initiated which includes ALM (Assets & Liability Management) Systems, ERP (Enterprise Resource Planning) amongst many others.

Information Technology

In the modern era, Technology is leading business and revenue generating strategies. Fintech and Banking strategies are enabling simple ways to get the job done and our efforts and investments are geared in the same direction.

Data and information are among the most valuable assets of the organization. Effective deployment of these assets is in the form of Management information system, business intelligence / analytics, decision support & forecasting. Information strategy at the Bank focuses not only on the above but also data governance, to ensure integrity and consistency of data at every stage of the data lifecycle – from input / capture to aggregation and consumption.

Technology is evolving faster than ever and the primary challenge for a technology function as enabler is to remain current, effective and secure while managing costs and mitigating risks. We have adopted a multi-pronged strategy to overcome these challenges. Diligent adoption of managed services and cloud based hosting for quicker time to market, better manageability and continued currency opens up avenues for bringing down the heavy capex investments that are typically a constraining factor for investments in technology.

The Bank's Information Technology (IT) and Information Security (IS) frameworks are being built on global standards like ITIL, ISO 27001 etc. and the governance principles are being modeled along the lines of COBIT, ISO/IEC 27014:2013. The practice of governance includes regular reviews with the executive management and extends up to the Board with regular updates and feedback to and from the Board. Internal, external and regulatory audits play a crucial role in the governance cycle with intermittent checks on the policies and implementation of the same.

Management of Key Risk Areas (cont'd)

Business Continuity Management (BCM)

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

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

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

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

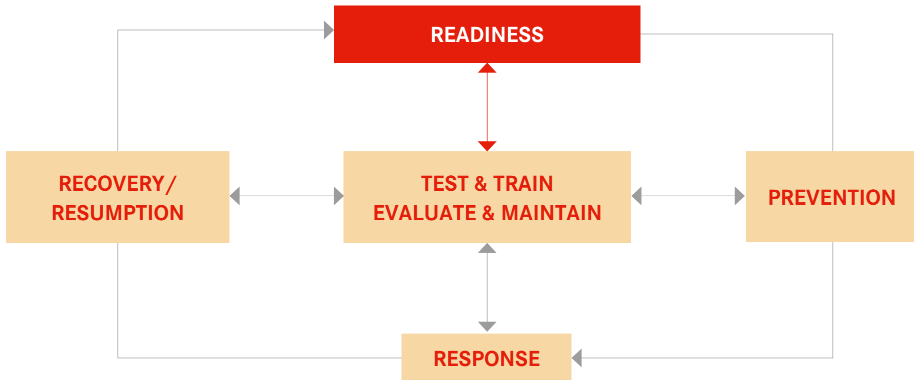
- Responsibility rests on the Bank's Board of Directors and Senior Management;
- Explicitly consider and plan for major operational disruptions;
- Recovery objectives are in line with the criticality of the operation of the banking system;
- In the "worst case scenario", the recovery time objective (RTO)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

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

During the Financial Year 2016-2017, the data centre has been relocated to a Tier III infrastructure, approximately 23km from the main operation centre (Ebene). Disaster Recovery (DR) site has been reallocated from Port-Louis to Ebene and arrangement has been made for Work Area Recovery (WAR) in case of any eventual disaster event.

A BCM test is performed annually for all critical infrastructure involving all functions and user groups of the Bank to ensure the effectiveness of the processes and the readiness of the infrastructure and people. The last BCP Functional test was carried in February 2017 and following BCP reviews and training sessions with the coordinators of respective departments. Overall, the DR testing was successful with minor issues that were addressed accordingly during and after the tests.

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



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

Internal Audit

The main highlights for the year under review have been categorized under the following themes:

Appointment of a new Head of Internal Audit

Kristy Ballah joined AfrAsia in April 2017 as the new Head of Internal Audit. Prior to joining AfrAsia, Kristy was the Group Audit Manager at the Mauritius Commercial Bank. He started his career with PriceWaterhouseCoopers where he grew to be an Audit Manager for a number of local and international clients. With a track record of some 12 years in audit, Kristy brings with him extensive and valuable expertise in the banking, offshore, insurance, telecommunications and manufacturing sectors. He is well acquainted with strategy setting and risk functions in view of enhanced synergies.

Approved 3-year strategic plan (FY16 to FY18)

The new Head of Internal Audit will build up on work started by the former Head of Internal Audit and continue with the execution of the 3 year strategic plan. At this stage, no major change is anticipated to the strategy of the Internal Audit Function, classified under four building blocks comprising: Strategy, People, IT and Internal Process. An updated status summary of the key initiatives as per the 3-year road map is provided below:

	KEY INITIATIVE	STATUS
STRATEGY	› Vision and Mission (IA Charter)	Completed
	› 3-Year Risk-Based Audit Plan	Completed
	› Advisory services	Completed
	› Synergy with other control functions	Completed
PEOPLE	› Promote Knowledge growth, hard & soft skills and discipline	In Progress
	› Recruitment of appropriate professionals	Completed
	› Development and retention of professionals	In Progress
	› Establish Key Performance indicators	Completed
IT	› IT Audits:	
	› General Controls	Completed
	› Application Controls	In Progress
	› Use of computer Aided Audit Tools	In Progress
PROCESS	› Audit methodology in line with IIA standards	Completed
	› Revised communication protocol (including risk-based grading of issues)	Completed
	› Drafting of Audit Manual	Completed

Management of Key Risk Areas (cont'd)

Independence

The Head of Internal Audit will continue to maintain a direct reporting line with the Audit Committee for direction and accountability and to the Chief Executive Officer for administrative interface and support in line with good governance practices.

Execution of approved Financial Year 2016-2017 risk based audit plan

A total number of 62 assignments (operational and IT) have been completed during the financial year (June 2016: 50) representing key areas as per the risk based audit plan and other ad-hoc projects. Based on the internal audit assignments conducted so far, the Internal Audit Function does not believe that any deficiencies identified could at this stage, individually or collectively jeopardize the operations of AfrAsia Bank Limited.

Moreover, as at date, the lion's share of issues categorized as "critical" and "major" has been satisfactorily addressed by Senior Management through the implementation of audit recommendations.

Any risk or deficiency in the system of internal control revealed during audits performed have been reported in the respective reports issued at the end of the assignment. The audit report includes audit recommendations, management comments, action plan and timeline for implementation. Strict monitoring of implementation is done by Internal Audit and a periodic status is given to the Audit Committee.

As per the Financial Year 2016-2017 Internal Audit Plan approved by the Audit Committee, the audit frequency for identified processes is as follows:

PROCESS - RISK CATEGORY	FREQUENCY OF AUDIT
High	Yearly and/or through continuous remote audit
Medium	Every 2 years
Low	Every 3 years

In accordance with above criteria, the following audit assignments were conducted in Financial Year 2016-2017

OPERATIONAL AUDIT	IT AUDIT
Compliance Framework (in progress)	Review of SunGard Treasury system
Credit management (in progress), Operational Risk and Related Party frameworks	Access rights
Operations including Trade Finance, Inward and Outward, Procurement and Fixed Deposit Management	Data and report management
Custody	Business Continuity Plans/Disaster Recovery
Finance including submission of returns to regulators	Physical Security
Human Resources	
Financial Markets and Treasury (including monitoring of Nostro, suspense and other internal accounts and submission of returns to regulators)	
Representative Office of South Africa	
Continuous audits comprising review of branches, management of dormant and reactivated accounts, management of undelivered statements, complaints handling and call back	

A few ad-hoc assignments were also performed in Financial Year 2016-2017 at the request of management, which are mostly of an advisory nature.

- As illustrated above, the audit frequency depends on the risk rating assigned to each process/Business Unit. Significant areas have already been identified using the risk based audit methodology, assigned a high risk rating and are therefore audited on a yearly basis or more frequently should the need arise.
- Regarding subsidiary ACM, several assignments were performed in Financial Year 2016-2017 comprising reviews of both assurance and advisory nature.

The Internal Audit Function will continue to provide relevant stakeholders of the Bank with more value added solutions to help the organization accomplish its set objectives in line with IIA and other relevant frameworks.

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

Management of Key Risk Areas (cont'd)

Compliance

Internal control and risk mitigation measures are put in place and implemented to ensure compliance with the relevant laws, regulations and internal policies and procedures.

As per the Compliance Plan approved by the Board of Directors, Compliance reviews of department are conducted on a regular basis. Reports/findings are duly submitted to Senior Management, Audit Committee of the Board and the Board of Directors.

Moreover, the Compliance Function is responsible to provide assurance and advise the Management and staff of the Bank concerning Compliance and regulatory matters. The Bank hired more Compliance resources and thus it is able to better assist and support internal customers.

The Compliance function monitors and overviews the following:

Regulatory Compliance and Interaction

1. Review of Policies & Procedures of the Bank
2. Implementation of Corporate Governance
3. Liaison with Regulators
4. FATCA and CRS implementation and reporting
5. Report compliance issues
6. Ensure implementation of recommendations and regulatory changes
7. Compliance Risk Management
8. Advisories to Senior Management and Sales Departments

Monitoring and Testing

1. Monitoring - AML Software/Transaction Monitoring
2. Compliance advisories.
3. Compliance Control and Testing - conduct KYC checks and other checks
4. KYC software – risk classification of customers
5. Review of High Risk customers
6. Replying to Request for Information from investigative/ regulatory authorities
7. Investigation and reporting

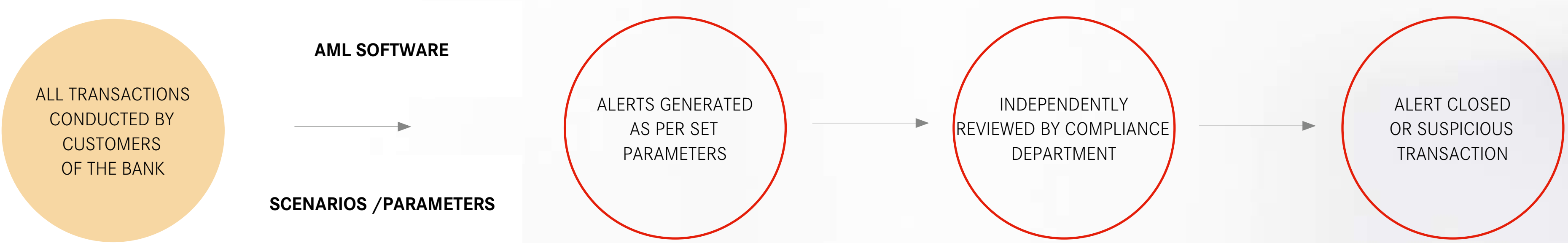
Anti-Money Laundering and Combating the Financing of Terrorism

1. Customer Acceptance – Know Your Customer / Customer Due Diligence
2. Fraud identification, investigation and reporting.
3. AML Training/Compliance workshop and circulation of regulatory changes, issuing Compliance Digest
4. Financial Crime and Investigations of Suspicious Transactions - File Suspicious Transactions
5. Swift Sanction Screening monitoring
6. Reply to queries from Correspondent Banks

AML Software

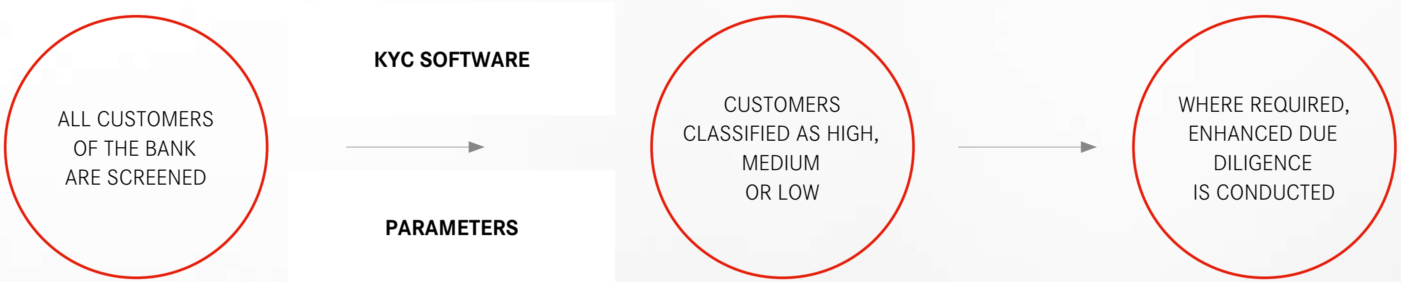
With the implementation of a fully automated AML Software, Compliance Department independently reviews transactions and generate AML alerts based on agreed parameters, transaction amounts and frequency.

The transaction monitoring system also assists in the independent investigations of suspicious cases. Consequently, appropriate decisions and actions are taken by the Money Laundering Reporting Officer.



KYC software

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

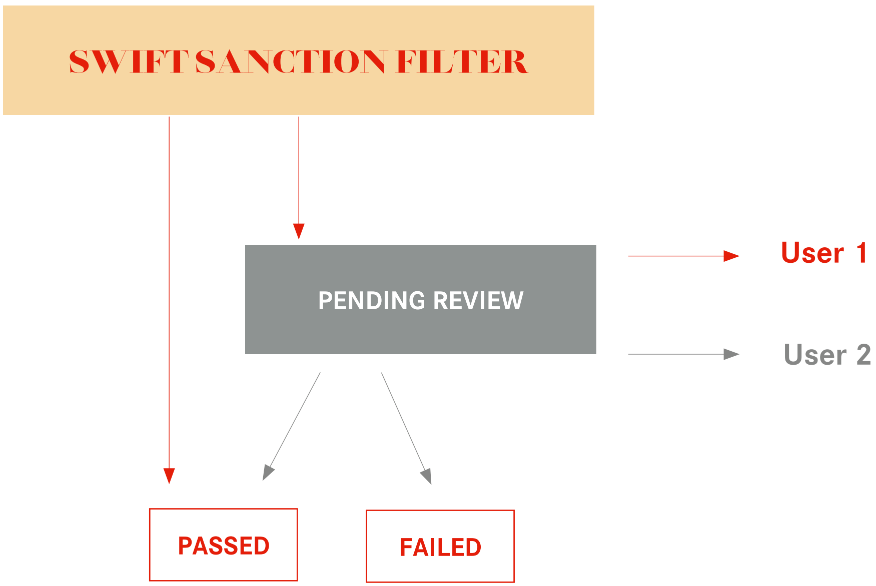


Management of Key Risk Areas (cont'd)

SWIFT Sanction Screening system

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

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



Training

To enhance compliance culture, compliance training are provided to staff of the bank as per below:

- Induction Training to all new recruits;
- Compliance Training provided at Departmental level specific to their requirements;
- AML/Compliance Refresher Training provided regularly to front liners and management;
- On a yearly basis an AML assessment is conducted and all staff of the bank must participate;
- Update concerning regulatory changes is also circulated to senior management and relevant departments;
- In a quarterly basis the Compliance Digest, which includes updates concerning AML issues, international sanctions, new Acts, Guidelines & Regulations and court judgements, is circulated to all staff of the bank and external parties; and
- Specific training concerning FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards) is also provided to relevant departments.

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Capital Structure and Adequacy

Risk Weighted Assets

AFRASIA BANK LIMITED

	BASEL III 2017 MUR'000	BASEL III 2016 MUR'000	BASEL III 2015 MUR'000
Common Equity Tier 1 capital: instruments and reserves			
Share Capital	3,157,608	2,555,363	2,511,291
Share premium (from issue of ordinary shares included in CET1)	2,862	13,923	13,923
Statutory reserve	339,711	217,161	152,116
Retained earnings	944,373	493,282	107,087
Accumulated other comprehensive income and other disclosed reserves	70,618	82,468	75,077
Common Equity Tier 1 capital before regulatory adjustments	**4,515,172**	**3,362,197**	**2,859,494**
Common Equity Tier 1 capital: regulatory adjustments			
Treasury (Own Shares)			
Other intangible assets	(155,855)	(111,840)	(48,018)
Deferred Tax	(147,057)	(60,441)	(19,607)
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) *	(113,738)	(94,781)	(94,781)
Total regulatory adjustments to Common Equity Tier 1 capital	**(416,650)**	**(267,062)**	**(162,406)**
Common Equity Tier 1 capital (CET1)	**4,098,522**	**3,095,135**	**2,697,087**
Additional Tier 1 capital: instruments			
Instruments issued by the Bank that meet the criteria for inclusion in Additional Tier 1 capital (not included in CET1)	1,340,467	1,233,085	1,319,420
Additional Tier 1 capital before regulatory adjustments	**1,340,467**	**1,233,085**	**1,319,420**
Additional Tier 1 capital: regulatory adjustments			
Total regulatory adjustments to Additional Tier 1 capital			
Additional Tier 1 capital (AT1)	**1,340,467**	**1,233,085**	**1,319,420**
Tier 1 capital (T1 = CET1 + AT1)	**5,438,989**	**4,328,220**	**4,016,507**
Tier 2 capital: instruments and provisions			
Instruments issued by the Bank that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 capital)	269,260	484,112	684,463
Provisions or loan-loss reserves (subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach)	381,347	274,001	307,117

Capital Structure and Adequacy (cont'd)

Risk Weighted Assets (cont'd)

AFRASIA BANK LIMITED

		BASEL III 2017 MUR'000	BASEL III 2016 MUR'000	BASEL III 2015 MUR'000
Tier 2 capital before regulatory adjustments		**650,607**	**758,113**	**991,580**
Tier 2 capital: regulatory adjustments				
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) *		(75,825)	(94,781)	(94,781)
Other Adjustments to Tier 2 capital (please specify)				
Total regulatory adjustments to Tier 2 capital		**(75,825)**	**(94,781)**	**(94,781)**
Tier 2 capital (T2)		**574,782**	**663,332**	**896,799**
Total Capital (capital base) (TC = T1 + T2)		**6,013,771**	**4,991,552**	**4,913,306**
Risk weighted assets				
Credit Risk		42,506,702	39,946,865	33,646,596
Market Risk		440,288	522,049	491,320
Operational Risk		2,988,502	2,343,740	1,743,573
Total risk weighted assets		**45,935,492**	**42,812,654**	**35,881,489**
Capital ratios (as a percentage of risk weighted assets)	**Regulatory Limits under Basel III**			
CET1 capital ratio	7.63%	8.92%	7.23%	7.52%
Tier 1 capital ratio	8.50%	11.84%	10.11%	11.19%
Total capital ratio	11.13%	13.09%	11.66%	13.69%

Reconciliation with AfrAsia Bank's Audited Financial Statements

	30-JUN-17	
	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III
	MUR'000	MUR'000
ASSETS		
Cash and cash equivalent	4,106,323	4,106,323
Trading assets	8,670,865	8,670,865
Pledged assets		
Derivative assets held for risk management		
Loans and advances to banks	37,879,933	37,879,933
Loans and advances to customers	27,512,745	27,512,745
Derivative financial instruments	228,533	228,533
Financial investments-held for maturity	21,190,422	21,190,422
Investment securities		
of which: Insignificant capital investments in financial sector entities exceeding 10% threshold		
of which: Significant capital investments in financial sector entities exceeding 10% threshold	189,563	189,563
Property, plant and equipment	186,269	186,269
Intangible assets		
of which: Goodwill		
of which: Other intangible assets	155,855	155,855
Deferred tax assets	147,057	147,057
Other assets	138,718	138,718
of which: Defined benefit pension fund assets		
Total assets	**100,406,283**	**100,406,283**
LIABILITIES		
Deposits from banks	1,500,815	1,500,815
Deposits from customers	91,082,564	91,082,564
Derivative financial instruments	204,460	204,460
Trading liabilities		

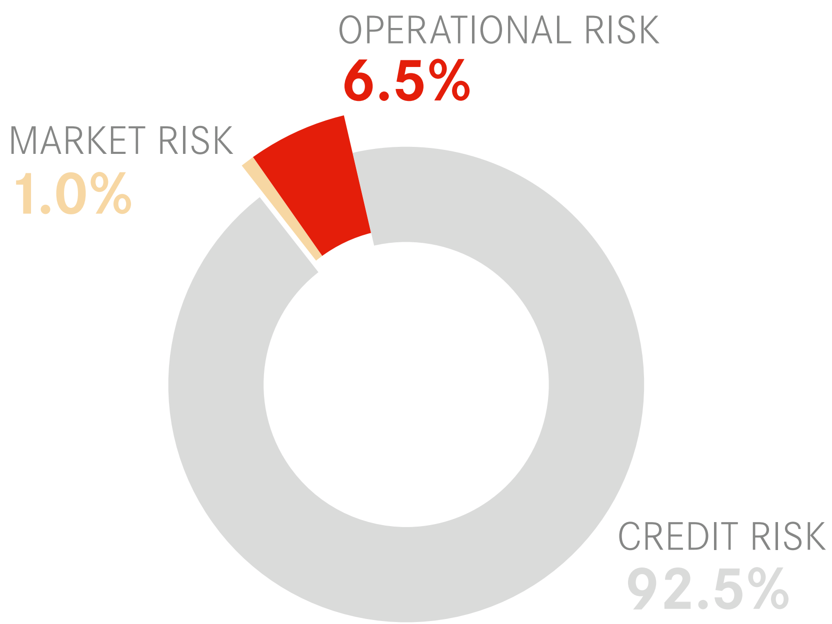
Capital Structure and Adequacy (cont'd)

	30-JUN-17	
	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III
	MUR'000	MUR'000
LIABILITIES (cont'd)		
Derivatives liabilities held for risk management		
Debt securities issues		
Other borrowed funds		
Subordinated liabilities		
of which: Subordinated debt not eligible for inclusion in regulatory capital	842,233	842,233
of which: Subordinated debt eligible for inclusion in regulatory capital	269,260	269,260
Current tax liabilities	130,156	130,156
Deferred tax liabilities		
Provisions		
of which: Provision reflected in regulatory capital		
Other liabilities	384,347	384,347
Total liabilities	**94,413,835**	**94,413,835**
Shareholders' Equity		
Share capital and share premium	4,583,376	4,583,376
of which amount eligible for CET1	3,157,608	3,157,608
of which amount eligible for AT1	1,340,467	1,340,467
Retained earnings	944,373	944,373
Other reserves	464,699	464,699
Accumulated other comprehensive income		
Total shareholders equity	**5,992,448**	**5,992,448**

Total Risk Weighted Assets as at 30 June 2017 was at MUR 46bn versus capital base of MUR 6bn. Analysis by risk type:

- Credit Risk MUR 43bn **
- Market Risk MUR 0.4bn
- Operational Risk MUR 3bn

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



Supervisory Review Process and Stress Testing

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

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

ICAAP certificate for the financial year 2016 had been prepared in line with the guidelines and showed that the Bank has adequate capital to sustain targeted growth. This ICAAP exercise for the financial year 2016 had taken into account all unexpected scenarios to assess the impact of various operational risks on capital and potential risks associated with the Bank's strategy. This report also showed that the Bank's capital adequacy ratios compared well with those of domestic peers, and the highlighted growth in risk-weighted assets will support the Bank in complying with further regulatory requirements, as well as in maintaining investor confidence. It also demonstrates that chosen internal capital targets are well founded and those targets are consistent with the Bank's overall risk profile and current operating environment.

Capital Structure and Adequacy (cont'd)

Basel III

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

Related Party Transactions, Policies and Practices

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

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

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

During the normal course of business throughout the year, the Bank entered into a number of banking transactions with its related parties. These include placements or loans to/from banks, deposits as well as other normal banking transactions. As at 30 June 2017, related party exposure was within regulatory guidelines at 34% (Cat 1 and Cat 2).

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


Disrupt
Act
Rock
Everyone

EVERYONE, EVERYDAY, EVERYTHING FUN!!

"IT ISN'T ABOUT SIMPLY EXCHANGING CURRENCIES. IT IS ABOUT EXCHANGING STORIES AND SMILES, EVERYDAY, WITH EVERYONE. "

Pouvalen, Corporate Department

2016-2017 AT A GLANCE

MOVEMBER CAMPAIGN

For the third consecutive year, AfrAsia shows support for Movember, an international campaign to raise awareness and fund for men's prostate cancer. The annual Movember Charity Oscar Night raised MUR 1.5m for NGO Link to Life Mauritius.

THE WISH TREE INITIATIVE

The Bank joined hand with NGO Ti Rayons Soleil for a first Wish Tree give back campaign, raising support from staff and clients to make wishes come true for less privileged children.

AFRASIA BANK MAURITIUS 2017 OPEN LAUNCHED

One of the most awaited sporting event in Mauritius is back. The AfrAsia Bank Mauritius Open will be played from 30 November – 3 December, 2017 where 156 of the world's top golf professionals from European Tour, Asian Tour and Sunshine Tour will be competing for the 1 million Euro prize money.

TALKING ECONOMICS WITH NATIONAL BANK OF CANADA

AfrAsia hosted Senior Economist Krishen Rangasamy from National Bank of Canada to discuss the latest in economics and finance. Our guest speaker elaborated on how the key policies in the major economies pivot as the world heads towards 2018.

MOTILAL OSWAL INVESTMENT ADVISORS SHARE INSIGHTS ABOUT THE INDIAN CAPITAL MARKET

AfrAsia Bank hosted experts from Motilal Oswal Group, a multi-award winning firm, to share unique insights about the Indian Capital markets, its challenges and opportunities.

AFRASIA BANK ACCREDITED BY THE BANK OF MAURITIUS AS A PRIMARY DEALER

AfrAsia Bank announced to its stakeholders and clients its accreditation by the Bank of Mauritius as a Primary Dealer and the opportunities such a license presents. The Bank is one of four banks that hold the license. The Primary Dealer Operational Framework aspires to foster a competitive and sophisticated local financial market for the trading of Government Securities.

CENTRE DES JEUNES DIRIGEANTS LEADING THE YOUNG ENTREPRENEURIAL MOVEMENT

AfrAsia Bank partnered with Abax and Azuri to organize the first annual conference of the Centre des Jeunes Dirigeants d'entreprise (CJD) in Mauritius. The event gathered 200 leaders from France, Africa and the Indian Ocean who addressed topics such as regional economic development and strategic alliances.

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, The 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 2017 and management has exercised its judgement and made best estimates where deemed necessary.

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

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

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

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

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

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

Date: 21 September 2017

ADMINISTRATIVE INFORMATION

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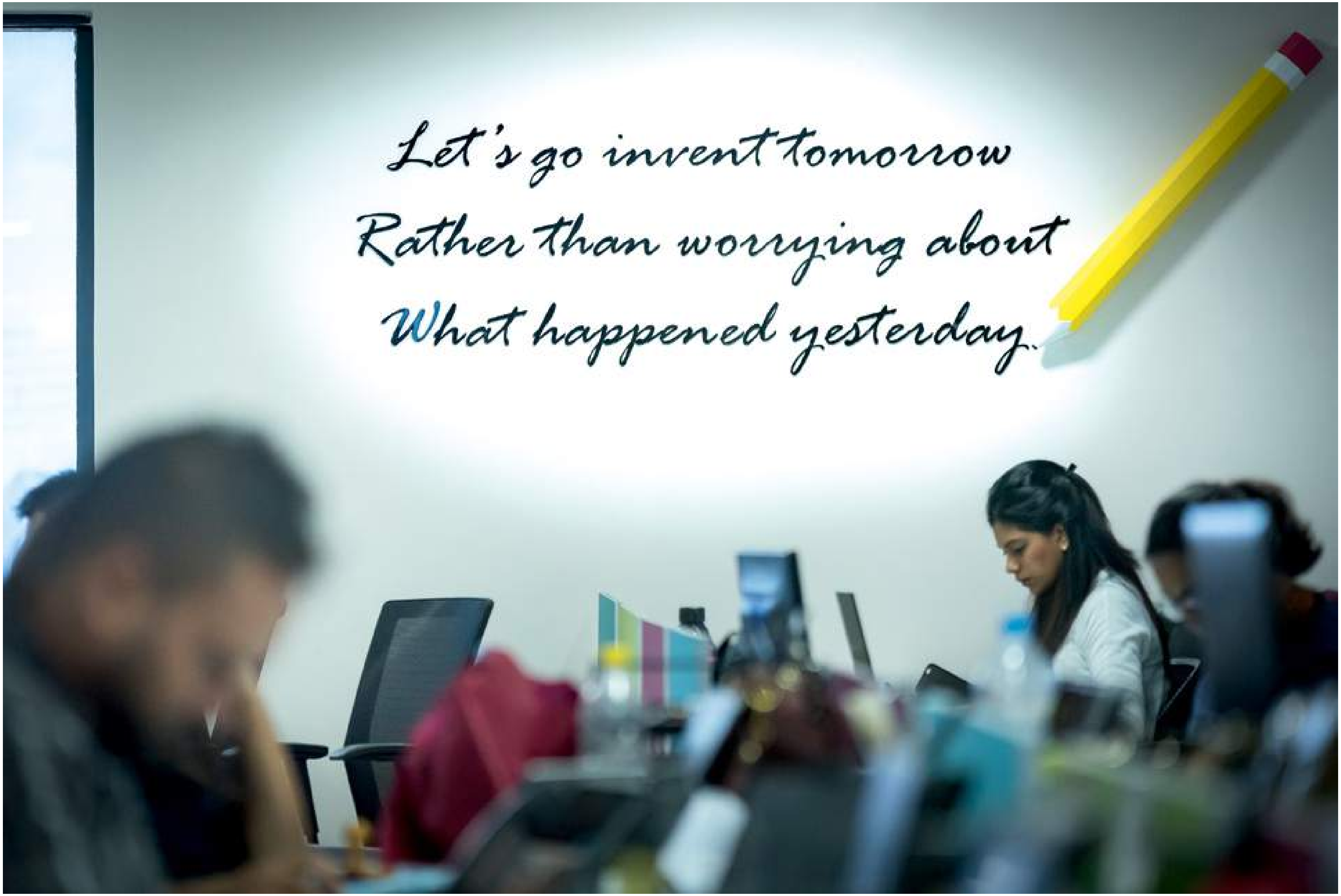
Let's go invent tomorrow
Rather than worrying about
What happened yesterday.

CULT
URE

LET'S DISRUPT THE MARKET THROUGH OUR ACTIONS WHILE WE ROCK AS A TEAM AND MAKE EVERYTHING AT WORK FUN AND ENGAGING.

"WE WORK HARD, BUT ABOVE ALL WE WORK WITH PASSION. OUR END-GOAL? HAPPY CUSTOMERS AND A SEAMLESS BANKING EXPERIENCE."

Anne, South Africa Representative Office

FINANCIAL STATEMENTS

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 MANAGEMENT LTD
COMPANY SECRETARY
Date: 21 September 2017

Independent Auditor's Report to the Shareholders of AfrAsia Bank Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of AfrAsia Bank Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 176 to 272, which comprise the consolidated and separate statements of financial position as at 30 June 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 30 June 2017, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the IESBA Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Group and the Bank for the year ended 30 June 2016, were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 September 2016.

Key Audit Matters

Key audit matters are those matters, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated and separate financial statements.

Independent Auditor's Report to the Shareholders of AfrAsia Bank Limited (cont'd)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
LOANS AND ADVANCES – ALLOWANCE FOR CREDIT IMPAIRMENT	
Allowance for credit impairment on loans and advances at 30 June 2017 amount to MUR 1,739,552,018 and the charge to profit or loss for the year amount to MUR 834,258,788. Due to the substantial amount of the loans and advances outstanding at the reporting date and the significance of the judgements applied, allowance for credit impairment on loans and advances is considered a key audit matter. The determination of assumptions for the measurement of impairment is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details on loans and advances and assumptions used in determining allowance for credit impairment are disclosed in Notes 2C, 16 and 37 to the financial statements. The most significant judgments are: › whether impairment events have occurred › Valuation of collateral and future cash flows › management judgements and assumptions used	Our audit procedures included among others: › Obtaining audit evidence in respect of key controls over the processes for impairment events identification and collateral valuation. › Inspecting the minutes of Credit Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment. › Challenging the methodologies applied by using our industry knowledge and experience. › Assessing the key changes in the assumptions against industry standards and historical data. › Obtaining audit evidence of management judgments and assumptions, especially focusing on the consistency of the approach. › Performing a risk-based test of loans and advances to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment. We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.

The Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Bank and its subsidiaries other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

The 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 provisions of the Banking Act 2004 and the regulations and guidelines issued by Bank of Mauritius in relation to banks; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

The Financial Reporting Act 2004

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

In our opinion, the disclosure in the Corporate Governance Report is consistent with the requirements of the Code.

Report on other legal and regulatory requirements (Cont'd)

Other information

The directors are responsible for the other information. The other information comprises the Management Discussion and Analysis, Risk Management Report, Statement of Management's Responsibility for financial reporting and Certificate from the Company Secretary which we obtained prior to the date of this auditor's report. It also includes other reports to be included in the Annual Report which are expected to be made available after that date. The other information, does not include the consolidated and separate financial statements, the Corporate Governance Report and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other reports which are expected to be made available to us after the date of the auditor's report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

› Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the Bank's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Chartered Accountants
21 September 2017

Jacques de C. Du Mée, ACA
Licensed by FRC

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

		THE GROUP			THE BANK		
		Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income	3	2,102,937	1,745,056	1,603,346	2,102,352	1,740,611	1,609,153
Interest expense	4	(716,175)	(797,206)	(756,260)	(709,355)	(774,912)	(748,564)
Net interest income		1,386,762	947,850	847,086	1,392,997	965,699	860,589
Fees and commission income	5	680,539	581,849	563,837	608,662	457,243	341,006
Fees and commission expense	5	(242,283)	(159,458)	(73,071)	(239,566)	(159,440)	(72,768)
Net fees and commission income	5	438,256	422,391	490,766	369,096	297,803	268,238
Net trading income	6a	685,705	590,892	7,485	686,021	594,683	471,082
Other operating income	6b	15,048	4,170	45,008	17,979	5,975	46,844
Total operating income		2,525,771	1,965,303	1,390,345	2,466,093	1,864,160	1,646,753
Net allowance for credit impairment	7	(834,258)	(644,557)	(236,980)	(834,258)	(644,557)	(500,279)
Net operating income		1,691,513	1,320,746	1,153,365	1,631,835	1,219,603	1,146,474
Personnel expenses	8	(463,512)	(452,346)	(371,877)	(436,358)	(396,790)	(294,044)
Depreciation of equipment	22	(25,271)	(22,788)	(15,888)	(24,091)	(20,504)	(13,536)
Amortisation of intangible assets	23	(23,185)	(33,145)	(64,546)	(12,810)	(9,224)	(8,729)
Other operating expenses	9	(258,893)	(343,440)	(329,643)	(238,902)	(269,564)	(273,373)
Total operating expenses		(770,861)	(851,719)	(781,954)	(712,161)	(696,082)	(589,682)
Operating profit		920,652	469,027	371,411	919,674	523,521	556,792
Loss on winding up of subsidiary	18	(5,004)	(4,185)	-	-	-	-
Impairment loss on subsidiary	18	-	-	-	-	-	(302,554)
Impairment loss on associate	21	-	-	(118,565)	-	-	-
Impairment of intangible assets	23	-	(100,514)	-	-	-	-
Impairment of available-for-sale investment	17	(5,128)	-	(327,647)	-	-	-
Gain on liquidation of subsidiaries	18	-	372,447	-	-	-	-
Profit/(loss) before tax		910,520	736,775	(74,801)	919,674	523,521	254,238
Tax expense	10	(106,411)	(97,036)	(101,267)	(102,676)	(89,885)	(79,207)
Profit/(loss) for the year		804,109	639,739	(176,068)	816,998	433,636	175,031
Other comprehensive income that may be subsequently reclassified to profit or loss:							
Net (loss)/gain on available-for-sale investments		(9,888)	(6,867)	1,999	(12,259)	(579)	-
Movement in other reserves		-	(1,309)	-	-	-	-
Exchange differences on translation of foreign operations		3,331	(17,165)	(678)	-	-	-
Other comprehensive (loss)/income for the year		(6,557)	(25,341)	1,321	(12,259)	(579)	-
Total comprehensive income/(loss) for the year		797,552	614,398	(174,747)	804,739	433,057	175,031

The notes on pages 181 to 272 form an integral part of these financial statements.

Auditors' report on pages 172 to 175.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	THE GROUP			THE BANK		
		2017	2016	2015	**2017**	2016	2015
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
ASSETS							
Cash and balances with the Central Bank	12	**4,106,323**	3,029,129	2,514,213	**4,106,323**	3,029,129	2,512,469
Due from banks	13	**37,899,776**	46,009,527	41,447,016	**37,879,933**	46,000,675	41,434,529
Derivative financial instruments	14	**318,120**	138,647	217,383	**228,533**	33,644	68,527
Financial investments - held-for-trading	15	**3,806,253**	4,893,741	3,045,474	**2,944,577**	3,542,070	1,967,124
Loans and advances to customers	16	**27,512,745**	21,958,341	21,772,735	**27,512,745**	21,958,341	21,707,868
Financial investments - available-for-sale	17a	**5,745,972**	350,798	41,049	**5,726,288**	316,033	-
Financial investments - held-to-maturity	17b	**21,190,422**	11,538,879	5,071,692	**21,190,422**	11,538,879	5,071,692
Investment in subsidiaries	18	**-**	-	-	**189,563**	189,563	189,563
Equipment	22	**189,287**	140,101	103,496	**186,269**	135,991	98,955
Intangible assets	23	**334,494**	300,804	356,071	**155,855**	111,841	48,018
Other assets	24	**148,173**	130,207	263,743	**138,718**	206,184	288,150
Deferred tax assets	10	**147,057**	60,441	24,060	**147,057**	60,441	19,607
TOTAL ASSETS		**101,398,622**	88,550,615	74,856,932	**100,406,283**	87,122,791	73,406,502
LIABILITIES AND EQUITY							
Due to banks	25	**1,500,815**	173,510	227,418	**1,500,815**	173,510	227,411
Derivative financial instruments	14	**294,047**	232,917	555,094	**204,460**	127,914	54,775
Deposits from customers	26	**90,601,331**	80,012,268	66,437,716	**91,082,564**	80,378,976	66,928,651
Debts issued	27	**1,673,625**	1,489,943	1,655,238	**1,111,493**	1,111,032	1,094,275
Other liabilities	28	**1,243,266**	1,770,876	1,627,871	**361,347**	407,506	531,787
Retirement benefits obligation	30	**23,000**	-	-	**23,000**	-	-
Current tax liabilities	10	**130,156**	84,510	67,836	**130,156**	84,379	51,327
Deferred tax liabilities	10	**129**	125	114	**-**	-	-
TOTAL LIABILITIES		**95,466,369**	83,764,149	70,571,287	**94,413,835**	82,283,317	68,888,226
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Ordinary shares	29	**3,197,608**	2,595,363	2,590,959	**3,197,608**	2,595,363	2,590,959
Class A shares	29	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Share application monies		**-**	-	17,261	**-**	-	17,261
Retained earnings/(Accumulated losses)		**870,794**	448,491	(142,091)	**944,373**	493,283	107,086
Other reserves	31	**464,083**	342,844	419,748	**464,699**	365,060	417,202
TOTAL EQUITY		**5,932,253**	4,786,466	4,285,645	**5,992,448**	4,839,474	4,518,276
TOTAL LIABILITIES AND EQUITY		**101,398,622**	88,550,615	74,856,932	**100,406,283**	87,122,791	73,406,502

The financial statements have been approved for issue by the Board of Directors on 21 September 2017.

LIM SIT CHEN LAM PAK NG
Chairman

SANJIV BHASIN
Chief Executive Officer

ARVIND SETHI
Director

The notes on pages 181 to 272 form an integral part of these financial statements.

Auditors' report on pages 172 to 175.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

THE GROUP

	Notes	Ordinary shares	Treasury shares	Class A shares	Share application monies	Retained earnings/ (Accumulated losses)	Other reserves	Total
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014		1,747,639	(405,776)	1,400,244	-	434,096	274,178	3,450,381
Loss for the year		-	-	-	-	(176,068)	-	(176,068)
Other comprehensive income		-	-	-	-	-	1,321	1,321
Total comprehensive income/(loss) for the year		-	-	-	-	(176,068)	1,321	(174,747)
Issue of shares	29	843,320	405,776	-	-	-	-	1,249,096
Incidental cost on issue of shares		-	-	(476)	-	-	-	(476)
Share application monies		-	-	-	17,261	-	-	17,261
Share-based payments	31	-	-	-	-	-	(360)	(360)
Appropriation of reserves	31	-	-	-	-	(144,609)	144,609	-
Dividends	11	-	-	-	-	(255,510)	-	(255,510)
At 30 June 2015		2,590,959	-	1,399,768	17,261	(142,091)	419,748	4,285,645
At 1 July 2015		2,590,959	-	1,399,768	17,261	(142,091)	419,748	4,285,645
Profit for the year		-	-	-	-	639,739	-	639,739
Other comprehensive income		-	-	-	-	-	(25,341)	(25,341)
Total comprehensive income/(loss) for the year		-	-	-	-	639,739	(25,341)	614,398
Issue of shares	29	17,261	-	-	(17,261)	-	-	-
Indemnity costs	29	(12,857)	-	-	-	-	-	(12,857)
Consolidation adjustment		-	-	-	-	(1,718)	-	(1,718)
Appropriation of reserves	31	-	-	-	-	51,563	(51,563)	-
Dividends	11	-	-	-	-	(99,002)	-	(99,002)
At 30 June 2016		2,595,363	-	1,399,768	-	448,491	342,844	4,786,466
At 1 July 2016		**2,595,363**	**-**	**1,399,768**	**-**	**448,491**	**342,844**	**4,786,466**
Profit for the year		**-**	**-**	**-**	**-**	**804,109**	**-**	**804,109**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**(6,557)**	**(6,557)**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**804,109**	**(6,557)**	**797,552**
Deconsolidation adjustment	31	**-**	**-**	**-**	**-**	**(15,898)**	**15,898**	**-**
Share-based payments	31	**-**	**-**	**-**	**-**	**-**	**(11,061)**	**(11,061)**
Appropriation of reserves		**-**	**-**	**-**	**-**	**(122,959)**	**122,959**	**-**
Issue of shares	29	**602,245**	**-**	**-**	**-**	**-**	**-**	**602,245**
Dividends	11	**-**	**-**	**-**	**-**	**(242,949)**	**-**	**(242,949)**
At 30 June 2017		**3,197,608**	**-**	**1,399,768**	**-**	**870,794**	**464,083**	**5,932,253**

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

THE BANK

	Notes	Ordinary shares	Treasury shares	Class A shares	Share application monies	Retained earnings	Other reserves	Total
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014		1,747,639	(405,776)	1,386,244	-	332,174	272,953	3,333,234
Profit for the year		-	-	-	-	175,031	-	175,031
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	175,031	-	175,031
Issue of shares	29	843,320	405,776	-	-	-	-	1,249,096
Incidental cost on issue of shares		-	-	(476)	-	-	-	(476)
Share application monies		-	-	-	17,261	-	-	17,261
Share-based payments	31	-	-	-	-	-	(360)	(360)
Appropriation of reserves	31	-	-	-	-	(144,609)	144,609	-
Dividends	11	-	-	-	-	(255,510)	-	(255,510)
At 30 June 2015		2,590,959	-	1,385,768	17,261	107,086	417,202	4,518,276
At 1 July 2015		2,590,959	-	1,385,768	17,261	107,086	417,202	4,518,276
Profit for the year		-	-	-	-	433,636	-	433,636
Other comprehensive income		-	-	-	-	-	(579)	(579)
Total comprehensive income/(loss) for the year		-	-	-	-	433,636	(579)	433,057
Issue of shares	29	17,261	-	-	(17,261)	-	-	-
Indemnity costs	29	(12,857)	-	-	-	-	-	(12,857)
Appropriation of reserves	31	-	-	-	-	51,563	(51,563)	-
Dividends	11	-	-	-	-	(99,002)	-	(99,002)
At 30 June 2016		2,595,363	-	1,385,768	-	493,283	365,060	4,839,474
At 1 July 2016		**2,595,363**	**-**	**1,385,768**	**-**	**493,283**	**365,060**	**4,839,474**
Profit for the year		**-**	**-**	**-**	**-**	**816,998**	**-**	**816,998**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**(12,259)**	**(12,259)**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**816,998**	**(12,259)**	**804,739**
Share-based payments	31	**-**	**-**	**-**	**-**	**-**	**(11,061)**	**(11,061)**
Issue of shares	29	**602,245**	**-**	**-**	**-**	**-**	**-**	**602,245**
Appropriation of reserves	31	**-**	**-**	**-**	**-**	**(122,959)**	**122,959**	**-**
Dividends	11	**-**	**-**	**-**	**-**	**(242,949)**	**-**	**(242,949)**
At 30 June 2017		**3,197,608**	**-**	**1,385,768**	**-**	**944,373**	**464,699**	**5,992,448**

The notes on pages 181 to 272 form an integral part of these financial statements.

Auditors' report on pages 172 to 175.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		THE GROUP			THE BANK		
		2017	2016	2015	**2017**	2016	2015
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
OPERATING ACTIVITIES							
Profit/(loss) before tax		**910,520**	736,775	(74,801)	**919,674**	523,521	254,238
Adjustments for:							
Change in operating assets	33(b)	**(12,440,144)**	(5,740,790)	(12,738,312)	**(12,860,122)**	(5,627,759)	(13,662,319)
Change in operating liabilities	33(c)	**11,634,753**	13,105,528	25,007,791	**12,062,926**	13,291,390	25,017,056
Non-cash items included in profit before tax	33(d)	**1,112,186**	1,155,062	606,033	**1,099,963**	1,024,496	1,150,817
Tax paid		**(147,375)**	(116,730)	(97,773)	**(143,508)**	(97,667)	(83,326)
Net cash flows from operating activities		**1,069,940**	9,139,845	12,702,938	**1,078,933**	9,113,981	12,676,466
INVESTING ACTIVITIES							
Purchase of equipment	22	**(80,287)**	(76,808)	(48,858)	**(79,532)**	(69,330)	(46,868)
Purchase of intangible assets	23	**(61,256)**	(78,392)	(19,110)	**(61,209)**	(73,047)	(19,081)
Purchase of available-for-sale financial investments		**(5,405,061)**	(316,615)	(25,357)	**(5,422,514)**	(316,612)	-
Net cash flows used in investing activities		**(5,546,604)**	(471,815)	(93,325)	**(5,563,255)**	(458,989)	(65,949)
FINANCING ACTIVITIES							
Issue of shares		**602,245**	-	820,436	**602,245**	-	820,436
Indemnity paid on shares issued		**-**	(12,857)	-	**-**	(12,857)	-
Disposal/(acquisition) of treasury shares	29	**-**	-	405,776	**-**	-	405,776
Dividends paid		**(242,949)**	(99,002)	(185,649)	**(242,949)**	(99,002)	(185,649)
Net cash flows (used in)/from financing activities		**359,296**	(111,859)	1,040,563	**359,296**	(111,859)	1,040,563
Net cash flows for the year		**(4,117,368)**	8,556,171	13,650,176	**(4,125,026)**	8,543,133	13,651,080
Movement in cash and cash equivalents							
Cash and cash equivalents at 1 July		**39,825,786**	31,288,032	17,638,539	**39,816,934**	31,273,801	17,622,721
Net increase in cash and cash equivalents		**(4,117,368)**	8,556,171	13,650,176	**(4,125,026)**	8,543,133	13,651,080
Net foreign exchange difference		**3,333**	(18,417)	(683)	**-**	-	-
Cash and cash equivalents at 30 June	33(a)	**35,711,751**	39,825,786	31,288,032	**35,691,908**	39,816,934	31,273,801
Operational cash flows from interest							
Interest paid		**(714,991)**	(867,855)	(695,169)	**(708,169)**	(845,561)	(687,473)
Interest received		**1,947,515**	1,535,327	1,506,181	**1,946,930**	1,530,882	1,511,988

The notes on pages 181 to 272 form an integral part of these financial statements.

Auditors' report on pages 172 to 175.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

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 subsidiaries ('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 Bank has set up 2 offshore representative offices in South Africa. The relevant costs and income derived from these offices have been included in these financial statements.

The financial statements for the year ended 30 June 2017 were authorised for issue through a resolution of the directors on 21 September 2017.

2A. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Group and the Bank have applied all of the new and revised standard and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2016.

New and revised IFRSs applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 1 Presentation of Financial Statements - Amendments resulting from the disclosure initiative

IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation

IAS 16 Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16

IAS 19 Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs

IAS 27 Separate Financial Statements - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements

IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception

IAS 34 Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs

IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortization

IFRS 7 Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs

IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidation exception

IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation

IFRS 12 Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception

New and revised Standards in issue but not yet effective

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

IAS 7 Statement of Cash Flows - Amendments as a result of the Disclosure initiative (effective 1 January 2017)

IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

IAS 28 Investment in Associates and Joint Ventures - Amendments by Annual Improvements to IFRS Standards 2014-2016 Cycle (Measuring an associate or joint venture at fair value) (effective 1 January 2018)

IAS 28 Investment in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)

IAS 39 Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018)

IFRS 2 Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions (effective 1 January 2018)

IFRS 7 Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)

IFRS 7 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)

IFRS 9 Financial Instruments - Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)

IFRS 9 Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective 1 January 2018)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2A. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards in issue but not yet effective (continued)

IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)
IFRS 12 Disclosure of Interests in Other Entities - Amended by Annual Improvements to IFRS Standards 2014 - 2016 Cycle (Clarification of the scope of the Standard) (effective 1 January 2017)
IFRS 15 Revenue from Contracts with Customers - Original issue (effective 1 January 2018)
IFRS 15 Revenue from Contracts with Customers - Clarifications to IFRS 15 (effective 1 January 2019)
IFRS 16 Leases - Original issue (effective 1 January 2019)
IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

The directors anticipate that these amendments will be applied in the Group's and the Bank's financial statements at the above effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

2B. ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated and separate financial statements of the Bank and its subsidiaries ('the Group'') have been prepared on a historical cost basis, except for available-for-sale investments, financial assets held-for-trading and derivative financial instruments, all of which have been measured at fair value.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Statement of compliance

The consolidated and separate 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'), the Mauritius Companies Act 2001 and the Guidelines and Guidance Notes issued by the Bank of Mauritius, and comply with the Banking Act 2004.

Presentation of financial statements

The financial statements are presented in Mauritian Rupees ('MUR') and all values are rounded to the nearest rupee except when otherwise indicated.

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

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

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and entities controlled by the Bank and its subsidiaries as at 30 June 2017. Control is achieved when the Bank 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 Bank controls an investee if and only if the Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

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

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements;

(iii) The Bank's voting rights and potential voting rights; and

(iv) A combination of (i) – (iii).

The Bank 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 Bank obtains control over the subsidiary and ceases when the Bank 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 Bank gains control until the date the Bank ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Foreign currency translation

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

(i) Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences are taken to 'Net trading income' in the statements of profit or loss and other comprehensive income, with the exception of differences in foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. The differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

(ii) Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees at the rate of exchange prevailing at the reporting date. The income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date 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.

(d) 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 becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

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

(ii) Initial measurement of financial instruments

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

(iii) Derivatives recorded at fair value through profit or loss

The Group use derivatives such as forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value are included in Net trading income.

(iv) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to receive the income /make the payment has been established.

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

(v) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statements of profit or loss and other comprehensive income when the inputs become observable, or when the instrument is derecognised.

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and have fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statements of profit or loss and other comprehensive income. The losses arising from impairment of such assets are recognised in profit or loss.

(vii) Available-for-sale financial investments

Available-for-sale investments include equity securities and investment in preference shares. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. The Group has not designated any loans or receivables as available-for-sale.

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

Unrealised gains and losses are recognised directly in other comprehensive income and accumulated in equity 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. 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 when the right to receive the income has been established. The losses arising from impairment of such investments are recognised in the statements of profit or loss and other comprehensive income and removed from the available-for-sale reserve.

(viii) Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statements of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statements of profit or loss and other comprehensive income in 'Net allowance for credit impairment'.

The Group may enter into certain lending commitments where the loan on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

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

(ix) Debts issued

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

After initial measurement, debts issued and other borrowed funds are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. An analysis of the Group's and the Bank's issued debt is disclosed in Note 28 to the financial statements.

(x) Reclassification of financial assets

Effective from 1 July 2008, the Group is permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

The Group may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in 'Other comprehensive income' is recycled to profit or loss.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

(e) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Group or the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  a. the Group or the Bank has transferred substantially all the risks and rewards of the asset, or
  b. the Group or the Bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

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

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

(ii) Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(f) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 32.

(g) Impairment of financial assets

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

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

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

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

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

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

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

(ii) Available-for-sale financial investments

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

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. 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 seeks 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.

(h) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(h) Hedge accounting (Continued)

Fair value hedges

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

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

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as 'Other comprehensive income' while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

(i) 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.

(j) Recognition of income and expenses

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

(i) Interest income and expenses

For all financial instruments measured at amortised cost, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group or the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income for financial assets and interest expense for financial liabilities.

However, for a reclassified financial asset for which the Group or the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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

(ii) Fees and commission income

The Group earns 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(j) Recognition of income and expenses (Continued)

(iii) Dividend income

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

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading.

(v) Fees and commission expenses

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received - Please refer to Note 5 of the financial statements.

(k) 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.

(l) 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.

(m) Investment in an associate

The Group

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

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

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

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the statements of profit or loss and other comprehensive income.

The Bank

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

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(o) Equipment

Equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated using the straight-line method to write down the cost of equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Rate
Improvement to building	10%
Furniture and fittings	10%
Office equipment	10% - 20%
Motor vehicle	14.29% - 20%
Computer equipment	25% - 33 1/3%

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

Residual values and useful lives are reviewed at least at each financial year end.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

(p) Intangible assets (excluding goodwill)

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group or the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statements of profit or loss and other comprehensive income.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	Rate
Computer software	25% - 33 1/3%
Banking software	14.29%
Customer relationship	13% - 20%
Non-compete agreement	50%
Licence	50%
Other	33 1/3%

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(r) Financial guarantees

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

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

(s) Deposit from banks and customers' accounts

For the purpose of estimating fair value, deposits by banks and customer accounts are grouped by remaining contractual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

(t) Pension benefits

(i) Defined contribution pension plan

The Group operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(ii) Retirement and other benefit obligations

The present value of retirement gratuity as provided under The Employment Rights Act 2008 is recognised in the statement of financial position as a liability.

Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group presents the first two components of defined benefit costs in profit or loss in the line item administrative expenses as part of staff costs. Curtailment gains and losses are accounted for as past service costs.

(u) Equity reserves

The reserves recorded in equity on the statement of financial position include:

- 'Equity–settled share-based payments' reserve relates to expenses arising from equity-settled share-based payment transactions;
- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004; and
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk.
- 'Foreign currency translation reserve' which arises on retranslation of foreign operations on consolidation.

Further details are included in Note 31.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(v) Share-based payment transactions (Continued)

Equity-settled transactions

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.

(w) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

(x) Taxation

(i) Current tax

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

The Bank is liable to pay a special levy as follows:

Segment A	Segment B
10% on chargeable income	3.4% on accounting profit 1.0% on total operating income

Please refer to part (x) Segmental reporting.

The special levy is included in the income tax expense and current tax liability in the financial statements.

The Bank is subject to the Advance Payment System (APS) whereby it pays income tax on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(x) Taxation (Continued)

(ii) Value Added Tax

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

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

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

(iii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised directly in equity are also recognised in equity and not in profit or loss.

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

(iv) Corporate Social Responsibility

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

The required CSR fund for the year is recognised in tax expense in the statements of profit or loss and other comprehensive income.

The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

(y) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2B. ACCOUNTING POLICIES (CONTINUED)

(z) Equity and dividends

(i) Equity instruments and treasury shares

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Ordinary shares are classified as equity.

The Bank's Class A shares are classified as equity as they are redeemable at the option of the Bank. These shares carry non-cumulative dividends which are payable at the discretion of the board.

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Treasury shares are own equity instruments that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

(ii) Dividends on ordinary shares and Class A shares

Dividends on ordinary shares and Class A shares are recognised as a liability and deducted from equity when they are approved by the Bank's directors and the Bank of Mauritius. 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.

(aa) Provisions

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

2C. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and re based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from related accounting estimates.

Judgement

Going concern

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

Estimates

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 discussed below.

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 on the fair valuation of financial instruments are included in Note 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

2C. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment losses on loans and advances

The Group reviews their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group make judgements about the borrower's financial situation and the net realisable value of collaterals. 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 goodwill and other intangible 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 three 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

3. INTEREST INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income on:						
- Due from banks	**312,968**	265,308	194,445	**312,383**	261,991	188,263
- Loans and advances to customers	**1,312,309**	1,225,153	1,118,296	**1,312,309**	1,224,025	1,130,285
- Financial investments - held-to-maturity	**361,350**	242,770	288,332	**361,350**	242,770	288,332
- Financial investments - available-for-sale	**86,426**	-	-	**86,426**	-	-
- Placements with the Central Bank	**29,884**	11,825	2,273	**29,884**	11,825	2,273
	2,102,937	1,745,056	1,603,346	**2,102,352**	1,740,611	1,609,153

4. INTEREST EXPENSE

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest expense on:						
- Due to banks	**69,700**	41,534	12,183	**63,079**	19,240	7,076
- Deposits from customers	**568,066**	675,035	662,731	**568,066**	675,035	662,731
- Other	**78,409**	80,637	81,346	**78,210**	80,637	78,757
	716,175	797,206	756,260	**709,355**	774,912	748,564

5. NET FEES AND COMMISSION INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Fees and commission income						
Credit related fees and commission income	**384,535**	321,640	274,018	**384,535**	321,640	274,018
Subscription fees	**5,906**	4,795	30,327	**-**	-	-
Management and performance fees	**54,848**	61,404	89,404	**-**	-	-
Consulting and advisory fees	**324**	33,387	62,713	**-**	-	-
Trading commission	**6,982**	20,795	31,326	**-**	-	-
Custody fees income	**198,596**	118,220	55,019	**199,575**	118,220	55,019
Other fees received	**29,348**	21,608	21,030	**24,552**	17,383	11,969
Total fees and commission income	**680,539**	581,849	563,837	**608,662**	457,243	341,006
Fees and commission expense						
Commission to other banks	**(66,315)**	(60,098)	(37,248)	**(66,315)**	(60,098)	(37,248)
Credit card expenses	**(67,100)**	(38,289)	(22,381)	**(67,100)**	(38,289)	(22,380)
Custody fees expense	**(88,454)**	(45,429)	(1,619)	**(88,454)**	(45,429)	(1,619)
Other fees paid	**(20,414)**	(15,642)	(11,823)	**(17,697)**	(15,624)	(11,521)
Total fees and commission expense	**(242,283)**	(159,458)	(73,071)	**(239,566)**	(159,440)	(72,768)
Net fees and commission income	**438,256**	422,391	490,766	**369,096**	297,803	268,238

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

6A. NET TRADING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net gain on financial investments held-for-trading	**159,704**	98,446	12,740	**159,704**	97,488	39,771
Foreign exchange gain	**526,001**	492,446	346,208	**526,317**	497,195	431,311
Loss on derivatives - Put option (Note 14)	**-**	-	(351,463)	**-**	-	-
	685,705	590,892	7,485	**686,021**	594,683	471,082

Net gain on financial investments held-for-trading includes both realised and unrealised gain, of which MUR 39.7m relate to provision on corporate bonds. Foreign exchange gain includes realised and unrealised gains and losses from spot and forward contracts and other currency derivatives.

6B. OTHER OPERATING INCOME

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Dividend income	**-**	-	-	**-**	-	45,000
Transaction and other related fees	**15,048**	4,170	45,008	**17,979**	5,975	1,844
	15,048	4,170	45,008	**17,979**	5,975	46,844

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

7. NET ALLOWANCE FOR CREDIT IMPAIRMENT

Portfolio and specific provisions on loans and advances to customers:

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
- Retail and personal	**38,089**	55,305	4,996	**38,089**	55,305	4,996
- Business	**205,549**	272,636	55,696	**205,549**	272,636	55,696
- Entities outside Mauritius	**582,889**	312,496	173,509	**582,889**	312,496	436,808
- Credit cards	**7,731**	4,120	2,779	**7,731**	4,120	2,779
	834,258	644,557	236,980	**834,258**	644,557	500,279

Please refer to Note 16 for more details.

8. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Salaries	**279,243**	273,492	264,881	**257,048**	223,348	189,029
Staff benefits	**146,982**	162,503	94,706	**145,524**	158,855	94,188
Residual liability	**23,000**	-	-	**23,000**	-	-
Pension cost - defined contribution scheme	**13,477**	9,819	8,967	**9,976**	8,107	7,505
Training expenses	**810**	6,532	3,323	**810**	6,480	3,322
	463,512	452,346	371,877	**436,358**	396,790	294,044

Please refer to Note 30 for more details on retirement benefits obligation .

9. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Advertising and marketing expenses	**23,754**	64,967	72,236	**23,473**	64,640	71,794
Administrative expenses	**168,822**	211,838	180,215	**163,048**	155,301	133,598
Equipment & intangible written off	**9,162**	1,582	686	**9,166**	1,582	687
Professional fees	**56,045**	65,053	76,506	**43,215**	48,041	67,294
Debt written off	**1,110**	-	-	**-**	-	-
	258,893	343,440	329,643	**238,902**	269,564	273,373

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

10. TAXATION

Income tax is calculated at the rate of 15% (2016: 15% , 2015:15%) for the Group and the Bank on the profit for the year as adjusted for income tax purposes.

The Bank, is however entitled to a tax credit equivalent to 80% of Mauritius tax payable in respect of its foreign source income (Segment B) thus reducing its maximum effective tax rate on segment B to 3%.

Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the regulatory at the time of submission of the income tax return on the year under review.

Total tax paid (including levy, APS and CSR) during the year ended 30 June 2017 was MUR 143.5m (2016: MUR 97.7m, 2015: 83.3m)

Special levy

Special levy on banks was legislated by the Government of Mauritius in 2007, as amended by the Finance Act 2009. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at (a) 10% on chargeable income for Segment A; and (b) 3.4% of its book profit and 1% of its operating income for Segment B, derived during the previous year. Operating income means the sum of net interest income and other income before deducting non-interest expense.

(a) Statements of financial position

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	**124,328**	79,373	75,266	**121,282**	76,675	54,494
Overprovision in income tax in previous years	**454**	135	-	**-**	135	-
Tax paid under advance payment scheme	**(61,659)**	(43,404)	(36,949)	**(57,465)**	(40,837)	(32,686)
	63,123	36,104	38,317	**63,817**	35,973	21,808
Income tax refund	**-**	-	-	**-**	-	-
Corporate social responsibility fund	**-**	262	-	**-**	262	-
Special levy	**66,339**	48,144	29,519	**66,339**	48,144	29,519
Current tax liabilities	**129,462**	84,510	67,836	**130,156**	84,379	51,327
Analysed as follows:						
Current tax liabilities	**130,156**	84,510	67,836	**130,156**	84,379	51,327
Current tax assets (included in other assets)	**(694)**	-	-	**-**	-	-
	129,462	84,510	67,836	**130,156**	84,379	51,327

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

10. TAXATION (CONTINUED)

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

The components of income tax expense for the years ended 30 June 2017, 2016 and 2015 are as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
-Current income tax	**124,328**	79,373	75,266	**121,282**	76,675	54,494
-Overprovision in income tax in previous years	**(7,743)**	(11)	(478)	**(7,860)**	-	-
Withholding tax	**2,214**			**2,214**		
Corporate social responsibility fund	**7,885**	5,900	8,262	**7,317**	5,900	5,904
Special levy	**66,339**	48,144	29,519	**66,339**	48,144	29,519
-Overprovision in deferred tax in previous years	**(30,364)**	(3,839)	-	**(30,364)**	(3,839)	-
-Deferred tax movement	**(56,248)**	(32,531)	(11,302)	**(56,252)**	(36,995)	(10,710)
Tax expense for the year	**106,411**	97,036	101,267	**102,676**	89,885	79,207

(c) Reconciliation of the total tax expense

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate for the years ended 30 June 2017, 2016 and 2015 is as follows:

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Accounting profit/(loss) before tax	**910,520**	736,775	(74,801)	**919,674**	523,521	254,238
Taxed at 17% (2016: 17% and 2015: 17%)	**154,788**	125,252	(12,716)	**156,345**	88,999	43,220
Deemed credit on Segment B profits	**(157,252)**	(101,468)	(43,708)	**(157,252)**	(101,468)	(40,859)
Over provision of deferred tax asset in prior years	**(30,364)**	(3,839)	-	**(30,364)**	(3,839)	-
Under-provision in income tax in prior years	**(7,743)**	(11)	(478)	**(7,860)**	-	-
Non deductible expenses	**19,881**	30,176	126,551	**13,171**	54,394	48,173
Non qualifying assets	**130**			**130**	-	-
Non taxable income	**(1,737)**	-	(7,659)	**-**	-	(6,750)
Withholding tax	**2,214**	-	-	**2,214**	-	-
CSR adjustment	**(4,292)**	(1,417)	8,262	**(4,361)**	(1,417)	5,904
Tax rate differential	**64,448**	199	1,496	**64,315**	5,072	-
Special levy	**66,339**	48,144	29,519	**66,339**	48,144	29,519
Tax expense	**106,411**	97,036	101,267	**102,676**	89,885	79,207

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

10. TAXATION (CONTINUED)

(d) Deferred tax

	THE GROUP			THE BANK		
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	**Year ended 30 June 2017**	Year ended 30 June 2016	Year ended 30 June 2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July 2017	**(60,316)**	(23,946)	(12,644)	**(60,441)**	(19,607)	(8,897)
Movement in profit or loss						
Overprovision in deferred tax in previous years (Note 10(b))	**(30,364)**	(3,839)	-	**(30,364)**	(3,839)	-
Movement for the year	**(56,248)**	(32,531)	(11,302)	**(56,252)**	(36,995)	(10,710)
At 30 June 2017	**(146,928)**	(60,316)	(23,946)	**(147,057)**	(60,441)	(19,607)
Analysed as follows:						
Deferred tax liabilities	**129**	125	114	**-**	-	-
Deferred tax assets	**(147,057)**	(60,441)	(24,060)	**(147,057)**	(60,441)	(19,607)
Current tax liabilities	**(146,928)**	(60,316)	(23,946)	**(147,057)**	(60,441)	(19,607)

THE GROUP

	At 1 July 2014	Charge/ (credit) to profit or loss	At 30 June 2015	Charge/ (credit) to profit or loss	At 30 June 2016	Charge/ (credit) to profit or loss	At 30 June 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Deferred tax assets							
Impairment allowances on loans and advances to customers	(15,902)	(11,212)	(27,114)	(48,846)	(75,960)	**(68,795)**	**(144,755)**
Other temporary differences	-	(4,453)	(4,453)	4,453	-	**-**	**-**
Impairment allowances on corporate bonds	-	-	-	-	-	**(10,994)**	**(10,994)**
Retirement benefit obligations	-	-	-	-	-	**(1,817)**	**(1,817)**
	(15,902)	(15,665)	(31,567)	(44,393)	(75,960)	**(81,606)**	**(157,566)**
Deferred tax liability							
Accelerated capital allowances	3,258	4,363	7,621	8,023	15,644	**(5,006)**	**10,638**
	(12,644)	(11,302)	(23,946)	(36,370)	(60,316)	**(86,612)**	**(146,928)**

THE BANK

	At 1 July 2014	Charge/ (credit) to profit or loss	At 30 June 2015	Charge/ (credit) to profit or loss	At 30 June 2016	Charge/ (credit) to profit or loss	At 30 June 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Deferred tax assets							
Impairment allowances on loans and advances to customers	(12,424)	(14,690)	(27,114)	(48,846)	(75,960)	**(68,795)**	**(144,755)**
Impairment allowances on corporate bonds	-	-	-	-	-	**(10,994)**	**(10,994)**
Retirement benefit obligations	-	-	-	-	-	**(1,817)**	**(1,817)**
	(12,424)	(14,690)	(27,114)	(48,846)	(75,960)	**(81,606)**	**(157,566)**
Deferred tax liability							
Accelerated capital allowances	3,527	3,980	7,507	8,012	15,519	**(5,010)**	**10,509**
	(8,897)	(10,710)	(19,607)	(40,834)	(60,441)	**(86,616)**	**(147,057)**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

11. DIVIDENDS

	THE GROUP AND THE BANK		
	2017	2016	2015
	MUR'000	MUR'000	MUR'000
Dividends on Ordinary shares:			
Dividend for 2017: Rs1.00 per share (2016: Rs0.35 and 2015: Rs1.65)	**100,400**	27,261	117,719
Dividends on Class A shares:			
Dividend Paid for December 2016: Series 1 & Series 2	**71,296**	-	-
Dividend Paid for June 2016: Series 1 & Series 2	**71,253**	-	-
Dividend paid for December 2015: Series 1 & Series 2	**-**	71,741	-
Dividend payable for June 2015: Series 1 & Series 2	**-**	-	69,861
Dividend paid for December 2014: Series 1 & Series 2	**-**	-	67,930
	142,549	71,741	137,791
Total dividends	**242,949**	99,002	255,510

12. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand (Note 33(a))	**34,710**	9,425	20,631	**34,710**	9,425	18,887
Unrestricted balances with the Central Bank (Note 33(a))	**1,689,118**	977,455	749,827	**1,689,118**	977,455	749,827
Mandatory balances with the Central Bank	**1,288,715**	1,233,593	1,118,588	**1,288,715**	1,233,593	1,118,588
Placements with the Central Bank	**1,093,780**	808,656	625,167	**1,093,780**	808,656	625,167
	4,106,323	3,029,129	2,514,213	**4,106,323**	3,029,129	2,512,469

Mandatory balances with the Central Bank are not available for use in the Bank's day-to-day operations. Mandatory balances with the Central Bank are based on the daily ratio applied for the maintenance of minimum rupee and foreign currency balances as at 30 June 2017.

13. DUE FROM BANKS

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Short term placements with other banks (Note 33(a))	**18,253,610**	8,993,560	3,043,568	**18,253,610**	8,993,560	3,043,568
Medium term placements with other banks	**3,911,853**	7,170,621	10,929,442	**3,911,853**	7,170,621	10,929,442
Current accounts with other banks (Note 33(a))	**15,732,864**	29,843,852	27,471,232	**15,713,021**	29,835,000	27,458,745
Other amounts due (Note 33(a))	**1,449**	1,494	2,774	**1,449**	1,494	2,774
	37,899,776	46,009,527	41,447,016	**37,879,933**	46,000,675	41,434,529

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

14. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, disclosed gross, are the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

(a) THE GROUP

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2017	2017	2017	2016	2016	2016	2015	2015	2015
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	156,180	(156,180)	8,167,829	8,147	(8,147)	16,365,970	17,224	(17,224)	12,835,526
Forward foreign exchange contracts	59,843	(48,280)	13,039,357	25,497	(119,767)	7,413,567	51,303	(37,551)	6,371,802
Spot position account	12,510	-	-	-	-	-	-	-	-
Options Linked Notes	89,587	(89,587)	373,251	105,003	(105,003)	598,078	148,856	(148,856)	738,515
Put Option (Note 6a)	-	-	-	-	-	-	-	(351,463)	(351,463)
	318,120	(294,047)	21,580,437	138,647	(232,917)	24,377,615	217,383	(555,094)	19,594,380

(b) THE BANK

	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	2017	2017	2017	2016	2016	2016	2015	2015	2015
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	156,180	(156,180)	8,167,829	8,147	(8,147)	16,365,970	17,224	(17,224)	12,835,526
Forward foreign exchange contracts	59,843	(48,280)	13,039,357	25,497	(119,767)	7,413,567	51,303	(37,551)	6,371,802
Spot position account	12,510	-	-	-	-	-	-	-	-
	228,533	(204,460)	21,207,186	33,644	(127,914)	23,779,537	68,527	(54,775)	19,207,328

As at 30 June 2017, the Group and the Bank have positions in the following types of derivatives:

Forward contracts

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

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Spot Position

The current balance on Spot Position account reflect the bought/sold amounts (FX deals) in original currencies and equivalent amounts corresponding to the prevaling FX Spot 'Accounting' rate as of the Settlement date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

15. FINANCIAL INVESTMENTS - HELD-FOR-TRADING

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius debt securities	**2,000,177**	2,923,763	1,465,219	**2,000,177**	2,923,763	1,465,219
Bank of Mauritius bonds and notes	**845,572**	344,663	234,518	**845,572**	344,663	234,518
Unquoted equity investments and bonds	**861,676**	1,351,671	1,072,421	**-**	-	-
Listed equity shares	**-**	-	5,929	**-**	-	-
Corporate debt securities	**98,828**	273,644	267,387	**98,828**	273,644	267,387
	3,806,253	4,893,741	3,045,474	**2,944,577**	3,542,070	1,967,124

16. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Retail and personal	**1,164,728**	1,206,113	1,723,244	**1,164,728**	1,206,113	1,723,244
Business	**9,689,441**	9,835,012	8,817,332	**9,689,441**	9,835,012	8,831,053
Entities outside Mauritius	**18,268,535**	11,751,946	11,494,181	**18,268,535**	11,751,946	11,415,593
Credit cards	**129,593**	137,772	123,968	**129,593**	137,772	123,968
Gross core loans and advances to customers	**29,252,297**	22,930,843	22,158,725	**29,252,297**	22,930,843	22,093,858
Less: Allowance for impairment losses	**(1,739,552)**	(972,502)	(385,990)	**(1,739,552)**	(972,502)	(385,990)
	27,512,745	21,958,341	21,772,735	**27,512,745**	21,958,341	21,707,868

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers

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

THE GROUP

	Retail and Personal	Business	Entities outside Mauritius	Credit Cards	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	6,893	52,099	82,753	7,601	149,346
Amount written off against allowance	-	(210)	-	(126)	(336)
Charge for the year	4,996	55,696	173,510	2,778	236,980
At 30 June 2015	11,889	107,585	256,263	10,253	385,990
At 30 June 2015:					
Specific impairment	3,156	55,722	191,100	4,980	254,958
Collective impairment	8,733	53,344	63,682	5,273	131,032
	11,889	109,066	254,782	10,253	385,990
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	85,573	881,473	173,686	7,402	1,148,134
At 1 July 2015	11,889	109,066	254,782	10,253	385,990
Reclassification	(8,206)	(1,481)	9,687	-	-
Amount written off against allowance	-	-	(58,045)	-	(58,045)
Charge for the year	55,305	272,636	312,496	4,120	644,557
At 30 June 2016	58,988	380,221	518,920	14,373	972,502
At 30 June 2016:					
Specific impairment	44,821	279,585	417,687	7,915	750,008
Collective impairment	14,167	100,636	101,233	6,458	222,494
	58,988	380,221	518,920	14,373	972,502
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	240,118	1,384,923	826,408	12,108	2,463,557
At 1 July 2016	**58,988**	**380,221**	**518,920**	**14,373**	**972,502**
Amount written off against allowance	**(898)**	**(20,432)**	**(31,758)**	**-**	**(53,088)**
Charge for the year	**38,089**	**205,549**	**582,889**	**7,731**	**834,258**
Exchange difference	**-**	**(4,849)**	**(9,271)**	**-**	**(14,120)**
At 30 June 2017	**96,179**	**560,489**	**1,060,780**	**22,104**	**1,739,552**
At 30 June 2017:					
Specific impairment	**85,344**	**446,231**	**863,776**	**14,362**	**1,409,713**
Collective impairment	**10,835**	**114,258**	**197,004**	**7,742**	**329,839**
	96,179	**560,489**	**1,060,780**	**22,104**	**1,739,552**
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**306,918**	**1,134,339**	**1,516,285**	**14,362**	**2,971,904**

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YEAR ENDED 30 JUNE 2017

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (Continued)

THE BANK

	Retail and Personal	Business	Entities outside Mauritius	Credit Cards	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	6,893	52,099	190,753	7,601	257,346
Amount written off against allowance	-	(210)	(371,298)	(126)	(371,634)
Charge for the year	4,996	55,696	436,808	2,778	500,278
At 30 June 2015	11,889	107,585	256,263	10,253	385,990
At 30 June 2015:					
Specific impairment	3,156	55,722	191,100	4,980	254,958
Collective impairment	8,733	53,344	63,682	5,273	131,032
	11,889	109,066	254,782	10,253	385,990
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	85,573	881,473	173,686	7,402	1,148,134
At 1 July 2015	11,889	109,066	254,782	10,253	385,990
Reclassification	(8,206)	(1,481)	9,687	-	-
Amount written off against allowance	-	-	(58,045)	-	(58,045)
Charge for the year	55,305	272,636	312,496	4,120	644,557
At 30 June 2016	58,988	380,221	518,920	14,373	972,502
At 30 June 2016:					
Specific impairment	44,821	279,585	417,687	7,915	750,008
Collective impairment	14,167	100,636	101,233	6,458	222,494
	58,988	380,221	518,920	14,373	972,502
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	240,118	1,384,923	826,408	12,108	2,463,557
At 1 July 2016	**58,988**	**380,221**	**518,920**	**14,373**	**972,502**
Amount written off against allowance	**(898)**	**(20,432)**	**(31,758)**	**-**	**(53,088)**
Charge for the year	**38,089**	**205,549**	**582,889**	**7,731**	**834,258**
Exchange difference	**-**	**(4,849)**	**(9,271)**	**-**	**(14,120)**
At 30 June 2017	**96,179**	**560,489**	**1,060,780**	**22,104**	**1,739,552**
At 30 June 2017:					
Specific impairment	**85,344**	**446,231**	**863,776**	**14,362**	**1,409,713**
Collective impairment	**10,835**	**114,258**	**197,004**	**7,742**	**329,839**
	96,179	**560,489**	**1,060,780**	**22,104**	**1,739,552**
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	**306,918**	**1,134,339**	**1,516,285**	**14,362**	**2,971,904**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers (Continued)

(b) The following is a reconciliation of the allowance for impairment losses for loans and advances:

	THE GROUP			THE BANK		
	Specific impairment	Collective impairment	Total	Specific impairment	Collective impairment	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	62,975	86,371	149,346	170,975	86,371	257,346
Amount written off against allowance	(336)	-	(336)	(371,635)	-	(371,635)
Charge for the year	192,319	44,661	236,980	455,618	44,661	500,279
At 30 June 2015	254,958	131,032	385,990	254,958	131,032	385,990
At 1 July 2015	254,969	131,021	385,990	254,969	131,021	385,990
Amount written off against allowance	(58,045)	-	(58,045)	(58,045)	-	(58,045)
Charge for the year	553,084	91,473	644,557	553,084	91,473	644,557
At 30 June 2016	750,008	222,494	972,502	750,008	222,494	972,502
At 1 July 2016	**750,008**	**222,494**	**972,502**	**750,008**	**222,494**	**972,502**
Amount written off against allowance	**(53,088)**	**-**	**(53,088)**	**(53,088)**	**-**	**(53,088)**
Charge for the year	**726,980**	**107,278**	**834,258**	**726,980**	**107,278**	**834,258**
Exchange difference	**(14,187)**	**67**	**(14,120)**	**(14,187)**	**67**	**(14,120)**
At 30 June 2017	**1,409,713**	**329,839**	**1,739,552**	**1,409,713**	**329,839**	**1,739,552**

17. FINANCIAL INVESTMENTS

(a) **AVAILABLE-FOR-SALE**

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	**649,741**	-	-	**649,741**	-	-
Bank of Mauritius bonds and notes	**272,946**	316,033	-	**272,946**	316,033	-
Foreign Securities treasury bills and bonds	**4,803,601**	-	-	**4,803,601**	-	-
Investment in equity shares	**19,684**	34,765	41,049	**-**	-	-
	5,745,972	350,798	41,049	**5,726,288**	316,033	-

THE GROUP

Available-for-sale investments for an amount of MUR 18.5m (2016 and 2015: MUR 18.5m) are stated at cost since their fair value cannot be reliably measured due to no active market and an absence of track record for such or similar investments. In 2015, the Group recognised an impairment loss of MUR 327.6m on its investment in preference shares which was held by AfrAsia Holdings Limited.

(b) **HELD-TO-MATURITY**

	THE GROUP AND THE BANK		
	2017	2016	2015
	MUR'000	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	**4,451,232**	4,474,740	2,685,114
Bank of Mauritius bonds and notes	**2,550,818**	1,207,513	1,344,574
Other corporate debt securities	**1,130,682**	734,253	911,096
Foreign Securities treasury bills and bonds	**13,057,690**	5,122,373	130,908
	21,190,422	11,538,879	5,071,692

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YEAR ENDED 30 JUNE 2017

18. INVESTMENT IN SUBSIDIARIES

	THE BANK		
	2017	2016	2015
Cost	**MUR'000**	MUR'000	MUR'000
At start	**189,563**	189,563	409,801
Impairment loss	**-**	-	(302,554)
Fair value hedge movement	**-**	-	82,316
At 30 June	**189,563**	189,563	189,563

The details of the subsidiaries are as follows:

	Country of Incorporation	Class of Shares	Effective % Holdings 2017	2016	2015
			%	%	%
Direct Subsidiaries					
AfrAsia Investments Limited	Mauritius	Ordinary	**100**	100	100
AfrAsia Holdings Limited (Note (a & b))*	Mauritius	Ordinary	**-**	-	100
Indirect Subsidiaries					
AfrAsia Capital Management Limited	Mauritius	Ordinary	**100**	100	100
Stellar Advisers (Pty) Limited (Formerly known as AfrAsia Corporate Finance (Pty) Limited) (Note (c))	South Africa	Ordinary	**-**	-	100
AfrAsia Corporate Finance (Pty) Ltd (Formerly known as "Africa Asia Corporate Finance (Pty) Ltd") (Note (d))	South Africa	Ordinary	**100**	100	-
AfrAsia Corporate Finance International Limited (Formerly known as "Africa Capital Advisors PCC") (Note (d))	Mauritius	Ordinary	**100**	100	-
AfrAsia Corporate Finance (Africa) Limited (Note (e))	Mauritius	Ordinary	**-**	100	100
AfrAsia Corporate Finance Limited (Note (f))	Mauritius	Ordinary	**-**	100	100
AfrAsia Kingdom Holdings Limited ("AKHL") (Note (a & b))*	Mauritius	Ordinary	**-**	-	100

(a) In financial year 2016 these entities went into liquidation thereby resulting in a gain on liquidation of MUR 372.4m as reported in the Group statement of profit or loss and other comprehensive income.

(b) Previously accounted under Investment in associates and joint venture.

The Bank invested USD 9.7m and USD 4.8m in AfrAsia Holdings Limited ("AHL") in 2012 and 2014 respectively. The investment was financed by borrowings denominated in United States Dollars (USD) and the Bank classified the transaction as a fair value hedge. At the end of 2014 and 2015, the Bank adjusted the value of its investment in AfrAsia Holdings Limited for any movement in exchange rate.

The impairment loss in both 2014 and 2015 relate to the full write off of the Bank's investment in AHL. AHL was incorporated for the purpose of holding the Bank's investment in Zimbabwe. On 24 February 2015, the Registrar of Banking Institutions of Zimbabwe cancelled the licence of AfrAsia Bank Zimbabwe Limited in terms of section 14 (4) of the Banking Act [Chapter 24:20]. The cancellation followed board resolutions by AfrAsia Zimbabwe Holdings Limited (the shareholder) and AfrAsia Bank Zimbabwe Limited to voluntarily surrender the banking licence. The Registrar determined that the banking institution was no longer in a safe and sound condition in that the institution was grossly undercapitalised and was facing chronic liquidity challenges. All efforts by the shareholders to recapitalize the institution in order to comply with the minimum capital requirements have failed and in addition, the board of directors advised that AfrAsia Bank Limited was constrained in availing any further support to the Zimbabwe operations. The Reserve Bank of Zimbabwe accordingly applied for the liquidation of the institution in terms of section 57 of the Zimbabwe Banking Act.

(c) The subsidary was sold on 29 January 2016 and the loss on disposal of MUR 4.2m is reported in the Group statement of profit or loss.

(d) The Group made the acquisition of two subsidiaries during the year ended 30 June 2016, namely Africa Asia Corporate Finance (Pty) Ltd and Africa Capital Advisors PCC. Refer to note 19 for more details.

(e) The subsidary went into liquidation on 28 June 2017

(f) The subsidary went into liquidation on 28 June 2017

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

19. BUSINESS COMBINATION

2016

On 25 August 2015, AfrAsia Investments Limited acquired 70% of the share capital of Africa Asia Corporate Finance Pty Ltd and 70% of the share capital of Africa Capital Advisors PCC. Africa Asia Corporate Finance Pty Ltd and Africa Capital Advisors PCC were renamed to AfrAsia Corporate Finance Pty Ltd and AfrAsia Corporate Finance International Limited respectively during 2016. As at 30 June 2016, AfrAsia Investments Limited became the sole shareholder of these entities following the share transfer held by the minority shareholders. These companies operate as investment advisory firms, providing corporate finance, structured finance, investment and alternative funding solutions.

Since the activities of AfrAsia Corporate Finance Pty Limited and AfrAsia Corporate Finance International Limited are similar, both entities have been grouped into one cash generating unit ("CGU") and are referred to as the "New ACF Group".

The following tables summarise the consideration paid for each entity, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Name of Entity	Principal activity	Date of acquisition	Effective % holdings	Consideration transferred
				MUR'000
AfrAsia Corporate Finance Pty Limited (formerly known as "Africa Asia Corporate Finance Pty Limited")	Investment advisory	25-Aug-15	100%	20,100
AfrAsia Corporate Finance International Limited (formerly known as "Africa Capital Advisors PCC")	Global business	25-Aug-15	100%	2

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Fair value recognised on acquisition	
	AfrAsia Corporate Finance Pty Ltd	AfrAsia Corporate Finance International Limited
	MUR'000	MUR'000
Assets		
Property and equipment	56	-
Debtors	97	-
Shareholder loans receivable	7,998	-
Cash and cash equivalents	20,103	2
	28,254	2
Liabilities		
VAT payable	28	-
Salaries payable	7,276	-
	7,304	-
Fair value of identifiable net assets acquired	20,950	2

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

19. BUSINESS COMBINATION (CONTINUED)

	AfrAsia Corporate Finance Pty Ltd	AfrAsia Corporate Finance International Limited	Total
	MUR'000	MUR'000	MUR'000
Fair value of consideration transferred	20,010	2	20,012
Non-controlling interest measured as the share of fair value of identifiable net assets	6,285	1	6,286
Less fair value of identifiable net assets	(20,950)	(2)	(20,952)
Goodwill arising on acquisition	5,345	1	5,346

Summarised statement of profit or loss of subsidiaries acquired:

For the period 25 August 2015 (date of acquisition) to 30 June 2016

	AfrAsia Corporate Finance Pty Ltd	AfrAsia Corporate Finance International Limited	Total
	MUR'000	MUR'000	MUR'000
Revenue (disclosed under fees and commission income)	7,187	3,371	10,558
(Loss)/profit before tax	(2,428)	2,724	296
(Loss)/profit after tax	(2,428)	2,720	292

For the year 1 July 2015 to 30 June 2016	AfrAsia Corporate Finance Pty Ltd	AfrAsia Corporate Finance International Limited	Total
	MUR'000	MUR'000	MUR'000
Revenue (disclosed under fees and commission income)	7,389	3,371	10,760
(Loss)/profit before tax	(2,887)	2,724	(163)
(Loss)/profit after tax	(2,887)	2,720	(167)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

19. BUSINESS COMBINATION (CONTINUED)

Analysis of cash flows on acquisition:

	AfrAsia Corporate Finance Pty Ltd	AfrAsia Corporate Finance International Limited	Total
	MUR'000	MUR'000	MUR'000
Cash consideration to acquire 70% stake in the subsidiaries	20,010	2	20,012
Cash balance acquired on acquisition of subsidiaries	126	-	126
Net cash flow on acquisition	**20,136**	**2**	**20,138**

Customer relations

Customer relations represent that income stream that both investees are expected to generate based on the good relations that were previously developed and maintained with their customers.

Non-compete agreement

Non-compete agreement relates to a contract which prevents key management personnel of ACF Group from competing with the Group anywhere in Africa for a period of two years from the date of acquisition. Management has valued the non-compete agreement based on the direct valuation of economic damages approach.

Licence

The Financial Services Provider licence from the Financial Services Board ("FSB") in South Africa enables Africa Corporate Finance (Pty) Ltd ("ACF Pty") to deliver certain services to listed entities on the Johannesburg Stock Exchange ("JSE"). Although this type of work represents a small proportion of the revenue of ACF Pty (the majority of the fees of ACF Pty is generated from mergers and acquisitions work), the licence is an important asset for ACF Pty in conveying the professionalism and quality of work that it can produce.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

20. IMPAIRMENT TESTING OF GOODWILL

Carrying amount of goodwill allocated to each of the CGUs:

	ACML	ACF Group	Total
	MUR'000	MUR'000	MUR'000
30 June 2015	206,771	71,867	278,638
30 June 2016 and 2017	134,904	-	134,904

The Group performed its annual impairment test in June 2017.

The recoverable amount of the ACML Group is MUR 277m as at 30 June 2017, which has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Based on the performance achieved by each investee from the acquisition date and the value in use of each investee, management did not identify any impairment for the CGUs.

The recoverable amount of the ACML Group was MUR 415m as at 30 June 2016.

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

	ACML			ACF Group		
	2017	2016	2015	2017	2016	2015
	%	%	%	%	%	%
Discount rates	19.0%	19.0%	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	
	2017	2016	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000
1% increase in discount rates (WACC)	(16,000)	(15,710)	-	(12,433)
1% decrease in discount rates (WACC)	17,000	16,713	-	12,930

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

21. INVESTMENT IN ASSOCIATES

THE GROUP

The investment in associates are as follows:

	Country of incorporation	% Holding		
		2017	2016	2015
AfrAsia Zimbabwe Holdings Limited ("AZHL")	Zimbabwe	-	-	46.2%
AfrAsia Corporate Finance (Africa) Limited	Mauritius	-	-	100.0%**
AfrAsia Corporate Finance (Pty) Limited	South Africa	-	-	100.0%**
AfrAsia Kingdom Holdings Limited ("AKHL")	Mauritius	-	-	100.0%**

Since AZHL is being liquidated, the Group interest is no more accounted as an investment in associate. Refer to note 18 for further explanation as to those factors that led to the impairment loss.

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

In prior years, AfrAsia Bank Limited did not consider AKHL as its subsidiary as it was not exposed to or have rights to variability in returns from its involvement with AKHL and did not have the ability to affect those returns through its power over the entity pursuant to the shareholder's agreement with the other investor. Accordingly, the financial statements of these entities were not consolidated in the group financial statements. In 2015, the Group obtained control over AKHL as the latter bought back the shares held by the other shareholder. Refer to note 18 for further explanation to those factors that led to loss of control.

AfrAsia Corporate Finance (Pty) Ltd and AfrAsia Corporate Finance (Africa) Ltd are independent corporate finance advisers based in South Africa and Mauritius respectively. Both are private entities and are not listed on any public exchange. Their advisory services include mergers and acquisitions, debt advisory, restructuring, equity advisory and Black Economic Empowerment ('BEE') Advisory. The Group acquired the remaining 50% equity on 1 October 2013 and from which date both entities became subsidiaries of the Group.

** Accounted under investment in subsidiaries.

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

	THE GROUP		
	2017	2016	2015
AfrAsia Zimbabwe Holdings Limited	**MUR'000**	MUR'000	MUR'000
Opening balance	-	-	118,565
Additions	-	-	-
Acquisition of subsidiaries	-	-	-
Share of loss after tax	-	-	-
Foreign exchange movement	-	-	-
Impairment loss	-	-	(118,565)
Share of other reserves	-	-	-
Closing balance	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

22. EQUIPMENT

(a) THE GROUP

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets under progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	19,861	38,605	12,230	1,121	23,151	-	94,968
Additions	15,978	11,891	2,811	1,064	17,114	-	48,858
Exchange gain	3	5	-	1	2	-	11
Disposals	-	-	(945)	-	(387)	-	(1,332)
At 30 June 2015	35,842	50,501	14,096	2,186	39,880	-	142,505
At 1 July 2015	35,842	50,501	14,096	2,186	39,880	-	142,505
Additions	12,733	26,902	2,795	21,902	12,465	11	76,808
Exchange loss	(270)	(25)	(439)	(297)	(740)	-	(1,771)
Disposals	(3,712)	(112)	(3,542)	(11,242)	(5,706)	-	(24,314)
At 30 June 2016	44,593	77,266	12,910	12,549	45,899	11	193,228
At 1 July 2016	**44,593**	**77,266**	**12,910**	**12,549**	**45,899**	**11**	**193,228**
Additions	**261**	**513**	**1,163**	**-**	**6,311**	**65,867**	**74,115**
Reclassification from Assets under progress intangible	**-**	**-**	**-**	**-**	**-**	**9,831**	**9,831**
Exchange Loss					**(2)**		**(2)**
Capitalisation of Assets under progress	**2,987**	**3,330**	**3,703**	**-**	**40,688**	**(50,708)**	**-**
Assets written off	**(4,771)**	**(8,479)**	**(4,952)**	**-**	**(9,868)**	**-**	**(28,070)**
At 30 June 2017	**43,070**	**72,630**	**12,824**	**12,549**	**83,028**	**25,001**	**249,102**
DEPRECIATION							
At 1 July 2014	4,013	5,398	4,960	704	8,687	-	23,762
Charge for the year	3,102	4,533	2,013	221	6,019	-	15,888
Exchange gain	1	1	-	-	2	-	4
Assets written off	-	-	(417)	-	(228)	-	(645)
At 30 June 2015	7,116	9,932	6,556	925	14,480	-	39,009
At 1 July 2015	7,116	9,932	6,556	925	14,480	-	39,009
Charge for the year	4,019	6,164	2,489	1,354	8,762	-	22,788
Exchange gain	-	-	-	-	8	-	8
Disposals	(1,136)	(88)	(1,877)	(379)	(5,198)	-	(8,678)
At 30 June 2016	9,999	16,008	7,168	1,900	18,052	-	53,127
At 1 July 2016	**9,999**	**16,008**	**7,168**	**1,900**	**18,052**	**-**	**53,127**
Charge for the year	**4,015**	**6,604**	**2,277**	**1,792**	**10,583**	**-**	**25,271**
Assets written off	**(3,550)**	**(5,177)**	**(2,564)**	**-**	**(7,292)**	**-**	**(18,583)**
At 30 June 2017	**10,464**	**17,435**	**6,881**	**3,692**	**21,343**	**-**	**59,815**
NET CARRYING AMOUNT							
At 30 June 2017	**32,606**	**55,195**	**5,943**	**8,857**	**61,685**	**25,001**	**189,287**
At 30 June 2016	34,594	61,258	5,742	10,649	27,847	11	140,101
At 30 June 2015	28,726	40,569	7,540	1,261	25,400	-	103,496

NOTES TO THE FINANCIAL STATEMENTS

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22. EQUIPMENT (CONTINUED)

(b) THE BANK

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets under progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	18,801	36,539	12,219	734	20,679	-	88,972
Additions	15,978	11,846	2,811	61	16,172	-	46,868
Disposals	-	-	(945)	-	(387)	-	(1,332)
At 30 June 2015	34,779	48,385	14,085	795	36,464	-	134,508
At 1 July 2015	34,779	48,385	14,085	795	36,464	-	134,508
Additions	9,695	26,474	2,795	18,212	12,143	11	69,330
Disposals	-	(26)	(2,011)	(10,207)	(2,999)	-	(15,243)
At 30 June 2016	44,474	74,833	14,869	8,800	45,608	11	188,595
At 1 July 2016	**44,474**	**74,833**	**14,869**	**8,800**	**45,608**	**11**	**188,595**
Additions	**261**	**499**	**1,163**	**-**	**5,568**	**65,867**	**73,358**
Reclassification from Assets under progress intangible	**-**	**-**	**-**	**-**		**9,831**	**9,831**
Capitalisation of Assets under progress	**2,987**	**3,330**	**3,703**	**-**	**40,688**	**(50,708)**	**-**
Assets written off	**(4,503)**	**(8,051)**	**(4,952)**	**-**	**(9,738)**	**-**	**(27,244)**
At 30 June 2017	**43,219**	**70,611**	**14,783**	**8,800**	**82,126**	**25,001**	**244,540**
DEPRECIATION							
At 1 July 2014	3,582	5,086	4,949	678	8,368	-	22,663
Charge for the year	2,725	4,055	2,013	10	4,733	-	13,536
Disposals	-	-	(417)	-	(228)	-	(645)
At 30 June 2015	6,307	9,141	6,545	688	12,873	-	35,554
At 1 July 2015	6,307	9,141	6,545	688	12,873	-	35,554
Charge for the year	3,976	6,025	2,319	491	7,693	-	20,504
Disposals	-	(5)	(781)	-	(2,668)	-	(3,454)
At 30 June 2016	10,283	15,161	8,083	1,179	17,898	-	52,604
At 1 July 2016	**10,283**	**15,161**	**8,083**	**1,179**	**17,898**	**-**	**52,604**
Charge for the year	**4,015**	**6,538**	**2,277**	**1,046**	**10,215**	**-**	**24,091**
Assets written off	**(3,543)**	**(5,113)**	**(2,564)**	**-**	**(7,204)**	**-**	**(18,424)**
At 30 June 2017	**10,755**	**16,586**	**7,796**	**2,225**	**20,909**	**-**	**58,271**
NET CARRYING AMOUNT							
At 30 June 2017	**32,464**	**54,025**	**6,987**	**6,575**	**61,217**	**25,001**	**186,269**
At 30 June 2016	34,191	59,672	6,786	7,621	27,710	11	135,991
At 30 June 2015	28,472	39,244	7,540	107	23,591	-	98,955

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

23. INTANGIBLE ASSETS

(a) THE GROUP

	Computer software	Banking software	*Other	Assets under progress	Goodwill	Non-compete agreement	Licence	Customer relations	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	14,876	45,684	7,743	-	206,771	41,195	32,587	124,609	473,465
Additions	3,266	13,660	2,184	-	-	-	-	-	19,110
At 30 June 2015	18,142	59,344	9,927	-	206,771	41,195	32,587	124,609	492,575
At 1 July 2015	18,142	59,344	9,927	-	206,771	41,195	32,587	124,609	492,575
Transfer from other assets	-	-	-	35,805	-	-	-	-	35,805
Additions	2,920	18,960	-	15,362	5,345	-	-	-	42,587
At 30 June 2016	21,062	78,304	9,927	51,167	212,116	41,195	32,587	124,609	570,967
At 1 July 2016	**21,062**	**78,304**	**9,927**	**51,167**	**212,116**	**41,195**	**32,587**	**124,609**	**570,967**
Additions	**3,083**	**3**	**-**	**64,341**	**-**	**-**	**-**	**-**	**67,427**
Reclassification to Assets under progress tangible	**-**	**-**	**-**	**(9,831)**	**-**	**-**	**-**	**-**	**(9,831)**
Capitalisation of Assets under progress	**10,832**	**33,972**	**425**	**(45,229)**	**-**	**-**	**-**	**-**	**-**
Recognised to Expense	**-**	**-**	**-**	**(378)**	**-**	**-**	**-**	**-**	**(378)**
Assets written off	**(1,663)**	**(123)**	**(2,313)**	**-**	**-**	**-**	**-**	**-**	**(4,099)**
At 30 June 2017	**33,314**	**112,156**	**8,039**	**60,070**	**212,116**	**41,195**	**32,587**	**124,609**	**624,086**
AMORTISATION									
At 1 July 2014	9,197	16,484	4,544	-	-	15,448	12,220	14,065	71,958
Charge for the year	2,564	5,258	1,079	-	-	20,598	16,293	18,754	64,546
At 30 June 2015	11,761	21,742	5,623	-	-	36,046	28,513	32,819	136,504
At 1 July 2015	11,761	21,742	5,623	-	-	36,046	28,513	32,819	136,504
Charge for the year	2,257	6,271	877	-	-	5,149	4,074	14,517	33,145
Impairment charge for the year (note 19b)	-	-	-	-	77,213	-	-	23,301	100,514
At 30 June 2016	14,018	28,013	6,500	-	77,213	41,195	32,587	70,637	270,163
At 1 July 2016	**14,018**	**28,013**	**6,500**	**-**	**77,213**	**41,195**	**32,587**	**70,637**	**270,163**
Charge for the year	**2,903**	**9,219**	**783**	**-**	**-**	**-**	**-**	**10,280**	**23,185**
Assets written off	**(1,320)**	**(122)**	**(2,314)**	**-**	**-**	**-**	**-**	**-**	**(3,756)**
At 30 June 2017	**15,601**	**37,110**	**4,969**	**-**	**77,213**	**41,195**	**32,587**	**80,917**	**289,592**
NET CARRYING AMOUNT									
At 30 June 2017	**17,713**	**75,046**	**3,070**	**60,070**	**134,903**	**-**	**-**	**43,692**	**334,494**
At 30 June 2016	7,044	50,291	3,427	51,167	134,903	-	-	53,972	300,804
At 30 June 2015	6,381	37,602	4,304	-	206,771	5,149	4,074	91,790	356,071

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

23. INTANGIBLE ASSETS (CONTINUED)

(b) THE BANK

	Computer software	Banking software	*Other	Assets under progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	14,362	45,685	7,742		67,789
Additions	3,237	13,660	2,184	-	19,081
At 30 June 2015	17,599	59,345	9,926	-	86,870
At 1 July 2015	17,599	59,345	9,926	-	86,870
Transfer from other assets	-	-	-	35,805	35,805
Additions	2,920	18,960	-	15,362	37,242
At 30 June 2016	20,519	78,305	9,926	51,167	159,917
At 1 July 2016	**20,519**	**78,305**	**9,926**	**51,167**	**159,917**
Additions	**3,035**	**3**	**-**	**64,341**	**67,379**
Reclassification to Assets under progress tangible	**-**	**-**	**-**	**(9,831)**	**(9,831)**
Capitalisation of Assets under progress	**10,832**	**33,972**	**425**	**(45,229)**	**-**
Recognised to Expense	**-**	**-**	**-**	**(378)**	**(378)**
Assets written off	**(1,664)**	**(123)**	**(2,315)**	**-**	**(4,102)**
At 30 June 2017	**32,722**	**112,157**	**8,036**	**60,070**	**212,985**
AMORTISATION					
At 1 July 2014	9,095	16,484	4,544	-	30,123
Charge for the year	2,392	5,258	1,079	-	8,729
At 30 June 2015	11,487	21,742	5,623	-	38,852
At 1 July 2015	11,487	21,742	5,623	-	38,852
Charge for the year	2,076	6,271	877	-	9,224
At 30 June 2016	13,563	28,013	6,500	-	48,076
At 1 July 2016	**13,563**	**28,013**	**6,500**	**-**	**48,076**
Charge for the year	**2,808**	**9,219**	**783**	**-**	**12,810**
Assets written off	**(1,320)**	**(122)**	**(2,314)**	**-**	**(3,756)**
At 30 June 2017	**15,051**	**37,110**	**4,969**	**-**	**57,130**
NET CARRYING AMOUNT					
At 30 June 2017	**17,671**	**75,047**	**3,067**	**60,070**	**155,855**
At 30 June 2016	6,956	50,292	3,426	51,167	111,841
At 30 June 2015	6,112	37,603	4,303	-	48,018

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

24. OTHER ASSETS

	THE GROUP			THE BANK		
	2017	2016	2015	2017	2016	2015
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Dividend receivable	-	-	-	22,000	112,000	145,000
Trade receivable	17,164	13,552	63,694	-	-	-
Due from associates	-	-	40,292	-	-	-
Advance payment	255	588	36,011	242	345	36,011
Unpaid share capital (Note 30)	-	-	39,669	-	-	39,669
Indirect and other taxes receivable	48,101	35,288	24,999	46,714	34,951	24,999
Due from financial institution	18,264	18,714	15,044	18,264	18,714	15,044
Prepaid expenses	24,753	20,190	7,307	17,096	11,442	4,688
Other receivables	39,636	41,875	36,727	34,402	28,732	22,739
	148,173	130,207	263,743	138,718	206,184	288,150

Dividend income is receivable from a subsidary and is receivable within one year.

The ageing of trade receivables is as follows:

THE GROUP

	< 30 days	31 - 60 days	61 - 90 days	> 90 days	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2017	14,124	2,997	-	43	17,164
2016	12,084	1,240	-	228	13,552
2015	40,804	3,229	4,142	15,519	63,694

During the year, there was no impairment at the group level (2016: nil and 2015: 12.7m).

Redemption monies receivable represents amount receivables from the custodian bank in respect of equity linked notes matured.

25. DUE TO BANKS

	THE GROUP			THE BANK		
	2017	2016	2015	2017	2016	2015
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Borrowings from the Central Bank	118,589	173,510	227,411	118,589	173,510	227,411
Deposits from other banks	1,375,975	-	7	1,375,975	-	-
Bank Overdraft	6,251	-	-	6,251	-	-
	1,500,815	173,510	227,418	1,500,815	173,510	227,411

The borrowings from the Central Bank are secured by the Bank's cash balances held with the Central Bank

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

26. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Personal						
- Current accounts	**3,052,986**	7,865,503	6,698,762	**3,052,986**	7,865,503	6,698,762
- Savings accounts	**3,397,785**	3,706,128	3,298,553	**3,397,785**	3,706,128	3,298,553
- Term deposits	**4,091,921**	6,237,983	5,760,491	**4,091,921**	6,237,983	5,760,491
Business						
- Current accounts	**62,267,513**	42,854,973	29,169,754	**62,639,901**	43,115,449	29,333,507
- Savings accounts	**1,240,223**	640,621	381,479	**1,240,223**	640,621	381,479
- Term deposits	**16,529,732**	18,696,901	21,092,069	**16,638,577**	18,803,133	21,419,251
Government institutions						
- Current accounts	**2**	-	-	**2**	-	-
- Savings accounts	**21,169**	10,159	9,817	**21,169**	10,159	9,817
- Term deposits	**-**	-	26,791	**-**	-	26,791
	90,601,331	80,012,268	66,437,716	**91,082,564**	80,378,976	66,928,651

Included in 'Deposits from customers' accounts are deposits of MUR 499.2m (2016: MUR 711.9m and 2015: MUR 800.7m) held as collateral against loans and advances to the respective customers.

27. DEBTS ISSUED

		THE GROUP			THE BANK		
		2017	2016	2015	**2017**	2016	2015
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
(i)	Loan notes	**614,172**	197,317	739,911	**-**	-	-
(ii)	Unsecured subordinated bonds	**1,059,453**	1,292,626	915,327	**1,111,493**	1,111,032	1,094,275
		1,673,625	1,489,943	1,655,238	**1,111,493**	1,111,032	1,094,275

(i) *Loan notes*

The loan notes issued represent the discounted value of capital guaranteed to investors on the structured products issued by the Group.

	THE GROUP		
	2017	2016	2015
	MUR'000	MUR'000	MUR'000
The notes are due as follows:			
Within 1 year	**383,003**	91,085	242,424
After 1 year but before 5 years	**231,169**	-	-
After 5 years	**-**	106,232	497,487
	614,172	197,317	739,911

Loan notes bear interest at 7.50% per annum on average (2016: 7.50% and 2015: 8.50%).

(ii) *Unsecured subordinated bonds*

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
The bonds are due as follows:						
Within 1 year	**538,834**	3,893	-	**538,834**	-	-
After 1 year but before 5 years	**520,619**	1,288,733	915,327	**572,659**	1,111,032	1,094,275
After 5 years	**-**	-	-	**-**	-	-
	1,059,453	1,292,626	915,327	**1,111,493**	1,111,032	1,094,275

Interest on unsecured bonds denominated in MUR ranges between 6.75% to 8.90% (2016: between 6.75% to 8.90% and 2015: between 7.00% to 9.15%) while USD-denominated bonds bear interest that ranges between 4.20% to 5.23% (2016: between 4.20% to 5.20% and 2015: between 4.20% to 5.23%).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

28. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Customer custody payable	**-**	123,320	251,982	**-**	123,320	251,982
Advance commission	**84,276**	70,172	82,379	**84,276**	70,172	82,379
Personnel expenses related accruals	**138,180**	104,896	71,973	**130,620**	104,617	36,904
Dividend payable	**343**	165	69,861	**343**	165	69,861
Other financial liabilities	**861,676**	1,348,157	1,036,333	**-**	-	-
Other payables	**158,791**	124,166	115,343	**146,108**	109,232	90,661
	1,243,266	1,770,876	1,627,871	**361,347**	407,506	531,787

Customer custody payable relates to fund received from deposit clients as at 30 June which has not yet been allocated to the respective client accounts.

Advance commission relates mainly to upfront fees received on credit advances.

29. ORDINARY SHARES, SHARE APPLICATION MONIES, TREASURY SHARES AND CLASS A SHARES

	THE GROUP AND THE BANK		
	2017	2016	2015
	MUR'000	MUR'000	MUR'000
Ordinary shares of no par value			
Issued and fully paid	**3,197,608**	2,595,363	2,551,290
Issued and not yet paid (Note 25)	**-**	-	39,669
	3,197,608	2,595,363	2,590,959

Analysed as follows:
Issued and fully paid

	THE GROUP AND THE BANK					
	2017		2016		2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 1 July	**97,024,360**	**2,595,363**	96,672,088	2,590,959	77,889,488	1,747,639
Issue of ordinary shares	**9,721,440**	**602,245**	352,272	17,261	17,973,036	803,651
Issued and not yet paid (Note 25)	**-**	**-**	-	-	809,564	39,669
Indemnity costs	**-**	**-**	-	(12,857)	-	-
At 30 June	**106,745,800**	**3,197,608**	97,024,360	2,595,363	96,672,088	2,590,959

Treasury shares

	THE GROUP AND THE BANK					
	2017		2016		2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 1 July	**-**	**-**	-	-	6,544,778	405,776
Acquired during the year	**-**	**-**	-	-	-	-
Issue of ordinary shares	**-**	**-**	-	-	(6,544,778)	(405,776)
At 30 June	**-**	**-**	-	-	-	-

Each of the above share confer to its holder the following rights:
(a) the right to vote at meetings of shareholders and on a poll to cast one vote for each share held;
(b) subject to the rights of any other class of shares, the right to an equal share in dividends and other distributions made by the Bank;
(c) subject to the rights of any other class of shares, the right to an equal share in the distribution of the surplus assets of the Bank on its liquidation.
Indemnity costs relate to issue costs paid to National Bank of Canada as per deed of indemnity dated 27 November 2014.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

29. ORDINARY SHARES, SHARE APPLICATION MONIES, TREASURY SHARES AND CLASS A SHARES (CONTINUED)

Class A shares

THE GROUP

Issued and fully paid

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	2,000,000	604,580	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	8,000,000	800,000	8,000,000	800,000	8,000,000	800,000
Transaction costs	-	(4,812)	-	(4,812)	-	(4,812)
	10,000,000	1,399,768	10,000,000	1,399,768	10,000,000	1,399,768

Analysed as follows:

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares						
At 1 July and 30 June	2,000,000	604,580	2,000,000	604,580	2,000,000	604,580

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
MUR 800,000,000 Class A Series 2 Shares						
At 1 July and 30 June	8,000,000	800,000	8,000,000	800,000	8,000,000	800,000

THE BANK

Issued and fully paid

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	2,000,000	604,580	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	8,000,000	800,000	8,000,000	800,000	8,000,000	800,000
Transaction costs	-	(18,812)	-	(18,812)	-	(18,812)
	10,000,000	1,385,768	10,000,000	1,385,768	10,000,000	1,385,768

Analysed as follows:

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares						
At 1 July and 30 June	2,000,000	604,580	2,000,000	604,580	2,000,000	604,580

	2017		2016		2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
MUR 800,000,000 Class A Series 2 Shares						
At 1 July and 30 June	8,000,000	800,000	8,000,000	800,000	8,000,000	800,000

The Class A shares do not carry any general voting right at any shareholders meeting of the Bank other than an irrevocable right to vote on any proposal to amend the Class A shares Terms and Conditions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

30. RETIREMENT BENEFIT OBLIGATIONS

The liability relates to Retirement Gratuities payable under the Employment Rights Act (ERA).
The formula used is 15/26 of monthly remuneration per year of service, including the 13th month bonus and any additional emoluments.
The actuarial valuation was carried out at 30 June 2017 by Swan Life Ltd, an independent and experienced valuer.

The Bank has a defined contribution (DC) scheme amounting to MUR 23m

(a) Retirement benefits under The Employment Rights Act 2008

Amounts recognised in the statement of financial position:

	Year ended 30 June 2017 MUR'000
Present value of obligations	23,000

Net cost for the period:	Year ended 30 June 2017 MUR'000
Current service cost	267
Net interest cost	1,503
Net cost for the year recognised in profit and loss	1,770
Remeasurement recognised in Other Comprehensive Income (OCI)- Actuarial losses	-
Net cost for period	1,770

Changes in the Present Value of the Obligations:	Year ended 30 June 2017 MUR'000
Present value of obligation at start of year	
Effect of applying IAS 19	21,230
Interest cost	1,503
Current service cost	267
Expected obligation at end of year	23,000

Movements in liability recognised in statement of financial position:	Year ended 30 June 2017 MUR'000
Net liability at start of year	-
Effect of applying IAS 19	21,230
Net expense recognised in profit or loss	1,770
Net actuarial (gains)/losses recognised in OCI	-
Net liability at end of period	23,000

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YEAR ENDED 30 JUNE 2017

31. OTHER RESERVES

	THE GROUP							THE BANK				
	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Foreign currency translation reserve	Available-for-sale reserve	Associates other reserve	Total	Equity-settled share-based payment reserve	Available-for-sale reserve	Statutory reserve	General banking reserve	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2014	14,283	125,861	132,809	(2,062)	1,978	1,309	274,178	14,283	-	125,861	132,809	272,953
Appropriation from retained earnings	-	26,255	118,354	-	-	-	144,609	-	-	26,255	118,354	144,609
Expense arising from equity-settled share-based payment transactions	(360)	-	-	-	-	-	(360)	(360)	-	-	-	(360)
Net gain on available-for-sale financial assets	-	-	-	-	1,999	-	1,999	-	-	-	-	-
Foreign currency translation	-	-	-	(678)	-	-	(678)	-	-	-	-	-
At 30 June 2015	13,923	152,116	251,163	(2,740)	3,977	1,309	419,748	13,923	-	152,116	251,163	417,202
At 1 July 2015	13,923	152,116	251,163	(2,740)	3,977	1,309	419,748	13,923	-	152,116	251,163	417,202
Appropriation from retained earnings	-	65,045	(116,608)	-	-	-	(51,563)	-	-	65,045	(116,608)	(51,563)
Net loss on available-for-sale financial assets	-	-	-	-	(6,867)	-	(6,867)	-	(579)	-	-	(579)
Movement in revaluation reserve	-	-	-	-	-	(1,309)	(1,309)	-	-	-	-	-
Foreign currency translation	-	-	-	(17,165)	-	-	(17,165)	-	-	-	-	-
At 30 June 2016	13,923	217,161	134,555	(19,905)	(2,890)	-	342,844	13,923	(579)	217,161	134,555	365,060
At 1 July 2016	**13,923**	**217,161**	**134,555**	**(19,905)**	**(2,890)**	**-**	**342,844**	**13,923**	**(579)**	**217,161**	**134,555**	**365,060**
Deconsolidation adjustment	**-**	**-**	**-**	**15,959**	**(61)**	**-**	**15,898**	**-**	**-**	**-**	**-**	**-**
Expense arising from equity-settled share-based payment	**(11,061)**	**-**	**-**	**-**	**-**	**-**	**(11,061)**	**(11,061)**	**-**		**-**	**(11,061)**
Appropriation from retained earnings	**-**	**122,550**	**409**	**-**	**-**	**-**	**122,959**	**-**	**-**	**122,550**	**409**	**122,959**
Net loss on available-for-sale financial assets	**-**	**-**	**-**	**-**	**(9,888)**	**-**	**(9,888)**	**-**	**(12,259)**	**-**	**-**	**(12,259)**
Foreign currency translation	**-**	**-**	**-**	**3,331**	**-**	**-**	**3,331**	**-**	**-**	**-**	**-**	**-**
At 30 June 2017	**2,862**	**339,711**	**134,964**	**(615)**	**(12,839)**	**-**	**464,083**	**2,862**	**(12,838)**	**339,711**	**134,964**	**464,699**

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.

(i) Founding Executives shares scheme

An option to subscribe for a maximum of 1,761,360 ordinary shares of the Bank ('share option') was granted to the Founding Executives on November 29, 2012. The Bank granted the share option to the Founding Executives for a consideration of MUR 1 per option. The Founding Executives may exercise the option in respect of up to 20 percent of the option shares granted on each Exercise Date being on each 30 June starting as from 30 June 2013 and ending on 30 June 2017 (inclusive). The share option vest if the Founding Executives remain in employment at the Bank pursuant to the contract on the Exercise Date and neither the Founding Executives nor the Bank must have issued a notice to terminate the Contract on or before the Exercise Date. The fair value of the share options is based on the price at the Exercise Date. The expense arising from equity-settled share-based payment transactions amounted to nil (2015: MUR 8.2m; 2014: MUR 20.1m). No share option was granted during the year (2015: 352,272; 2014: 704,544). The average price per share was MUR 23.13 as at 30 June 2015 and MUR 33.13 as at 30 June 2014. 88,068 share options at an average price of MUR 44.00 per share are outstanding at 30 June 2016 (2015: 704,544 at MUR 23.13; 2014: 1,056,816 at MUR 33.13). The average remaining contractual life of the share options outstanding as at 30 June 2016 is 1 year (2015: 2 years; 2014: 3 years). No share option was bought back by the Bank in 2016 (2015: MUR 8.6m; 2014: MUR 21.7m), hence, the net movement of nil for the year ended 30 June 2016 (2015: MUR (0.4m); 2014: MUR (1.6m)).

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31. 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 is transferred each year until the balance is equal to the amount paid as stated capital.

GENERAL BANKING RESERVE

This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision including country risk.

ASSOCIATES OTHER RESERVE

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

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve arises on retranslation of foreign operations on consolidation.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments recorded at fair value

Determination of fair value and fair value hierarchy

The Group and 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

			2017			2016			2015
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivatives held-for-trading			-						
Foreign exchange option contracts	-	156,180	156,180	-	8,147	8,147	-	17,224	17,224
Forward foreign exchange contracts	-	59,843	59,843	-	25,497	25,497	-	51,303	51,303
Options linked notes	-	89,587	89,587	-	105,003	105,003	-	148,856	148,856
Spot position account	-	12,510	12,510	-	-	-	-	-	-
	-	318,120	318,120	-	138,647	138,647	-	217,383	217,383
Financial investments - held-for-trading				-			-		
Government of Mauritius debts securities	-	2,000,177	2,000,177	-	2,923,763	2,923,763	-	1,465,219	1,465,219
Bank of Mauritius bonds and notes	-	845,572	845,572	-	344,663	344,663	-	234,518	234,518
Unquoted equity investments and bonds	-	861,676	861,676	-	1,351,671	1,351,671	-	1,072,421	1,072,421
Listed equity shares	-	-	-	-	-	-	5,929	-	5,929
Corporate debt securities	-	98,828	98,828	-	273,644	273,644	-	267,387	267,387
	-	3,806,253	3,806,253	-	4,893,741	4,893,741	5,929	3,039,545	3,045,474
Financial investments - available-for-sale									
Government of Mauritius treasury bills and bonds	-	649,741	649,741	-	-	-	-	-	-
Equity shares	-	1,174	1,174	-	16,255	16,255	-	22,539	22,539
Bank of Mauritius bonds and notes	-	272,946	272,946		316,033	316,033	-	-	-
Foreign Securities treasury bills and bonds	-	4,803,601	4,803,601	-	-	-	-	-	-
	-	5,727,462	5,727,462	-	332,288	332,288	-	22,539	22,539
	-	9,851,835	9,851,835	-	5,364,676	5,364,676	5,929	3,279,467	3,285,396
Financial liabilities									
Derivatives held-for-trading									
Foreign exchange option contracts	-	(156,180)	(156,180)	-	(8,147)	(8,147)	-	(17,224)	(17,224)
Forward foreign exchange contracts	-	(48,280)	(48,280)	-	(119,767)	(119,767)	-	(37,551)	(37,551)
Options linked notes	-	(89,587)	(89,587)	-	(105,003)	(105,003)	-	(148,856)	(148,856)
Put Option	-	-	-	-	-	-	-	(351,463)	(351,463)
	-	(294,047)	(294,047)	-	(232,917)	(232,917)	-	(555,094)	(555,094)

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32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

THE BANK

	2017			2016			2015		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivatives held-for-trading									
Foreign exchange option contracts	-	156,180	156,180	-	8,147	8,147	-	17,224	17,224
Forward foreign exchange contracts	-	59,843	59,843	-	25,497	25,497	-	51,303	51,303
Spot position	-	12,510	12,510	-	-	-	-	-	-
	-	228,533	228,533	-	33,644	33,644	-	68,527	68,527
Financial investments - held-for-trading									
Government of Mauritius debts securities	-	2,000,177	2,000,177	-	2,923,763	2,923,763	-	1,465,219	1,465,219
Bank of Mauritius bonds and notes	-	845,572	845,572	-	344,663	344,663	-	234,518	234,518
Corporate debt securities	-	98,828	98,828	-	273,644	273,644	-	267,387	267,387
	-	2,944,577	2,944,577	-	3,542,070	3,542,070	-	1,967,124	1,967,124
Financial investments - available-for-sale									
Government of Mauritius treasury bills and bonds	-	649,741	649,741	-	-	-	-	-	-
Bank of Mauritius bonds and notes	-	272,946	272,946	-	316,033	316,033	-	-	-
Foreign Securities treasury bills and bonds	-	4,803,601	4,803,601	-	-	-	-	-	-
	-	5,726,288	5,726,288	-	316,033	316,033	-	-	-
	-	8,899,398	8,899,398	-	3,891,747	3,891,747	-	2,035,651	2,035,651
Financial liabilities									
Derivatives held-for-trading									
Foreign exchange option contracts	-	(156,180)	(156,180)	-	(8,147)	(8,147)	-	(17,224)	(17,224)
Forward foreign exchange contracts	-	(48,280)	(48,280)	-	(119,767)	(119,767)	-	(37,551)	(37,551)
	-	(204,460)	(204,460)	-	(127,914)	(127,914)	-	(54,775)	(54,775)
	-	(204,460)	(204,460)	-	(127,914)	(127,914)	-	(54,775)	(54,775)

Valuation techniques

Financial investments - held-for-trading

(i) Unquoted equity investments

Unquoted equity investments relate to investments in equity funds. The fair value of these investments has been based on their published share price used for trading.

(ii) Government debts securities and Bank of Mauritius bonds and notes

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

(iii) Corporate debt securities

Those investments are valued based on the market yield of similar instruments which is publicly available.

Financial investments - available-for-sale

The investment in equity shares has been fair valued at year end based either on the net assets value of the investee or are based on the market yield of similar instruments as made publicly available by the local regulator.

Derivatives

Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Transfers between hierarchy

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial assets and liabilities not carried at fair value

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining terms to maturity and credit spreads.

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

THE GROUP

	30 June 2017		30 June 2016		30 June 2015	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets						
Cash and balances with the Central Bank	4,106,323	4,106,323	3,029,129	3,029,129	2,514,213	2,514,213
Due from banks	37,899,776	37,899,776	46,009,527	46,009,527	41,447,016	41,447,016
Loans and advances to customers	27,512,745	27,807,998	21,958,341	21,999,481	21,772,735	21,913,775
Financial investments - available-for-sale	18,510	18,510	18,510	18,510	18,510	18,510
Financial investments - held-to-maturity	21,190,422	21,190,607	11,538,879	11,589,356	5,071,692	5,295,321
Other assets (excluding prepayments, accrued income and stock)	84,185	84,185	91,423	91,423	182,385	182,385
	90,811,961	91,107,399	82,645,809	82,737,426	71,006,551	71,371,220
Financial liabilities						
Due to banks	(1,500,815)	(1,500,815)	(173,510)	(173,510)	(227,418)	(227,418)
Deposits from customers	(90,601,331)	(91,200,650)	(80,012,268)	(81,036,861)	(66,437,716)	(66,517,489)
Debts issued	(1,673,625)	(2,068,333)	(1,489,943)	(1,945,288)	(1,655,238)	(1,694,663)
Other liabilities	(1,243,266)	(1,243,266)	(1,770,876)	(1,770,876)	(1,627,871)	(1,627,871)
	(95,019,037)	(96,013,064)	(83,446,597)	(84,926,535)	(69,948,243)	(70,067,441)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial assets and liabilities not carried at fair value (Continued)

THE BANK

	30 June 2017		30 June 2016		30 June 2015	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	4,106,323	4,106,323	3,029,129	3,029,129	2,512,469	2,512,469
Due from banks	37,879,933	37,879,933	46,000,675	46,000,675	41,434,529	41,434,529
Loans and advances to customers	27,512,745	27,807,998	21,958,341	21,999,481	21,707,868	21,848,908
Financial investments - available-for-sale	5,726,288	5,726,288	316,033	316,033	-	-
Financial investments - held-to-maturity	21,190,422	21,190,607	11,538,879	11,589,356	5,071,692	5,295,321
Other assets (excluding prepayments, accrued income and stock)	83,786	83,786	64,727	64,727	209,411	209,411
	96,499,497	96,794,935	82,907,784	82,999,401	70,935,969	71,300,638

	30 June 2017		30 June 2016		30 June 2015	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial liabilities	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Due to banks	(1,500,815)	(1,500,815)	(173,510)	(173,510)	(227,411)	(227,411)
Deposits from customers	(91,082,564)	(91,689,394)	(80,378,976)	(81,425,242)	(66,928,651)	(67,008,423)
Debts issued	(1,111,493)	(1,519,864)	(1,111,032)	(1,566,376)	(1,094,275)	(1,133,700)
Other liabilities	(361,347)	(361,347)	(407,506)	(407,506)	(531,787)	(531,787)
	(94,056,219)	(95,071,420)	(82,071,024)	(83,572,634)	(68,782,124)	(68,901,321)

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

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money–market interest rates for debts with similar credit risk and maturity. For 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 variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

The fair value of all the above instruments would be classified as Level 3 in the fair value hierarchy.

For quoted debt issued, the fair values are determined based on quoted market prices. The fair value of these instruments are classified as Level 1.

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33. ADDITIONAL CASH FLOW INFORMATION

		Notes	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE GROUP 2015 MUR'000	THE BANK 2017 MUR'000	THE BANK 2016 MUR'000	THE BANK 2015 MUR'000
(a)	**Cash and cash equivalents**							
	Cash in hand	12	**34,710**	9,425	20,631	**34,710**	9,425	18,887
	Unrestricted balances with the Central Bank	12	**1,689,118**	977,455	749,827	**1,689,118**	977,455	749,827
	Short term placements with other banks	13	**18,253,610**	8,993,560	3,043,568	**18,253,610**	8,993,560	3,043,568
	Current accounts with other banks	13	**15,732,864**	29,843,852	27,471,232	**15,713,021**	29,835,000	27,458,745
	Other amounts due	13	**1,449**	1,494	2,774	**1,449**	1,494	2,774
			35,711,751	39,825,786	31,288,032	**35,691,908**	39,816,934	31,273,801
(b)	**Change in operating assets**							
	Net change in mandatory balances with the Central Bank		**(55,122)**	(115,005)	(191,397)	**(55,122)**	(115,005)	(191,397)
	Net change in placement with the Central Bank		**(285,124)**	(183,489)	(625,167)	**(285,124)**	(183,489)	(625,167)
	Net change in medium term placements with other banks		**3,258,768**	3,758,822	(9,208,592)	**3,258,768**	3,758,822	(9,208,592)
	Net change in derivative financial instruments		**(179,473)**	78,737	643,461	**(194,889)**	34,884	7,561
	Net change in loans and advances to customers		**(6,597,171)**	(1,097,938)	(4,685,430)	**(6,597,171)**	(1,162,805)	(5,279,891)
	Net change in financial investments - held-to-maturity		**(9,651,543)**	(6,467,187)	1,765,145	**(9,651,543)**	(6,467,187)	1,765,145
	Net change in financial investments - held-for-trading		**1,087,488**	(1,848,267)	(409,329)	**597,493**	(1,574,945)	(55,713)
	Net change in other assets		**(17,967)**	133,537	(27,003)	**67,466**	81,966	(74,265)
			(12,440,144)	(5,740,790)	(12,738,312)	**(12,860,122)**	(5,627,759)	(13,662,319)
(c)	**Change in operating liabilities**							
	Net change in due to banks		**1,327,305**	(53,908)	(787,932)	**1,327,305**	(53,901)	(787,938)
	Net change in derivative financial instruments		**61,130**	(322,178)	(302,347)	**76,546**	73,139	(17,910)
	Net change in debts issued		**195,825**	(153,944)	258,748	**12,605**	28,108	61,819
	Net change in deposits from customers		**10,578,103**	13,492,553	26,084,144	**10,692,629**	13,368,327	25,898,668
	Net change in other liabilities		**(527,610)**	143,005	(244,822)	**(46,159)**	(124,283)	(137,583)
			11,634,753	13,105,528	25,007,791	**12,062,926**	13,291,390	25,017,056
(d)	**Non-cash items included in profit before tax**							
	Depreciation of equipment		**25,271**	22,788	15,888	**24,091**	20,504	13,536
	Amortisation of intangible assets		**23,185**	33,145	64,546	**12,810**	9,224	8,729
	Disposal of equipment		**9,488**	15,636	687	**8,820**	11,789	687
	Intangible assets written off		**720**	100,514	-	**720**	-	-
	Impairment loss on available-for-sale financial asset		**-**	-	327,647	**-**	-	-
	Fair value hedge		**-**	-	-	**-**	-	(82,316)
	Bad debts written off		**53,088**	58,045	336	**53,088**	58,045	371,634
	Net interest payable/(receivable)		**154,237**	280,377	(158,256)	**154,237**	280,377	36,074
	Residual liability		**23,000**	-	-	**23,000**	-	-
	Employee shares scheme		**-**	-	(360)	**-**	-	(360)
	Share based payments		**(11,061)**	-	-	**(11,061)**	-	-
	Impairment loss on subsidiary		**-**	-	-	**-**	-	302,554
	Impairment loss on associates		**-**	-	118,565	**-**	-	-
	Net allowance for credit impairment		**834,258**	644,557	236,980	**834,258**	644,557	500,279
			1,112,186	1,155,062	606,033	**1,099,963**	1,024,496	1,150,817

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34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank classify an asset or liability as current when:

- they expect to realise the asset/settle the liability within 12 months after the reporting period;
- they expect to settle the liability in its normal operating cycle;
- they hold the asset or liability primarily for the purpose of trading;
- they expect to realise the asset, or intend to sell or consume it, in its normal operating cycle;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period; or
- they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Bank classify all other assets and liabilities as current.

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

(a) THE GROUP

	2017			2016			2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	4,106,323	-	4,106,323	3,029,129	-	3,029,129	2,262,709	251,504	2,514,213
Due from banks	37,899,776	-	37,899,776	46,009,527	-	46,009,527	41,447,016	-	41,447,016
Derivative financial instruments	256,987	61,133	318,120	59,844	78,803	138,647	115,898	101,485	217,383
Financial investments - held-for-trading	2,851,346	954,907	3,806,253	2,783,528	2,110,213	4,893,741	2,374,492	670,982	3,045,474
Loans and advances to customers	7,513,803	19,998,942	27,512,745	10,731,774	11,226,567	21,958,341	10,647,132	11,125,603	21,772,735
Financial investments - available-for-sale	1,984,008	3,761,964	5,745,972	34,765	316,033	350,798	-	41,049	41,049
Financial investments - held-to-maturity	12,756,571	8,433,851	21,190,422	6,465,225	5,073,654	11,538,879	2,482,717	2,588,975	5,071,692
Equipment	-	189,287	189,287	-	140,101	140,101	-	103,496	103,496
Intangible assets	-	334,494	334,494	-	300,804	300,804	-	356,071	356,071
Other assets	148,173	-	148,173	130,207	-	130,207	263,743	-	263,743
Deferred tax assets	-	147,057	147,057	-	60,441	60,441	-	24,060	24,060
TOTAL ASSETS	67,516,987	33,881,635	101,398,622	69,243,999	19,306,616	88,550,615	59,593,707	15,263,225	74,856,932
LIABILITIES									
Due to banks	1,382,226	118,589	1,500,815	-	173,510	173,510	7	227,411	227,418
Derivative financial instruments	232,914	61,133	294,047	154,114	78,803	232,917	453,609	101,485	555,094
Deposits from customers	86,138,470	4,462,861	90,601,331	76,224,800	3,787,468	80,012,268	62,230,526	4,207,190	66,437,716
Debts issued	925,608	748,017	1,673,625	94,978	1,394,965	1,489,943	976,854	678,384	1,655,238
Other liabilities	937,702	305,564	1,243,266	1,115,817	655,059	1,770,876	591,538	1,036,333	1,627,871
Current tax liabilities	130,156	-	130,156	84,510	-	84,510	67,836	-	67,836
Retirement benefits obligation	-	23,000	23,000	-	-	-	-	-	-
Deferred tax liabilities	-	129	129	-	125	125	-	114	114
TOTAL LIABILITIES	89,747,076	5,719,293	95,466,369	77,674,219	6,089,930	83,764,149	64,320,370	6,250,917	70,571,287

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YEAR ENDED 30 JUNE 2017

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2017			2016			2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	4,106,323	-	4,106,323	3,029,129	-	3,029,129	2,260,965	251,504	2,512,469
Due from banks	37,879,933	-	37,879,933	46,000,675	-	46,000,675	41,434,529	-	41,434,529
Derivative financial instruments	210,283	18,250	228,533	33,644	-	33,644	68,527	-	68,527
Financial investments - held-for-trading	2,295,233	649,344	2,944,577	2,084,088	1,457,982	3,542,070	1,603,974	363,150	1,967,124
Loans and advances to customers	7,513,803	19,998,942	27,512,745	10,731,774	11,226,567	21,958,341	10,582,265	11,125,603	21,707,868
Financial investments - available-for-sale	1,964,324	3,761,964	5,726,288	-	316,033	316,033	-	-	-
Financial investments held-to-maturity	12,756,571	8,433,851	21,190,422	6,465,225	5,073,654	11,538,879	2,482,717	2,588,975	5,071,692
Investment in subsidiaries	-	189,563	189,563	-	189,563	189,563	-	189,563	189,563
Equipment	-	186,269	186,269	-	135,991	135,991	-	98,955	98,955
Intangible assets	-	155,855	155,855	-	111,841	111,841	-	48,018	48,018
Other assets	138,718	-	138,718	206,184	-	206,184	288,150	-	288,150
Deferred tax assets	-	147,057	147,057	-	60,441	60,441	-	19,607	19,607
TOTAL ASSETS	66,865,188	33,541,095	100,406,283	68,550,719	18,572,072	87,122,791	58,721,127	14,685,375	73,406,502
LIABILITIES									
Due to banks	1,382,226	118,589	1,500,815	-	173,510	173,510	-	227,411	227,411
Derivative financial instruments	186,210	18,250	204,460	127,914	-	127,914	54,775	-	54,775
Deposits from customers	86,619,703	4,462,861	91,082,564	76,485,276	3,893,700	80,378,976	62,581,371	4,347,280	66,928,651
Debts issued	538,834	572,659	1,111,493	-	1,111,032	1,111,032	-	1,094,275	1,094,275
Retirement benefits obligation	-	23,000	23,000	-	-	-	-	-	-
Other liabilities	361,347	-	361,347	407,506	-	407,506	531,787	-	531,787
Current tax liabilities	130,156	-	130,156	84,379	-	84,379	51,327	-	51,327
TOTAL LIABILITIES	89,218,476	5,195,359	94,413,835	77,105,075	5,178,242	82,283,317	63,219,260	5,668,966	68,888,226

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35. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the statement of financial position they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

	THE GROUP AND THE BANK		
	2017	2016	2015
	MUR'000	MUR'000	MUR'000
Contingent liabilities			
Financial guarantees	**729,637**	636,691	506,252
Letters of credit	**209,627**	172,676	602,223
	939,264	809,367	1,108,475
Commitments			
Undrawn commitments to lend	**706,166**	617,122	2,813,291
Total	**1,645,430**	1,426,489	3,921,766

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		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within one year	**34,002**	27,496	30,823	**34,002**	27,496	30,823
After one year but not more than five years	**77,860**	23,766	55,661	**77,860**	23,766	55,661
	111,862	51,262	86,484	**111,862**	51,262	86,484

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 2017

36. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
Compensation of key management personnel of the Group and the Bank	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Short-term employee benefits	**113,395**	115,823	123,089	**99,394**	93,345	95,647
Share-based payments	**2,246**	8,574	8,574	**2,246**	8,574	8,574
	115,641	124,397	131,663	**101,640**	101,919	104,221

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

	2017		2016		2015	
	Balances as at 30 June 2017	**Income from / (expense to)**	Balances as at 30 June 2016	Income from / (expense to)	Balances as at 30 June 2015	Income from / (expense to)
Directors of the Group:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**21,242**	**1,949**	21,241	2,453	59,109	5,807
Deposits from customers:						
- Term deposits	**11,628**	**(146)**	397	(14)	7,453	(344)
- Savings and current accounts	**62,191**	**5,339**	34,649	(371)	24,375	(686)
	73,819	**5,193**	35,046	(385)	31,828	(1,030)
Class A shares	**-**	**(623)**	-	(50)	-	-
Directors' fees	**-**	**(6,102)**	-	(5,627)	-	(2,890)
Other fees	**510**	**-**	-	-	-	(29,047)
	74,329	**(1,532)**	35,046	(6,062)	31,828	(32,967)

THE BANK

	2017		2016		2015	
	Balances as at 30 June 2017	**Income from / (expense to)**	Balances as at 30 June 2016	Income from / (expense to)	Balances as at 30 June 2015	Income from / (expense to)
Directors of the Bank:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**4,318**	**334**	6,572	808	58,079	5,807
Deposits from customers:						
- Term deposits	**11,427**	**(145)**	397	(14)	7,453	(344)
- Savings and current accounts	**24,872**	**(718)**	19,212	(186)	24,284	(681)
	36,299	**(863)**	19,609	(200)	31,737	(1,025)
Class A shares	**-**	**-**	-	(4)	-	-
Directors' fees	**-**	**(6,102)**	-	(5,627)	-	(2,890)
Other fees	**510**	**-**	-	-	-	(29,047)
	36,809	**(6,965)**	19,609	(5,831)	31,737	(32,962)

THE GROUP AND THE BANK

	2017		2016		2015	
	Balances as at 30 June 2017	**Income from / (expense to)**	Balances as at 30 June 2016	Income from / (expense to)	Balances as at 30 June 2015	Income from / (expense to)
Key management personnel of the Bank:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**20,730**	**1,051**	17,151	670	34,254	1,818
Deposits from customers:						
- Term deposits	**18,545**	**(438)**	6,810	(343)	6,481	(338)
- Savings and current accounts	**6,836**	**(413)**	26,558	(106)	19,572	(284)
	25,381	**(851)**	33,368	(449)	26,053	(622)
Class A shares	**11,532**	**(7,375)**	14,218	(1,038)	-	(395)
	36,913	**(8,226)**	47,586	(1,487)	26,053	(1,017)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

36. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with other related parties

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with entities with significant influence over the Group and the Bank. The following table shows the outstanding balance and the corresponding transaction during the year.

(a) THE GROUP

	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2017						
Entities with significant influence over the Group	**1,573**	**63,048**	**59,573**	**57,589**	**837,689**	**913,709**
2016						
Entities with significant influence over the Group	3,611	59,508	34,354	25,469	572,463	846,822
2015						
Entities with significant influence over the Group	1,580	55,592	30,292	24,667	692,903	461,394
Associates	394	-	-	-	173	-
	1,974	55,592	30,292	24,667	693,076	461,394

(b) THE BANK

	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2017						
Entities with significant influence over the Bank	**1,509**	**56,946**	**58,465**	**52,969**	**820,765**	**876,190**
Subsidiary companies	**2,782**	**-**	**6,080**	**38,956**	**98,131**	**1,131,108**
	4,291	**56,946**	**64,545**	**91,925**	**918,896**	**2,007,298**
2016						
Entities with significant influence over the Bank	3,609	51,090	33,413	25,464	551,461	842,367
Subsidiary companies	2,765	361	275	28,984	123,793	743,399
	6,374	51,451	33,688	54,448	675,254	1,585,766
2015						
Entities with significant influence over the Bank	1,580	55,592	30,292	24,667	692,903	461,394
Subsidiary companies	2,369	6,783	20,729	33,131	14,249	851,911
Associates	394	-	-	-	173	-
	4,343	62,375	51,021	57,798	707,325	1,313,305

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose in the ordinary course of business. For the year ended 30 June 2017, the Group and the Bank have not made any provision for doubtful debts relating to amounts owed by related parties (2016: MUR Nil). At 30 June 2017, none of the facilities to related parties was non-performing (2016: MUR Nil). In addition, for the year ended 30 June 2017 the Bank has not written off any amount owed by related party (2016: MUR 58m).

The total on and off balance sheet exposure to the related parties amounted to MUR 2.4bn (2016: MUR 2.3bn) representing 8% (2016: 10%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to MUR 784.2m (2016: MUR 876.8m) representing 14% (2016: 18%) of the Tier 1 capital and all the related party transactions were within the regulatory limit as recommended in the Bank of Mauritius Guideline on Related Party Transactions issued in January 2009.

The Bank had no letter of guarantee on behalf of related parties as at 30 June 2017 (2016: MUR nil , 2015: MUR 64.6m).

The Bank acts as custodian for AfrAsia Capital Management Ltd. The latter has deposits in Kingdom Bank Limited amounting to USD 1.2m (2016: USD 1.2m and 2015: USD 1.2m).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT

Introduction

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

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

Risk Management/Counduct Review Committee

The Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Committee is responsible for managing risk decisions and monitoring risk levels.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

(a) Risk measurement and reporting systems

The Group's and the Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group and the Bank also run worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Risk measurement and reporting systems (Continued)

Information compiled from all the business is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the Head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

Risk mitigation

As part of its overall risk management, the Group and the Bank use derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Group and the Bank actively use collaterals to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's and the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(b) Credit risk

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

The Group and the Bank have established a credit quality review process to provide early identification of possible changes in the credit worthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group and the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

The Group and the Bank make available to its customers guarantees which may require that the Group and the Bank make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group and the Bank to similar risks to loans and are mitigated by the same control process and policies.

Country risk

Credit risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

In accordance with the Bank of Mauritius guideline on country risk management, the Bank has made no provision in respect of country risk for the year 30 June 2017 (2016 : MUR 21.8m and 2015 : MUR 8.1m). This is included in Tier 2 capital as part of 'general banking reserves and portfolio provisions'.

NOTES TO THE FINANCIAL STATEMENTS

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's and the Bank's concentrations of risk are managed by client/counterparty (excluding government), by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2017 was MUR 4.8bn (2016: MUR 3.3bn and 2015: MUR 3.1bn) 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		
	2017	2016	2015	**2017**	2016	2015
Financial assets	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and balances with the Central Bank	**4,106,323**	3,029,129	2,514,213	**4,106,323**	3,029,129	2,512,469
Due from banks						
Placement with other banks	**22,165,463**	16,164,181	13,973,010	**22,165,463**	16,164,181	13,973,010
Current accounts	**15,732,864**	29,843,852	27,471,232	**15,713,021**	29,835,000	27,458,745
Other amounts due	**1,449**	1,494	2,774	**1,449**	1,494	2,774
	37,899,776	46,009,527	41,447,016	**37,879,933**	46,000,675	41,434,529
Derivative financial instruments	**318,120**	138,647	217,383	**228,533**	33,644	68,527
Financial investments - held-for-trading (excluding equity investment)	**3,250,140**	3,542,070	1,967,124	**2,944,577**	3,542,070	1,967,124
Loans and advances to customers						
Retail and personal	**1,164,728**	1,206,113	1,723,244	**1,164,728**	1,206,113	1,723,244
Business	**9,689,441**	9,835,012	8,817,332	**9,689,441**	9,835,012	8,831,053
Entities outside Mauritius	**18,268,535**	11,751,946	11,494,181	**18,268,535**	11,751,946	11,415,593
Credit cards	**129,593**	137,772	123,968	**129,593**	137,772	123,968
	29,252,297	22,930,843	22,158,725	**29,252,297**	22,930,843	22,093,858
Financial investments - available-for-sale (excluding equity investment)	**5,726,288**	316,033	-	**5,726,288**	316,033	-
Financial investments - held-to-maturity	**21,190,422**	11,538,879	5,071,692	**21,190,422**	11,538,879	5,071,692
Other assets (excluding prepayments, accrued income and stock)	**84,185**	91,423	182,385	**83,786**	64,727	209,411
	101,827,551	87,596,551	73,558,538	**101,412,159**	87,456,000	73,357,610

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		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mauritius	**32,015,127**	27,908,976	21,868,223	**32,003,181**	27,777,017	21,913,743
France	**3,506,142**	5,538,384	1,361,557	**3,506,142**	5,538,384	1,361,557
United Kingdom	**6,030,296**	8,563,341	4,632,364	**6,018,277**	8,563,341	4,632,364
United States of America	**16,278,825**	13,349,040	15,576,502	**15,957,532**	13,349,040	15,576,502
India	**8,515,406**	4,506,469	4,960,384	**8,515,406**	4,506,469	4,960,384
Other	**35,481,755**	27,730,341	25,159,508	**35,411,621**	27,721,749	24,913,060
	101,827,551	87,596,551	73,558,538	**101,412,159**	87,456,000	73,357,610

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

An industry sector analysis of the Group's and the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Agriculture	**2,122,926**	1,416,959	1,782,761	**2,122,926**	1,416,959	1,782,761
Construction, infrastructure and real estate	**3,170,516**	2,915,291	2,288,266	**3,170,516**	2,915,291	2,288,266
Financial and business services	**70,465,912**	65,581,239	51,457,246	**70,050,918**	65,553,421	51,294,695
Government	**7,646,560**	2,479,580	355,794	**7,646,560**	2,479,580	355,794
Information, communication and technology	**87,348**	135,312	225,665	**87,348**	135,312	225,665
Manufacturing	**3,000,171**	1,916,741	2,636,025	**3,000,171**	1,916,741	2,636,025
Personal	**1,734,269**	1,779,351	1,847,212	**1,734,269**	1,779,351	1,847,212
Tourism	**2,196,167**	3,012,701	2,807,936	**2,196,167**	3,012,701	2,807,936
Traders	**1,682,717**	2,149,004	1,803,567	**1,682,717**	2,149,004	1,803,567
Others	**9,720,965**	6,210,373	8,354,066	**9,720,567**	6,097,640	8,315,689
	101,827,551	87,596,551	73,558,538	**101,412,159**	87,456,000	73,357,610

Collateral and other credit enhancements

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

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

The fair value of collateral and other credit enhancements received on loans and advances as at 30 June 2017 is MUR 28bn (2016: MUR 28bn and 2015: MUR 23.5bn). All other financial assets are unsecured.

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Group's credit rating system which is as follows:

- High grade (1-3) : High grade are all performing loans secured by adequate collateral.

- Standard grade (4-5) : Standard grade loans are those which are monitored by management.

- Past due not impaired : These are default loans but adequately secured.

The amounts presented are gross of impairment allowances.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets (Continued)

THE GROUP

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2017	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	4,106,323	-	-	-	4,106,323
Due from banks	37,899,776	-	-	-	37,899,776
Derivative financial instruments	318,120	-	-	-	318,120
Financial investments - held-for-trading (excluding equity investment)	3,250,140	-	-	-	3,250,140
Loans and advances to customers	25,625,742	176,455	478,196	2,971,904	29,252,297
- Corporate lending	23,523,126	60,560	298,668	2,334,204	26,216,558
- Business banking	990,712	60,635	89,239	243,376	1,383,962
- Private/personal	1,111,904	55,260	90,289	394,324	1,651,777
Financial investments - available-for-sale (excluding equity investment)	5,726,288	-	-	-	5,726,288
Financial investments - held-to-maturity	21,190,422	-	-	-	21,190,422
Other assets (excluding prepayments, accrued income and stock)	84,185	-	-	-	84,185
	98,200,996	176,455	478,196	2,971,904	101,827,551

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2016	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,029,129	-	-	-	3,029,129
Due from banks	46,009,527	-	-	-	46,009,527
Derivative financial instruments	138,647	-	-	-	138,647
Financial investments - held-for-trading (excluding equity investment)	3,542,070	-	-	-	3,542,070
Loans and advances to customers	19,382,404	304,254	780,628	2,463,557	22,930,843
- Corporate lending	12,722,154	67,177	379,554	1,812,344	14,981,229
- Business banking	5,433,424	29,991	304,270	398,987	6,166,672
- Private/personal	1,226,826	207,086	96,804	252,226	1,782,942
Financial investments - available-for-sale (excluding equity investment)	316,033	-	-	-	316,033
Financial investments - held-to-maturity	11,538,879	-	-	-	11,538,879
Other assets (excluding prepayments, accrued income and stock)	91,423	-	-	-	91,423
	84,048,112	304,254	780,628	2,463,557	87,596,551

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2015	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	2,514,213	-	-	-	2,514,213
Due from banks	41,447,016	-	-	-	41,447,016
Derivative financial instruments	217,383	-	-	-	217,383
Financial investments - held-for-trading	1,967,124	-	-	-	1,967,124
Loans and advances to customers	19,566,857	593,212	850,522	1,148,134	22,158,725
- Corporate lending	12,426,788	329,462	519,209	925,619	14,201,078
- Business banking	5,540,658	214,647	220,341	129,540	6,105,186
- Private/personal	1,599,411	49,103	110,972	92,975	1,852,461
Financial investments - held-to-maturity	5,071,692	-	-	-	5,071,692
Other assets (excluding prepayments, accrued income and stock)	182,385	-	-	-	182,385
	70,966,670	593,212	850,522	1,148,134	73,558,538

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL 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 2017	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Cash and balances with the Central Bank	4,106,323	-	-	-	4,106,323
Due from banks	37,879,933	-	-	-	37,879,933
Derivative financial instruments	228,533	-	-	-	228,533
Financial investments - held-for-trading	2,944,577	-	-	-	2,944,577
Loans and advances to customers	25,625,742	176,455	478,196	2,971,904	29,252,297
- Corporate lending	23,523,126	60,560	298,668	2,334,204	26,216,558
- Business banking	990,712	60,635	89,239	243,376	1,383,962
- Private/personal	1,111,904	55,260	90,289	394,324	1,651,777
Financial investments - available for sale	5,726,288	-	-	-	5,726,288
Financial investments - held-to-maturity	21,190,422	-	-	-	21,190,422
Other assets (excluding prepayments, accrued income and stock)	83,786	-	-	-	83,786
	97,785,604	176,455	478,196	2,971,904	101,412,159

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2016	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,029,129	-	-	-	3,029,129
Due from banks	46,000,675	-	-	-	46,000,675
Derivative financial instruments	33,644	-	-	-	33,644
Financial investments - held-for-trading	3,542,070	-	-	-	3,542,070
Loans and advances to customers	19,382,404	304,254	780,628	2,463,557	22,930,843
- Corporate lending	12,722,154	67,177	379,554	1,812,344	14,981,229
- Business banking	5,433,424	29,991	304,270	398,987	6,166,672
- Private/personal	1,226,826	207,086	96,804	252,226	1,782,942
Financial investments - available for sale	316,033	-	-	-	316,033
Financial investments - held-to-maturity	11,538,879	-	-	-	11,538,879
Other assets (excluding prepayments, accrued income and stock)	64,727	-	-	-	64,727
	83,907,561	304,254	780,628	2,463,557	87,456,000

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2015	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	2,512,469	-	-	-	2,512,469
Due from banks	41,434,529	-	-	-	41,434,529
Derivative financial instruments	68,527	-	-	-	68,527
Financial investments - held-for-trading	1,967,124	-	-	-	1,967,124
Loans and advances to customers	19,501,990	593,212	850,522	1,148,134	22,093,858
- Corporate lending	12,361,921	329,462	519,209	925,619	14,136,211
- Business banking	5,540,658	214,647	220,341	129,540	6,105,186
- Private/personal	1,599,411	49,103	110,972	92,975	1,852,461
Financial investments - held-to-maturity	5,071,692	-	-	-	5,071,692
Other assets (excluding prepayments, accrued income and stock)	209,411	-	-	-	209,411
	70,765,742	593,212	850,522	1,148,134	73,357,610

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 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

THE GROUP AND THE BANK

	Amount in arrears				
	More than 91 days	61 to 90 days	31 to 60 days	Less than 30 days	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2017					
Loans and advances to customers					
- Corporate lending	202,398	82	88,249	7,939	298,668
- Business banking	72,283	-	3,980	12,976	89,239
- Private/personal	78,115	5,713	736	5,725	90,289
	352,796	5,795	92,965	26,640	478,196
30 June 2016					
Loans and advances to customers					
- Corporate lending	346,391	26,361	896	5,907	379,555
- Business banking	252,248	5,502	1,576	44,943	304,269
- Private/personal	40,801	4,583	27,176	24,244	96,804
	639,440	36,446	29,648	75,094	780,628
30 June 2015					
Loans and advances to customers					
- Corporate lending	320,512	19,886	17,007	161,805	519,210
- Business banking	141,322	56,319	5,133	17,566	220,340
- Private/personal	70,499	4,050	8,142	28,281	110,972
	532,333	80,255	30,282	207,652	850,522

See Note 16 for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

The fair value of the collaterals that the Group and the Bank hold relating to loans that were past due but not impaired and loans individually determined to be impaired at 30 June 2017 amounts to MUR 3.7bn (2016: MUR 4.7bn and 2015: MUR 6.2bn) and MUR 3.7bn (2016: MUR 2.3bn and 2015: MUR 865.2m) respectively .

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2016: Nil and 2015: 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 to be appropriate for each facility assessed 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 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

Commitments and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	2017	2016	2015
	MUR'000	MUR'000	MUR'000
Financial guarantees	729,637	636,691	506,252
Letters of credit	209,627	172,676	602,223
Other undrawn commitments to lend	706,166	617,122	2,813,291
	1,645,430	1,426,489	3,921,766

(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 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2017								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,012,543	253,412	-	840,368	4,106,323	-	-	-	4,106,323
Due from banks	15,734,313	18,253,610	3,187,620	724,233	37,899,776	-	-	-	37,899,776
Derivative financial instruments	-	106,318	95,962	54,707	256,987	61,133	-	61,133	318,120
Financial investments - held-for-trading	556,113	1,009,509	357,811	927,913	2,851,346	954,907	-	954,907	3,806,253
Loans and advances to customers	2,144,691	1,670,560	430,766	3,267,786	7,513,803	14,115,744	5,883,198	19,998,942	27,512,745
Financial investments - available-for-sale	-	1,375,364	243,439	365,205	1,984,008	3,761,964	-	3,761,964	5,745,972
Financial investments - held-to-maturity	-	4,660,849	2,225,484	5,870,238	12,756,571	8,126,384	307,467	8,433,851	21,190,422
Other assets (excluding prepayments, accrued income and stock)	-	-	-	84,185	84,185	-	-	-	84,185
Total	21,447,660	27,329,622	6,541,082	12,134,635	67,452,999	27,020,132	6,190,665	33,210,797	100,663,796
Liabilities									
Due to banks	6,251	1,375,975	-	-	1,382,226	118,589	-	118,589	1,500,815
Derivative financial instruments	-	83,742	94,519	54,653	232,914	61,133	-	61,133	294,047
Deposits from customers:									
-Current account	65,320,501	-	-	-	65,320,501	-	-	-	65,320,501
-Savings account	4,659,177	-	-	-	4,659,177	-	-	-	4,659,177
-Term deposits	-	8,124,916	2,150,069	5,883,807	16,158,792	4,340,210	122,651	4,462,861	20,621,653
	69,979,678	8,124,916	2,150,069	5,883,807	86,138,470	4,340,210	122,651	4,462,861	90,601,331
Debts issued	-	320,960	423,565	181,083	925,608	748,017	-	748,017	1,673,625
Other liabilities	556,113	-	-	381,589	937,702	305,564	-	305,564	1,243,266
Total	70,542,042	9,905,593	2,668,153	6,501,132	89,616,920	5,573,513	122,651	5,696,164	95,313,084
Net liquidity gap	(49,094,382)	17,424,029	3,872,929	5,633,503	(22,163,921)	21,446,619	6,068,014	27,514,633	5,350,712

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2015								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	986,880	1,284,721	-	757,528	3,029,129	-	-	-	3,029,129
Due from banks	29,845,345	9,528,753	3,204,033	3,431,396	46,009,527	-	-	-	46,009,527
Derivative financial instruments	-	25,462	6,047	28,335	59,844	78,803	-	78,803	138,647
Financial investments - held-for-trading	-	745,573	548,668	1,489,287	2,783,528	2,110,213	-	2,110,213	4,893,741
Loans and advances to customers	1,917,450	5,013,841	1,581,675	2,218,808	10,731,774	7,411,679	3,814,888	11,226,567	21,958,341
Financial investments - available-for-sale	-	-	-	34,765	34,765	316,033	-	316,033	350,798
Financial investments - held-to-maturity	-	3,243,773	272,032	2,949,420	6,465,225	4,518,014	555,640	5,073,654	11,538,879
Other assets (excluding prepayments, accrued income and stock)	-	-	-	91,423	91,423	-	-	-	91,423
Total	32,749,675	19,842,123	5,612,455	11,000,962	69,205,215	14,434,742	4,370,528	18,805,270	88,010,485
Liabilities									
Due to banks	-	-	-	-	-	173,510	-	173,510	173,510
Derivative financial instruments	-	84,565	38,791	30,758	154,114	78,803	-	78,803	232,917
Deposits from customers:									
-Current account	50,720,475	-	-	-	50,720,475	-	-	-	50,720,475
-Savings account	4,356,908	-	-	-	4,356,908	-	-	-	4,356,908
-Term deposits	-	12,439,155	2,899,695	5,808,567	21,147,417	3,454,281	333,187	3,787,468	24,934,885
	55,077,383	12,439,155	2,899,695	5,808,567	76,224,800	3,454,281	333,187	3,787,468	80,012,268
Debts issued	-	-	3,893	91,085	94,978	1,394,965	-	1,394,965	1,489,943
Other liabilities	-	-	101,628	1,014,189	1,115,817	655,059	-	655,059	1,770,876
Total	55,077,383	12,523,720	3,044,007	6,944,599	77,589,709	5,756,618	333,187	6,089,805	83,679,514
Net liquidity gap	(22,327,708)	7,318,403	2,568,448	4,056,363	(8,384,494)	8,678,124	4,037,341	12,715,465	4,330,971

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2015								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	780,791	463,942	182,602	835,374	2,262,709	251,504	-	251,504	2,514,213
Due from banks	27,495,961	9,087,782	4,743,377	119,896	41,447,016	-	-	-	41,447,016
Derivative financial instruments	-	30,999	19,692	65,207	115,898	101,485	-	101,485	217,383
Financial investments - held-for-trading	-	299,704	593,155	1,481,633	2,374,492	665,053	5,929	670,982	3,045,474
Loans and advances to customers	1,728,657	4,344,535	1,962,273	2,611,667	10,647,132	9,375,625	1,749,978	11,125,603	21,772,735
Financial investments - available-for-sale	-	-	-	-	-	41,049	-	41,049	41,049
Financial investments - held-to-maturity	-	623,245	942,728	916,744	2,482,717	2,033,863	555,112	2,588,975	5,071,692
Other assets (excluding prepayments, accrued income and stock)	-	-	-	182,385	182,385	-	-	-	182,385
Total	30,005,409	14,850,207	8,443,827	6,212,906	59,512,349	12,468,579	2,311,019	14,779,598	74,291,947
Liabilities									
Due to banks	7	-	-	-	7	196,568	30,843	227,411	227,418
Derivative financial instruments	351,463	30,519	5,877	65,750	453,609	101,485	-	101,485	555,094
Deposits from customers:									
-Current account	35,868,516	-	-	-	35,868,516	-	-	-	35,868,516
-Savings account	3,689,848	-	-	-	3,689,848	-	-	-	3,689,848
-Term deposits	-	14,322,997	2,949,289	5,399,876	22,672,162	3,823,104	384,086	4,207,190	26,879,352
	39,558,364	14,322,997	2,949,289	5,399,876	62,230,526	3,823,104	384,086	4,207,190	66,437,716
					-				-
Debts issued	-	-	-	976,854	976,854	678,384	-	678,384	1,655,238
Other liabilities	-	-	-	591,538	591,538	1,036,333	-	1,036,333	1,627,871
Total	39,909,834	14,353,516	2,955,166	7,034,018	64,252,534	5,835,874	414,929	6,250,803	70,503,337
Net liquidity gap	(9,904,425)	496,691	5,488,661	(821,112)	(4,740,185)	6,632,705	1,896,090	8,528,795	3,788,610

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 2017								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,012,543	253,412	-	840,368	4,106,323	-	-	-	4,106,323
Due from banks	15,714,470	18,253,610	3,187,620	724,233	37,879,933	-	-	-	37,879,933
Derivative financial instruments	-	103,198	95,962	11,123	210,283	18,250	-	18,250	228,533
Financial investments - held-for-trading	-	1,009,509	357,811	927,913	2,295,233	649,344	-	649,344	2,944,577
Loans and advances to customers	2,144,691	1,670,560	430,766	3,267,786	7,513,803	14,115,744	5,883,198	19,998,942	27,512,745
Financial investments - available for sale	-	1,374,246	243,439	346,639	1,964,324	3,761,964	-	3,761,964	5,726,288
Financial investments - held-to-maturity	-	4,660,849	2,225,484	5,870,238	12,756,571	8,126,384	307,467	8,433,851	21,190,422
Other assets (excluding prepayments, accrued income and stock)	-	-	-	83,786	83,786	-	-	-	83,786
Total	20,871,704	27,325,384	6,541,082	12,072,086	66,810,256	26,671,686	6,190,665	32,862,351	99,672,607
Liabilities									
Due to banks	6,251	1,375,975	-	-	1,382,226	118,589	-	118,589	1,500,815
Derivative financial instruments	-	80,621	94,519	11,070	186,210	18,250	-	18,250	204,460
Deposits from customers:									
-Current account	65,692,889	-	-	-	65,692,889	-	-	-	65,692,889
-Savings account	4,659,177	-	-	-	4,659,177	-	-	-	4,659,177
-Term deposits		8,167,948	2,150,069	5,949,620	16,267,637	4,340,210	122,651	4,462,861	20,730,498
					-				-
	70,352,066	8,167,948	2,150,069	5,949,620	86,619,703	4,340,210	122,651	4,462,861	91,082,564
Debts issued	-	-	423,565	115,269	538,834	572,659	-	572,659	1,111,493
Other liabilities	-	-	-	361,347	361,347	-	-	-	361,347
Total	70,358,317	9,624,544	2,668,153	6,437,306	89,088,320	5,049,708	122,651	5,172,359	94,260,679
Net liquidity gap	(49,486,613)	17,700,840	3,872,929	5,634,780	(22,278,064)	21,621,978	6,068,014	27,689,992	5,411,928

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 2016								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	986,880	1,284,721	-	757,528	3,029,129	-	-	-	3,029,129
Due from banks	29,836,493	9,528,753	3,204,033	3,431,396	46,000,675	-	-	-	46,000,675
Derivative financial instruments	-	25,462	6,047	2,135	33,644	-	-	-	33,644
Financial investments - held-for-trading	-	742,060	447,039	894,989	2,084,088	1,457,982	-	1,457,982	3,542,070
Loans and advances to customers	1,917,450	5,013,841	1,581,675	2,218,808	10,731,774	7,411,679	3,814,888	11,226,567	21,958,341
Financial investments - available for sale	-	-	-	-	-	316,033	-	316,033	316,033
Financial investments - held-to-maturity	-	3,243,773	272,032	2,949,420	6,465,225	4,518,014	555,640	5,073,654	11,538,879
Other assets (excluding prepayments, accrued income and stock)	-	-	-	64,727	64,727	-	-	-	64,727
Total	32,740,823	19,838,610	5,510,826	10,319,003	68,409,262	13,703,708	4,370,528	18,074,236	86,483,498
Liabilities									
Due to banks	-	-	-	-	-	173,510	-	173,510	173,510
Derivative financial instruments	-	84,565	38,791	4,558	127,914	-	-	-	127,914
Deposits from customers:									
-Current account	50,980,951	-	-	-	50,980,951	-	-	-	50,980,951
-Savings account	4,356,908	-	-	-	4,356,908	-	-	-	4,356,908
-Term deposits	-	12,439,155	2,899,695	5,808,567	21,147,417	3,560,513	333,187	3,893,700	25,041,117
					-			-	-
	55,337,859	12,439,155	2,899,695	5,808,567	76,485,276	3,560,513	333,187	3,893,700	80,378,976
Debts issued	-	-	-	-	-	1,111,032	-	1,111,032	1,111,032
Other liabilities	-	-	-	407,506	407,506	-	-	-	407,506
Total	55,337,859	12,523,720	2,938,486	6,220,631	77,020,696	4,845,055	333,187	5,178,242	82,198,938
Net liquidity gap	(22,597,036)	7,314,890	2,572,340	4,098,372	(8,611,434)	8,858,653	4,037,341	12,895,994	4,284,560

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 2015								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	779,047	463,942	182,602	835,374	2,260,965	251,504	-	251,504	2,512,469
Due from banks	27,483,474	9,087,782	4,743,377	119,896	41,434,529	-	-	-	41,434,529
Derivative financial instruments	-	30,999	19,692	17,836	68,527	-	-	-	68,527
Financial investments - held-for-trading	-	299,703	593,155	711,116	1,603,974	363,150	-	363,150	1,967,124
Loans and advances to customers	1,663,790	4,344,535	1,962,273	2,611,667	10,582,265	9,375,625	1,749,978	11,125,603	21,707,868
Financial investments - held-to-maturity	-	623,245	942,728	916,744	2,482,717	2,033,863	555,112	2,588,975	5,071,692
Other assets (excluding prepayments, accrued income and stock)	-	-	-	209,411	209,411	-	-	-	209,411
Total	29,926,311	14,850,206	8,443,827	5,422,044	58,642,388	12,024,142	2,305,090	14,329,232	72,971,620
Liabilities									
Due to banks	-	-	-	-	-	196,568	30,843	227,411	227,411
Derivative financial instruments	-	30,518	5,877	18,380	54,775	-	-	-	54,775
Deposits from customers:									
-Current account	36,032,270	-	-	-	36,032,270	-	-	-	36,032,270
-Savings account	3,689,848	-	-	-	3,689,848	-	-	-	3,689,848
-Term deposits	-	14,364,281	3,028,122	5,466,850	22,859,253	3,963,194	384,086	4,347,280	27,206,533
	39,722,118	14,364,281	3,028,122	5,466,850	62,581,371	3,963,194	384,086	4,347,280	66,928,651
Debts issued	-	-	-	-	-	1,094,275	-	1,094,275	1,094,275
Other liabilities	-	-	-	531,787	531,787	-	-	-	531,787
Total	39,722,118	14,394,799	3,033,999	6,017,017	63,167,933	5,254,037	414,929	5,668,966	68,836,899
Net liquidity gap	(9,795,807)	455,407	5,409,828	(594,973)	(4,525,545)	6,770,105	1,890,161	8,660,266	4,134,721

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

THE GROUP AND THE BANK

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
30 June 2017	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Contingent liabilities	**450,982**	**373,783**	**114,499**	**-**	**939,264**
Commitments	**-**	**662,020**	**17,836**	**26,310**	**706,166**
Total	**450,982**	**1,035,803**	**132,335**	**26,310**	**1,645,430**
30 June 2016					
Contingent liabilities	418,521	375,177	15,669	-	809,367
Commitments	-	236,509	92,571	288,042	617,122
Total	418,521	611,686	108,240	288,042	1,426,489
30 June 2015					
Contingent liabilities	865,648	116,258	126,569	-	1,108,475
Commitments	929,038	838,887	1,045,366	-	2,813,291
Total	1,794,686	955,145	1,171,935	-	3,921,766

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, (all other variables held constant) of the Group's and the Bank's statement of profit or loss.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the financial assets and financial liabilities held at 30 June.

THE GROUP

		2017	2016	2015
Currency	**Change in Basis points**	**Sensitivity of profit or loss**	Sensitivity of profit or loss	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+50	**(545)**	851	137
	- 50	**545**	(851)	(137)
EUR	+50	**(2,665)**	52,696	1,341
	- 50	**2,665**	(52,696)	(1,341)
GBP	+50	**5,012**	15,606	(3,890)
	- 50	**(5,012)**	(15,606)	3,890
MUR	+50	**70,917**	5,744	16,002
	- 50	**(70,917)**	(5,744)	(16,002)
USD	+50	**120,726**	111,541	(18,425)
	- 50	**(120,726)**	(111,541)	18,425

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

Currency	Change in Basis points	2017 Sensitivity of profit or loss MUR'000	2016 Sensitivity of profit or loss MUR'000	2015 Sensitivity of profit or loss MUR'000
AUD	+50	**(545)**	851	137
	- 50	**545**	(851)	(137)
EUR	+50	**(2,675)**	52,696	1,333
	- 50	**2,675**	(52,696)	(1,333)
GBP	+50	**5,012**	15,606	(3,890)
	- 50	**(5,012)**	(15,606)	3,890
MUR	+50	**70,903**	5,742	15,996
	- 50	**(70,903)**	(5,742)	(15,996)
USD	+50	**119,816**	112,432	(17,538)
	- 50	**(119,816)**	(112,432)	17,538

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

The table below analyses the Group's and the Bank's interest rate risk exposure on non–trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

THE GROUP

	2017							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	4,106,323	-	253,412	-	840,368	-	-	3,012,543
Due from banks	37,899,776	15,734,313	18,253,610	3,187,620	724,233	-	-	-
Loans and advances to customers	27,512,745	2,144,691	1,670,560	430,766	3,267,786	14,115,744	5,883,198	-
Financial investments held-to-maturity	21,190,422	-	4,660,849	2,225,484	5,870,238	8,126,384	307,467	-
Total assets	90,709,266	17,879,004	24,838,431	5,843,870	10,702,625	22,242,128	6,190,665	3,012,543
Liabilities								
Due to banks	1,500,815	6,251	1,375,975	-	-	118,589	-	-
Deposits from customers	90,601,331	69,979,678	8,124,916	2,150,069	5,883,807	4,340,210	122,651	-
Debts issued	1,673,625	-	320,960	423,565	181,083	748,017	-	-
Total liabilities	93,775,771	69,985,929	9,821,851	2,573,634	6,064,890	5,206,816	122,651	-
Total interest sensitivity gap	(3,066,505)	(52,106,925)	15,016,580	3,270,236	4,637,735	17,035,312	6,068,014	3,012,543

THE GROUP

	2016							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,029,129	-	51,128	-	757,528	-	-	2,220,473
Due from banks	46,009,527	29,845,345	9,528,753	3,204,033	3,431,396	-	-	-
Loans and advances to customers	21,958,341	1,917,450	5,013,841	1,581,675	2,218,808	7,411,679	3,814,888	-
Financial investments held-to-maturity	11,538,879	-	3,243,773	272,032	2,949,420	4,518,014	555,640	-
Total assets	82,535,876	31,762,795	17,837,495	5,057,740	9,357,152	11,929,693	4,370,528	2,220,473
Liabilities								
Due to banks	173,510	-	-	-	-	173,510	-	-
Deposits from customers	80,012,268	55,077,383	12,439,155	2,899,695	5,808,567	3,454,281	333,187	-
Debts issued	1,489,943	-	-	3,893	91,085	1,394,965	-	-
Total liabilities	81,675,721	55,077,383	12,439,155	2,903,588	5,899,652	5,022,756	333,187	-
Total interest sensitivity gap	860,155	(23,314,588)	5,398,340	2,154,152	3,457,500	6,906,937	4,037,341	2,220,473

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE GROUP

	2015							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	2,514,213	-	-	-	-	-	-	2,514,213
Due from banks	41,447,016	27,495,961	9,087,782	4,743,377	119,896	-	-	-
Loans and advances to customers	21,772,735	1,166,595	14,698,369	1,106,768	-	4,801,003	-	-
Financial investments held-to-maturity	5,071,692	-	623,245	942,728	916,744	2,045,053	543,922	-
Total assets	70,805,656	28,662,556	24,409,396	6,792,873	1,036,640	6,846,056	543,922	2,514,213
Liabilities								
Due to banks	227,418	-	-	-	-	196,568	30,850	-
Deposits from customers	66,437,716	39,558,365	16,889,454	2,822,318	4,875,002	2,025,666	266,911	-
Debts issued	1,655,238	-	-	-	-	1,655,238	-	-
Total liabilities	68,320,372	39,558,365	16,889,454	2,822,318	4,875,002	3,877,472	297,761	-
Total interest sensitivity gap	2,485,284	(10,895,809)	7,519,942	3,970,555	(3,838,362)	2,968,584	246,161	2,514,213

THE BANK

	2017							
	Carrying amount	**On demand**	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non interest bearing**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Assets								
Cash and balances with the Central Bank	**4,106,323**	**-**	**253,412**	**-**	**840,368**	**-**	**-**	**3,012,543**
Due from banks	**37,879,933**	**15,714,470**	**18,253,610**	**3,187,620**	**724,233**	**-**	**-**	**-**
Loans and advances to customers	**27,512,745**	**2,144,691**	**1,670,560**	**430,766**	**3,267,786**	**14,115,744**	**5,883,198**	**-**
Financial investments held-to-maturity	**21,190,422**	**-**	**4,660,849**	**2,225,484**	**5,870,238**	**8,126,384**	**307,467**	**-**
Total assets	**90,689,423**	**17,859,161**	**24,838,431**	**5,843,870**	**10,702,625**	**22,242,128**	**6,190,665**	**3,012,543**
Liabilities								
Due to banks	**1,500,815**	**6,251**	**1,375,975**	**-**	**-**	**118,589**	**-**	**-**
Deposits from customers	**91,082,564**	**70,352,066**	**8,167,948**	**2,150,069**	**5,949,620**	**4,340,210**	**122,651**	**-**
Debts issued	**1,111,493**	**-**	**-**	**423,565**	**115,269**	**572,659**	**-**	**-**
Total liabilities	**93,694,872**	**70,358,317**	**9,543,923**	**2,573,634**	**6,064,889**	**5,031,458**	**122,651**	**-**
Total interest sensitivity gap	**(3,005,449)**	**(52,499,156)**	**15,294,508**	**3,270,236**	**4,637,736**	**17,210,670**	**6,068,014**	**3,012,543**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

	2016							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with the Central Bank	3,029,129	-	51,128	-	757,528	-	-	2,220,473
Due from banks	46,000,675	29,836,493	9,528,753	3,204,033	3,431,396	-	-	-
Loans and advances to customers	21,958,341	1,917,450	5,013,841	1,581,675	2,218,808	7,411,679	3,814,888	-
Financial investments held-to-maturity	11,538,879	-	3,243,773	272,032	2,949,420	4,518,014	555,640	-
Total assets	82,527,024	31,753,943	17,837,495	5,057,740	9,357,152	11,929,693	4,370,528	2,220,473
Liabilities								
Due to banks	173,510	-	-	-	-	173,510	-	-
Deposits from customers	80,378,976	55,337,859	12,439,155	2,899,695	5,808,567	3,560,513	333,187	-
Debts issued	1,111,032	-	-	-	-	1,111,032	-	-
Total liabilities	81,663,518	55,337,859	12,439,155	2,899,695	5,808,567	4,845,055	333,187	-
Total interest sensitivity gap	863,506	(23,583,916)	5,398,340	2,158,045	3,548,585	7,084,638	4,037,341	2,220,473

THE BANK

	2015							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with the Central Bank	2,512,469	-	-	-	-	-	-	2,512,469
Due from banks	41,434,529	27,483,474	9,087,782	4,743,377	119,896	-	-	-
Loans and advances to customers	21,707,868	1,088,007	14,712,090	1,106,768	-	4,801,003	-	-
Financial investments held-to-maturity	5,071,692	-	623,245	942,728	916,744	2,045,053	543,922	-
Total assets	70,726,558	28,571,481	24,423,117	6,792,873	1,036,640	6,846,056	543,922	2,512,469
Liabilities								
Due to banks	227,411	-	-	-	-	196,568	30,843	-
Deposits from customers	66,928,651	39,722,118	16,930,738	2,901,151	4,941,976	2,165,757	266,911	-
Debts issued	1,094,275	-	-	-	-	1,094,275	-	-
Total liabilities	68,250,337	39,722,118	16,930,738	2,901,151	4,941,976	3,456,600	297,754	-
Total interest sensitivity gap	2,476,221	(11,150,637)	7,492,379	3,891,722	(3,905,336)	3,389,456	246,168	2,512,469

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MUR, with all other variables held constant on the statement of profit or loss (due to the fair value of currency sensitive non trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the MUR would have resulted in an equivalent but opposite impact.

THE GROUP

		2017		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	60,716	(60,483)	233
	-5%	(60,716)	60,483	(233)
EUR	+5%	710,931	(713,392)	(2,461)
	-5%	(710,931)	713,392	2,461
GBP	+5%	346,255	(346,742)	(487)
	-5%	(346,255)	346,742	487
USD	+5%	3,109,972	(3,105,902)	4,070
	-5%	(3,109,972)	3,105,902	(4,070)

		2016		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	51,931	(51,990)	(59)
	-5%	(51,931)	51,990	59
EUR	+5%	805,968	(796,188)	9,780
	-5%	(805,968)	796,188	(9,780)
GBP	+5%	253,696	(251,309)	2,387
	-5%	(253,696)	251,309	(2,387)
USD	+5%	2,458,684	(2,458,567)	117
	-5%	(2,458,684)	2,458,567	(117)

		2015		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	45,933	(47,718)	(1,785)
	-5%	(45,933)	47,718	1,785
EUR	+5%	676,955	(669,708)	7,247
	-5%	(676,955)	669,708	(7,247)
GBP	+5%	195,728	(197,099)	(1,371)
	-5%	(195,728)	197,099	1,371
USD	+5%	2,107,614	(2,139,310)	(31,696)
	-5%	(2,107,614)	2,139,310	31,696

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK

		2017		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	60,715	(60,483)	232
	-5%	(60,715)	60,483	(232)
EUR	+5%	710,796	(713,392)	(2,596)
	-5%	(710,796)	713,392	2,596
GBP	+5%	346,238	(346,742)	(504)
	-5%	(346,238)	346,742	504
USD	+5%	3,104,910	(3,092,466)	12,444
	-5%	(3,104,910)	3,092,466	(12,444)

THE BANK

		2016		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	51,930	(51,989)	(59)
	-5%	(51,930)	51,989	59
EUR	+5%	805,855	(796,186)	9,669
	-5%	(805,855)	796,186	(9,669)
GBP	+5%	253,693	(251,309)	2,384
	-5%	(253,693)	251,309	(2,384)
USD	+5%	2,453,074	(2,444,084)	8,990
	-5%	(2,453,074)	2,444,084	(8,990)

		2015		
		Effect of change in currency on		Sensitivity of profit or loss
Currency	% Change in Currency rate	Assets	Liabilities	
		MUR'000	MUR'000	MUR'000
AUD	+5%	31,654	(31,553)	101
	-5%	(31,654)	31,553	(101)
EUR	+5%	664,379	(657,827)	6,552
	-5%	(664,379)	657,827	(6,552)
GBP	+5%	194,886	(194,601)	285
	-5%	(194,886)	194,601	(285)
USD	+5%	2,070,531	(2,058,421)	12,110
	-5%	(2,070,531)	2,058,421	(12,110)

(e) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices. The non-trading equity price risk exposure arises from available-for-sale investments. A 10 percent increase in the value of the Group's available-for-sale equities as at 30 June 2017 would have increased equity by MUR 2.0m (2016: MUR 3.5m and 2015: MUR 4.1m). An equivalent decrease would have resulted in an equivalent but opposite impact.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

38. CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Group and the Bank. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

Capital management

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

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

ELIGIBLE RISK-WEIGHTED CAPITAL

	THE GROUP			THE BANK		
	Basel III	Basel III	Basel III	**Basel III**	Basel III	Basel III
	2017	2016	2015	**2017**	2016	2015
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Tier 1 capital	**5,313,894**	4,181,032	3,545,651	**5,438,989**	4,328,220	4,016,507
Tier 2 capital	**650,607**	758,113	971,082	**574,782**	663,332	896,799
Total capital	**5,964,501**	4,939,145	4,516,733	**6,013,771**	4,991,552	4,913,306
Risk-weighted assets	**46,816,645**	43,099,296	37,083,800	**45,935,492**	42,812,653	35,881,489
	%	%	%	**%**	%	%
Capital adequacy ratio	**12.7**	11.5	12.2	**13.1**	11.7	13.7

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings, foreign currency translation and other reserves. Certain adjustments are made to IFRS-based results and reserves, as prescribed by the Central Bank of Mauritius. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt.

39. EVENTS AFTER REPORTING DATE

(i) Dividend

The Board of Directors approved by way of a written resolution on 6 July 2017 to pay a dividend of MUR 71.3m for the June 2017 tranche on the Class A shares Series 1 and 2. Approval from the Regulators was received in August 2017 and payment was effected in August and September 2017.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

40. HEDGE ACCOUNTING

(a) THE GROUP

Hedge of net investment in foreign operations

The Bank did not apply any hedge accounting during the year under review.
During the year ended 30 June 2015 the hedge was ineffective and MUR 82.3m has been recognised in profit or loss. No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss in 2014.

For the financial year 2014, the Group hedged part of the currency risk of its net investment in foreign operations using a portfolio of identified deposits from customers and debts issued.

As at 30 June 2014, deposit from customers and debts issued for an amount of MUR 438m (2013 and 2012: MUR 300m), was designated as a hedge of the Bank's net investment in its subsidiary, AfrAsia Holdings Limited, and was used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the retranslation of the identified portion of the deposit from customers and debts issued, due to exchange rate risk, were transferred to equity to offset any gains or losses on translation of the net investment in the subsidiary.

(b) THE BANK

Fair value hedges

Fair value hedges are used by the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates. The assets and liabilities hedged for exchange rate risk include investment in subsidiary, deposits from customers and debts issued. The Bank's fair value hedge relationship is principally the retranslation difference of the portfolio of identified deposit from customers and debt to acquire the investment, used to hedge the foreign currency risk of the investment in subsidiary.

Gains or losses due to changes on fair value hedges for the year:

	2017	2016	2015
	MUR'000	MUR'000	MUR'000
Gains/(losses) on:			
Hedged instruments	-	-	(82,316)
Hedged items attributable to the hedged risk	-	-	82,316
Hedge ineffectiveness recognised immediately in profit or loss	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

41. OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

THE GROUP

2017

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	4,106,323	-	4,106,323	-	4,106,323
Due from banks	37,899,776	-	37,899,776	-	37,899,776
Derivative financial instruments	89,587	228,533	318,120	-	318,120
Financial investments - held-for-trading	3,806,253	-	3,806,253	-	3,806,253
Loans and advances to customers	27,512,745	-	27,512,745	(499,174)	27,013,571
Financial investments - available-for-sale	5,745,972	-	5,745,972	-	5,745,972
Financial investments - held-to-maturity	21,190,422	-	21,190,422	-	21,190,422
Other assets	148,173	-	148,173	-	148,173
	100,499,251	228,533	100,727,784	(499,174)	100,228,610
LIABILITIES					
Due to banks	1,500,815	-	1,500,815	-	1,500,815
Derivative financial instruments	65,514	228,533	294,047	-	294,047
Deposits from customers	90,601,331	-	90,601,331	(499,174)	90,102,157
Debts issued	1,673,625	-	1,673,625	-	1,673,625
Other liabilities	1,243,266	-	1,243,266	-	1,243,266
Current tax liabilities	130,156	-	130,156	-	130,156
	95,214,707	228,533	95,443,240	(499,174)	94,944,066

2016

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	3,029,129	-	3,029,129	-	3,029,129
Due from banks	46,009,527	-	46,009,527	-	46,009,527
Derivative financial instruments	105,003	33,644	138,647	-	138,647
Financial investments - held-for-trading	4,893,741	-	4,893,741	-	4,893,741
Loans and advances to customers	21,958,341	-	21,958,341	(711,881)	21,246,460
Financial investments - available-for-sale	350,798	-	350,798	-	350,798
Financial investments - held-to-maturity	11,538,879	-	11,538,879	-	11,538,879
Other assets	130,207	-	130,207	-	130,207
	88,015,625	33,644	88,049,269	(711,881)	87,337,388
LIABILITIES					
Due to banks	173,510	-	173,510	-	173,510
Derivative financial instruments	199,273	33,644	232,917	-	232,917
Deposits from customers	80,012,268	-	80,012,268	(711,881)	79,300,387
Debts issued	1,489,943	-	1,489,943	-	1,489,943
Other liabilities	1,770,876	-	1,770,876	-	1,770,876
Current tax liabilities	84,510	-	84,510	-	84,510
	83,730,380	33,644	83,764,024	(711,881)	83,052,143

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

41. OFFSETTING FINANCIAL INSTRUMENTS (CONITNUED)

THE GROUP (CONTINUED)

2015

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	2,514,213	-	2,514,213	-	2,514,213
Due from banks	41,447,016	-	41,447,016	-	41,447,016
Derivative financial instruments	273,327	(55,944)	217,383	-	217,383
Financial investments - held-for-trading	3,045,474	-	3,045,474	-	3,045,474
Loans and advances to customers	21,772,735	-	21,772,735	(800,735)	20,972,000
Financial investments - available-for-sale	41,049	-	41,049	-	41,049
Financial investments - held-to-maturity	5,071,692	-	5,071,692	-	5,071,692
Other assets	263,743	-	263,743	-	263,743
	74,429,249	(55,944)	74,373,305	(800,735)	73,572,570
LIABILITIES					
Due to banks	227,418	-	227,418	-	227,418
Derivative financial instruments	611,038	(55,944)	555,094	-	555,094
Deposits from customers	66,437,716	-	66,437,716	(800,735)	65,636,981
Debts issued	1,655,238	-	1,655,238	-	1,655,238
Other liabilities	1,627,871	-	1,627,871	-	1,627,871
Current tax liabilities	67,836	-	67,836	-	67,836
	70,627,117	(55,944)	70,571,173	(800,735)	69,770,438

THE BANK

2017

	Effect of offsetting on statement of financial position			**Related amounts not offset**	
	Gross amounts	**Amount offset**	**Net amount reported**	**Cash collateral**	**Net amount**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
ASSETS					
Cash and balances with the Central Bank	**4,106,323**	**-**	**4,106,323**	**-**	**4,106,323**
Due from banks	**37,879,933**	**-**	**37,879,933**	**-**	**37,879,933**
Derivative financial instruments	**-**	**228,533**	**228,533**	**-**	**228,533**
Financial investments - held-for-trading	**2,944,577**	**-**	**2,944,577**	**-**	**2,944,577**
Loans and advances to customers	**27,512,745**	**-**	**27,512,745**	**(499,174)**	**27,013,571**
Financial investments - available-for-sale	**5,726,288**	**-**	**5,726,288**	**-**	**5,726,288**
Financial investments - held-to-maturity	**21,190,422**	**-**	**21,190,422**	**-**	**21,190,422**
Other assets	**817,462**	**-**	**817,462**	**-**	**817,462**
	100,177,750	**228,533**	**100,406,283**	**(499,174)**	**99,907,109**
LIABILITIES					
			-		
Due to banks	**1,500,815**	**-**	**1,500,815**	**-**	**1,500,815**
Derivative financial instruments	**(24,073)**	**228,533**	**204,460**	**-**	**204,460**
Deposits from customers	**91,082,564**	**-**	**91,082,564**	**(499,174)**	**90,583,390**
Debts issued	**1,111,493**	**-**	**1,111,493**	**-**	**1,111,493**
Retirement benefits obligation	**23,000**	**-**	**23,000**	**-**	**23,000**
Other liabilities	**361,347**	**-**	**361,347**	**-**	**361,347**
Current tax liabilities	**130,156**	**-**	**130,156**	**-**	**130,156**
	94,185,302	**228,533**	**94,413,835**	**(499,174)**	**93,914,661**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

41. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (CONTINUED)

2016

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,029,129	-	3,029,129	-	3,029,129
Due from banks	46,000,675	-	46,000,675	-	46,000,675
Derivative financial instruments	-	33,644	33,644	-	33,644
Financial investments - held-for-trading	3,542,070	-	3,542,070	-	3,542,070
Loans and advances to customers	21,958,341	-	21,958,341	(711,881)	21,246,460
Financial investments - available-for-sale	316,033	-	316,033	-	316,033
Financial investments - held-to-maturity	11,538,879	-	11,538,879	-	11,538,879
Other assets	206,184	-	206,184	-	206,184
	86,591,311	33,644	86,624,955	(711,881)	85,913,074
LIABILITIES					
Due to banks	173,510	-	173,510	-	173,510
Derivative financial instruments	94,270	33,644	127,914	-	127,914
Deposits from customers	80,378,976	-	80,378,976	(711,881)	79,667,095
Debts issued	1,111,032	-	1,111,032	-	1,111,032
Other liabilities	407,506	-	407,506	-	407,506
Current tax liabilities	84,379	-	84,379	-	84,379
	82,249,673	33,644	82,283,317	(711,881)	81,571,436

2015

	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amounts	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	2,512,469	-	2,512,469	-	2,512,469
Due from banks	41,434,529	-	41,434,529	-	41,434,529
Derivative financial instruments	124,471	(55,944)	68,527	-	68,527
Financial investments - held-for-trading	1,967,124	-	1,967,124	-	1,967,124
Loans and advances to customers	21,707,868	-	21,707,868	(800,735)	20,907,133
Financial investments - held-to-maturity	5,071,692	-	5,071,692	-	5,071,692
Other assets	288,150	-	288,150	-	288,150
	73,106,303	(55,944)	73,050,359	(800,735)	72,249,624
LIABILITIES					
Due to banks	227,411	-	227,411	-	227,411
Derivative financial instruments	110,719	(55,944)	54,775	-	54,775
Deposits from customers	66,928,651	-	66,928,651	(800,735)	66,127,916
Debts issued	1,094,275	-	1,094,275	-	1,094,275
Other liabilities	531,787	-	531,787	-	531,787
Current tax liabilities	51,327	-	51,327	-	51,327
	68,944,170	(55,944)	68,888,226	(800,735)	68,087,491

The Bank entered into various forward-geared contracts with Firstrand Bank. On maturity of these contracts, the Bank will be required to pay only the net amount. Hence the fair value of all the forward geared contracts has been offset in the financial statements.

The Bank receives cash collaterals as security on various loan arrangements. The Bank has a right to offset these cash collaterals against the loan amounts on default of the Bank's clients. As at 30 June 2017, 2016 and 2015 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

	Notes	Year ended 30 June 2017			Year ended 30 June 2016			Year ended 30 June 2015		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income	I	1,041,175	1,061,177	2,102,352	970,380	770,231	1,740,611	913,803	695,350	1,609,153
Interest expense	II	(479,988)	(229,367)	(709,355)	(572,668)	(202,244)	(774,912)	(581,823)	(166,741)	(748,564)
Net interest income		561,187	831,810	1,392,997	397,712	567,987	965,699	331,980	528,609	860,589
Fees and commission income	III	113,315	495,347	608,662	87,841	369,402	457,243	86,313	254,693	341,006
Fees and commission expense	III	(74,123)	(165,443)	(239,566)	(40,725)	(118,715)	(159,440)	(21,268)	(51,500)	(72,768)
Net fees and commission income	III	39,192	329,904	369,096	47,116	250,687	297,803	65,045	203,193	268,238
Net trading income	IVa	258,453	427,568	686,021	198,295	396,388	594,683	142,459	328,623	471,082
Other operating income	IVb	4,526	13,453	17,979	1,770	4,205	5,975	45,498	1,346	46,844
Total operating income		863,358	1,602,735	2,466,093	644,893	1,219,267	1,864,160	584,982	1,061,771	1,646,753
Net allowance for credit impairment	V	(251,369)	(582,889)	(834,258)	(332,061)	(312,496)	(644,557)	(63,221)	(437,058)	(500,279)
Net operating income		611,989	1,019,846	1,631,835	312,832	906,771	1,219,603	521,761	624,713	1,146,474
Personnel expenses		(147,987)	(288,371)	(436,358)	(131,296)	(265,494)	(396,790)	(131,357)	(162,687)	(294,044)
Depreciation of equipment		(23,919)	(172)	(24,091)	(20,497)	(7)	(20,504)	(5,082)	(8,454)	(13,536)
Amortisation of intangible assets		(12,807)	(3)	(12,810)	(9,224)	-	(9,224)	(3,277)	(5,452)	(8,729)
Other operating expenses		(83,639)	(155,263)	(238,902)	(93,254)	(176,310)	(269,564)	(102,890)	(170,483)	(273,373)
Total operating expenses		(268,352)	(443,809)	(712,161)	(254,271)	(441,811)	(696,082)	(242,606)	(347,076)	(589,682)
Operating profit		343,637	576,037	919,674	58,561	464,960	523,521	279,155	277,637	556,792
Impairment loss on subsidiary		-	-	-	-	-	-	-	(302,554)	(302,554)
Profit/(loss) before tax		343,637	576,037	919,674	58,561	464,960	523,521	279,155	(24,917)	254,238
Tax expense		(108,963)	6,287	(102,676)	(68,021)	(21,864)	(89,885)	(69,023)	(10,184)	(79,207)
Profit/(loss) for the year		234,674	582,324	816,998	(9,460)	443,096	433,636	210,132	(35,101)	175,031
Other comprehensive income										
Loss on available-for-sale investments		(12,259)	-	(12,259)	(579)	-	(579)	-	-	-
Total comprehensive income/(loss) for the year		222,415	582,324	804,739	(10,039)	443,096	433,057	210,132	(35,101)	175,031

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

	Notes	2017			2016			2015		
		Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
		MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS										
Cash and balances with the Central Bank	VI	**4,094,496**	**11,827**	**4,106,323**	3,025,755	3,374	3,029,129	2,507,172	5,297	2,512,469
Due from banks	VII	**4,456,067**	**33,423,866**	**37,879,933**	3,205,600	42,795,075	46,000,675	1,967,313	39,467,216	41,434,529
Derivative financial instruments	VIII	**52,462**	**176,071**	**228,533**	31,542	2,102	33,644	49,661	18,866	68,527
Financial investments - held-for-trading	IX	**2,870,388**	**74,189**	**2,944,577**	3,433,624	108,446	3,542,070	1,790,437	176,687	1,967,124
Loans and advances to customers	X	**10,304,990**	**17,207,755**	**27,512,745**	10,686,508	11,271,833	21,958,341	10,161,523	11,546,345	21,707,868
Financial investments - available-for-sale	XII	**922,687**	**4,803,601**	**5,726,288**	316,033	-	316,033	-	-	-
Financial investments - held-to-maturity	XIII	**8,132,732**	**13,057,690**	**21,190,422**	6,416,506	5,122,373	11,538,879	4,940,784	130,908	5,071,692
Investment in subsidiaries	XI	**189,563**	**-**	**189,563**	189,563	-	189,563	189,563	-	189,563
Equipment	XIV	**184,805**	**1,464**	**186,269**	135,119	872	135,991	98,955	-	98,955
Intangible assets	XV	**155,848**	**7**	**155,855**	111,831	10	111,841	48,018	-	48,018
Other assets	XVI	**57,717**	**81,001**	**138,718**	186,761	19,423	206,184	211,906	76,244	288,150
Deferred tax assets		**82,575**	**64,482**	**147,057**	52,251	8,190	60,441	12,504	7,103	19,607
TOTAL ASSETS		**31,504,330**	**68,901,953**	**100,406,283**	27,791,093	59,331,698	87,122,791	21,977,836	51,428,666	73,406,502
LIABILITIES AND EQUITY										
Due to banks	XVII	**118,589**	**1,382,226**	**1,500,815**	173,510	-	173,510	227,411	-	227,411
Derivative financial instruments	VIII	**47,792**	**156,668**	**204,460**	78,803	49,111	127,914	21,735	33,040	54,775
Deposits from customers	XVIII	**21,575,992**	**69,506,572**	**91,082,564**	20,248,788	60,130,188	80,378,976	18,116,076	48,812,575	66,928,651
Debts issued	XIX	**1,111,493**	**-**	**1,111,493**	1,111,032	-	1,111,032	1,094,275	-	1,094,275
Retirement Benefits Obligation		**23,000**	**-**	**23,000**	-	-	-	-	-	-
Other liabilities	XXI	**256,260**	**105,087**	**361,347**	318,885	88,621	407,506	193,789	337,998	531,787
Current tax liabilities		**101,108**	**29,048**	**130,156**	84,379	-	84,379	41,112	10,215	51,327
TOTAL LIABILITIES		**23,234,234**	**71,179,601**	**94,413,835**	22,015,397	60,267,920	82,283,317	19,694,398	49,193,828	68,888,226
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Ordinary Shares				**3,197,608**			2,595,363			2,590,959
Class A shares				**1,385,768**			1,385,768			1,385,768
Share application monies				**-**			-			17,261
Retained earnings				**944,373**			493,283			107,086
Other reserves				**464,699**			365,060			417,202
TOTAL EQUITY				**5,992,448**			4,839,474			4,518,276
TOTAL LIABILITIES AND EQUITY				**100,406,283**			87,122,791			73,406,502

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

		2017			2016			2015		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
I	INTEREST INCOME	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	Due from banks	49,037	263,346	312,383	17,492	244,498	261,990	11,777	176,487	188,264
	Loans and advances to customers	648,964	663,345	1,312,309	710,603	513,423	1,224,026	629,143	501,142	1,130,285
	Financial investments held-to-maturity	275,828	85,522	361,350	230,460	12,310	242,770	270,610	17,721	288,331
	Financial Investements available-for-sale	37,462	48,964	86,426	-	-	-	-	-	-
	Placements with Central Bank	29,884	-	29,884	11,825	-	11,825	2,273	-	2,273
		1,041,175	1,061,177	2,102,352	970,380	770,231	1,740,611	913,803	695,350	1,609,153
II	INTEREST EXPENSE									
	Due to banks	3,162	59,917	63,079	2,319	16,921	19,240	4,613	2,463	7,076
	Deposits from customers	398,616	169,450	568,066	489,712	185,323	675,035	498,453	164,278	662,731
	Other	78,210	-	78,210	80,637	-	80,637	78,757	-	78,757
		479,988	229,367	709,355	572,668	202,244	774,912	581,823	166,741	748,564
III	NET FEES AND COMMISSION INCOME									
	Fees and commission income									
	Credit related fees and commission income	98,580	285,955	384,535	84,048	237,592	321,640	79,462	194,556	274,018
	Custody fees income	6,596	192,979	199,575	-	118,220	118,220	-	55,019	55,019
	Other fees received	8,139	16,413	24,552	3,793	13,590	17,383	6,851	5,118	11,969
	Total fees and commission income	113,315	495,347	608,662	87,841	369,402	457,243	86,313	254,693	341,006
	Fees and commission expense									
	Custody fees expense	(25,753)	(62,701)	(88,454)	(13,630)	(31,798)	(45,428)	(5)	(1,614)	(1,619)
	Other fees	(48,370)	(102,742)	(151,112)	(27,095)	(86,917)	(114,012)	(21,263)	(49,886)	(71,149)
	Total fees and commission expense	(74,123)	(165,443)	(239,566)	(40,725)	(118,715)	(159,440)	(21,268)	(51,500)	(72,768)
	Net fees and commission income	39,192	329,904	369,096	47,116	250,687	297,803	65,045	203,193	268,238
IV(a)	NET TRADING INCOME									
	Net gain on financial investments - held-for-trading	105,794	53,910	159,704	83,218	14,270	97,488	32,235	7,536	39,771
	Foreign exchange gain	152,659	373,658	526,317	115,077	382,118	497,195	110,224	321,087	431,311
		258,453	427,568	686,021	198,295	396,388	594,683	142,459	328,623	471,082
IV(b)	OTHER OPERATING INCOME									
	Dividend income	-	-	-	-	-	-	45,000	-	45,000
	Transaction and other related fees	4,526	13,453	17,979	1,770	4,205	5,975	498	1,346	1,844
		4,526	13,453	17,979	1,770	4,205	5,975	45,498	1,346	46,844
V	NET ALLOWANCE FOR CREDIT IMPAIRMENT									
	Portfolio and specific provisions on loans and advances to customers	251,369	582,889	834,258	332,061	312,496	644,557	63,221	437,058	500,279
		251,369	582,889	834,258	332,061	312,496	644,557	63,221	437,058	500,279

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

	2017			2016			2015		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
VI CASH AND BALANCES WITH THE CENTRAL BANK	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash in hand	22,883	11,827	34,710	6,051	3,374	9,425	13,589	5,297	18,886
Current account with the Central Bank	2,977,833	-	2,977,833	2,211,048	-	2,211,048	1,868,416	-	1,868,416
Placements with the Central Bank	1,093,780	-	1,093,780	808,656	-	808,656	625,167	-	625,167
	4,094,496	11,827	4,106,323	3,025,755	3,374	3,029,129	2,507,172	5,297	2,512,469
VII DUE FROM BANKS									
Placements with other banks	4,446,929	17,718,534	22,165,463	1,423,376	14,740,805	16,164,181	1,963,057	12,009,953	13,973,010
Current accounts with other banks	9,138	15,703,883	15,713,021	1,782,224	28,052,776	29,835,000	2,960	27,455,785	27,458,745
Other amounts due	-	1,449	1,449	-	1,494	1,494	1,296	1,478	2,774
	4,456,067	33,423,866	37,879,933	3,205,600	42,795,075	46,000,675	1,967,313	39,467,216	41,434,529

VIII DERIVATIVE FINANCIAL INSTRUMENTS

	2017				2016				2015			
	Segment A	Segment B	Total	Notional Amount	Segment A	Segment B	Total	Notional Amount	Segment A	Segment B	Total	Notional Amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivatives held-for-trading												
Foreign Exchange Option Contracts	8,755	147,425	156,180	8,167,829	8,147	-	8,147	16,365,970	17,224	-	17,224	12,835,526
Forward Foreign Exchange Contracts	31,197	28,646	59,843	13,039,357	23,395	2,102	25,497	7,413,567	32,437	18,866	51,303	6,371,802
Spot position account	12,510	-	12,510	-	-	-	-	-	-	-	-	-
	52,462	176,071	228,533	21,207,186	31,542	2,102	33,644	23,779,537	49,661	18,866	68,527	19,207,328
LIABILITIES												
Derivatives held-for-trading												
Foreign Exchange Option Contracts	(8,755)	(147,425)	(156,180)	8,167,829	-	(8,147)	(8,147)	16,365,970	-	(17,224)	(17,224)	12,835,526
Forward Foreign Exchange Contracts	(39,037)	(9,243)	(48,280)	13,039,357	(78,803)	(40,964)	(119,767)	7,413,567	(21,735)	(15,816)	(37,551)	6,371,802
	(47,792)	(156,668)	(204,460)	21,207,186	(78,803)	(49,111)	(127,914)	23,779,537	(21,735)	(33,040)	(54,775)	19,207,328

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

	2017			2016			2015		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
IX FINANCIAL INVESTMENTS - HELD-FOR-TRADING									
Government of Mauritius debt securities	2,000,177	-	2,000,177	2,923,763	-	2,923,763	1,465,219	-	1,465,219
Bank of Mauritius bonds and notes	845,572	-	845,572	344,663	-	344,663	234,518	-	234,518
Corporate debt securities	24,639	74,189	98,828	165,198	108,446	273,644	90,700	176,687	267,387
	2,870,388	74,189	2,944,577	3,433,624	108,446	3,542,070	1,790,437	176,687	1,967,124
X LOANS AND ADVANCES TO CUSTOMERS									
(a) Remaining term to maturity									
Within 3 months	3,752,679	1,802,125	5,554,804	5,173,222	2,730,571	7,903,793	4,616,615	1,777,700	6,394,315
Over 3 to 6 months	255,770	174,996	430,766	224,729	1,356,946	1,581,675	348,377	1,613,896	1,962,273
Over 6 to 12 months	720,906	2,546,879	3,267,785	270,217	1,948,591	2,218,808	814,154	1,797,513	2,611,667
Over 1 to 5 years	2,933,541	11,182,203	14,115,744	3,167,385	4,244,294	7,411,679	3,538,688	5,836,937	9,375,625
Over 5 years	3,320,866	2,562,332	5,883,198	2,304,537	1,510,351	3,814,888	973,138	776,840	1,749,978
Gross core loans and advances to customers	10,983,762	18,268,535	29,252,297	11,140,090	11,790,753	22,930,843	10,290,972	11,802,886	22,093,858
Less: Allowances for impairment losses	(678,772)	(1,060,780)	(1,739,552)	(453,582)	(518,920)	(972,502)	(129,449)	(256,541)	(385,990)
Net core loans and advances to customers	10,304,990	17,207,755	27,512,745	10,686,508	11,271,833	21,958,341	10,161,523	11,546,345	21,707,868
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	845,778	351,181	1,196,959	352,327	203,584	555,911	730,236	197,500	927,736
Manufacturing	438,193	2,561,129	2,999,322	573,894	1,342,847	1,916,741	595,445	2,040,568	2,636,013
Tourism	2,149,109	-	2,149,109	2,960,458	52,242	3,012,700	2,763,202	37,769	2,800,971
Transport	2,774	546,390	549,164	3,555	551,938	555,493	11,271	471,914	483,185
Construction, infrastructure and real estate	2,194,843	975,673	3,170,516	2,333,856	581,435	2,915,291	1,662,342	625,923	2,288,265
Financial and business services	1,057,573	5,269,443	6,327,016	1,883,717	2,384,472	4,268,189	1,509,196	2,347,038	3,856,234
Traders	801,942	878,056	1,679,998	1,320,891	828,113	2,149,004	1,163,486	639,666	1,803,152
Personal	1,294,321	439,899	1,734,220	1,305,078	474,273	1,779,351	1,459,918	387,293	1,847,211
Professional	6,233	-	6,233	6,370	-	6,370	7,951	-	7,951
Information, communication and technology	87,348	-	87,348	96,694	-	96,694	98,089	63,372	161,461
Government	-	271,646	271,646	-	345,923	345,923	-	355,794	355,794
Global Business Licence Holders (GBL)	-	3,596,604	3,596,604	-	3,655,303	3,655,303	-	3,618,017	3,618,017
Other entities	2,105,648	3,378,514	5,484,162	303,250	1,370,623	1,673,873	289,836	1,018,032	1,307,868
	10,983,762	18,268,535	29,252,297	11,140,090	11,790,753	22,930,843	10,290,972	11,802,886	22,093,858

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Allowance for credit losses

	2017			2016			2015		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At beginning of year	453,582	518,920	972,502	121,521	264,469	385,990	66,564	190,782	257,346
Amount written off against allowance	(21,330)	(31,758)	(53,088)	-	(58,045)	(58,045)	(336)	(371,299)	(371,635)
Charge for the year	251,369	582,889	834,258	332,061	312,496	644,557	63,221	437,058	500,279
Exchange difference	(4,849)	(9,271)	(14,120)	-	-	-	-	-	-
At end of year	678,772	1,060,780	1,739,552	453,582	518,920	972,502	129,449	256,541	385,990

(d) Allowance for credit losses by sector

	2017				Total		
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2017	2016	2015
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	1,196,959	-	-	30,793	30,793	5,592	5,697
Manufacturing	2,999,322	922,537	552,561	36,137	588,698	281,860	24,218
Tourism	2,149,109	105,226	43,188	30,004	73,192	49,119	17,991
Transport	549,164	172,050	74,116	6,190	80,306	69,199	2,755
Construction, infrastructure and real estate	3,170,516	461,481	276,022	19,411	295,433	116,064	36,658
Financial and business services	6,327,016	98,493	12,879	76,253	89,132	63,744	132,156
Traders	1,679,998	210,240	156,381	21,104	177,485	148,958	29,514
Personal	1,734,220	394,323	101,058	22,817	123,875	87,333	22,710
Professional	6,233	-	-	61	61	62	47
Information, communication and technology	87,348	22,639	5,486	1,460	6,946	3,219	1,622
Government	271,646	-	594	6,739	7,333	3,133	2,033
Global Business Licence Holders (GBL)	3,596,604	202,129	184,092	52,754	236,846	105,048	79,334
Other entities	5,484,162	382,786	3,336	26,116	29,452	39,171	31,255
	29,252,297	2,971,904	1,409,713	329,839	1,739,552	972,502	385,990

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Allowance for credit losses by sector (Continued)

	2017				Total		
Analysed by Segments:	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2017	2016	2015
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Segment A							
Agriculture and fishing	845,778	-	-	26,964	26,964	3,748	4,569
Manufacturing	438,193	183,810	32,412	4,500	36,912	27,709	5,379
Tourism	2,149,109	105,226	43,181	28,208	71,389	48,646	17,775
Transport	2,774	-	-	447	447	22	59
Construction, infrastructure and real estate	2,194,843	461,481	194,022	12,561	206,583	110,798	33,082
Financial and business services	1,057,573	98,493	11,413	8,230	19,643	40,982	19,152
Traders	801,942	210,240	156,381	10,511	166,892	141,549	25,888
Personal	1,294,321	321,280	99,706	18,577	118,283	73,360	20,652
Professional	6,233	-	-	61	61	62	47
Information, communication and technology	87,348	22,639	5,486	1,460	6,946	3,219	1,260
Government	-	-	-	-	-	-	-
Global Business Licence Holders (GBL)	-	-	-	-	-	-	-
Other entities	2,105,648	52,450	3,336	21,316	24,652	3,487	1,587
	10,983,762	1,455,619	545,937	132,835	678,772	453,582	129,450
Segment B							
Agriculture and fishing	351,181	-	-	3,829	3,829	1,844	1,128
Manufacturing	2,561,129	738,727	520,149	31,637	551,786	254,151	18,839
Tourism	-	-	7	1,796	1,803	473	216
Transport	546,390	172,050	74,116	5,743	79,859	69,177	2,696
Construction, infrastructure and real estate	975,673	-	82,000	6,850	88,850	5,266	3,576
Financial and business services	5,269,443	-	1,466	68,023	69,489	22,762	113,004
Traders	878,056	-	-	10,593	10,593	7,409	3,626
Personal	439,899	73,043	1,352	4,240	5,592	13,973	2,058
Professional	-	-	-	-	-	-	-
Information, communication and technology	-	-	-	-	-	-	362
Government	271,646	-	594	6,739	7,333	3,133	2,033
Global Business Licence Holders (GBL)	3,596,604	202,129	184,092	52,754	236,846	105,048	79,334
Other entities	3,378,514	330,336	-	4,800	4,800	35,684	29,668
	18,268,535	1,516,285	863,776	197,004	1,060,780	518,920	256,540

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

XI INVESTMENT IN SUBSIDIARIES

	2017			2016			2015		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cost									
At 30 June	189,563	-	189,563	189,563	-	189,563	189,563	-	189,563

XII FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE

	2017			2016			2015		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Government of Mauritius debt securities	649,741	-	649,741	-	-	-	-	-	-
Bank of Mauritius bonds and notes	272,946	-	272,946	316,033	-	316,033	-	-	-
Foreign Securities treasury bills and bonds	-	4,803,601	4,803,601	-	-	-	-	-	-
	922,687	4,803,601	5,726,288	316,033	-	316,033	-	-	-

XIII FINANCIAL INVESTMENTS-HELD-TO-MATURITY

	2017			2016			2015		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Unquoted investments									
Government of Mauritius debt securities	4,451,232	-	4,451,232	4,474,740	-	4,474,740	2,685,114	-	2,685,114
Bank of Mauritius bonds and notes	2,550,818	-	2,550,818	1,207,513	-	1,207,513	1,344,574	-	1,344,574
Other debt securities	1,130,682	-	1,130,682	734,253	-	734,253	911,096	-	911,096
Foreign Securities treasury bills and bonds	-	13,057,690	13,057,690	-	5,122,373	5,122,373	-	130,908	130,908
	8,132,732	13,057,690	21,190,422	6,416,506	5,122,373	11,538,879	4,940,784	130,908	5,071,692

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

XIV EQUIPMENT

Segment A	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets under work-in-progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST							
At 1 July 2014	18,801	36,539	12,219	734	20,679	-	88,972
Additions	15,978	11,846	2,811	61	16,172	-	46,868
Assets written off	-	-	(945)	-	(387)	-	(1,332)
At 30 June 2015	34,779	48,385	14,085	795	36,464	-	134,508
At 1 July 2015	34,779	48,385	14,085	795	36,464	-	134,508
Additions	9,034	26,256	2,795	18,212	12,143	11	68,451
Assets written off	-	(26)	(2,011)	(10,207)	(2,999)	-	(15,243)
At 30 June 2016	43,813	74,615	14,869	8,800	45,608	11	187,716
At 1 July 2016	**43,813**	**74,615**	**14,869**	**8,800**	**45,608**	**11**	**187,716**
Additions	**-**	**29**	**1,163**	**-**	**5,534**	**65,867**	**72,594**
Reclassification from Assets under progress intangible	**-**	**-**	**-**	**-**	**-**	**9,831**	**9,831**
Capitalisation of Assets under progress	**2,987**	**3,330**	**3,703**	**-**	**40,688**	**(50,708)**	**-**
Assets written off	**(4,503)**	**(8,049)**	**(4,952)**	**-**	**(9,740)**	**-**	**(27,244)**
At 30 June 2017	**42,297**	**69,925**	**14,783**	**8,800**	**82,091**	**25,001**	**242,897**
DEPRECIATION							
At 1 July 2014	3,582	5,086	4,949	678	8,368	-	22,663
Charge for the year	2,725	4,055	2,013	10	4,733	-	13,536
Assets written off	-	-	(417)	-	(228)	-	(645)
At 30 June 2015	6,307	9,141	6,545	688	12,873	-	35,554
At 1 July 2015	6,307	9,141	6,545	688	12,873	-	35,554
Charge for the year	3,971	6,023	2,319	491	7,693	-	20,497
Assets written off	-	(5)	(781)	-	(2,668)	-	(3,454)
At 30 June 2016	10,278	15,159	8,083	1,179	17,898	-	52,597
At 1 July 2016	**10,278**	**15,159**	**8,083**	**1,179**	**17,898**	**-**	**52,597**
Charge for the year	**3,922**	**6,470**	**2,277**	**1,046**	**10,204**	**-**	**23,919**
Assets written off	**(3,543)**	**(5,113)**	**(2,564)**	**-**	**(7,204)**	**-**	**(18,424)**
At 30 June 2017	**10,657**	**16,516**	**7,796**	**2,225**	**20,898**	**-**	**58,092**
NET CARRYING AMOUNT							
At 30 June 2017	**31,640**	**53,409**	**6,987**	**6,575**	**61,193**	**25,001**	**184,805**
At 30 June 2016	33,535	59,456	6,786	7,621	27,710	11	135,119
At 30 June 2015	28,472	39,244	7,540	107	23,591	-	98,955

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

XIV EQUIPMENT (Continued)

Segment B

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets under work-in-progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST							
At 1 July 2015	-	-	-	-	-	-	-
Additions	661	218	-	-	-	-	879
Assets written off	-	-	-	-	-	-	-
At 30 June 2016	661	218	-	-	-	-	879
COST							
At 1 July 2016	**661**	**218**	**-**	**-**	**-**	**-**	**879**
Additions	**260**	**469**	**-**	**-**	35		**764**
Assets written off	**-**	**-**	**-**	**-**	**-**		**-**
At 30 June 2017	**921**	**687**	**-**	**-**	**35**	**-**	**1,643**
DEPRECIATION							
At 1 July 2015	-	-	-	-	-	-	-
Charge for the year	5	2					7
Assets written off	-	-	-	-	-	-	-
At 30 June 2016	5	2	-	-	-	-	7
DEPRECIATION							
At 1 July 2016	**5**	**2**	**-**	**-**	**-**	**-**	**7**
Charge for the year	**92**	**69**	**-**	**-**	**11**		**172**
Assets written off	**-**	**-**	**-**	**-**	**-**		**-**
At 30 June 2017	**97**	**71**	**-**	**-**	**11**	**-**	**179**
NET CARRYING AMOUNT							
At 30 June 2017	**824**	**616**	**-**	**-**	**24**	**-**	**1,464**
At 30 June 2016	656	216	-	-	-	-	872
At 30 June 2015	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

XV INTANGIBLE ASSETS

Segment A	Computer software	Banking software	Other	Assets under progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST					
At 1 July 2014	14,362	45,685	7,742	-	67,789
Additions	3,237	13,660	2,184	-	19,081
At 30 June 2015	17,599	59,345	9,926	-	86,870
At 1 July 2015	17,599	59,345	9,926	-	86,870
Transfer from other assets	-	-	-	35,805	35,805
Additions	2,910	18,960	-	15,362	37,232
At 30 June 2016	20,509	78,305	9,926	51,167	159,907
At 1 July 2016	**20,509**	**78,305**	**9,926**	**51,167**	**159,907**
Additions	**3,035**	**3**	**-**	**64,341**	**67,379**
Reclassification to Assets under progress tangible	**-**	**-**	**-**	**(9,831)**	**(9,831)**
Capitalisation of Assets under progress	**10,832**	**33,972**	**425**	**(45,229)**	**-**
Reclassification to Expense	**-**	**-**	**-**	**(378)**	**(378)**
Assets write off	**(1,665)**	**(123)**	**(2,314)**	**-**	**(4,102)**
At 30 June 2017	**32,711**	**112,157**	**8,037**	**60,070**	**212,975**
AMORTISATION					
At 30 June 2014	9,095	16,484	4,544	-	30,123
At 1 July 2014	9,095	16,484	4,544	-	30,123
Charge for the year	2,392	5,258	1,079	-	8,729
At 30 June 2015	11,487	21,742	5,623	-	38,852
At 1 July 2015	11,487	21,742	5,623	-	38,852
Charge for the year	2,076	6,271	877	-	9,224
At 30 June 2016	13,563	28,013	6,500	-	48,076
At 1 July 2016	**13,563**	**28,013**	**6,500**	**-**	**48,076**
Charge for the year	**2,805**	**9,219**	**783**	**-**	**12,807**
Assets written off	**(1,319)**	**(123)**	**(2,314)**	**-**	**(3,756)**
At 30 June 2017	**15,049**	**37,109**	**4,969**	**-**	**57,127**
NET CARRYING AMOUNT					
At 30 June 2017	**17,662**	**75,048**	**3,068**	**60,070**	**155,848**
At 30 June 2016	6,946	50,292	3,426	51,167	111,831
At 30 June 2015	6,112	37,603	4,303	-	48,018

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

XV INTANGIBLE ASSETS (CONTINUED)

Segment B	Computer software	Banking software	Other	Assets under progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST					
At 1 July 2015	-	-	-	-	-
Additions	10	-	-	-	10
Assets written off	-	-	-	-	-
At 30 June 2016	10	-	-	-	10
COST					
At 1 July 2016	**10**	**-**	**-**	**-**	**10**
Additions	**-**	**-**	**-**	**-**	**-**
Assets written off	**-**	**-**	**-**	**-**	**-**
At 30 June 2017	**10**	**-**	**-**	**-**	**10**
AMORTISATION					
At 1 July 2015	-	-	-	-	-
Charge for the year	-	-	-	-	-
At 30 June 2016	-	-	-	-	-
At 1 July 2016	**-**	**-**	**-**	**-**	**-**
Charge for the year	**3**	**-**	**-**	**-**	**3**
At 30 June 2017	**3**	**-**	**-**	**-**	**3**
NET CARRYING AMOUNT					
At 30 June 2017	**7**	**-**	**-**	**-**	**7**
At 30 June 2016	10	-	-	-	10
At 30 June 2015	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2017

42. SEGMENTAL REPORTING (CONTINUED)

		2017			2016			2015		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
XVI	OTHER ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	Dividend receivable	22,000	-	22,000	112,000	-	112,000	145,000	-	145,000
	Accrued income	392	5,172	5,564	3,820	918	4,738	409	5,536	5,945
	Prepayments	6,946	10,150	17,096	5,240	6,202	11,442	3,019	2,669	5,688
	Other receivables	28,379	65,679	94,058	65,701	12,303	78,004	63,478	68,039	131,517
		57,717	81,001	138,718	186,761	19,423	206,184	211,906	76,244	288,150
XVII	DUE TO BANKS									
	Borrowings from the Central Bank	118,589	-	118,589	173,510	-	173,510	-	-	-
	Deposits with other banks	-	1,375,975	1,375,975	-	-	-	227,411	-	227,411
	Bank overdraft	-	6,251	6,251	-	-	-	-	-	-
		118,589	1,382,226	1,500,815	173,510	-	173,510	227,411	-	227,411
XVIII	DEPOSITS FROM CUSTOMERS									
	Personal									
	- Current and savings accounts	5,655,180	795,591	6,450,771	4,404,013	7,167,618	11,571,631	3,748,703	6,248,612	9,997,315
	- Term deposits	3,903,084	188,837	4,091,921	4,330,977	1,907,006	6,237,983	3,746,304	2,014,187	5,760,491
	Business									
	- Current and savings accounts	8,347,914	55,532,210	63,880,124	6,456,746	37,299,324	43,756,070	4,295,024	25,419,962	29,714,986
	- Term deposits	3,648,643	12,989,934	16,638,577	5,046,893	13,756,240	18,803,133	6,289,437	15,129,814	21,419,251
	Government institutions									
	- Current and savings accounts	21,171	-	21,171	10,159	-	10,159	9,817	-	9,817
	- Term deposits	-	-	-	-	-	-	26,791	-	26,791
		21,575,992	69,506,572	91,082,564	20,248,788	60,130,188	80,378,976	18,116,076	48,812,575	66,928,651
XIX	DEBTS ISSUED									
	Unsecured subordinated bonds	1,111,493	-	1,111,493	1,111,032	-	1,111,032	1,094,275	-	1,094,275
XX	OTHER LIABILITIES									
	Other payable and sundry creditors	256,260	105,087	361,347	318,885	88,621	407,506	193,789	337,998	531,787

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