INTEGRATED REPORT

2018

ENGAGE. EXCHANGE. EXCEL.

AFRASIA
bank different

ADOPTING SUSTAINABILITY PRACTICES

As part of our ongoing commitment to protect the environment and in line with our AfrAsia Think Green Programme, we have used Lenza Green paper for our Integrated Report 2018, which has below features:

* Recycled paper produced with 100% recovered fibre according to the Forest Stewardship Council (FSC);
* Manufactured without chlorine bleaching; and
* High whiteness due to a special converting process for recovered fibre.

Detailed Environmental Profile:

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

ABOUT THIS REPORT

Reporting Period

AfrAsia Bank Limited Integrated Report 2018 is a thorough report that addresses our Economic, Environmental, and Social performance for the Financial Year 2017 - 2018, as well as our vision and goals for the next 3 years.

Targeted Audience

This report is intended for all stakeholders of the Bank. The comprehensive report gives emphasis to material issues, value creation over the short, medium and long-terms, as well as disclosure and transparency to enable our stakeholders to make informed decisions.

International Standards

Our previous reports lay the groundwork for adopting the Integrated Reporting Framework as directed by the International Integrated Reporting Council (IIRC). Our integrated report is drawn up in accordance with the GRI Reporting Principles, a set of standards that are essential to reporting non-financial metrics. AfrAsia Bank Limited (ABL) conducted its first “Materiality Assessment” in July 2018 to identify and prioritize material issues that matter most to our stakeholders.

This report also highlights our achievement around the United Nations Sustainable Development Goals (SDGs) through our GRI Index.

For the first time since its participation in the United Nations Global Compact (UNGC), AfrAsia Bank is submitting an Integrated Report as its Communication on Progress (COP) that communicates our efforts to support and uphold the Ten Principles of the UN Global Impact.

Boundaries

This report includes information pertaining to AfrAsia Bank Limited and its subsidiaries. The boundaries for Key Performance Indicators have been clearly stated in light of our commitment to being more transparent with regards to our stakeholders and other interested parties.

Forward Looking Statement

Note that this report also includes forward-looking statements, which may change in future in line with the corporate strategy and vision.

Contact

AfrAsia Bank Limited welcomes feedback and suggestions on this report, which may be communicated to Mrs. Luvna Arnassalon-Seerungen, Head of Corporate Sustainability & CSR, at Luvna.Arnassalon@afrasiabank.com.

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SECTION B

ADOPTING

ADOPTING

SUSTAINABILITY PRACTICES

Our “Responsible Bank 2020” goals integrate sustainability principles, such as 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.

CORPORATE PROFILE & OVERVIEW

ABOUT AFRASIA BANK LIMITED

AfrAsia in Numbers

NUMBER OF EMPLOYEES
368

NET OPERATING INCOME
>MUR 1.8bn

VOLUNTEERING HOURS
478

AFRASIA KIDS
30

CLIENTS IN 140 COUNTRIES

TOTAL ASSETS
>MUR 120bn

TOTAL DEPOSITS FROM CUSTOMERS
>MUR 111bn

STAFF TRAINING HOURS
>6,500

DIVIDENDS
MUR >300 M

All figures are for the Bank


Act
Rock


ONE
TEAM
ROCKING


AFRASIA

OUR LOCATION

AfrAsia Bank Limited ("AfrAsia", the "Bank"), is headquartered in Port Louis, Mauritius, in a historic building dating back to 1879, and listed as a National Heritage site. The Bank also has a branch in Ebène, the island's Cybercity, further strengthening its presence in Mauritius. Additionally, our representative office in Johannesburg, South Africa, provides Customer Service to our regional and international clients. These strategic office locations serve to bridge Africa and Asia, the two fastest growing emerging markets.

Port Louis office

Ebene office

STRATEGIC SHAREHOLDERS

AfrAsia Bank Limited is backed by three strategic shareholders who provide us with a competitive advantage in our positioning in regional and global markets.

The Bank's anchor shareholder, IBL Ltd, is the 1st business group in Mauritius (2018 Top 100 Companies) and employs more than 21,800 employees.

IBL Group is active in various economic sectors, namely Agro, Building & Engineering, Commercial, Financial Services, Hospitality, Manufacturing & Processing, Logistics , Properties and Innovation.

IBL 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.

Headquartered in Montreal, NBC has more than 23,000 employees and 2.5 million individual clients. 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 July, 2018.

https://www.nbc.ca

Intrasia Capital Pte Ltd (Group) is a Singapore established family office and investment holding company. Its operations are managed from Mauritius.

Intrasia Group is mainly focused on developing and managing international public and private companies in the corporate and financial services industry, energy and resources, properties and agriculture. In Mauritius, it is the developer of the unique healthy Mighty Rice product and provides corporate structuring and administration services. Its other businesses operate in Australia, Madagascar, Tanzania and Mozambique.

The Group is the third largest shareholder of the Bank and provides guidance and support to our international expansion.

http://www.intrasiacapital.com/

THE BANK'S PROACTIVE SHAREHOLDER ENGAGEMENT DRIVES VALUE ACROSS THE FLOOR BY FOSTERING RELATIONSHIPS WITH OUR VARIOUS STAKEHOLDERS, LEVERAGING OUR BUSINESS NETWORK, AND PROMOTING THE HIGHEST LEVEL OF CORPORATE GOVERNANCE

MR JEAN-CLAUDE BÉGA
Group Head of Financial Services and Business Development
IBL GROUP

Shareholder

OUR STRUCTURE

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

100%

AFRASIA CAPITAL MANAGEMENT LIMITED

100%

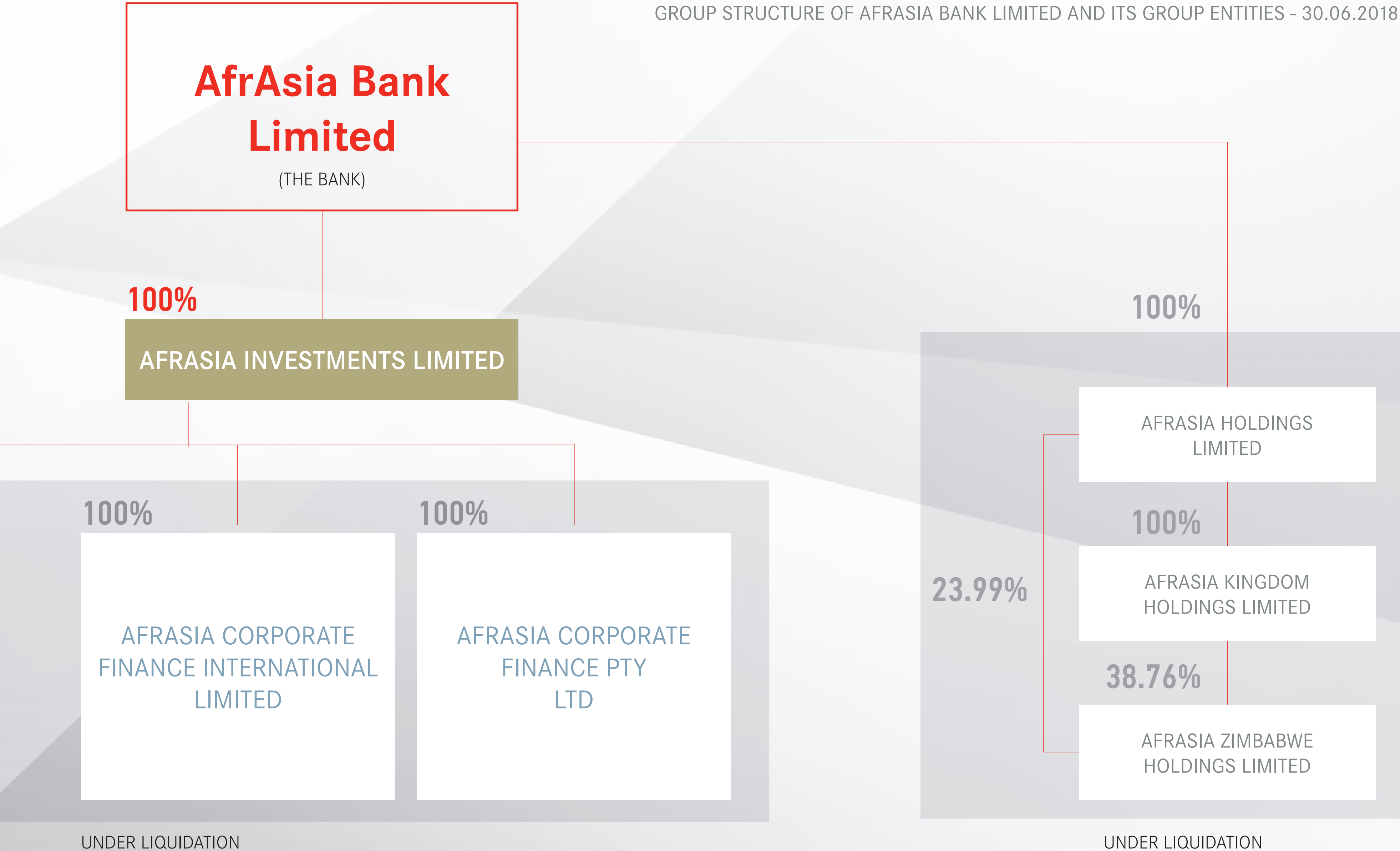
AFRASIA CORPORATE FINANCE (AFRICA) LIMITED

100%

AFRASIA CORPORATE FINANCE LIMITED

UNDER LIQUIDATION

GROUP STRUCTURE OF AFRASIA BANK LIMITED AND ITS GROUP ENTITIES - 30.06.2018



OUR 'BANK DIFFERENT' PHILOSOPHY

"BANK DIFFERENT" PHILOSOPHY

CUSTOMER-FOCUS 01

- Our aim is to be agile, creative, flexible and innovative. These qualities enable us to deliver outstanding service.

TEAMWORK 02

- We have an entrepreneurial mindset that encourages employees to develop their leadership skills.

03 INNOVATION

- Our digital transformation journey allows us to engage with customers and embrace market challenges.

04 SUSTAINABILITY

- Sustainability is integrated throughout our processes and we optimise AfrAsia's positive impact on society, environment and ensure long-term business success.

OUR CORE VALUES

Our new culture, DARE, was launched on 07 April 2017 as an integral part of the Bank's Transformation Journey. The idea was to instill a conducive environment with the objective of making our employees happy so they could, in turn, make our customers happy. Our Culture Ambassadors, referred to as the Dare Devils, act as representatives for each department. They have been vested the mission to deploy the values bank wide as well as in the day-to-day operations and mindset.

DISRUPTIVE

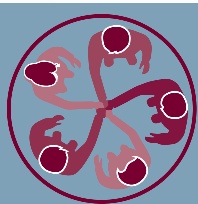
Be the change.
Think different, innovate and work smart

ALWAYS CHALLENGE THE STATUS QUO.

ACTION

Actions speak louder than words .
Do whatever it takes to get the job done!

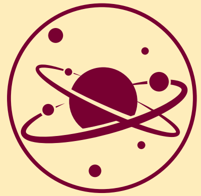
DO WHAT WE SAY WE WILL DO ... MAKE IT HAPPEN .



ROCKING

Play as a team with dynamism and mutual respect

WE ARE ONE TEAM, WE WORK TOGETHER TOWARDS THE SAME OBJECTIVE.



E!!

Everyone, Everyday, Everything Fun!!

WE WORK IN A FUN ENVIRONMENT.

AFRASIA BANK LIMITED'S BUSINESS SEGMENTS

Today's clients expect a whole new kind of banking experience - one that is personalized, transparent, and informed. In line with our philosophy, "Bank Different", we provide tailored financial solutions to our clients in four areas of expertise. In addition, AfrAsia Capital Management Limited complements the Bank by providing Asset Management services.

CORPORATE AND INVESTMENT BANKING

Short term lending, Term lending, Debt advisory products, Corporate syndications, transactional banking, trade finance, Foreign Exchange Solutions

Clients -

LOCAL: **Top 100 local corporates,mid corporates, parastatals, other government bodies, Film Industry**

INTERNATIONALS: selective clients in South Africa and India

AFRASI
BUSINESS

PRIVATE BANKING AND WEALTH MANAGEMENT

Private Banking, Personal Banking, External Asset Management & Custody, Asset Management, Wealth Management

A. PERSONAL BANKING

Primary clients ~ 5,000
Accounts - II,000

B. WEALTH MANAGEMENT

Analytics application to drive Private Wealth Proposition
Clients - Resident Individuals, Non-Resident Individuals, Expatriates, Investors

A BANK
SEGMENTS

GLOBAL BUSINESS BANKING

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

Total Deposits Segment B represent around 14.4% of Total deposits of all Banks in Mauritius at around MUR 78.3bn

>10,000 clients based in 140 countries

Clients: Trust & Foundations, External Asset Managers, Private Equlty Funds, Foreign Companies, Pension Funds, Investment Holding Companies, Trading Companies, Local & International Management Companies.

TREASURY & MARKETS

Four key pillars within the Treasury & Markets being:

- Treasury (Foreign Exchange, Money Markets & Fixed Income Trading, Hedging Solutions, Yield Enhancement Solutions)
- Financial Institutions
- Custody & Securities Services
- Debt Capital Markets

Provider of tailored treasury solutions to our clients

Aims to develop and deepen AfrAsia Bank's banking relationships

Advisory on debt raising to local and international clients

Enabling clients to trade in Securities whilst ensuring settlement and safekeeping of assets

Gross Income - **MUR 2.24bn**

Clients - Local & International Corporates, Parastatals, Mid-Tier Corporates, SMEs, High Net Worth Individuals, Global Banking Business Clients, Financial Institutions

Landmark Deals - IBL Bond Issue (Largest Oversubscription in Mauritius with MUR 12.6bn raised, recording an oversubscription of 4 times)

Through our four business segments and subsidiary, AfrAsia Capital Management Limited (ACM), we offer a wide range of financial services and products to meet our clients' evolving needs.

Accounts:
Savings, Current, Term Deposits

Wealth Management:
Wealth Management, Global Custody

Treasury & Markets:
Foreign Exchange, Money Markets & Fixed Income Trading, Structured Solutions, Custody & Securities Services and Debt Capital Markets

Financing Facilities:
Financing solutions for Individuals & Corporates, Trade Finance, Cards

AFRASIA CAPITAL MANAGEMENT LIMITED (ACM)

SERVICES PROVIDED

Pension Fund Management

Portfolio Management

Advisory Service

PRODUCTS

Collective Investment Schemes

Distribution of financial products

	Key Goals:	Achievements FY2018
RETURN ON EQUITY	> 22%	34%
NPAT	> 25%	17%
COST TO INCOME RATIO	< 70%	62%

GROWTH IN REVENUE

26%

> 300 clients

MAJOR COMPANIES IN DIFFERENT SECTORS, HIGH NET WORTH INDIVIDUALS AND CORPORATES

OUR KEY MILESTONES

2007 - 2010

AfrAsia Bank Limited Launch (2007)

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

Opening of South Africa Representative Office (2010)

2011

Introduced AfrAsia Global Custody Services

2013

XtraMiles

1st in Africa to launch pioneering rewards programme 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-sanctioned tournament

Introduced first VISA Platinum Prepaid Card in MUR, EUR and USD

2017

Launch of AfrAsia Foundation and AfrAsia School

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

Pioneered successful deployment of cloud-based financial solutions in Mauritius

Launch of new DARE culture

2018

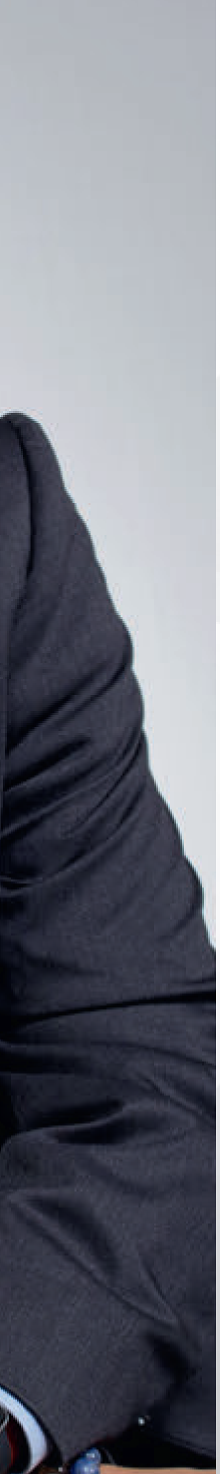
Instant account opening with a Customer On-boarding App

First local bank to offer Contactless Technology on all its credit cards

CHAIRMAN'S REVIEW

The Board and management team remain committed to bring the Bank to the next growth stage, while ensuring it is future-fit to deliver outperformance for all our stakeholders.

MAURICE LAM
Chairman



Dear Valued Shareholders,

Thank you for trusting us with your investments in the capital of AfrAsia Bank Limited. This is the Bank's first Integrated Report 2018, detailing a year of further consolidation of its financial soundness and business model for enhanced value creation for all our stakeholders. The Bank has produced another good performance while keeping up its transformation drive to a more client-focused organization.

AFRASIA BANK HAD A SUCCESSFUL RIGHTS ISSUE OF

MUR430.6m

TO STRENGTHEN ITS CAPITAL BASE FOR FUTURE GROWTH

Economic Review

The financial year 2017-2018 has seen profound economic and geopolitical change worldwide, marked by the divergence of economic growth between the US and the rest of the world, the start of the withdrawal of liquidity by central banks starting with the US, challenges arising from the Brexit decision, China's growing economic and political clout globally and the "America First" principle of the US administration. There is no doubt that a new business and international trade environment is emerging which would challenge existing trade patterns and relationship between countries.

Mauritius managed to post a decent economic growth rate in spite of these significant global challenges with the Financial Services and the Tourism Sectors as the major contributors of economic growth. Both the private and public sectors are currently re-engineering the Mauritius International Financial Centre to be the preferred centre to service the Sub Sahara African continent and be the effective bridge linking Asia and Africa.

CHAIRMAN'S REVIEW (CONTINUED)

Business Landscape

Major global trends impacting the banking sector are the widespread adoption of digital technologies and platforms, the emergence of an increasing young and smart phone natives middle class consumer group in Africa and an increasing number of High Net Worth Individuals in Africa. The Bank embarked on the journey to be of relevance to these two emerging groups by migrating its offerings on mobile platforms and digitalising its processes to meet more efficiently and effectively our clients' needs.

The Group's businesses have continued to grow, highlighting the diversity of our business offering, our operational architecture combining efficient processes and technology, as well as our ability to adapt to evolving market conditions. We are focused on generating synergies between our various business segments, as well as our investment arm, AfrAsia Capital Management Limited. The objective is to proactively nurture long-lasting relationships with our clients and be a one-stop-shop for all their requirements while enabling growth on both the commercial and affluent banking relationships, domestically and internationally.

THE GROUP REPORTED A PROFIT AFTER TAX OF MUR 763M WHILE RECORDING A STELLAR PERFORMANCE IN TERMS OF TOP LINE

Performance, Capital Structure and Dividend

Our financial year results demonstrate the positive momentum across all our business divisions. The Group reported a profit after tax of MUR 763m while recording a stellar performance in terms of top line with an income growth of 31% compared to prior year which has been driven by leveraging on our franchise value. The incremental income was, however, impacted by an increase in impairments and operating expenses. Elsewhere, our investment arm, AfrAsia Capital Management Limited, recorded a growth of 26% in revenue, showing its strategic abilities to provide outcomes that are relevant to clients across market cycles.

Return on average equity was 15% for 2017-2018. Dividends of MUR 1.50 per share were paid to its ordinary shareholders and in line with the Class A (Series 1 & 2) shares programme memorandum, the Bank paid MUR 140m of dividends to the holders of these shares.

During the year, AfrAsia Bank had a successful rights issue of MUR 430.6m to strengthen its capital base for future growth and closed the year with a shareholders' equity of MUR 6.9bn. The Bank's capital adequacy ratio stood at a healthy 3% above regulatory limits as at 30 June 2018, while being considered as a Domestic Systemically Important Bank (D-SIB) by the central bank.

Future Outlook

The AfrAsia brand remains strong in its key markets, and we continue to leverage relationship-building and networking opportunities through strategic partnerships, roadshows, summits and our flagship event, AfrAsia Bank Mauritius Open. The Board and management team remain committed to bring the Bank to the next growth stage, while ensuring it is future-fit to deliver outperformance for our shareholders, clients, employees and the communities in which we operate. We are determined to drive better client outcomes through the execution of our consistent client-focused strategy, building on our capabilities as an agile bank through technology and innovation with the objective of creating sustainable long-term value for all our stakeholders. We have entered the financial year 2018-2019 with a positive outlook.

Corporate Governance

The AfrAsia Group is committed to uphold the highest level of corporate governance by having an effective board composed of the optimal mix of qualified and experienced independent and non-independent members with each board member working in the best interests of the Bank and not of another group or entity. The Board ensures that there is management depth and quality through the recruitment of persons of sound character with a diverse set of experience and expertise to successfully implement the strategy that it has approved.

I would like to thank Nicolas Weiss for his contribution during his tenure, and welcome Dipak Chummun and Lee Boon Huat, whose decades of experience will surely assist in steering our growth strategy.

Finally, on behalf of the Board, I would like to thank our team members whose dedication and professionalism are the pillars of the Afrasia Brand and the financial results of the Group.

Lim Sit Chen LAM PAK NG
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE (CONTINUED)

Dear Valued Partner

The financial year ended June 2018 has been marked by significant achievements. We moved ahead on our journey to be a reference in customer service and employer of choice in the banking industry. We kept pace with the challenging business environment as well as economic, social, regulatory and technological changes. I am pleased to share with you our first Integrated Report. This provides a clear roadmap of the Bank's activities as well as its preparedness to create and sustain value for all its stakeholders. It looks at the interconnectedness of financial, human, intellectual, natural, manufactured, social and relationship capital.

THE BANK RECORDED A 31% INCREASE YEAR-ON-YEAR WITH TOTAL OPERATING INCOME AT

MUR**2.9**bn

The Bank's success for the year has been through disciplined execution of our strategy, led by our key differentiators: Customer-Focus, Teamwork, Innovation and Sustainability.

SANJIV BHASIN
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S MESSAGE (CONTINUED)

Delivering our Business Strategy

This past year, we have kept our focus on operating our businesses to its full potential, managing diligently our credit impairments and implementing International Financial Reporting Standard (IFRS) 9 Financial Instruments. However, with a challenging credit environment, we followed a conservative approach to onboarding risk throughout a volatile year.

Our deposits grew by 22% to reach MUR 111bn as at year end, a result of our successful client strategy in Segment B business. It provided the necessary liquidity for expansion. It generated ancillary fees and forex income. On the lending side, a conservative and disciplined approach resulted in our loan book growing by 2% to reach MUR 28bn. Our aim is to achieve a stable and good growth through the gradual increase in volume and quality of our assets and diversify our sources of revenue on an ongoing basis to spread our risk amongst a variety of income streams. The eventual growth plan is to have more sources of revenue which are less capital intensive.

WE BELIEVE WE HAVE A STRONGER AND MORE STABLE BALANCE SHEET WITH OUR REPOSITIONING AND DE-RISKING STRATEGY SUCCESSFULLY EXECUTED DURING THE YEAR.

In terms of top line, the Bank recorded a 31% increase year-on-year with Total Operating Income at MUR 2.9bn at the end of June 2018. This helped to absorb specific provisioning with capital provision levels reaching 64% coverage ratio before write offs of non-performing assets. We believe we have a stronger and more stable balance sheet with our repositioning and de-risking strategy successfully executed during the year. With Net Profit after Tax (NPAT) standing at MUR 766m, we believe the Bank's success for the year has been through disciplined execution of our strategy, led by our key differentiators: Customer-Focus, Teamwork, Innovation and Sustainability. The higher level of provisioning to stabilise the asset quality explains a decline in NPAT from MUR 817m to MUR 766m. Cost containment remained in the forefront as Cost to Income Ratio was maintained at 32%.

The introduction of new regulations such as Basel III and IFRS 9 Financial Instruments make it challenging to grow revenues but we seem to be well prepared and in position to compete.

Re-structuring our businesses lines has given us the opportunity to deliver better collaboration and synergies to cross-sell with more innovative and differentiated value propositions. We continue to nurture a dedicated team who ensures proximity to our target markets and clients.

- Corporate Banking: Awarded as the `Best Corporate Bank 2018' by Banker Africa for the 2nd consecutive year, we delivered an 11% growth in income compared to last year.
- Consumer Banking: Our re-structured cluster regrouping Wealth Management, Private Banking, Personal Banking and Business Banking has enabled a successful cross-selling strategy of our products, particularly from AfrAsia Capital Management Limited, and enabled us to grow our Custody portfolio significantly from last year.

- International Banking: Total deposits from global business banking represent 14.4% of the total deposits of all Banks in Mauritius (Segment B only).
- Treasury & Markets: Our strategy has delivered a robust performance. With a better liquidity management framework in place, coupled with steady increase in rates both locally and internationally, our Net Interest Income has been boosted by 57.8% during the year. This enabled our Total Operating income to exceed our target.
- The brand has been growing locally and internationally through various efforts mainly with our flagship event AfrAsia Bank Mauritius Open which has a potential reach of over 400 million households worldwide and provides the Bank with visibility in the right target market. We have also engaged in providing relevant research on wealth markets in Africa and the region, which is aligned with our strategy to focus on this part of the world. We continued to build the capabilities of our South Africa Representative Office and collaborate more closely in East and West Africa to source deals. The mission is to capture trade and investment flows to and from these two areas, supplemented by investment flows to each of the regions from Asia and elsewhere. With the opportunities lying in front of us, and the availability of a talent pool and global network, we are fully committed to tap into emerging markets while showcasing Mauritius as an International Financial Centre of choice.

CREATING VALUE FOR OUR STAKEHOLDERS AND ENGAGING WITH THEM EQUALLY IMPLIES THEY ALSO NEED TO UNDERSTAND OUR PHILOSOPHY, OUR LONG-TERM OBJECTIVES AND HOW OUR CLOSE COLLABORATION CAN MAKE AFRASIA A SUSTAINABLE BRAND.

Building on our Brand Pillars - Customer Focus, Innovation, Teamwork and Sustainability

Our major founding principles, executed to reshape our DNA and culture, have been critical to the growth of our business. Customer-Focus has been key, where we have continued to listen to our clients, and developed our products and capabilities to meet their requirements progressively and effectively. Our yearly survey revealed that the reorganisation of our operations and processes, complemented with increased staff training over the last financial year, have been bearing the expected fruits, especially from a B2B perspective, with a rising Customer Satisfaction Index (CSI) at 78 in 2018 compared to 69 in 2017.

To support this and enable us become a more digital, competitive and agile bank, we are leveraging Innovation, where we have introduced various digital initiatives including client onboarding mobile applications, migration to cloud and we continue to invest in mobile solutions, automation and artificial intelligence to drive efficiency, and better serve and protect our customers.

CHIEF EXECUTIVE OFFICER'S MESSAGE (CONTINUED)

There is no doubt that our people remain our most important asset, and the environment, the organisational culture and their well-being matter. After reviewing our core values to `DARE', we have, this year, invested more in employee development than ever before and training hours increased significantly. We have also redesigned our workplace with a more meaningful approach, to create a blue-sky thinking environment that further promotes a collaborative culture, creativity and thus Teamwork.

Sustainable banking is a strategic priority for us. We intend to become a leader in this field, both in terms of our product offering and our contribution to building a sustainable economy. As part of our objective `Responsible Bank 2020', we are integrating Sustainability principles that acknowledge our everyday business decisions and processes. To promote lifelong learning opportunities, we have launched during the year the AfrAsia School, managed by our Foundation, demonstrating our larger commitment to society. We plan to build this over the next decades to have a small but meaningful impact on our environment.

WITH OUR CONTINUED IMPROVEMENTS IN OUR EXECUTION CAPABILITIES, THE OPPORTUNITIES LYING AHEAD OF US AS WELL AS OUR PROVEN ABILITY TO INNOVATE AND ENGAGE WITH OUR STAKEHOLDERS WILL ENSURE THAT THE AFRASIA GROUP IS WELL POSITIONED TO GROW PROFITABLY INTO THE FUTURE.

We are hosting the very first AfrAsia Bank Sustainability Summit in October this year, grouping renowned speakers, to debate on Sustainable Development Goals related themes in their everyday business, and simultaneously sharing knowledge with all our stakeholders - customers, shareholders, employees, suppliers and all other partners. Creating value for our stakeholders and engaging with them equally implies they also need to understand our philosophy, our long-term objectives and how our close collaboration can make AfrAsia a sustainable brand. This challenging and exciting mission also means we need to keep educating our employees while bringing this very deep thought to our everyday interaction.

Looking forward to successful years ahead of us

We enter the financial year 2018-2019 with a positive outlook and the drive to transform the organization and create a sustainable future for the AfrAsia brand.

We are in a dynamic environment which is expected to witness changes following the evolution of regulations, technology and client expectations. To remain successful in this ever-evolving environment is a challenge. We must assess the host of disruptive technologies being rolled out and adopt quickly to sustain competitive advantage. People will have to be more adaptive to change and we need to promote that aspect of financial literacy to make them understand that technological disruption as a component of our business strategy is only here to make banking simple and more efficient. Alongside these developments, continuous investment in cybersecurity remains crucial to protect the Bank and its customers.

As regards our strategic footprint, Africa remains the hinterland for Mauritius. There is much work to do to promote the country as a sophisticated financial centre, and we fully believe in the continent's potential despite the socio-political instability in some areas. Targeting African High Net Worth Individuals to invest in or use Mauritius as an investment hub is an area of focus. We are looking at restructuring our SA office to tap into the market, and promote Mauritius as an investment platform. Our flagship golf tournament and biggest brand-building event, the AfrAsia Bank Mauritius Open, positions the island on the world map as a financial and lifestyle hub and is a unique opportunity to build relationships.

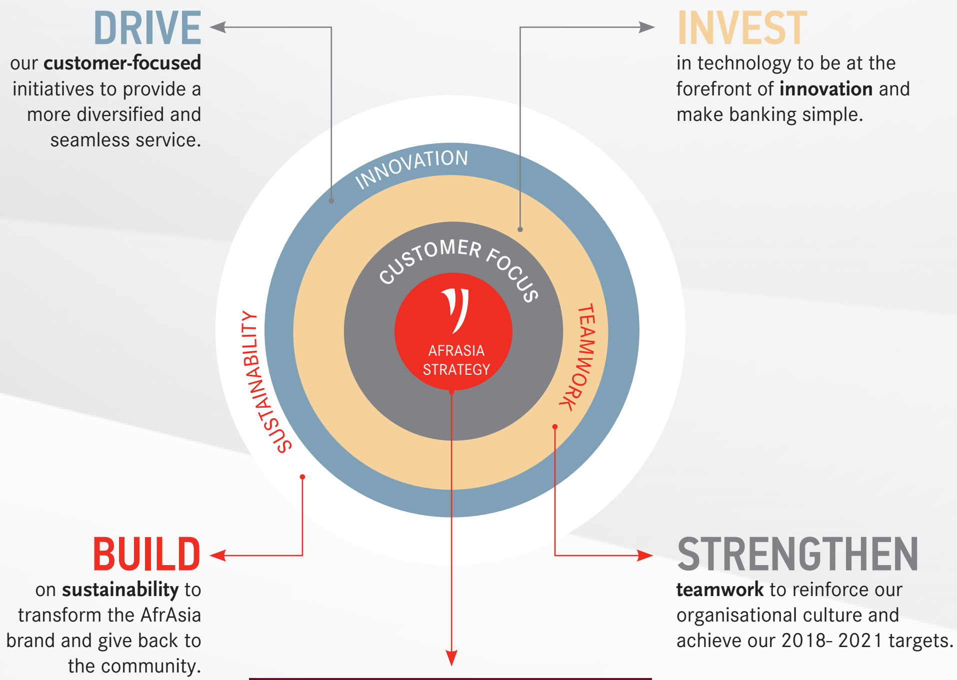
Our people's dedication to our clients, our vision and core values give me confidence in AfrAsia's future. As I look forward, there is no doubt that with our continued improvements in our execution capabilities, the opportunities lying ahead of us as well as our proven ability to innovate and engage with our stakeholders will ensure that the AfrAsia Group is well positioned to grow profitably into the future. We wish to work towards building a position where our clients regard us as an institution which creates a future where financial services and products are delivered differently.

Appreciation

I thank the Chairman, the Shareholders, the Board members and my fellow Management team for their support and guidance. To our clients from 140 countries, thank you for choosing to bank different. I also extend a thank you note to all our stakeholders for accompanying us in our journey. Indeed, our success would not have been possible without the unflinching hard work and team spirit of our passionate AfrAsians, who continue to uphold the `Bank Different' promise every day.

SANJIV BHASIN
Chief Executive Officer

Building on stakeholder engagement to enhance the AfrAsia brand



Our bank's strategy encompasses the building blocks, Customer-Focus, Teamwork, Innovation & Sustainability to create value-added engagement with our stakeholders, while we keep on building bridges between Africa, Asia & the World.

OUR STRATEGIC FOCUS

Over the past few years, our "*Bank Different*" philosophy has enabled us to establish ourselves as a reputed brand in what is a highly competitive landscape. We have identified five strategic focus areas that will help us move closer towards our objective: to be the Bank of Choice for Institutional and Private clients in the next 3 years.

01 FOCUSING ON KEY SEGMENTS TO DRIVE GROWTH

Our most successful business segment remains our "Global Banking", which targets institutional investors, multinationals, family offices, and mass affluent customers. This particular segment is at the top of the leadership agenda; we rely on various initiatives, as well as service and product innovation to continue to develop our Global Banking offer.

We are currently reviewing the operational structure, tariffs & product offerings of our Private Banking and Wealth Management department to anticipate the demands of our various client segments. In what is a new era of investing, our clients are increasingly seeking a different client experience.

02 COST EFFICIENCY

We are currently investing into our operating platform in order to streamline processes and procedures, improving the overall customer experience.

03

ORGANIZATIONAL CULTURE TRANSFORMATION & BRAND SUCCESS

Currently, an exercise is being carried out to gain better insight into our brand positioning in the market, and to identify any gaps. Various strategies and initiatives are being implemented to ensure the Bank's culture and brand are aligned with our overall vision.

A cultural journey has begun, namely with how we engage with our stakeholders and fine-tune the customer experience. Initiatives such as the attraction and retention of talent, benefits, rewards, recognition, training and internal promotions serve to drive our staffs, and motivate them to deliver, and find their place within the Bank.

04

DIGITAL TRANSFORMATION

To keep pace, stay relevant, and map a clearer path forward, it is essential we embrace digital innovations. The IT Steering Committee is working hand in hand with the Board to drive this transformation at every level of the Bank.

05

GREEN IS THE NEW GOLD : SUSTAINABLE BANKING

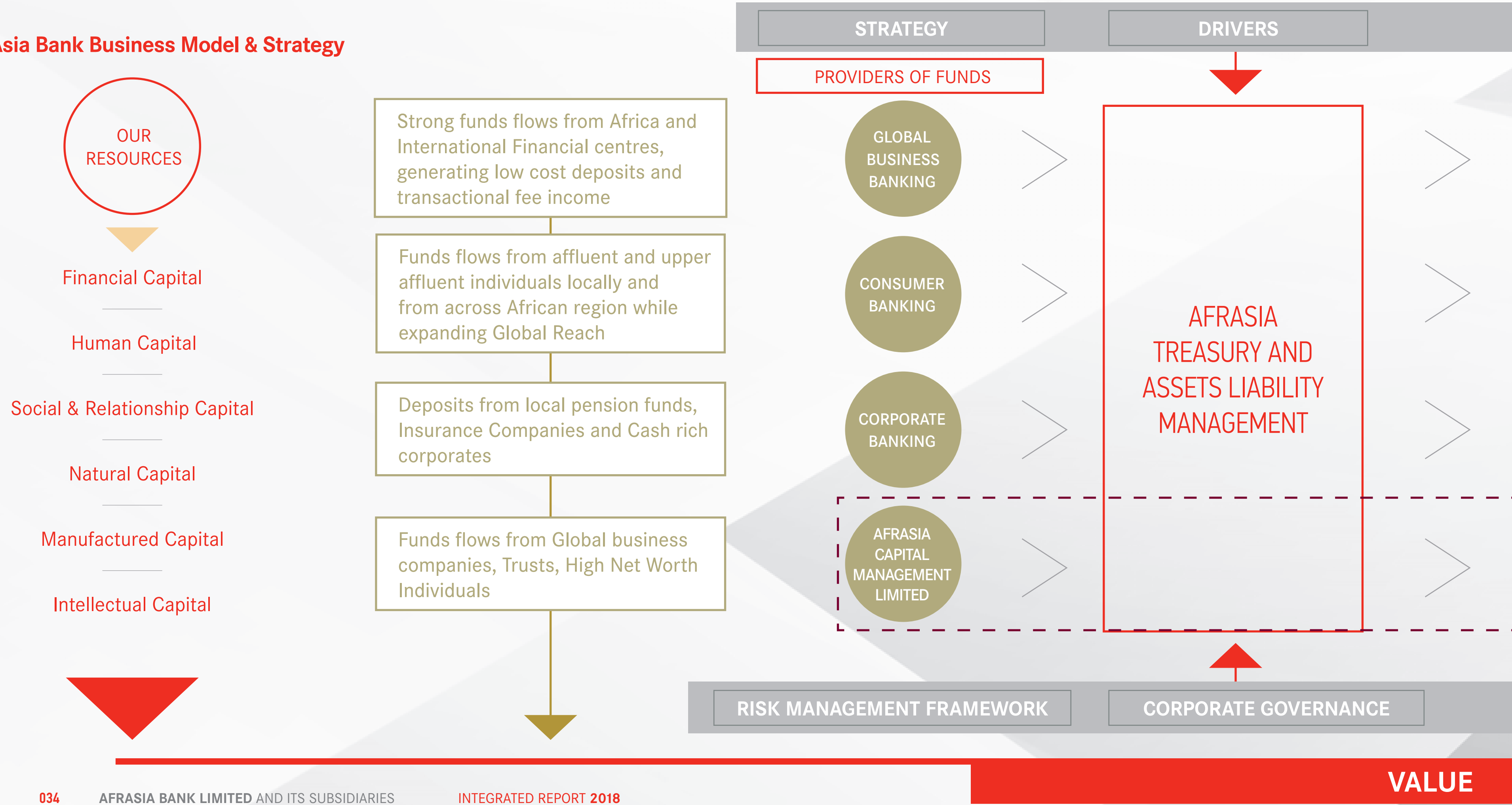
We are committed to addressing the challenge of sustainability, which also presents an opportunity for future growth. We are benchmarking our reporting against the GRI Sustainability Reporting Standards in order to report on financial and non-financial indicators in an accurate and transparent manner.

HOW WE CREATE VALUE

"Value is created, changed or destroyed by an organization through its business model, which takes inputs from the Capitals and transforms them through business activities and interactions to produce outputs and outcomes that, over the short, medium and long term, create or destroy value for the organization, its stakeholders, society and the environment."

Source: http://integratedreporting.org/wp-content/uploads/2013/08/Background-Paper-Value-Creation.pdf

AfrAsia Bank Business Model & Strategy



Our Business Model and Strategy illustrates the ways in which we internally manage our resources and funds to create and distribute value to our stakeholders.

VALUES

USERS OF FUNDS

TREASURY AND MARKETS	Managing excess liquidity of the Bank and optimising balance sheet return
CORPORATE BANKING	Financing the top local conglomerates and selectively banking credit worthy top customers in South Africa, Asia and rest of Africa within permitted regulatory limits
CONSUMER BANKING	Further developing this segment to become a key player in lending to professionals, affluent and super affluent individuals
AFRASIA CAPITAL MANAGEMENT LIMITED	Promotion of investment services to optimise returns for clients

INTERNAL AUDIT & COMPLIANCE

OUR STAKEHOLDERS

OUR STAKEHOLDERS	KPIs
Shareholders & Investors	Dividends >MUR 300m
Customers	Loans & Advances to customers >MUR 28bn
Employees	Personnel expenses MUR 530m
Government & Regulators	TAX MUR 141m
Society (e.g. NGOs)	478 Volunteering Hours
Suppliers & Service Providers	1114 Active suppliers
Industry Associations	We participate in debates and knowledge sharing workshops
Educational Institutions	We have a fresh graduate programme in place
Competitors	We collaborate in knowledge sharing workshops
Media	We regularly engage with the press through press releases

CREATION

HOW WE USE OUR RESOURCES

We allocate our resources in a way that creates shareholder value over the short, medium and long-term. The table below shows the interconnectedness between all factors – both quantitative and qualitative – that impact value creation and offers a holistic view of our Six Capitals.

We have categorized the Bank's resources into the Six Capitals.

RESOURCES (CAPITALS)	HOW WE MANAGE OUR RESOURCES?	INDICATORS	2016-2017	2017-2018
FINANCIAL	We ensure our clients receive the best services and products on the market and that all their banking needs are met in a sustainable way.	Eligible Risk-Weighted Capital Capital Adequacy Ratio Customer Deposits	MUR 6 bn 13.09% MUR 91.1 bn	MUR 6.7 bn 14.7% MUR 111.4bn
HUMAN	Our people are our most valuable asset. We strive to keep them engaged and happy.	Number of employees Diversity (Men:Women) Total Investment in Training Unique Employee Trained Number of Training Hours	314 47%:53% >MUR 0.8m N/A >3,600 hrs	368 49.7%:50.3% >MUR 11m 368 >6,500 hrs
SOCIAL & RELATIONSHIP	We ensure that our employees and customers have a great experience working and collaborating with us.	Number of customers Individual Residents Individual Non Residents Corporate Residents Corporate Non-Residents Staff CSR Volunteer Hours	 >7k >10k >3k >8k >700	 >7k >10k >3k >8k 478 (Participation in CSR projects is core responsibility of CSR department and has not been accounted here)
		No of Active Suppliers/Service Providers	Not Available	1,114

RESOURCES (CAPITALS)	HOW WE MANAGE OUR RESOURCES?	INDICATORS	2016-2017	2017-2018
NATURAL	We strive to utilize our resources in a responsible manner while being mindful about our planet.	Paper consumption Energy consumption (KWH) * Ebene premises only Recycled waste (KG) *Port Louis premises only	5,400 reams Not Available 1,371	4,432 reams 502,977 7,559
INTELLECTUAL	We are guided by the highest principles of integrity and ethics in everything that we do.	Number of ethical practice trainings carried out	Not Available	16
MANUFACTURED	Technology and our IT platform are valuable assets that enable us to grow our client base.	No of active Internet Banking (IB) users Active IB users having completed IB transfers	29,895 111,301	41,111 150,609

More information on the different capitals and our stakeholders can be found in the "Our Performance" section.

HOW WE DISTRIBUTE THE VALUE CREATED

The value created by our organization, both financial and non-financial, is distributed to all major stakeholders as illustrated in the figure in the "Our Approach to Sustainability" section.

FORESEEING

THE INVOLVEMENT OF STAKEHOLDERS

Being proactive is associated with understanding stakeholders' needs and foreseeing upcoming possible issues or opportunities. We have the drive to keep on transforming the organisation and create a sustainable future for the AfrAsia brand in the interest of all our stakeholders.

FORESEEING

CORPORATE GOVERNANCE REPORT

PRINCIPLE ONE – GOVERNANCE STRUCTURE

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. Its core banking and transactional capabilities are in Mauritius along with a representative office in 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.

It is a Public Interest Entity ("PIE") as per the Financial Reporting Act 2004 and is in line with the requirements of the relevant rules, regulations and legislations.

It remains guided by:

- The eight principles issued by the National Committee on Corporate Governance in its "National Code of Corporate Governance 2016";
- The "Guidelines on Corporate Governance 2001" (revised October 2017) issued by the Bank of Mauritius (BOM); and
- The provisions of the Mauritius Companies Act 2001.

AfrAsia Bank Limited has in place a Conduct and Ethics Policy and in line with same, it is committed to employing great people and to promote a culture of mutual respect and ethical behavior. Employees and Directors are expected to treat each other with consideration and respect and are not permitted to engage in conduct which is hostile or offensive to another person. The Bank promotes transparency and all staff and Directors are made aware of their responsibilities.

A copy of the Conduct and Ethics Policy is available on the Bank's website : www.afrasiabank.com

KEY GOVERNANCE POSITIONS

As per its Terms of Reference, the Board of Directors approves all key governance positions within the Bank and the corresponding accountabilities of these key positions. The Board assumes responsibility for leading and controlling the organisation ensuring that all legal and regulatory requirements are met. The roles and responsibilities of the Chairperson and Chief Executive Officer (CEO) are clearly stated and differentiated in the Terms of Reference as listed below:

Chairperson of the Board

The roles of the Chairperson include:

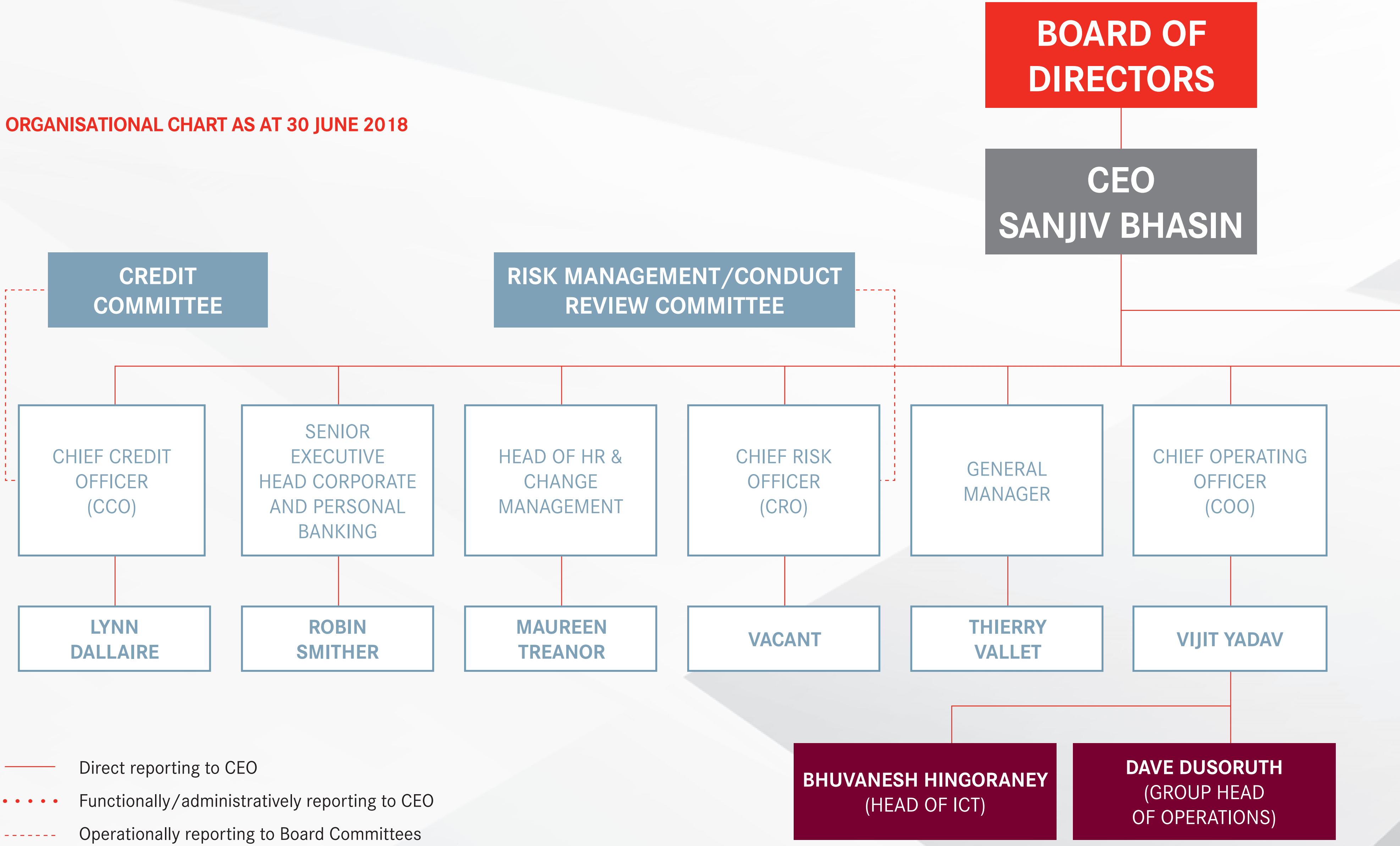
- To preside meetings of Directors and to ensure the smooth functioning of the Board in the interests of good governance. He/ she will usually also preside over the Bank's meetings of shareholders;
- To provide general leadership to the Board and encourage active participation of each Director in discussions and board matters;
- To participate in the selection of Board members to ensure an appropriate mix of competencies, experience, skill and independence on the Board;
- To oversee a formal succession plan for the Board, the CEO and the Senior Management;
- To make sure that monitoring and evaluation of the Board and the Directors' appraisal are carried out;
- To ensure that all relevant information and facts are given to the Board so as to enable it to take informed decisions;
- To maintain sound relations with the Bank's shareholders and ensure that the principles of effective communication and pertinent disclosures are followed; and
- To submit to the Bank, for each financial year, a compliance statement certifying that the Bank has complied with the provisions of law and regulations and guidelines.

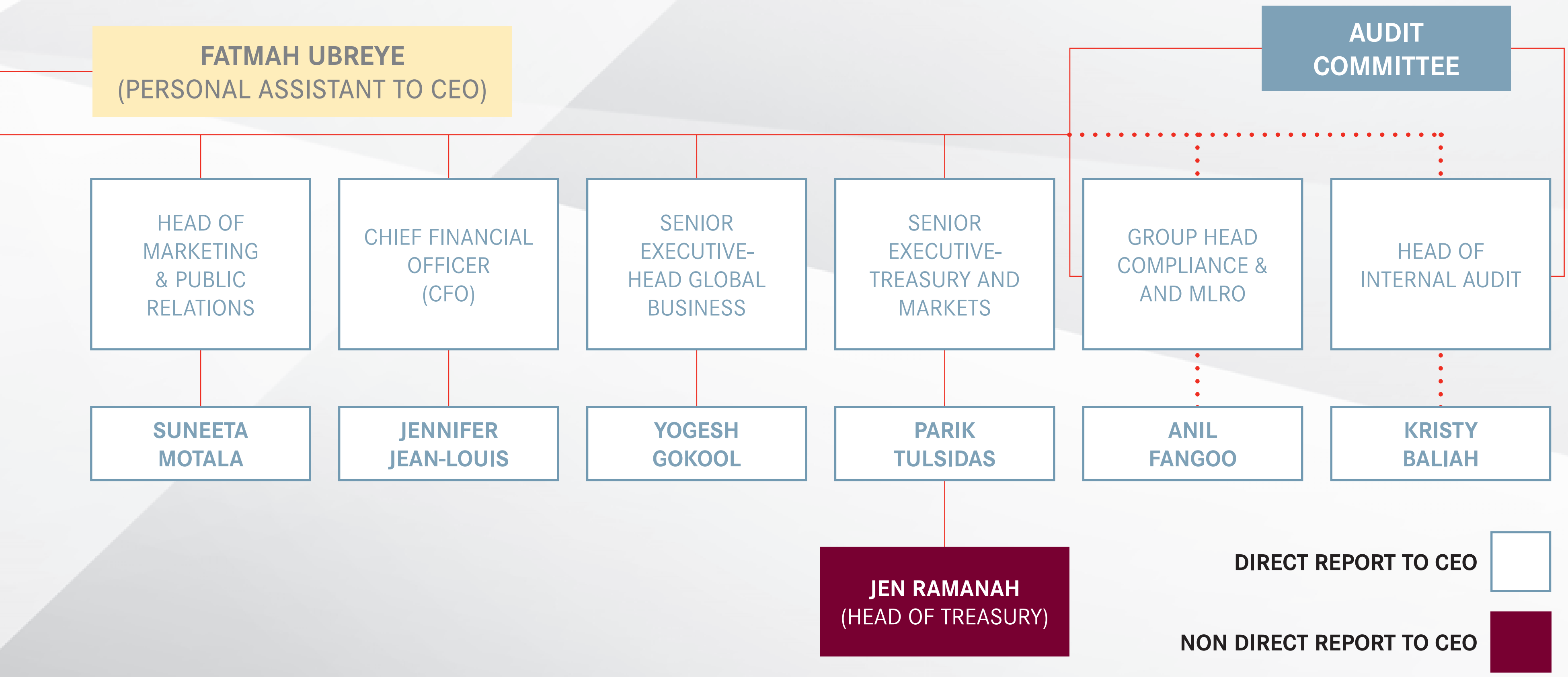
Chief Executive Officer (CEO)

The main functions of the CEO are:

- To develop and recommend to the Board a long-term vision and strategy for the Bank that will generate satisfactory levels of shareholder value and positive, reciprocal relations with the relevant stakeholders;
- To devise and recommend to the Board annual business plans and budgets that support the Bank's long-term strategy. The CEO must ensure that a proper assessment of the risks under a variety of possible or likely scenarios is undertaken and presented to the Board;
- To strive consistently to achieve the Bank's financial and operating goals and objects and ensure the proper management and monitoring of the daily business of the Bank; and
- To be the chief spokesperson for the Bank in relation to all operational and day-to-day matters. The CEO and the other key officers of the Bank must attend meetings of shareholders and be ready to present material operational developments to the meeting.

ORGANISATIONAL CHART AS AT 30 JUNE 2018




AUDIT COMMITTEE
FATMAH UBREYE
(PERSONAL ASSISTANT TO CEO)
HEAD OF MARKETING & PUBLIC RELATIONS
CHIEF FINANCIAL OFFICER (CFO)
SENIOR EXECUTIVE- HEAD GLOBAL BUSINESS
SENIOR EXECUTIVE- TREASURY AND MARKETS
GROUP HEAD COMPLIANCE & AND MLRO
HEAD OF INTERNAL AUDIT
SUNEETA MOTALA
JENNIFER JEAN-LOUIS
YOGESH GOKOOL
PARIK TULSIDAS
ANIL FANGOO
KRISTY BALIAH
JEN RAMANAH
(HEAD OF TREASURY)
DIRECT REPORT TO CEO
NON DIRECT REPORT TO CEO

SENIOR MANAGEMENT TEAM PROFILE

LYNN DALLAIRE

Chief Credit Officer

Fellow Member
Canadian Chartered Institute of Bankers
Master of Business Administration
University of Quebec, Montreal
Lean Six Sigma Green Belt
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.

Lynn completed her two-year contract on 31 August 2018. Sevami Moonien has taken on the role of Head of Credit with effect from 25 July 2018.

Her profile is as follows :

SEVAMI MOONIEN

Head of Credit Risk

B.Sc. (Hons) in Management
University of Mauritius
Date joined AfrAsia: 28-Oct -13

Sevami has an extensive career in the banking sector counting more than 19 years' experience. Prior to joining AfrAsia, Sevami was with Standard Bank (Mauritius) Limited and Barclays Bank PLC Mauritius for more than 9 years holding different senior level positions in the Credit Department. During her career, she has developed a broad knowledge of both local and international markets.

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 set up its financial management framework incorporating finance, taxation and treasury back office. She is a finance professional with over 20 years' experience gained locally and internationally in both public practice and the industry.

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 in Mauritius.

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.

SENIOR MANAGEMENT TEAM PROFILE (CONTINUED)

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 in the financial industry, 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.

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

Robin has over 17 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 Corporate & Personal 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.

THIERRY VALLET

General Manager

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

Date joined AfrAsia: 20-Aug-07

Thierry is an engineer by trade and has worked for large companies such as LONRHO, ILLOVO and IBL. He started his career as Assistant Factory Manager at a sugar factory before successfully heading a Water Treatment Cluster of a local large conglomerate.

In 2000, he went to HEC Paris in France to pursue his MBA 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 and Founder Executive. Thierry has been in charge of several developments at AfrAsia and has been promoted to General Manager since 2012.

Thierry serves as Director on several companies of AfrAsia and has been Acting CEO of ABL from September 2015 to December 2015 as well as Acting CEO of ACM from April 2016 to July 2016.

SENIOR MANAGEMENT TEAM PROFILE (CONTINUED)

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.

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.

Resigned : Effective October 2018

PRINCIPLE TWO – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

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 in 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, the Financial Reporting Act 2004 and the Mauritius Companies Act 2001. The Board reassesses its Terms of Reference as and when required.

The Board also follows the principle of good corporate governance as recommended in the National Code of Corporate Governance 2016 and the BOM Guidelines on Corporate Governance 2001 (revised October 2017). 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's plans and strategies;
- Monitoring and evaluating the implementation of the Bank's strategies, policies and management of 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, 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 are not detrimental to other stakeholders' interests; and
- Reviewing and approving senior management's compensation package.

The Terms of Reference is available for consultation on the Bank's website: www.afrasiabank.com

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 issued 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;
- Short form amalgamation; and
- Transfer of shares.

COMPOSITION OF THE BOARD

The Constitution of AfrAsia Bank Limited provides for a Board comprising a minimum of five Directors and a maximum of fourteen Directors. As at 30 June 2018, the Bank had a unitary Board of eleven experienced, well-known and high calibre members from both local and international financiers. Of the eleven Directors, there is one Executive Director and ten Non-Executive Directors. In line with the "BOM Guidelines on Corporate Governance 2001" issued by the Bank of Mauritius, AfrAsia Bank Limited satisfies the minimum percentage of non-independent Directors as depicted on page 53. The Board of Directors comprises of 45% non-independent shareholder related Directors.

As per the Code of Corporate Governance, all boards should have a strong executive management presence with at least two Executives as members. 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.

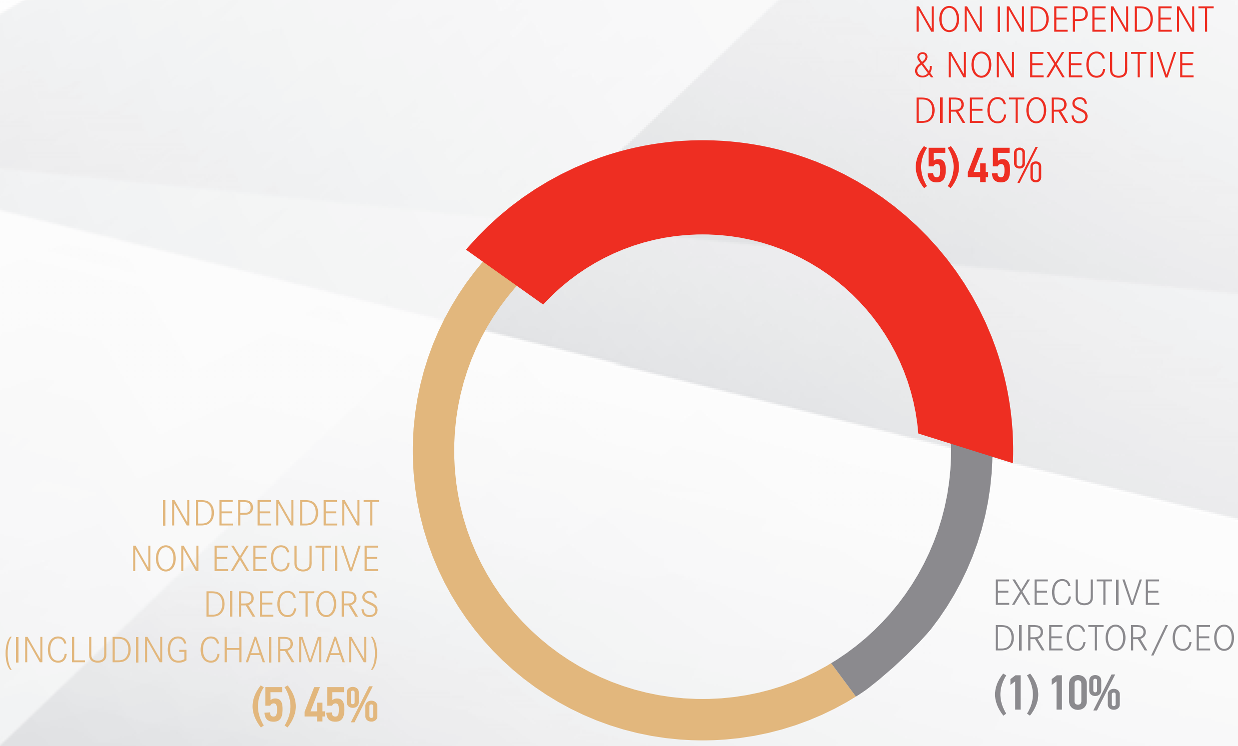
In February 2017, Catherine McIlraith resigned as Director of AfrAsia Bank Limited. The Board has not yet found a suitable candidate to replace Mrs McIlraith and remains committed to maintain a suitably required diversity of its Board members.

During the financial year, the Board welcomed two new members, Mr Boon Huat Lee as Independent Non-Executive Director on 30 January 2018 and Mr Dipak Chummun as Non-Executive Director on 30 April 2018. A complete induction pack was submitted to all newly appointed Directors and they were given various opportunities to discuss with the CEO and corporate officers to better understand the business.

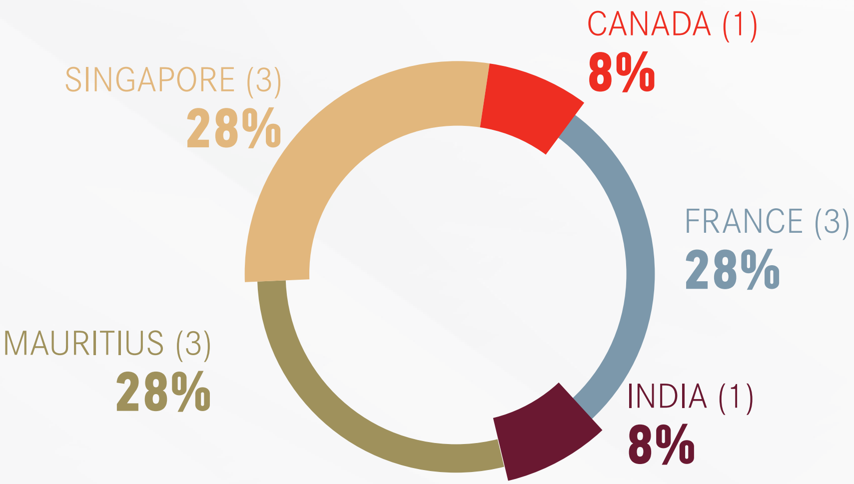
During the year under review, the Board met on four occasions. Decisions were also taken by way of resolutions in writing, assented and signed by all the Directors.

COMPOSITION OF THE BOARD (CONTINUED)

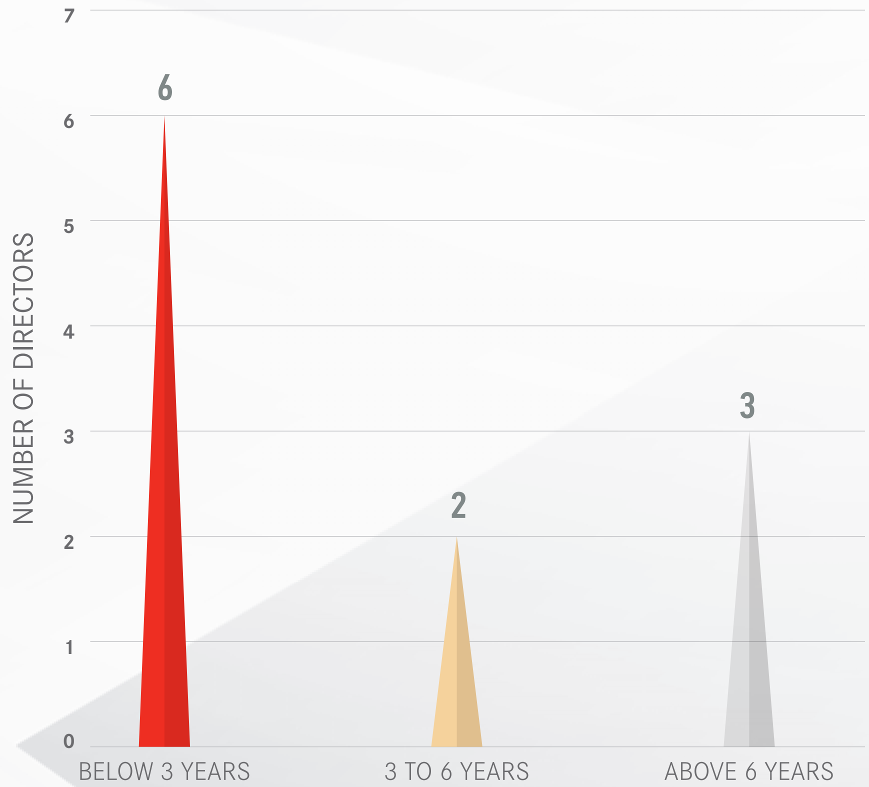
Board Representation as at 30 June 2018 was as follows:



Directors' country of residence as at 30 June 2018 was as follows:



Directors' length of service as at 30 June 2018 was as follows:



DIRECTORS

The Directors/Alternate Director of the Bank as at 30 June 2018 were as follows:

Lim Sit Chen (Maurice) Lam Pak Ng
(Chairman)

Sanjiv Bhasin
(Chief Executive Officer)

Arvind Sethi

Boon Huat Lee
(Appointed on 30 January 2018)

Dipak Chummun
(Appointed on 30 April 2018)

Graeme Robertson
(Resigned on 16 August 2018)

Henri Calvet

Jean-Claude Béga

Luc Paiement

Philippe Jewtoukoff

Yves Jacquot

Dominic Joseph Pierre Jacques
(Alternate Director to Yves Jacquot and Luc Paiement)

Nicolas Weiss
(Resigned on 30 April 2018)

DIRECTORS' PROFILE

LIM SIT CHEN (MAURICE) LAM PAK NG

Independent Non-Executive Chairman

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: 22-Nov-17
Length of service as Director: 11 years 4 months

Present directorship

Listed entity:
Gamma Civic Ltd

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

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

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: 22-Nov-17
Length of service as Director: 2 years 7 months

Present directorship

Other non-listed entities:

AfrAsia Capital Management Limited

Mauritius Institute of Directors

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 the 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 Asia. He thereafter joined as CEO DBS India, leading them to be the fourth largest foreign bank in India during his tenure, launched DBS India's Digital Banking Foreign locally.

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 the Bank to embrace the digital change.

Country of residence: Mauritius

DIRECTORS' PROFILE (CONTINUED)

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: 22-Nov-17
Length of service as Director: 2 years 2 months

Present directorship

Other non-listed entities:

Bear Falls Plantation Resort Pvt. Ltd
Bloom Plantation & Resort Pvt. Ltd
CAP-M Consulting India Private Limited
Eden Plantation Resort Pvt. Ltd
Flourish Plantation Resort Pvt. Ltd
HSBC InvestDirect (India) Limited
HSBC InvestDirect Financial Services (India) Limited
Old World Hospitality Private Limited
Sundaram Alternate Assets Limited
Sundaram Asset Management Company Limited
Sundaram Tyres Lanka Limited
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, and 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 Independent Director on the Board of Rabo India Finance Limited and Canara Robeco Asset Management.

Country of residence: India

BOON HUAT LEE

Independent Non-Executive Director

Bachelor of Business (Accounting) degree
Western Australian Institute of Technology
(now known as Curtin University)
Member of Singapore Institute of Directors
Date first appointment as Director: 30-Jan-18
Length of service as Director: 5 months

Present directorship

Listed entities:
Alliance Bank Malaysia Berhad
British Malayan Holdings

Other non-listed entities:
Chairman Taman Jurong Active Aging Committee
Council Member for People Association
Active Aging Council
Credit Counsounseling Limited
Grass Root Leader, People Association and Taman Jurong
Novena 756 Pte Ltd
Novena 757 Pte Ltd
Technology Commercial JSB

Boon is a financial services veteran with a proven record in the emerging markets financial sector. He has extensive experience in the building and up-scaling of businesses in Asian financial services. His broad and deep expertise enabled business to connect with emerging industry trends and establish best practices ahead of the game to build a successful and sustainable operating model.

With experience in financial markets, business management and governance across both the public and private sectors, Boon Huat is a keen and sturdy helmsman with astute judgment for navigating the sensitive terrain of financial services and operations.

Country of residence: Singapore

DIRECTORS' PROFILE (CONTINUED)

DIPAK CHUMMUN

Non-Executive Director

Bachelor in Computer Science (BSc)
University of Manchester

Fellow Chartered Accountant (FCA)
Institute of Chartered Accountants in England & Wales

Date first appointment as Director: 30-Apr-18
Length of service as Director: 2 months

Present directorship

Listed entity:
Mauritian Eagle Insurance Company Limited

Other non-listed entities:
Adam and Company Limited
Air Mascareignes Limitee
Arcadia Travel Ltd
Australair General Sales Agency Ltd
Bloomage Ltd
Blychem Ltd
Blyth Brothers & Company Limited
Cassis Limited
Cervonic Ltd
Compagnie Thonière De L'océan Indien Ltée
Construction & Material Handling Company Ltd
DieselActiv Co Ltd
DTOS International Ltd
DTOS Ltd
Economic Development Board
Engineering Service Support Ltd
Engitech Ltd
Equip And Rent Company Ltd
Escape Outdoor & Leisure Ltd
G2a Camas Ltd
Ground 2 Air Ltd
I World Ltd
IBL Cargo Village Ltd
IBL Corporate Services Ltd
IBL Entertainment Holding Limited
IBL Entertainment Limited
IBl Financial Services Holding Limited
IBL Fishing Company Ltd
IBL Shipping Company Ltd
IBL Training Services Limited
IBL Treasury Ltd
IBL Treasury Management Ltd
I-Consult Limited
IMV Services Ltd
Interface International Ltd
Ireland Fraser & Company Limited
I-Telecom Ltd
Knights & Johns Management Ltd
Kuros Company Ltd
La Tropicale Mauricienne Ltée
Logidis Limited
Manser Saxon Contracting Limited
Manser Saxon Elevators Ltd
Manser Saxon Openings Limited
Manser Saxon Plumbing Ltd
Manser Saxon Training Services Ltd
Marine Biotechnology Products Ltd
Mauritian Eagle Leasing Company Limited
Medical Trading Company Limited
Medical Trading International Limited
Mer Des Mascareignes Limitée
National Committee For Corporate Governance
New Cold Storage Company Limited
Scomat Limitée
Seafood Hub Limited
Seaways Marine Supplies Limited
Servequip Ltd
Societe De Traitement Et D'assainissement Des Mascareignes Limitee
Societe Mauricienne De Navigation Limitee
Somatrans Sdv Limited
Somatrans Sdv Logistics Limited
Stock Exchange Of Mauritius
Systems Building Contracting Ltd
The Ground Collaborative Space Ltd
Tornado Limited
Winhold Limited

Dipak is a seasoned finance and financial services professional with over 25 years of international experience in management consulting, corporate and investment banking, finance and strategy. He has held regional and group head roles with Standard Chartered, Barclays, Emirates NBD and Deutsche Bank in London, Hong Kong, Dubai, Singapore, and most recently Frankfurt, where he was finance Director for strategic financial planning at Deutsche Bank global head-quarters. He came back to Mauritius and joined IBL Ltd as Group Chief Finance Officer from January 2015. He currently holds directorships with several public interest entities, listed and regulated companies, and is a Director of the Stock Exchange and the Economic Development Board of Mauritius and a former International Advisory Board Member of the ICAEW, based in the UK.

Country of residence: Mauritius

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 : 22-Nov-17
Length of service as Director : 6 years 10 months
Date of resignation : 16-Aug-18

Educated in Sydney, Australia, Graeme has spent most of his life in Southeast Asia and Africa. He has been responsible for pioneering the development and management of world class mining, energy and infrastructure operations. He is the recipient of the ASEAN Development, Millennium 500 and Coaltrans Life Achievement Awards for his business achievements in emerging nations. Graeme is a humanitarian with strong interests in poverty alleviation, education and health improvement. In Mauritius he advises on energy, grows diabetic friendly Mighty Rice, and provides corporate and financial services with Intrasia Investments Limited and actively supports AfrAsia Group.

Country of residence: Singapore

Present directorship
Listed entities:
Intra Energy Corporation - Chairperson
Other non-listed entities:
AfrAsia Capital Management Limited
AfrAsia Investments Limited
AfrAsia Foundation – Chairperson
Australian Chamber of Commerce, Mauritius, President
Intrasia Capital Pte Ltd - Chairperson and owner of the group and its subsidiaries
Intrasia Investments Limited
LJ Management (Mauritius) Limited
Madagascar Estates Development Partners – Chairperson
Mining & Energy Club of Mauritius – Chairman
Nu Africa Gas Ltd – Chairperson
Vita Rice Limited – Chairperson

DIRECTORS' PROFILE (CONTINUED)

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: 22-Nov-17

Length of service as Director: 3 years 3 months

Present directorship

Other non-listed entities:

Advanced Bank of Asia (ABA)

H2C Conseil

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 and 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

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: 22-Nov-17
Length of service as Director: 6 years and 8 months

Present directorship

Listed entities:

Alteo Limited
IBL Ltd
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)

Other non-listed entities:

AfrAsia Capital Management Limited
AfrAsia Corporate Finance Limited
Anahita Estates Limited (Non-Executive Chairman)
Alteo Properties Limited
Anahita Residences and Villas Limited
Anglo African Investments Ltd (Non-Executive Chairman)
Camp Investment Company Limited
DTOS Ltd (Non-Executive Chairman)
Edena S.A
GML Finance Holding Ltd
IBL International Ltd
Interface International Ltd
International Sugar Expertise & Management Limited
Knights and Johns Management Ltd (Non-Executive Chairman)
LCF Holdings Ltd
LCF Securities Ltd
Mauritius 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 in July 2016 and as Executive Director of IBL Ltd in August 2018 and currently heads IBL Group's financial services and business development activities including M&A, strategic initiatives and integration.

Country of residence: Mauritius

DIRECTORS' PROFILE (CONTINUED)

LUC PAIEMENT

Non-Executive Director

Bachelor of Commerce
Concordia University Montréal
Date first appointment as Director: 19-Dec-16
Date of last re-appointment: 22-Nov-17
Length of service as Director: 1 year 6 months

Present directorship
Other non-listed entities:
AfrAsia Capital Management Limited
AfrAsia Investments Limited
Investment Industry Regulatory Organization of Canada (IIROC)

With 35 years' 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 team. He has held a variety of strategic positions in the wealth management, investment banking and institutional equity sectors. During his time at National Bank of Canada, 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

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
Date of last re-appointment: 22-Nov-17
Length of service as Director: 1 year 1 month

Present directorship
Other non-listed entities:
Newparf
PERMCO
Parfum Direct

During his 33 years long career in the banking sector, Philippe has got 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 specialized 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

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: 22-Nov-17
Length of service as Director: 3 years 5 months

Present directorship
Other non-listed entities:
AfrAsia Capital Management Limited
AfrAsia Investments Limited
ABA Bank (Cambodia) - Chairman
ATA (Thailand) Company Limited - Chairman
TenGer Financial Group LLC
XacBank LLC

Yves has 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

DOMINIC JACQUES

Alternate Director to Yves Jacquot and Luc Paiement

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: 1 year 9 months

Present directorship
Listed entities:
NSIA Banque Côte D'Ivoire
Other non-listed entities:
ABA Bank (Cambodia)
ATA IT Ltd. (Thailand)
NSIA Participations (Côte D'Ivoire)

Dominic Jacques 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 set up 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 in place 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 are: Corporate Governance Committee, Credit Committee, Risk Management / Conduct Review Committee and Audit Committee with their respective members as per below as at 30 June 2018:

Directors	Corporate Governance Committee	Credit Committee	Risk Management / Conduct Review Committee	Audit Committee
Lim Sit Chen (Maurice) Lam Pak Ng (Independent Non-Executive Chairman)	**Chairman** Date of appointment: 19 June 2013	**Chairman** Date of appointment: 07 June 2017	✓	
Sanjiv Bhasin (Chief Executive Officer)	✓		✓	
Arvind Sethi (Independent Non-Executive Director)			✓	**Chairman** Date of appointment: 27 July 2016
Henri Calvet (Independent Non-Executive Director)		✓	**Chairman** Date of appointment: 23 March 2015	✓
Jean-Claude Béga (Non-Executive Director)	✓			
Philippe Jewtoukoff (Independent Non-Executive Director)				✓

Directors	Corporate Governance Committee	Credit Committee	Risk Management / Conduct Review Committee	Audit Committee
Yves Jacquot (Non-Executive Director)	✓	✓	✓	
Nicolas Weiss (Resigned on 30 April 2018)	✓			

Each Committee has its own Terms of Reference which can be consulted on the Bank's website: www.afrasiabank.com

The Board reassesses the Terms of Reference of each Committee as and when required.

Audit Committee

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

The duties of the Committee comprise:

General

- Ensure that there is an open avenue of communication between the Head of Internal Audit, the Head of Compliance, 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;
- Consider, in consultation with the External Auditors and the Head of Internal Audit, the audit plans and scope, ensuring the co-ordination of audit effort is maximized;
- Perform such additional duties as may be assigned to it by the Board of Directors;
- Report to the Directors on the conduct of its responsibilities, with particular reference to the appointment, powers and duties of auditors, as per section 39 of the Banking Act 2004;

BOARD COMMITTEES (CONTINUED)

Audit Committee (continued)

General (continued)

- Review the unaudited and/or audited financial statements of the Bank before they are approved by the Board of Directors;
- Review the unaudited and/or audited financial statements of AfrAsia Investments Limited (AIL) before they are approved by the Board of Directors;
- Review all transactions which could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the Committee or as may otherwise come to its attention; and
- Ensure that the Bank complies with regulatory requirements.

Financial Statements

- Examine, review and challenge the quality and integrity of the financial statements of the Bank, including External Auditor's report, annual and half-yearly reports, interim reports and any other formal announcement relating to the organisation's financial performance;
- Review and report to the Board on significant financial reporting issues and judgements which these financial statements contain, having regards to matters communicated to the Committee by the Auditors;
- Review with management any significant difficulties or disputes encountered during the audit;
- Review other matters related to the conduct of the audit which are to be communicated to the Committee under the Banking Act 2004, the Mauritius Companies Act 2001 and International Financial Reporting Standards;
- Oversee appropriateness of the process, models and the assumptions made for IFRS 9, their impact on financial statements and to satisfy themselves that the dynamic nature of calculating and reporting the Probability of Default and the Expected Credit Loss is maintained, as per the requirements of the Bank of Mauritius; and
- The Audit Committee should try and meet or convene by phone at least one week before the review of the formal review of audited annual financial accounts which are recommended to the Board for approval, so that any important issues which need to be discussed with management and the external auditors are given sufficient time for resolution.

Audit Committee (continued)

Internal Control

- Enquire from management, the Head of Internal Audit and the external auditors about significant risks or exposures and evaluate the steps taken to minimise such risk to the Bank;
- Consider and review with management and the Head of Internal Audit significant findings during the year and management's responses thereto;
- Require management to implement and maintain appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures; and
- Ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws and examine and review the contents of the external auditors' management letter, together with management's responses thereto.

External Audit

- Recommend to the Board of Directors, the external auditors to be appointed and their remuneration, review and approve the scope and quality of their work, independence and their discharge or resignation and examine and review any significant changes which have been required in the external auditors' audit plan;
- Consider with management and external auditors the rationale for employing external audit firms for the audit of any subsidiary company other than the principal external auditors;
- Ensure that at least once every five years the external audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other external audit firms;
- Oversee the selection process of tenders and ensure that all tendering firms have access to information and individuals during the duration of the tendering process. Several firms should be screened and the Committee should obtain written or verbal proposals to enable it to arrive at a recommendation;
- If an external auditor resigns, the Committee shall investigate the underlying issues leading to the resignation and decide whether any action is required;
- Oversee the relationship with the external auditors including (but not limited to):
  - Recommendations on their remuneration for non-audit services;
  - Approval of their terms of engagement, including any engagement letter issued at the start of each external audit and the scope of the audit;

BOARD COMMITTEES (CONTINUED)

External Audit (continued)

- Assess annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- Satisfy themselves that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Bank (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
- Monitor the external auditors' compliance with relevant ethical and professional guidance on the rotation of external audit partner, the level of fees paid by the Bank compared to the overall fee income of the firm, office and partner and other related requirements;
- Assess annually the qualifications, expertise and resources of the external auditors and the effectiveness of the external audit process, which shall include a report from the external auditors on their own internal quality procedures; and
- Evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of withdrawal of the external auditors from the market in that evaluation.

- Meet regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the external audit.

Internal Audit

- Review and approve, where possible in advance of the event, the appointment replacement, reassignment, or dismissal of the Head of Internal Audit;
- Consider and review with management and the Head of Internal Audit:
    - Any difficulties encountered in the course of internal audits and any restrictions placed on internal audit scope of work or access to required information or personnel;
    - The audit plan of future audits to be conducted;
    - The internal auditing department's budget and staffing; and
    - Any changes which have been required in the previously approved audit plan.
- Approve the remuneration of the Head of Internal Audit.

Compliance

- Review regular reports from the Head of Compliance and keep under review the adequacy and effectiveness of the Bank's compliance function; and
- Consider and review the control plans of the Compliance function.

Corporate Governance Committee

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

- To deal with all corporate governance issues and make 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 Guidelines on Corporate Governance issued by the Bank of Mauritius and ensure 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 make 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 and allow 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

The fundamental functions falling under the onus of the Risk Management / Conduct Review Committee include:

- Review and have an oversight on all the principal risks to which the Bank is exposed which include but are not limited to credit, market, liquidity, operational, legal, compliance and reputational risks and the actions taken to mitigate such risks;
- Ensure that the Bank maintains a satisfactory liquidity and solvency ratio at all times;
- Formulate and make recommendations to the Board in respect of risk management issues including limits setting and risk appetite;
- Receive periodic information on risk exposures and risk management activities from senior officers;
- Ensure that the CEO facilitates training programmes for Directors and senior management to enable them to have a robust understanding of the nature of the business and that of the risks, the consequences of the risks being inadequately managed and the techniques for managing the risks effectively;

Risk Management / Conduct Review Committee (continued)

- Review and approve discussions and disclosure of risks;
- Provide prior endorsement for appointment and removal of the Chief Risk Officer;
- Require management to establish policies and procedures to comply with the requirements of the Guidelines on Related Party Transactions;
- Review the policies and procedures periodically to ensure their continuing adequacy and enforcement;
- Review and approve credit exposures to related parties;
- Ensure market terms and conditions are applied to all related party transactions;
- Review the practices of the Bank to ensure that any transaction with related parties which may have a material effect on the stability and solvency of the Bank is promptly identified and dealt with in a timely manner; and
- Report 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.

ATTENDANCE REPORT

The attendance report of the Directors at Board and Committee meetings for the year ended 30 June 2018, as well as their individual remunerations and benefits paid, are shown below:

	Board of Directors	Audit Committee	Corporate Governance Committee	Credit Committee	Risk Management/ Conduct Review Committee	Remuneration Paid		
No of meetings held	4	4	6	4	4	Fixed MUR'000	Variable MUR'000	Total MUR'000
Lim Sit Chen Lam Pak Ng (Chairman)	4	-	6	4	4	6,600	270	6,870
Sanjiv Bhasin (Chief Executive Officer)	4	-	4	-	4	17,546	-	17,546
Arvind Sethi	4	4	-	-	4	440	400	840
Boon Huat Lee (Appointed 30 January 2018)	2	-	-	-	-	-	-	-
Dipak Chummun (Appointed 30 April 2018)	1	-	-	-	-	-	-	-
Graeme Robertson (Resigned on 16 August 2018)	4	-	-	-	-	440	-	440
Henri Calvet	4	4	-	4	4	440	930	1,370
Jean-Claude Béga	4	-	3	-	-	440	-	440
Luc Paiement	4	-	-	-	-	440	-	440
Philippe Jewtoukoff	4	4	-	-	-	276	90	366
Yves Jacquot	4	-	6	4	4	440	835	1,275

	Board of Directors	Audit Committee	Corporate Governance Committee	Credit Committee	Risk Management/ Conduct Review Committee	Remuneration Paid		
No of meetings held	**4**	**4**	**6**	**4**	**4**	**Fixed MUR'000**	**Variable MUR'000**	**Total MUR'000**
Nicolas Weiss (Resigned on 30 April 2018)	3	-	3	-	-	440	225	665
Catherine McIlraith (Resigned on 23 February 2017)	-	-	-	-	-	66	215	281

COMPANY SECRETARY

The Company Secretary provides assistance and guidance to the Directors in fulfilling their duties while acting with the utmost integrity and independence in the best interest of the Bank. It has a key role to play in the application of corporate governance within the Bank.

The main duties of the Company Secretary include the following:

- Ensure that all statutory filings are done in a timely manner and that the Bank is in good standing;
- Keep the statutory registers and make sure that they are updated;
- Arrange and attend meetings of shareholders, Directors and Committees and draft the minutes accordingly;
- Organise Annual and Special meetings of shareholders and draft the minutes accordingly;
- Safekeeping of the minutes books and of the legal documents, for example, Certificate of Incorporation; and
- Ensuring that the Bank complies with its Constitution and all applicable legal and regulatory requirements, including relevant codes, guidelines and rules established by the Board.

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

PRINCIPLE THREE – DIRECTORS' APPOINTMENT PROCEDURES

BOARD MEMBER APPOINTMENT

The Board has mandated the Corporate Governance Committee to select and review candidacies of the proposed Directors. The selection of candidates is based on a number of objective criteria, for instance:

- Skills, knowledge and experience;
- Independence of mind;
- Needs of the Board at this period; and
- Board diversity.

Once the selection process has been completed, it makes its recommendation to the Board of Directors for approval.

For the purpose of filling a casual vacancy, the Board may approve the proposal of the Corporate Governance Committee. As such, the proposed Director shall stay in office until the next following annual meeting whereby he/ she can be appointed by the shareholders.

The newly appointed Director shall receive a Letter of Appointment whereby the following details are provided:

- Terms of Appointment;
- Time Commitment;
- Roles and Duties;
- Outside Interests;
- Confidentiality;
- Price Sensitive Information & Dealing in the Bank's Shares;
- Induction; and
- Insurance.

INDUCTION

Following appointment on the Board, the Directors receive an extensive and formal induction training to familiarize themselves with the activities of the Bank. In addition to receiving an information pack, the Directors also get accustomed with the Terms of Reference of the Board and their statutory duties and obligations.

Directors also receive quarterly ongoing training on regulatory changes and updates, which includes briefings to Audit Committee members.

The Chairman ensures that the development needs of the Directors are identified and consequently appropriate training is provided to continuously update their skills and knowledge.

SUCCESSION PLANNING

In accordance with its Terms of Reference, the Board is responsible for the succession planning of the Board, the Chief Executive Officer and Senior Management of the Bank.

The Board has mandated the Corporate Governance Committee to put in place the succession plans, especially that of the Chairperson and of the CEO. Same has been formalised in the Terms of Reference of the Corporate Governance Committee.

The Corporate Governance Committee shall be responsible for the identification and selection of potential candidates.

PRINCIPLE FOUR – DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

LEGAL DUTIES

All Directors, including the alternate Director, are fully apprised of their fiduciary duties as laid out in the Mauritius Companies Act 2001.

CODE OF ETHICS FOR THE BOARD

The Bank has a Code of Ethics for its Board of Directors, which is available on the Bank's website: www.afrasiabank.com

The Board believes that it must lead by example and encourages Senior Management, the staff and other relevant stakeholders to follow the Conduct and Ethics Policy and to act ethically. The Board monitors and evaluates compliance with its Code of Ethics as and when required.

BOARD APPRAISAL

The Board of Directors regularly undergoes a performance appraisal exercise, in accordance with the National Code on Corporate Governance for Mauritius and BOM Guidelines on Corporate Governance. The Directors are requested to evaluate the Board on the following main criteria:

- The Board's size, composition and structure;
- The Board's roles, duties and responsibilities;
- The effectiveness of the Board and its Committees; and
- The role and function of the Chairperson.

The regular board appraisal exercise is performed internally through the Company Secretary, under the leadership of the Chairman. It is generally done via questionnaires and the results are presented to the Corporate Governance Committee and ultimately, to the Board once they are available. The remarks and recommendations received are shared with the Board to enable the Directors to take appropriate steps where necessary and possible. No Board appraisal exercise has been performed for the year under review due to recent changes in Directors. The exercise will be performed periodically and when changes are required in the Board composition.

The Board took note of the recommendation of the Code which encourages the use of an external consultant for future Board appraisal exercises.

DIRECTORS' REMUNERATION AND BENEFITS

The Executive Director who is in full time employment with the Bank is entitled to a fixed salary as per his contract of employment and he does 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	540	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

Non-executive Directors have not received any remuneration in the form of share options or bonuses associated with organisational performance during the year.

Total remuneration and benefits received, or due and receivable, by the Directors from the Bank and its subsidiaries for the year ended 30 June 2018 were as follows:

	YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017		YEAR ENDED 30 JUNE 2016	
	Executive Director MUR'000	Non-Executive Directors MUR'000	Executive Director MUR'000	Non-Executive Directors MUR'000	Executive Director MUR'000	Non-Executive Directors MUR'000
The Bank						
AfrAsia Bank Limited	**17,546**	**7,346**	18,311	6,152	33,257	13,889
The Subsidiaries						
Stellar Advisers Pty Limited (disposed in December 2015)	-	-	-	-	17,010	-
AfrAsia Capital Management Limited	**5,629**	-	2,449	-	9,486	-
AfrAsia Corporate Finance (Pty) Limited (Under liquidation)	-	-	-	-	7,000	-

DIRECTORS' SERVICE CONTRACTS WITH THE BANK AND ITS SUBSIDIARIES

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

Thierry Vallet, Director of AfrAsia Investments Limited, has a service contract with the Bank for a period of one year expiring on 30 June 2019 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 2018 were:

	YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017		YEAR ENDED 30 JUNE 2016	
	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**	**0.16**	179,466	0.17	156,417	0.16
Sanjiv Bhasin (Chief Executive Officer)	-	-	-	-	-	-
Arvind Sethi	-	-	-	-	-	-
Boon Huat Lee (appointed on 30 January 2018)	-	-	-	-	-	-
Dipak Chummun (appointed on 30 April 2018)	-	-	-	-	-	-
Graeme Robertson (resigned on 16 August 2018)	**11,436,406**	**10.12**	10,701,848	10.03	10,095,394	10.41
Henri Calvet	-	-	-	-	-	-

	YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017		YEAR ENDED 30 JUNE 2016	
	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	%
Jean Claude Béga	-	-	-	-	-	-
Luc Paiement	-	-	-	-	-	-
Philippe Jewtoukoff	-	-	-	-	-	-
Yves Jacquot	-	-	-	-	-	-
Nicolas Weiss (resigned on 30 April 2018)	-	-	-	-	-	-

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

CONFLICTS OF INTEREST

Conflicts of interest is a situation whereby the interest of a member of the Board or management or one of the significant shareholders and/or one of their associates is or may be competing with or impeding on the interests of the Bank and/or the Group.

Any conflict or potential conflict of interest must be declared to the Board and/or Company Secretary. The conflicts of interest of Directors are generally recorded in a register maintained by the Company Secretary. The Interest Register is available for consultation to shareholders upon written request to the Company Secretary.

It is noted that for any Board and Committee meetings, the agenda contains a standard item whereby the Directors present are requested to declare any interest that they have or may have with respect to any of the matters to be discussed. Any declaration made has been recorded in the minutes accordingly and the conflicted director has had to abstain from participating in the deliberations and from voting on the concerned matter.

During the financial year, there has been a number of declarations of interests made by the Directors at meetings. The concerned Directors were excused from the meetings during discussions on the specific matter, preventing them from influencing the other Board members and were not allowed to vote.

The following principles are encouraged in relation to conflicts of interest:

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

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

Refer to the Risk Management Report set out on pages 124 to 173 of the Annual Report for information governance.

PRINCIPLE FIVE – RISK GOVERNANCE AND INTERNAL CONTROL

BOARD

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 the executives of the Bank via their delegated authority to facilitate them to oversee the course of actions of the business.

Through its risk management framework, 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 mechanisms and up-to-date and comprehensive risk policies which adhere to legal and regulatory requirements, are set up and monitored by the BRC.

BOARD SUB-COMMITTEES AND EXECUTIVE MANAGEMENT

The Board sub-committees and executive management team manage business and strategy of the Bank through a system of enterprise risk management.

The Board Risk Committee 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 transactions 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.

RISK MANAGEMENT

The risk management team, through its different divisions, provides the day-to-day oversight on management of risk and promotes a robust risk culture across the Bank. It is responsible to create, implement and maintain the risk practices across the Bank as defined by the Bank's risk appetite and to ensure that controls are in place for all risk categories.

The risk management team maintains its objectivity by being independent of operations and the different Risk Heads have direct access to the Board Chairperson and the Risk Management / Conduct Review Committee, without impediment. Internal audit provides an assessment on the adequacy and effectiveness of the Bank's processes for controlling its activities, managing its risks and ensuring good governance. It reports and provides recommendations on significant issues related to risk management, control and governance processes within the Bank. The internal audit team conducts periodical review of the risks and control functions as per the annual audit plan approved by the Audit Committee. All the observations have been promptly attended to and weaknesses have been addressed to ensure a water-tight control function.

The complete Risk Management Report is set out on pages 124 to 173 of the Annual Report.

CORPORATE INTEGRITY AND WHISTLE BLOWING POLICY

The Bank has established a Corporate Integrity and Whistle Blowing Policy to promote an atmosphere of honesty and to encourage employees to conduct themselves in the best interests of the Bank.

A copy of the Corporate Integrity and Whistle Blowing Policy is available on the Bank's website: www.afrasiabank.com

PRINCIPLE SIX – REPORTING WITH INTEGRITY

SUSTAINABILITY

In line with its sustainability strategy "Responsible Bank 2020" since 2016, AfrAsia Bank has been very active in developing its four pillars: Marketplace, Workplace, Social and Environmental responsibilities.

In last year's annual report, the Bank laid the foundation for integrated reporting by incorporating some elements on value creation and the six Capitals namely: Financial, Human, Social and Relationship, Natural, Intellectual and Manufactured. This year, the Bank is taking one step further by engaging with its stakeholders on the relative importance of Environment, Social and Economic issues for them via the materiality assessment.

Capitals	Definition
Financial	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. Refer to pages 178 to 181
Human	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. Refer to pages 182 to 191
Social & Relationship	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. Refer to pages 192 to 201
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. Refer to pages 202 to 204
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. Refer to pages 205 to 207
Manufactured	Manufactured Capital is the Bank's tangible and intangible infrastructure, including IT assets, used for value creation through business activities. Refer to pages 208 to 211

Note: Adapted from *CAPITALS Background Paper for <IR>*

Along with its Integrated Reporting Framework, the Bank is also adopting the Global Reporting Initiative (GRI) as its main standard to report on the six Capitals. The report itself is structured in such a way that each of the six capitals is developed as a chapter on its own. We are also guided by the United Nations Global Compact (UNGC) as well as the Sustainable Development Goals (SDGs) to reflect AfrAsia Bank's values and governance model.

The Annual Report is published in full on the Bank's website: www.afrasiabank.com

The financial statements are set out in Section B of the Annual Report.

The complete Risk Management Report is set out on pages 124 to 173 of the Annual Report.

PRINCIPLE SEVEN – AUDIT

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Any deviations on the above will be reported in the independent auditor's report attached to the financial statements.

EXTERNAL AUDIT

The Bank has appointed Deloitte to perform its external audit for the next 3 years through an audit tender carried out in December 2016 with the Bank reserving the right to review its decision at the end of each financial year end. Audit fees of MUR 2.8m is payable to Deloitte for the audit of the financial year ended 30 June 2018.

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

	YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017		YEAR ENDED 30 JUNE 2016	
	Audit MUR'000	Other MUR'000	Audit MUR'000	Other MUR'000	Audit MUR'000	Other MUR'000
Deloitte						
The Bank						
AfrAsia Bank Limited	**2,456**	**1,313**	-	-	-	-
Ernst & Young						
The Bank						
AfrAsia Bank Limited	-	-	1 ,761	1,723	3,100	4,422
The Subsidiaries						
AfrAsia Investments Limited	-	**189**	183	39	150	86
AfrAsia Holdings Limited (Under liquidation)	-	-	-	-	-	-
Stellar Advisers Pty Limited (disposed in December 2015)	-	-	-	-	460	23
AfrAsia Corporate Finance (Africa) Limited (Under liquidation)	-	-	247	58	-	-
AfrAsia Capital Management Limited	-	**828**	426	19	178	173
AfrAsia Corporate Finance (Pty) Limited (Under liquidation)	-	-	212	-	142	115
AfrAsia Corporate Finance Limited (Under liquidation)	-	-	-	-	370	362
AfrAsia Corporate Finance International Limited (Under liquidation)	-	**50**	-	-	-	-
AfrAsia Kingdom Holdings Limited (Under liquidation)	-	-	-	-	71	6

Other services relate to interim review work and other assurance engagements performed by Deloitte amongst others.

INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes. An internal audit helps the Board and management maintain and improve the process by which risks are identified and managed and helps the Board discharge its responsibilities for maintaining and strengthening the internal control framework.

Approved 3-year strategic plan (financial year 2016 to 2018)

During financial year 2018, the Internal Audit function continued the execution of the 3-year strategic plan classified under four building blocks comprising: Strategy, People, IT and Internal Process. An update on the implementation of the key initiatives in the strategic plan is provided below:

Key initiative	Status
– Vision and Mission (IA Charter)	Completed
– 3-Year Risk-Based Audit plan	Completed
– Advisory services	Completed
– Synergy with other control functions	Completed
– Promote knowlege 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 Audits:	
– General Controls	Completed
– Application Controls	In progress
– Used of Computer Aided Audit Tools	In progress
– Audit methodology in line with IIA standards	Completed
– Revised communication protocol (including risk-based grading of issues)	Completed
– Drafting of Audit Manual	Completed

Independence of the internal audit team

The function remains independent of the activities audited and objective in its work. There have been no restrictions placed over the right of access by internal audit to the records, management or employees of the Bank. The Head of Internal Audit maintains a direct reporting line with the Audit Committee for direction and accountability and to the Chief Executive Officer for administrative interface and support in line with good governance practices.

The Head of Internal Audit has regular access to the Chairperson of the Board and the Chairperson of the Audit Committee. He attends quarterly meetings with the Audit Committee and more frequently when the need arises.

Qualifications and experience

The Head of Internal Audit is a Chartered Accountant (ICAEW member) and has 13 years of experience in the auditing field covering banking, offshore, insurance, telecommunications and manufacturing sectors. Prior to joining the Bank, he was the Group Internal Audit Manager at the Mauritius Commercial Bank Limited. He started his career with PwC where he grew to become an Audit Manager for a number of local and international clients. He is well acquainted with strategy setting for risk functions in banks and risk management and relevant information has been disclosed on the Bank's website.

The Head of Internal Audit is adequately supported by staff members with significant banking experience. Some have past "Big 4" firm exposure and are members of professional bodies such as ACCA.

Implementation of the risk-based audit plan

The Internal Audit team implements the yearly risk based audit plan approved by the Audit Committee. The audit frequency for identified processes is as follows:

Process risk category	Audit frequency
High	Yearly or more frequently where the need arises
Medium	Every two years or more frequently where the need arises
Low	Every three years or more frequently where the need arises

The financial year 2018 audit plan that covers key operational and IT areas has been satisfactorily executed by the Internal Audit Function during the year. Treasury and Credit processes were audited in financial year 2018 and they cater for a major part of the Bank's income. Other core functions such as compliance, finance and operations have also been covered as well as the subsidiary AfrAsia Capital Management Limited. In addition, several ad-hoc assignments have been performed at the request of management comprising fact finding and other assignments of an advisory nature. A total of 55 reviews were completed in financial year 2018 made up of both initially planned and ad hoc reviews.

The financial year 2019 audit plan is purely risk based and will also accommodate (i) any financial year 2018 audit that could not be completed in that period and for which very valid justifications exist and (ii) any ad hoc that will arise. To complete the financial year 2019 audit plan, Internal Audit has used the following key criteria to assign a risk rating to the relevant processes in the Bank:

- Financial impact;
- Volume of transactions;
- Whether the process is impacted by key regulatory requirements;
- Whether the process represents a key second line of defence function; and
- Recent or foreseen changes in management, structure, systems impacting the process.

The internal audit team provides varying degrees of assurance about the effectiveness of the risk management and control processes of selected activities and functions of the organization. The Internal Audit function does not believe that any deficiencies identified so far could at this stage, individually or collectively fully jeopardize the operations of the Bank.

It is also worth mentioning that as at date, the lion’s share of issues categorized as “critical” and “major” have been or are in the process of being addressed by management.

Any risk or deficiency in the system of internal controls 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.

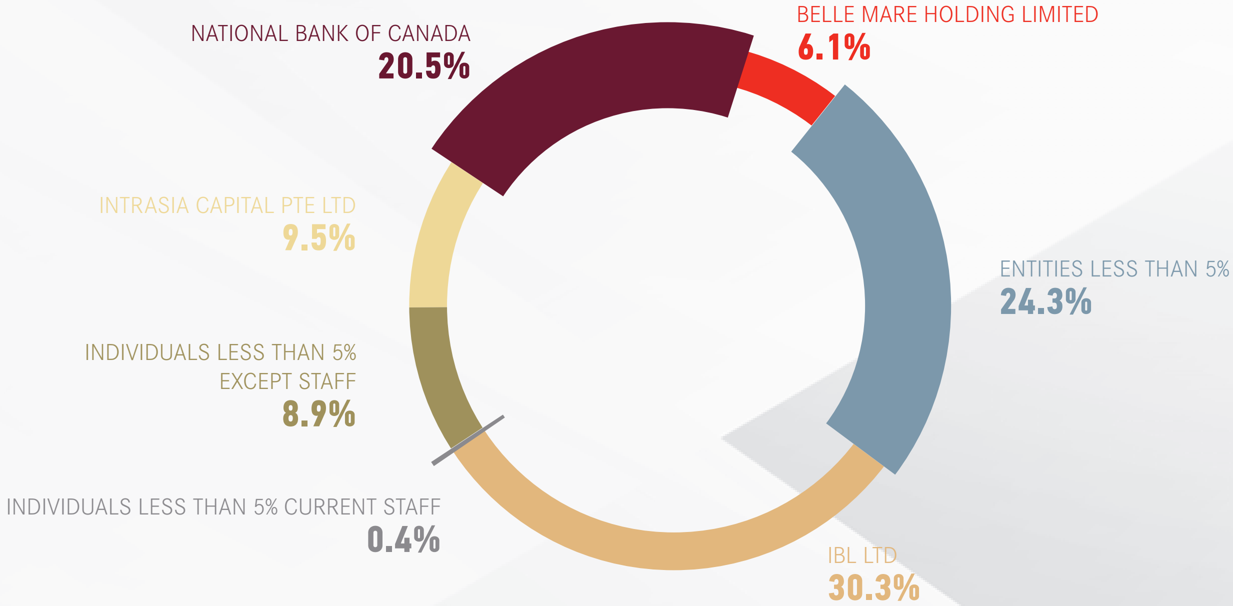
PRINCIPLE EIGHT – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

ABL's stakeholders are individuals or groups that have an interest in the Bank or are affected by its actions. The primary stakeholders of the Bank are employees and management, shareholders and investors, and government and regulatory authorities.

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 6.9bn as at 30 June 2018. The Bank ensures that there is proper and efficient information dissemination to all its shareholders and that the rights of minority shareholders are not neglected. It is noted that 0.4% of the Bank's shareholding is held by its staff.

The Bank's shareholding structure as at 30 June 2018 is as follows:



DIVIDEND POLICY

Dividends are proposed by management to its Board of Directors in line with the provisions of the Banking Act 2004, the Mauritius 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 160.2m (MUR 1.50 per share), declared and paid during the year under review (2017: MUR100.4m that is, MUR 1.00 per share / 2016: MUR 27.3m that is, MUR 0.35 per share).

Dividend on Class A Shares

Dividend of MUR 70.9m were paid for the 6 months ended 31 December 2017 and MUR 69.1m for the 6 months ended 30 June 2017 (MUR 71.3m for the 6 months ended 31 December 2016, MUR 71.3m for the 6 months ended 30 June 2016).

EQUITY-SETTLED SHARE-BASED PLAN

Please refer to the note on "Retained earnings and other reserves" contained on Note 29 of the Annual Report.

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.

Restrictions concerning the disposal of shares are set out in Articles 15 and 16 of the Bank's Constitution. Such restrictions include the requirement to obtain the Board's approval in connection with the registration of share transfers.

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

SIGNIFICANT CONTRACTS

ABL has not entered into any significant contract with third parties during the financial year ended 30 June 2018.

MANAGEMENT AGREEMENTS

ABL has not entered into any management agreement with third parties during the financial year ended 30 June 2018.

GIFTS AND DONATIONS

The Bank made MUR 1.5m of gifts and donations during the year ended 30 June 2018 (2017: MUR 0.6m / 2016: MUR 0.2m).

POLITICAL DONATIONS

The Bank made no political donations during the year ended 30 June 2018 (2017 & 2016: Nil).

RELATED PARTY TRANSACTIONS

Please refer to the note on “Related Party Disclosures” contained on Note 34 of the Annual Report.

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 prime 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 • The opportunity to achieve personal goals whilst aligning to the Bank's 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	• Started exercise to engage with all stakeholders including shareholders and Investors on sustainability issues (Materiality Assessment)
	• 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	• Sustainability issues (Environment, Social, Economic) • 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 with Bank of Mauritius and Financial Services Commission on regulatory guidelines, new laws and other matters • Written communication • Regulatory returns • Onsite and offsite supervision by the regulators • Trilateral meeting between the Bank of Mauritius, External Auditors and the Bank • Regulatory approvals • Providing information during Parliamentary debates through the Mauritius Bankers Association
THEIR CONTRIBUTION TO VALUE CREATION	• The regulator provides the enabling regulatory framework • Guidelines and instructions from the regulators issued from time to time
WHAT OUR STAKEHOLDERS EXPECT FROM US	• Providing banking and financial services in a transparent, secure and responsible way • Ensuring and maintaining 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 and data protection • Duties of the Board of Directors and senior management • Appropriate Customer Due Diligence and Know Your Client (KYC) exercise • Risk management and internal control • Complaints handling and customer care • Compliance with the principles of corporate governance

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, post June and December

The Annual Report is published in its entirety on the Bank's website: www.afrasiabank.com

STATEMENT OF COMPLIANCE

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

AfrAsia Bank Limited and its Group Entities
Year ended 30 June 2018

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 National Code of Corporate Governance 2016 in all material aspects.

Lim Sit Chen LAM PAK NG
Chairman

Sanjiv BHASIN
Chief Executive Officer

20 September 2018

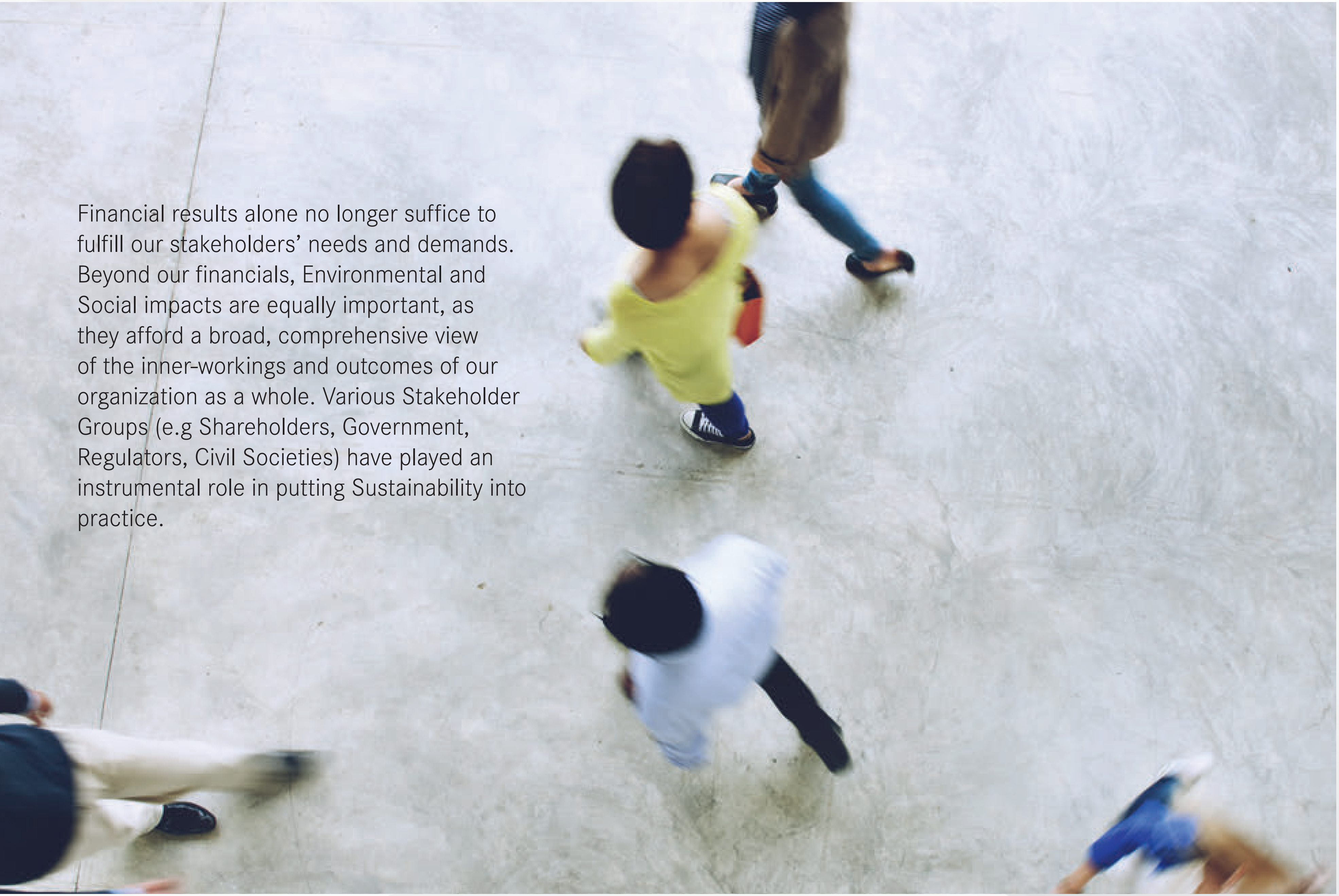
REPORTING

FINANCIAL REPORTING & INTEGRATED REPORTING

REPORTING

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 to provide a holistic view of the Bank's activities as well as its ability to create and sustain value for all its stakeholders.

OUR APPROACH TO SUSTAINABILITY



Financial results alone no longer suffice to fulfill our stakeholders' needs and demands. Beyond our financials, Environmental and Social impacts are equally important, as they afford a broad, comprehensive view of the inner-workings and outcomes of our organization as a whole. Various Stakeholder Groups (e.g Shareholders, Government, Regulators, Civil Societies) have played an instrumental role in putting Sustainability into practice.

SUSTAINABILITY AT AFRASIA BANK

Since 2015, the Bank has worked on gradually integrating principles of sustainability into its operations. AfrAsia Bank Limited believes in adopting an integrated approach and our strategy takes into consideration Financial, Human, Social & Relationship, Natural, Intellectual and Manufactured capital.

SUSTAINABILITY AT AFRASIA BANK (CONTINUED)

AfrAsia Sustainability Strategy

Our goal is to have a strong culture of sustainability permeate every level of the Bank, whether operations, procedures, and design-making. It is, we believe, the real way forward. We continue to rise to the sustainability challenge, the global issue of this century. It is our strong belief that pursuing sustainable practices will also preserve the trust our stakeholders have in us.

SUSTAINABILITY

- Focus on operations and Green Products
- Oversees sustainability aspect of AfrAsia Foundation
- Engagement with internal and external stakeholders on Environment, Social and Governance issues

AFRASIA FOUNDATION

- Focus on social & relationship capital especially with civil societies e.g. NGOs
- Oversees operations of AfrAsia School

Our way forward

2015

Introduction of sustainability reporting in Annual Report

FIRST REPORTING TO UNGC

Development of 4 pillars

2016

Enhanced status for UNGC

Enhancement of our social & relationship and natural capitals through the creation of AfrAsia Foundation

Sustainability Reporting on SDGs in annual report

SPONSORED FILM "DEMAIN"

2017

Launch of AfrAsia Foundation and AfrAsia School

Participation in the SDG Conference in India

Working on developing Sustainability in our Integrated Report

Research & Development of the Global Reporting Initiative (GRI)

Development of a page dedicated to Sustainability on our Website

Health Awareness Initiatives (Movember, Women's Health Month - free screening for staff)

ABMO CHARITY DINNER

2018

Head of Corporate Sustainability & CSR nominated as chairperson of Global Compact Advisory Committee for Mauritius

Participation in UN conference (Making Global Goals Local Business) in Argentina

Research and Development of Green Financing Initiatives (Green Bonds, Green Climate Funds)

Health Awareness Initiatives (Women's Health Month - free screening for staff)

DRIVERS OF INTEGRATED REPORTING (ALIGNMENT WITH GRI)

2021 STRATEGY

Research & Development

Investor Relations

Sustainable Brand

Planet

People

Advocating Sustainability

SUSTAINABILITY AT AFRASIA BANK (CONTINUED)

2018-2021 Strategy

Our 2021 Strategy is based on the 4 pillars of Sustainability and further developed into 6 core focus areas.

Investor Relations

At AfrAsia Bank Limited, we understand that our ability to succeed is based on strong, meaningful relationships with our Investors. Through our Integrated Report, we wish to engage with our Investors and provide them with extra-financial information that offers an insight into how our intangibles affect our bottom line.

To this end, we have developed a baseline of Key Performance Indicators that allow us to measure our year-on-year performance. Our goal is to continuously provide accurate, reliable and comparable information that will inform our Investors' decisions.

We adhere to the highly-regarded International Sustainability Standards, particularly the Global Reporting Initiative, making sure that we operate in the most sustainable way, now and in the future.

Research & Developmen ("R&D")

"Training" constitutes the first component of the R&D segment of our Sustainability Strategy. All our employees will be trained on Sustainability issues pertaining to their areas of operations. To this end, we have also created a Sustainability Committee made up of 'champions' from all departments of the Bank who exemplify AfrAsia's commitment to sustainability.

As ambassadors of our Sustainability initiatives, their role is to oversee the development and implementation of our sustainable actions, and promote sound environmental practices throughout the Bank & ACM (eg. energy, waste, paper usage).

We strive to embed Integrated Thinking within the organisation, which requires a clear and consistent vision of how we create value. We achieve this by increasing cross-departmental discussion and collaboration in all projects relating to Sustainability, thus raising employee awareness and engagement as we execute our strategy.

Sustainable Brand

We aspire to be recognized as a Sustainable Bank. With this in mind, we are launching the first "AfrAsia Bank Sustainability Summit" in Mauritius in October 2018, which brings together both local and global organizations to help in the most effective way possible.

We also ensure that we integrate environmental and social considerations into all aspects of our events. From choosing sustainable suppliers to ensuring that promotional items are green, we have taken significant steps to reduce our carbon impact, while also seeking out opportunities to strengthen our communities. This is why we look for ways to embrace fundraising activities that drive societal change (e.g. Charity Dinner, Sponsor-a-child).

In line with our strategy, we have introduced a series of Green Financial Products for the Bank and its subsidiaries. Our teams are strengthening their collaboration with International Funds (such as Green Climate Fund) and working towards issuing Green Bonds, giving our customers an opportunity to invest in climate solutions. In the near future, we aspire to develop our own green products.

SUSTAINABILITY AT AFRASIA BANK (CONTINUED)

Planet

As a financial institution, though our impact on the environment is limited, we have a key role to play in transitioning towards a low-carbon economy. For this purpose, our Sustainability Strategy begins with minimizing the environmental impact of our business operations through best-practice management of waste, energy consumption and procurement. Our green initiatives will also extend to AfrAsia School, where we are introducing Solar Panels, Rainwater Harvesting and a Kitchen Garden.

Our strategy for the Planet involves strengthening our ties and dialogue with local and international NGOs, and collaborating closely with them to tackle climate change.

People

In line with our last year's goal "Employee eXperience driving Customer eXperience", AfrAsia Bank Limited aims to continue focusing on our greatest asset—our people—and foster an environment that promotes teamwork and innovation.

We are enhancing our Human Resource Management programmes through initiatives on Diversity at Work (Gender Equality, Disability), Non-discrimination, Employee Health & Wellbeing (e.g. Blood donation, Women Health Month, Movember, Benefits, Health & Safety training).

Through AfrAsia Foundation, the Bank is also focusing on empowering vulnerable and underserved groups. We will begin with a major renovation at AfrAsia School, transforming it into an uplifting space for change. Our goal is to provide continued support to our beneficiaries who have left our pre-primary school, following up with after school projects and activities.

Advocating Sustainability

An important aspect of our Sustainability Strategy involves engaging constructively with external stakeholders and policy makers. By identifying key areas of action, we are committed to promoting green and social initiatives, and driving legislative and regulatory change in that area. We also closely collaborate with local and international entities such as Business Mauritius, the Mauritius Stock Exchange, CommonWealth Climate Finance Access Hub and UNGC. By creating a think tank for sustainability professionals, we seek to jointly increase dialogue and develop innovative solutions.

Mrs Luvna Arnassalon-Seerungen
Head of Corporate Sustainability & CSR
Chairperson of Local Advisory Committee of the UNGC in Mauritius

Earlier this year, in February 2018, our Head of Corporate Sustainability and CSR, Mrs. Luvna Arnassalon-Seerungen, was nominated as the Chairperson of the Local Advisory Committee of the UNGC in Mauritius.

The goal of this Local Advisory Committee is to incorporate the UNGC principles in Mauritius and to build a local network with valued local participants. Together, we aim to implement the 10 principles of the Global Compact in areas of human rights, labour, environment and corruption.

The UN Global Compact Mauritius will be launched in October 2018.

UN GLOBAL COMPACT PRINCIPLES

WE SUPPORT

UN GLOBAL COMPACT

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

STAKEHOLDER ENGAGEMENT

This year, once again, we continue to focus on our stakeholders and fulfill our responsibility as a trusting partner to our customers, a good employer to our people, a sound investment to our shareholders and a good corporate citizen to our communities. We have strengthened our relationship with them by increasing dialogue on meaningful topics and gathering their valuable insights that help drive our vision. As a useful Risk Management tool, Stakeholder Engagement also allows us to mitigate our risks, notably when it comes to our reputation.

(Source: https://www.researchgate.net/publication/261142204_The_Importance_of_Stakeholder_Engagement_in_Managing_Corporate_Reputations)

Stakeholders' categorization and relationship

Stakeholders are defined as being individuals or groups that have an interest in the Bank or are affected by its actions. The different groups of stakeholders can be classified into two separate categories: Primary and Secondary.

PRIMARY STAKEHOLDERS – are at the heart of an organization and are typically directly impacted by its performance.

SECONDARY STAKEHOLDERS – are not directly affected by the activities of the organization. They do, however, still influence the direction of the company (both positive or negative).

(Source: https://www.saylor.org/site/wp-content/uploads/2013/02/BUS208-3.3.7.1-Stakeholders-and-CSR-FINAL.pdf)

Stakeholder Group	Category	How we engage with our stakeholders	Their contribution to Value Creation	What our stakeholders expect from us	Impact on our strategies
SHAREHOLDERS/ INVESTORS	Primary	› 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
CUSTOMERS	Primary	› Meetings and visits › Conferences, Roadshows and Presentations › Business meetings › Social Media › Overseas travelling in strategic markets › Continuous assistance and guidance to counterparties	› Customers are at the heart of our business and 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

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholder Group	Category	How we engage with our stakeholders	Their contribution to Value Creation	What our stakeholders expect from us	Impact on our strategies
EMPLOYEES	Primary	› 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 based 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
SUPPLIERS & SERVICE PROVIDERS	Primary	› Meetings › Site visits › Workshops › Business association meetings › Service level agreements	› Selecting elite suppliers to cater to 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

Stakeholder Group	Category	How we engage with our stakeholders	Their contribution to Value Creation	What our stakeholders expect from us	Impact on our strategies
SOCIETY (E.G. NGOS, ASSOCIATIONS)	Secondary	› 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 offerings › Our differentiation to sustainability programmes in society › Setting up processes to assess the efficiency of our social and environmental initiatives	› Inclusive sustainability strategy with all stakeholders › Environmental sustainability › Social Impact investment › Enhance brand value
GOVERNMENT & REGULATORS	Secondary	› 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 The Banking Act 2004	› 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

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholder Group	Category	How we engage with our stakeholders	Their contribution to Value Creation	What our stakeholders expect from us	Impact on our strategies
INDUSTRY ASSOCIATIONS	Secondary	› Industry association memberships, such as the Mauritius Bankers' Association › Memberships with various multistakeholder 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
COMPETITORS	Secondary	› 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 meetings (MBA, Business Mauritius, etc)	› Brand enhancement and differentiation

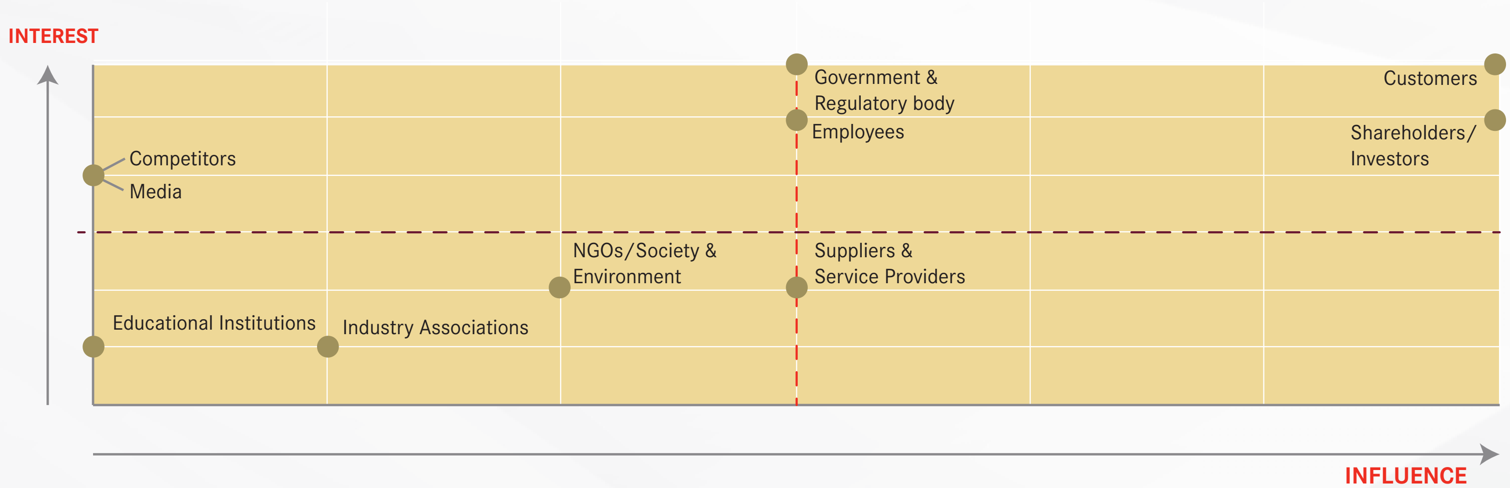
Stakeholder Group	Category	How we engage with our stakeholders	Their contribution to Value Creation	What our stakeholders expect from us	Impact on our strategies
MEDIA	Secondary	› Updates on strategies › Interviews with Senior Management › Press releases for all events sent to our media counterparts	› 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
EDUCATIONAL INSTITUTIONS	Secondary	› 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

In addition to these communication channels, we have conducted a sustainability survey with our stakeholders through which we aim to understand how important and relevant these issues are to them.

(For more information, please refer to stakeholder engagement section)

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholder mapping



Through this visual representation, we have mapped out our stakeholders and classified them according to their involvement, interest and influence in our organization. This exercise involves identifying and prioritising our key stakeholders in order to maintain a dialogue, correctly determine their needs and respond to their feedback in an efficient and timely manner.

MATERIALITY ASSESSMENT

This year, AfrAsia Bank Limited has started implementing its strategy to engage with its stakeholders on key sustainability issues. A first step in this direction is our Materiality Assessment. This exercise is designed to gather insight on how important specific Environment, Social and Governance (ESG) issues are to our stakeholders. These insights are then used to guide our reporting and communication strategies, and determine our sustainability priorities.

Methodology

We have adopted a very simple methodology to carry out the Materiality Assessment. All our stakeholders and senior management were asked to complete an online survey, which required them to rate different sustainability topics.

Given that this was a relatively new exercise and that several of our stakeholders are still unfamiliar with the concept of sustainability, the questions were kept simple and jargon-free.

STEP 1:

Identify sustainability topics relevant to our stakeholders and design questions based on them. These topics were determined using the GRI, IR and UN Global Compacts.

STEP 2:

Devise two surveys covering the same topics.

A. Senior management – Questions to determine if we are managing these issues effectively

B. Stakeholders – Questions to determine the importance of those topics in their decision to work with AfrAsia

STEP 3:

Send out surveys to senior management and stakeholders

STEP 4:

Statistical Analysis of the results

STEP 5:

Results validated by Head of Corporate Sustainability & CSR

MATERIALITY ASSESSMENT (CONTINUED)

Sample size

Our sample size for this year was very limited. This year, the focus was on engaging with the different stakeholders. Hence, the survey was sent to a limited number of stakeholders in order to gather their insights.

Stakeholder Groups contacted
Customers
Shareholders/Investors
Employees
Society (e.g. NGOs, associations)
Suppliers & Service Provider
Government & Regulators
Media

On behalf of AfrAsia Bank, we asked the management team to respond to the same survey as the one sent to the stakeholders. However, the questions were rephrased in order to reflect to which extent AfrAsia Bank is currently addressing those same elements.

The way forward

This survey represents our first concrete step in engaging with all our stakeholders on sustainability topics. Our next step in this direction is to improve our methodology in creating the Materiality Matrix.

Several key improvement areas were identified to achieve this goal:

1. Improve the complexity of questions (Better alignment with Global Reporting Initiative);
2. Conduct face-to-face workshops with each category of stakeholders to find a consensus on a score for each topic (rather than an e-survey);
3. Use variance and standard deviations to increase the robustness and reliability of our scoring methodology;
4. Our sample will now be more representative of the population of each category of stakeholders.

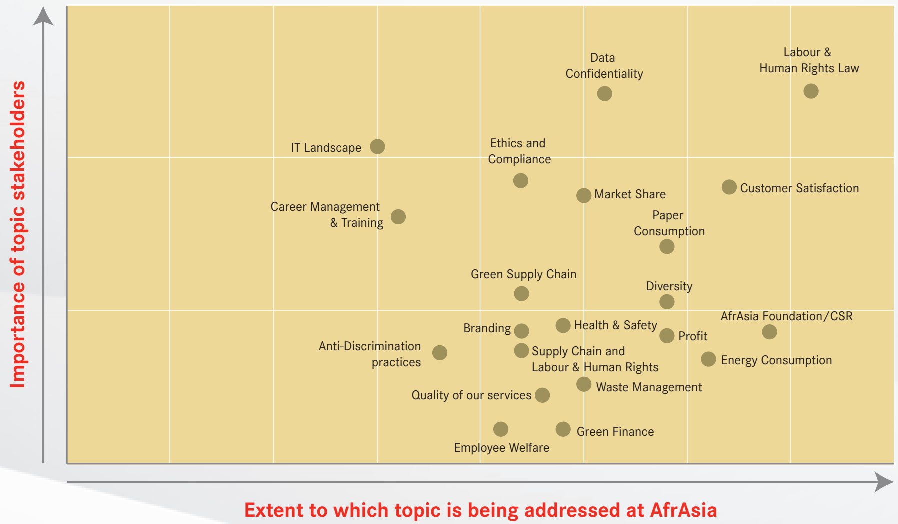
RESULTS & ANALYSIS

In order to analyse the responses of the survey, two methodologies were applied. In both cases, an average was done for each question asked to the senior management of AfrAsia Bank, which was used to plot the point on the X-Axis. The variation between the two methodologies lies in the way the responses of the stakeholders were analysed.

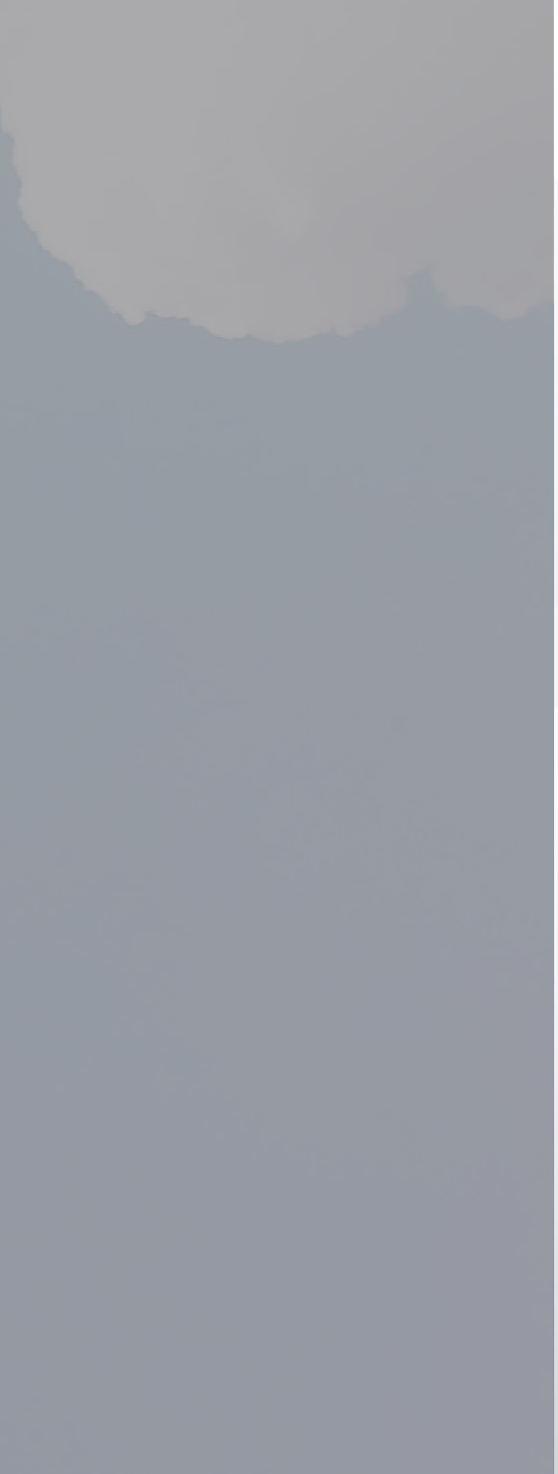
Method A simply looked at the average of the scores given by all stakeholders per question. This allowed us to have an estimate of how important a particular topic is for all stakeholders.

Method B was slightly more complicated whereby we calculated the average of the scores per question for each stakeholder group contacted for the survey. And we further did an average of those different scores in order to have one single score per question.

A comparison was done between the two methodologies and no significant variation was found. We, however, preferred Method B as it removed the bias of having more participants in one stakeholder group i.e. we gave equal importance to Customers, Shareholders/Investors, Employees, Society (NGOs, Associations), Supplier & Service Provider, Government & Regulators, Media.



ACTING



ACTING

TO RESOLVE STAKEHOLDER CONCERNS

Our focus is to maintain good relationships with our various stakeholders through accountability and transparency. By identifying key areas of action, we are committed to promoting green and social initiatives, and encouraging legislative and regulatory changes which are in the stakeholders' interest.

RISK MANAGEMENT REPORT

RISK MANAGEMENT STRATEGY

OUR VISION

To identify, evaluate, respond and monitor risks to which the Bank is exposed to and set acceptable risk parameters while upholding sustainable business operations and growth.

OUR MISSION

To improve stakeholders and management self-assurance in the making of risk informed decisions through a robust risk appetite framework and policies while in observance of regulatory requirements.

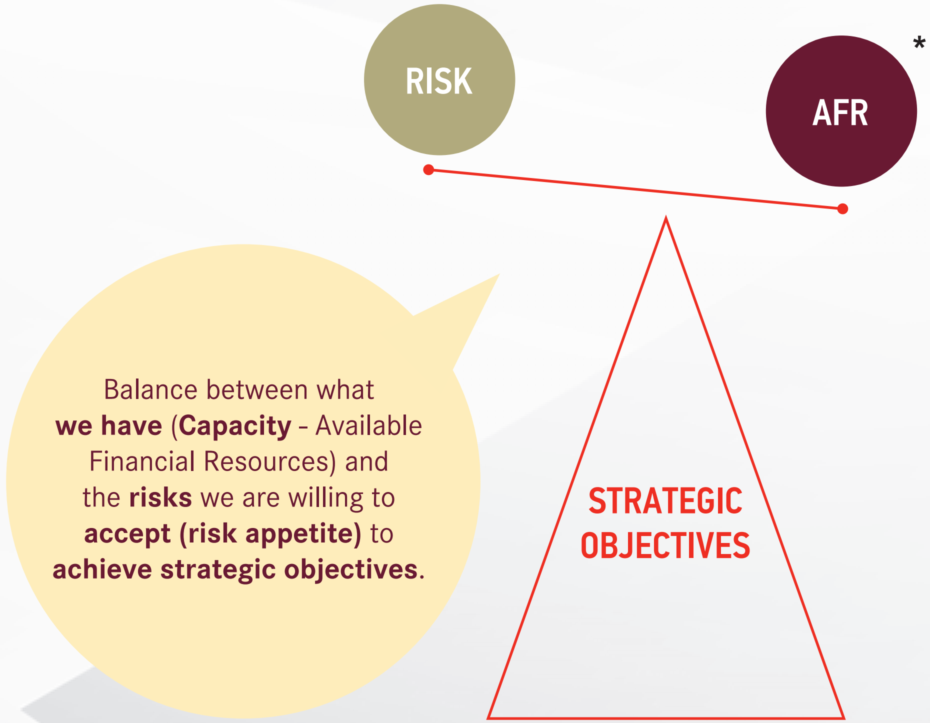
GUIDED BY

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 of cross-border activities which clearly translate the Bank's strategic goals and risk parameters.

Risk Appetite is **the level of risk the Bank is prepared to accept in pursuit of value**



*Available Financial Resources

What ABL Risk Appetite does and does not

Risk Appetite **does**	Risk Appetite **does not**
Articulate the **level of risk the Bank is willing to take** in order to achieve its **strategic objectives**	Articulate the Bank's mission statement
Need to be **relevant** to and **binding** on the **business** it is constraining	Present a purely theoretical concept
Need to be relevant to both internal and external stakeholders	Present a purely internal management tool
Evolve through an iterative process as the Bank's risk culture matures	Prescribe one single correct way of approaching and expressing the Bank's risk appetite
Comprise multiple dimensions (both quantitative and qualitative)	Present one single measure/number

Stress-Testing

Stress-testing (ST) is an integral part of the Bank's risk management process as it consists of both sensitivity analysis and scenario analysis.

Stress testing is a fundamental tool to

- facilitate a view of the organisation's **forward risk profile** as a result of portfolio effects and/or changes in economic conditions;
- **Identify potential vulnerability** to exceptional but plausible events; and
- **Determine appropriate management actions or contingency plans** to limit the impact of such events on the entity;

Results of stress testing must impact decision making, including strategic business decisions via

- **Strategic planning and budgeting;**
- Internal Capital Adequacy Assessment Process (ICAAP), including capital planning and management, and the **setting of capital buffers;**
- Informing the **setting of risk appetite statements**;
- Liquidity planning and management; and
- Identifying and proactively mitigating risks through actions such as reviewing and changing risk limits, limiting exposures and hedging;

RISK MANAGEMENT STRATEGY (CONTINUED)

EVOLUTION

RISK TYPE STRESS TESTING	RISK TYPE STRESS TESTING ENTERPRISE WIDE STRESS TESTING	RISK TYPE STRESS TESTING ENTERPRISE WIDE STRESS TESTING REVERSE STRESS TESTING
› Original form of ST › Risk type or specific portfolio level e.g. market risk stress testing › Mostly sensitivity stress testing	› Formalised after Financial crisis › Examples: › Macroeconomic ST for ICAAP › Provide insight into interactions between risk types › Scenario analysis or sensitivity stress testing	› Mind-set change to consider events that could cause failure › Focuses on outcome rather than probability › Process as important as result › Challenges control framework to understand vulnerabilities › Links to Recovery and Resolution Planning

Stress testing is about forward looking risk management. It is not about predicting an event

The various type of scenario analysis performed at ABL are as follows:

Scenario analysis

- Changing **multiple risk inputs simultaneously** with the **source of the stress** event being **well defined;**
- Macroeconomic stress testing involves the creation of **a severe but plausible macroeconomic scenario and** assessing **the impact of key macroeconomic risk drivers** (e.g. GDP, interest rates, inflation) on **key risk inputs** (e.g. PD, LGD and EAD);
- Other hypothetical or historical scenarios:"what-if";
- Assessing the impact on income statement, balance sheet and capital ratios;

Sensitivity analysis

- **Move of a risk parameter**, or a small number of very closely related risk parameters to understand the impact on a risk position;
- The **event** that gives rise to the movements in the parameters **is not relevant** in this case;

Reverse stress testing

- Entities to **assess scenarios and circumstances** that would **render its business model unviable**, thus **identifying potential business vulnerabilities**

1. Starts from the point of failure of the organisation's business model and then working backwards to identify circumstances or scenarios under which this might occur;
2. Point of failure is considered as significant financial losses that impact the Bank's capital or lack of liquidity to such an extent that the **existing business model would no longer be viable** or where **material supervisory intervention** would result.

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. Unrated exposure of the Bank complies with 100% risk weightage as per BOM guideline and is monitored by the Board.

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 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 mechanisms and up-to-date and comprehensive risk policies which adhere to legal and regulatory requirements, are set up and monitored by the BRC.

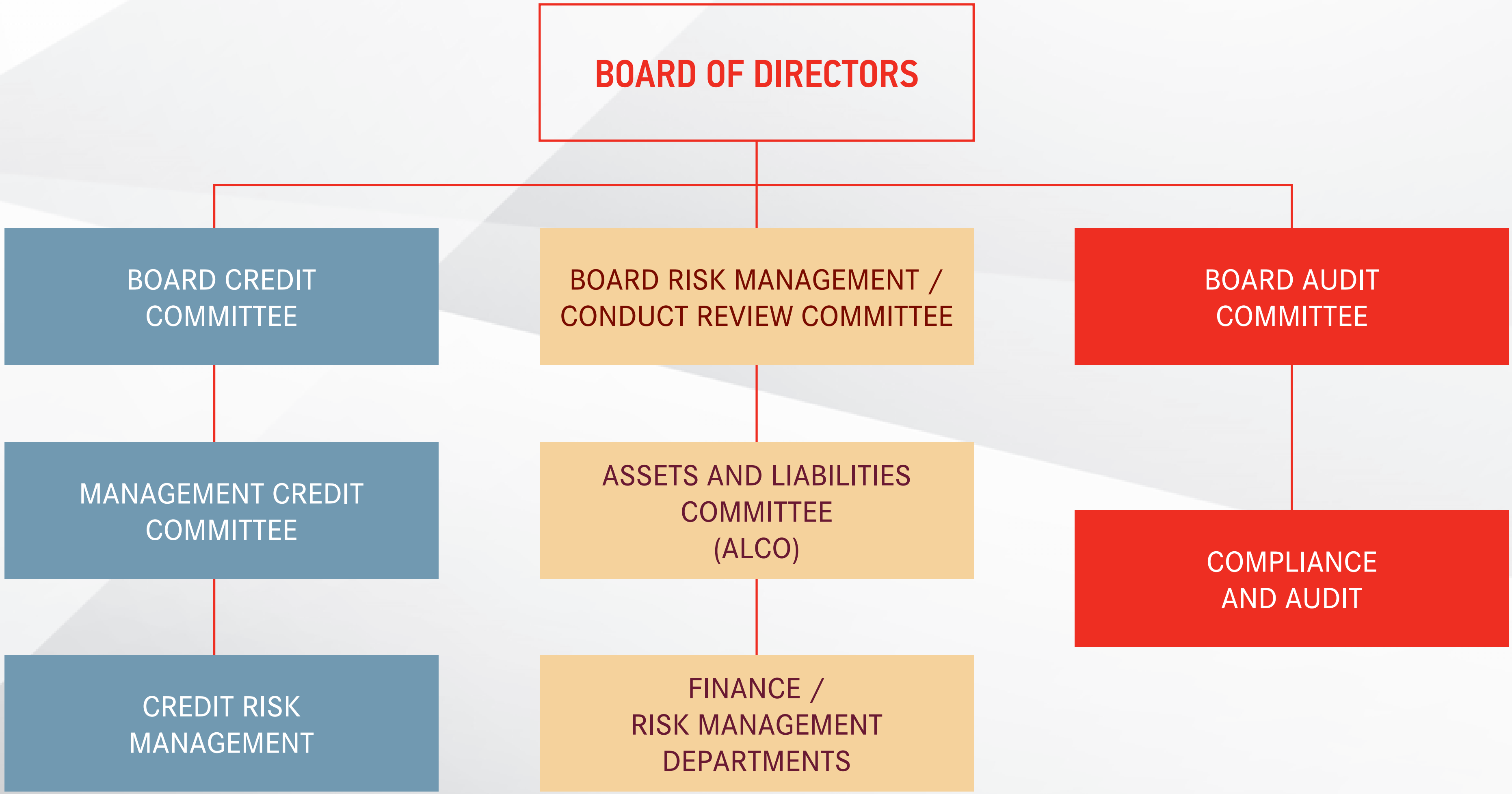
In designing policies and the risk management process, due consideration is given to the Bank's commitment to:

- 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; same 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 in the best interests 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 & Legal and MLRO, the Chief Executive Officer or if appropriate, a member of the Board. The information received is handled in strict confidentiality and from here the next steps are determined with 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.


BOARD OF DIRECTORS
BOARD CREDIT COMMITTEE
BOARD RISK MANAGEMENT / CONDUCT REVIEW COMMITTEE
BOARD AUDIT COMMITTEE
MANAGEMENT CREDIT COMMITTEE
ASSETS AND LIABILITIES COMMITTEE (ALCO)
COMPLIANCE AND AUDIT
CREDIT RISK MANAGEMENT
FINANCE / RISK MANAGEMENT DEPARTMENTS

GOVERNANCE STRUCTURE (CONTINUED)

COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

CREDIT COMMITTEE

- The Credit Committee is made up of one non-independent & 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-independent non-executive director and 1 executive director, which met four 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 transactions 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 three non-executive independent directors, which met four times during the year under review.
- The Audit Committee's principal responsibilities are to ensure that the Bank implements and maintains appropriate accounting, internal control and financial disclosure procedures, evaluating and approving the related procedures. It can also have consultations with both the Bank's internal and external auditors, as required.

CORPORATE GOVERNANCE COMMITTEE

- The Corporate Governance Committee (CGS) has the responsibility to deal with all Corporate Governance issues and make recommendations to the Board in accordance with the National Code of Corporate Governance 2016.
- The CGS is composed of 1 independent non-executive director, 2 non-independent non-executive directors and 1 executive director, which met 6 times during the year.

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

The Board Credit Committee 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 credit policies recommended by 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 Board Risk Committee for the Bank consist 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 on 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.

GOVERNANCE STRUCTURE (CONTINUED)

The roles and functions of the Corporate Governance Committee are to:

- To deal with all Corporate Governance issues and make recommendations to the Board accordingly;
- Determine, agree and develop the Bank's general policy on corporate governance in accordance with the recommendations of the National Code of Corporate Governance and the Corporate Governance Guidelines issued by the Bank of Mauritius to ensure 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 and approve the nomination and remuneration of the Directors and Senior Management of the Bank;
- 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 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 leave management to execute and report thereon at regular intervals;

The Corporate Governance Committee has met six times during this financial year. The members are:

- Lim Sit Chen Lam Pak Ng (Chairman)
- Sanjiv Bhasin (CEO)
- Jean-Claude Bega (Non-executive director)
- Yves Jacquot (Non-executive director)

MANAGEMENT OF KEY RISK AREAS

Risk can be defined as the uncertainty of an event to occur in the future. In the banking context, it is the exposure to the uncertainty of an outcome, where exposure could be defined as the position/stake banks take in the market. The main type of risks faced by the Bank are as follows:

Definitions of Risk types

FINANCIAL RISK	CREDIT RISK	Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk and concentration risk.
	COUNTRY RISK	Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and the group's branches and subsidiaries in a country) will be able to fulfil obligations due to the group given political or economic conditions in the host country.
	MARKET RISK	Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.
	FUNDING AND LIQUIDITY RISK	Funding risk is the risk associated with the impact on a project's cash flow from higher funding costs or lack of availability of funds. Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.
	INTEREST RATE RISK	The risk arising from changes in interest rates or the prices of interest rate related securities and derivatives, impacting on the Bank's earnings or economic value of equity
NON-FINANCIAL RISK	OPERATIONAL RISK	Operational risk is the risk of loss suffered as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.
	COMPLIANCE RISK	Compliance risk is the risk of legal or regulatory sanction, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations and codes of conduct and standards of good practice applicable to its financial services activities.
	INFORMATION RISK	The risk of accidental or intentional unauthorized use, modification, disclosure or destruction of information resources which would compromise the confidentiality, integrity or availability of information.
TRANSVERSAL RISK	BUSINESS STRATEGIC RISK	Business strategic risk is the risk of earnings variability, resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.
	REPUTATIONAL RISK	Reputational risk is the risk of potential or actual damage to the group's image which may impair the profitability and/or sustainability of its business.

MANAGEMENT OF KEY RISK AREAS (CONTINUED)

IFRS 9

AfrAsia Bank Limited has run a centrally managed IFRS 9 program, which included business functions and subject matter experts on methodology, data sourcing and modelling, IT processing and reporting. Overall governance of the program's implementation has been through the Group's IFRS9 Steering Committee and included representatives from Risk, Credit, IT and Finance department. Guidance, training and implementation of specific processes and business controls over this new framework will continue throughout 2018.

Significant increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) of a financial asset has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information based on the Bank's historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-months ECLs to one that is based on lifetime ECLs (i.e., from Stage 1 and Stage 2).

CREDIT RISK

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

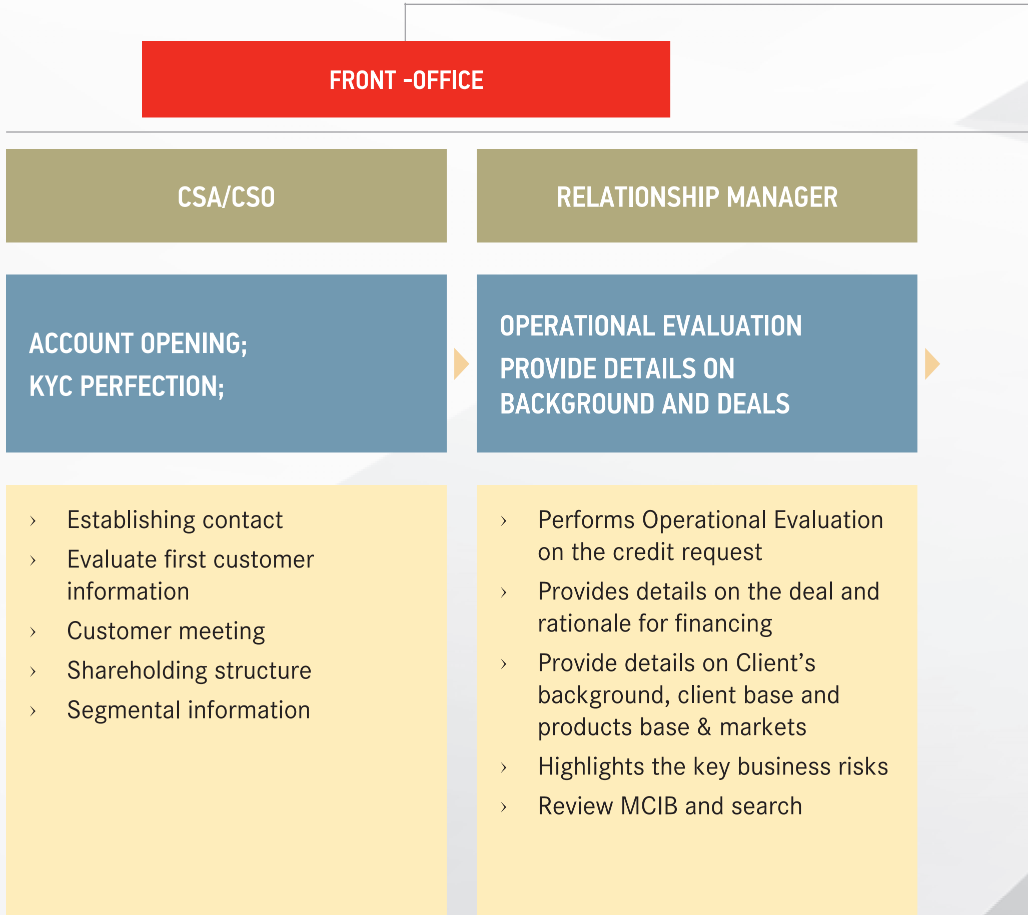
Credit risk arises from the possibility of financial losses stemming from the failure of clients or counterparties to meet their financial obligations to the Bank. Credit processes control the credit risk of individual and corporate clients. Other sources of credit risk arise from trading activities, 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.

CREDIT RISK POLICIES



CREDIT APPROVAL PROCESS

RELATIONSHIP MANAGEMENT

CREDIT MANAGEMENT

APPROVAL PROCESS

CREDIT MANAGER

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

- Request supporting documents
- Propose Facility structuring
- Obtain information
- Completeness and plausibility review
- Financial spreading and Financial Analysis
- Provides recommendation to Relationship Managers (Domestic Banking or Global Business)

CREDIT ADMIN. & LEGAL

VETTING AND ADVICE ON PROPOSED SECURITY STRUCTURE

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

CREDIT RISK MANAGEMENT

CREDIT RECOMMENDATION INDUSTRY ANALYSIS; COUNTRY ANALYSIS

- Check compliance with authority structure and Credit Risk Policy
- Review documents and facility structure
- Assess credit-related factors linked to lending
- Assesses Loan to Value
- Evaluate exposure
- Formulate recommendation on the credit request
- Industry/Country analysis

MCC/BRC/CRC

APPROVAL BY MANAGEMENT CREDIT COMMITTEE OR BOARD RISK COMMITTEE

- Approval by decision-makers and depending on authority structure

CREDIT RISK (CONTINUED)

Controls & Lines of Defence

BOARD

CEO

SENIOR MANAGEMENT

FIRST LINE OF DEFENCE

BUSINESS UNITS

- Follow a risk process
- Identify, manage, measure and mitigate inherent risks in daily activities

SECOND LINE OF DEFENCE

RISK AND COMPLIANCE

- Establish the integrated management framework for risks and management policies risks.
- Provide independent monitoring of management practices and a critical review independent of the first line of defense.
- Develop Risk management/ Risk appetite framework

THIRD LINE OF DEFENCE

INTERNAL AUDIT

- Review 1st and 2nd lines of defence
- Give independent assurance to the Management and the Board on the effectiveness of policies, processes and practices of risk management and controls

Credit Rating

As per Basel II Capital Accord, a Rating System must have 2-Dimensions and provide for a separate assessment of borrower and transaction characteristics to provide for a meaningful differentiation of risk. 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's rating grades and descriptions for each grade is as follows:

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

CREDIT RISK (CONTINUED)

CREDIT MONITORING

Monitoring weaknesses in portfolios

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

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

Retail portfolios

Within the retail portfolios, the approach is consistent with the Bank's policy of raising a 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

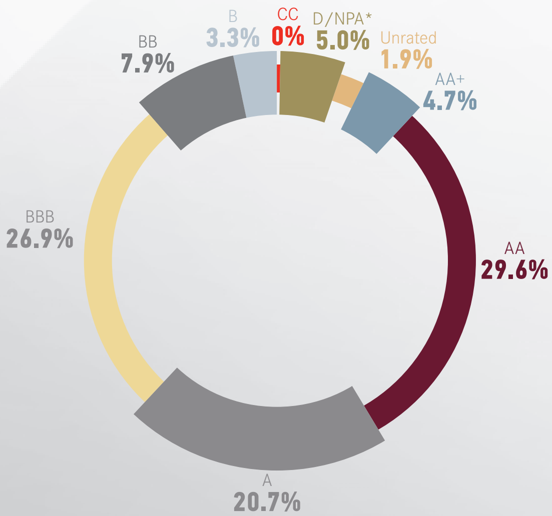
All loans and advances are categorized as neither past due nor impaired; past due but not impaired; or impaired, which includes restructured loans.

- 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.

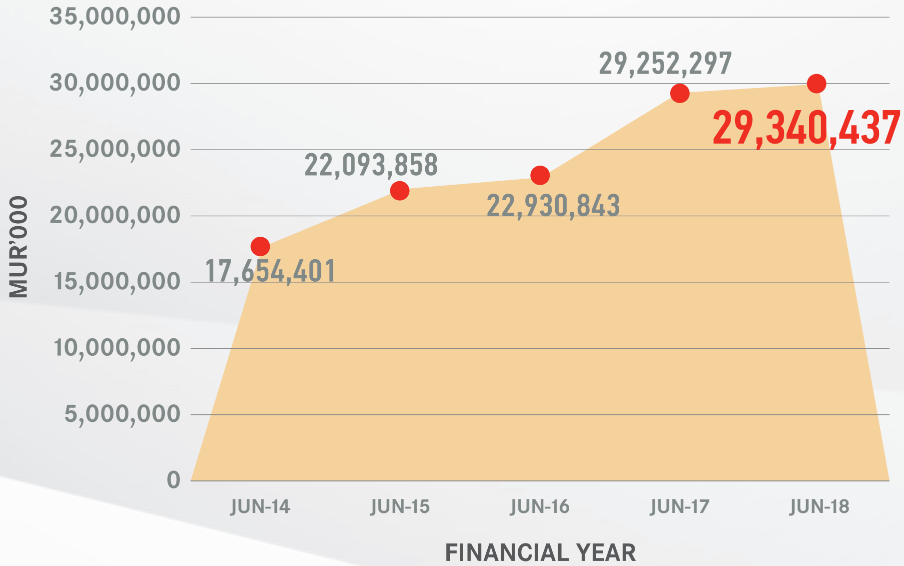
CRISIL Rating as at 30 June 2018			
CRISIL Rating	**Description**	**Overall CRISIL Rating (MUR'000)**	**(%)**
AA+	High Safety	1,368,791	4.70%
AA	High Safety	8,682,546	29.60%
A	Adequate Safety	6,086,754	20.70%
BBB	Moderate Safety	7,897,416	26.90%
BB	Moderate Safety	2,309,211	7.90%
B	Minimum Safety	962,606	3.30%
CC	Inadequate Safety	-	0.00%
D/NPA*	Default	1,474,391	5.00%
Sub-Total		**28,781,715**	
UNRATED	Unrated	**558,723**	1.90%
GRAND TOTAL		**29,340,437**	100.00%

Source: CRISIL rating system of the Bank

CRISIL rating



Gross Loans And Advances For The Past 5 Years



During the Financial Year 2017/18, 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.

CREDIT RISK (CONTINUED)

CONCENTRATION OF RISK

The Bank of Mauritius Guidelines on Credit Concentration (revised December 2017) 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 10% was 229% as at 30 June 2018, well within the regulatory limit as shown below:

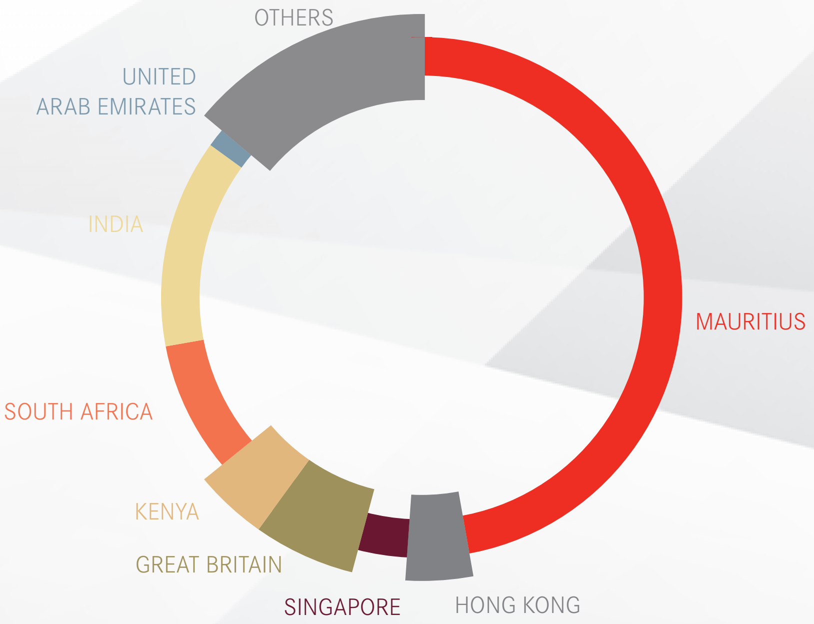
Capital @ 30 June 2018	MUR'000
Tier 1 Capital	6,279,995
Tier 2 Capital	389,292
Capital Base	**6,669,287**
Total Large Exposures (above 10%)	15,297,204
% Total Large Exposure Vs Capital Base (limitation 600%)	229%

Comprehensive assessment of the credit risk portfolio for provision is part of ABL's portfolio management process to mitigate subsequent risk and diversification across numerous geographical frontiers, sectors, segments and products; with the main objective 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.

SECTORIAL ANALYSIS	MUR'000 30-Jun-18	% Mix	MUR'000 30-Jun-17	% Mix
Agriculture and fishing	1,625,895	5.5%	1,196,959	4.1%
Manufacturing	2,780,767	9.5%	2,999,322	10.3%
Tourism	2,380,751	8.1%	2,149,109	7.3%
Transport	429,589	1.5%	549,164	1.9%
Construction, infrastructure and real estate	1,778,912	6.1%	3,170,516	10.8%
Financial and business services	9,478,836	32.3%	6,327,016	21.6%
Traders	1,559,634	5.3%	1,679,998	5.7%
Personal	1,735,382	5.9%	1,734,220	5.9%
Professional	4,529	0.0%	6,233	0.0%
Information, communication and technology	45,544	0.2%	87,348	0.3%
Government and parastatal bodies	1,299,347	4.4%	271,646	0.9%
Global Business Licence Holders (GBL)	2,613,741	8.9%	3,596,604	12.3%
Other entities	3,607,510	12.3%	5,484,162	18.7%
Total Exposure	29,340,437		29,252,297	

Geographical concentration - Loans and placement



The Board of Directors is responsible for setting the Bank's tolerance for country risks. It has delegated the 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 connection, the Bank conducts a thorough evaluation of risks associated with its cross-border operations 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.

CREDIT RISK (CONTINUED)

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 assessment 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 strategies and the related limits with regards to the Bank's 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 agencies (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:

1. A bottom-up approach: analysis of the country risk pertaining in each cross-border credit files, placements, financial products;
2. 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.

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

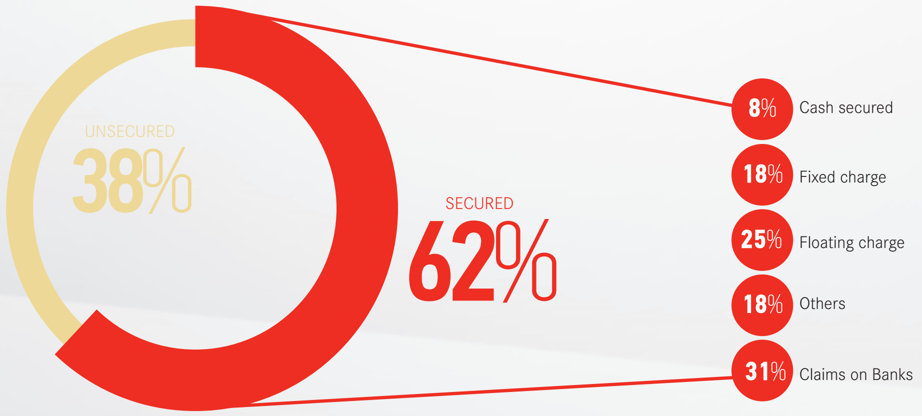
As a fundamental credit principle, the Bank does not generally grant credit facilities solely on the basis of the collateral provided. All credit facilities are also based on the credit rating, source of repayment and debt-servicing ability of the borrower. Collaterals are taken whenever possible to 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 62% of the asset book, whilst 31% of total asset book was for claims on Banks.

Description	Collateral Value MUR'000
CASH SECURED	1,380,898
FIXED CHARGE	3,366,607
FLOATING CHARGE	4,567,194
OTHERS	3,229,131
UNSECURED	11,057,447
CLAIMS ON BANKS	5,739,160
Total	29,340,437

Collateral Chart



Credit Impairment and Asset quality

One of the strategic initiatives developed was cleaning and stabilizing the balance sheet and the manner capital coverage will be increased, keeping security value and size of Bank's profits in focus.

An active monitoring and impairment assessment was carried out on all names with regards to the adequacy of provisioning level and also to align with Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition.

CREDIT RISK (CONTINUED)

Recovery Management

Non-performing loans ("NPA") after write offs reached 5% of Gross loans and Advances to customers in FY17/18. The coverage ratio of Non-performing loans by specific provisions improved to 39% at year end compared to 34% the previous year. The remaining portion is more than effectively covered by collateral, appropriately discounted to mirror current market conditions and be conservative in our approach. The breakdown of specific and portfolio provision by industry is provided in Note 39 of the financial statements. Besides, additional provision for credit losses notably linked to Macroprudential policy measure set by Bank of Mauritius is catered for in the Bank's general banking reserves.

SEGMENTAL ANALYSIS	2018					2017				
	Gross amount of loans	Non performing loans	% of total exposures	Capital Provision	% Coverage	Gross amount of loans	Non performing loans	% of total exposures	Capital Provision	% Coverage
SEGMENT A										
Agriculture and fishing	1,095,391	-		-		845,778	-		-	
Manufacturing	381,977	151,406	40%	55,140	36%	438,193	183,810	42%	32,248	18%
Tourism	2,236,127	2	0%	2	100%	2,149,109	105,226	5%	43,093	41%
Transport	41,364	-		-		2,774	-		-	
Construction, infrastructure and real estate	1,196,304	283,804	24%	37,590	13%	2,194,843	461,481	21%	56,843	12%
Financial and business services	1,916,284	101,649	5%	2,350	2%	1,057,573	98,493	9%	7,794	8%
Traders	947,685	151,326	16%	100,569	66%	801,942	210,240	26%	157,202	75%
Personal	1,280,269	234,024	18%	102,373	44%	1,294,321	321,280	25%	53,113	17%
Professional	4,035	-		-		6,233	-		-	
Information, communication and technology	45,544	11,143	24%	11,038	99%	87,348	22,639	26%	5,486	24%
Government	1,160,169	-		-		-	-		-	
Global Business Licence Holders (GBL)	-	-		-		-	-		-	
Other entities	1,068,968	52,134	5%	16,675	32%	2,105,648	52,450	2%	11,901	23%
	11,374,117	**985,488**	**9%**	**325,737**	**33%**	**10,983,762**	**1,455,619**	**13%**	**367,681**	**25%**
SEGMENT B										
Agriculture and fishing	530,504	-		-		351,181	-		-	
Manufacturing	2,398,790	362,488	15%	205,635	57%	2,561,129	738,727	29%	447,000	61%
Tourism	144,624	-		-		-	-		-	
Transport	388,225	73,351	19%	8,130	11%	546,390	172,050	31%	51,615	30%
Construction, infrastructure and real estate	582,608	-		-		975,673	-		-	
Financial and business services	7,562,552	-		-		5,269,443	-		-	
Traders	611,949	-		-		878,056	-		-	
Personal	455,113	22,207	5%	12,218	55%	439,899	73,043	17%	92	
Professional	494	-		-		-	-		-	
Information, communication and technology	-	-		-		-	-		-	
Government	139,178	-		-		271,646	-		-	
Global Business Licence Holders (GBL)	2,613,741	30,857	1%	17,315	56%	3,596,604	202,129	6%	155,288	77%
Other entities	2,538,542	-		-		3,378,514	330,336	10%	-	
	17,966,320	**488,903**	**3%**	**243,299**		**18,268,535**	**1,516,285**	**8%**	**653,995**	**43%**
GRAND TOTAL	**29,340,437**	**1,474,391**	**5%**	**569,036**	**39%**	**29,252,297**	**2,971,904**	**10%**	**1,021,676**	**34%**

MARKET RISK

Market Risk Definition

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 work 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

- **Trading-market risks** include market-making activities and trading operations which involve taking positions for example in bonds, foreign exchange instruments or derivative products.
  The trading portfolios include positions in securities held with trading intent (either HFT or AFS Book) Positions are those held for short-term resale and/or with intent of profiting from actual or expected short-term price movements or to lock in arbitrage profits. The trading portfolios will target one of the following objectives: proprietary trading, market making, or selling financial products to clients.

MARKET RISK (CONTINUED)

- **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.
  The structural portfolios aim at managing the Bank's non-trading market risk on the balance sheet:
  - Structural Foreign Exchange Risk, resulting from currency mismatches on the Balance Sheet
  - Structural Interest rate risk, as a result of interest rate repricing gaps. The Bank is exposed to market risks by creating or maintaining interest rate gaps between its assets and its liabilities. Such gaps increase the risk of mismatched interest rates, known as structural interest rate risk.

Interest Rate Risk

Interest rate risk is the risk of a negative impact from adverse changes in the term structure of interest rates, and/or their implied volatility.

This risk is inherent, but not limited, to financial instruments such as bonds, money market instruments, and derivatives such as options, cross-currency interest rate swaps, forward foreign exchange contracts etc.

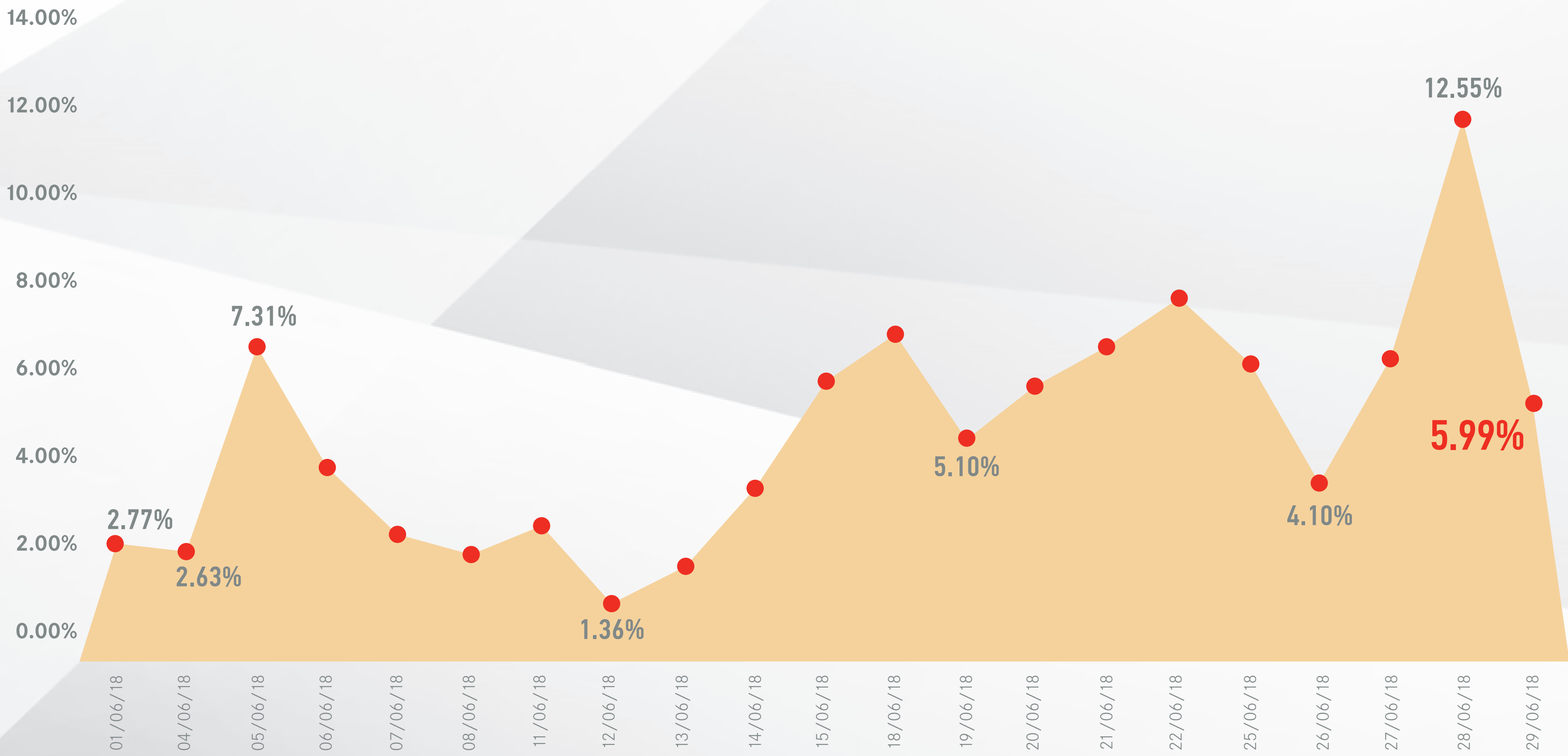
Foreign Exchange Risk

Foreign Exchange Risk is the exposure of the Bank's financial condition to adverse movements in foreign exchange rates. This risk affects the Bank due to multi-currency investing and lending activities. This risk can expose the Bank to litigation, financial loss, or damage to reputation.

Currency Risk Management - FX Portfolio

- The Bank's net open, either overbought/oversold, position against the Mauritian rupee have been no more than 15% of Tier 1 capital, throughout the financial year ended 30 June 2018, which is in compliance to the Bank of Mauritius requirements.

FX Exposure for the month of June 2018



MARKET RISK (CONTINUED)

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

Tier 1 Capital as at 30 June 18 stood at MUR 6,279,995,000

CURRENCY	% change in currency rate	Assets	Liabilities	Effect on profit of change in currency on: Assets	Effect on profit of change in currency on: Liabilities	Net Position	Sensitivity of net income and equity	% of Tier 1 Capital
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	
	+5%			46,358	(45,432)		927	
AUD	-5%	927,167	908,630	(46,358)	45,432	**18,537**	(927)	0.33%
	+5%			985,449	(982,944)		2,505	
EUR	-5%	19,708,982	19,658,885	(985,449)	982,944	**50,097**	(2,505)	0.90%
	+5%			375,735	(373,551)		2,184	
GBP	-5%	7,514,697	7,471,021	(375,735)	373,551	**43,676**	(2,184)	0.79%
	+5%			3,804,301	(3,810,431)		(6,130)	
USD	-5%	76,086,013	76,208,616	(3,804,301)	3,810,431	**(122,603)**	6,130	2.21%
	+5%			31,179	(31,590)		(411)	
ZAR	-5%	623,586	631,807	(31,179)	31,590	**(8,221)**	411	0.15%

Counterparty Risk

Counterparty credit risk is the risk that a party, usually to an OTC derivative contract, may fail to fulfil its obligations, causing replacement losses to the other party. This is similar to the standard definition of credit risk in the sense that the economic loss is due to the default of the obligor.

Portfolio Diversification & Hedging/Basis Risk

Portfolio diversification and hedging/basis risk is the risk of a negative impact from adverse changes in realized correlations of two or more risk factors.

Adverse changes in realized correlations can reduce the portfolio diversification benefit in a sense that several of the positions could have higher correlation than expected giving rise to simultaneous losses.

In addition, adverse changes in realized correlation can make hedging strategies less effective if the underlying position and the hedge position have weaker correlation than expected.

Market Risk Management Framework

Market Risk Management Principles

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

1. **Accountability of Business Lines** – Business Lines are owners of market risks which are generated by their activities and must understand and actively manage these risks. Business Lines are responsible and accountable for the management of market risk as a "first-line of defense".
2. **Independent & Objective Risk Oversight** –Market Risk Unit is responsible for establishing practices and processes to formulate, set proper controls, identify, measure, monitor, review and report the adherence to the Bank's market risk appetite and related metrics, independently from Business Lines as a "second-line of defense". Market Risk units perform a strong and rigorous Bank-Wide oversight and independent challenge to the first line by reviewing, inquiring and discussing market risk related matters.
3. **Clear & Complete Understanding of Risks** –The decision-making process across the Bank must be based on a clear and complete understanding of market risk which is supported by accurate and expert's judgment.
4. **Efficient Balance of Risk & 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.
5. **Robust & Integrated Risk & Control Culture** –Market 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 Unit works with Business Lines to establish policies, standards, and risk limits that align with the Bank's market risk appetite. The market risk limit setting framework is comprehensive, rigorous, dynamic and in accordance with the complexity of Business Lines' activities and risks undertaken.
6. **Efficient & Timely Risk Communication** – All relevant issues related to market risk are timely and accurately communicated and escalated according to well defined market risk policies and related procedures, ensuring proper governance and proactive market risk management.

MARKET RISK (CONTINUED)

Market Risk Monitoring and Controls

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 an adequate market risk limits are established in accordance with the complexity of the activity and risks undertaken.

Daily Value at Risk (VaR) Limit

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.

The Bank uses an analytical method, to compute the probable loss levels at the 99% level of confidence, using a 10 days daily volatility change. The holding period used is one day in order to manage risk on a day-to-day basis.

VaR limits are intended to reflect existing conditions and to provide management with checkpoints for market risk activities.

At the portfolio level, VaR utilization should normally occur on a consistent basis within a band of 50-70% of the limit.

The Bank Daily VaR Limit with a 99% confidence level is approved by the Board and is consistent with the Bank's first market risk appetite constraint indicating that the Bank's market risk regulatory capital cannot exceed a certain threshold of Tier 1 Capital, and also calibrated according to historical limit usage.

Several adjustments are applied in order to transform the regulatory capital's horizon (e.g. one year horizon) and at a determined confidence level to the more operational daily horizon and at a 99% confidence level.

Sensitivity Limits

The limits applied to instrument's price sensitivity to changes in several pricing parameters.

The measurements applied are:

1. Portfolio duration; and
2. PV 01.

Gross Position Limits and Transaction Limits

Absolute gross position limits are set up to mitigate concentration risk and ensure that the Bank is not overly exposed to one particular market, sector, or instrument.

These limits are usually referred to as portfolio restrictions upon creation of the portfolio. Many trading portfolios have limits on the amount of certain products that can be held in the portfolio and these are often due to liquidity issues (e.g. limits on the maximum $ amount or percentage of portfolio in corporate bonds, etc.).

Maturity Limits

The majority of fixed income products are contracts that expire at a certain date. In general, the marked-to-market valuations of the products are more difficult to obtain if the products have:

› Long-term maturity; or

› Low liquidity; or

› Low credit rating

Maturity limits are established for portfolios that trade those types of products.

For additional risk ratios and sensitivity analysis, refer to Note 35.

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 those areas wherein the Bank has exposure together with sensitivity analysis/ stress tests done to monitor the 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.

Focus on Liquidity Risk

Liquidity risk is defined as the risk that at any time, ABL does not have or cannot generate sufficient cash resources to meet its financial obligations as they fall due or do so at materially significant costs. The assessment, monitoring and management of the Bank's liquidity risk and strategy is done through the Asset and Liability Management (ALM) unit.

ALM acts as an independent risk management function and has the responsibility to control and manage the Bank's liquidity risk in line with internally approved tolerance limits. The Bank also complies with the limits set by the Bank of Mauritius Guideline on Liquidity Risk Management.

As per the principles outlined in the Bank's liquidity risk policy, the following approach is adopted to manage liquidity risk both under a business-as-usual and stressed scenario.

Short-term liquidity risk management	Structural (longer-term) liquidity risk management	Contingency Liquidity Risk Management
Managing intra-day liquidity positions	Identification of structural liquidity mismatches against tolerance limits and breaches escalated to ALCO	Set appropriate liquidity buffers
Monitoring daily and short-term cash flow requirements	Managing term lending capacity through application of behavioural profiling of ambiguous maturity liabilities	Undertake liquidity stress testing and scenario analysis
Setting up of interbank and repo lines	Monitor depositor concentration against internal limits and hold sufficient marketable assets against identified concentration risks.	
Setting of deposit rates according to market conditions and ALCO approved targets.	Managing long-term cash flows	

Stock of Liquid Assets

In order to protect the Bank against unpredicted disruptions in cash flows, the Bank maintains sufficient amount of liquid and marketable assets against internally approved limits.

The table below provides a breakdown of the Bank's eligible liquid and marketable instruments as defined by the Basel Committee on Banking Supervision and the Banking Act 2004.

	As at 30 June 2018 MUR'm
Coins and bank notes	**30**
Excess cash with Central Bank	**1,481**
Short-term balances (less than 1 month) with banks in Mauritius	**696**
Short-term balances (less than 1 month) with foreign banks	**39,625**
Securities issued by sovereigns	**23,555**

As at 30th June 2018, the Bank's liquid assets ratio was 68% against an internal limit of 25%.

ASSETS AND LIABILITIES MANAGEMENT (ALM) (CONTINUED)

Depositor concentration ratio

The Bank's deposit base remains well diversified. As at 30th June 2018, the depositor concentration ratios were as follows:

MUR deposits	
Single depositor	**5.56%**
Top 10 depositors	**23.26%**
FCY deposits	
Single depositor	**3.58%**
Top 10 depositors	**15.45%**

Liquidity Coverage Ratio

The Bank of Mauritius, in line with Basel principles, issued its Liquidity Coverage Ratio (LCR) requirements in November 2017 as part of the Guideline on Liquidity Risk Management.

The objective of the LCR is to ensure that a bank maintains an adequate stock of unencumbered high quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash at little or no loss in value in private markets, to meet its liquidity needs for a 30 calendar day time period under a severe liquidity stress scenario.

$$LCR = \frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}}$$

BOM has adopted the following phased in approach to the LCR requirement:

	As from 30 November 2017	As from 31 January 2018	As from 31 January 2019	As from 31 January 2020
LCR in Mauritian rupees	100%	100%	100%	100%
LCR in material foreign currencies	60%	70%	80%	100%
Consolidated LCR	60%	70%	80%	100%

As at 30th June 2018, the Bank was within regulatory LCR limits with a MUR LCR of 487%, a USD LCR of 147%, and a EUR LCR of 72% and a consolidated LCR of 219%.

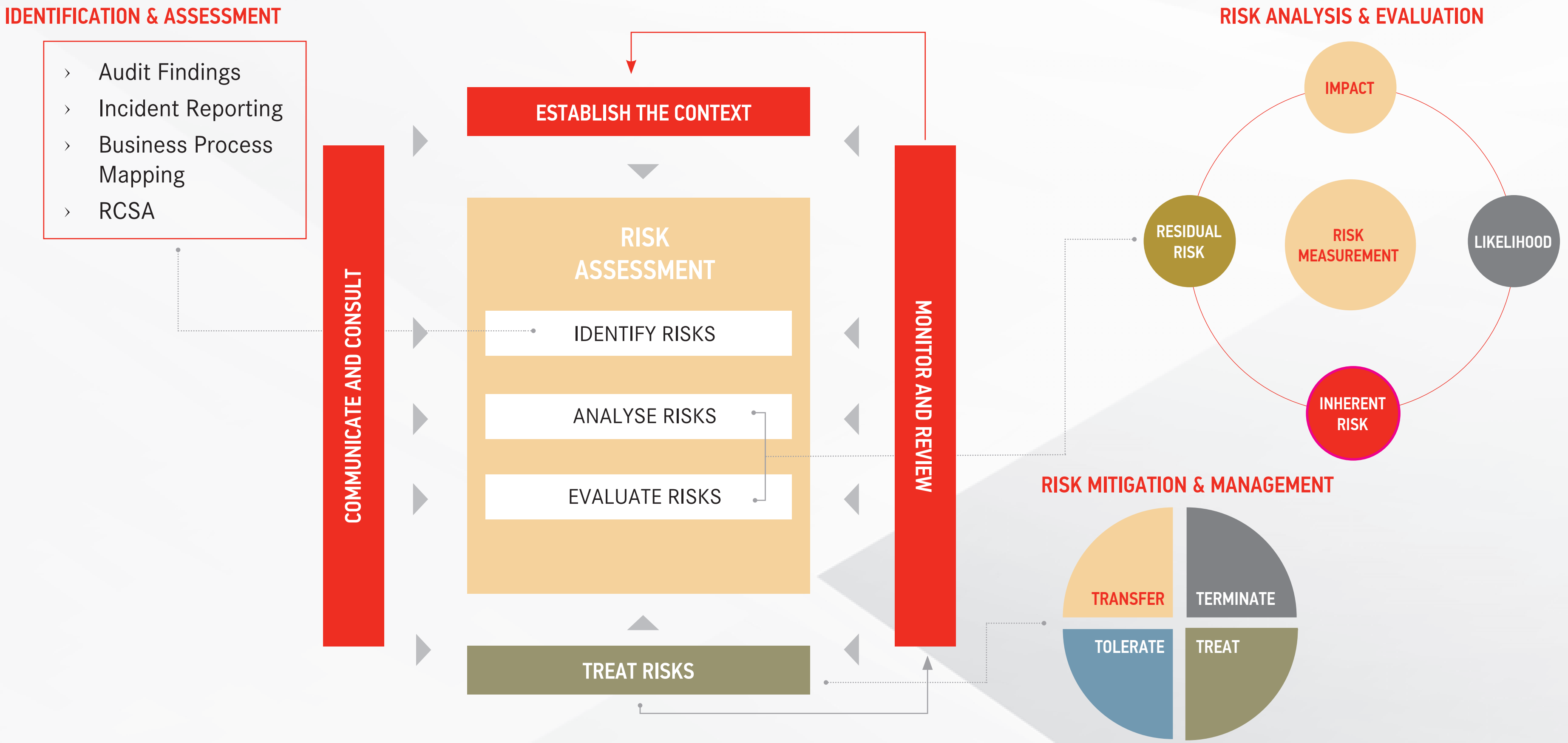
OPERATIONAL RISK MANAGEMENT

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. AfrAsia Bank Ltd adopts the "Three Lines of Defence" approach for management of operational risk.

While the management of operational risk is the primary responsibility of each function or service responsible, each and every business line is responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which it is accountable. 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. The internal audit acts as the third line of defence to provide an independent review and challenge on the operational risk framework, controls, processes and systems in place during their reviews of each business line and whether operational risk is adequately managed. 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 are updated and adjusted to its current business conditions on an on-going basis. 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 (CONTINUED)

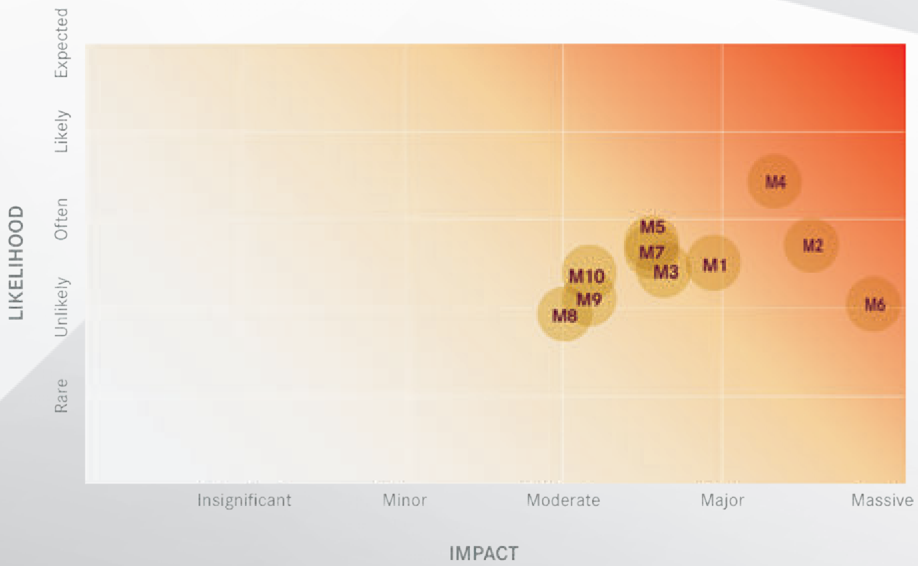
Annually, the Bank performs a complete review of all its processes and its procedures across all the areas of operation so as to mitigate the risk arising from the fast growing operations. Each subsidiary, business unit and resource area is responsible for the day-to-day monitoring of its operational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



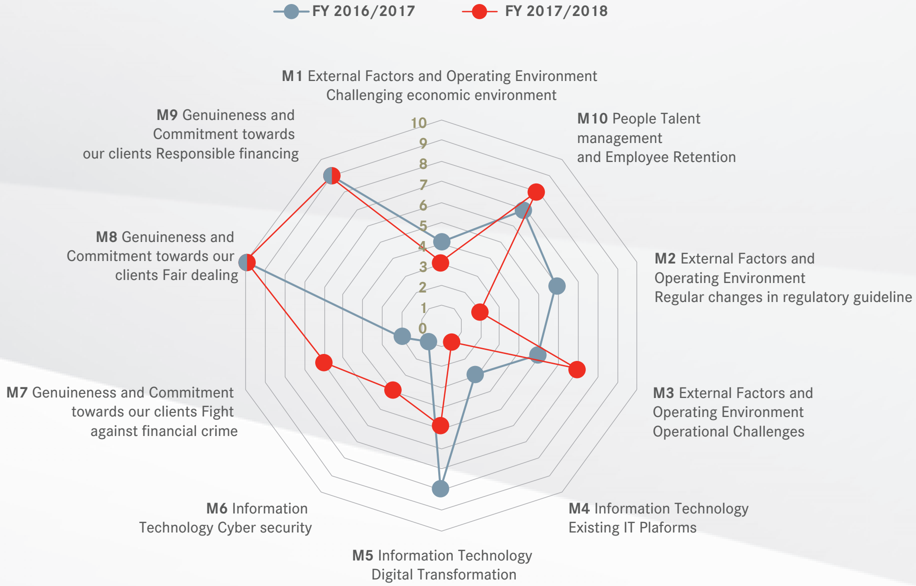
To that end, all Head of Departments have participated in this review using methods adapted from the ISO 31000 standard which provides a structured approach to management risk and each department/risk unit has nominated an Operational Risk Business Coordinator (ORBC) who works closely with risk management.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

The top 10 risks of the Bank have been evaluated where all departments were requested to provide their assessment through a rating exercise. 16 ORBCs provided their rating with regards to their actual business activities. The snapshot below depicts the inherent risks of the top 10 risks in terms of likelihood and impact.

ENTERPRISE RISK HEAT MAP FOR FINANCIAL YEAR 2017-2018



The diagram below depicts the trends of the Top 10 Risks between the FY 2016/2017 and FY 2017/2018. Cyber Security risk which was in the first place in FY 2016/2017 has moved to the fourth place since bank has been engaged in implementing information security measures.



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.

INFORMATION TECHNOLOGY

Technology is the driving force in leading modern business and revenue generating strategies. FinTech and banking strategies are enabling simpler and more efficient ways to complete our tasks. Our efforts and investments are thus geared in the same direction.

Data and information: Effective deployment of data and information assets is in the form of Management information system, business intelligence / analytics, decision support and forecasting. Data and information being among the most valuable assets of the organization, the information strategy at the Bank focuses not only on the above but also on data governance, to ensure integrity and consistency of data at every stage of the data lifecycle – from input or capture to aggregation and consumption. Moreover, in accordance with the General Data Protection Regulation (GDPR), enforced as of 25th May 2018 and the new Mauritius Data Protection Act (DPA) 2017, AfrAsia is committed to ensure that privacy rights and entitlements are adequately protected in relation to the techniques used to capture, transmit, manipulate, record or store data relating to individuals. Data protection compliance assessments have been performed and subsequently GDPR related efforts such as consent, cookie statement and privacy statement, amongst others have been implemented. The Data Protection Office has been set up to ensure continuous monitoring of controls and adherence to the regulation.

Technology, Infrastructure and Security: With technology evolving faster than ever and the primary challenge for a technology function as enabler is to ensure that the Bank is adequately prepared and equipped to sustain and scale up to the rigorous and continuous evolution of requirements for new technologies in the era of digital innovation and artificial intelligence, whilst managing the costs and the associated risks.

The Bank's Information Technology (IT) and Information Security (IS) frameworks are built on global standards like ITIL, ISO 27001 etc. and the governance principles are 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.

Information Risk: Information Risk is picking up ground and management focus is oriented to ensure that all measures envisage towards adopting the best practices including governance through frameworks & standards, and ensures efficiency and consistency of protections. It aims to maintain the confidentiality, integrity and availability of information assets when being stored, processed and transmitted.

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management ("BCM") Policy has been reviewed in February 2018 in alignment with the ISO 31000 Standard, with appropriate plans to mitigate operational risks, and as a commitment to continue business to our shareholders, customers and employees. Business Impact Analysis, Business Recovery Strategies and Emergency Response plans have been defined and 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.

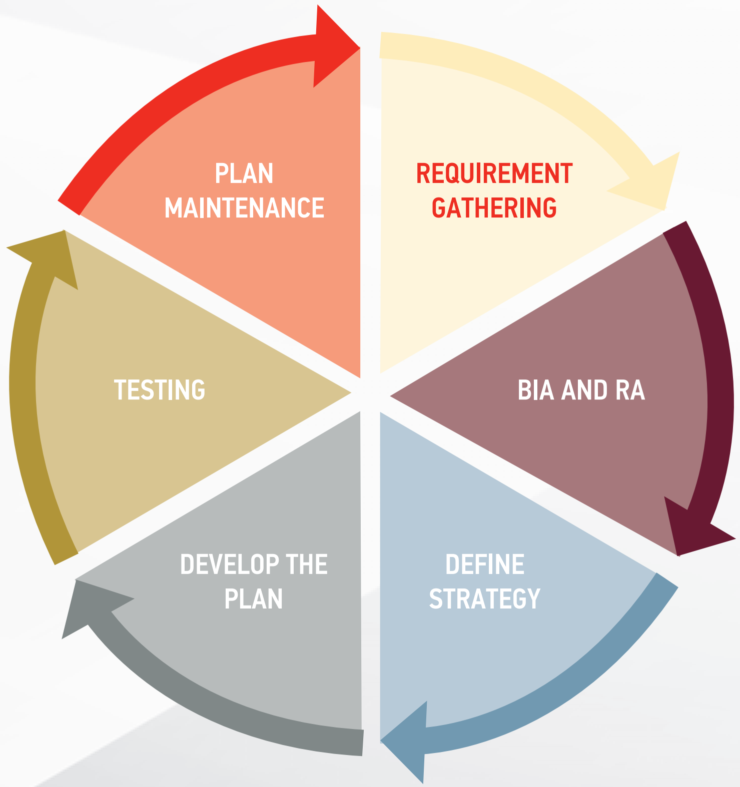
The Bank has in place a BCM Steering Committee to review the processes after each testing exercise and to review the policy every year with a view to continuously improving resilience. The ultimate objective is to cater for any eventual disruption of operations to be restored within a minimum lapse of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

The Bank's data centre is a Tier III infrastructure, approximately 23km from the main operation centre (Ebene). Disaster Recovery (DR) site is situated at Ebene and the Work Area Recovery (WAR) is situated at Port-Louis 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 out in June 2018 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.

BUSINESS CONTINUITY MANAGEMENT (CONTINUED)

To continuously improve on the BCM and attain an efficient and acceptable level, we have adopted 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.

BIA – Business Impact Analysis

RA – Risk Assessment

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 all departments 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 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 COMBATTING THE FINANCING OF TERRORISM

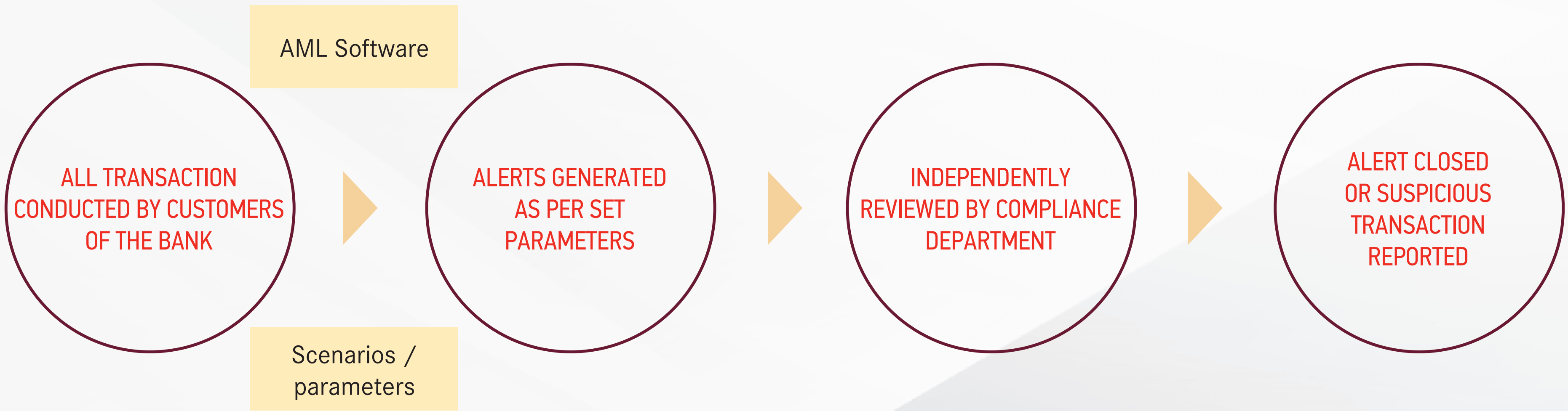
1. Customer Acceptance – Know Your Customer / Customer Due Diligence
2. Fraud identification, investigation and reporting.
3. AML Training/Compliance workshop and circulation of regulatory changes, issuing Compliance Digest
4. Financial Crime and Investigations of Suspicious Transactions - File Suspicious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

COMPLIANCE (CONTINUED)

AML Software

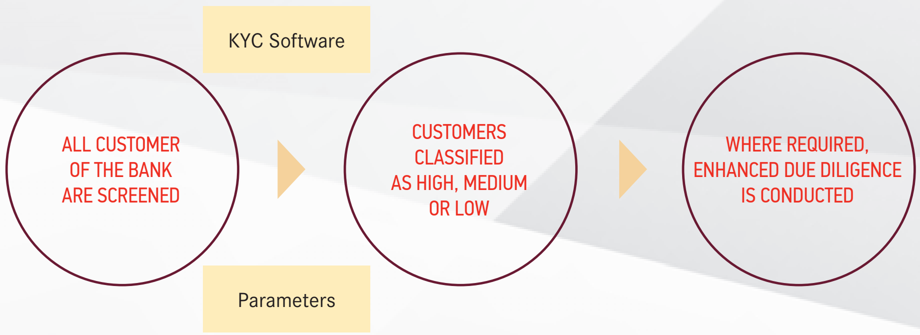
With the implementation of a fully automated AML Software, the Compliance Department independently reviews transactions and generates AML alerts based on agreed parameters, transaction amounts and frequency.

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

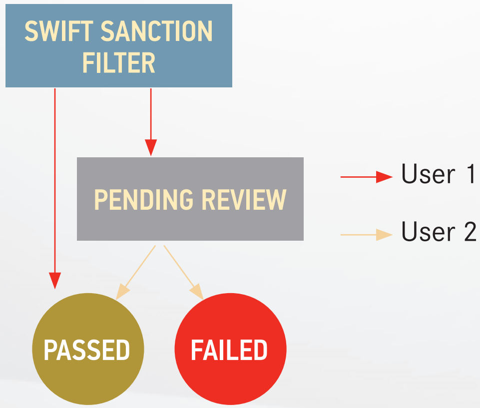
Furthermore, the KYC software implemented allows KYC profiling, which is improved through enhanced due diligence, customer identification, screening and customer risk scoring.



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;

COMPLIANCE (CONTINUED)

- On 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.

Corporate Governance

The Board of Directors is fully dedicated in following and implementing corporate governance throughout the Bank through the Guideline on Corporate Governance issued by the Bank of Mauritius together with the National Code of Corporate Governance.

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

To comply with the National Code of Corporate Governance (2016) and updated Bank of Mauritius Guideline on Corporate Governance it is vital to recognize employees as valued stakeholders in terms of corporate social and ethical responsibility as per below:

- Engaging employees with the corporate environment, which allows for transparency and opens communication with senior management.
- Creating a dialogue with employees to ascertain feedback on the proficiency of current systems, policies and procedures, in view of streamlining processes for maximum benefit.
- Employees should be involved in the review and improvement of policies and procedures and relevant decision making, as they are in the best position to objectively comment on any shortcomings or deviations in standard and suggest improvements which may make the policies and procedures more efficient and effective.
- Encouraging employees to find/create innovative work methods and find ways to improve customer experience.
- Empowering employees to use their potential to the full limit and provide them with required training and support so as they are able to represent the Bank's philosophy and image to the internal and external customers and all relevant stakeholders.

Governance and Oversight

Managing Ourselves - Elements of how we govern ourselves in terms of organization structure & leadership; risk management & internal controls; capital management; organization key values.

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

Government & Regulatory Authorities - Providing input to & implementing public policies

How did we engage?

- Onsite and offsite supervision/examination by the regulators
- Trilateral meeting between the Bank of Mauritius, External Auditors and the Bank
- Meetings/Workgroups/Committees between the Bank and regulators
- Written communication
- Regulatory returns

What were the key topics and concerns raised?

- AML/CFT & financial crimes
- Frauds
- Implementation of new Guidelines/Guidance Notes
- New technology/products/services
- Complaints
- Compliance with regulatory requirements

How did we respond?

- Providing regulatory returns to the Bank of Mauritius
- Request approval for new technology/products/services
- Reply to Requests for Information and other queries
- Participate in Workgroups
- Report Frauds/Attempted frauds to the Bank of Mauritius
- Contributing/providing comments concerning new Guidelines/Guidance Notes

LICENCES

AfrAsia Bank Limited holds a Banking Licence to conduct banking business in Mauritius issued by the Bank of Mauritius under Section 7 of the Banking Act 2004 since 29 August 2007. The Bank and its Group Entities are regulated as follows:

Legal Entity	Domiciled	Regulatory Oversight
AfrAsia Bank Limited	Mauritius (Domestic)	Bank of Mauritius Financial Services Commission
AfrAsia Corporate Finance (Africa) Limited (under liquidation)	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.

CAPITAL STRUCTURE AND ADEQUACY

RISK WEIGHTED ASSETS

AFRASIA BANK LIMITED	2018 MUR'000	2017 MUR'000	2016 MUR'000
Common Equity Tier 1 capital: instruments and reserves			
Share Capital	3,641,049	3,157,608	2,555,363
Share premium (from issue of ordinary shares included in CET1)	-	2,862	13,923
Statutory reserve	454,679	339,711	217,161
Retained earnings	1,277,521	944,373	493,282
Accumulated other comprehensive income and other disclosed reserves	88,728	70,618	82,468
Common Equity Tier 1 capital before regulatory adjustments	**5,461,977**	**4,515,172**	**3,362,197**
Common Equity Tier 1 capital: regulatory adjustments			
Treasury (Own Shares)	-	-	-
Other intangible assets	(249,585)	(155,855)	(111,840)
Deferred Tax	(141,462)	(147,057)	(60,441)
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)	(151,650)	(113,738)	(94,781)
Total regulatory adjustments to Common Equity Tier 1 capital	**(542,697)**	**(416,650)**	**(267,062)**
Common Equity Tier 1 capital (CET1)	**4,919,280**	**4,098,522**	**3,095,135**
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)	**1,360,715**	**1,340,467**	**1,233,085**
Additional Tier 1 capital before regulatory adjustments	**1,360,715**	**1,340,467**	**1,233,085**
Additional Tier 1 capital: regulatory adjustments	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
Additional Tier 1 capital (AT1)	**1,360,715**	**1,340,467**	**1,233,085**

AFRASIA BANK LIMITED		2018 MUR'000	2017 MUR'000	2016 MUR'000
Tier 1 capital (T1 = CET1 + AT1)		**6,279,995**	**5,438,989**	**4,328,220**
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)		11,380	269,260	484,112
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)		415,825	381,347	274,001
Tier 2 capital before regulatory adjustments		**427,205**	**650,607**	**758,113**
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)		(37,913)	(75,825)	(94,781)
Total regulatory adjustments to Tier 2 capital		**(37,913)**	**(75,825)**	**(94,781)**
Tier 2 capital (T2)		**389,292**	**574,782**	**663,332**
Total Capital (capital base) (TC = T1 + T2)		**6,669,287**	**6,013,771**	**4,991,552**
Risk weighted assets				
Credit Risk		41,591,459	42,506,702	39,946,865
Market Risk		332,436	440,288	522,049
Operational Risk		3,421,490	2,988,502	2,343,740
Total risk weighted assets		**45,345,385**	**45,935,492**	**42,812,654**
Capital ratios (as a percentage of risk weighted assets)	**Regulatory Limits under Basel III**			
CET1 capital ratio	8.50%	10.85%	8.92%	7.23%
Tier 1 capital ratio	8.75%	13.85%	11.84%	10.11%
Total capital ratio	12.00%	14.71%	13.09%	11.66%

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

RECONCILIATION WITH AFRASIA BANK'S AUDITED FINANCIAL STATEMENTS

	30-Jun-18	
	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III
Assets	MUR'000	MUR'000
Cash and cash equivalent	3,196,233	4,702,071
Trading assets	7,014,237	7,050,700
Pledged assets	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	51,943,156	51,909,108
Loans and advances to customers	28,066,483	28,000,493
Derivative financial instruments	208,490	-
Financial investments-held for maturity	27,360,177	27,238,633
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	189,854	189,854
Intangible assets		
of which: Goodwill	-	-
of which: Other intangible assets	249,585	249,585
Deferred tax assets	141,462	141,462
Other assets	1,841,173	1,093,261
of which: Defined benefit pension fund assets		
Total assets	**120,400,413**	**120,764,730**
Liabilities		
Deposits from banks	932,755	932,755
Deposits from customers	111,385,467	111,385,467

Liabilities	30-Jun-18 Statement of Financial Position as in published financial statements MUR'000	Statement of Financial Position as per Basel III MUR'000
Derivative financial instruments	64,382	64,382
Trading liabilities	-	-
Derivatives liabilities held for risk management	-	-
Debt securities issues	-	-
Other borrowed funds	-	-
Subordinated liabilities		
of which: Subordinated debt not eligible for inclusion in regulatory capital	588,828	588,828
of which: Subordinated debt eligible for inclusion in regulatory capital	11,380	11,380
Current tax liabilities	31,281	31,281
Deferred tax liabilities	-	-
Provisions	-	364,317
of which: Provision reflected in regulatory capital	-	364,317
Other liabilities	487,068	487,068
Total liabilities	**113,501,161**	**113,865,478**
Shareholders' Equity		
Share capital and share premium	5,026,817	5,026,817
of which amount eligible for CET1	3,641,049	3,641,049
of which amount eligible for AT1	1,360,715	1,360,715
Retained earnings	1,277,521	1,277,521
Other reserves	594,914	594,914
Accumulated other comprehensive income	-	-
Total shareholders equity	**6,899,252**	**6,899,252**

CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

Total Risk Weighted Assets as at 30 June 2018 was at MUR45.3bn versus capital base of MUR6.7bn. Analysis by risk type:

- Credit Risk MUR41.6bn **
- Market Risk MUR0.3bn
- Operational Risk MUR3.4bn

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

RELATED PARTY TRANSACTIONS, POLICIES AND PRACTICES

The Bank adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius in December 2001 (Revised June 2015). In line with this Guideline, the Board of Directors appointed a Board Risk Committee (BRC) 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 of the chair/independent non-executive director, 2 independent non-executive directors, 1 non-independent non-executive director and 1 executive director. 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 37.97% (Cat1 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.

SUSTAINING

TRUSTFUL RELATIONSHIPS

Sustainable banking is a strategic priority for us, and we intend to become a leader in this field, both in terms of our offerings and our contribution to a sustainable economy, by leveraging relationship-building and networking opportunities through strategic long term partnerships.

SUSTAINING

OUR PERFORMANCE

Financial Capital

Human Capital

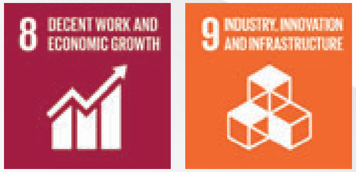
Social & Relationship Capital

Natural Capital

Intellectual Capital

Manufactured Capital

FINANCIAL CAPITAL



Financial capital is broadly understood as the pool of funds available to an organization. This includes both debt and equity finance. This description of financial capital focuses on the source of funds, rather than its application, which results in the acquisition of manufactured or other forms of capital.

Financial Capital is broadly understood as:

- the pool of funds available to an organization for the production of goods or the provision of services;
- the pool of funds obtained through financing, operations, and investments.

Reference: https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf

"TOGETHER WITH OUR FINANCIAL PARTNERS SUCH AS AFRASIA, WE AIM TO HELP SMALL AND VULNERABLE COUNTRIES ACCESS INTERNATIONAL SOURCES OF CLIMATE FINANCE TO MEET THEIR PRIORITY ADAPTATION AND MITIGATION NEEDS AND REALIZE THEIR SUSTAINABLE DEVELOPMENT GOALS."

BILAL ANWAR
General Manager, The Commonwealth Climate Finance Access Hub
Business Association

Domestic-Systemically Important Banks (D-SIBs)

The Bank of Mauritius (BOM) has adopted an internationally recognized framework in order to identify Domestic-Systemically Important Banks (D-SIBs) in Mauritius. D-SIBs are banks whose failure could have an impact on the domestic economy. AfrAsia Bank Limited is one of the five Mauritian banks that has been included in this list and is thus subjected to a capital surcharge.

http://www.mba.mu/pdf/2016/D-SIBs-28-Jan-2016.pdf

(More information in the Management Discussion and Analysis section)

Financial Capital Inputs

As a financial institution, our main source of fund is Deposits from Customers

>MUR 111bn

Financial year ending June 2018

In addition, we generate income through our different activities and services provided. Below is an extract from our financial statements focusing on the different types of income generated.

	Year ended 30 June 2018 MUR'000	Year ended 30 June 2017 MUR'000	Year ended 30 June 2016 MUR'000
Net interest income	**1,629,058**	1,139,288	829,476
Non-interest income	**1,273,602**	1,073,096	898,461
Total operating income	**2,902,660**	2,212,384	1,727,937

Total Operating Income for the Bank

(More information in the Management Discussion and Analysis section)

Value Distributed

As a Bank, financial capital remains amongst our top most priorities. We ensure a fair distribution of financial value to our different stakeholders.

Government & Regulators

	Year ended 30 June 2018 MUR '000	Year ended 30 June 2017 MUR '000	Year ended 30 June 2016 MUR '000
Tax Expense	**141,224**	102,676	89,885

Tax Expense for the Bank

The applicable corporate tax rate in Mauritius is 15%, with a deemed tax credit of 80% applicable for Segment B income (foreign source income).

(For more information, refer to the Management and Disclosure section.)

FINANCIAL CAPITAL (CONTINUED)

Shareholders

	Year ended 30 June 2018 MUR '000	Year ended 30 June 2017 MUR '000	Year ended 30 June 2016 MUR '000
Total Dividends	**300,159**	242,949	168,698

Dividends paid by the Bank

Dividends are proposed by management to its Board of Directors in line with the provisions of the Banking Act 2004, the Mauritius 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.

(For more information, please see the Corporate Governance Report)

Employees

	Year ended 30 June 2018 MUR '000	Year ended 30 June 2017 MUR '000	Year ended 30 June 2016 MUR '000
Total Expenses	**529,664**	436,358	396,790

Personnel Expenses for the Bank

The Bank invests in its people as a strategy to attract and retain the best talents. These include:

1. Payment of salaries
2. Staff benefits
3. Pension cost – defined contribution scheme
4. Investment in training

(For more information, refer to the Human Capital and Financial Statements sections.)

Society

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 body at the time of submission of the income tax return on the year under review.

Customers

Our customers are at the heart of our operations. Value is distributed to customers through various ways including Loans & Advances and Interests payable.

MORE THAN

MUR 28bn

IN LOANS AND ADVANCES TO CUSTOMERS

MORE THAN

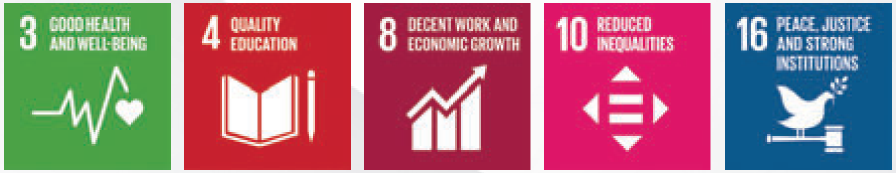
MUR 612m

PAID IN INTEREST TO CUSTOMERS

Being a key financial institution, one of our main impacts is our investment portfolio. We are committed to invest in socially responsible and green projects. The different business segments along with the sustainability department has started to work on a Sustainable Finance Strategy for the Bank. In addition to the development of internal sustainable products, AfrAsia Bank aspires to bring international green financial instruments to the Mauritian market. Through this, we want to be aligned to the five pillars of Vision 2030 of the Mauritian Government and the UN 2030 agenda.

Currently, AfrAsia Bank has already started to work with clients that are engaged in renewable products and energy efficiency. As the first step in this new sector, we are focusing on Research & Development on products most appropriate for our clients' database and the markets that we serve.

HUMAN CAPITAL



Human Capital is defined as people's skills and experience, and their capacity and motivations to innovate including their:

- alignment with and support of the organization's governance framework and ethical values such as its recognition of human rights
- ability to understand and implement an organization's strategy
- loyalties and motivations for improving processes, goods and services, including their ability to lead and collaborate

Reference: https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf

"IT IS A FACT THAT WHEN MANAGEMENT IS CONCERNED ABOUT EACH EMPLOYEE AS A WHOLE PERSON, THE LATTER IS MORE PRODUCTIVE, MORE SATISFIED, MORE FULFILLED. AT AFRASIA, EMPLOYEE EXPERIENCE (EX) DRIVES CUSTOMER EXPERIENCE (CX)."

SALINEE ELLAPAH
Private Banker, AfrAsia Bank Limited
Employee

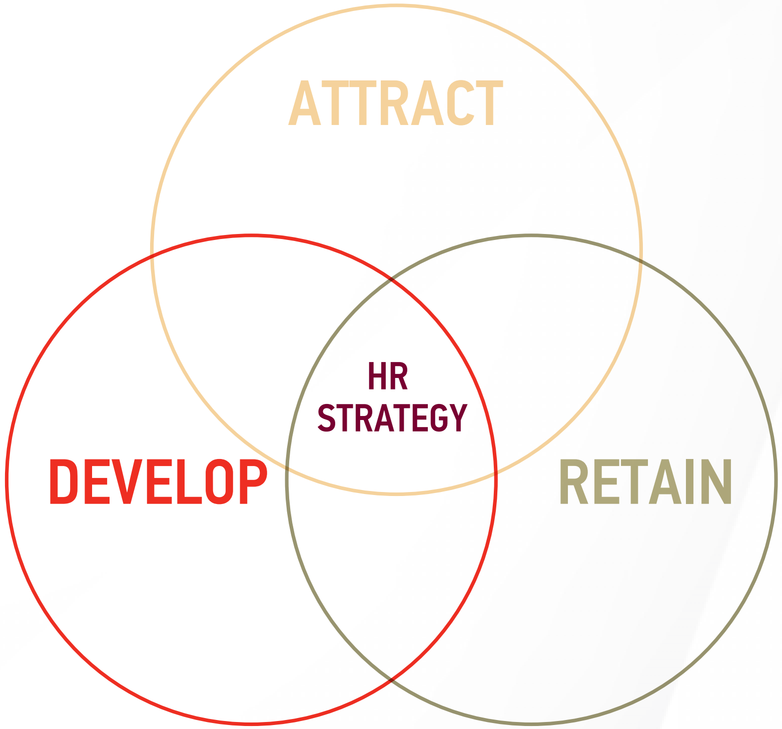
Our employees are among our most valuable stakeholders. They play a key role in service innovation and value creation. At AfrAsia Bank Limited, we continue to take positive steps towards becoming the "Employer of Choice".

Our Human Resource Profile

TOTAL HEADCOUNT

368

(BANK EMPLOYEES ONLY)



Contractual Long term	Contractual Short Term	Part Time	Permanent
30	18	1	319

Types of contracts at AfrAsia Bank

HUMAN CAPITAL (CONTINUED)

Attract

Our HR department's chief role is to attract and retain top talent, but also the right talent. We must ensure that our workforce is high-performing, productive, and engaged, so they can provide an exceptional banking experience to our customers.

Recruitment process

We have established a sound recruitment process, designed to ensure we target and acquire the right talent. Our process includes:

- A minimum of two interviews with the candidate
- Selection criteria clearly communicated to candidates
- Culture & Values Assessment
- Feedback provided to all candidates shortlisted for the job
- Other evaluation tools such as personality profiling and competency assessments for certain roles

Remuneration

Remuneration plays an essential role in attracting top-talent. At AfrAsia Bank Limited, we provide competitive remuneration and a variety of financial and non-financial benefits for our people.

311

INTERVIEWS CONDUCTED

100

FY17-18
TOTAL NUMBER OF NEW HIRES (INCLUDING FTE AND TRAINEES)

100%

EMPLOYEES ATTENDED AT LEAST 1 TRAINING

78

TRAINING SESSIONS DURING THE YEAR

Develop

Employee Development is critical to moving forward. We have implemented various initiatives to incite our employees to learn, thrive, and succeed.

A strict Training and Development policy is in place, ensuring that our employees develop their skills and potential. Both formal and informal trainings are available at the Bank, including:

- Attending local, regional, and international conferences, seminars and/or training events
- Internal Skills Sharing
- Job Shadowing & Study Visits

HUMAN CAPITAL (CONTINUED)

Investment in staff training

FY16-17	FY17-18
>MUR 0.8m	>MUR 11m

80%

INCREASE IN TOTAL HOURS OF TRAINING

Total hours training

FY16-17	FY17-18
>3,600	>6,500

AVERAGE TRAINING HOURS PER EMPLOYEE

18

AVERAGE TRAINING HOURS PER MALE EMPLOYEES

19

AVERAGE TRAINING HOURS PER FEMALE EMPLOYEES

18

In addition to providing technical skills training in direct correlation with the employee's job, the Bank also provides them with the opportunity to partake in Soft Skills training programs. These include Awareness workshops, Vision, Mission, and Living the Values.

Yearly Assessment

Our managers carry out a comprehensive performance review twice a year. Our performance management system ensures we align our employees, resources, and systems to meet strategic objectives. It also enables us to take corrective action, identify training needs, prepare people for promotion. The appraisal takes into consideration quantitative and qualitative objectives. Good performance is rewarded while underperformance triggers action to meet development needs.

Retain

AfrAsia Bank Limited has implemented various programs to retain talent:

01. MONETARY REWARDS

Special bonuses are paid to high-performing staff at the discretion of the Bank.

TURNOVER FY17-18

9.5% (down from 17% in the last financial year)

02. INTERNAL PROMOTION

AfrAsia Bank Limited believes in giving preference to internal candidates for career opportunities. We advertise vacancies internally and everyone is encouraged to apply.

10% OF OUR EMPLOYEES WERE PROMOTED IN THE FY17-18

HUMAN CAPITAL (CONTINUED)

03. INTERNAL MOBILITY

Employees may transfer to a different department to move forward with their careers, maintain productivity and remain engaged.

04. STAFF BENEFITS

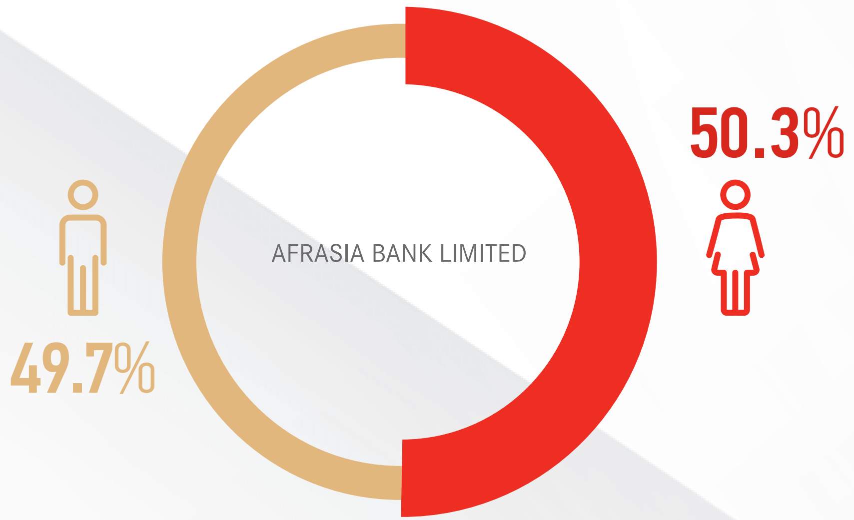
Various schemes are available to our permanent and contractual staff, including: Fully-paid Medical Scheme, Fully-paid Pension Scheme*, IBL cards*, AfrAsia Achiever Awards (AAA) Programme, Fitness schemes.

(Note: * concerns only permanent staff)

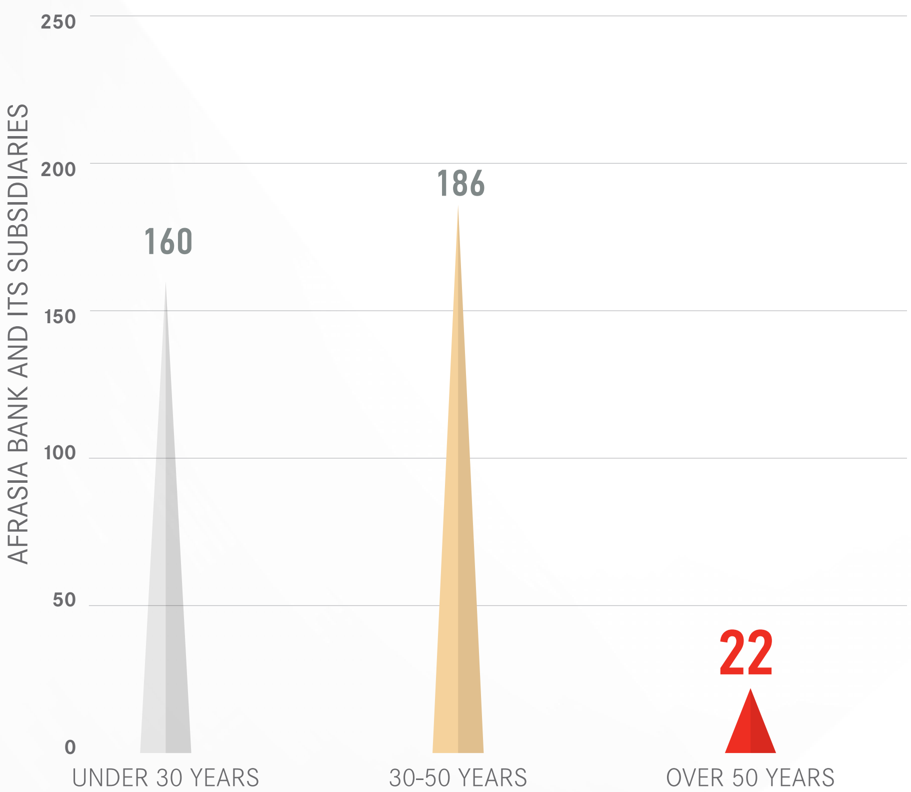
05. DIVERSITY

AfrAsia Bank Limited embraces an inclusive, supportive, merit-based culture that celebrates diversity and takes pride in being an Equal Opportunity Employer. In line with our Equality Policy, we are committed to ensuring that no single person is discriminated based on their age, caste, colour, creed, ethnic origin, impairment, marital status, place of origin, political opinion, race, sex or sexual orientation during recruitment, training, promotion, and access to benefits. Selection, promotion and recognition are based on merit alone.

Gender Profile



Age Profile



06. HEALTH & SAFETY

AfrAsia Bank is committed to providing a safe and healthy environment for all its employees. We have a robust safety management system set up with a "Safety & Health Committee" made up of employer and employee representatives. The Committee meets every two months; its main objectives are:

- To ensure the Bank complies with the occupational Health & Safety laws;
- To ensure our Health & Safety program deals with safety and health-related issues that occur within the Bank; and
- To assist with hazard identification, evaluation and control measures.

The Committee also caters to the ergonomic needs of our employees by providing backrests, footrests, and laptop supports upon request.

6 HEALTH & SAFETY COMMITTEE MEETING FY17-18

3 ACCIDENTS AT WORK FY17-18

HUMAN CAPITAL (CONTINUED)

07. WORK-LIFE BALANCE

The well-being of our employees is a corporate responsibility, and a key element of our enterprise's talent strategy. AfrAsia Bank Limited ensures that its employees fulfil their potential and achieve Work/Life Balance through several initiatives:

- flexible working contracts
- sabbaticals/career breaks (3-12 months)
- study leave (days off or longer term career breaks)
- providing the necessary equipment to support out of office working e.g. working from home
- fitness/wellness programmes in the office and after hours
- by increasing the number of local leaves

100%

EMPLOYEES ARE ENTITLED TO PARENTAL LEAVES

TOTAL NUMBER OF EMPLOYEES WHO TOOK PARENTAL LEAVE, BY GENDER.

2 (male) **5** (female)

TOTAL NUMBER OF EMPLOYEES WHO RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED, BY GENDER.

2 (male) **4*** (female)

86%

EMPLOYEES RETURNED TO WORK AFTER PARENTAL LEAVE ENDED*

*ONE EMPLOYEE IS STILL ON MATERNITY LEAVE

Digital HR

HR is undergoing a true digital disruption that is transforming the way, we deliver solutions to employees. Our HR department is integrating analytics, data, Cloud technologies, and various tools that redefine the employee experience. We have adopted HCM Cloud to drive digital transformation, automatisation, and risk minimization.

HCM cloud is interactive and user-friendly, enabling our HR department to collaborate via an online platform.

The project was implemented in 2 phases:

Phase 1 - Core HR, Absence Management, and Performance Management

Phase 2 – Recruitment, Learning and Development, Talent and Compensation, and Benefits Management

The first phase of this project started in September 2017 and training sessions were organized for employees as from February 2018.

STAFF WELFARE

>MUR 3.9m

TEAM-BUILDING

>MUR 4.1m

SOCIAL & RELATIONSHIP CAPITAL

The Integrated Report describes Social and Relationship Capital as being "the institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. Social and relationship capital includes:

- common values and behaviours,
- key relationships, and the trust and loyalty that an organization has developed and strives to build and protect with customers, suppliers and business partners,
- an organization's social licence to operate."

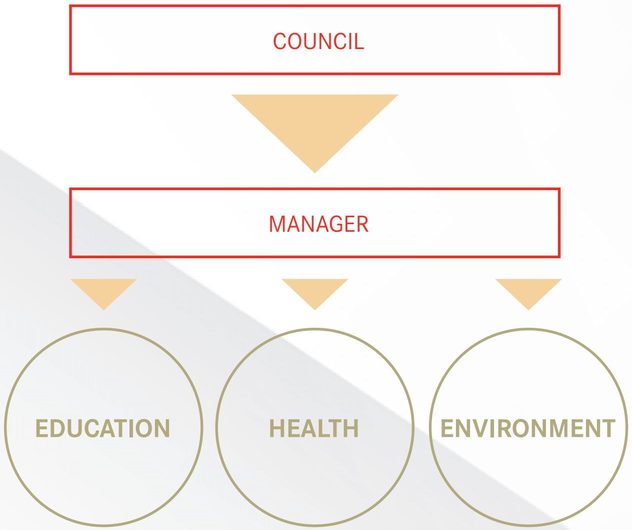
Reference: https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf

Social Capital – AfrAsia Foundation

Launched in September 2017, AfrAsia Foundation acts as the social arm of AfrAsia Bank and its subsidiaries. Our vision, *Shaping A World of Difference*, is translated through projects spanning 3 main areas: Education, Health and Environment. Our belief is that these pillars will help build thriving communities and drive positive change in the Mauritian society.

In line with AfrAsia Bank's Sustainability Strategy, the Foundation has also adopted the United Nations' Sustainable Development Goals (SDGs).

Structure of Foundation



Council members are: Thierry Paul Robert Rene Vallet, Suneeta Motala, Sanjiv Bhasin, Luvna Arnassalon-Seerungen, Maureen Ann Treanor, Graeme Robertson, Mohammad Bilal Adam, Rameshdeo Bholah

AfrAsia Foundation is governed by Council, whose members' main duties are to supervise the management and the conduct of the organization.

AfrAsia Foundation was registered 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.

Education programmes – AfrAsia School

AfrAsia Bank Limited strives to create an equitable world for our beneficiaries and to empower the most marginalized. Our belief is that education opens up a world of opportunities for growth and creates a level playing field for all.

AfrAsia School, our flagship project, was established with this very belief in mind, and operates in accordance with the Educational programme of AfrAsia Foundation. Our promise to make quality education accessible to underprivileged and vulnerable children is one we take very seriously. In fact, AfrAsia School has welcomed 30 children between the ages of 3 and 5 since January 2018. To us, this represents a significant milestone in the Bank's history.

30 AFRASIA KIDS AGED BETWEEN 3 TO 5 YEARS OLD SINCE JANUARY 2018

"AS CHAIRMAN OF AFRASIA FOUNDATION, I HAVE BEEN HONOURED TO OVERSEE AND ACCELERATE AFRASIA BANK'S CSR EFFORTS THROUGH THE FUNDING AND OPERATION OF SUSTAINABLE PROJECTS LIKE THE AFRASIA SCHOOL, SUPPORTING THE UPGRADING OF EDUCATION AND SOCIETY TO BUILD A BETTER TOMORROW FOR OUR COMMUNITY."

GRAEME ROBERTSON
Chairman AfrAsia Foundation
CEO, Intrasia Group
Shareholder

SOCIAL & RELATIONSHIP CAPITAL (CONTINUED)

We have adopted a Whole School Approach, which covers all aspects of school life and includes students, teachers and parents alike. While we promote academic achievement and excellence, we also nurture positive mental health and a sense of belonging. To achieve this, we designed a tailor-made Lifelong Learning Programme in collaboration with the NGO **Ti Rayons Soleil** that engages in a continuous quest for improvement.

The centre consists of a pre-primary school and an after-school programme based on the Mauritian Curriculum as well as inspired by the Montessori approach and other holistic methodologies and a Parent Empowerment Support Programme.

We also actively engage with our staff, clients and partners through our educational programme. Our “Sponsor a Child” programme relies on financial contributions intended to cater to a child’s basic needs: food, transport, school supplies, school uniforms, children insurance, teachers’ fees and other expenses.

OUR PARTNER NGO, TI RAYONS SOLEIL RECEIVED

MUR 4m

FROM THE DECENTRALISED CORPORATION PROGRAMME OF THE EUROPEAN UNION FOR AFRASIA SCHOOL

Health programmes

We have implemented several initiatives in the context of our Health Programme, most of which focus on raising awareness on health-related topics.

Cancer is a rampant issue in the Mauritian society. Every year, around 1,500 new cancer cases (http://www.linktolife.mu/cancer-info/cancer-situation-mauritius) are recorded. To this end, we have launched Cancer Awareness Campaigns for the AfrAsia staff, which aims to educate them on the importance of early detection. Since 2014, we recognize the month of April as “Women’s Health Month”, drawing attention to cancers affecting women. We have also implemented “Movember”, a cause that tackles men’s health issues like prostate cancer, testicular cancer, suicide and physical inactivity. Through our initiatives, we have successfully raised funds to donate a portable Sonoscape Ultrasound Machine to the NGO “Link to Life Caravan.”

Via the AfrAsia Foundation, we offer free cancer screenings (cervical and/or breast) to our employees at Link to Life.

39 FEMALE STAFF BENEFITTED FROM FREE CANCER SCREENINGS

>MUR 200,000 RAISED THROUGH MOVEMBER

We also organized a blood donation in November in collaboration with the Ministry of Health & Quality of Life.

200 PARTICIPANTS IN OUR BLOOD DONATION CAMPAIGNS

127 PINTS OF BLOOD COLLECTED

PARTNERING WITH AFRASIA HAS BEEN A GREAT SUCCESS STORY OF WHAT CAN BE ACHIEVED WHEN WE COME TOGETHER TO FIGHT INEQUALITIES IN THIS WORLD. WE CAN TRULY MAKE A DIFFERENCE TO THE LIVES OF MANY.

MRS. BÉRENGÈRE SERIES
Director, Ti Rayons Soleil
NGO

Environmental programmes

The third main project of our Foundation focuses on Environmental issues. To achieve our objectives, we have initiated two distinct measures:

1. In 2014, we began collaborating with Mission Verte with the aim of recycling our office waste in Port Louis. Given that we recently shifted most of our operations to Ebene, we are currently reviewing our waste strategy to adapt to this change.

(For more information refer to Natural Capital)

2. In 2017, we launched the “Bring your Kids to Work” initiative, which enables our employees to bring their children to our premises to participate in creative workshops that promote environmental awareness. Last year, the chosen theme of the Mission Verte workshop was “3 R’s- Reduce, Reuse, Recycle”.

28 STAFF KIDS AGED 3-7 YEARS BENEFITTED FROM MISSION VERTE WORKSHOP

SOCIAL & RELATIONSHIP CAPITAL (CONTINUED)

Other activities

The AfrAsia Foundation is also involved in various activities pertaining to fundraising and volunteering for social and environmental causes.

VOLUNTEERING HOURS

478

A key responsibility of the Corporate Sustainability and CSR department's staff is to work for AfrAsia Foundation. This has not been accounted when calculating the volunteering hours as it is part of their core duty, hence leading to the decline in volunteering hours as compared to the previous years.

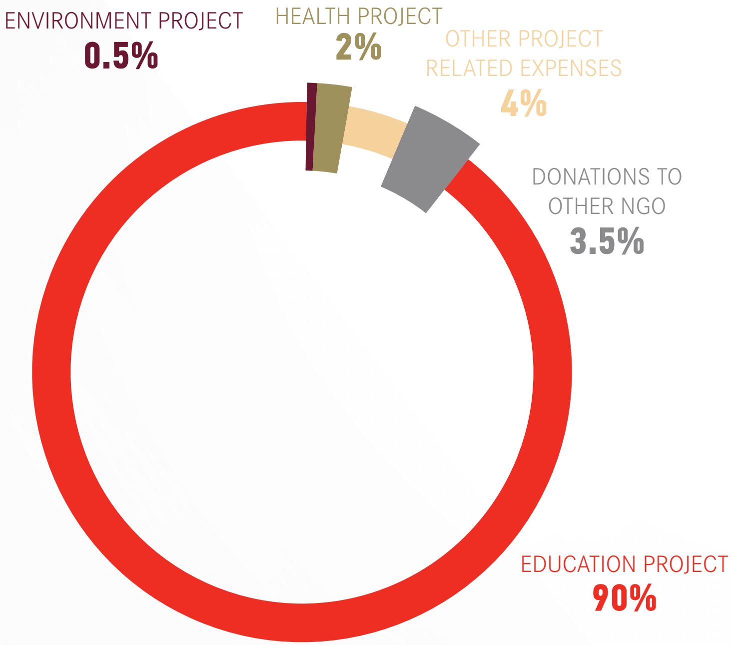
Volunteers participate in various projects for AfrAsia Foundation and other NGOs with whom we collaborate.

AFRASIA BANK MAURITIUS OPEN (ABMO) 2017 EDITION

> MUR 550,000

FUNDS RAISED

Funds distribution (FY 17-18)



As our greatest priority was "Education", most of our funds were allocated to our Educational Programme this year.

Note: Financial statements of AfrAsia Foundation will be available on our website as from October 2018

Relationship Capital – DARE Culture

Launched on 07 April 2017 at Trianon Convention Centre, the ultimate objective of our DARE (Disruptive, Action, Rocking, E!) Culture is to focus on the wellbeing of our employees' so that they, in turn, deliver superior experiences to our customers.

Culture Ambassadors

To ensure the deployment of the new Culture, our **41 ambassadors**, also known as the Dare Devils, gather around weekly group meetings to discuss the challenges they face for the deployment of the values. The group comes up with adequate solutions to counter these challenges to successfully translate our values into the daily interactions with colleagues.

SOCIAL & RELATIONSHIP CAPITAL (CONTINUED)

DARE - Internal Initiatives

- Code of ethics with Do's and Don'ts for staff deployed across the Bank.
- Inter-departmental competition to create an original video performing to the Bank's HAKA anthem.
- Reinforcement of internal DARE message with staff through various means, including screensaver campaigns.
- Office Etiquettes campaign via mailer and internal platform.
- Dragons Den (internal competition) to foster creativity and encourage staff to come up with game changing ideas in view of improving process efficiency and ultimately the customer experience.

Customer Experience

As part of our DARE culture, we have also implemented a thorough Complaints Handling Process, which allows us to learn from the complaints that arise and ultimately keep our customers informed in a timely manner all through the complaints process.

Our target is to enhance the customer experience in view of reducing complaints in FY18-19 by 50% with the ultimate objective of reaching zero error and zero complaint targets.

Complaints Handling Process

COMPLAINTS HANDLING PROCESS

Make a complaint	Feel Heard	Understand what's being done	Agree with resolution	Final Confirmation

AFRASIA'S COMPLAINT HANDLING PROCESS

Acknowledge	Investigate	Communicate	Resolve	Closure & Follow up
Acknowledge complaints, determine their type and nature and attempt to satisfy customers by resolving the complaints at the first point of contact	Each type of complaint has a different process for how it is escalated and investigated	Customers are kept informed and engaged during the process	Customers' circumstances and the investigation outcome will drive the resolution	Serious or High Priority Complaints will receive a follow-up post complaint to verify if everything is fine

Channels available for customers for complaints

- In writing to the Complaints Officer
- By phone
- By fax
- Online through an Electronic form available on the website
- By email
- Physical Complaints Box in Branches (Ebene & Port Louis)

Relationship Capital – Supply Chain

According to the UN Guiding Principles for Business and Human Rights, *"Business enterprises may be involved with adverse human rights impacts either through their own activities or as a result of their business relationships with other parties".*

(https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

In line with the above principles, AfrAsia Bank Limited has decided to review its strategy for its supply chain management. Amongst the different practices, ABL is also currently in the process of implementing a revised Purchase Order Format bearing special clauses emphasizing on *"goods supplied by supplier originating from countries which are not engaged in the employment of child, forced, indentured or uncompensated labour or under any unjust conditions"* and that the buyer should also ensure that any work performed and all goods provided under a particular order should comply in all respects with applicable environmental, health and safety laws and regulations. Also in the pipeline is the revision of the supplier selection process whereby the Bank will select suppliers respect workers and promote ethical trading practices.

NATURAL CAPITAL

Natural capital refers to an input to the production of goods or the provision of services. An organization's activities also directly impact natural capital both, positively and negatively. It includes:

- water, land, minerals and forests,
- biodiversity and ecosystem health.

Reference: https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf

AfrAsia Bank Limited acknowledges that preserving our ecosystem is the only way to sustainably maintain economic development. Despite our limited impact on the environment, we still consider the Environment as being an important topic. This is why, in recent years, we have engaged in a series of initiatives aimed at reducing the direct and indirect impact of our operations.

We have targeted three key areas:

- Reuse, Reduce, Recycle (3Rs)
- Energy Savings
- Green Procurement

Reuse, Reduce, Recycle (3Rs)

AfrAsia Bank has been working towards reducing its carbon footprint and environmental impact over the long term. We achieve this through our "Reduce, Reuse and Recycle" project, which embeds sustainability principles in our everyday business decisions and operations.

Since our organisation produces a significant amount of documents, we have initiated several measures to trim processes and considerably reduce our general paper output. We began by shifting to electronic reports like e-statements, e-advice and e-payslips.

	2015-2017	2016-2017	2017-2018
Paper consumption (Reams)	8,640	5,400	4,432

Paper consumption in the Bank

4,170

SHEETS OF PAPER SAVED BY HR DEPARTMENT AS A RESULT OF E-PAYSLIPS

	2015-2016	2016-2017	2017-2018
Recycled Waste (Kgs)	8,640	5,400	7,559

*Note: this figure takes into account Port Louis office only

We are currently reviewing our waste strategy and are looking to implement all Recycling initiatives in our Ebene office.

(Refer to Social & Relationship Capital - AfrAsia Foundation for more information on our partnership with Mission Verte.)

Energy

ENERGY CONSUMPTION

KWH 502,977

*Ebene offices only

The Bank has been making great strides towards reducing its overall energy consumption, including progressively using LED lights. Our operations have grown drastically and most of our operations have shifted to our Ebene premises, hence the comparison of the energy consumption from the past years is not really meaningful.

In addition, we will monitor our average energy consumption per head in order to have an estimate on our energy efficiency.

NATURAL CAPITAL (CONTINUED)

Green Procurement

AfrAsia Bank Limited recognizes that procurement decisions can also have major environmental implications. This is why our Procurement Department has identified several areas of improvement in the areas of supplier selection and the integration of sustainable values and requirements in Purchase Orders, Performance Specifications and Contracts. By promoting best practices for procurement, we are ensuring that our supply chain is aligned with the Bank's Corporate, CSR and Sustainability Strategy.

"ENGAGING WITH AFRASIA WAS UNDERPINNED BY THE NEED TO UNDERSTAND THEIR NEEDS, AND THE NEEDS OF THEIR CUSTOMERS. ADDING VALUE TO THEIR DIGITAL TRANSFORMATION JOURNEY, AND CONSEQUENTLY LEVERAGE EXPERTISE FROM BOTH SIDES TO DELIVER INNOVATIVE SOLUTIONS."

AVINASH RAMTOHUL
Managing Director, Oracle
Supplier

INTELLECTUAL CAPITAL

Intellectual capital refers to all intangibles that provide a competitive advantage, including:

- intellectual property, such as patents, copyrights, software and organizational systems, procedures and protocols; and
- the intangibles that are associated with the brand and reputation that an organization has developed

Reference: https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf

Our Brand

The **AfrAsia Brand** was established by associating itself to a sport followed and played by a large portion of our clients: Golf. Our strategy to associate ourselves to golf is not only a way to promote our brand, but we also view it as a sport that reflects our values: team spirit and integrity.

Since its inception, the Bank has actively sponsored several golf tournaments, the most recent one being the AfrAsia Bank Mauritius Open (ABMO), our most significant association to date. This collaboration plays an important role in our marketing department's sponsorship portfolio, and also illustrates our commitment to placing the "Mauritian brand" on a global platform.

When it comes to sponsorship and the organisation of tournaments such as ABMO, the Bank believes in adopting an integrated approach. By combining the support of 28 sponsors from various sectors, as well as collaborative efforts between private companies and government bodies, ABMO is a testament to the Bank's commitment to an effective Public-Private Partnership. From a marketing standpoint, this tournament was a catalyst that proliferated the AfrAsia Brand in different corners of the globe and sparked further consumer engagement. Today, the Bank's client base spans 140 countries. Latest findings also confirm that the event is broadcasted globally, with a noticeable increase in the Asian market, with which we have close ties.

Ethics

Anti-Money Laundering policy

The International Monetary Fund defines Money Laundering as *"the processing of assets generated by criminal activity to obscure the link between the funds and their illegal origins".*

As a responsible financial institution, AfrAsia Bank Limited is committed in its endeavor to fight the ever-growing problem that is money laundering. Our robust internal policy and procedures prevent and control financial crime, while ensuring due diligence against money laundering:

- "Know Your Client Principles"
- Procedures to report suspicious transactions

(More information available in the Risk Management Report)

Our Conduct and Ethics Policy outlines the principles that govern the decisions and behavior within our organisation. Its aim is to ensure that our workplace is open, respectful and safe for all. The Code is a central guide to day-to-day decision-making, and its guidelines were developed around the cornerstones that define AfrAsia: its mission, values and principles. Through the Code, we have nurtured a culture in which employees translate our core values into actions that are measured against the highest standards of ethical conduct.

Detailed guidance is provided on:

- Conflict of interest
- Misuse of position and information
- Fair and Equitable Treatment
- Fair Dealing
- Protection and Proper use of the Bank's assets
- Conduct & Discipline (including Grievance Procedure)

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TRAINING SESSIONS ORGANISED BY COMPLIANCE DEPARTMENT

Corporate Integrity and Whistle-blowing policy

AfrAsia Bank Limited is committed to conducting all its business activities in accordance with the highest moral and ethical standards. We believe it is the responsibility of all our employees to maintain a work environment that fosters integrity, truthfulness and respect. They are expected to perform their duties with the utmost honesty and professionalism.

Our strict Whistle blowing Policy strongly encourages all employees to promptly report any suspected violations or irregularities (fraud, forgery, etc) to the Head of Compliance and/or the CEO, who will then take corrective action.

Data Confidentiality

Data protection is the process of safeguarding important information from corruption, compromise or loss. AfrAsia Bank, by nature of its activities, constantly requires sensitive data to be collected and stored, which is why we are committed to protecting information related to our employees and third parties, preventing it from being used improperly.

We have taken several measures to ensure that we protect all personal data against unintentional or unlawful access/disclosure:

- Nomination of a Data Protection Officer, whose role is to train employees, act as the liaison between the Bank and relevant authorities/clients, conduct auditing and offer advice on data protection issues
- Implementation of a Data Protection Policy and Secure Development Guideline

Intellectual Property Rights (IPRs)

Intellectual Property plays an important role at AfrAsia Bank Limited, which is why we ensure that IPRs are reinforced within our organisation in accordance with the law. The most common IPRs include copyrights, software licenses, trademarks and design rights.

- Our Security measures include:

Need to Know Basis Encryption/ Endpoint protection

Awareness training to all staff

Data Loss Protection

Vulnerability Assessment & Penetration Testing

General Data Protection Regulations (GDPR)

Data breach reporting procedures

Operations Security

Security Perimeter

Confidentiality Agreements

MANUFACTURED CAPITAL

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Manufactured Capital refers to all physical objects (as distinct from natural physical objects) that are available to the organization for use in the production of goods or the provision of services, including:

- Buildings,
- Equipment,
- Infrastructure (such as roads, ports, bridges and waste and water treatment plants amongst others).

Reference: https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf

As a bank, AfrAsia's manufactured capital represents our physical production-oriented infrastructure, which includes our IT landscape, Internet Banking services and Digital Innovations.

IT Landscape

In an era of digital innovation and artificial intelligence, banks must rise to the digital challenge and leverage technology to deliver exceptional customer experiences. Our dedicated ICT Department's main objective is to serve the internal and external users of the Bank, while also ensuring operational excellence across all technologies and platforms. The department also acts as a significant force for change: it is responsible for ensuring that the Bank is adequately prepared and equipped to meet the ever-evolving requirements for new technologies.

The ICT department operates in five core areas, namely:

Reporting

The Reporting Department is responsible for overseeing and managing the reporting and data platforms within the Bank. We currently use the following reporting technologies to optimize our business processes: BO (Business Objects), BIP (Business Intelligence Publisher), Fincluez, Reporting for ERP, HCM and OFSAA (Integrated BI).

Project Highlights

Last year, the Bank embarked on an analytical journey by implementing the Fincluez BI Analytics Solution. Our objective was to unlock the untapped value of the vast amount of data generated by our core and non-core applications. This solution allowed us to create a data hub, derive actionable insights and shape them into critical decisions. We were also required to implement other complex components in order to comply with the IFRS 9 requirements.

Core Applications

The Core Applications team is responsible for providing technical support to the following applications:

- Flexcube Core Banking System, which includes Current and Savings Account, Loans, Fixed Deposits, General Ledger System, Standing orders
- Quantum Treasury System for money market & securities trades
- Moneyware Custodian System
- OFSAA – AML & KYC System in compliance with regulatory requirements for AML & KYC

Project Highlights

- AML/KYC (Anti Money Laundering and Know Your Customer platform) remediation and upgrade
- Custody (Securities Services System enhancement & upgrade)
- Several enhancements on Flexcube (Automatic Provisioning for Overdraft accounts, Straight Through Processing (STP) for Funds transfer module etc.)

Channels and Enterprise Team

The Channels Team is responsible for managing and providing support to our Internet Banking platform, SWIFT, K-printer, Chequepoint, CRISIL, HPRM, Customer Onboarding platform, credit card mobile application, ERP and the Intranet.

The table below provides more details on the functions of each application:

Action	Description
Internet Banking	Platform to make enquiries and initiate electronic transactions
SWIFT	Platform to initiate transactions via the SWIFT network, namely interbank transactions with both local & international banks
K-Printer	Application to convert SWIFT messages into a PDF format and distribution of messages to specific folders for STP
ChequePoint	Application to process clearing of cheques and salary processing
CRISIL	Application for credit rating of customers (Individual, Corporate, SME & Financial Institutions)
HPRM	Document Management Solution to store all soft copies of customer documents
Customer Onboarding App	Solution to onboard new customers and account-opening app on tablet
Credit Card Mobile App	App to make enquiries about credit cards transactions
AfraNet	Intranet for staff
ERP – Oracle Fusion Cloud Solution	Solution for Finance, Procurement and HR

MANUFACTURED CAPITAL (CONTINUED)

Technical Solutions

The Technical Solutions team is mainly responsible for maintaining and providing technical solutions to any Unix system hosted by the Bank.

Its main function is to proactively monitor, maintain and resolve any technical issues that may prevent the efficient and effective running of the Banking System.

The Department also administers Oracle databases and platforms like AIX, Solaris & Redhat Linux including storages. Additionally, the team is responsible for integrating our newly middleware solutions to the core banking system.

These were our major achievements for the year 2018:

- Implementation of Oracle servers – completely new infrastructure
- Middleware implementation – SOA/ODI
- Customer Onboarding App
- BI publisher implementation
- Data warehouse implementation – Fincluez system
- OFSAA project – compliance tool
- Card migration project – PEX
- Implementation of straight through processing of MNS, Direct debit, HR & ACM archiving interface
- HCM and payroll interface

Infrastructure

The Infrastructure Team is responsible for the implementing and operating our technology infrastructure, which includes (but is not limited to) our data center, network and server services, telephony service monitoring, user support/help desk, workstation management, servers, storage and other related software. The team is also responsible for ensuring the availability and integrity of all our IT systems and infrastructure.

Project Highlights

- Implementation of new firewalls
- Implementation of KEMP LoadMaster to provide redundancy on application layer
- Upgrading FortiWeb to an Active-Passive environment for redundancy
- Implementation of Netbackup solution with backup encryption on Tape

Internet Banking

Our Internet Banking facilities are available and accessible to all our clients. There has been a notable increase in the number of Internet Banking users, as well as number of transactions posted.

FY2017-2018

41,111

ACTIVE IB USERS

29,895

FY2016 -2017

FY2017-2018

20,362

ACTIVE IB ENTITY

16,636

FY2016 -2017

FY2017-2018

150,609

IB USERS HAVING COMPLETED IB TRANSFERS

111,301

FY2016 -2017

Digital Innovations

This year, the Bank had set up a Projects & Digital Innovations department with the objective of ensuring industry leadership by strengthening transformative digital capabilities and tapping into new age FinTech opportunities. With the Bank embarking upon large scale transformation projects and initiatives, the department currently leads the end-to-end project management and governance processes to ensure lean and efficient execution with maximum impact.

The department has successfully managed the execution of initiatives such as completely automated IFRS 9 solution, Human Capital Management System on Cloud, Artificial Intelligence based ChatBot named ARIYA and upon establishment, the department took charge of management activities leading to the implementation of an ERP solution on cloud, creation of the API layer towards an open banking framework and DataMarts, as a central repository of information for the Bank.

In addition to the above, the department is currently steering the execution and management of multiple transformation initiatives in the area of treasury, custody, credit, payments, inventory management, cards and digital channels that interact with internal systems through automated processes.

In order to ensure successful re-engineering, the department is analytically utilizing the identified list of challenges, risks and issues as opportunities for transformation. This activity has led to the creation of a task force that is monitoring the resolution of the issues which is ensuring progress towards the creation of `a highly efficient bank' that strives to create the highest standards of customer experience.

The department has outlined the 3 year technology transformation and digital strategy for the Bank to become a customer centric `digitally enabled institution', delivering solutions that are driven by the current and anticipated expectations of the customer.

INTEGRATING

INTEGRATING STAKEHOLDER ENGAGEMENT INTO CORE BUSINESS FUNCTIONS

Stakeholder engagement into our daily business functions brings three aspects of sustainability – economy, society and environment – to the heart of corporate value creation. As we assessed our business purpose in view of our wider role in society, we have aligned our business model and strategy with sustainable values, with the aim of co-generating positive outcomes for all stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE

AfrAsia Bank Limited's ('ABL') core banking and transactional capabilities are in Mauritius along with representative office in 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 2018, the Bank's deposits base stood at MUR 111.4bn while customer loans and advances stood at MUR 28.1bn, net of impairment provision.

BUSINESS SEGMENTS ACHIEVEMENTS

CORPORATE BANKING

The division was awarded 'Best Corporate Bank 2018' by Banker Africa for a second consecutive year.

The award is a testimony to the relentless efforts in delivering a superior service to the core element that drives our Bank – our customers. Our success is defined by the extent to which our existing customers continue to bank with us and our ability to attract new customers by providing a truly differentiated banking experience.

Our corporate strategy is mainly geared towards consolidating our position on the local market in terms of financing of conglomerates whilst diversifying our asset exposure across emerging markets in Africa and Asia on the international front. Our approach revolves around engaging with customers with an 'entrepreneurial mindset' to understand their needs, objectives and aspirations. Here, our experienced team of relationship managers accompany clients in their projects and advise them on the most profitable way to structure their financing requirements.

To the international segment, the Division primarily acts as a debt house and originator of assets in foreign currency focused on providing lending solutions ranging from short-term lending, term lending, debt advisory products and corporate syndications. On the domestic front, the Division acts as the custodian of the entire client relationship providing a full suite of products across transactional banking, trade finance, debt advisory, lending and FX solutions.

The Corporate Banking segment delivered an 11% growth in income on a comparative basis to last year despite the asset book remaining relatively constant. This commendable result was achieved against a challenging backdrop of low domestic growth, pressure on interest margins and increased capital requirements with the implementation of IFRS 9.

GLOBAL BUSINESS BANKING

Brief on Global Business Banking segment – Summary on what we do

- Source Clients
- Manage and nurture relationship with intermediaries and end-clients
- Cross selling of ABL's products and services (as listed below)

ABL offers Cash & Liquidity Management

- Multi-Currency Current accounts
- Multi-Currency Term Deposit Accounts
- Dual Currency Investments
- Foreign Exchange and other Treasury Solutions
- Escrow Services

BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

Facilitate Transactional & Payment Services

- International Remittance in all major and many exotic currencies through a leading network of correspondent banks
- Customized payment solutions such as Bulk Payments
- Free, secured and fully transactional Internet Banking, with SWIFT copies, FCY Credit card and Prepaid Cards statements

Through:

- Trade Finance
- Global Custody Services
- Asset & Wealth Management
- Internet banking platform
- Dedicated desk
- Personalized service

Clients

Our targeted clients through Eligible introducer include the following:

FOREIGN IMCs	LOCAL IMCs	LPs & GPs	PENSION FUNDS	TRUST & FOUNDATIONS
GBC1	GBC2	PE FUNDS	FOREIGN COMPANIES	EXTERNAL ASSET MANAGERS

TOTAL NUMBER OF CLIENTS

10,817

BASED IN 140 COUNTRIES

Deposit Growth

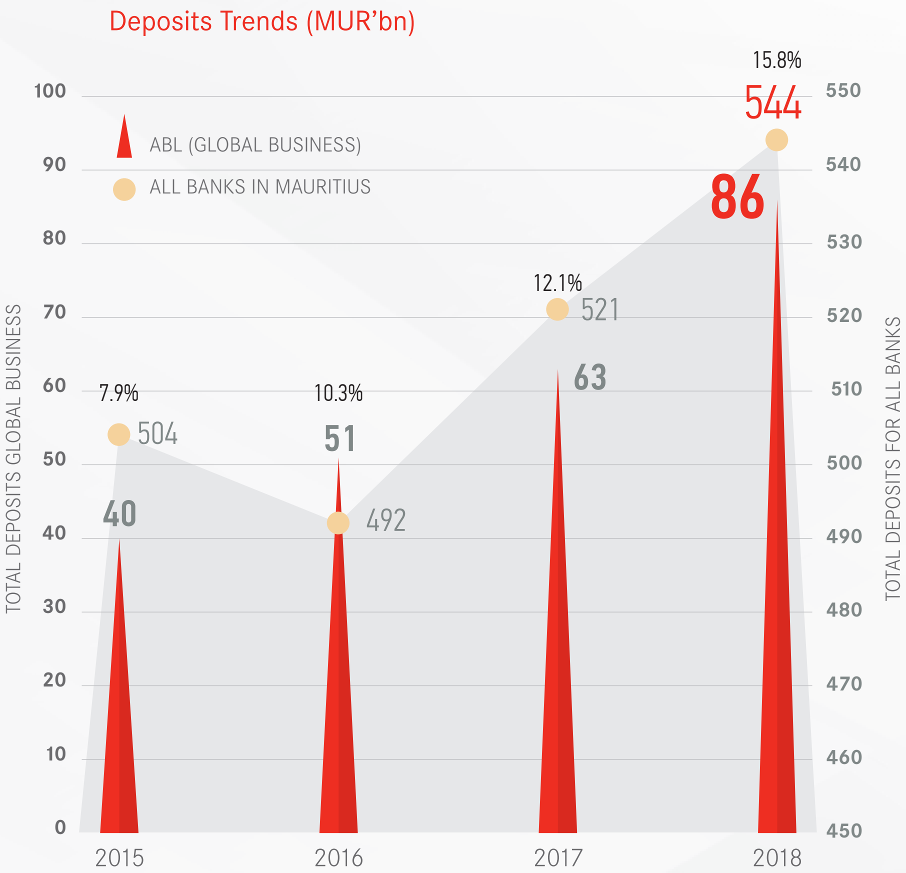
Comparison of total deposits of ABL Global Business with total deposit segment B of all banks in Mauritius

*Source: BOM Statistics June 2018

As it can be seen, total deposits of ABL's Global Business represent 14.4% of the total deposits of all Banks in Mauritius (Segment B only).

BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

Comparison of the trend in the growth of total deposits (Global Business v/s All Banks)



Green Initiatives:

- Educate and Encourage client for using E-statement rather than physical statement;
- Encourage client to use Internet Banking ('IB') for sending instruction instead of sending paper instruction; and
- Credit card statements by email now available.

CONSUMER BANKING

The Consumer Banking cluster has four pillars to respond to the clients' needs; Wealth Management, Private Banking, Personal Banking and Business Banking. Under this structure, AfrAsia has the aim to continue building the customer trust, providing a high-quality service and enhancing the customer experience. The clients have praised this structure, as the cluster has been able to grow significantly its Custody portfolio over the last year. Deposits had a slight growth and the Loans book had a neutral growth due to the focus of the Bank.

For our High Net Worth Individuals (HNWI) segment, a new dedicated pillar; "Wealth Management"; was created in order to help our clients to grow their wealth and prepare for their retirement. After consulting our clients, the department came up with a new client proposition, which will respond to their needs and deliver an outstanding customer experience. The features of the new proposition are:

- Access to worldwide financial markets;
- Portfolio management and investment advisory;
- Margin lending in USD / EUR / GBP / MUR on listed securities;
- Preferential rates on currencies exchange; and
- Exclusive Investment Funds.

Having the clients' best interest at stake, the Personal Banking and Business Banking team has structured the team in a way where every Relationship Manager has a specific client segment to service. With this configuration, the team has increased efficiency in cross selling mainly in the investment products proposed by AfrAsia Capital Market. Furthermore, specific product propositions have been introduced to target new business for specific segments:

- Mortgage package for acquisition of residences, including luxury villas;
- A Loyalty Package for employees of IBL Group;
- A Bills Discounting service for suppliers of IBL Group of Companies; and
- Trade finance for SMEs.

BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

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, 2017/18 was a better year for South Africa. In February 2018, Mr. Cyril Ramaphosa replaced Mr. Jacob Zuma as South Africa's new president with an immediate positive impact on business sentiment. Although Mr. Ramaphosa made some key moves on the corruption that flourished under the previous regime, the corporate sector appears to have adopted a wait and see attitude for national elections expected sometime between May and August 2019.

Monetary policy remained conservative out of concerns for knock-on inflationary price pressures from a hike in the VAT rate and increased fuel prices. The GDP growth rate turned positive during 2017/18 but is nowhere near high enough to make a significant impact on 26.6% reported unemployment rate. Potential land reform allowing land expropriation without compensation has raised uncertainty about property rights. However, there are arguments that under the leadership of Ramaphosa, this will be done in a pragmatic fashion without trampling on personal rights and food security. But it does contribute to a climate of uncertainty.

On the positive side, rating agencies recognised the favourable political developments and since the end of 2017 refrained from further downgrades. Thanks to high local interest rates the currency remained relatively stable and the agricultural sector rebounded from a terrible drought in 2016. At the time of coming to office, Ramaphosa set an ambitious target of USD100 billion in foreign direct investment into South Africa over the next 5 years. So far he has secured undertakings of USD10 billion from Saudi Arabia and USD14,7 billion in investment from China who also promised USD2.8 billion lending to local cash strapped state-owned enterprises.

In East Africa, the Kenyan economy was impacted by continued drought and a difficult presidential election. Although not conclusively assessed, interest rate caps have reportedly constrained credit expansion, leading to reduced private sector investment. However, Kenya's economy remains resilient due to its diversity with services contributing the highest proportion to GDP growth. This is expected to continue as the country remains the leading regional hub for information and communication technology, financial, and transportation services. Recent investment in rail and road and planned investment in a second runway at Jomo Kenyatta International Airport are potential growth drivers. Kenya has also moved up 12 places to a ranking of 80 in the World Bank's 2018 Doing Business report.

It is within this context the Bank's team located in the representative in Johannesburg continued to promote AfrAsia to corporates, funds and financial institutions seeking opportunity in the Southern and East African regions as well as other international markets together with private individuals seeking global diversification.

TREASURY AND MARKETS

Treasury and Markets Overview

TREASURY & MARKETS

- TREASURY
- FINANCIAL INSTITUTIONS
- DEBT CAPITAL MARKETS
- CUSTODY & SECURITIES SERVICES

The four key pillars within the Treasury & Markets cluster are Treasury, Financial Institutions, Custody & Securities Services and Debt Capital Markets.

In fact, Custody & Securities Services was on boarded by Treasury and Markets this financial year in a bid to further enhance its value proposition. The aim is to strike the right chord with the proposition of customer centric solutions, focusing on strong team dynamics and avant-gardism, all in a bid to be the preferred solution provider of Treasury instruments as well as structured and tailor-made solutions in Mauritius and the region.

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.

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.

BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

Treasury

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;
- Money Markets and Fixed income;
- Hedging Solutions and Structures (Foreign Exchange, Interest Rates, Commodities); and
- Yield Enhancement Solutions across asset classes (Foreign Exchange, Interest Rates, Commodities, Credit, and Equities).

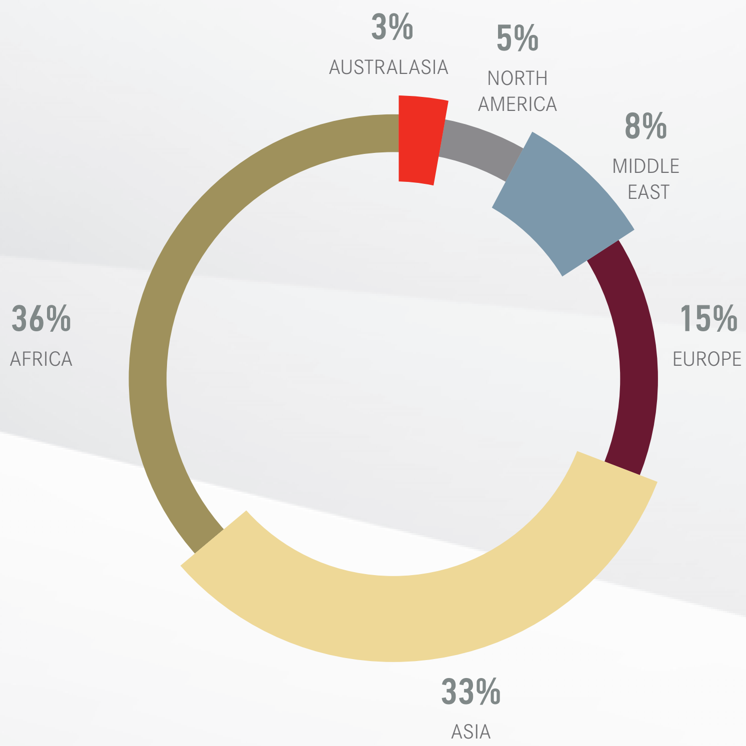
Financial Institutions

Our Financial Institutions unit's key roles involve broadening and deepening AfrAsia Bank Limited's relationships with banks in targeted strategic markets, notably Africa, India, South East Asia and the Middle East. Enhancing participation in trade-flows between Asia and Africa, acting as Lead Arrangers for Financial Institutions by building and leveraging on our relationship network remain our key priorities.

Our Financial Institutions team also acts as a facilitator by actively engaging in cross-selling of Treasury products to our partner banks – therefore perfectly integrating into the Treasury & Markets cluster.

More importantly, our Financial Institutions team acts as a gateway for the Bank to gain key insights in our main and target markets, which enables AfrAsia Bank to access African and Asia Tier 1 Corporates.

Financial Institutions Global Network



BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

Debt Capital Markets

The Debt Capital Markets desk advises both local and international clients on structures to raise debt for acquisitions, refinancing of existing debt, or restructuring of existing debt.

Over the recent years, the excess local currency and foreign currency liquidity prevailing in Mauritius coupled with enhanced client sophistication had created the right environment for both local and regional players to tap the local market for Bonds/CP issuances.

Given our existing expertise in being both advisors and arrangers on large mandates in the past, coupled with the consolidation of this activity within the Treasury and Markets cluster, we have strengthened our position in this space in helping institutions raise funds in an alternative way.

The Debt Capital Markets team works with clients to organize borrowing and to help provide access to a global pool of investors who are looking for opportunities.

Custody and Securities Services

The Custody and Securities desk enables clients to trade in Equities, Bonds, Structured Products, Exchange-Traded Funds, Unlisted Securities, Mutual Funds and Physical Certificates whilst also ensuring settlement and safekeeping of these assets.

We offer Custody Services in over 50 markets worldwide, including major markets across Europe, Asia, the US, Australia, Africa, India as well as in exotic markets.

This activity was recently on boarded within the Treasury and Markets cluster to further enhance synergies and to enable access to ancillary Treasury Services to our clients.

TREASURY IN NUMBERS:

Operating Income Growth

TRADING INCOME

Rs. 816.8M
Y-o-Y Growth +19.1%
TRADING INCOME

NET INTEREST INCOME

Rs. 1,252.9M
Y-o-Y Growth +57.8%
NII

FEE INCOME

Rs. 29.4M
Y-o-Y Growth +160%
TOTAL FEES

CUSTODY

Rs. 143.6M
Y-o-Y Growth +27.6%
NET CUSTODY FEES

Balance Sheet Growth

Rs. 35,289M
Y-o-Y Growth +52.0%
INTERBANK PLACEMENTS

Rs. 33,485M
Y-o-Y Growth +19.7%
GOVIES/CORPORATE BONDS

Rs. 5,801M
Y-o-Y Growth +32.2%
FI LOANS

BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

Commentary

In terms of performance, our strategy has been constantly delivering excellent results and this year was no different.

Trading Income performance was at a robust MUR 816.8m as at the close of financial year June 2018, a 19% growth year-on-year.

Strong performance was noted on Foreign Exchange and Structured Solutions, both recording a year on year growth in excess of 20%. Money Markets and Fixed Income Trading remained strong, though subdued due to tough local market conditions.

In terms of FX turnover, our domestic banking volume firmly stood at USD 1.2bn, representing a 12.5% market share in the local market – cementing our robust position on the market.

Net Interest Income closed at MUR 1.25bn as at financial year June 2018, experiencing growth of 58% year on year. Growth was particularly enabled by driving balance sheet growth, particularly in the interbank placement space, loans to Financial Institutions and investment in Securities.

This is testament to our growing Financial Institutions business. Indeed, there has been a constant drive to diversify and grow our network of banking counterparts, all within a clear and defined risk appetite. This, coupled with significant work underdone in shoring up our tactical liquidity management has brought in more efficiency from a balance sheet perspective.

Fee Income was also up 160% year on year, with performance ending at MUR 29.4m as at financial year June 2018. Of note, AfrAsia Bank acted as the lead arranger for IBL Ltd's "Multicurrency Medium Term Secured and Unsecured Note Programme". This was the highest ever bond issuance in Mauritius, with massive MUR 12.63bn raised for the first tranche, recording an oversubscription of 4 times.

Custody & Securities trading related income also grew by 28% year on year, closing at MUR 143.6m as at financial year June 2018. Despite to competitive landscape having evolved in this space, our focus remained growth in Assets under Custody (AUC) and importantly, the diversification of our client base. We intend to bring in more sophistication in this space, in line with our strategy to constantly improving our services and product offering.

AFRASIA CAPITAL MANAGEMENT LIMITED (ACM)

At a glance

ACM, the investment arm of the AfrAsia Group with 27 years of experience, offers a full range of investment services ranging from execution, discretionary management, 7 in-house Collective Investment Scheme (CIS) funds and a wide range of tailor-made investment solutions.

ACM's target is to help a select group of valued clients, comprising of a diverse mix of institutional and retail clients to meet their financial goals and prepare for the future. As the world evolves, so do the needs of its clientele. Given its extensive experience in the local market coupled with a sound understanding of global macroeconomics, ACM has a philosophy of adapting early to shifts in market dynamics and product demands while tailoring our investment solutions to what matters most to our valued clients.

In that vein, ACM believes in delivering superior outcomes by knowing and understanding clients, their aspirations, their risk appetites and their financial needs, and following up with relevant, actively-managed offerings to assist them in furthering their wealth.

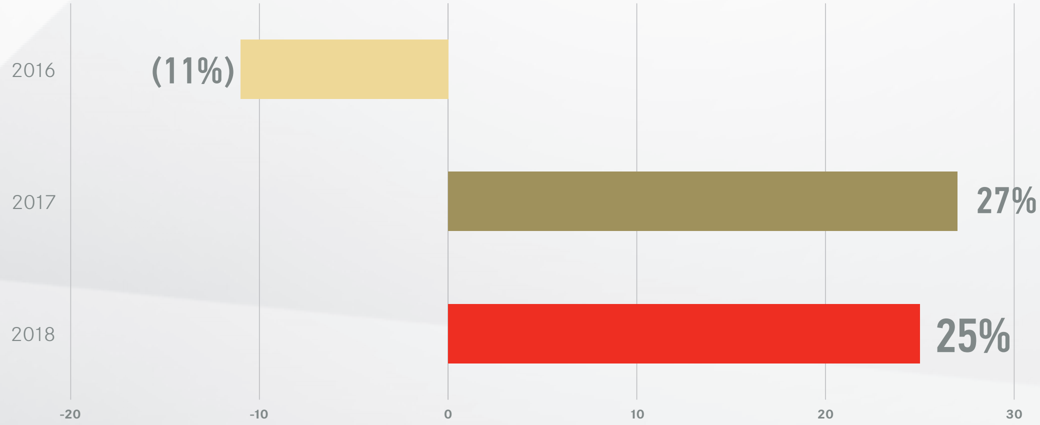
In addition to an efficient risk profiling and client on boarding process, to facilitate the most seamless entry of the client to the full suite of our services, our investment toolkit facilitates investment into most of the world's leading economies across equities, bonds and alternative asset classes.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

Development and financial highlights

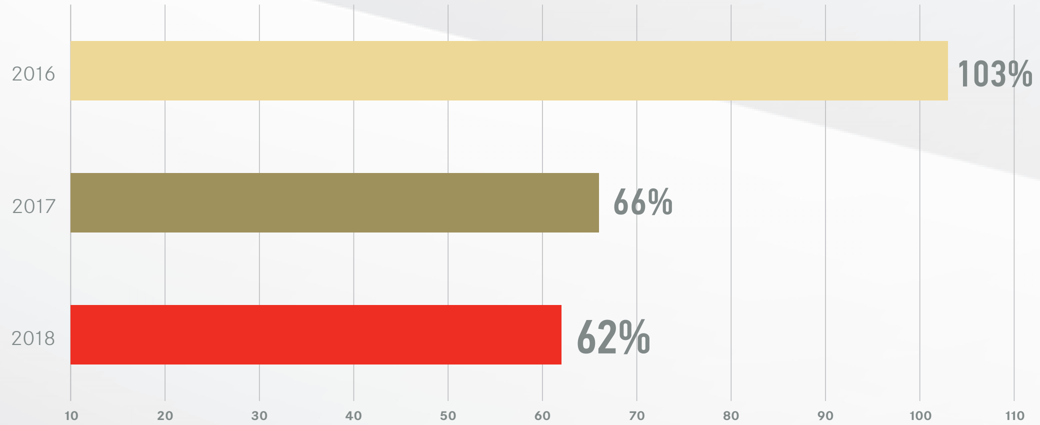
Management is pleased to present another year of good results for ACM, which included strategic investment in the future growth of the business. Its income statement displays a culture of strong cost discipline, improving cost to income ratio at 62% for the financial year compared to 66% in the previous one. Despite the competitive environment and pressure on revenue, the team has delivered with a growth of 26% in revenue and 17% in net profit compared to the previous year.

The lower net profit is attributable to ACM's attempts to generate durable performance and improving management of risk across portfolios of clients. This involved previous investment in a software system that was written off in the current year affecting the net profit margin.

Net Profit Margin



Cost to Income ratio



BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

ACM differentiates itself via its long-term approach of investing in the future growth of the business, developing talent and building client relationships. Alongside a sound understanding of its clients, supported by data-driven market intelligence from Bloomberg, Morningstar Direct and insights from our foreign partners, ACM has been able to establish a range of strategic capabilities which englobe the investment universe and provide outcomes that are suitable to the clients across market cycles.

The ongoing improvement of the business has been primarily driven by the people. Diversity of thoughts and innovation is encouraged with a clear focus on developing the business for the benefit of both our clients and our Group. ACM remains committed to nurturing its pool of talent by providing an environment that is accessible and collaborative, where everyone has the opportunity to deliver to their best ability and potential.

Looking forward

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

The previous year and the current one has allowed ACM to build a powerful combination of components to meet and anticipate clients' needs. The focus remains to bringing these components closer together and integrating the company more deeply into our clients' ecosystems.

Improving synergies with the Bank will allow ACM to leverage the full capabilities of the Group's platform with broader participation across the investment environment. This include continuing engagement and enhancement of efficiency between the custodians and the business, growing our digital presence and reaching out to more clients.

There are a variety of trends reshaping the asset management industry such as rapid advancements in technology, heightened regulatory scrutiny and changing priorities of investors. ACM plans on positioning itself to meet these challenges and transform them into opportunities by continuing to create innovative solutions in line with the investment strategies of its clients.

ECONOMIC OUTLOOK

THE GLOBAL CONTEXT

(Source = BMI Research July 2018 and IMF World Economic Outlook)

Global Outlook: Performance and Risks

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

From the IMF World Economic Outlook – April 18, global growth is expected to tick up to 3.9 percent this year and next, supported by strong momentum, favorable market sentiment, accommodative financial conditions, and the domestic and international repercussions of expansionary fiscal policy in the United States. The partial recovery in commodity prices should allow conditions in commodity exporters to gradually improve.

The global economy is being buffeted by numerous political and economic forces, leading to a significant divergence in economic performance across diverse regions. The US continues to outperform other established markets whereas emerging markets, especially those with weaker fundamentals, face challenges since US dollar strength is causing significant volatility.

The US economy is outperforming the EU and Japan, with the latest PMI data highlighting this divergence, implying that we are expecting continued policy divergence. The Federal Reserve indicated a hawkish shift resulting from stronger economic fundamentals at its meeting held on June 13. In contrast, the European Central Bank announced, on June 14, a time frame to close its QE programme, but in a very dovish fashion, whereas the Bank of Japan is expected to also sustain its level of asset purchases given the loopholes seen recently in the Japanese economy.

US growth is shaping up to be strong in the second quarter, alongside numerous high frequency indicators representative of robust performance. Analysts are suggesting a strong recovery is underway in the US economy.

With a more robust US economy, a more hawkish Fed, a stronger US dollar and rising inflation, there is significant pressure on emerging markets and, as a result, growth forecasts for several countries including Argentina, Brazil, and South Africa over the past month have been revised down.

Emerging markets having weak fundamentals for example, Argentina and Turkey, continue to face significant downside pressure on their currencies, whereas other economies such as Brazil, South Africa, and to some extent, Indonesia are also somewhat in the cross hairs.

ECONOMIC OUTLOOK (CONTINUED)

While growth remains relatively robust across most emerging markets, allowing central banks to tighten policy in the context of rising inflation and FX volatility, we can observe that several central banks are beginning to face this inflation/FX volatility versus growth trade off, which we think will become more and more difficult to manage in case the outlook for growth, inflation or FX volatility further deteriorates for these countries.

The global growth backdrop remains favorable and broad-based for the time being, still-high oil prices should provide support to commodity exporters, and still strong reform momentum in many countries should prevent significant contagion. However, even fundamentally sound emerging markets could be impacted by an accelerated tightening path by the Fed, or a continued escalation in trade tensions by US President Donald Trump.

There are signs of cracks appearing in an otherwise positive global growth story; geopolitical conflicts, centering on trade policy, are becoming a rising cause of uncertainty for global businesses, with US President Donald Trump's decision in March 2018 to ramp up steel and aluminum tariffs against various trade partners. Even if US-China tensions have not yet escalated into the implementation of broad-based trade barriers, the tit-for-tat announcement of China-targeting tariffs from Washington and the reciprocal response from Beijing increases the risk of a trade war. Other major economies are caught in the crossfire of geopolitics.

For instance, German and Eurozone ZEW surveys for April 2018 depict significant deterioration in future expectations where ZEW institute has cited 'the trade conflict with the US, together with the uncertainties resulting from the Syrian war regarding the relationship between Russia and the US' as reasons.

Even though the abovementioned and other geopolitical concerns are not exhibiting any major effect on the real economy so far, with global trade set to stay robust through half year 2018 at least, they will prove to be significant risks to growth going into the second half of the year and beyond. The negative news flow comes alongside an evaporation of exuberance following a strong 2017, with economic surprise indices turning sharply lower across several countries, implying that expectations were too strong. US and Eurozone growth look to have been smoother in Quarter 1 2018 than expected coming into the year. China's real GDP growth came in at 6.8% year-on-year in Quarter 1 2018, which – while outperforming the government's growth target of 'around 6.5%' – was flat compared with Quarter 4 2017, and a slowdown leading to full year 2018 growth of 6.5% remains our core scenario.

Emerging and developing economies

The growth outlook for emerging markets in 2018 -2019 has worsened in the recent weeks. Numerous revisions have been made to emerging markets growth forecasts, bringing about a net effect of reduction of 2018 real GDP forecast to 4.9% from 5.0%. Although this still represents an acceleration from 4.8% growth in 2017, the revision to emerging markets growth now contrasts to our forecast for accelerating growth in the US, and a steady rate of growth in developed markets on aggregate.

It is expected that this decoupling of economic growth trajectories between the US and emerging markets will remain a significant trend over the rest of 2018, mainly because of the effect that it is going to have on financial markets. Although emerging markets currencies and bond markets have partially stabilized since a volatile May, we see further emerging market currency weakness against the US dollar as probable, pushing many emerging markets' central banks to choose between managing inflation and FX volatility on one hand, and risk driving a slowdown in the economy on the other.

The major risk to this positive view on emerging markets' growth, undoubtedly is the upswing in global trade protectionism that is being led by the US. Since rising trade tensions have been a core global view of ours since 2016, an assumption of greater headwinds to trade is already factored into our emerging markets' growth forecasts. In short, our core view is that greater US protectionism and tit-for-tat retaliation by trading partners including China will slow but not disrupt emerging markets' growth.

For example, USD 150bn worth of exports in China could be hit by US tariffs over the upcoming months, and as per the calculations these would account for only 6.6% of overall Chinese exports and 1.1% of 2017 GDP; which is likely for the Chinese economy to manage, with the damage being offset by the government through tax cuts and domestic subsidies.

If trade tensions rise beyond what we currently anticipate and a 'trade war' develops, there would be more significant downside risks to emerging markets' growth. A US withdrawal from NAFTA (North American Free Trade Agreement) in the coming months could be an early warning that such a scenario could happen since this would signal a more hard-line stance by the White House on redressing trade grievances than is anticipated presently.

In case of a trade war breakout with China, countries such as Hong Kong, Singapore, Taiwan and South Korea are expected to be hit the most, since their economies are directly and heavily dependent on how the mainland Chinese manufacturing sector performs.

THE MAURITIAN ECONOMY

Outlook

BMI VIEW: *"Mauritius will experience a moderate deceleration in economic growth in 2018 and 2019, due to headwinds in several sectors. From 2020 onwards, growth will see a sharp recovery, as the country benefits from its new position as a transshipment and financial hub for Sino-African trade."*

The country has a relatively steady growth outlook, prudent monetary policy and low but growing consumer and business confidence which are slightly tempered by modest demand for exports from key trading partners such as the UK and France, on the back of growth prospects for these areas. Tepid growth in the UK and, to a lesser extent, in France will weigh on the short-term economic perspective as the government struggles to narrow the budget deficit, although its fiscal position will remain stable. Revisions to a double tax treaty with India will cause some short-to-medium-term headwinds for the country's financial sector and for government revenues. That said, growing trade ties to China and Africa will strengthen Mauritius' long-term growth prospects. Mauritius will continue to be dependent on oil and food imports to meet demand, which may contribute to significant inflationary pressure.

Although the services industry is the major contributor to the country's GDP, Mauritius possesses a diversified economy operating in several sectors including the 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 economic growth. The tourism industry is expected to flourish due to an increase in the number of Asian tourists, particularly Chinese.

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 Jan-18, BMI and Times of India)

Growth exposed to Brexit-related risks

The Mauritius economy, which is based around four key sectors, namely tourism, textiles, 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, tourist 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).

Budget and current account deficits widen

Relatively expansionary fiscal policy should be maintained in order to support growth. However, the increase in capital investment spending should slow, while the authorities will try to contain the growth of current spending through tax administration reforms. A $500 million credit line granted by India is expected to finance part of the capital investment. The introduction of negative income tax, help for the poorest households, should contribute to widen the deficit. Many tax deductions introduced in the 2017/2018 budget, especially for businesses, will weigh on revenues. Since the budget is financed mainly by concessional loans and domestic debt, the risk of over-indebtedness remains low.

The current account is expected to further deteriorate in 2018 following a worsening in the trade deficit. The modest demand, particularly from the UK and France, for textile and sugar exports will be felt, in particular, on the balance of goods. Surpluses in the balance of services, mainly resulting from tourism, and income account, due to the repatriation of profits of many offshore companies established in Mauritius, should not make it possible to offset the widening deficit on the balance of goods. Foreign direct investment and capital flows will finance this current account deficit.

New Rules for GBC

(Source: Times of India)

In the budget of 2017, The Honorable 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.

CHIEF FINANCIAL OFFICER STATEMENT

AfrAsia Bank closed its 11th year of operations with a commendable Net Profit after Tax and after Comprehensive Income of MUR 766.4m. Concurrently, the Bank remained focused on its sustainable development strategy, while pursuing its strategic objectives in the best interests of all its stakeholders including customers, employees and shareholders.

Confidence in the Bank

Confidence from the Bank's Customers – The deposit base of the Bank has increased from MUR 91.1bn to MUR 111.4bn from end of June 2017 to end of June 2018, representing a growth of 22%. This demonstrates the strength of the AfrAsia franchise amongst customers, including international clients. Segment B deposits has indeed increased by MUR 16.0bn year on year to reach MUR 85.5bn.

Confidence from Employees – The Bank has continued to attract high calibre professionals within a conducive working environment that promotes professional development, strong work ethics and culture. Compared to staffing level of 314 in June 2017, the Bank had a workforce of 368 as of June 2018.

Confidence from the Bank's Shareholders - The Bank is reassured with the continued level of confidence of its shareholders, including its core anchor shareholders namely IBL Ltd, National Bank of Canada and Intrasia Capital Pte Ltd who followed their stake in the rights issue exercise undertaken towards the end of the June 2018 financial year end. Overall, the Bank was able to raise MUR 443.4m of fresh capital and closed the financial year with a Tier 1 capital base of MUR 6.3bn, split between MUR 4.9bn of Common Equity Tier 1 capital and MUR 1.4bn of Additional Tier 1 capital. As at 30 June 2018, the Bank's Capital Adequacy ratio stood at 14.71%, against regulatory requirement of 12%. The Bank remains qualified as a Domestic Systemically Important Bank (D-SIB), which imposes on it an additional buffer of 0.75% over and above the benchmark of 11.25% for other non D-SIB banks.

Diving into the numbers – Statement of Financial Position:

Total Assets of the Bank – Year on year, the Bank witnessed an increase in its total assets from MUR 100.4bn as at the close of June 2017 to MUR 120.4bn at the end of this financial year. The Bank maintained a liquid balance sheet with a very conservative assets mix of 23% in loans and advances to customers, 46% in nostro/placements with other Banks, 29% in securities (held-for-trading, available-for-sale and held-to-maturity books) and 2% in other assets. This strategy is reflective of the current challenging operating environment both locally and internationally, while maximizing assets yield and the Bank's risk appetite.

Loans and Advances to Customers – As part of the Bank's objective to promote a sustainable balance sheet, a thorough review of our loan book and credit exposures was undertaken and based on the relevant assessments, necessary actions with respect to provisioning and write offs were taken accordingly. Hence, the Bank's Non-Performing assets which stood at MUR 3.0bn as at June 2017 is now at MUR 1.5bn. Assets coverage ratio has been marked by a positive evolution from 34% last year to 39% this year.

The Financial Statements as at 30 June 2018 has been prepared as per IAS 39 – "Financial Instruments - Recognition and Measurement". However, as from 1st July 2018, the Bank has started to report in line with IFRS 9 – "Financial Instruments". While conceptually IFRS 9 introduces a more forward looking approach to the way expected impairment loss is calculated on a financial asset, the Bank does not foresee any material impact on its books going forward.

Investment into tangible and intangible assets – In line with the Bank's 3-year strategy plan to build a more robust technological platform, we continued our planned investment into both tangible and intangible assets which has witnessed an increase of MUR 167.3m during the course of the year under review. It is expected that investments on these items will be rationalized going forward to ensure the stabilization of the various platforms.

Diving into the numbers – Statement of Profit or Loss and Other Comprehensive Income:

For the year under review, the Bank reported a Net Profit after Tax and Other Comprehensive Income of MUR 766.4m compared to MUR 804.7m last year. This drop is essentially attributable to the increased level of impairment from MUR 580.5m last year to MUR 1.1bn this year, in line with the thorough review of the Bank's assets book that was undertaken as mentioned earlier.

Overall, total operating expenses grew to MUR 927.4m from MUR 712.1m, reflective of increase in headcounts, investment in new physical infrastructure and technological innovation.

On the revenue side, total operating income increased meaningfully from MUR 2.2bn to MUR 2.9bn, representing a growth of 31%. Including in that, net interest income witnessed a growth from MUR 1.1bn to MUR 1.6bn, demonstrating the sustainability of the bank's income potential.

Concurrently, net fee and commission income increased from MUR 369.1m to MUR 423.9m showing the robust diversification of the bank's income generating capability.

CHIEF FINANCIAL OFFICER STATEMENT (CONTINUED)

And last, but not least, Treasury Income grew from MUR 686.0m to MUR 816.8m which shows our ability to generate day to day value-added services on the back of innovative products.

Taxation – This year's tax expense of MUR 141.2m includes MUR 79.3m of corporate tax and MUR 41.6m of banking levy, reflective of an effective increase in the Bank's effective tax rate from 11.16% to 15.56%. 2017 effective tax rate was relatively lower compared to 2018 on account of an increased level of credit impairment in 2017, 2018 increase in credit impairment level was principally offset by a substantial level of write offs of credit exposures of which a major part was not considered as allowable in the current year in tax perspective.

Looking forward

Despite positive signs of economic development both locally and internationally, there are certain persisting challenges that cannot be discounted as we move forward. Having undertaken a total review of its assets and completed significant investments, especially on the IT front, the Bank is very comfortable on its ability to continue growing its income base, which going forward, should translate in the bottom line.

The Bank will also continue to play its role as a partner to its stakeholders and the society in general. Our aim is to be part and parcel of the socio-economic fabric and bring our contribution to ensure the long term sustainability of our environment in its wider context.

Jennifer Jean-Louis
Chief Financial Officer

AFRASIA BANK LIMITED AND ITS SUBSIDIARIES - PERFORMANCE HIGHLIGHTS

	30 JUNE 2016	30 JUNE 2017	30 JUNE 2018
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (MUR'000)			
Net interest income	811,627	1,133,053	**1,625,388**
Non-interest income	1,017,453	1,139,009	**1,357,954**
Total operating income	1,829,080	2,272,062	**2,983,342**
Total operating expenses	851,719	770,861	**994,431**
Profit after tax	639,739	804,109	**762,862**
STATEMENT OF FINANCIAL POSITION (MUR'000)			
Total assets	88,550,615	101,398,622	**121,961,439**
Loans and advances to customers	21,958,341	27,512,745	**28,066,483**
Deposits from customers	80,012,268	90,601,331	**111,136,100**
Total equity (including Class A shares)	4,786,466	5,932,253	**6,836,080**
PERFORMANCE RATIOS (%)			
Return on average equity	19	19	**15**
Loan to deposit ratio	27	30	**25**
Total operating expenses to total operating income	47	34	**33**
CAPITAL ADEQUACY RATIO (%)			
Basel III	11.5	12.7	**14.1**

AFRASIA BANK LIMITED AND ITS SUBSIDIARIES - STRUCTURE

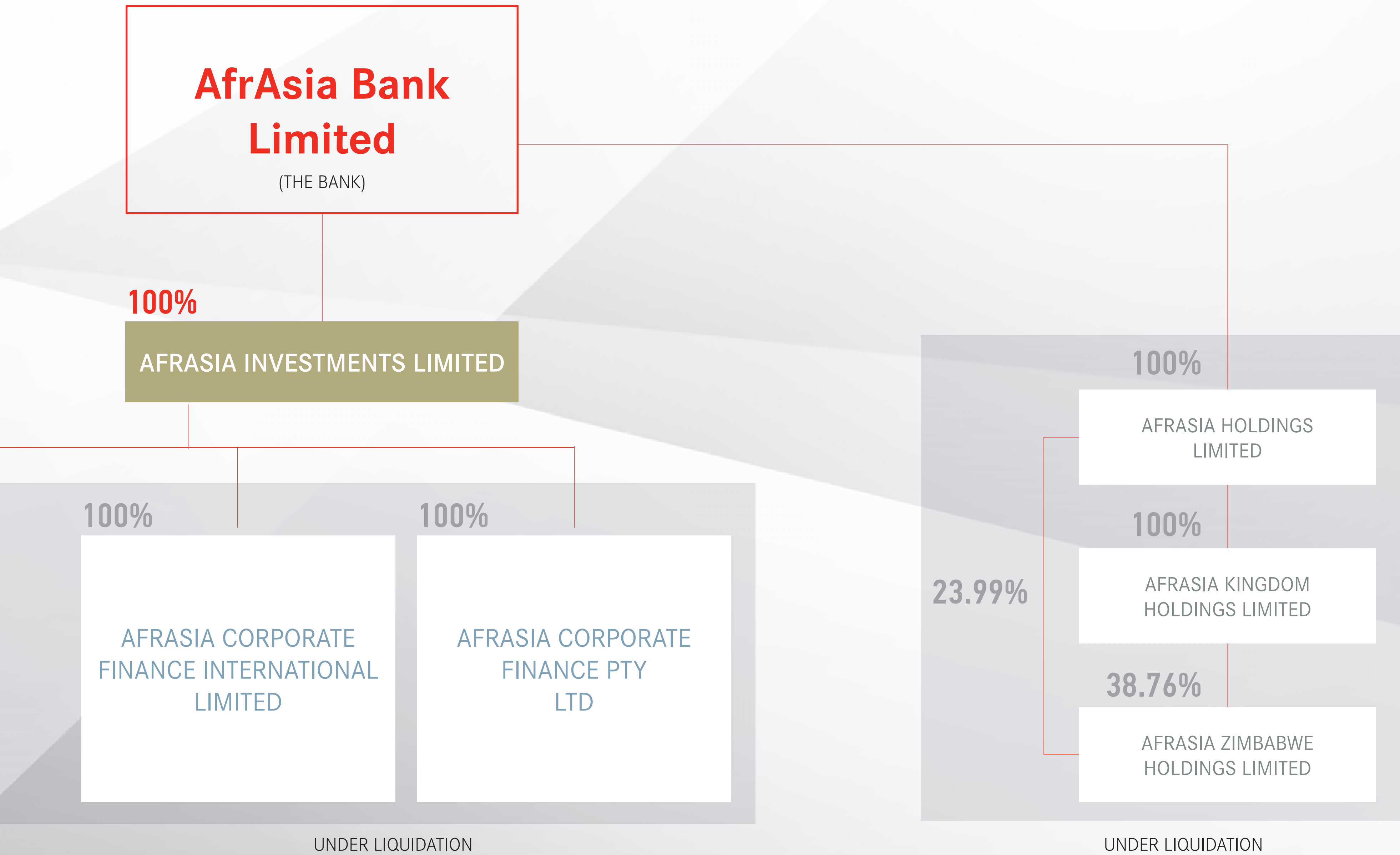
The Bank is in the process of streamlining its group structure and in line with same, the liquidation of some of its dormant entities are underway as demonstrated below as at 30 June 2018:

100%
AFRASIA CAPITAL MANAGEMENT LIMITED

100%
AFRASIA CORPORATE FINANCE (AFRICA) LIMITED

100%
AFRASIA CORPORATE FINANCE LIMITED

UNDER LIQUIDATION


AfrAsia Bank Limited
(THE BANK)
100%
AFRASIA INVESTMENTS LIMITED
100%
AFRASIA CORPORATE FINANCE INTERNATIONAL LIMITED
100%
AFRASIA CORPORATE FINANCE PTY LTD
UNDER LIQUIDATION
100%
AFRASIA HOLDINGS LIMITED
100%
AFRASIA KINGDOM HOLDINGS LIMITED
23.99%
38.76%
AFRASIA ZIMBABWE HOLDINGS LIMITED
UNDER LIQUIDATION

CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

OBJECTIVES FOR 2017/18	PERFORMANCE FOR 2017/18	OBJECTIVES FOR 2018/19
Statement of Profit or Loss and Other Comprehensive Income – Total Operating Income		
The objective for 2017/18 was to achieve MUR 3.2bn of total operating income.	Slightly short by about MUR 0.3bn, the Bank achieved MUR 2.9bn of total operating income.	The Bank forecasts total operating income of MUR 3.2bn for the financial year 2018/19.
Statement of Profit or Loss and Other Comprehensive Income – Total Operating Expenses		
The Bank expected to continue spending in the core areas of IT and human capital over the financial year and end with total operating expenses of MUR 1.1bn for 2017/18.	While promoting a cost monitoring policy of its operating expenses, the Bank pursued its planned level of investment in IT, human capital and infrastructure and closed its financial year with total operating expenses amounting to MUR 927.4m.	The Bank plans to maintain a disciplined culture towards its spending level and expects total operating expenses to be to the tune of MUR 1.1bn for the financial year 2018/19.
Statement of Financial Position – Loans and Advances to Customers		
It was envisaged that the Bank will close the financial year with a loan to deposit ratio of 34%.	Conservative lending with continued growth in the Bank's deposits base explains the subdued loan to deposit ratio of 25%.	Total loans and advances to customers are expected to reach MUR 31.6bn and deposits from customers MUR 105.7bn at end of June 2019, that is, a loan to deposit ratio of 30%.
Statement of Financial Position – Deposits from Customers		
The Bank was on the right track and was expected to increase its customer portfolio to MUR 108.1bn.	Focus around customer centricity reflects a growth in the Bank's customer base above the target of MUR 108.1bn, that is 3% to close on MUR 111.4bn year on year.	With total liabilities of MUR 106.6bn, customer deposits are expected to be MUR 105.7bn.

OBJECTIVES FOR 2017/18	PERFORMANCE FOR 2017/18	OBJECTIVES FOR 2018/19
Statement of Financial Position – Asset Quality		
The Bank's target was to close with a non-performing loans and advances as a percentage of gross loans at 5%.	The Bank achieved its target of 5% of non-performing loans and advances as a percentage of gross loans.	Non-performing loans and advances as a percentage of gross loans is expected to be maintained at 5%.
Statement of Financial Position – Capital Management		
The Bank undertakes to meet its capital adequacy ratio as required under the Basel III provisions.	The Bank's capital adequacy ratio stood at 14.7% as at the end of June 2018, compared to 12% 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 limits set under the regulatory framework.
Performance Ratio – Return on Average Equity		
The target was to achieve a return on average equity of 23%.	The Bank closed its financial year with a return on average equity of 14%.	The Bank aims to attain a return on average equity of 20% by the end of the next financial year.
Performance Ratio – Cost to Income		
It was intended to achieve a cost to income of 34% for the financial year 2017/18.	The Bank's cost to income ratio stood at 32% for the year under review.	The cost to income ratio is targeted at 35% for the next financial year.

FINANCIAL OVERVIEW

AfrAsia Bank Limited ("AfrAsia Bank" / "ABL" / the "Bank") achieved a Net Profit after Tax and Other Comprehensive Income of MUR 766.4m for its financial year 2017/18 as compared to MUR 804.7m in the previous financial year representing a 5% decrease, year on year.

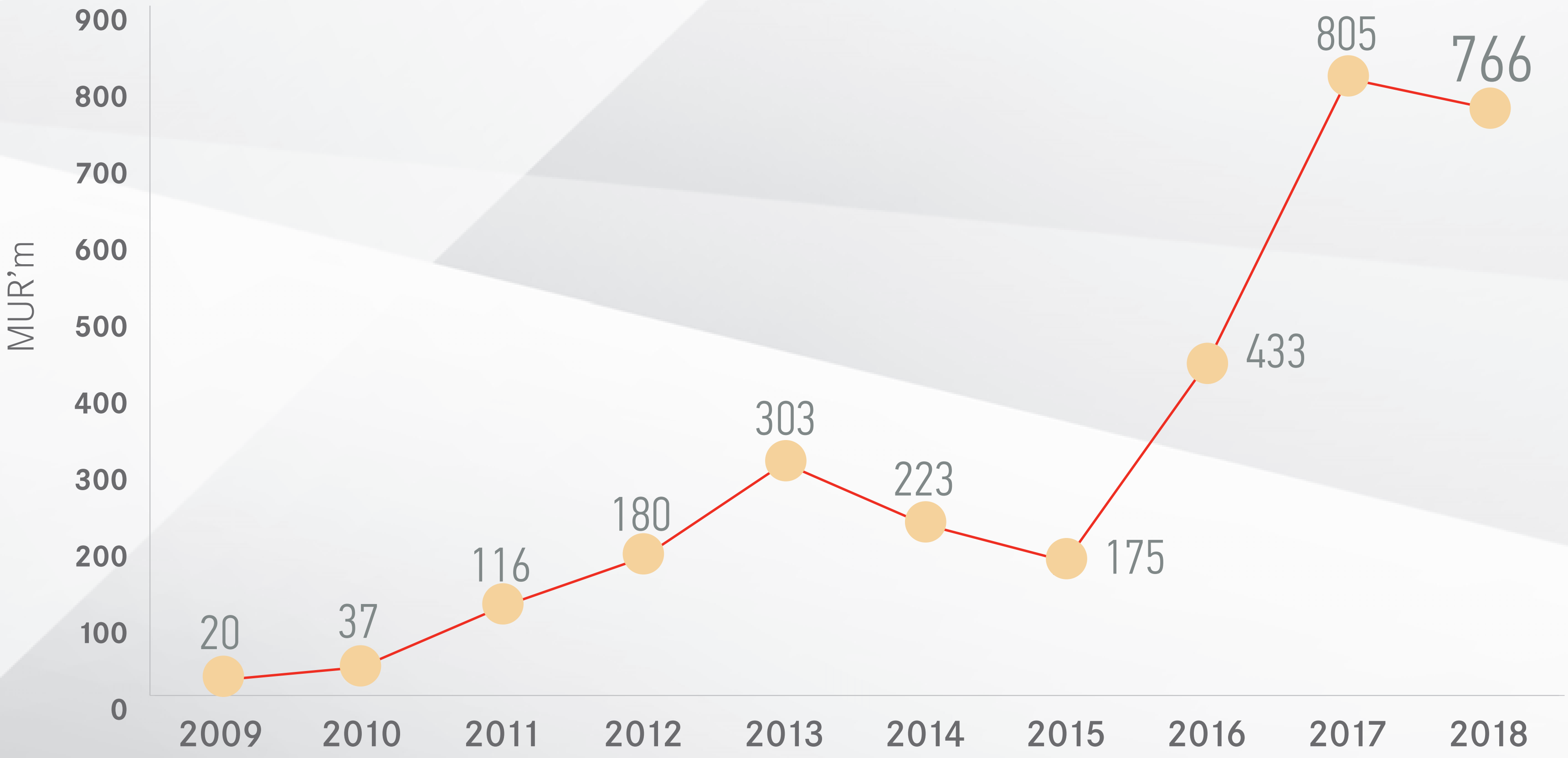
The Bank's total operating income increased by 31% to reach MUR 2.9bn, on account of MUR 1.6bn from Net Interest Income, MUR 816.8m from Net Trading Income and MUR 423.9m from Net Fee and Commission Income – the largest component of growth being Net Interest Income to the tune of 43% year on year. Growth in Net Trading Income and Net Fee and Commission Income was to the tune of 19% and 15% respectively. Conversely, the Bank accounted for MUR 1.1bn of net impairment loss on financial assets, an 84% growth year on year. Moreover, an increase of MUR 215.2m was noted in the Bank's total operating expenses, a 30% increase from the last financial year. Overall, the Bank's net profit before tax stood at MUR 907.7m representing a slight drop of 1% as compared to last year.

A tax expense of MUR 141.2m and comprehensive loss of MUR 0.1m effectively brought the Bank's profit for the year to MUR 766.4m, that is, a decrease of 5% compared to last year's figure of MUR 804.7m.

Amidst subdued local and international economic conditions throughout the year under review, the Bank maintained a conservative and disciplined approach towards its lending strategy to effectively grow its loan book, net of allowance for impairment losses, by 2% to reach MUR 28.1bn.

Similarly, we continue to focus in delivering quality service and improving our ability to attract customer deposits with a deposit base growth of 22% over last year to reach MUR 111.4bn (2017: MUR 91.1bn).

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



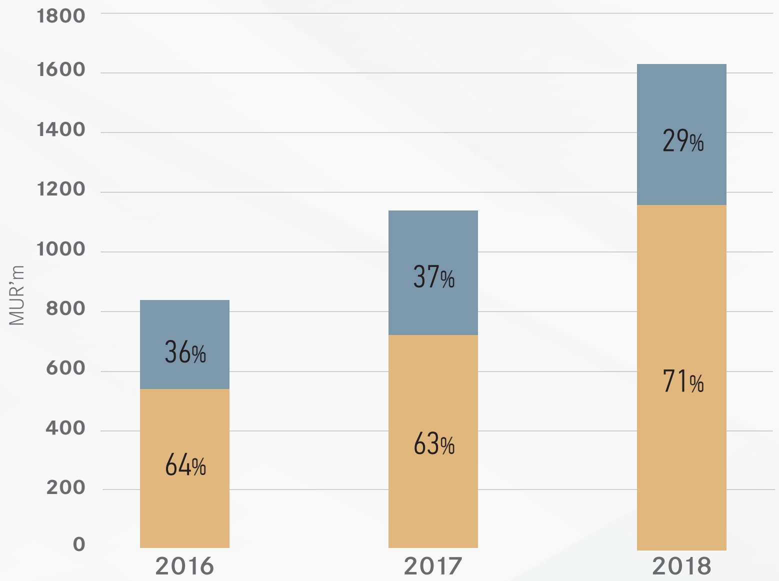
NPAT & OCI - MUR'm

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW

REVENUE

Net Interest Income

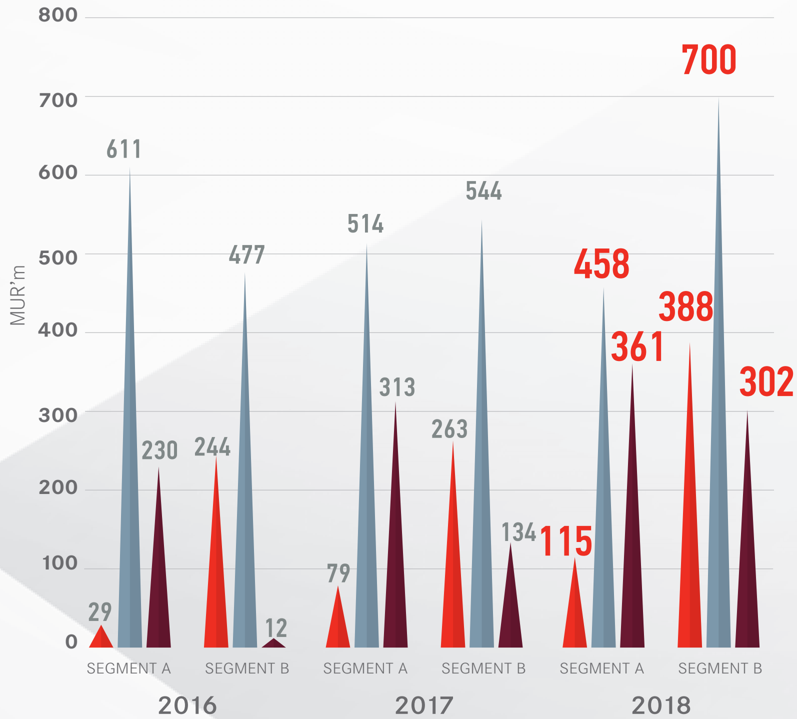
Reflective of customers' confidence in the Bank, AfrAsia Bank's Net Interest Income (NII) continues to grow in a steady manner to make up for 56% of the Bank's total operating income. As compared to the preceding year's growth of MUR 309.8m, the Bank's NII grew by a more than satisfactory level of 43% to reach MUR 1.6bn this year compared to MUR 1.1bn in the preceding year of operation. In terms of split, it is to be noted that the contribution of Segment B was to the tune of 71% compared to 63% in the previous year.



	2016	2017	2018
Segment A - MUR'm	298	426	471
Segment B - MUR'm	532	713	1,158

Interest Income

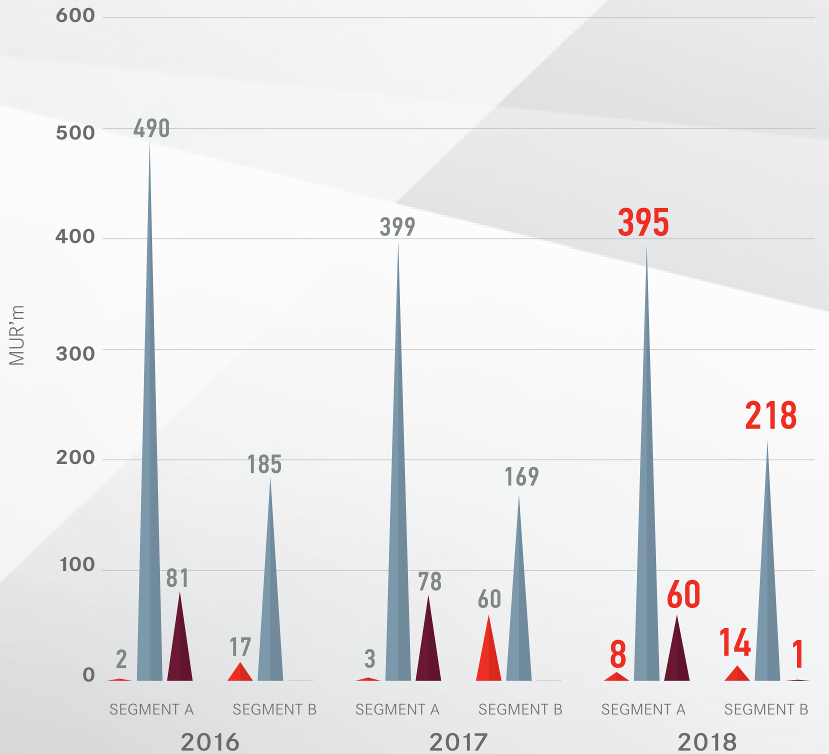
Interest Income from customer loans and advances continues to make for the bulk of the Bank's Interest Income with a share of 50% for the year under review, with 60% coming from Segment B as reflective of our loan book being more concentrated towards this Segment. It is worth noting that the interest income from financial investments represents a non-negligible portion of 29% of total Interest Income with 54% from Segment A.



	2016 Segment A	2016 Segment B	2017 Segment A	2017 Segment B	2018 Segment A	2018 Segment B
Due to banks - MUR'm	29	244	79	263	115	388
Loans and advances - MUR'm	611	477	514	544	458	700
Financial investments - MUR'm	230	12	313	134	361	302

Interest Expense

Interest Expense on customer deposits of MUR 612.2m accounted for 88% of the Bank's total Interest Expense. Of the total Interest Expense of MUR 695.6m, 67% was on account from Segment A principally from customers compared to a slightly larger proportion of 68% last year.

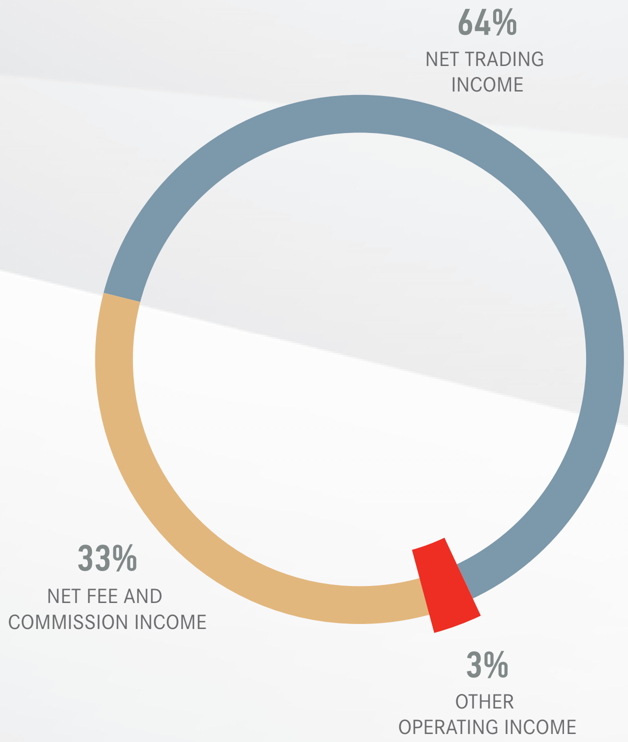


	2016 Segment A	2016 Segment B	2017 Segment A	2017 Segment B	2018 Segment A	2018 Segment B
Due to banks - MUR'm	2	17	3	60	8	14
Borrowings from customers - MUR'm	490	185	399	169	395	218
Others - MUR'm	81	-	78	-	60	1

Non-Interest Income

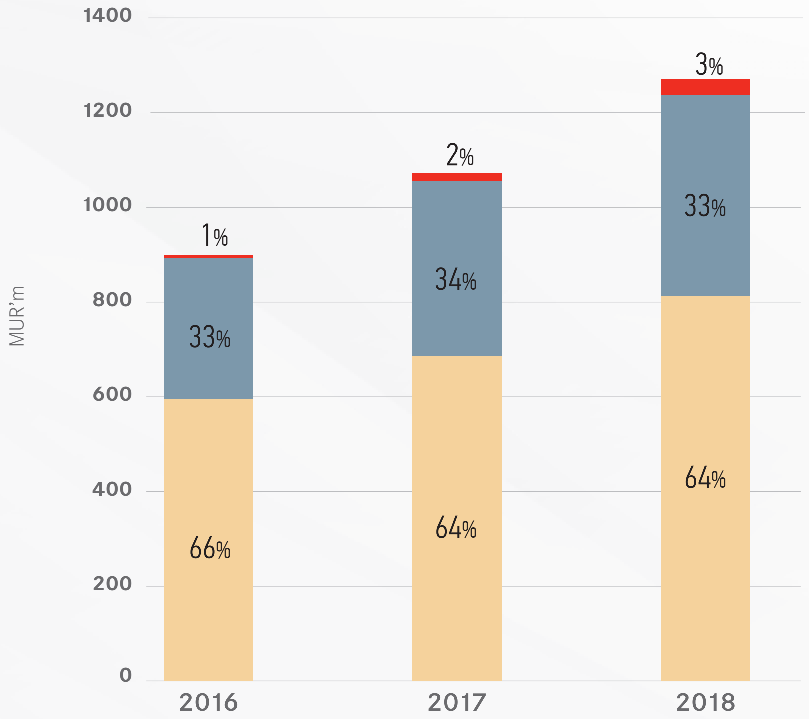
The remaining 44% of the Bank's total operating income include the following components of non-interest income as follows:

- Net trading income of MUR 816.8m;
- Net fee and commission income of MUR 423.9m; and
- Other operating income of MUR 33.0m.



PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONTINUED)

Non-interest income



	2016	2017	2018
Other operating income - MUR'm	6	18	33
Net fee and commission income - MUR'm	298	369	424
Net trading income - MUR'm	595	686	817

Net Trading Income

Net trading income, which is our largest component of non-interest income, grew from MUR 686.0m in 2017 to MUR 816.8m in 2018 and is primarily sourced from gains made from foreign exchange trading. Such gains were to the tune of MUR 665.8m in 2018 and is 84% from Segment B as compared to MUR 373.7m from the same segment last year, that is, a growth of 49% year on year.

Net Fee and Commission Income

The main source of net fee and commission income includes net income from our credit related fee and commission income and from our custody services business amongst others. Overall, gross fee and commission income grew from MUR 608.7m to MUR 730.3m, that is, a 20% growth with 78% from Segment B. A larger percentage increase is to be noted on the fee and commission expense by 28% from MUR 239.6m to MUR 306.4m – the split of fee and commission expense is 21% Segment A and 79% Segment B.

Other Operating Income

Other operating income which amounts to approximately MUR 33.0m in 2018, relates mainly to income of MUR 14.0m for acting as lead arranger for the issue of notes by a leading group in Mauritius.

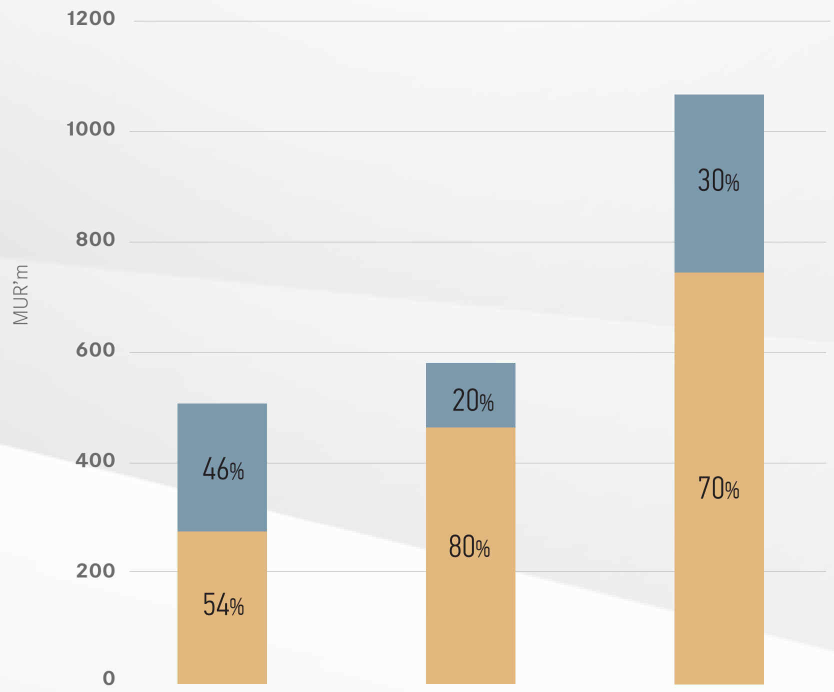
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

In 2018, in line with a thorough review of its total credit exposure, the Bank recorded a substantial increase in its net impairment loss on financial assets which include, impairment loss on customer loans and advances to the tune of MUR 796.9m (2017: MUR 580.5m) and impairment loss on a particular placement of MUR 270.7m (2017: nil).

The net impairment loss on customer loans and advances was MUR 322.3m for Segment A and MUR 474.6m for Segment B as compared to last year of MUR 116.5m for Segment A and MUR 464.0m for Segment B, that is an increase of 177% in Segment A and 2% in Segment B.

It is also to be noted that management and the relevant committees recommended to write off an amount of MUR 1.6bn (inclusive of interest), of which MUR 707.8m relates to provisions on loans booked during the current financial year and MUR 927.1m relates to previous financial years. Of note, the MUR 1.6bn can be split between 19% Segment A and 81% Segment B.

Net Impairment Loss on Financial Assets



	2016	2017	2018
Segment A-MUR'm	232	117	322
Segment B-MUR'm	276	464	745

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONTINUED)

TOTAL OPERATING EXPENSES

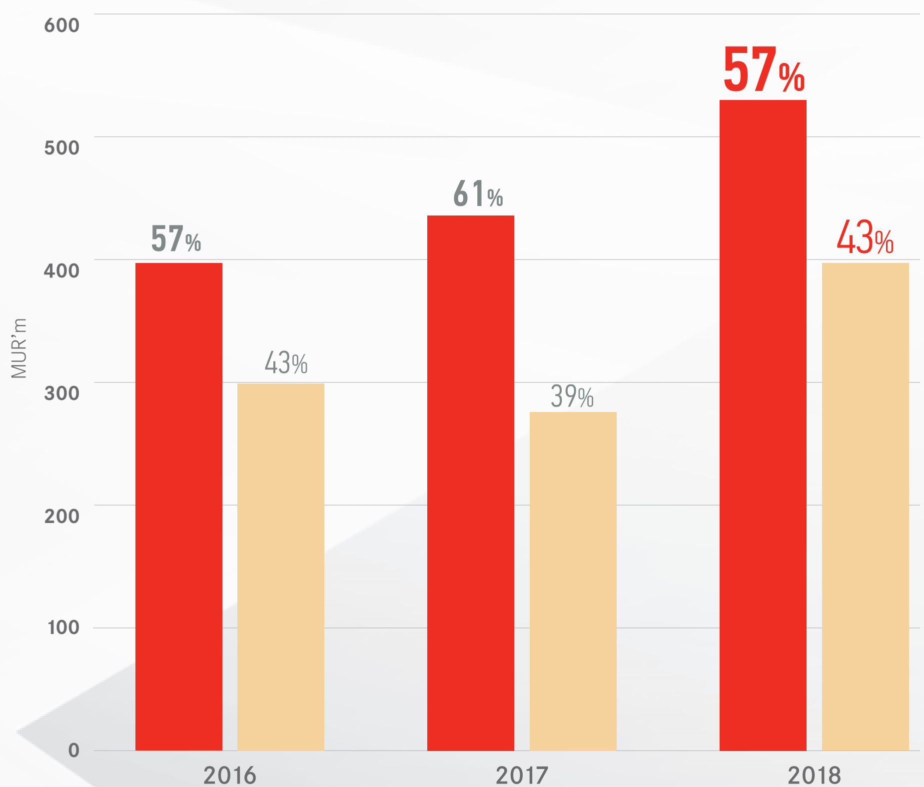
In line with its 3-year strategy plan, the Bank continued to invest in human resources, information technology and infrastructure amongst others, while continuing to invest in the AfrAsia brand. The strategy was carried out whilst spending in a disciplined manner and promoting a cost control culture which resulted in a stable year on year cost to income ratio of 32%.

The Bank invested MUR 529.7m, that is, 57% of its total operating expenses to attract and reward its people during the year compared to MUR 436.4m, that is, 61% last year. The AfrAsia total headcount increased from 314 in 2017 to 368 in 2018 as we continue to promote ourselves as an employer of choice in the industry.

The other major components of the Bank's total operating expenses include amongst others:

- IT Related expenses including depreciation and amortisation MUR 105.6m;
- Professional fees MUR 63.4m;
- Advertising and marketing expenses MUR 49.2m;
- Communication cost MUR 41.8m; and
- Depreciation, amortisation and write off of other fixed and intangible assets (excluding IT assets) MUR 25.9m.

Total Operating Expenses



	2016	2017	2018
Personnel expenses - MUR'm	397	436	530
Other costs* - MUR'm	299	276	397

*Other costs relates to other operating expenses other than personnel expenses.

TAXATION

The Bank's income tax expense as per its Statement of Profit or Loss and Other Comprehensive Income has 3 components:

- Corporate tax – The applicable corporate 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 decreased from MUR 66.3m in 2017 to MUR 41.6m in 2018.
- 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 2018 is MUR 11.6m compared to MUR 7.3m for 2017.

Overall, the Bank's income tax expense including the special levy and CSR increased by 37.5% from MUR 102.7m in 2017 to MUR 141.2m in 2018, leading to an increase in effective tax rate from 11.2% in 2017 to 15.6% in 2018. The lower effective tax rate was on account of an increased level of credit impairment in 2017. The increase in credit impairment level in 2018 was principally offset by a substantial level of write offs of credit exposures of which a major part was not considered as allowable in the current year from a tax perspective.

FINANCIAL POSITION REVIEW

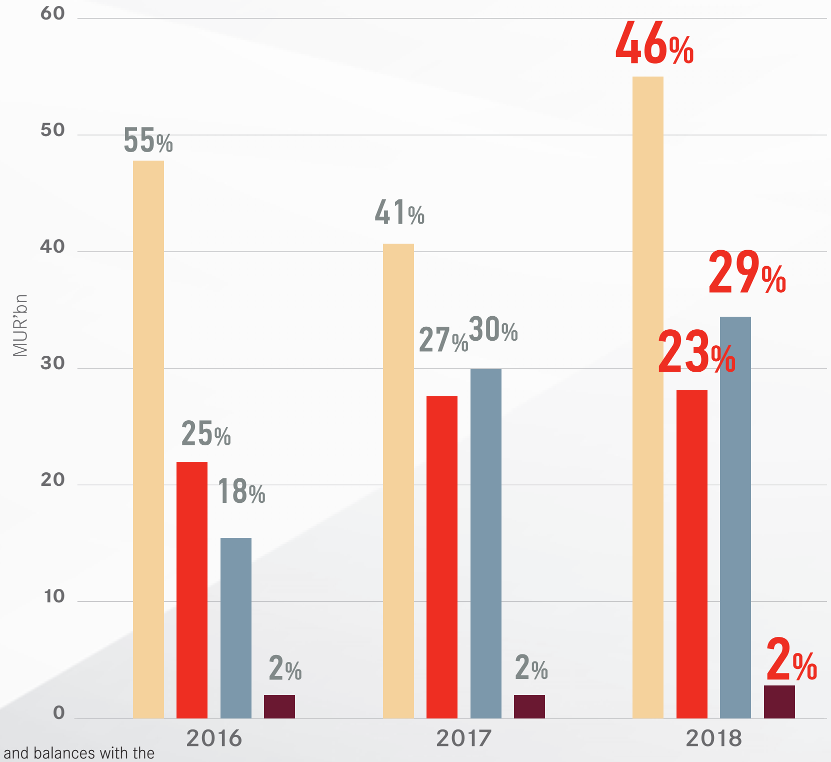
TOTAL ASSETS

With an overall continued support from its stakeholders, the Bank's total assets continued to grow by 20% and reached MUR 120.4bn by end of June 2018. The proportion of the Bank's total assets to Segment B continued to increase in 2018 to 71% from 69% in 2017. AfrAsia Bank adopts a well thought approach to its mix of assets with regards to the corresponding risk level and yield.

Overall, as depicted in the chart below, the Bank managed to reduce risks through diversification represented by:

- Cash and balances with the Central Bank and due from Banks of MUR 55.1bn, that is, 46% of total assets;
- Securities comprising of held-for-trading, available-for-sale and held-to-maturity financial investments of MUR 34.4bn, that is, 29% of total assets;
- Loans and advances to customers of MUR 28.1bn, that is, 23% of total assets; and
- Other remaining assets of MUR 2.8bn, that is 2% of total assets.

Assets mix

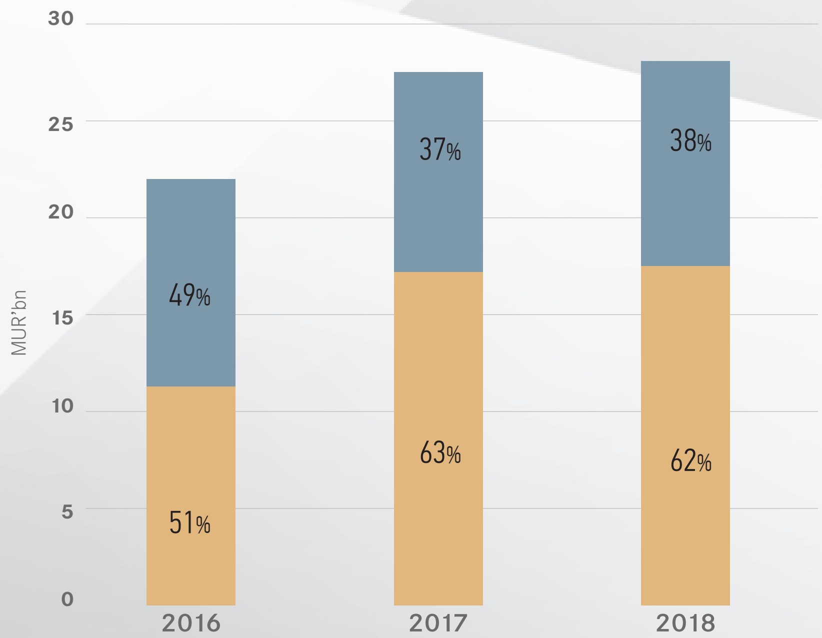


	2016	2017	2018
Cash and balances with the Central Bank and due from Banks - MUR'bn	47.8	40.7	55.1
Loans and advances - MUR'bn	22.0	27.6	28.1
Securities - MUR'bn	15.4	29.9	34.4
Other assets - MUR'bn	1.9	2.2	2.8

LOANS AND ADVANCES TO CUSTOMERS

The Bank's gross loans and advances remained almost the same, that is, MUR 29.3bn by the end of June 2018, with a split of 61% towards Segment B. Slightly over 60% of the Bank's assets book was in the greater than 1 year maturity bucket threshold. An increased share of the Bank's loan book, that is 32%, was allocated to the financial and business services sector with manufacturing sector ranking in second position at 9% of the total loan book. Allocation towards construction, infrastructure and real estate showed a reduction from MUR 3.2bn in 2017 to MUR 1.8bn in 2018.

Loans and advances to customers split by segment

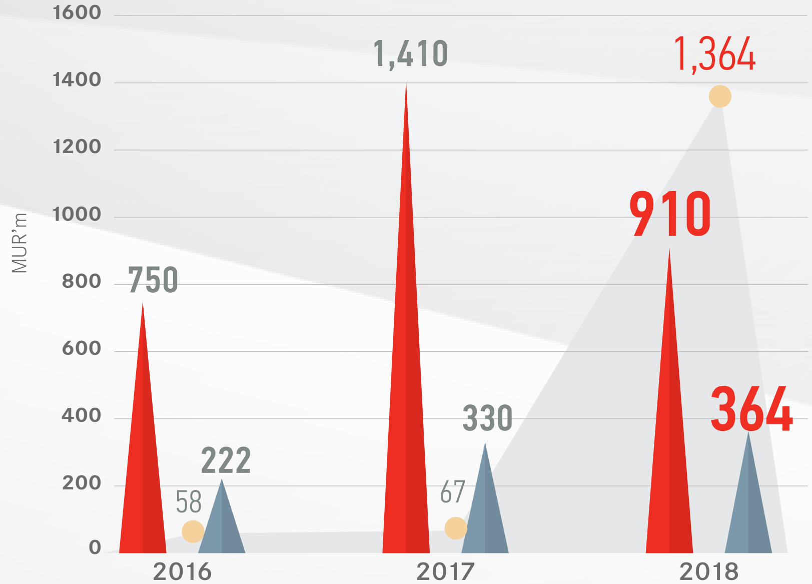


	2016	2017	2018
Segment A-MUR'bn	10.7	10.3	10.6
Segment B-MUR'bn	11.3	17.2	17.5

Allowance for Impairment Losses

The Bank's allowance for impairment losses, comprised of portfolio and specific provisioning, which decreased from MUR 1.7bn in 2017 to MUR 1.3bn in 2018. Segment A makes 58% of the total allowance for impairment losses. As previously mentioned on page 249, MUR 1.4bn of loans and advances to customers were written off against provisions in 2018, with a split of 78% to Segment B.

Impairment Allowance for Loans and Advances to customers



	2016	2017	2018
Specific Impairment* - MUR'm	750	1,410	910
Collective Impairment - MUR'm	222	330	364
Written off against allowance - MUR'm	58	67	1,364

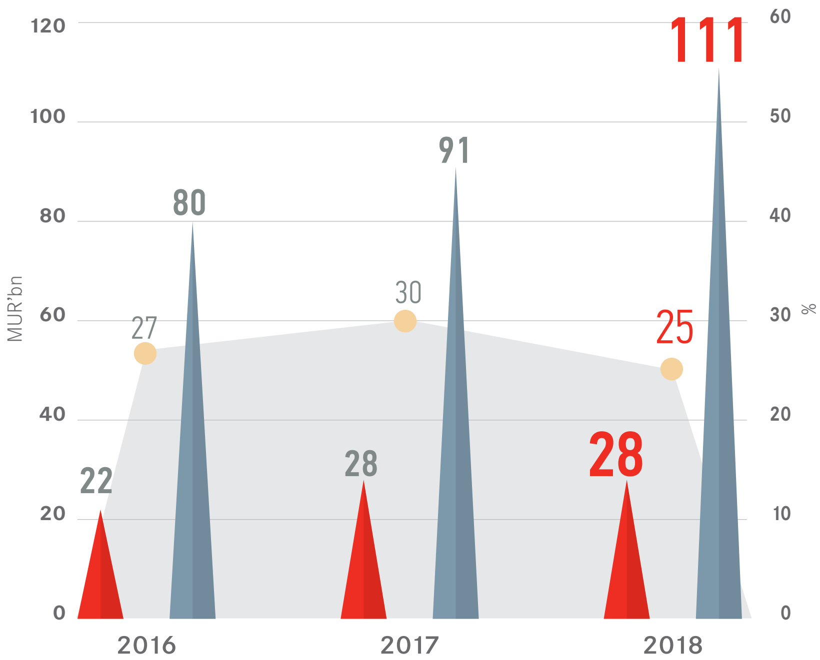
*The above specific impairment includes interest component.

FINANCIAL POSITION REVIEW (CONTINUED)

Loan to deposit ratio

A lower than expected loan to deposit ratio was achieved in 2018, that is, 25% compared to 30% last year. This result can be explained with a lower than expected growth in the Bank's loans and advances compared to the growth on deposits.

Loan to deposit ratio



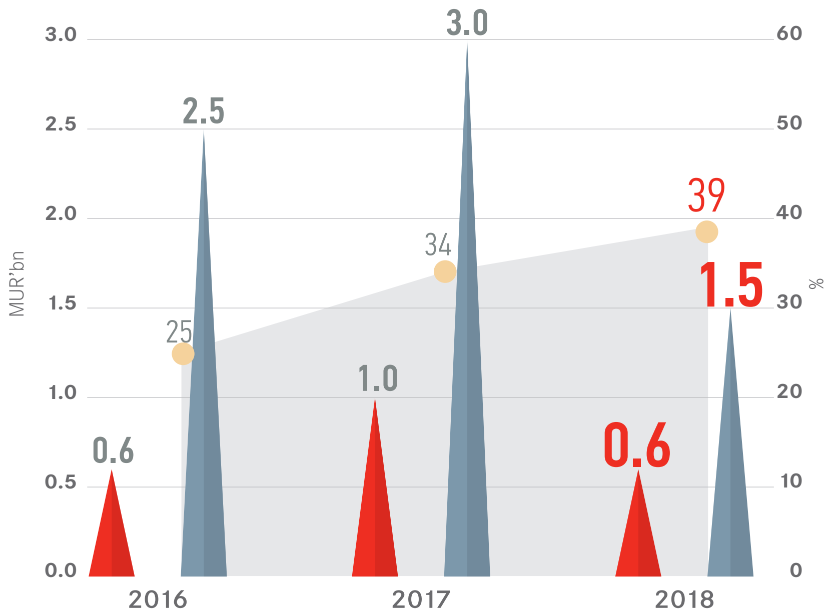
	2016	2017	2018
Loans and advances - MUR'bn	22	28	28
Deposits - MUR'bn	80	91	111
Loan to deposit ratio - %	27	30	25

Non-performing assets and coverage ratio

Non-performing assets - As a direct consequence of the above-mentioned write off against provisions, the Bank's non-performing assets witnessed a decrease to MUR 1.5bn at end June 2018 as compared to MUR 3.0bn for the same period in 2017. Consequently, it is to be noted that the Bank was able to achieve its 5% target of its non-performing assets to gross loans and advances to customers that percentage compares to 10% in 2017. The largest exposure of the Bank's non-performing assets is against the manufacturing sector at 35%, same sector was last year at 31%.

Coverage ratio - The Bank measures its coverage ratio as follows, that is, percentage of specific impairment over total non-performing asset. As a matter of fact, the Bank coverage showed an improvement from 34% in 2017 to 39% in 2018.

Specific impairment to Non-Performing assets



	2016	2017	2018
Specific impairment* - MUR'bn	0.6	1.0	0.6
Non Performing assets - MUR'bn	2.5	3.0	1.5
Coverage ratio - %	25	34	39

*The above specific impairment includes capital element only.

IFRS 9 – Financial Instruments

To note that while this year's financial statements were prepared based on IAS 39: Financial Instruments, Recognition and Measurement, the Bank has been gearing up for the changes that would affect it as from the 1st of July 2018, the first applicable date of IFRS 9 which brings a more forward looking approach to recognising and measuring of expected credit losses.

DUE FROM BANKS

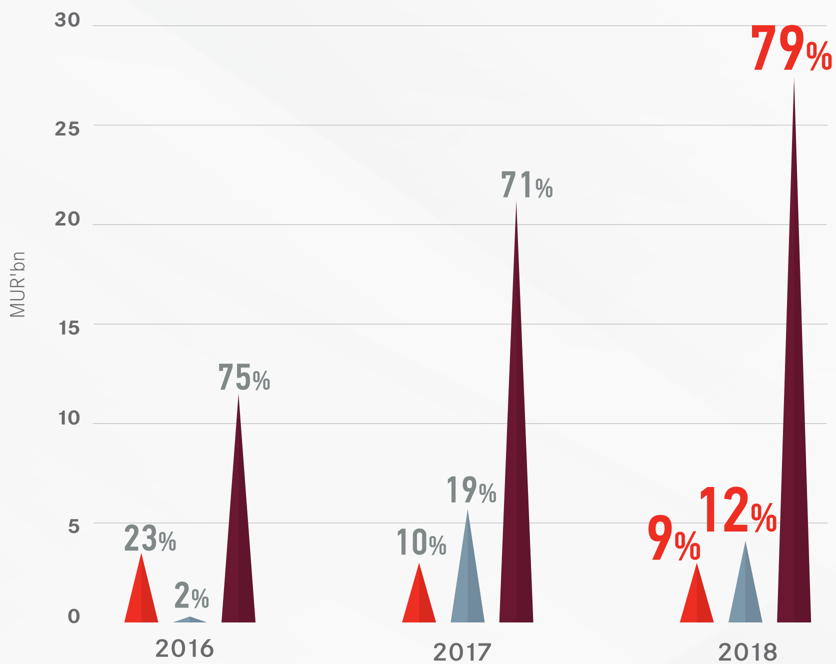
The disciplined and conservative approach towards customer lending also resulted in a growth in the Bank's monies held with other banks under placements by 36% from MUR 22.2bn to MUR 30.2bn between 2017 and 2018. These monies were mainly held with A-rated institutions outside Mauritius.

FINANCIAL POSITION REVIEW (CONTINUED)

FINANCIAL INSTRUMENTS

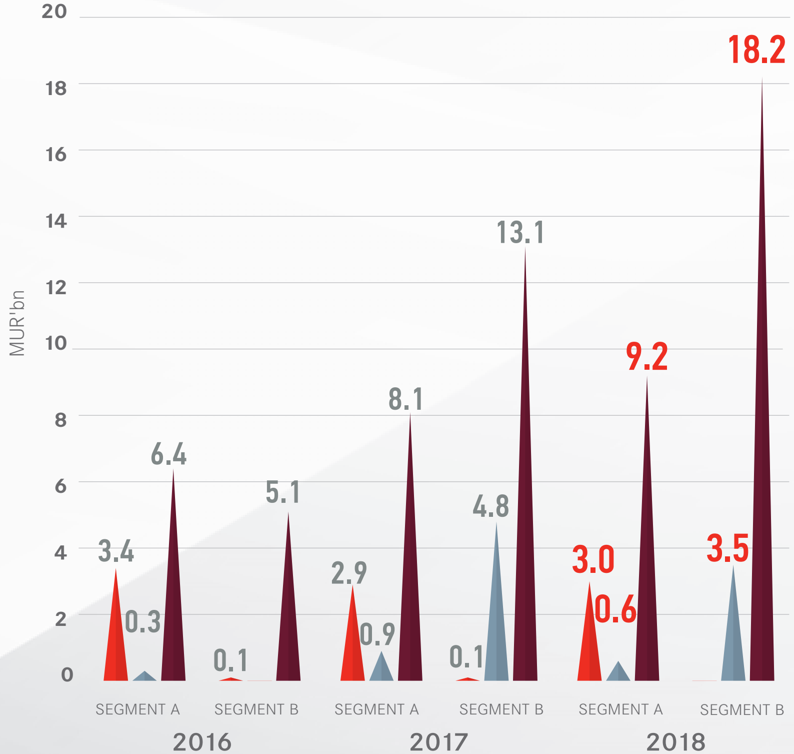
As part of its liquidity management, the Bank invested in financial instruments which it held in either of its trading or banking book. 63%, that is, MUR 21.7bn of its instruments are held with overseas counterparties of highly good repute with ratings ranging from AAA to A.

Financial Instruments



	2016	2017	2018
Held for trading - MUR'bn	3.5	3.0	3.0
Available for sale - MUR'bn	0.3	5.7	4.1
Held to maturity - MUR'bn	11.5	21.2	27.4

Financial Instruments by Segment

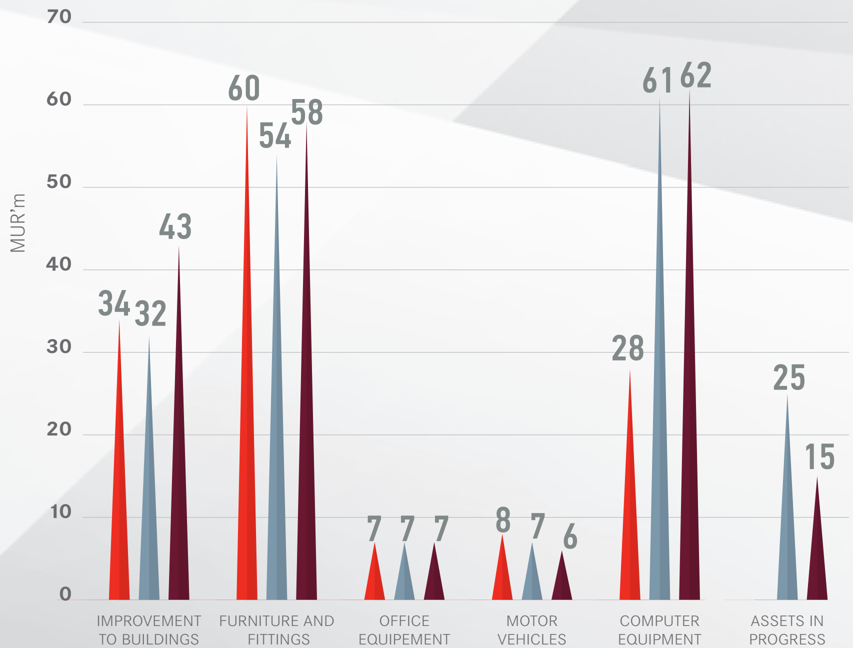


	2016 Segment A	2016 Segment B	2017 Segment A	2017 Segment B	2018 Segment A	2018 Segment B
Held for trading - MUR'bn	3.4	0.1	2.9	0.1	3.0	-
Available for sale - MUR'bn	0.3	-	0.9	4.8	0.6	3.5
Held to maturity - MUR'bn	6.4	5.1	8.1	13.1	9.2	18.2

FIXED ASSETS – TANGIBLE AND INTANGIBLE

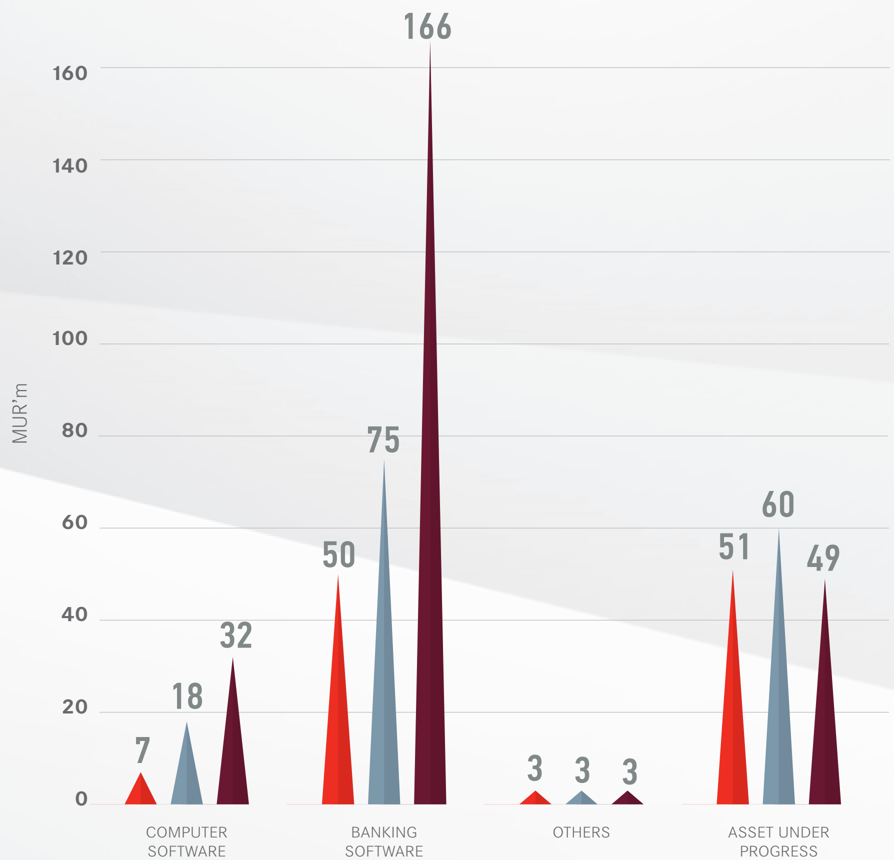
As part of our 3-year strategy plan in terms of technological investment and digitalisation plan, a substantial part of our capital expenditure was made towards banking software, computer software and computer equipment, that is, MUR 83.0m, MUR 19.4m and MUR 13.2m respectively. These represent 69% of the Bank's capital expenditure for 2017/2018.

Tangible Assets at Net Book Value



	IMPROVEMENT TO BUILDINGS	FURNITURE AND FITTINGS	OFFICE EQUIPEMENT	MOTOR VEHICLES	COMPUTER EQUIPMENT	ASSETS IN PROGRESS
2016	34	60	7	8	28	-
2017	32	54	7	7	61	25
2018	43	58	7	6	62	15

Intangible Assets at Net Book Value



	COMPUTER SOFTWARE	BANKING SOFTWARE	OTHERS	ASSET UNDER PROGRESS
2016	7	50	3	51
2017	18	75	3	60
2018	32	166	3	49

TOTAL LIABILITIES

DEPOSITS FROM CUSTOMERS

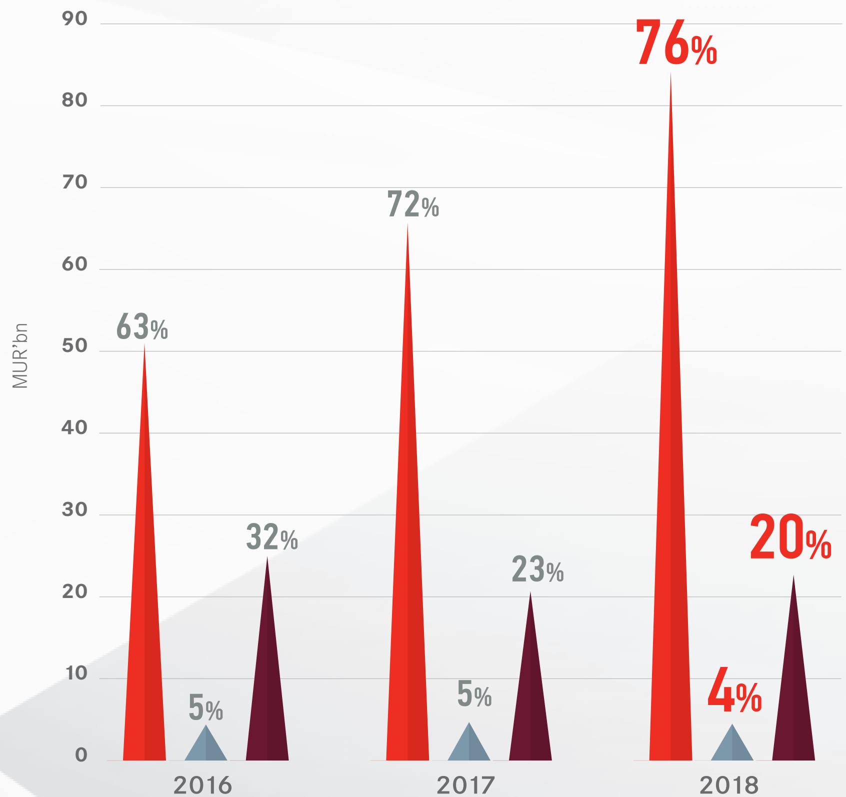
The Bank is reasonably satisfied with the level of continued confidence of its existing customer base and with the on-boarding of new clients as a result of which the Bank's deposits from customers grew from MUR 91.1bn end of June 2017 to reach MUR 111.4bn by the end of June 2018.

Split of Customer deposits base was as follows:

- Current accounts MUR 84.2bn, that is, 76% of total deposits and 28% growth year on year;
- Savings accounts MUR 4.5bn, that is, 4% of total deposits and 3% drop year on year; and
- Fixed deposits MUR 22.7bn, that is, 20% of total deposits and 9% growth year on year.

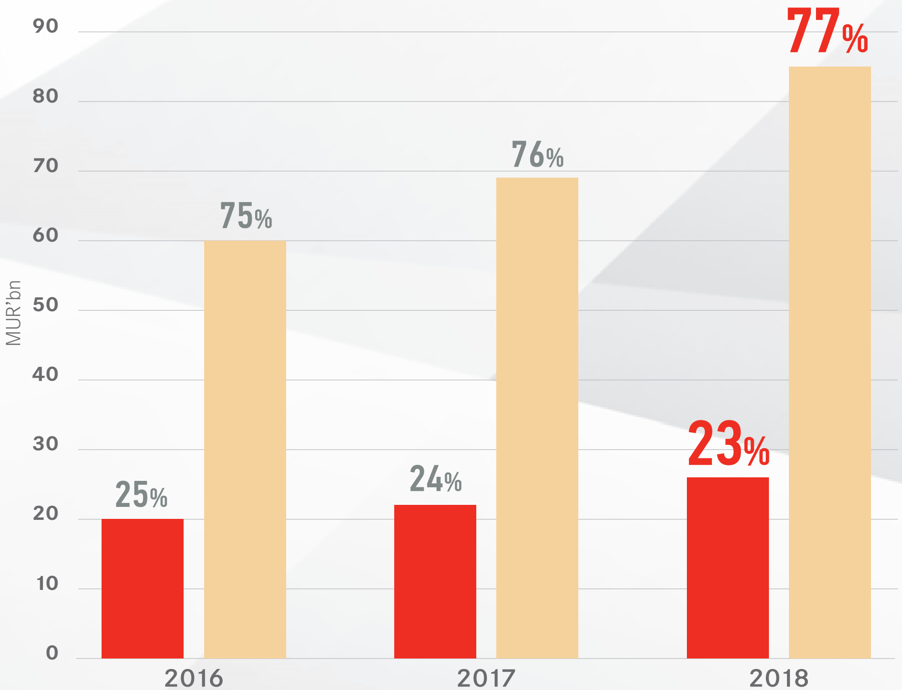
The growth in the Bank's customer base continues to be towards Segment B with a continued growth of 16% between 2016 and 2017 and 23% between 2017 and 2018.

Customer Deposits by Type



	2016	2017	2018
Current Account - MUR'bn	51.0	65.7	84.2
Savings accounts - MUR'bn	4.4	4.7	4.5
Fixed deposits - MUR'bn	25.0	20.7	22.7

Customer Deposits by Segment



	2016	2017	2018
Segment A	20	22	26
Segment B	60	69	85

CAPITAL RESOURCES

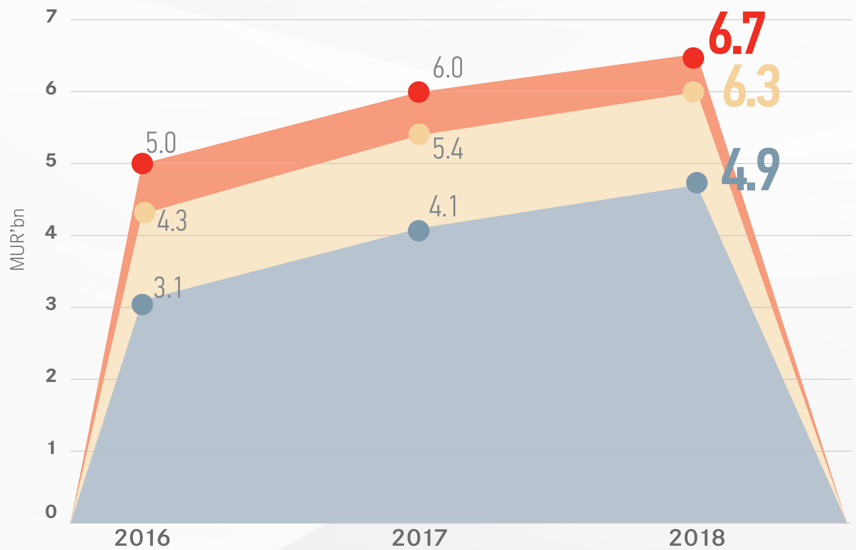
The Bank undertook a rights issue exercise, which successfully concluded with MUR 430.6m of fresh capital from its existing shareholders during the course of the year. The Bank's core shareholders continued to demonstrate their interests in the Bank by also following up on their rights. Additionally, there was an amount of MUR 12.8m issued during the course of the year such that the ordinary share capital closed at MUR 3.6bn. Effectively the Bank closed its 2017/18 financial year with a shareholders' equity value of MUR 6.9bn of which MUR 1.4bn pertains to the Bank's Class A shares.

On the regulatory side, with a risk weighted assets base of MUR 45.3bn and a capital base of MUR 4.9bn for its common equity tier 1 (CET1), MUR 1.4bn for additional tier 1 (AT1) and total capital of MUR 6.7bn, the Bank achieved the following ratios compared to the corresponding regulatory limits – it is to be noted that the Bank remains a Domestic Systemically Important Bank (D-SIB) at the end of June 2018, as a result of which an additional buffer of 0.75% becomes applicable to it as compared to the other banks not qualified as D-SIB.

Ordinary Dividends - The Bank continued to reward its ordinary shareholders and paid out a dividend per share of MUR 1.50 to its existing shareholders. This is equivalent to a dividend pay-out ratio of 24% and represents an amount of MUR 160.2m in total based on 2017 results.

Class A Dividends – An amount of MUR 140m was paid during the financial year ended 30 June 2018 to the Bank's Class A shareholders in line with the programme memorandum and applicable pricing supplement.

Capital Base



	2016	2017	2018
CET 1 - MUR'bn	3.1	4.1	4.9
T1=CET1+AT1 - MUR'bn	4.3	5.4	6.3
TC=T1-T2 - MUR'bn	5.0	6.0	6.7

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

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 2018 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: 20 September 2018

ALIGNING

ALIGNING

BUSINESS TARGETS & UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Aligning our business targets, sustainability practices, as well as partnerships, are essential in achieving the UN Sustainable Development Goals. The Bank's objective is not only to generate revenue for shareholders but also to assume social responsibility in the production and redistribution of created wealth amongst the various stakeholders.

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 for the year ended 30 June 2018.

IBL MANAGEMENT LTD

Company Secretary

Date: 20 September 2018

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 271 to 361, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the 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 2018, 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 the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Boards for Professional Accountants (IESBA code) and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 (CONTINUED)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
LOANS AND ADVANCES TO CUSTOMERS– ALLOWANCE FOR CREDIT IMPAIRMENT	
Allowance for credit impairment on loans and advances to customers at 30 June 2018 amount to MUR 1,273,954,000 and the charge to profit or loss for the year amount to MUR 898,558,000. Due to the substantial amount of the allowance for credit impairment on loans and advances to customers at the reporting date and the significance of the judgements applied for determining the allowance for credit impairment, this item is considered as a key audit matter. The use of assumptions for the measurement of allowance for credit 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 allowance for credit impairment on loans and advances to customers are disclosed in Notes 2C and 16 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, Risk 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; › Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and › Performing a risk-based test of loans and advances to customers 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.
IMPAIRMENT ASSESSMENT OF GOODWILL	
Goodwill arising from the acquisition of AfrAsia Capital Management Limited is recognized in the financial statements at MUR 134.9 million (refer to Note 20(c)). Management conducts annual impairment test to assess the recoverability of the carrying value of goodwill. This is performed by calculating the asset's value-in-use using discounted cash flow models. As disclosed in Notes 2C and 20, there is inherent uncertainty and significant judgement involved in preparing future cash flow forecasts and applying the appropriate discount rate to determine the value-in-use amount of the cash generating unit. Accordingly, the impairment test of goodwill is considered to be a key audit matter.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by management. We performed various procedures, including the following: › Reviewing the inputs used in the cash flow forecast against historical performance and in comparison to management's strategic plans; › Compared the growth rates used to historical data regarding economic growth rates in the cash generating unit; › Reviewed appropriateness of discount factors used, including any illiquidity and size factors; › Verified the mathematical accuracy of the valuation; and › Performed sensitivity analyses on the growth rates and discount rates to evaluate the extent of impact on the value in use. We found the assumptions used and disclosures in the financial statements to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
FAIR VALUE OF FINANCIAL INSTRUMENTS	
In the Bank's separate financial statements, financial assets and financial liabilities amounting to MUR 7,222,727,000 and MUR 64,382,000 respectively are carried out at fair value as at 30 June 2018. In determining the fair value of these financial instruments, the Bank uses a variety of methods and makes assumptions that are based on market conditions existing at reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable inputs are used, in particular for level 2 instruments, pricing inputs were developed based on the quoted data in secondary market. The disclosures relating to financial instruments held at fair value have been provided in Notes 2C, 14, 15, 17(a) and 30 to the financial statements. The valuation of the Bank's financial instruments held at fair value is a key area of the audit focus due to the complexity involved in the valuation process.	Our audit procedures included among others: › Reviewed the Bank's controls relating to the fair valuation of financial investments; › Evaluated the appropriateness of the valuation methodology and models used; › Verified the pricing inputs used to source data, including external data; and › Involved our valuation specialist in evaluating the fair valuation of financial instruments as at reporting date. We found the assumptions used and disclosure in the financial statements to be appropriate.
DEFERRED TAX ASSETS	
As disclosed in Notes 2C and 10(d), the Group and the Bank have recognized deferred tax assets as at 30 June 2018 for deductible temporary differences that they have assessed to be recoverable. The recoverability of recognized deferred tax assets is in part dependent on the ability of the Group and the Bank to generate future taxable profits to utilize deductible temporary differences as well as to obtain the tax benefits on thereon. We have determined this to be a key audit matter due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	Our procedures in relation to management's assessment about the recoverability of deferred tax assets included: › Challenging the assumptions made by management to assess whether the recognition of deferred tax assets is appropriate; › Evaluating the management's assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realized by comparing this to evidence obtained in respect of other areas of the audit, including business plans and strategy, minutes of the directors' meetings and our knowledge of the business; and › Assessing the trend of the recoverability of the tax benefit. We found the assumptions used and disclosure in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED (CONTINUED)

Report on other legal and regulatory requirements

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.

Other information

The directors are responsible for the other information. The other information comprises the following: Corporate Profile & Overview, Our Approach to Sustainability, Our Performance, Management Discussion and Analysis, 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. The other information does not include the Corporate Governance Report, the consolidated and separate financial statements and our auditor's report thereon.

Our opinions on the consolidated and separate financial statements as well as the Corporate Governance Report do 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.

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 Group's and 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 consolidated and separate 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 consolidated and separate 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 Group's and 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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED (CONTINUED)

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

- 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 Group and 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 consolidated and separate 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

JACQUES DE C. DU MÉE, ACA
Licensed by FRC

20 September 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		THE GROUP			THE BANK		
		2018	2017	2016	**2018**	2017	2016
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	3	**2,324,779**	1,849,228	1,608,833	**2,324,623**	1,848,643	1,604,388
Interest expense	4	**(699,391)**	(716,175)	(797,206)	**(695,565)**	(709,355)	(774,912)
Net interest income		**1,625,388**	1,133,053	811,627	**1,629,058**	1,139,288	829,476
Fee and commission income	5	**820,711**	680,539	581,849	**730,260**	608,662	457,243
Fee and commission expense	5	**(309,428)**	(242,283)	(159,458)	**(306,402)**	(239,566)	(159,440)
Net fee and commission income	5	**511,283**	438,256	422,391	**423,858**	369,096	297,803
Net trading income	6(a)	**818,964**	685,705	590,892	**816,767**	686,021	594,683
Other operating income	6(b)	**27,707**	15,048	4,170	**32,977**	17,979	5,975
Total operating income		**2,983,342**	2,272,062	1,829,080	**2,902,660**	2,212,384	1,727,937
Net impairment loss on financial assets	7	**(1,067,581)**	(580,549)	(508,334)	**(1,067,581)**	(580,549)	(508,334)
Net operating income		**1,915,761**	1,691,513	1,320,746	**1,835,079**	1,631,835	1,219,603
Personnel expenses	8	**(570,135)**	(463,512)	(452,346)	**(529,664)**	(436,358)	(396,790)
Depreciation of property and equipment	19	**(35,608)**	(25,271)	(22,788)	**(34,370)**	(24,091)	(20,504)
Amortisation of intangible assets	20	**(37,310)**	(23,185)	(33,145)	**(27,005)**	(12,810)	(9,224)
Other operating expenses	9	**(351,378)**	(258,893)	(343,440)	**(336,362)**	(238,902)	(269,564)
Total operating expenses		**(994,431)**	(770,861)	(851,719)	**(927,401)**	(712,161)	(696,082)
Operating profit		**921,330**	920,652	469,027	**907,678**	919,674	523,521
Loss on winding up of subsidiary		**(10,353)**	(5,004)	(4,185)	**-**	-	-
Impairment of intangible assets	20	**-**	-	(100,514)	**-**	-	-
Impairment of available-for-sale investment		**-**	(5,128)	-	**-**	-	-
Gain on liquidation of subsidiary	18	**-**	-	372,447	**-**	-	-
Profit before tax		**910,977**	910,520	736,775	**907,678**	919,674	523,521
Tax expense	10(b)	**(148,115)**	(106,411)	(97,036)	**(141,224)**	(102,676)	(89,885)
Profit for the year		**762,862**	804,109	639,739	**766,454**	816,998	433,636
Other comprehensive income that may be subsequently reclassified to profit or loss:							
Net gain / (loss) on available-for-sale investments		**10,722**	(9,888)	(6,867)	**10,722**	(12,259)	(579)
Movement in other reserves		**-**	-	(1,309)	**-**	-	-
Exchange differences on translation of foreign operations		**(523)**	3,331	(17,165)	**-**	-	-
Recycling of retranslation reserve on winding up		**523**	-	-	**-**	-	-
		10,722	(6,557)	(25,341)	**10,722**	(12,259)	(579)
Other comprehensive income that will not be reclassified to profit or loss:							
Remeasurement of retirement benefit obligation		**(11,611)**	-	-	**(11,611)**	-	-
Deferred tax of remeasurement on retirement benefit obligation		**819**	-	-	**819**	-	-
		(10,792)	-	-	**(10,792)**	-	-
Other comprehensive loss for the year		**(70)**	(6,557)	(25,341)	**(70)**	(12,259)	(579)
Total comprehensive income for the year attributable to equity holders of the parent		**762,792**	797,552	614,398	**766,384**	804,739	433,057

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	THE GROUP 2018 MUR'000	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE BANK 2018 MUR'000	THE BANK 2017 MUR'000	THE BANK 2016 MUR'000
ASSETS							
Cash and balances with the Central Bank	12	**3,196,233**	2,817,608	1,795,536	**3,196,233**	2,817,608	1,795,536
Due from banks	13	**52,073,585**	37,899,776	46,009,527	**51,943,156**	37,879,933	46,000,675
Derivative financial instruments	14	**897,052**	318,120	138,647	**208,490**	228,533	33,644
Financial investments - held-for-trading	15	**3,855,950**	3,806,253	4,893,741	**2,958,296**	2,944,577	3,542,070
Loans and advances to customers	16	**28,066,483**	27,512,745	21,958,341	**28,066,483**	27,512,745	21,958,341
Financial investments - available-for-sale	17(a)	**4,074,500**	5,745,972	350,798	**4,055,941**	5,726,288	316,033
Financial investments - held-to-maturity	17(b)	**27,360,177**	21,190,422	11,538,879	**27,360,177**	21,190,422	11,538,879
Investment in subsidiary	18	**-**	-	-	**189,563**	189,563	189,563
Property and equipment	19	**192,285**	189,287	140,101	**189,854**	186,269	135,991
Intangible assets	20	**417,919**	334,494	300,804	**249,585**	155,855	111,841
Other assets	21	**1,685,508**	1,436,888	1,363,800	**1,841,173**	1,427,433	1,439,777
Deferred tax assets	10(d)	**141,747**	147,057	60,441	**141,462**	147,057	60,441
TOTAL ASSETS		**121,961,439**	101,398,622	88,550,615	**120,400,413**	100,406,283	87,122,791
LIABILITIES AND EQUITY							
Due to banks	22	**932,755**	1,500,815	173,510	**932,755**	1,500,815	173,510
Derivative financial instruments	14	**752,944**	294,047	232,917	**64,382**	204,460	127,914
Deposits from customers	23	**111,136,100**	90,601,331	80,012,268	**111,385,467**	91,082,564	80,378,976
Debts issued	24	**855,302**	1,673,625	1,489,943	**600,208**	1,111,493	1,111,032
Other liabilities	25(a)	**473,048**	381,589	422,717	**445,380**	361,347	407,506
Financial liabilities designated at FVTPL	25(b)	**897,654**	861,677	1,348,159	**-**	-	-
Retirement benefits obligation	28	**42,776**	23,000	-	**41,688**	23,000	-
Current tax liabilities	10(a)	**34,780**	130,156	84,510	**31,281**	130,156	84,379
Deferred tax liabilities	10(d)	**-**	129	125	**-**	-	-
TOTAL LIABILITIES		**115,125,359**	95,466,369	83,764,149	**113,501,161**	94,413,835	82,283,317
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Ordinary shares	26	**3,641,049**	3,197,608	2,595,363	**3,641,049**	3,197,608	2,595,363
Class A shares	27	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	29	**1,200,350**	870,794	448,491	**1,277,521**	944,373	493,283
Other reserves	29	**594,913**	464,083	342,844	**594,914**	464,699	365,060
TOTAL EQUITY		**6,836,080**	5,932,253	4,786,466	**6,899,252**	5,992,448	4,839,474
TOTAL LIABILITIES AND EQUITY		**121,961,439**	101,398,622	88,550,615	**120,400,413**	100,406,283	87,122,791

The financial statements have been approved by the Board of Directors and authorised for issue on 20 September 2018.

LIM SIT CHEN LAM PAK NG
Chairman

SANJIV BHASIN
Chief Executive Officer

ARVIND SETHI
Director

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

THE GROUP

	Notes	Ordinary shares	Class A shares	Share application monies	Retained earnings/ (Accumulated losses)	Other reserves	Total
Attibutable to equity holders of the parent		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
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 loss		-	-	-	-	(25,341)	(25,341)
Total comprehensive income/(loss) for the year		-	-	-	639,739	(25,341)	614,398
Issue of shares	26	17,261	-	(17,261)	-	-	-
Indemnity costs	26	(12,857)	-	-	-	-	(12,857)
Consolidation adjustment		-	-	-	(1,718)	-	(1,718)
Appropriation of reserves	29	-	-	-	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 loss		-	-	-	-	(6,557)	(6,557)
Total comprehensive income/(loss) for the year		-	-	-	804,109	(6,557)	797,552
Deconsolidation adjustment	29	-	-	-	(15,898)	15,898	-
Share-based payments	29	-	-	-	-	(11,061)	(11,061)
Appropriation of reserves	29	-	-	-	(122,959)	122,959	-
Issue of shares	26	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
At 1 July 2017		**3,197,608**	**1,399,768**	**-**	**870,794**	**464,083**	**5,932,253**
Profit for the year		**-**	**-**	**-**	**762,862**	**-**	**762,862**
Other comprehensive (loss)/income		**-**	**-**	**-**	**(10,792)**	**10,722**	**(70)**
Total comprehensive income for the year		**-**	**-**	**-**	**752,070**	**10,722**	**762,792**
Share-based payments	29		**-**	**-**	**-**	**(2,862)**	**(2,862)**
Appropriation of reserves		**-**	**-**	**-**	**(122,355)**	**122,355**	**-**
Issue of shares	26	**446,291**	**-**	**-**	**-**	**-**	**446,291**
Reclassification adjustments relating to foreign operations disposed of in the year		**-**	**-**	**-**	**-**	**615**	**615**
Indemnity costs	26	**(2,850)**	**-**	**-**	**-**	**-**	**(2,850)**
Dividends	11	**-**	**-**	**-**	**(300,159)**	**-**	**(300,159)**
At 30 June 2018		**3,641,049**	**1,399,768**	**-**	**1,200,350**	**594,913**	**6,836,080**

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

THE BANK

	Notes	Ordinary shares	Class A shares	Share application monies	Retained earnings	Other reserves	Total
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
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 loss		-	-	-	-	(579)	(579)
Total comprehensive income/(loss) for the year		-	-	-	433,636	(579)	433,057
Issue of shares	26	17,261	-	(17,261)	-	-	-
Indemnity costs	26	(12,857)	-	-	-	-	(12,857)
Appropriation of reserves	29	-	-	-	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 loss		-	-	-	-	(12,259)	(12,259)
Total comprehensive income/(loss) for the year		-	-	-	816,998	(12,259)	804,739
Share-based payments	29	-	-	-	-	(11,061)	(11,061)
Issue of shares	26	602,245	-	-	-	-	602,245
Appropriation of reserves	29	-	-	-	(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
At 1 July 2017		**3,197,608**	**1,385,768**	**-**	**944,373**	**464,699**	**5,992,448**
Profit for the year		**-**	**-**	**-**	**766,454**	**-**	**766,454**
Other comprehensive (loss)/income		**-**	**-**	**-**	**(10,792)**	**10,722**	**(70)**
Total comprehensive income for the year		**-**	**-**	**-**	**755,662**	**10,722**	**766,384**
Share-based payments	29	**-**	**-**	**-**	**-**	**(2,862)**	**(2,862)**
Issue of shares	26	**446,291**	**-**	**-**	**-**	**-**	**446,291**
Indemnity costs	26	**(2,850)**	**-**	**-**	**-**	**-**	**(2,850)**
Appropriation of reserves	29	**-**	**-**	**-**	**(122,355)**	**122,355**	**-**
Dividends	11	**-**	**-**	**-**	**(300,159)**	**-**	**(300,159)**
At 30 June 2018		**3,641,049**	**1,385,768**	**-**	**1,277,521**	**594,914**	**6,899,252**

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	THE GROUP 2018 MUR'000	THE GROUP 2017 MUR'000	THE GROUP 2016 MUR'000	THE BANK 2018 MUR'000	THE BANK 2017 MUR'000	THE BANK 2016 MUR'000
OPERATING ACTIVITIES							
Profit before tax		**910,977**	910,520	736,775	**907,678**	919,674	523,521
Adjustments for:							
Change in operating assets	31(b)	**(6,996,844)**	(17,636,696)	(5,789,631)	**(6,532,006)**	(18,074,127)	(5,676,597)
Change in operating liabilities	31(c)	**20,253,960**	11,633,569	13,245,873	**19,677,838**	12,061,742	13,431,735
Non-cash items included in profit before tax	31(d)	**1,167,055**	909,865	820,825	**1,144,072**	892,638	686,074
Tax paid		**(234,266)**	(152,379)	(120,916)	**(230,460)**	(143,508)	(97,668)
Net cash flows from/(used in) operating activities		**15,100,882**	(4,335,121)	8,892,926	**14,967,122**	(4,343,581)	8,867,065
INVESTING ACTIVITIES							
Purchase of property and equipment	19	**(45,121)**	(80,287)	(76,808)	**(44,470)**	(79,532)	(69,330)
Purchase of intangible assets	20	**(122,809)**	(61,256)	(78,392)	**(122,809)**	(61,209)	(73,047)
Dividend received		**-**	-	-	**22,000**	-	-
Proceeds from sale of property and equipment		**89**	-	-	**89**	-	-
Net cash flows used in investing activities		**(167,841)**	(141,543)	(155,200)	**(145,190)**	(140,741)	(142,377)
FINANCING ACTIVITIES							
Issue of shares	26	**446,291**	602,245	-	**446,291**	602,245	-
Indemnity paid on shares issued	26	**(2,850)**	-	(12,857)	**(2,850)**	-	(12,857)
Repayment of subordinated debt		**(682,475)**	-	-	**(682,475)**	-	-
Dividends paid	11	**(300,159)**	(242,949)	(168,698)	**(300,159)**	(242,949)	(168,698)
Net cash flows (used in)/generated from financing activities		**(539,193)**	359,296	(181,555)	**(539,193)**	359,296	(181,555)
Net cash flows for the year		**14,393,848**	(4,117,368)	8,556,171	**14,282,739**	(4,125,026)	8,543,133
Movement in cash and cash equivalents							
Cash and cash equivalents at 1 July		**35,711,751**	39,825,786	31,288,032	**35,691,908**	39,816,934	31,273,801
Net increase/(decrease) in cash and cash equivalents		**14,393,848**	(4,117,368)	8,556,171	**14,282,739**	(4,125,026)	8,543,133
Net foreign exchange difference		**(523)**	3,333	(18,417)	**-**	-	-
Cash and cash equivalents at 30 June	31(a)	**50,105,076**	35,711,751	39,825,786	**49,974,647**	35,691,908	39,816,934
Operational cash flows from interest							
Interest paid		**(732,067)**	(714,991)	(867,855)	**(662,889)**	(708,169)	(845,561)
Interest received		**2,808,791**	1,947,515	1,535,327	**2,808,635**	1,946,930	1,530,882

The notes on pages 276 to 361 form an integral part of these financial statements.

Auditors' report on pages 265 to 270

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

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 1 offshore representative office in Johannesburg. The relevant costs and income derived from this office have been included in these financial statements.

The consolidated and separate financial statements for the year ended 30 June 2018 were authorised for issue through a resolution of the directors on 20 September 2018.

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 2017.

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. Except for IAS 7, 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 7 Statement of Cash Flows - Amendments as a result of the Disclosure initiative

The Group and the Bank have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes. A reconciliation between opening and closing balances of these items is provided in Note 24.

IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses

IFRS 12 Disclosure of Interests in Other Entities - Amendments resulting from Annual Improvements 2014-2016 Cycle (Clarifying scope)

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 12 Income Taxes - Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)

IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)

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.

IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest (effective 1 January 2019)

IFRS 7 Financial Statements: 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 Statements: 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)

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)

IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associates or joint venture (effective date deferred indefinitively)

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 2018)

IFRS 16 Leases - Original issue (effective 1 January 2019)

IFRIC 22 Foreign Currency Transactions and Advance Considerations issued (effective 1 January 2018)

IFRIC 23 Uncertainty over Income Tax Treatments issued (effective 1 January 2019)

2A. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards in issue but not yet effective (Continued)

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 the future periods. Except for the impact of IFRS 9 which is as detailed below, the directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

IFRS 9 Financial Instruments – 1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirement for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are requirement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are sole payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrecoverable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Classification and measurement

- Financial investments classified as held to maturity and loans and advances to customers carried at amortised cost as disclosed in Note 17(b) & 16: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;
- Listed and unlisted financial investments classified as available for sale (treasury bills, bonds and notes) carried at fair value as disclosed in Note 17(a): these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the assets in the open market, and the assets' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the investments will continue to be subsequently measured at FVTOCI upon application of IFRS 9 and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the assets are derecognized or reclassified;
- Financial investments classified as held for trading carried at FVTPL as disclosed in Note 15: These do not satisfy the conditions for classification as at amortised cost or FVOCI and hence will continue to be subsequently measured at FVTPL upon the application of IFRS 9.
- All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

Hedge accounting

On transition to IFRS 9, entities have an accounting policy choice to continue applying the hedge accounting requirements of IAS 39 instead of applying new requirements in IFRS 9. The Group and the Bank have decided to continue to apply hedge accounting requirements under IAS 39.

2A. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards in issue but not yet effective (Continued)

IFRS 9 Financial Instruments – 1 January 2018 (Continued)

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Group and the Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss will be recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Group and the Bank will assess whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets.

Stage 3: Exposures which meet the definition of default, i.e. there is objective evidence of impairment. Basically these are exposures that are more than 90 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

As a result, an increase in the total level of impairment allowances is expected, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

A change in loss allowance ranging between 25% to 35% in relation to financial instrument measured at amortised cost has been observed.

2B. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate 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.

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, the Financial Reporting Act 2004 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 thousand 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 32.

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.

2B. ACCOUNTING POLICIES (CONTINUED)

(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 2018. 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.

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 consolidated and separate 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.

2B. ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(ii) Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees at the rate of exchange prevailing at the reporting date. 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 and the Bank 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.

(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, being expensed in the statements of profit or loss and other comprehensive income except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The Group and the Bank use derivatives such as forward foreign exchange contracts and options on foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value are included in Net trading income.

(iv) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statements of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to 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 and the Bank immediately recognise the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'. In cases 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 assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and have fixed maturities, which the Group and the Bank have the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial assets are subsequently measured at amortised cost using the effective interest 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 and the Bank have not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

2B. ACCOUNTING POLICIES (CONTINUED)

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

(vii) Available-for-sale financial investments (continued)

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 and the Bank hold more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. 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, loans and advances to customers and other assets

'Due from banks', 'Loans and advances to customers' and 'other assets; include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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

After initial measurement, these financial assets 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 and the Bank may enter into certain lending commitments where the loan on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group and the Bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

(ix) 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.

(x) Debts issued

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

After initial measurement, debts issued and other borrowed funds are subsequently measured at amortised cost using the effective interest 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 24 to the financial statements.

(xi) Effective interest rate

The effective interest method is a method of calculating the cost of a financial asset/financial liability and of allocating interest income/cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of financial asset/financial liability, or where appropriate, a shorter period, to the net carrying amount on 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; or
- the Group or the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  a. the Group or the bank has transferred substantially all the risks and rewards of the asset, or
  b. the Group or the Bank has neither transferred nor retained substantially all the risks and rewards on the asset, but has transferred control of the asset.

When the Group or the Bank has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Bank's continuing involvement in the asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

2B. ACCOUNTING POLICIES (CONTINUED)

(e) Derecognition of financial assets and financial liabilities (Continued)

(i) Financial assets (Continued)

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.

(f) Fair value measurement

The Group and the Bank measure financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 30.

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 and the Bank.

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 and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine 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 and the Bank have 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 30.

(g) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganisation; and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The following sets out the policies of the Group and the Bank regarding the impairment of specific classes of assets:

2B. ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Group and the Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss and other comprehensive income. 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 and the Bank.

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 the statements of profit or loss and other comprehensive income.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's and the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

(h) 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.

2B. ACCOUNTING POLICIES (CONTINUED)

(i) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income and expenses

For all financial instruments, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group or the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income for financial assets and interest expense for financial liabilities.

However, for a reclassified financial asset for which the Group or the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commission income

The Group and the Bank earn fees and commission income from a diverse range of services it provides to its customers. Fee income can be categorised into the following two categories:

<u>Fee income earned from services that are provided over a certain period of time</u>

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.

<u>Fee income from providing transaction services</u>

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend income

Revenue is recognised when the Group's and the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading.

(v) Fees and commission expenses

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received - Please refer to Note 5 of the financial statements.

(j) Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(k) Investment in a subsidiary

Investment in a subsidiary is accounted at cost in the Bank's separate financial statements, less any accumulated impairment in value.

2B. ACCOUNTING POLICIES (CONTINUED)

(l) Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less subsequent accumulated depreciation and subsequent accumulated impairment in value.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

	Rate
Improvement to buildings	10%
Furniture and fittings	10%
Office equipment	10% - 20%
Motor vehicles	14.29% - 20%
Computer equipment	25%

An item of property and 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 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.

(m) 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 the statements of profit or loss and other comprehensive income when the asset is derecognised.

(n) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Bank 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 and the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2B. ACCOUNTING POLICIES (CONTINUED)

(o) Financial guarantees

In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, financial guarantees and acceptances. Financial guarantees are initially recognised in the financial statements, within 'Other liabilities' at fair value. Subsequent to initial recognition, the Group's and the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statements of profit or loss and other comprehensive income. 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.

(p) 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.

(q) Pension benefits

(i) Defined contribution pension plan

The Group and the Bank operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Group and the Bank 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 and the Bank present 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.

(r) 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 until the amount equals the stated capital of the Group and the Bank; 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 29.

(s) Share-based payment transactions

Founders of the Group and the Bank receive remuneration in the form of share-based payment transactions, whereby founders 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 and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period is recorded in 'Personnel expenses' and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in 'Personnel expenses' is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2B. ACCOUNTING POLICIES (CONTINUED)

(s) Share-based payment transactions (Continued)

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.

(t) 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, if any. 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 is 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.

(u) 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.

(i) 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 'other receivables' or 'other payables' in the statements of financial position.

2B. ACCOUNTING POLICIES (CONTINUED)

(u) Taxation (Continued)

(ii) 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; and
- 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 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.

(iii) 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.

(v) 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' and Bank of Mauritius Guideline on 'Public Disclosure of Information' which require 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.

2B. ACCOUNTING POLICIES (CONTINUED)

(w) 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 calleable 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.

(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.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(x) Provisions and other contingent liabilities

Provisions are recognised when the Group and the Bank have 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.

The Group and the Bank operate in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Group's and the Bank's business. When the Group and Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group and the Bank record a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group and the Bank are of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group and the Bank do not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group and the Bank take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

2C. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

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.

Going concern

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

Held-to-maturity financial assets

The directors have reviewed the Group's and the Bank's held-to-maturity financial assets and have confirmed the Group's and the Bank's positive intention and ability to hold those assets to maturity. Please refer to Note 17(b).

Determination of functional currency

The determination of the functional currency of the Group and the Bank is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. The directors have considered those factors therein and have determined that the functional currency of the Group and Bank as Mauritian Rupees (MUR).

2C. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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 30 to the financial statements.

Impairment losses on loans and advances

The Group and the Bank review 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.

Useful lives of property and equipment and intangible assets

The Group and the Bank review the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

Provision for retirement benefit

Retirement benefit obligation has been valued by Actuary on accounting estimated and as per provision of the Employment Rights Act 2008. Management considers that they have used its best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Group and the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Group and the Bank have met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

In specific circumstances, significant judgment is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

3. INTEREST INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income on:						
- Due from banks	**473,972**	312,968	265,308	**473,816**	312,383	261,990
- Loans and advances to customers	**1,158,480**	1,058,600	1,088,930	**1,158,480**	1,058,600	1,087,803
- Financial investments - held-to-maturity	**562,204**	361,350	242,770	**562,204**	361,350	242,770
- Financial investments - available-for-sale	**101,032**	86,426	-	**101,032**	86,426	-
- Placements with the Central Bank	**29,091**	29,884	11,825	**29,091**	29,884	11,825
	2,324,779	1,849,228	1,608,833	**2,324,623**	1,848,643	1,604,388

4. INTEREST EXPENSE

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest expense on:						
- Due to banks	**21,702**	69,700	41,534	**21,702**	63,079	19,240
- Deposits from customers	**612,195**	568,066	675,035	**612,195**	568,066	675,035
- Debts issued	**65,494**	78,409	80,637	**61,668**	78,210	80,637
	699,391	716,175	797,206	**695,565**	709,355	774,912
NET INTEREST INCOME	**1,625,388**	1,133,053	811,627	**1,629,058**	1,139,288	829,476

5. NET FEE AND COMMISSION INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Fee and commission income						
Credit related fee and commission income	**484,486**	403,717	321,640	**484,486**	403,717	321,640
Subscription fees	**4,697**	5,906	4,795	**-**	-	-
Management and performance fees	**49,423**	54,848	61,404	**-**	-	-
Consulting and advisory fees	**-**	324	33,387	**-**	-	-
Trading commission	**30,374**	6,982	20,795	**-**	-	-
Custody fees income	**238,868**	198,596	118,220	**239,718**	199,575	118,220
Other fees received	**12,863**	10,166	21,608	**6,056**	5,370	17,383
Total fee and commission income	**820,711**	680,539	581,849	**730,260**	608,662	457,243
Fee and commission expense						
Commission to other banks	**(80,085)**	(66,315)	(60,098)	**(80,085)**	(66,315)	(60,098)
Credit card expenses	**(103,476)**	(67,100)	(38,289)	**(103,476)**	(67,100)	(38,289)
Custody fees expense	**(99,284)**	(88,454)	(45,429)	**(99,134)**	(88,454)	(45,429)
Other fees paid	**(26,583)**	(20,414)	(15,642)	**(23,707)**	(17,697)	(15,624)
Total fee and commission expense	**(309,428)**	(242,283)	(159,458)	**(306,402)**	(239,566)	(159,440)
Net fee and commission income	**511,283**	438,256	422,391	**423,858**	369,096	297,803

6a. NET TRADING INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net gain on financial investments held-for-trading and available for sale	**123,845**	159,704	98,446	**123,845**	159,704	97,488
Derivatives income	**27,107**	49,799	69,711	**27,107**	49,799	69,711
Foreign exchange gain	**668,012**	476,202	422,735	**665,815**	476,518	427,484
	818,964	685,705	590,892	**816,767**	686,021	594,683

Financial investments held-for-trading and available for sale relate to investments in treasury bills, bonds and notes.

Net gain on financial investments held-for-trading includes both realised and unrealised gain, of which MUR 0.8m (2017: MUR 39.7m, 2016: MUR 25m) relate to impairment loss recognised on corporate bonds.

Foreign exchange gain includes realised and unrealised gains and losses from spot and forward contracts, other currency derivatives and other payables at group level.

6b. OTHER OPERATING INCOME

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Profit on disposal of motor vehicle	**89**	-	-	**89**	-	-
Transaction and other related fees	**27,618**	15,048	4,170	**32,888**	17,979	5,975
	27,707	15,048	4,170	**32,977**	17,979	5,975

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

(a) Portfolio and specific provisions on loans and advances to customers:

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
- Retail and personal	**55,576**	38,089	55,305	**55,576**	38,089	55,305
- Business	**252,960**	70,696	172,835	**252,960**	70,696	172,835
- Entities outside Mauritius	**480,572**	464,033	276,074	**480,572**	464,033	276,074
- Credit cards	**16,306**	7,731	4,120	**16,306**	7,731	4,120
	805,414	580,549	508,334	**805,414**	580,549	508,334
- Bad debt recovered	**(8,553)**	-	-	**(8,553)**	-	-
	796,861	580,549	508,334	**796,861**	580,549	508,334

Please refer to Note 16 for more details.

(b) Impairment loss on placement:

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Impairment loss on placement	**270,720**	-	-	**270,720**	-	-
The Bank has fully written off the placement held with a foreign bank at 30 June 2018 as the amount is deemed to be irrecoverable.						
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS	**1,067,581**	580,549	508,334	**1,067,581**	580,549	508,334

8. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Salaries	**354,088**	279,243	273,492	**320,190**	257,048	223,348
Staff benefits	**175,261**	146,982	162,503	**171,769**	145,524	158,855
Retirement benefit cost	**8,165**	23,000	-	**7,077**	23,000	-
Pension cost - defined contribution scheme	**21,310**	13,477	9,819	**19,376**	9,976	8,107
Training expenses	**11,311**	810	6,532	**11,252**	810	6,480
	570,135	463,512	452,346	**529,664**	436,358	396,790

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

9. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Advertising and marketing expenses	**51,067**	23,754	64,967	**49,188**	23,473	64,640
Administrative expenses	**225,485**	168,822	211,838	**215,179**	163,048	155,301
Equipment & intangible assets written off	**8,593**	9,162	1,582	**8,593**	9,166	1,582
Professional fees	**66,233**	56,045	65,053	**63,402**	43,215	48,041
Debt written off	**-**	1,110	-	**-**	-	-
	351,378	258,893	343,440	**336,362**	238,902	269,564

During the year ended 30 June 2018, office equipment of NBV MUR 8,000 was donated and is classified as gift and donation under administrative expense in the statements of profit or loss and other comprehensive income.

10. TAXATION

Income tax is calculated at the rate of 15% (2017: 15% , 2016: 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.

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.

Total tax paid (including levy, APS and CSR) during the year ended 30 June 2018 for the Group was MUR 234.3m (2017: MUR 147.4m, 2016: MUR 116.7m) and the Bank was MUR 230.5m (2017: MUR 143.5m, 2016: MUR 97.7m)

Tax paid under Advance Payment Scheme

The Finance Act 2007 introduced an Advance Payment System ('APS') whereby companies having a turnover of 100 million Mauritian Rupee or more are required to file a quarterly corporate tax return as from 1 July 2008.

10. TAXATION (CONTINUED)

10(a) Statements of financial position

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	**84,815**	124,328	79,373	**79,318**	121,282	76,675
Overprovision in income tax in previous years	**442**	454	135	**-**	-	135
Tax paid under advance payment scheme	**(93,800)**	(61,659)	(43,404)	**(91,054)**	(57,465)	(40,837)
	(8,543)	63,123	36,104	**(11,736)**	63,817	35,973
CSR liability	**1,754**	-	262	**1,448**	-	262
Special levy	**41,569**	66,339	48,144	**41,569**	66,339	48,144
Current tax liabilities	**34,780**	129,462	84,510	**31,281**	130,156	84,379
Analysed as follows:						
Current tax liabilities	**34,780**	130,156	84,510	**31,281**	130,156	84,379
Current tax assets (included in other assets)	**-**	(694)	-	**-**	-	-
	34,780	129,462	84,510	**31,281**	130,156	84,379

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

The components of income tax expense for the years ended 30 June 2018, 2017 and 2016 are as follows:

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current income tax	**84,815**	124,328	79,373	**79,318**	121,282	76,675
Overprovision in income tax in previous years	**225**	(7,743)	(11)	**(850)**	(7,860)	-
Withholding tax	**3,190**	2,214	-	**3,191**	2,214	-
CSR expense	**12,316**	7,885	5,900	**11,582**	7,317	5,900
Special levy	**41,569**	66,339	48,144	**41,569**	66,339	48,144
Overprovision in deferred tax in previous years	**(2,767)**	(30,364)	(3,839)	**(2,570)**	(30,364)	(3,839)
Deferred tax movement (Note 10(d))	**8,767**	(56,248)	(32,531)	**8,984**	(56,252)	(36,995)
Tax expense for the year	**148,115**	106,411	97,036	**141,224**	102,676	89,885

10(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 2018, 2017 and 2016 is as follows:

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Accounting profit before tax	**910,977**	910,520	736,775	**907,678**	919,674	523,521
Taxed at 17% (2017: 17% and 2016: 17%)	**154,866**	154,788	125,252	**154,305**	156,345	88,999
Deemed credit on Segment B profits	**(142,555)**	(157,252)	(101,468)	**(142,555)**	(157,252)	(101,468)
Over provision of deferred tax asset in prior years	**(2,767)**	(30,364)	(3,839)	**(2,570)**	(30,364)	(3,839)
Over-provision in income tax in prior years	**225**	(7,743)	(11)	**(850)**	(7,860)	-
Non deductible expenses	**10,252**	19,627	30,176	**1,667**	12,916	54,394
Bad debt written off subject to tax	**163,147**	384	-	**164,499**	384	-
Non taxable income	**(2,796)**	(1,737)	-	**(1,015)**	-	-
Withholding tax	**3,190**	2,214	-	**3,190**	2,214	-
CSR adjustment	**5,080**	(4,292)	(1,417)	**5,080**	(4,361)	(1,417)
Tax rate differential	**(82,096)**	64,447	199	**(82,096)**	64,315	5,072
Special levy	**41,569**	66,339	48,144	**41,569**	66,339	48,144
Tax expense	**148,115**	106,411	97,036	**141,224**	102,676	89,885

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

10. TAXATION (CONTINUED)

10(d) Deferred tax

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July 2017	**(146,928)**	(60,316)	(23,946)	**(147,057)**	(60,441)	(19,607)
Charge to profit or loss:						
Overprovision in deferred tax in previous years (Note 10(b))	**(2,767)**	(30,364)	(3,839)	**(2,570)**	(30,364)	(3,839)
Movement for the year	**8,767**	(56,248)	(32,531)	**8,984**	(56,252)	(36,995)
Charge to other comprehensive income:						
Movement for the year	**(819)**	-	-	**(819)**	-	-
At 30 June 2018	**(141,747)**	(146,928)	(60,316)	**(141,462)**	(147,057)	(60,441)
Analysed as follows:						
Deferred tax liabilities	**-**	129	125	**-**	-	-
Deferred tax assets	**(141,747)**	(147,057)	(60,441)	**(141,462)**	(147,057)	(60,441)
Deferred tax liabilities	**(141,747)**	(146,928)	(60,316)	**(141,462)**	(147,057)	(60,441)

THE GROUP

	At 1 July 2015	Charge/ (credit) to profit or loss	At 30 June 2016	Charge/ (credit) to profit or loss	At 30 June 2017	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2018**
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Deferred tax assets								
Impairment losses on loans and advances to customers	(27,114)	(48,846)	(75,960)	(68,795)	(144,755)	**2,737**	**-**	**(142,018)**
Other temporary differences	(4,453)	4,453	-	-	-	**(285)**	**-**	**(285)**
Impairment loss on corporate bond	-	-	-	(10,994)	(10,994)	**(408)**	**-**	**(11,402)**
Retirement benefit obligations	-	-	-	(1,817)	(1,817)	**(303)**	**(819)**	**(2,939)**
	(31,567)	(44,393)	(75,960)	(81,606)	(157,566)	**1,741**	**(819)**	**(156,644)**
Deferred tax liability								
Accelerated capital allowances	7,621	8,023	15,644	(5,006)	10,638	**4,259**	**-**	**14,897**
	(23,946)	(36,370)	(60,316)	(86,612)	(146,928)	**6,000**	**(819)**	**(141,747)**

THE BANK

	At 1 July 2015	Charge/ (credit) to profit or loss	At 30 June 2016	Charge/ (credit) to profit or loss	At 30 June 2017	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2018**
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Deferred tax assets								
Impairment losses on loans and advances to customers	(27,114)	(48,846)	(75,960)	(68,795)	(144,755)	**2,737**	**-**	**(142,018)**
Impairment losses on corporate bonds	-	-	-	(10,994)	(10,994)	**(408)**	**-**	**(11,402)**
Retirement benefit obligations	-	-	-	(1,817)	(1,817)	**(303)**	**(819)**	**(2,939)**
	(27,114)	(48,846)	(75,960)	(81,606)	(157,566)	**2,026**	**(819)**	**(156,359)**
Deferred tax liability								
Accelerated capital allowances	7,507	8,012	15,519	(5,010)	10,509	**4,388**	**-**	**14,897**
	(19,607)	(40,834)	(60,441)	(86,616)	(147,057)	**6,414**	**(819)**	**(141,462)**

11. DIVIDENDS

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Dividends on Ordinary shares:			
Dividend declared for 2017: Rs 1.50 per share (2016: Rs1 per share)	**160,185**	100,400	27,261
Dividends on Class A shares:			
Dividend Paid on Class A shares: Series 1 & Series 2	**139,974**	142,549	141,437
Total dividends	**300,159**	242,949	168,698

Ordinary Shares

With respect to the year ended 30 June 2017, the Directors proposed that a dividend of MUR 1.50 (2016: Rs 1.00) per share be paid to the holders of Ordinary shares. The Board of Directors approved the dividend on 21 September 2017 and it was paid in November 2017. Total dividend paid is MUR 160m (2016: Dividend paid was MUR 100m).

Class A Shares

With respect to the year ended 30 June 2018, the Directors proposed that a dividend of MUR 14.00 (2017: MUR 14.25 ; 2016: MUR 14.14) per share be paid to the holders of Class A shares. The Board of Directors approved the dividend on 06 July 2017 and 24 November 2017 respectively, and it was paid in September 2017 and March 2018 respectively. Total dividend paid is MUR 140m (2017: Dividend paid was MUR 143m ; 2016: Dividend paid was MUR 141m).

Included into dividend payment of MUR 169m as at 30 June 2016 is dividend amounting to MUR 70m which has been declared as at 30 June 2015.

12. CASH AND BALANCES WITH THE CENTRAL BANK

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand (Note 31(a))	**30,086**	34,710	9,425	**30,086**	34,710	9,425
Unrestricted balances with the Central Bank (Note 31(a))	**1,490,484**	1,689,118	977,455	**1,490,484**	1,689,118	977,455
Placements with the Central Bank	**1,675,663**	1,093,780	808,656	**1,675,663**	1,093,780	808,656
	3,196,233	2,817,608	1,795,536	**3,196,233**	2,817,608	1,795,536

13. DUE FROM BANKS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Medium term Collateralized placements	**3,489,079**	-	-	**3,489,079**	-	-
Short term placements with other banks (Note 31(a))	**30,172,195**	18,253,610	8,993,560	**30,172,195**	18,253,610	8,993,560
Medium term placements with other banks	**-**	3,911,853	7,170,621	**-**	3,911,853	7,170,621
Current accounts with other banks (Note 31(a))	**18,412,311**	15,732,864	29,843,852	**18,281,882**	15,713,021	29,835,000
Other amounts due (Note 31(a))	**-**	1,449	1,494	**-**	1,449	1,494
	52,073,585	37,899,776	46,009,527	**51,943,156**	37,879,933	46,000,675

The collateralized placements relate to placements held with a local bank whereby the latter has pledged Government bonds as security. The fair value of the collaterals at 30 June 2018 was MUR 5.6bn.

A reconciliation of the allowance for impairment losses for placement by class is as follows:

Placement with other banks

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
At 1 July 2017	**-**	-	-
Amount written off against allowance	**(270,720)**	-	-
Charge for the year	**270,720**	-	-
		-	-
At 30 June 2018	**-**	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

14. DERIVATIVE FINANCIAL INSTRUMENTS

(a) THE GROUP

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2018	2018	2017	2017	2016	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	11,815	(11,392)	156,180	(156,180)	8,147	(8,147)
Forward foreign exchange contracts	196,675	(52,990)	59,843	(48,280)	25,497	(119,767)
Spot position account	-	-	12,510	-	-	-
Option Linked Notes	85,625	(85,625)	89,587	(89,587)	105,003	(105,003)
Index Linked Notes	602,937	(602,937)	-	-	-	-
	897,052	(752,944)	318,120	(294,047)	138,647	(232,917)

(b) THE BANK

	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	2018	2018	2017	2017	2016	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	11,815	(11,392)	156,180	(156,180)	8,147	(8,147)
Forward foreign exchange contracts	196,675	(52,990)	59,843	(48,280)	25,497	(119,767)
Spot position account	-	-	12,510	-	-	-
	208,490	(64,382)	228,533	(204,460)	33,644	(127,914)

As at 30 June 2018, 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.

Option Linked Notes

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. These options do not bear any downside risk as the Group will not exercise the options should these prove unfavourable to the Group.

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.

Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

15. FINANCIAL INVESTMENTS - HELD-FOR-TRADING

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius debt securities	**1,749,284**	2,000,177	2,923,763	**1,749,284**	2,000,177	2,923,763
Bank of Mauritius bonds and notes	**1,209,012**	845,572	344,663	**1,209,012**	845,572	344,663
Unquoted equity investments and bonds	**203,247**	861,676	1,351,671	**-**	-	-
Equity shares	**694,407**	-	-	**-**	-	-
Corporate debt securities and bonds	**-**	98,828	273,644	**-**	98,828	273,644
	3,855,950	3,806,253	4,893,741	**2,958,296**	2,944,577	3,542,070

The carrying value of the corporate debt securities and bonds is net of an impairment loss of MUR 67.1m (2017: 64.7m, 2016: 25m) recognised on a corporate bond which is considered as irrecoverable.

16. LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Retail and personal	**1,147,945**	1,164,728	1,206,113	**1,147,945**	1,164,728	1,206,113
Business	**8,933,679**	8,490,060	9,835,012	**8,933,679**	8,490,060	9,835,012
Government and parastatal bodies	**1,160,169**	1,199,381	-	**1,160,169**	1,199,381	-
Entities outside Mauritius	**12,666,281**	14,723,935	9,563,429	**12,666,281**	14,723,935	9,563,429
Banks outside Mauritius	**5,300,039**	3,544,600	2,188,517	**5,300,039**	3,544,600	2,188,517
Credit cards	**132,324**	129,593	137,772	**132,324**	129,593	137,772
Gross core loans and advances to customers	**29,340,437**	29,252,297	22,930,843	**29,340,437**	29,252,297	22,930,843
Less: Allowance for impairment losses	**(1,273,954)**	(1,739,552)	(972,502)	**(1,273,954)**	(1,739,552)	(972,502)
	28,066,483	27,512,745	21,958,341	**28,066,483**	27,512,745	21,958,341

Allowance for impairment losses include both capital and interest on non-performing loans. Interest provision is amounted to MUR 341m at 30 June 2018 (2017: MUR 395m, 2016: MUR 150m) on non performing loans which are in arrears for more than 90 days.

16. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment allowance for loans and advances to customers

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 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	(67,275)	67	(67,208)	(67,275)	67	(67,208)
Charge for the year	726,980	107,278	834,258	726,980	107,278	834,258
At 30 June 2017	1,409,713	329,839	1,739,552	1,409,713	329,839	1,739,552
At 1 July 2017	**1,409,713**	**329,839**	**1,739,552**	**1,409,713**	**329,839**	**1,739,552**
Amount written off against allowance	**(1,364,156)**	**-**	**(1,364,156)**	**(1,364,156)**	**-**	**(1,364,156)**
Charge for the year	**864,079**	**34,479**	**898,558**	**864,079**	**34,479**	**898,558**
At 30 June 2018	**909,636**	**364,318**	**1,273,954**	**909,636**	**364,318**	**1,273,954**

17. FINANCIAL INVESTMENTS

(a) AVAILABLE-FOR-SALE

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius debt securities	**119,091**	649,741	-	**119,091**	649,741	-
Bank of Mauritius bonds and notes	**451,389**	272,946	316,033	**451,389**	272,946	316,033
Foreign Securities Treasury Bills and bonds	**3,485,461**	4,803,601	-	**3,485,461**	4,803,601	-
Investment in equity shares	**18,559**	19,684	34,765	**-**	-	-
	4,074,500	5,745,972	350,798	**4,055,941**	5,726,288	316,033

THE GROUP

Available-for-sale investments for an amount of MUR 18.5m (2017 and 2016: 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.

(b) HELD-TO-MATURITY

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Government of Mauritius debt securities	**6,116,458**	4,451,232	4,474,740
Bank of Mauritius bonds and notes	**2,246,969**	2,550,818	1,207,513
Other corporate debt securities	**812,251**	1,130,682	734,253
Foreign Securities Treasury Bills and bonds	**18,184,499**	13,057,690	5,122,373
	27,360,177	21,190,422	11,538,879

18. INVESTMENT IN SUBSIDIARY

	THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Cost			
At 1 July and 30 June	189,563	189,563	189,563

The details of the direct and indirect subsidiaries are as follows:

	Country of Incorporation	Class of Shares	Effective % Holdings 2018	2017	2016
			%	%	%
Direct Subsidiary					
AfrAsia Investments Limited	Mauritius	Ordinary	100	100	100
Indirect Subsidiaries					
AfrAsia Capital Management Limited	Mauritius	Ordinary	100	100	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 (c))	Mauritius	Ordinary	-	-	100
AfrAsia Corporate Finance Limited (Note (c))	Mauritius	Ordinary	-	-	100

(a) In financial year 2016, AfrAsia Holdings Limited and AfrAsia Kingdom Holdings Limited 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) The Bank, through its 100% owned subsidary AfrAsia Investments Limited, sold the entity, Stellar Advisers (Pty) Limited on 29 January 2016 and the loss on disposal of MUR 4.2m is reported in the Group statement of profit or loss and other comprehensive income for the financial year 2016.

(c) The entities went into liquidation on 28 June 2017 and the loss on the liquidation amounted to MUR 5m.

(d) The Group made the acquisition of two subsidiaries during the year ended 30 June 2016, namely AfrAsia Corporate Finance (Pty) Ltd (formally known as "Africa Asia Corporate Finance ((Pty)) Ltd") and AfrAsia Corporate Finance International Limited (formally known as "Africa Capital Advisors PCC"). The entities went into liquidation on 16 November 2017 and 20 June 2018 respectively and the loss on winding up amounted to MUR 10.3m.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

19. PROPERTY AND EQUIPMENT

(a) THE GROUP

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets in progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
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
Transfer from intangible assets (Note 20)	-	-	-	-	-	9,831	9,831
Capitalisation of assets in progress	2,987	3,330	3,703	-	40,688	(50,708)	-
Assets written off	(4,771)	(8,479)	(4,952)	-	(9,868)	-	(28,070)
Exchange loss	-	-	-	-	(2)	-	(2)
At 30 June 2017	43,070	72,630	12,824	12,549	83,028	25,001	249,102
At 1 July 2017	**43,070**	**72,630**	**12,824**	**12,549**	**83,028**	**25,001**	**249,102**
Adjustment	**1**	**103**	**16**	**-**	**141**	**-**	**261**
Additions	**12,198**	**1,442**	**2,974**	**-**	**13,873**	**14,634**	**45,121**
Capitalisation of assets in progress	**4,511**	**13,163**	**127**	**-**	**7,200**	**(25,001)**	**-**
Disposal	**-**	**-**	**-**	**(671)**	**-**	**-**	**(671)**
Assets written off	**(2,046)**	**(5,586)**	**(1,015)**	**-**	**(3,736)**	**-**	**(12,383)**
At 30 June 2018	**57,734**	**81,752**	**14,926**	**11,878**	**100,506**	**14,634**	**281,430**
ACCUMULATED DEPRECIATION							
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
At 1 July 2017	**10,464**	**17,435**	**6,881**	**3,692**	**21,343**	**-**	**59,815**
Adjustment	**-**	**102**	**13**	**-**	**134**		**249**
Charge for the year	**5,170**	**7,483**	**2,282**	**1,792**	**18,881**	**-**	**35,608**
Disposal	**-**	**-**	**-**	**(671)**	**-**	**-**	**(671)**
Assets written off	**(905)**	**(2,076)**	**(566)**	**-**	**(2,309)**	**-**	**(5,856)**
At 30 June 2018	**14,729**	**22,944**	**8,610**	**4,813**	**38,049**	**-**	**89,145**
CARRYING AMOUNT							
At 30 June 2018	**43,005**	**58,808**	**6,316**	**7,065**	**62,457**	**14,634**	**192,285**
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

During the year ended 30 June 2018, office equipment of NBV MUR 8,000 was donated and is classified as gift and donation under administratif expense in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

19. PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE BANK

	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets in progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
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
Transfer from intangible assets (Note 20)	-	-	-	-	-	9,831	9,831
Capitalisation of assets in 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
At 1 July 2017	**43,219**	**70,611**	**14,783**	**8,800**	**82,126**	**25,001**	**244,540**
Adjustment	**1**	**103**	**16**	**-**	**141**	**-**	**261**
Additions	**12,198**	**1,442**	**2,974**	**-**	**13,222**	**14,634**	**44,470**
Capitalisation of assets in progress	**4,511**	**13,163**	**127**	**-**	**7,200**	**(25,001)**	**-**
Disposal	**-**	**-**	**-**	**(671)**	**-**	**-**	**(671)**
Assets written off	**(2,046)**	**(5,586)**	**(1,015)**	**-**	**(3,736)**	**-**	**(12,383)**
At 30 June 2018	**57,883**	**79,733**	**16,885**	**8,129**	**98,953**	**14,634**	**276,217**
ACCUMULATED DEPRECIATION							
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
At 1 July 2017	**10,755**	**16,586**	**7,796**	**2,225**	**20,909**	**-**	**58,271**
Adjustment	**-**	**102**	**13**	**-**	**134**	**-**	**249**
Charge for the year	**5,170**	**7,404**	**2,282**	**1,045**	**18,469**	**-**	**34,370**
Disposal	**-**	**-**	**-**	**(671)**	**-**	**-**	**(671)**
Assets written off	**(905)**	**(2,076)**	**(566)**	**-**	**(2,309)**	**-**	**(5,856)**
At 30 June 2018	**15,020**	**22,016**	**9,525**	**2,599**	**37,203**	**-**	**86,363**
CARRYING AMOUNT							
At 30 June 2018	**42,863**	**57,717**	**7,360**	**5,530**	**61,750**	**14,634**	**189,854**
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
NET BOOK VALUE FOR THE YEAR ENDED 2018							
SEGMENT A	**12,430**	**16,738**	**2,134**	**1,604**	**17,907**	**4,244**	**55,057**
SEGMENT B	**30,433**	**40,979**	**5,226**	**3,926**	**43,843**	**10,390**	**134,797**
	42,863	**57,717**	**7,360**	**5,530**	**61,750**	**14,634**	**189,854**
NET BOOK VALUE FOR THE YEAR ENDED 2017							
SEGMENT A	11,362	18,909	2,445	2,301	21,426	8,750	65,193
SEGMENT B	21,102	35,116	4,542	4,274	39,791	16,251	121,076
	32,464	54,025	6,987	6,575	61,217	25,001	186,269
NET BOOK VALUE FOR THE YEAR ENDED 2016							
SEGMENT A	11,967	20,885	2,375	2,667	9,699	4	47,597
SEGMENT B	22,224	38,787	4,411	4,954	18,011	7	88,394
	34,191	59,672	6,786	7,621	27,710	11	135,991

During the year ended 30 June 2018, office equipment of NBV MUR 8,000 was donated and is classified as gift and donation under administratif expense in the statement of profit or loss and other comprehensive income.

20. INTANGIBLE ASSETS

(a) THE GROUP

	Computer software	Banking software	Other	Assets in 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 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
Transfer to property and equipment (Note 19)	-	-	-	(9,831)	-	-	-	-	(9,831)
Reclassification of assets in progress	10,832	33,972	425	(45,229)	-	-	-	-	-
Recognised to expense	-	-	-	(378)	-	-	-	-	(378)
Assets written off	(1,663)	(123)	(2,313)	-	-	(41,195)	(32,587)	-	(77,881)
At 30 June 2017	33,314	112,156	8,039	60,070	212,116	-	-	124,609	550,304
At 1 July 2017	**33,314**	**112,156**	**8,039**	**60,070**	**212,116**	**-**	**-**	**124,609**	**550,304**
Additions	**19,375**	**83,049**	**1,832**	**18,553**	**-**	**-**	**-**	**-**	**122,809**
Capitalisation of assets in progress	**1,822**	**26,415**	**1,308**	**(29,545)**	**-**	**-**	**-**	**-**	**-**
Assets written off	**-**	**-**	**(2,074)**	**-**	**-**	**-**	**-**	**-**	**(2,074)**
At 30 June 2018	**54,511**	**221,620**	**9,105**	**49,078**	**212,116**	**-**	**-**	**124,609**	**671,039**
AMORTISATION									
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	-	-	-	-	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)	-	-	(41,195)	(32,587)	-	(77,538)
At 30 June 2017	15,601	37,110	4,969	-	77,213	-	-	80,917	215,810
At 1 July 2017	**15,601**	**37,110**	**4,969**	**-**	**77,213**	**-**	**-**	**80,917**	**215,810**
Charge for the year	**7,348**	**18,323**	**1,359**	**-**	**-**	**-**	**-**	**10,280**	**37,310**
At 30 June 2018	**22,949**	**55,433**	**6,328**	**-**	**77,213**	**-**	**-**	**91,197**	**253,120**
NET CARRYING AMOUNT									
At 30 June 2018	**31,562**	**166,187**	**2,777**	**49,078**	**134,903**	**-**	**-**	**33,412**	**417,919**
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

20. INTANGIBLE ASSETS (CONTINUED)

(a) 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.

(b) Non-compete agreement and licence

Non-compete agreement and licence relate to intangibles assets acquired upon acquisition of the ACF Group. These were fully amortised in the financial year June 2016.

(c) 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 2018, 2017 and 2016	134,904	-	134,904

The Group performed its annual impairment review in June 2018.

The recoverable amount of the ACML Group is MUR 470m as at 30 June 2018, 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 following assumptions have been used in the assessment of intangible assets with indefinite life:

	ACML			ACF Group		
	2018	2017	2016	2018	2017	2016
	%	%	%	%	%	%
Discount rates	12.0%	19.0%	19.0%	-	-	-

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
	2018	2018
	MUR'000	MUR'000
1% increase in discount rates (WACC)	(40,000)	-
1% decrease in discount rates (WACC)	48,000	-

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20. INTANGIBLE ASSETS (CONTINUED)

(b) THE BANK

	Computer software	Banking software	Other	Assets under progress	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
COST					
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
Transfer to property and equipment (Note 19)	-	-	-	(9,831)	(9,831)
Reclassification of assets in 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
At 1 July 2017	**32,722**	**112,157**	**8,036**	**60,070**	**212,985**
Additions	**19,375**	**83,049**	**1,832**	**18,553**	**122,809**
Reclassification of assets in progress	**1,822**	**26,415**	**1,308**	**(29,545)**	**-**
Assets written off	**-**	**-**	**(2,074)**	**-**	**(2,074)**
At 30 June 2018	**53,919**	**221,621**	**9,102**	**49,078**	**333,720**
AMORTISATION					
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
At 1 July 2017	**15,051**	**37,110**	**4,969**	**-**	**57,130**
Charge for the year	**7,323**	**18,323**	**1,359**	**-**	**27,005**
At 30 June 2018	**22,374**	**55,433**	**6,328**	**-**	**84,135**
CARRYING AMOUNT					
At 30 June 2018	**31,545**	**166,188**	**2,774**	**49,078**	**249,585**
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
NET BOOK VALUE FOR THE YEAR ENDED 2018					
SEGMENT A	**9,148**	**48,195**	**804**	**14,233**	**72,380**
SEGMENT B	**22,397**	**117,993**	**1,970**	**34,845**	**177,205**
	31,545	**166,188**	**2,774**	**49,078**	**249,585**
NET BOOK VALUE FOR THE YEAR ENDED 2017					
SEGMENT A	6,185	26,266	1,073	21,025	54,549
SEGMENT B	11,486	48,781	1,994	39,045	101,306
	17,671	75,047	3,067	60,070	155,855
NET BOOK VALUE FOR THE YEAR ENDED 2016					
SEGMENT A	2,435	17,602	1,199	17,908	39,144
SEGMENT B	4,521	32,690	2,227	33,259	72,697
	6,956	50,292	3,426	51,167	111,841

21. OTHER ASSETS

	THE GROUP			THE BANK		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Mandatory balances with the Central Bank	1,519,797	1,288,715	1,233,593	1,519,797	1,288,715	1,233,593
Dividend receivable	-	-	-	-	22,000	112,000
Trade receivable	18,576	17,164	13,552	-	-	-
Advance payment	-	255	588	-	242	345
Indirect and other taxes receivable	59,816	48,101	35,288	59,816	46,714	34,951
Due from credit card service provider	18,412	18,264	18,714	18,412	18,264	18,714
Prepaid expenses	33,279	24,753	20,190	32,850	17,096	11,442
Other receivables	35,628	39,636	41,875	30,564	34,402	28,732
Amount due from subsidiary	-	-	-	179,734	-	-
	1,685,508	1,436,888	1,363,800	1,841,173	1,427,433	1,439,777

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 2018, 2017 and 2016 respectively.

Amount due from subsidiary is unsecured, interest free and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

21. OTHER ASSETS (CONTINUED)

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
2018	**16,619**	**38**	**1,155**	**764**	**18,576**
2017	14,124	2,997	-	43	17,164
2016	12,084	1,240	-	228	13,552

During the year, there was no impairment recognised on trade receivables (2017 and 2016: nil).

Advance payment relates to amount paid for acquisition of equipment and software.

22. DUE TO BANKS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Borrowings from the Central Bank	**72,432**	118,589	173,510	**72,432**	118,589	173,510
Borrowings from other banks	**860,210**	1,375,975	-	**860,210**	1,375,975	-
Bank overdraft	**113**	6,251	-	**113**	6,251	-
	932,755	1,500,815	173,510	**932,755**	1,500,815	173,510

The borrowings from the Central Bank are secured by the Bank's cash balances held with the Central Bank.

23. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Personal						
- Current accounts	**3,046,551**	3,052,986	7,865,503	**3,046,551**	3,052,986	7,865,503
- Savings accounts	**4,005,417**	3,397,785	3,706,128	**4,005,418**	3,397,785	3,706,128
- Term deposits	**6,813,915**	4,091,921	6,237,983	**6,813,915**	4,091,921	6,237,983
Business						
- Current accounts	**80,942,584**	62,267,513	42,854,973	**81,191,950**	62,639,901	43,115,449
- Savings accounts	**475,927**	1,240,223	640,621	**475,927**	1,240,223	640,621
- Term deposits	**15,830,019**	16,529,732	18,696,901	**15,830,019**	16,638,577	18,803,133
Government institutions						
- Current accounts	**-**	2	-	**-**	2	-
- Savings accounts	**21,687**	21,169	10,159	**21,687**	21,169	10,159
	111,136,100	90,601,331	80,012,268	**111,385,467**	91,082,564	80,378,976

Included in 'Deposits from customers' accounts are deposits of MUR 558.6m (2017: MUR 499.2m and 2016: MUR 711.9m) held as collateral against loans and advances to the respective customers.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

24. DEBTS ISSUED

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
(i) *Loan notes*	**334,304**	614,172	197,317	**-**	-	-
(ii) Unsecured subordinated bonds	**520,998**	1,059,453	1,292,626	**600,208**	1,111,493	1,111,032
	855,302	1,673,625	1,489,943	**600,208**	1,111,493	1,111,032

(i) *Loan notes*

The loan notes issued represent the discounted value of capital guaranteed to investors on the structured products issued by the subsidiary.

	THE GROUP		
	2018	2017	2016
The notes are due as follows:	**MUR'000**	MUR'000	MUR'000
Within 1 year	**255,094**	383,003	91,085
After 1 year but before 5 years	**79,210**	231,169	-
After 5 years	**-**	-	106,232
	334,304	614,172	197,317

Loan notes bear interest at 7.50% per annum on average (2017 and 2016: 7.50%).

(ii) Unsecured subordinated bonds

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
The bonds are due as follows:	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within 1 year	**404,758**	538,834	3,893	**404,758**	538,834	-
After 1 year but before 5 years	**116,240**	520,619	1,288,733	**195,450**	572,659	1,111,032
	520,998	1,059,453	1,292,626	**600,208**	1,111,493	1,111,032

Interest on unsecured subordinated bonds denominated in MUR ranges between 6.35% to 8.50% (2017: between 6.75% to 8.90% and 2016: between 6.75% to 8.90%) while USD-denominated bonds bear interest that ranges between 4.19% to 6.02% (2017: between 4.20% to 5.23% and 2016: between 4.20% to 5.20%).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows from financing activities.

24. DEBTS ISSUED (CONTINUED)

	THE GROUP				
			Non Cash		
	1 July 2017	Financing cash flows	Acquisition of unsecured bonds	Movement in Operating activities	**30 June 2018**
	MUR '000	MUR '000		MUR '000	**MUR '000**
Debts issued	1,673,625	(682,475)	172,150	(307,998)	855,302
	1,673,625	(682,475)	172,150	(307,998)	855,302

	THE BANK				
			Non Cash		
	1 July 2017	Financing cash flows	Acquisition of unsecured bonds	Movement in Operating activities	**30 June 2018**
	MUR '000	MUR '000		MUR '000	**MUR '000**
Debts issued	1,111,493	(682,475)	172,150	(960)	600,208
	1,111,493	(682,475)	172,150	(960)	600,208

25 (a). OTHER LIABILITIES

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Customer custody payable	**29,420**	-	123,320	**29,420**	-	123,320
Advance commission	**68,280**	84,276	70,172	**68,280**	84,276	70,172
Personnel expenses related accruals	**148,883**	138,180	104,896	**148,883**	130,620	104,617
Dividend payable	**344**	343	165	**344**	343	165
Other financial liabilities	**-**	-	-	**-**	-	-
Other payables	**226,121**	158,790	124,164	**198,453**	146,108	109,232
	473,048	381,589	422,717	**445,380**	361,347	407,506

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.

25 (b). FINANCIAL LIABILITIES DESIGNATED AT FVTPL

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Equities	**694,407**	556,113	520,526	**-**	-	-
Bonds	**203,247**	305,564	827,633	**-**	-	-
	897,654	861,677	1,348,159	**-**	-	-

Financial liabilities designated at FVTPL are portfolio of funds that are managed on a fair value basis. The corresponding assets are classified under financial assets held for trading. These financial liabilities are designated at FVTPL in order to eliminate the accounting mismatch.

26. ORDINARY SHARES

	THE GROUP AND THE BANK		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Ordinary shares of no par value			
Issued and fully paid	**3,641,049**	3,197,608	2,595,363

Analysed as follows:

Issued and fully paid

	THE GROUP AND THE BANK					
	2018		2017		2016	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 1 July	**106,745,800**	**3,197,608**	97,024,360	2,595,363	96,672,088	2,590,959
Issue of ordinary shares	**6,231,410**	**446,291**	9,721,440	602,245	352,272	17,261
Indemnity costs	**-**	**(2,850)**	-	-	-	(12,857)
At 30 June	**112,977,210**	**3,641,049**	106,745,800	3,197,608	97,024,360	2,595,363

Each ordinary share confer to its holder the following rights:
- the right to vote on poll for every share held at a meeting of the Bank on any resolution;
- the right to an equal share in dividends authorised by the Board; and
- the right to an equal share in the distribution of the surplus assets of the Bank, on winding up.

On 8 June 2018, the Board of Directors has approved the allotment and issue of 5,981,143 ordinary shares, all fully paid.

On 22 November 2017, the shareholders approved the allotment of 206,233 shares to National Bank of Canada.

As part of the share based payment, 44,034 shares were alloted to a founder.

27. CLASS A SHARES

Class A shares

THE GROUP

Issued and fully paid	2018		2017		2016	
	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

THE BANK

Issued and fully paid	2018		2017		2016	
	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

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.

The shares are callable, at the option of the issuer, six years after the issue date (30 June 2014), with the prior approval of the Bank of Mauritius.

Dividends are payable at the discretion of the Board of Directors of AfrAsia Bank Limited, subject to the prior approval of Bank of Mauritius.

28. RETIREMENT BENEFIT OBLIGATIONS

The Bank has a defined contribution (DC) scheme administered by Swan Life Ltd.

The liability relates to retirement gratuities payable under the Employment Rights Act (ERA) 2018 which is unfunded.

The actuarial valuation was carried out at 30 June 2018 by Swan Life Ltd.

The plan expose the Group and the Bank to normal risks associated with defined benefit pension plans such as longevity, interest and salary risks.

Interest risk: A decrease in the bond interest rate will increase the plan liability, as a lower discount rate will be used.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

Retirement benefits under The Employment Rights Act 2008

	THE GROUP		THE BANK	
	2018	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
Present value of obligations	**42,776**	23,000	**41,688**	23,000

Movement in liability recognised in statement of financial position:	**2018**	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
Net liability at start of year	**23,000**	-	**23,000**	-
Past service cost	**-**	21,230	**-**	21,230
Amount recognised recognised in profit or loss	**8,165**	1,770	**7,077**	1,770
Amount recognised recognised in other comprehensive income	**11,611**	-	**11,611**	-
Net liability at end of the year	**42,776**	23,000	**41,688**	23,000

Amounts recognised in statements of profit or loss and other comprehensive income	**2018**	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
Past service cost	**-**	21,230	**-**	21,230
Current service cost	**6,071**	267	**5,697**	267
Net interest cost	**2,094**	1,503	**1,380**	1,503
Components of amount recognised in profit or loss	**8,165**	23,000	**7,077**	23,000
Remeasurement of defined benefit obligations:				
Liability experience loss	**7,267**	-	**7,267**	-
Liability loss due to change in financial assumptions	**4,344**	-	**4,344**	-
	19,776	23,000	**18,688**	23,000

28. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Retirement benefits under The Employment Rights Act 2008 (continued)

	THE GROUP		THE BANK	
Changes in the Present Value of the defined benefit obligations:	2018	2017	2018	2017
	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	23,000	-	23,000	-
Past service cost	-	21,230	-	21,230
Interest cost	2,094	1,503	1,380	1,503
Current service cost	6,071	267	5,697	267
Liability experience loss	7,267	-	7,267	-
Liability loss due to change in financial assumptions	4,344	-	4,344	-
At 30 June	42,776	23,000	41,688	23,000

Future cash flows:

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contribution for the Group and the Bank for the year 2019 is Nil.

The weighted average duration of the defined benefit obligation is 14 years for the Bank and 19 years for the subsidiary.

	THE GROUP AND THE BANK
Sensitivity analysis:	MUR'000
Increase in Defined Benefit Obligation due to 1% decrease in Discount Rate	8,159
Decrease in Defined Benefit Obligation due to 1% increase in Discount Rate	6,781
Increase in Defined Benefit Obligation due to 1% increase in Future long-term Salary assumption	8,193
Decrease in Defined Benefit Obligation due to 1% decrease in Future long-term Salary assumption	6,923

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The principal actuarial assumptions used for accounting purposes are:	2018	2017
Discount rate	6.40%	6.00%
Salary increases	5.00%	4.00%
Average retirement age	60 years	60 years

The rate per annum of withdrawal from service before retirement is between 10% and 15% for age upto 30, reducing to 0% after 50 years.

The discount rate is determined by reference to the yield on government bonds of duration equivalent to the duration of liabilities.

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YEAR ENDED 30 JUNE 2018

29. RETAINED EARNINGS AND OTHER RESERVES

	THE GROUP								THE BANK					
	Retained Earnings	Equity-settled share-based payment reserve	Statutory reserve	General banking reserve	Foreign currency translation reserve	Fair value reserve	Associates other reserve	Total	Retained Earnings	Equity-settled share-based payment reserve	Fair value 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	MUR'000	MUR'000
At 1 July 2015	(142,091)	13,923	152,116	251,163	(2,740)	3,977	1,309	419,748	107,086	13,923	-	152,116	251,163	417,202
Profit for the year	639,739	-	-	-	-	-	-	-	433,636	-	-	-	-	-
Consolidation adjustment	(1,718)	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of reserves	51,563	-	-	-	-	-	-	-	51,563	-	-	-	-	-
Dividends	(99,002)	-	-	-	-	-	-	-	(99,002)	-	-	-	-	-
Appropriation from retained earnings	-	-	65,045	(116,608)	-	-	-	(51,563)	-	-	-	65,045	(116,608)	(51,563)
Net loss on available-for-sale financial investments	-	-	-	-	-	(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	448,491	13,923	217,161	134,555	(19,905)	(2,890)	-	342,844	493,283	13,923	(579)	217,161	134,555	365,060
At 1 July 2016	448,491	13,923	217,161	134,555	(19,905)	(2,890)	-	342,844	493,283	13,923	(579)	217,161	134,555	365,060
Profit for the year	804,109	-	-	-	-	-	-	-	816,998	-	-	-	-	-
Deconsolidation adjustment	(15,898)	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of reserves	(122,959)	-	-	-	-	-	-	-	(122,959)	-	-	-	-	-
Dividends	(242,949)	-	-	-	-	-	-	-	(242,949)	-	-	-	-	-
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 investments	-	-	-	-	-	(9,888)	-	(9,888)	-	-	(12,259)	-	-	(12,259)
Foreign currency translation	-	-	-	-	3,331	-	-	3,331	-	-	-	-	-	-
At 30 June 2017	870,794	2,862	339,711	134,964	(615)	(12,839)	-	464,083	944,373	2,862	(12,838)	339,711	134,964	464,699
At 1 July 2017	**870,794**	**2,862**	**339,711**	**134,964**	**(615)**	**(12,839)**	-	**464,083**	**944,373**	**2,862**	**(12,838)**	**339,711**	**134,964**	**464,699**
Profit for the year	**762,862**	-	-	-	-	-	-	-	**766,454**	-	-	-	-	-
Remeasurement losses in pension plan	**(10,792)**	-	-	-	-	-	-	-	**(10,792)**	-	-	-	-	-
Appropriation of reserves	**(122,355)**	-	-	-	-	-	-	-	**(122,355)**	-	-	-	-	-
Dividends	**(300,159)**	-	-	-	-	-	-	-	**(300,159)**	-	-	-	-	-
Expense arising from equity-settled share-based payment	-	**(2,862)**	-	-	-	-	-	**(2,862)**	-	**(2,862)**	-	-	-	**(2,862)**
Appropriation from retained earnings	-	-	**114,968**	**7,387**	-	-	-	**122,355**	-	-	-	**114,968**	**7,387**	**122,355**
Net gain on available-for-sale financial investments	-	-	-	-	-	**10,722**	-	**10,722**	-	-	**10,722**	-	-	**10,722**
Foreign currency translation	-	-	-	-	**(523)**	-	-	**(523)**	-	-	-	-	-	-
Recycling of translation reserve on winding up	-	-	-	-	**523**	-	-	**523**	-	-	-	-	-	-
Reclassification adjustments relating to foreign operations disposed during the year	-	-	-	-	**615**	-	-	**615**	-	-	-	-	-	-
At 30 June 2018	**1,200,350**	-	**454,679**	**142,351**	-	**(2,117)**	-	**594,913**	**1,277,521**	-	**(2,116)**	**454,679**	**142,351**	**594,914**

29. RETAINED EARNINGS AND OTHER RESERVES (CONTINUED)

EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

Movement in equity-settled share-based payment reserve relates to expense recognised for employee services received during the year. The share-based payment plans are described below.

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. No share option was outstanding as at 30 June 2017 (2016: 1 year; 2015: 2 years). The remaining balance on the scheme was settled during the year under review and the Bank no longer has a share option scheme as from 01 July 2017.

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.

30. 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 use 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	2018			2017			2016		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets									
Derivatives held-for-trading									
Foreign exchange option contracts	-	11,815	11,815	-	156,180	156,180	-	8,147	8,147
Forward foreign exchange contracts	-	196,675	196,675	-	59,843	59,843	-	25,497	25,497
Options linked notes	-	85,625	85,625	-	89,587	89,587	-	105,003	105,003
Spot position account	-	-	-	-	12,510	12,510	-	-	-
Index linked notes	-	602,937	602,937	-	-	-	-	-	-
	-	897,052	897,052	-	318,120	318,120	-	138,647	138,647
Financial investments - held-for-trading									
Government of Mauritius debts securities	-	1,749,284	1,749,284	-	2,000,177	2,000,177	-	2,923,763	2,923,763
Bank of Mauritius bonds and notes	-	1,209,012	1,209,012	-	845,572	845,572	-	344,663	344,663
Unquoted equity investments and bonds	-	203,247	203,247	-	861,676	861,676	-	1,351,671	1,351,671
Equity shares	-	694,407	694,407	-	-	-	-	-	-
Corporate debt securities	-	-	-	-	98,828	98,828	-	273,644	273,644
	-	3,855,950	3,855,950	-	3,806,253	3,806,253	-	4,893,741	4,893,741
Financial investments - available-for-sale									
Government of Mauritius debts securities	-	119,091	119,091	-	649,741	649,741	-	-	-
Equity shares	-	-	-	-	1,174	1,174	-	16,255	16,255
Bank of Mauritius bonds and notes	-	451,389	451,389	-	272,946	272,946	-	316,033	316,033
Foreign Securities treasury bills and bonds	-	3,485,461	3,485,461	-	4,803,601	4,803,601	-	-	-
	-	4,055,941	4,055,941	-	5,727,462	5,727,462	-	332,288	332,288
	-	8,808,943	8,808,943	-	9,851,835	9,851,835	-	5,364,676	5,364,676
Financial liabilities									
Derivatives held-for-trading									
Foreign exchange option contracts	-	(11,392)	(11,392)	-	(156,180)	(156,180)	-	(8,147)	(8,147)
Forward foreign exchange contracts	-	(52,990)	(52,990)	-	(48,280)	(48,280)	-	(119,767)	(119,767)
Options linked notes	-	(85,625)	(85,625)	-	(89,587)	(89,587)	-	(105,003)	(105,003)
Index linked notes	-	(602,937)	(602,937)	-	-	-	-	-	-
	-	(752,944)	(752,944)	-	(294,047)	(294,047)	-	(232,917)	(232,917)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

THE BANK

	2018			2017			2016		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets									
Derivatives held-for-trading									
Foreign exchange option contracts	-	11,815	11,815	-	156,180	156,180	-	8,147	8,147
Forward foreign exchange contracts	-	196,675	196,675	-	59,843	59,843	-	25,497	25,497
Spot position account	-	-	-	-	12,510	12,510	-	-	-
	-	208,490	208,490	-	228,533	228,533	-	33,644	33,644
Financial investments - held-for-trading									
Government of Mauritius debts securities	-	1,749,284	1,749,284	-	2,000,177	2,000,177	-	2,923,763	2,923,763
Bank of Mauritius bonds and notes	-	1,209,012	1,209,012	-	845,572	845,572	-	344,663	344,663
Corporate debt securities	-	-	-	-	98,828	98,828	-	273,644	273,644
	-	2,958,296	2,958,296	-	2,944,577	2,944,577	-	3,542,070	3,542,070
Financial investments - available-for-sale									
Government of Mauritius debts securities	-	119,091	119,091	-	649,741	649,741	-	-	-
Bank of Mauritius bonds and notes	-	451,389	451,389	-	272,946	272,946	-	316,033	316,033
Foreign Securities treasury bills and bonds	-	3,485,461	3,485,461	-	4,803,601	4,803,601	-	-	-
	-	4,055,941	4,055,941	-	5,726,288	5,726,288	-	316,033	316,033
	-	7,222,727	7,222,727	-	8,899,398	8,899,398	-	3,891,747	3,891,747
Financial liabilities									
Derivatives held-for-trading									
Foreign exchange option contracts	-	(11,392)	(11,392)	-	(156,180)	(156,180)	-	(8,147)	(8,147)
Forward foreign exchange contracts	-	(52,990)	(52,990)	-	(48,280)	(48,280)	-	(119,767)	(119,767)
	-	(64,382)	(64,382)	-	(204,460)	(204,460)	-	(127,914)	(127,914)
	-	(64,382)	(64,382)	-	(204,460)	(204,460)	-	(127,914)	(127,914)

Valuation techniques

Financial investments - held-for-trading and available for sale

(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 of Mauritius debts securities and Bank of Mauritius bonds and notes

Those investments are valued based on a blend of PLIBOR rates and yields of similar instruments published by Primary Dealers on Reuters and Bloomberg.

(iii) Corporate debt securities

Those investments are valued based on the market yield of similar instruments and Interest Rate Curves for respective currencies sourced from Reuters.

Derivatives

Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and foreign exchange option contracts. Forwards contracts valuation are based on the forward points sourced from Reuters and/or Bloomberg for the respective tenors. Option contract valuation is based on the Garman kohlhagen Model in-built within our Treasury system. Volatility curves, sourced from Reuters, are factored in the model for the purpose of Option contract valuation.

Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

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 2018

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not carried at fair value

THE GROUP

	2018		2017		2016	
	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	3,196,233	3,196,233	2,817,608	2,817,608	1,795,536	1,795,536
Due from banks	52,073,585	52,073,585	37,899,776	37,899,776	46,009,527	46,009,527
Loans and advances to customers	28,066,483	27,910,495	27,512,745	27,807,998	21,958,341	21,999,481
Financial investments - available-for-sale	18,510	18,510	18,510	18,510	18,510	18,510
Financial investments - held-to-maturity	27,360,177	26,187,282	21,190,422	21,190,607	11,538,879	11,589,356
Other assets (excluding prepayments, accrued income,inventory and taxes)	1,587,987	1,587,987	1,326,186	1,326,186	1,290,065	1,290,065
	112,302,975	110,974,092	90,765,247	91,060,685	82,610,858	82,702,475

	2018		2017		2016	
	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 liabilities						
Due to banks	(932,755)	(932,755)	(1,500,815)	(1,500,815)	(173,510)	(173,510)
Deposits from customers	(111,136,100)	(111,721,847)	(90,601,331)	(91,200,650)	(80,012,268)	(81,036,861)
Debts issued	(855,302)	(788,257)	(1,673,625)	(2,068,333)	(1,489,943)	(1,945,288)
Other liabilities (Excluding advance commission)	(434,769)	(434,769)	(297,313)	(297,313)	(352,545)	(352,545)
Financial liabilities designated at FVTPL	(897,654)	(897,654)	(861,677)	(861,677)	(1,348,159)	(1,348,159)
	(114,256,580)	(114,775,282)	(94,934,761)	(95,928,788)	(83,376,425)	(84,856,363)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not carried at fair value (Continued)

THE BANK

	2018		2017		2016	
	Carrying amount	Total fair value	Carrying amount	Total fair value	Carrying amount	Total fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,196,233	3,196,233	2,817,608	2,817,608	1,795,536	1,795,536
Due from banks	51,943,156	51,943,156	37,879,933	37,879,933	46,000,675	46,000,675
Loans and advances to customers	28,066,483	27,910,495	27,512,745	27,807,998	21,958,341	21,999,481
Financial investments - held-to-maturity	27,360,177	26,187,282	21,190,422	21,190,607	11,538,879	11,589,356
Other assets (excluding prepayments, accrued income,inventory and taxes)	1,744,081	1,744,081	1,325,787	1,325,787	1,263,369	1,298,320
	112,310,130	110,981,247	90,726,495	91,021,933	82,556,800	82,683,368

	2018		2017		2016	
	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	(932,755)	(932,755)	(1,500,815)	(1,500,815)	(173,510)	(173,510)
Deposits from customers	(111,385,467)	(111,952,632)	(91,082,564)	(91,689,394)	(80,378,976)	(81,425,242)
Debts issued	(600,208)	(765,310)	(1,111,493)	(1,519,864)	(1,111,032)	(1,566,376)
Other liabilities (excluding advance commission)	(407,099)	(407,099)	(277,071)	(277,071)	(337,334)	(337,334)
	(113,325,529)	(114,057,796)	(93,971,943)	(94,987,144)	(82,000,852)	(83,502,462)

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 and liabilities 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.

31. ADDITIONAL CASH FLOW INFORMATION

	Notes	THE GROUP			THE BANK		
		2018	2017	2016	2018	2017	2016
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(a) Cash and cash equivalents							
Cash in hand	12	30,086	34,710	9,425	30,086	34,710	9,425
Unrestricted balances with the Central Bank	12	1,490,484	1,689,118	977,455	1,490,484	1,689,118	977,455
Short term placements with other banks	13	30,172,195	18,253,610	8,993,560	30,172,195	18,253,610	8,993,560
Current accounts with other banks	13	18,412,311	15,732,864	29,843,852	18,281,882	15,713,021	29,835,000
Other amounts due	13	-	1,449	1,494	-	1,449	1,494
		50,105,076	35,711,751	39,825,786	49,974,647	35,691,908	39,816,934
(b) Change in operating assets							
Net change in mandatory balances with the Central Bank		(231,082)	(55,122)	(115,005)	(231,082)	(55,122)	(115,005)
Net change in placement with the Central Bank		(581,883)	(285,124)	(183,489)	(581,883)	(285,124)	(183,489)
Net change in medium term placements with other banks		152,054	3,258,768	3,758,822	152,054	3,258,768	3,758,822
Net change in derivative financial instruments		(578,932)	(179,473)	78,737	20,043	(194,889)	34,884
Net change in loans and advances to customers		(1,350,599)	(6,388,662)	(830,164)	(1,350,599)	(6,388,662)	(895,031)
Net change in available for sale investments		1,682,194	(5,405,061)	(316,615)	1,681,069	(5,422,514)	(316,612)
Net change in financial investments - held-to-maturity		(6,169,755)	(9,651,543)	(6,467,187)	(6,169,755)	(9,651,543)	(6,467,187)
Net change in financial investments - held-for-trading		(52,098)	1,087,488	(1,848,267)	(16,120)	597,493	(1,574,945)
Net change in other assets		133,257	(17,967)	133,537	(35,733)	67,466	81,966
		(6,996,844)	(17,636,696)	(5,789,631)	(6,532,006)	(18,074,127)	(5,676,597)
(c) Change in operating liabilities							
Net change in due to banks		(568,119)	1,327,305	(53,908)	(568,060)	1,327,305	(53,901)
Net change in derivative financial instruments		458,897	61,130	(322,178)	(140,078)	76,546	73,139
Net change in debts issued		(307,998)	183,682	(165,294)	(960)	462	16,758
Net change in deposits from customers		20,534,769	10,589,062	13,574,552	20,302,903	10,703,588	13,450,326
Net change in other liabilities		100,434	(41,610)	(63,037)	84,033	(46,159)	(54,587)
Net change in financial liabilities designated at FVTPL		35,977	(486,000)	275,738	-	-	-
		20,253,960	11,633,569	13,245,873	19,677,838	12,061,742	13,431,735
(d) Non-cash items included in profit before tax							
Depreciation of property and equipment	19	35,608	25,271	22,788	34,370	24,091	20,504
Amortisation of intangible assets	20	37,310	23,185	33,145	27,005	12,810	9,224
Profit on disposal of property and equipment		(89)	-	-	(89)	-	-
Property and equipment written off	19	6,527	9,488	15,636	6,527	8,820	11,789
Intangible assets written off	20	2,074	720	100,514	2,074	720	-
Adjustment for property and equipment	19	(12)	-	-	(12)	-	-
Retirement benefit obligation	28	8,165	23,000	-	7,077	23,000	-
Share based payments		(2,862)	(11,061)	-	(2,862)	(11,061)	-
Impairment on subsidiary		10,352	5,004	4,185	-	-	-
Impairment on financial investments - held-for-trading		2,401	-	-	2,401	-	-
Net impairment loss on financial assets		1,067,581	834,258	644,557	1,067,581	834,258	644,557
		1,167,055	909,865	820,825	1,144,072	892,638	686,074

32. 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

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

	2018			2017			2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,196,233	-	3,196,233	2,817,608	-	2,817,608	1,795,536	-	1,795,536
Due from banks	52,073,585	-	52,073,585	37,899,776	-	37,899,776	46,009,527	-	46,009,527
Derivative financial instruments	242,106	654,946	897,052	256,987	61,133	318,120	59,844	78,803	138,647
Financial investments - held-for-trading	3,390,083	465,867	3,855,950	2,851,346	954,907	3,806,253	2,783,528	2,110,213	4,893,741
Loans and advances to customers	10,428,367	17,638,116	28,066,483	7,513,803	19,998,942	27,512,745	10,731,774	11,226,567	21,958,341
Financial investments - available-for-sale	567,111	3,507,389	4,074,500	1,984,008	3,761,964	5,745,972	34,765	316,033	350,798
Financial investments - held-to-maturity	15,735,872	11,624,305	27,360,177	12,756,571	8,433,851	21,190,422	6,465,225	5,073,654	11,538,879
Property and equipment	-	192,285	192,285	-	189,287	189,287	-	140,101	140,101
Intangible assets	-	417,919	417,919	-	334,494	334,494	-	300,804	300,804
Other assets	1,685,508	-	1,685,508	1,436,888	-	1,436,888	1,363,800	-	1,363,800
Deferred tax assets	-	141,747	141,747	-	147,057	147,057	-	60,441	60,441
TOTAL ASSETS	87,318,865	34,642,574	121,961,439	67,516,987	33,881,635	101,398,622	69,243,999	19,306,616	88,550,615
LIABILITIES									
Due to banks	860,323	72,432	932,755	1,382,226	118,589	1,500,815	-	173,510	173,510
Derivative financial instruments	97,998	654,946	752,944	232,914	61,133	294,047	154,114	78,803	232,917
Deposits from customers	105,676,811	5,459,289	111,136,100	86,138,470	4,462,861	90,601,331	76,224,800	3,787,468	80,012,268
Debts issued	659,852	195,450	855,302	925,608	748,017	1,673,625	94,978	1,394,965	1,489,943
Other liabilities	473,048	-	473,048	381,589	-	381,589	422,717	-	422,717
Financial liabilities designated at FVTPL	842,777	54,877	897,654	556,113	305,564	861,677	695,928	652,231	1,348,159
Retirement benefits obligation	-	42,776	42,776	-	23,000	23,000	-	-	-
Current tax liabilities	34,780	-	34,780	130,156	-	130,156	84,510	-	84,510
Deferred tax liabilities	-	-	-	-	129	129	-	125	125
TOTAL LIABILITIES	108,645,589	6,479,770	115,125,359	89,747,076	5,719,293	95,466,369	77,677,047	6,087,102	83,764,149

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2018			2017			2016		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	3,196,233	-	3,196,233	2,817,608	-	2,817,608	1,795,536	-	1,795,536
Due from banks	51,943,156	-	51,943,156	37,879,933	-	37,879,933	46,000,675	-	46,000,675
Derivative financial instruments	190,433	18,057	208,490	210,283	18,250	228,533	33,644	-	33,644
Financial investments - held-for-trading	2,547,306	410,990	2,958,296	2,295,233	649,344	2,944,577	2,084,088	1,457,982	3,542,070
Loans and advances to customers	10,428,367	17,638,116	28,066,483	7,513,803	19,998,942	27,512,745	10,731,774	11,226,567	21,958,341
Financial investments - available-for-sale	548,552	3,507,389	4,055,941	1,964,324	3,761,964	5,726,288	-	316,033	316,033
Financial investments held-to-maturity	15,735,872	11,624,305	27,360,177	12,756,571	8,433,851	21,190,422	6,465,225	5,073,654	11,538,879
Investment in subsidiary	-	189,563	189,563	-	189,563	189,563	-	189,563	189,563
Property and equipment	-	189,854	189,854	-	186,269	186,269	-	135,991	135,991
Intangible assets	-	249,585	249,585	-	155,855	155,855	-	111,841	111,841
Other assets	1,841,173	-	1,841,173	1,427,433	-	1,427,433	1,439,777	-	1,439,777
Deferred tax assets	-	141,462	141,462	-	147,057	147,057	-	60,441	60,441
TOTAL ASSETS	86,431,092	33,969,321	120,400,413	66,865,188	33,541,095	100,406,283	68,550,719	18,572,072	87,122,791
LIABILITIES									
Due to banks	860,323	72,432	932,755	1,382,226	118,589	1,500,815	-	173,510	173,510
Derivative financial instruments	46,325	18,057	64,382	186,210	18,250	204,460	127,914	-	127,914
Deposits from customers	105,926,178	5,459,289	111,385,467	86,619,703	4,462,861	91,082,564	76,485,276	3,893,700	80,378,976
Debts issued	404,758	195,450	600,208	538,834	572,659	1,111,493	-	1,111,032	1,111,032
Other liabilities	445,380	-	445,380	361,347	-	361,347	407,506	-	407,506
Retirement benefits obligation	-	41,688	41,688	-	23,000	23,000	-	-	-
Current tax liabilities	-	31,281	31,281	130,156	-	130,156	84,379	-	84,379
TOTAL LIABILITIES	107,682,964	5,818,197	113,501,161	89,218,476	5,195,359	94,413,835	77,105,075	5,178,242	82,283,317

33. 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 statements 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		
	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Contingent liabilities			
Financial guarantees	**649,276**	729,637	636,691
Letters of credit	**346,958**	209,627	172,676
	996,234	939,264	809,367
Commitments			
Undrawn commitments to lend	**1,102,424**	706,166	617,122
Total	**2,098,658**	1,645,430	1,426,489

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 and vehicles. 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		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within one year	**23,518**	32,785	26,096	**26,220**	34,002	27,496
After one year but not more than five years	**45,659**	72,340	18,006	**54,262**	77,860	23,766
	69,177	105,125	44,102	**80,482**	111,862	51,262

The amount of operating lease expenses recognised in profit or loss for the Bank includes MUR 36.5m of rent expense.

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.

34. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2018	2017	2016	**2018**	2017	2016
Compensation to key management personnel	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Short-term employee benefits	**111,835**	113,395	115,823	**100,345**	99,394	93,345
Share-based payments	**2,862**	2,246	8,574	**2,862**	2,246	8,574
	114,697	115,641	124,397	**103,207**	101,640	101,919

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

	2018		2017		2016	
	Balances as at 30 June 2018	**Income from / (expense to)**	Balances as at 30 June 2017	Income from / (expense to)	Balances as at 30 June 2016	Income from / (expense to)
Directors and key management personne of the Group:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**33,198**	**2,030**	21,242	1,949	21,241	2,453
Deposits from customers:						
- Term deposits	**21,228**	**(450)**	11,628	(146)	397	(14)
- Savings and current accounts	**50,704**	**6,597**	62,191	5,339	34,649	(371)
	71,932	**6,147**	73,819	5,193	35,046	(385)
Class A shares	**-**	**-**	-	(623)	-	(50)
Directors' fees	**-**	**(6,387)**	-	(6,102)	-	(5,627)
Other fees	**-**	**-**	510	-	-	-
	71,932	**(240)**	74,329	(1,532)	35,046	(6,062)

THE BANK

	2018		2017		2016	
	Balances as at 30 June 2018	**Income from / (expense to)**	Balances as at 30 June 2017	Income from / (expense to)	Balances as at 30 June 2016	Income from / (expense to)
Directors of the Bank:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**3,791**	**240**	4,318	334	6,572	808
Deposits from customers:						
- Term deposits	**21,228**	**(450)**	11,427	(145)	397	(14)
- Savings and current accounts	**17,862**	**(815)**	24,872	(718)	19,212	(186)
	39,090	**(1,265)**	36,299	(863)	19,609	(200)
Class A shares	**-**	**-**	-	-	-	(4)
Directors' fees	**-**	**(6,387)**	-	(6,102)	-	(5,627)
Other fees	**-**	**-**	510	-	-	-
	39,090	**(7,652)**	36,809	(6,965)	19,609	(5,831)

THE BANK

	2018		2017		2016	
	Balances as at 30 June 2018	**Income from / (expense to)**	Balances as at 30 June 2017	Income from / (expense to)	Balances as at 30 June 2016	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	**20,593**	**1,588**	17,160	912	17,151	670
Deposits from customers:						
- Term deposits	**26,180**	**(471)**	7,117	(293)	6,810	(343)
- Savings and current accounts	**20,220**	**1,460**	6,835	(413)	26,558	(106)
	46,400	**989**	13,952	(706)	33,368	(449)
Class A shares	**12,690**	**(1,116)**	11,532	(7,375)	14,218	(1,038)
	59,090	**(127)**	25,484	(8,081)	47,586	(1,487)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

34. 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 having 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	Bank balances with related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2018							
Entities with significant influence over the Group	**15,627**	**78,333**	**153,411**	**19,039**	**14,600,871**	**745,881**	**104,086**
2017							
Entities with significant influence over the Group	1,573	63,048	64,202	57,689	4,283,509	2,282,840	123,716
2016							
Entities with significant influence over the Group	3,611	59,508	34,354	25,469	572,463	846,822	136,666

(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	Bank balances with related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2018							
Entities with significant influence over the Bank	**15,399**	**78,333**	**152,335**	**13,256**	**14,571,457**	**713,039**	**104,086**
Subsidiary companies	**136**	**-**	**766**	**67,942**	**178,266**	**742,007**	**-**
	15,535	**78,333**	**153,101**	**81,198**	**14,749,723**	**1,455,046**	**104,086**
2017							
Entities with significant influence over the Bank	1,509	56,946	63,094	53,069	4,266,585	2,245,321	123,716
Subsidiary companies	2,782	-	6,080	38,956	98,131	1,131,108	-
	4,291	56,946	69,174	92,025	4,364,716	3,376,429	123,716
2016							
Entities with significant influence over the Bank	3,609	51,090	33,413	25,464	551,461	842,367	136,666
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	136,666

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 2018, the Group and the Bank have not made any provision for doubtful debts relating to amounts owed by related parties (2017: MUR Nil, 2016: MUR Nil). At 30 June 2018, none of the facilities to related parties was non-performing (2017: MUR Nil, 2016: MUR Nil). In addition, for the year ended 30 June 2018 the Bank has not written off any amount owed by related party (2017: MUR Nil, 2016: MUR 58m).

The total on and off balance sheet exposure to the related parties amounted to MUR 2.4bn (2017: MUR 2.4bn, 2016: MUR 2.3 bn) representing 8% (2017: 8%, 2016: 10%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to MUR 526m (2017: MUR 784.2m, 2016: MUR 876.8m) representing 9% (2017: 14%, 2016: 18%) of the CET 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 December 2001 and effected in January 2009.

The Bank had no letter of guarantee on behalf of related parties as at 30 June 2018 (2017: MUR nil , 2016: MUR nil).

The Bank acts as custodian for AfrAsia Capital Management Ltd. The latter has deposits in Kingdom Bank Limited amounting to USD 1.2m (2017: USD 1.2m and 2016: USD 1.2m).

35. 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 risks relate to adequate capital level. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Management/Conduct 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.

Treasury Function

Tne Bank's 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Risk measurement and reporting systems (Continued)

Risk mitigation

As part of its overall risk management, the Group and the Bank use derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Group and the Bank actively use collaterals to reduce their credit risks on loans and advances.

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 Bank will incur a loss because its customers or counterparties fail to discharge its contractual obligations

The Bank has established approaches to manage credit risk including:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- defining, implementing and re-evaluating credit risk appetitie
- expert scrutiny and approval of credit risk and its mitigation independently of the business functions
- ongoing monitoring of exposures relative to set appetite and limits and quality of assets and counterparty
- ongoing independent risk oversight and reporting to the governance committee, in respect of breaches of limits, policies/procedure and risk appetite
- credit policy is currently in process of being reviewed

Credit-related commitments risks

The Bank make available for its customers guarantees which may require that 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 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 Bank to similar risks to loans and are mitigated by the same control process and policies.

Country risk

Country risk is the uncertainty whether obligors will be able to fulfil financial obligations given political or economic conditions in the country in question. The bank make a thorough evaluation of risks which may be associated with their cross-border operations and which have the potential to adversely affect its risk profile. These risks can be elaborated below:

Transfer Risk – Where a country suffers economic, political or social problems, leading to a drainage in its foreign currency reserves, the borrowers in that country may not be able to convert their funds from local currency into foreign currency to repay their external obligations.

Sovereign Risk – This risk denotes a foreign government's capacity and willingness to repay its direct and indirect (i.e. guaranteed) foreign currency obligations. It arises as a result of a bank having any type of lending, extension of credit, or advance to a country's government.

Currency Risk – The risk that a borrower's domestic currency holdings and cash flow become inadequate to service its foreign currency obligations because of devaluation.

Contagion Risk – The risk that adverse developments in one country may, for instance, lead to a downgrade of rating or a credit squeeze not only for that country but also for other countries in the region, notwithstanding the fact that those countries may be more creditworthy and that the adverse developments do not apply.

Indirect Country Risk – The risk that the repayment ability of a domestic borrower is endangered owing to the deterioration of the economic, political or social conditions in a foreign country where the borrower has substantial business relationship or interest.

Macroeconomic Risk – The risk that the borrower in a country may, for example, suffer from the impact of high interest rates due to measures taken by the government of that country to defend its currency.

According to the Bank of Mauritius guideline on country risk management, the Bank is required to prudently make provisions on country risk. A provision of MUR 50M was raised for the year ended 30 June 2017. No incremental provisioning was allocated for the year ended ended 30 June 2018.

Conferring 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.

35. 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 2018 was MUR 13.4bn (2017: MUR 4.8bn and 2016: MUR 3.3bn) 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		
	2018	2017	2016	**2018**	2017	2016
Financial assets	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and balances with the Central Bank	**3,196,233**	2,817,608	1,795,536	**3,196,233**	2,817,608	1,795,536
Due from banks						
Collateralized placement	**3,489,079**	-	-	**3,489,079**	-	-
Placement with other banks	**30,172,195**	22,165,463	16,164,181	**30,172,195**	22,165,463	16,164,181
Current accounts	**18,412,311**	15,732,864	29,843,852	**18,281,882**	15,713,021	29,835,000
Other amounts due	**-**	1,449	1,494	**-**	1,449	1,494
	52,073,585	37,899,776	46,009,527	**51,943,156**	37,879,933	46,000,675
Derivative financial instruments	**897,052**	318,120	138,647	**208,490**	228,533	33,644
Financial investments - held-for-trading (excluding equity investment)	**2,958,296**	3,250,140	3,542,070	**2,958,296**	2,944,577	3,542,070
Loans and advances to customers						
Retail and personal	**1,147,945**	1,164,728	1,206,113	**1,147,945**	1,164,728	1,206,113
Business	**8,933,679**	8,490,060	9,835,012	**8,933,679**	8,490,060	9,835,012
Government and parastatal bodies	**1,160,169**	1,199,381	-	**1,160,169**	1,199,381	-
Entities outside Mauritius	**12,666,281**	14,723,935	9,563,429	**12,666,281**	14,723,935	9,563,429
Banks outside Mauritius	**5,300,039**	3,544,600	2,188,517	**5,300,039**	3,544,600	2,188,517
Credit cards	**132,324**	129,593	137,772	**132,324**	129,593	137,772
	29,340,437	29,252,297	22,930,843	**29,340,437**	29,252,297	22,930,843
Financial investments - available-for-sale (excluding equity investment)	**4,055,941**	5,726,288	316,033	**4,055,941**	5,726,288	316,033
Financial investments - held-to-maturity	**27,360,177**	21,190,422	11,538,879	**27,360,177**	21,190,422	11,538,879
Other assets (excluding prepayments, accrued income, inventory and taxes)	**1,587,987**	1,326,186	1,290,065	**1,744,081**	1,325,787	1,263,369
	121,469,708	101,780,837	87,561,600	**120,806,811**	101,365,445	87,421,049

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		
	2018	2017	2016	**2018**	2017	2016
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mauritius	**38,572,400**	31,968,413	27,874,025	**38,599,565**	31,956,467	27,742,066
France	**448,111**	3,506,142	5,538,384	**448,111**	3,506,142	5,538,384
United Kingdom	**26,161,868**	6,030,296	8,563,341	**26,114,491**	6,018,277	8,563,341
United States of America	**8,098,727**	16,278,825	13,349,040	**8,098,727**	15,957,532	13,349,040
India	**5,793,291**	8,515,406	4,506,469	**5,793,291**	8,515,406	4,506,469
Other	**42,395,311**	35,481,755	27,730,341	**41,752,626**	35,411,621	27,721,749
	121,469,708	101,780,837	87,561,600	**120,806,811**	101,365,445	87,421,049

35. 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		
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture	2,026,262	2,122,926	1,416,959	2,026,262	2,122,926	1,416,959
Construction, infrastructure and real estate	1,780,388	3,170,516	2,915,291	1,780,388	3,170,516	2,915,291
Financial and business services	102,783,385	70,419,198	65,546,288	102,120,488	70,004,204	65,518,470
Government and parastatal bodies	1,488,649	7,646,560	2,479,580	1,488,649	7,646,560	2,479,580
Information, communication and technology	45,544	87,348	135,312	45,544	87,348	135,312
Manufacturing	2,780,767	3,000,171	1,916,741	2,780,767	3,000,171	1,916,741
Personal	1,706,109	1,734,269	1,779,351	1,706,109	1,734,269	1,779,351
Tourism	2,412,999	2,196,167	3,012,701	2,412,999	2,196,167	3,012,701
Traders	1,561,372	1,682,717	2,149,004	1,561,372	1,682,717	2,149,004
Others	4,884,233	9,720,965	6,210,373	4,884,233	9,720,567	6,097,640
	121,469,708	101,780,837	87,561,600	120,806,811	101,365,445	87,421,049

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 2018 is MUR 18bn (2017: MUR 28bn and 2016: MUR 28bn). All other financial assets are unsecured except for collateralised placements.

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 and the Bank'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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Bank's credit rating system:

THE GROUP

	Neither past due nor impaired				
	High Grade (1-3)	Standard Grade (4-5)	Past due but not impaired	Individually impaired	Total
30 June 2018	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Cash and balances with the Central Bank	**3,196,233**	**-**	**-**	**-**	**3,196,233**
Due from banks	**52,073,585**	**-**	**-**	**-**	**52,073,585**
Derivative financial instruments	**897,052**	**-**	**-**	**-**	**897,052**
Financial investments - held-for-trading (excluding equity investment)	**2,958,296**	**-**	**-**	**-**	**2,958,296**
Loans and advances to customers	**27,826,169**	**24,045**	**15,832**	**1,474,391**	**29,340,437**
- Corporate lending	**22,144,963**	**8,140**	**14,148**	**981,751**	**23,149,002**
- Business banking	**4,203,380**	**12,407**	**775**	**236,409**	**4,452,971**
- Private/personal	**1,477,826**	**3,498**	**909**	**256,231**	**1,738,464**
Financial investments - available-for-sale (excluding equity investment)	**4,055,941**	**-**	**-**	**-**	**4,055,941**
Financial investments - held-to-maturity	**27,360,177**	**-**	**-**	**-**	**27,360,177**
Other assets (excluding prepayments, accrued income, inventory and taxes)	**1,587,987**	**-**	**-**	**-**	**1,587,987**
	119,955,440	**24,045**	**15,832**	**1,474,391**	**121,469,708**

	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	2,817,608	-	-	-	2,817,608
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, inventory and taxes)	1,326,186	-	-	-	1,326,186
	98,154,282	176,455	478,196	2,971,904	101,780,837

	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	1,795,536	-	-	-	1,795,536
Due from banks	46,009,527	-	-	-	46,009,527
Derivative financial instruments	138,647	-	-	-	138,647
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 (excluding equity investment)	316,033	-	-	-	316,033
Financial investments - held-to-maturity	11,538,879	-	-	-	11,538,879
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,290,065	-	-	-	1,290,065
	84,013,161	304,254	780,628	2,463,557	87,561,600

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets (Continued)

THE BANK

30 June 2018	Neither past due nor impaired: High Grade (1-3) MUR'000	Neither past due nor impaired: Standard Grade (4-5) MUR'000	Past due but not impaired MUR'000	Individually impaired MUR'000	Total MUR'000
Cash and balances with the Central Bank	3,196,233	-	-	-	3,196,233
Due from banks	51,943,156	-	-	-	51,943,156
Derivative financial instruments	208,490	-	-	-	208,490
Financial investments - held-for-trading	2,958,296	-	-	-	2,958,296
Loans and advances to customers	27,826,169	24,045	15,832	1,474,391	29,340,437
- Corporate lending	22,144,963	8,140	14,148	981,751	23,149,002
- Business banking	4,203,380	12,407	775	236,409	4,452,971
- Private/personal	1,477,826	3,498	909	256,231	1,738,464
Financial investments - available for sale	4,055,941	-	-	-	4,055,941
Financial investments - held-to-maturity	27,360,177	-	-	-	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,744,081	-	-	-	1,744,081
	119,292,543	24,045	15,832	1,474,391	120,806,811

30 June 2017	Neither past due nor impaired: High Grade (1-3) MUR'000	Neither past due nor impaired: Standard Grade (4-5) MUR'000	Past due but not impaired MUR'000	Individually impaired MUR'000	Total MUR'000
Cash and balances with the Central Bank	2,817,608	-	-	-	2,817,608
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, inventory and taxes)	1,325,787	-	-	-	1,325,787
	97,738,890	176,455	478,196	2,971,904	101,365,445

30 June 2016	Neither past due nor impaired: High Grade (1-3) MUR'000	Neither past due nor impaired: Standard Grade (4-5) MUR'000	Past due but not impaired MUR'000	Individually impaired MUR'000	Total MUR'000
Cash and balances with the Central Bank	1,795,536	-	-	-	1,795,536
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, inventory and taxes)	1,263,369	-	-	-	1,263,369
	83,872,610	304,254	780,628	2,463,557	87,421,049

It is the Group's and the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. These 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Ageing analysis of past due but not impaired loans:

THE GROUP AND THE BANK

	Amount in arrears				
	More than 91 days	61 to 90 days	31 to 60 days	Less than 30 days	Total
30 June 2018	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances to customers					
- Corporate lending	-	-	-	14,148	14,148
- Business banking	-	-	10	765	775
- Private/personal	-	-	107	802	909
	-	-	117	15,715	15,832
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

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 2018 amounts to MUR 437m (2017: MUR 3.7bn and 2016: MUR 4.7bn) and MUR 1.6bn (2017: MUR 3.7bn and 2016: MUR 2.3m) respectively .

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2017: Nil and 2016: 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'.

35. 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 statements 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.

	2018	2017	2016
	MUR'000	MUR'000	MUR'000
Financial guarantees	649,276	729,637	636,691
Letters of credit	346,958	209,627	172,676
Other undrawn commitments to lend	1,102,424	706,166	617,122
	2,098,658	1,645,430	1,426,489

(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 in a timely manner 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 have committed lines of credit that they 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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities

THE GROUP

	30 June 2018								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,520,570	-	58,612	1,617,051	3,196,233	-	-	-	3,196,233
Due from banks	18,292,156	30,292,350	3,489,079	-	52,073,585	-	-	-	52,073,585
Derivative financial instruments	-	222,165	6,000	13,941	242,106	654,946	-	654,946	897,052
Financial investments - held-for-trading	694,407	810,723	918,959	965,994	3,390,083	465,867	-	465,867	3,855,950
Loans and advances to customers	1,781,297	5,041,531	1,273,399	2,332,140	10,428,367	12,689,209	4,948,907	17,638,116	28,066,483
Financial investments - available-for-sale	-	124,143	292,998	149,970	567,111	3,505,621	1,768	3,507,389	4,074,500
Financial investments - held-to-maturity	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	11,624,305	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,459,981	-	-	128,006	1,587,987	-	-	-	1,587,987
						-	-	-	
Total	23,748,411	46,036,433	10,132,470	7,304,030	87,221,344	28,058,756	5,831,867	33,890,623	121,111,967
Liabilities									
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755
Derivative financial instruments	-	73,768	7,604	16,626	97,998	654,946	-	654,946	752,944
Deposits from customers:					-				
-Current account	83,989,134	-	-	-	83,989,134	-	-	-	83,989,134
-Savings account	4,503,032	-	-	-	4,503,032	-	-	-	4,503,032
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	5,459,289	22,643,934
	88,492,166	8,527,516	3,128,013	5,529,116	105,676,811	5,345,753	113,536	5,459,289	111,136,100
Debts issued	255,094	167	-	404,591	659,852	195,450	-	195,450	855,302
Other liabilities	-	-	-	473,048	473,048	-	-	-	473,048
Financial liabilities designated at FVTPL	694,407	-	24,888	123,482	842,777	54,877	-	54,877	897,654
Total	89,441,780	9,461,661	3,160,505	6,546,863	108,610,809	6,323,458	113,536	6,436,994	115,047,803
Net liquidity gap	(65,693,369)	36,574,772	6,971,965	757,167	(21,389,465)	21,735,298	5,718,331	27,453,629	6,064,164

*Included in debts issued are subordinated debts with maturity of 1 to 2 years amounting to MUR 195.5m.

35. 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	1,723,828	253,412	-	840,368	2,817,608	-	-	-	2,817,608
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, inventory and taxes)	1,242,001	-	-	84,185	1,326,186	-	-	-	1,326,186
Total	21,400,946	27,329,622	6,541,082	12,134,635	67,406,285	27,020,132	6,190,665	33,210,797	100,617,082
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	-	-	-	381,589	381,589	-	-	-	381,589
Financial liabilities designated at FVTPL	556,113	-	-	-	556,113	305,564	-	305,564	861,677
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	(49,141,096)	17,424,029	3,872,929	5,633,503	(22,210,635)	21,446,619	6,068,014	27,514,633	5,303,998

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2016								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	986,880	51,128	-	757,528	1,795,536	-	-	-	1,795,536
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, inventory and taxes)	1,198,642	-	-	91,423	1,290,065	-	-	-	1,290,065
						-	-	-	
Total	33,948,317	18,608,530	5,612,455	11,000,962	69,170,264	14,434,742	4,370,528	18,805,270	87,975,534
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	-	-	-	422,717	422,717	-	-	-	422,717
Financial liabilities designated at FVTPL	-	-	101,629	594,299	695,928	652,231	-	652,231	1,348,159
Total	55,077,383	12,523,720	3,044,008	6,947,426	77,592,537	5,753,790	333,187	6,086,977	83,679,514
Net liquidity gap	(21,129,066)	6,084,810	2,568,447	4,053,536	(8,422,273)	8,680,952	4,037,341	12,718,293	4,296,020

35. 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 2018								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with the Central Bank	1,520,570	-	58,612	1,617,051	3,196,233	-	-	-	3,196,233
Due from banks	18,281,882	30,172,195	3,489,079	-	51,943,156	-	-	-	51,943,156
Derivative financial instruments	-	183,917	6,000	516	190,433	18,057	-	18,057	208,490
Financial investments - held-for-trading	-	810,723	894,071	842,512	2,547,306	410,990	-	410,990	2,958,296
Loans and advances to customers	1,781,297	5,041,531	1,273,399	2,332,140	10,428,367	12,689,209	4,948,907	17,638,116	28,066,483
Financial investments - available for sale	-	124,143	292,998	131,411	548,552	3,505,621	1,768	3,507,389	4,055,941
Financial investments - held-to-maturity	-	9,545,521	4,093,423	2,096,928	15,735,872	10,743,113	881,192	11,624,305	27,360,177
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,519,797	-	-	224,284	1,744,081	-	-	-	1,744,081
Total	23,103,546	45,878,030	10,107,582	7,244,842	86,334,000	27,366,990	5,831,867	33,198,857	119,532,857
Liabilities									
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755
Derivative financial instruments	-	35,521	7,604	3,200	46,325	18,057	-	18,057	64,382
Deposits from customers:									
-Current account	84,238,501	-	-	-	84,238,501	-	-	-	84,238,501
-Savings account	4,503,032	-	-	-	4,503,032	-	-	-	4,503,032
-Term deposits	-	8,527,516	3,128,013	5,529,116	17,184,645	5,345,753	113,536	5,459,289	22,643,934
	88,741,533	8,527,516	3,128,013	5,529,116	105,926,178	5,345,753	113,536	5,459,289	111,385,467
Debts issued*	-	167	-	404,591	404,758	195,450	-	195,450	600,208
Other liabilities		-	-	445,380	445,380	-	-	-	445,380
Total	88,741,646	9,423,414	3,135,617	6,382,287	107,682,964	5,631,692	113,536	5,745,228	113,428,192
Net liquidity gap	(65,638,100)	36,454,616	6,971,965	862,555	(21,348,964)	21,735,298	5,718,331	27,453,629	6,104,665

*Included in debts issued are subordinated debts with maturity of 1 to 2 years amounting to MUR 195.5m.

YEAR ENDED 30 JUNE 2018

35. 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	1,723,828	253,412	-	840,368	2,817,608	-	-	-	2,817,608
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, inventory and taxes)	1,242,001	-	-	83,786	1,325,787	-	-	-	1,325,787
Total	20,824,990	27,325,384	6,541,082	12,072,086	66,763,542	26,671,686	6,190,665	32,862,351	99,625,893
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	(49,533,327)	17,700,840	3,872,929	5,634,780	(22,324,778)	21,621,978	6,068,014	27,689,992	5,365,214

35. 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	51,128	-	757,528	1,795,536	-	-	-	1,795,536
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, inventory and taxes)	1,198,642	-	-	64,727	1,263,369	-	-	-	1,263,369
Total	33,939,465	18,605,017	5,510,826	10,319,003	68,374,311	13,703,708	4,370,528	18,074,236	86,448,547
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	(21,398,394)	6,081,297	2,572,340	4,098,372	(8,646,385)	8,858,653	4,037,341	12,895,994	4,249,609

35. 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
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2018					
Contingent liabilities	**409,552**	**159,766**	**426,916**	**-**	**996,234**
Commitments	**413,369**	**323,279**	**3,299**	**362,477**	**1,102,424**
Total	**822,921**	**483,045**	**430,215**	**362,477**	**2,098,658**
30 June 2017					
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

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the interest rate gaps for stipulated periods.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, (all other variables held constant) of the Group's and the Bank's statements of profit or loss and other comprehensive income.

The sensitivity of the statements of profit or loss and other comprehensive 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

		2018	2017	2016
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	**48**	(545)	851
	- 50	**(48)**	545	(851)
EUR	+50	**813**	(2,665)	52,696
	- 50	**(813)**	2,665	(52,696)
GBP	+50	**19,511**	5,012	15,606
	- 50	**(19,511)**	(5,012)	(15,606)
MUR	+50	**18,208**	70,917	5,744
	- 50	**(18,208)**	(70,917)	(5,744)
USD	+50	**236,642**	120,726	111,541
	- 50	**(236,642)**	(120,726)	(111,541)

THE BANK

		2018	2017	2016
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	**48**	(545)	851
	- 50	**(48)**	545	(851)
EUR	+50	**797**	(2,675)	52,696
	- 50	**(797)**	2,675	(52,696)
GBP	+50	**19,511**	5,012	15,606
	- 50	**(19,511)**	(5,012)	(15,606)
MUR	+50	**18,202**	70,903	5,742
	- 50	**(18,202)**	(70,903)	(5,742)
USD	+50	**236,613**	119,816	112,432
	- 50	**(236,613)**	(119,816)	(112,432)

35. 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 Group's and 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

	2018							
	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	3,196,233	-	-	58,612	1,617,051	-	-	1,520,570
Due from banks	52,073,585	18,292,156	30,292,350	3,489,079	-	-	-	-
Loans and advances to customers	28,066,483	1,781,297	5,041,531	1,273,399	2,332,140	12,689,209	4,948,907	-
Financial investments held-to-maturity	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,587,987	-	-	-	-	-	-	1,587,987
Total assets	112,284,465	20,073,453	44,879,402	8,914,513	6,046,119	23,432,322	5,830,099	3,108,557
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from customers	111,136,100	88,492,166	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debts issued	855,302	255,094	167	-	404,591	195,450	-	-
Total liabilities	112,924,157	88,747,373	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(639,692)	(68,673,920)	35,491,509	5,786,500	112,412	17,818,687	5,716,563	3,108,557

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	2,817,608	-	253,412	-	840,368	-	-	1,723,828
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	-
Other assets (excluding prepayments, accrued income and inventory)	1,326,186	-	-	-	-	-	-	1,326,186
Total assets	90,746,737	17,879,004	24,838,431	5,843,870	10,702,625	22,242,128	6,190,665	3,050,014
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	(3,029,034)	(52,106,925)	15,016,580	3,270,236	4,637,735	17,035,312	6,068,014	3,050,014

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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	1,795,536	-	51,128	-	757,528	-	-	986,880
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	-
Other assets (excluding prepayments, accrued income and inventory)	1,290,065	-	-	-	-	-	-	1,290,065
Total assets	82,592,348	31,762,795	17,837,495	5,057,740	9,357,152	11,929,693	4,370,528	2,276,945
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	916,627	(23,314,588)	5,398,340	2,154,152	3,457,500	6,906,937	4,037,341	2,276,945

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

	2018							
	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	3,196,233		-	58,612	1,617,051	-	-	1,520,570
Due from banks	51,943,156	18,281,882	30,172,195	3,489,079	-	-	-	-
Loans and advances to customers	28,066,483	1,781,297	5,041,531	1,273,399	2,332,140	12,689,209	4,948,907	-
Financial investments held-to-maturity	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income and inventory)	1,744,081	-	-	-	177,117	-	-	1,566,964
Total assets	112,310,130	20,063,179	44,759,247	8,914,513	6,223,236	23,432,322	5,830,099	3,087,534
Liabilities								
Due to banks	932,755	113	860,210	-	-	72,432	-	-
Deposits from customers	111,385,467	88,741,533	8,527,516	3,128,013	5,529,116	5,345,753	113,536	-
Debts issued	600,208	-	167	-	404,591	195,450	-	-
Total liabilities	112,918,430	88,741,646	9,387,893	3,128,013	5,933,707	5,613,635	113,536	-
Total interest sensitivity gap	(608,300)	(68,678,467)	35,371,354	5,786,500	289,529	17,818,687	5,716,563	3,087,534

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	2,817,608	-	253,412	-	840,368	-	-	1,723,828
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	-
Other assets (excluding prepayments, accrued income and inventory)	1,325,787	-	-	-	-	-	-	1,325,787
Total assets	90,726,495	17,859,161	24,838,431	5,843,870	10,702,625	22,242,128	6,190,665	3,049,615
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	(2,968,377)	(52,499,156)	15,294,508	3,270,236	4,637,736	17,210,670	6,068,014	3,049,615

35. 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	1,795,536	-	51,128	-	757,528	-	-	986,880
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	-
Other assets (excluding prepayments, accrued income and inventory)	1,263,369	-	-	-	-	-	-	1,263,369
Total assets	82,556,800	31,753,943	17,837,495	5,057,740	9,357,152	11,929,693	4,370,528	2,250,249
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	893,282	(23,583,916)	5,398,340	2,158,045	3,548,585	7,084,638	4,037,341	2,250,249

35. 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 statements 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.

THE GROUP

		2018		
		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%	46,394	(45,432)	962
	-5%	(46,394)	45,432	(962)
		-		
EUR	+5%	985,716	(982,944)	2,772
	-5%	(985,716)	982,944	(2,772)
GBP	+5%	375,745	(373,551)	2,194
	-5%	(375,745)	373,551	(2,194)
USD	+5%	3,839,303	(3,844,859)	(5,556)
	-5%	(3,839,303)	3,844,859	5,556

		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)

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK

Currency	% Change in Currency rate	2018 Effect of change in currency on Assets	2018 Effect of change in currency on Liabilities	2018 Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	46,358	(45,432)	926
	-5%	(46,358)	45,432	(926)
EUR	+5%	985,449	(982,944)	2,505
	-5%	(985,449)	982,944	(2,505)
GBP	+5%	375,735	(373,551)	2,184
	-5%	(375,735)	373,551	(2,184)
USD	+5%	3,804,301	(3,810,431)	(6,130)
	-5%	(3,804,301)	3,810,431	6,130

THE BANK

Currency	% Change in Currency rate	2017 Effect of change in currency on Assets	2017 Effect of change in currency on Liabilities	2017 Sensitivity of profit or loss
		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)

Currency	% Change in Currency rate	2016 Effect of change in currency on Assets	2016 Effect of change in currency on Liabilities	2016 Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	51,930	(51,989)	(59)
	-5%	(51,930)	51,989	59
EUR	+5%	805,855	(796,186)	9,669
	-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)

(e) Other price risk

Other 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.

37. 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 fully with all its externally imposed capital requirements.

36. CAPITAL (CONTINUED)

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 make adjustments to it in 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 new capital securities.

ELIGIBLE RISK-WEIGHTED CAPITAL

	THE GROUP			THE BANK		
	Basel III	Basel III	Basel III	Basel III	Basel III	Basel III
	2018	2017	2016	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Tier 1 capital	6,199,854	5,313,894	4,181,032	6,279,995	5,438,989	4,328,220
Tier 2 capital	427,205	650,607	758,113	389,292	574,782	663,332
Total capital	6,627,059	5,964,501	4,939,145	6,669,287	6,013,771	4,991,552
Risk-weighted assets	47,000,533	46,816,645	43,099,296	45,345,385	45,935,492	42,812,653
	%	%	%	%	%	%
Capital adequacy ratio	14.1	12.7	11.5	14.7	13.1	11.7

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.

37. EVENTS AFTER REPORTING DATE

(i) Dividend

On 20 September 2018, the Board of Directors declared and approved a dividend of MUR 72.0m on Class A shares series 1 and 2 and MUR 186.4m on ordinary shares, subject to approval from the regulators.

38. OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

THE GROUP

2018

	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	3,196,233	-	3,196,233	-	3,196,233
Due from banks	52,073,585	-	52,073,585	-	52,073,585
Derivative financial instruments	688,562	208,490	897,052	-	897,052
Financial investments - held-for-trading	3,855,950	-	3,855,950	-	3,855,950
Loans and advances to customers	28,066,483	-	28,066,483	(558,564)	27,507,919
Financial investments - available-for-sale	4,074,500	-	4,074,500	-	4,074,500
Financial investments - held-to-maturity	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,685,508	-	1,685,508	-	1,685,508
	121,000,998	208,490	121,209,488	(558,564)	120,650,924
LIABILITIES					
Due to banks	932,755	-	932,755	-	932,755
Derivative financial instruments	544,454	208,490	752,944	-	752,944
Deposits from customers	111,136,100	-	111,136,100	(558,564)	110,577,536
Debts issued	855,302	-	855,302	-	855,302
Other liabilities	473,048	-	473,048	-	473,048
Financial liabilities designated at FVTPL	897,654	-	897,654	-	897,654
Current tax liabilities	34,780	-	34,780	-	34,780
	114,874,093	208,490	115,082,583	(558,564)	114,524,019

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	2,817,608	-	2,817,608	-	2,817,608
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	1,436,888	-	1,436,888	-	1,436,888
	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	381,589	-	381,589	-	381,589
Financial liabilities designated at FVTPL	861,677	-	861,677	-	861,677
Current tax liabilities	130,156	-	130,156	-	130,156
	95,214,707	228,533	95,443,240	(499,174)	94,944,066

38. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE GROUP (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
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS					
Cash and balances with the Central Bank	1,795,536	-	1,795,536	-	1,795,536
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	1,363,800	-	1,363,800	-	130,207
	88,015,625	33,644	88,049,269	(711,881)	86,103,795
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	422,717	-	422,717	-	422,717
Financial liabilities designated at FVTPL	1,348,159	-	1,348,159	-	1,348,159
Current tax liabilities	84,510	-	84,510	-	84,510
	83,730,380	33,644	83,764,024	(711,881)	83,052,143

THE BANK

2018

	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	3,196,233	-	3,196,233	-	3,196,233
Due from banks	51,943,156	-	51,943,156	-	51,943,156
Derivative financial instruments	-	208,490	208,490	-	208,490
Financial investments - held-for-trading	2,958,296	-	2,958,296	-	2,958,296
Loans and advances to customers	28,066,483	-	28,066,483	(558,564)	27,507,919
Financial investments - available-for-sale	4,055,941	-	4,055,941	-	4,055,941
Financial investments - held-to-maturity	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,841,173	-	1,841,173	-	1,841,173
	119,421,459	208,490	119,629,949	(558,564)	119,071,385
LIABILITIES					
Due to banks	932,755	-	932,755	-	932,755
Derivative financial instruments	(144,108)	208,490	64,382	-	64,382
Deposits from customers	111,385,467	-	111,385,467	(558,564)	110,826,903
Debts issued	600,208	-	600,208	-	600,208
Other liabilities	445,380	-	445,380	-	445,380
Retirement benefits obligation	41,688	-	41,688	-	41,688
Current tax liabilities	31,281	-	31,281	-	31,281
	113,292,671	208,490	113,501,161	(558,564)	112,942,597

38. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (CONTINUED)

2017

	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	2,817,608	-	2,817,608	-	2,817,608
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	1,439,777	-	1,439,777	-	1,439,777
	99,511,350	228,533	99,739,883	(499,174)	99,240,709
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

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	1,795,536	-	1,795,536	-	1,795,536
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	1,363,800	-	1,363,800	-	1,363,800
	86,515,334	33,644	86,548,978	(711,881)	85,837,097
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

The Group and the Bank entered into various forward-geared contracts with Firstrand Bank. On maturity of these contracts, the Group and 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 Group and the Bank receive cash collaterals as security on various loan arrangements. The Group and the Bank have a right to offset these cash collaterals against the loan amounts on default of the Group's and the Bank's clients. As at 30 June 2018, 2017 and 2016 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

39. SEGMENTAL REPORTING

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

		30 June 2018			30 June 2017			30 June 2016		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income	I	934,151	1,390,472	2,324,623	906,322	942,321	1,848,643	870,579	733,809	1,604,388
Interest expense	II	(463,024)	(232,541)	(695,565)	(479,988)	(229,367)	(709,355)	(572,668)	(202,244)	(774,912)
Net interest income		471,127	1,157,931	1,629,058	426,334	712,954	1,139,288	297,911	531,565	829,476
Fees and commission income	III	159,627	570,633	730,260	113,315	495,347	608,662	87,841	369,402	457,243
Fee and commission expense	III	(65,656)	(240,746)	(306,402)	(74,123)	(165,443)	(239,566)	(40,725)	(118,715)	(159,440)
Net fee and commission income	III	93,971	329,887	423,858	39,192	329,904	369,096	47,116	250,687	297,803
Net trading income	IVa	252,300	564,467	816,767	258,453	427,568	686,021	198,295	396,388	594,683
Other operating income	IVb	22,114	10,863	32,977	4,526	13,453	17,979	1,770	4,205	5,975
Total operating income		839,512	2,063,148	2,902,660	728,505	1,483,879	2,212,384	545,092	1,182,845	1,727,937
Net impairment of financial assets	V	(322,262)	(745,319)	(1,067,581)	(116,516)	(464,033)	(580,549)	(232,260)	(276,074)	(508,334)
Net operating income		517,250	1,317,829	1,835,079	611,989	1,019,846	1,631,835	312,832	906,771	1,219,603
Personnel expenses		(149,485)	(380,179)	(529,664)	(147,987)	(288,371)	(436,358)	(131,296)	(265,494)	(396,790)
Depreciation of property and equipment		(9,942)	(24,428)	(34,370)	(8,434)	(15,657)	(24,091)	(7,094)	(13,410)	(20,504)
Amortisation of intangible assets		(7,811)	(19,194)	(27,005)	(4,485)	(8,325)	(12,810)	(3,191)	(6,033)	(9,224)
Other operating expenses		(97,283)	(239,079)	(336,362)	(83,639)	(155,263)	(238,902)	(93,254)	(176,310)	(269,564)
Total operating expenses		(264,521)	(662,880)	(927,401)	(244,545)	(467,616)	(712,161)	(234,835)	(461,247)	(696,082)
Profit before tax		252,729	654,949	907,678	367,444	552,230	919,674	77,997	445,524	523,521
Tax expense		(83,833)	(57,391)	(141,224)	(108,963)	6,287	(102,676)	(68,021)	(21,864)	(89,885)
Profit for the year		168,896	597,558	766,454	258,481	558,517	816,998	9,976	423,660	433,636
Other comprehensive income										
Profit/(loss) on available-for-sale investments		(8,548)	19,270	10,722	(12,259)	-	(12,259)	(579)	-	(579)
Remeasurement losses in pension plan		(3,358)	(8,253)	(11,611)	-	-	-	-	-	-
Deferred tax impact on remeasurement losses in pension plan		237	582	819	-	-	-	-	-	-
Total comprehensive income for the year		157,227	609,157	766,384	246,222	558,517	804,739	9,397	423,660	433,057

39. SEGMENTAL REPORTING (CONTINUED)

		2018			2017			2016		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS										
Cash and balances with the Central Bank	VI	3,181,652	14,581	3,196,233	2,805,781	11,827	2,817,608	1,792,162	3,374	1,795,536
Due from banks	VII	6,642,563	45,300,593	51,943,156	4,456,067	33,423,866	37,879,933	3,205,600	42,795,075	46,000,675
Derivative financial instruments	VIII	94,498	113,992	208,490	52,462	176,071	228,533	31,542	2,102	33,644
Financial investments - held-for-trading	IX	2,958,296	-	2,958,296	2,870,388	74,189	2,944,577	3,433,624	108,446	3,542,070
Loans and advances to customers	X	10,632,700	17,433,783	28,066,483	10,304,990	17,207,755	27,512,745	10,686,508	11,271,833	21,958,341
Financial investments - available-for-sale	XII	570,480	3,485,461	4,055,941	922,687	4,803,601	5,726,288	316,033	-	316,033
Financial investments - held-to-maturity	XIII	9,175,678	18,184,499	27,360,177	8,132,732	13,057,690	21,190,422	6,416,506	5,122,373	11,538,879
Investment in subsidiary	XI	189,563	-	189,563	189,563	-	189,563	189,563	-	189,563
Property and equipment		55,057	134,797	189,854	65,193	121,076	186,269	47,597	88,394	135,991
Intangible assets		72,380	177,205	249,585	54,549	101,306	155,855	39,144	72,697	111,841
Other assets	IVX	1,817,828	23,345	1,841,173	1,346,432	81,001	1,427,433	1,420,354	19,423	1,439,777
Deferred tax assets		129,100	12,362	141,462	119,779	27,278	147,057	52,251	8,190	60,441
TOTAL ASSETS		35,519,795	84,880,618	120,400,413	31,320,623	69,085,660	100,406,283	27,630,884	59,491,907	87,122,791
LIABILITIES AND EQUITY										
Due to banks	XV	932,642	113	932,755	118,589	1,382,226	1,500,815	173,510	-	173,510
Derivative financial instruments	VIII	21,575	42,807	64,382	47,792	156,668	204,460	78,803	49,111	127,914
Deposits from customers	XVI	25,889,837	85,495,630	111,385,467	21,575,992	69,506,572	91,082,564	20,248,788	60,130,188	80,378,976
Debts issued	XVII	600,208	-	600,208	1,111,493	-	1,111,493	1,111,032	-	1,111,032
Other liabilities	XVIII	310,155	135,225	445,380	256,260	105,087	361,347	318,885	88,621	407,506
Retirement Benefits Obligation		12,057	29,631	41,688	6,662	16,338	23,000	-	-	-
Current tax liabilities		17,580	13,701	31,281	104,817	25,339	130,156	84,379	-	84,379
TOTAL LIABILITIES		27,784,054	85,717,107	113,501,161	23,221,605	71,192,230	94,413,835	22,015,397	60,267,920	82,283,317
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Ordinary Shares				3,641,049			3,197,608			2,595,363
Class A shares				1,385,768			1,385,768			1,385,768
Retained earnings				1,277,521			944,373			493,283
Other reserves				594,914			464,699			365,060
TOTAL EQUITY				6,899,252			5,992,448			4,839,474
TOTAL LIABILITIES AND EQUITY				120,400,413			100,406,283			87,122,791

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

39. SEGMENTAL REPORTING (CONTINUED)

		2018			2017			2016		
		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	85,813	388,003	473,816	49,037	263,346	312,383	17,492	244,498	261,990
	Loans and advances to customers	458,410	700,070	1,158,480	514,111	544,489	1,058,600	610,802	477,001	1,087,803
	Financial investments held-to-maturity	323,429	238,775	562,204	275,828	85,522	361,350	230,460	12,310	242,770
	Financial Investements available-for-sale	37,408	63,624	101,032	37,462	48,964	86,426	-	-	-
	Placements with Central Bank	29,091	-	29,091	29,884	-	29,884	11,825	-	11,825
		934,151	1,390,472	2,324,623	906,322	942,321	1,848,643	870,579	733,809	1,604,388
II	**INTEREST EXPENSE**									
	Due to banks	8,010	13,692	21,702	3,162	59,917	63,079	2,319	16,921	19,240
	Deposits from customers	394,687	217,508	612,195	398,616	169,450	568,066	489,712	185,323	675,035
	Debts issued	60,327	1,341	61,668	78,210	-	78,210	80,637	-	80,637
		463,024	232,541	695,565	479,988	229,367	709,355	572,668	202,244	774,912
	NET INTEREST INCOME	471,127	1,157,931	1,629,058	426,334	712,954	1,139,288	297,911	531,565	829,476
III	**NET FEE AND COMMISSION INCOME**									
	Fee and commission income									
	Credit related fees and commission income	119,266	365,220	484,486	104,044	299,673	403,717	84,048	237,592	321,640
	Custody fees income	37,538	202,180	239,718	6,596	192,979	199,575	-	118,220	118,220
	Other fees received	2,823	3,233	6,056	2,675	2,695	5,370	3,793	13,590	17,383
	Total fee and commission income	159,627	570,633	730,260	113,315	495,347	608,662	87,841	369,402	457,243
	Fee and commission expense									
	Custody fees expense	(23,264)	(75,870)	(99,134)	(25,753)	(62,701)	(88,454)	(13,630)	(31,798)	(45,428)
	Other fees	(42,392)	(164,876)	(207,268)	(48,370)	(102,742)	(151,112)	(27,095)	(86,917)	(114,012)
	Total fee and commission expense	(65,656)	(240,746)	(306,402)	(74,123)	(165,443)	(239,566)	(40,725)	(118,715)	(159,440)
	Net fee and commission income	93,971	329,887	423,858	39,192	329,904	369,096	47,116	250,687	297,803
IV(a)	**NET TRADING INCOME**									
	Net gain on financial investments - held-for-trading and available for sale	115,573	8,272	123,845	105,794	53,910	159,704	83,218	14,270	97,488
	Derivatives Income	27,107	-	27,107	49,799	-	49,799	69,711	-	69,711
	Foreign exchange gain	109,620	556,195	665,815	102,860	373,658	476,518	45,366	382,118	427,484
		252,300	564,467	816,767	258,453	427,568	686,021	198,295	396,388	594,683
IV(b)	**OTHER OPERATING INCOME**									
	Profit on disposal of motor vehicle	89	-	89	-	-	-	-	-	-
	Transaction and other related fees	22,025	10,863	32,888	4,526	13,453	17,979	1,770	4,205	5,975
		22,114	10,863	32,977	4,526	13,453	17,979	1,770	4,205	5,975
V	**NET IMPAIRMENT LOSS ON FINANCIAL ASSETS**									
(a)	Portfolio and specific provisions on loans and advances to customers	324,842	480,572	805,414	116,516	464,033	580,549	232,260	276,074	508,334
	Bad debt recovered	(2,580)	(5,973)	(8,553)	-	-	-	-	-	-
		322,262	474,599	796,861	116,516	464,033	580,549	232,260	276,074	508,334
(b)	Impairment loss on placement	-	270,720	270,720	-	-	-	-	-	-
		-	270,720	270,720	-	-	-	-	-	-
	NET IMPAIRMENT LOSS ON FINANCIAL ASSETS	322,262	745,319	1,067,581	116,516	464,033	580,549	232,260	276,074	508,334

39. SEGMENTAL REPORTING (CONTINUED)

VI CASH AND BALANCES WITH THE CENTRAL BANK

	2018			2017			2016		
	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
Cash in hand	15,505	14,581	30,086	22,883	11,827	34,710	6,051	3,374	9,425
Unrestricted balances with the Central Bank	1,490,484	-	1,490,484	1,689,118	-	1,689,118	977,455	-	977,455
Placements with the Central Bank	1,675,663	-	1,675,663	1,093,780	-	1,093,780	808,656	-	808,656
	3,181,652	14,581	3,196,233	2,805,781	11,827	2,817,608	1,792,162	3,374	1,795,536

VII DUE FROM BANKS

	2018			2017			2016		
	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
Medium term Collateralized placements	3,489,079	-	3,489,079	-	-	-	-	-	-
Short term placements with other banks	3,139,243	27,032,952	30,172,195	4,446,929	17,718,534	22,165,463	1,423,376	14,740,805	16,164,181
Current accounts with other banks	14,241	18,267,641	18,281,882	9,138	15,703,883	15,713,021	1,782,224	28,052,776	29,835,000
Other amounts due	-	-	-	-	1,449	1,449	-	1,494	1,494
	6,642,563	45,300,593	51,943,156	4,456,067	33,423,866	37,879,933	3,205,600	42,795,075	46,000,675

VIII DERIVATIVE FINANCIAL INSTRUMENTS

	2018			2017			2016		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
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	11,392	423	11,815	8,755	147,425	156,180	8,147	-	8,147
Forward Foreign Exchange Contracts	83,106	113,569	196,675	31,197	28,646	59,843	23,395	2,102	25,497
Spot position account	-	-	-	12,510	-	12,510	-	-	-
	94,498	113,992	208,490	52,462	176,071	228,533	31,542	2,102	33,644
LIABILITIES									
Derivatives held-for-trading									
Foreign Exchange Option Contracts	-	(11,392)	(11,392)	(8,755)	(147,425)	(156,180)	-	(8,147)	(8,147)
Forward Foreign Exchange Contracts	(21,575)	(31,415)	(52,990)	(39,037)	(9,243)	(48,280)	(78,803)	(40,964)	(119,767)
	(21,575)	(42,807)	(64,382)	(47,792)	(156,668)	(204,460)	(78,803)	(49,111)	(127,914)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

39. SEGMENTAL REPORTING (CONTINUED)

	2018			2017			2016		
	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	**1,749,284**	**-**	**1,749,284**	2,000,177	-	2,000,177	2,923,763	-	2,923,763
Bank of Mauritius bonds and notes	**1,209,012**	**-**	**1,209,012**	845,572	-	845,572	344,663	-	344,663
Corporate debt securities	**-**	**-**	**-**	24,639	74,189	98,828	165,198	108,446	273,644
	2,958,296	**-**	**2,958,296**	2,870,388	74,189	2,944,577	3,433,624	108,446	3,542,070
X LOANS AND ADVANCES TO CUSTOMERS									
(a) Remaining term to maturity									
Within 3 months	**5,457,010**	**2,639,772**	**8,096,782**	3,752,679	1,802,125	5,554,804	5,173,222	2,730,571	7,903,793
Over 3 to 6 months	**24,310**	**1,249,089**	**1,273,399**	255,770	174,996	430,766	224,729	1,356,946	1,581,675
Over 6 to 12 months	**316,023**	**2,016,117**	**2,332,140**	720,906	2,546,879	3,267,785	270,217	1,948,591	2,218,808
Over 1 to 5 years	**1,793,167**	**10,896,042**	**12,689,209**	2,933,541	11,182,203	14,115,744	3,167,385	4,244,294	7,411,679
Over 5 years	**3,783,607**	**1,165,300**	**4,948,907**	3,320,866	2,562,332	5,883,198	2,304,537	1,510,351	3,814,888
Gross core loans and advances to customers	**11,374,117**	**17,966,320**	**29,340,437**	10,983,762	18,268,535	29,252,297	11,140,090	11,790,753	22,930,843
Less: Allowances for impairment losses	**(741,417)**	**(532,537)**	**(1,273,954)**	(678,772)	(1,060,780)	(1,739,552)	(453,582)	(518,920)	(972,502)
Net core loans and advances to customers	**10,632,700**	**17,433,783**	**28,066,483**	10,304,990	17,207,755	27,512,745	10,686,508	11,271,833	21,958,341
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	**1,095,391**	**530,504**	**1,625,895**	845,778	351,181	1,196,959	352,327	203,584	555,911
Manufacturing	**381,977**	**2,398,790**	**2,780,767**	438,193	2,561,129	2,999,322	573,894	1,342,847	1,916,741
Tourism	**2,236,127**	**144,624**	**2,380,751**	2,149,109	-	2,149,109	2,960,458	52,242	3,012,700
Transport	**41,364**	**388,225**	**429,589**	2,774	546,390	549,164	3,555	551,938	555,493
Construction, infrastructure and real estate	**1,196,304**	**582,608**	**1,778,912**	2,194,843	975,673	3,170,516	2,333,856	581,435	2,915,291
Financial and business services	**1,916,284**	**7,562,552**	**9,478,836**	1,057,573	5,269,443	6,327,016	1,883,717	2,384,472	4,268,189
Traders	**947,685**	**611,949**	**1,559,634**	801,942	878,056	1,679,998	1,320,891	828,113	2,149,004
Personal	**1,280,269**	**455,113**	**1,735,382**	1,294,321	439,899	1,734,220	1,305,078	474,273	1,779,351
Professional	**4,035**	**494**	**4,529**	6,233	-	6,233	6,370	-	6,370
Information, communication and technology	**45,544**	**-**	**45,544**	87,348	-	87,348	96,694	-	96,694
Government and parastatal bodies	**1,160,169**	**139,178**	**1,299,347**	-	271,646	271,646	-	345,923	345,923
Global Business Licence Holders (GBL)	**-**	**2,613,741**	**2,613,741**	-	3,596,604	3,596,604	-	3,655,303	3,655,303
Other entities	**1,068,968**	**2,538,542**	**3,607,510**	2,105,648	3,378,514	5,484,162	303,250	1,370,623	1,673,873
	11,374,117	**17,966,320**	**29,340,437**	10,983,762	18,268,535	29,252,297	11,140,090	11,790,753	22,930,843

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

39. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2018			2017			2016		
	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
(c) Allowance for credit losses									
At beginning of year	678,772	1,060,780	1,739,552	453,582	518,920	972,502	121,521	264,469	385,990
Amount written off against allowance	(304,193)	(1,059,963)	(1,364,156)	(26,179)	(41,029)	(67,208)	-	(58,045)	(58,045)
Charge for the year	366,838	531,720	898,558	251,369	582,889	834,258	332,061	312,496	644,557
At end of year	741,417	532,537	1,273,954	678,772	1,060,780	1,739,552	453,582	518,920	972,502

(d) Allowance for credit losses by sector

	2018					Total provision	
	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	1,625,895	-	-	23,489	23,489	30,793	5,592
Manufacturing	2,780,767	513,894	342,497	25,628	368,125	588,698	281,860
Tourism	2,380,751	2	2	54,410	54,412	73,192	49,119
Transport	429,589	73,351	47,360	3,642	51,002	80,306	69,199
Construction, infrastructure and real estate	1,778,912	283,804	166,676	25,452	192,128	295,433	116,064
Financial and business services	9,478,836	101,649	11,645	110,073	121,718	89,132	63,744
Traders	1,559,634	151,326	124,739	16,111	140,850	177,485	148,958
Personal	1,735,382	256,231	160,028	26,390	186,418	123,875	87,333
Professional	4,529	-	-	44	44	61	62
Information, communication and technology	45,544	11,143	13,164	394	13,558	6,946	3,219
Government and parastetal bodies	1,299,347	-	-	-	-	7,333	3,133
Global Business Licence Holders (GBL)	2,613,741	30,857	22,823	25,729	48,552	236,846	105,048
Other entities	3,607,510	52,134	20,702	52,956	73,658	29,452	39,171
	29,340,437	1,474,391	909,636	364,318	1,273,954	1,739,552	972,502

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

39. SEGMENTAL REPORTING (CONTINUED)

X LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Allowance for credit losses by sector (Continued)

	2018				Total provision		
Analysed by Segments:	Gross amount of loans	Non performing loans	Specific provision	Portfolio provision	2018	2017	2016
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Segment A							
Agriculture and fishing	1,095,391	-	-	17,336	17,336	26,964	3,748
Manufacturing	381,977	151,406	88,869	2,271	91,140	36,912	27,709
Tourism	2,236,127	2	2	52,709	52,711	71,389	48,646
Transport	41,364	-	-	459	459	447	22
Construction, infrastructure and real estate	1,196,304	283,804	166,676	18,687	185,363	206,583	110,798
Financial and business services	1,916,284	101,649	11,645	21,442	33,087	19,643	40,982
Traders	947,685	151,326	124,739	9,012	133,751	166,892	141,549
Personal	1,280,269	234,024	150,920	20,867	171,787	118,283	73,360
Professional	4,035	-	-	38	38	61	62
Information, communication and technology	45,544	11,143	13,164	394	13,558	6,946	3,219
Government and parastetal bodies	1,160,169	-	-	-	-	-	-
Other entities	1,068,968	52,134	20,702	21,485	42,187	24,652	3,487
	11,374,117	985,488	576,717	164,700	741,417	678,772	453,582
Segment B							
Agriculture and fishing	530,504	-	-	6,153	6,153	3,829	1,844
Manufacturing	2,398,790	362,488	253,628	23,357	276,985	551,786	254,151
Tourism	144,624	-	-	1,701	1,701	1,803	473
Transport	388,225	73,351	47,360	3,183	50,543	79,859	69,177
Construction, infrastructure and real estate	582,608	-	-	6,765	6,765	88,850	5,266
Financial and business services	7,562,552	-	-	88,631	88,631	69,489	22,762
Traders	611,949	-	-	7,099	7,099	10,593	7,409
Personal	455,113	22,207	9,108	5,523	14,631	5,592	13,973
Professional	494	-	-	6	6	-	-
Government and parastatal bodies	139,178	-	-	-	-	7,333	3,133
Global Business Licence Holders (GBL)	2,613,741	30,857	22,823	25,729	48,552	236,846	105,048
Other entities	2,538,542	-	-	31,471	31,471	4,800	35,684
	17,966,320	488,903	332,919	199,618	532,537	1,060,780	518,920

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2018

39. SEGMENTAL REPORTING (CONTINUED)

		2018			2017			2016		
XI	INVESTMENT IN SUBSIDIARY	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 1 July and 30 June	189,563	-	189,563	189,563	-	189,563	189,563	-	189,563
XII	FINANCIAL INVESTMENTS - AVAILABLE-FOR-SALE									
	Government of Mauritius debt securities	119,091	-	119,091	649,741	-	649,741	-	-	-
	Bank of Mauritius bonds and notes	451,389	-	451,389	272,946	-	272,946	316,033	-	316,033
	Foreign Securities treasury bills and bonds	-	3,485,461	3,485,461	-	4,803,601	4,803,601	-	-	-
		570,480	3,485,461	4,055,941	922,687	4,803,601	5,726,288	316,033	-	316,033
XIII	FINANCIAL INVESTMENTS-HELD-TO-MATURITY									
	Government of Mauritius debt securities	6,116,458	-	6,116,458	4,451,232	-	4,451,232	4,474,740	-	4,474,740
	Bank of Mauritius bonds and notes	2,246,969	-	2,246,969	2,550,818	-	2,550,818	1,207,513	-	1,207,513
	Other corporate debt securities	812,251	-	812,251	1,130,682	-	1,130,682	734,253	-	734,253
	Foreign Securities Treasury Bills and bonds	-	18,184,499	18,184,499	-	13,057,690	13,057,690	-	5,122,373	5,122,373
		9,175,678	18,184,499	27,360,177	8,132,732	13,057,690	21,190,422	6,416,506	5,122,373	11,538,879

39. SEGMENTAL REPORTING (CONTINUED)

		2018			2017			2016		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
IVX	**OTHER ASSETS**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	Mandatory balances with the Central Bank	1,519,797	-	1,519,797	1,288,715	-	1,288,715	1,233,593	-	1,233,593
	Dividend receivable	-	-	-	22,000	-	22,000	112,000	-	112,000
	Accrued income	354	5,061	5,415	392	5,172	5,564	3,820	918	4,738
	Prepaid expenses	20,679	12,171	32,850	6,946	10,150	17,096	5,240	6,202	11,442
	Other receivables	97,264	6,113	103,377	28,379	65,679	94,058	65,701	12,303	78,004
	Amount due from subsidiary	179,734	-	179,734	-	-	-	-	-	-
		1,817,828	23,345	1,841,173	1,346,432	81,001	1,427,433	1,420,354	19,423	1,439,777
XV	**DUE TO BANKS**									
	Borrowings from the Central Bank	72,432	-	72,432	118,589	-	118,589	173,510	-	173,510
	Borrowings from other banks	860,210	-	860,210	-	1,375,975	1,375,975	-	-	-
	Bank overdraft	-	113	113	-	6,251	6,251	-	-	-
		932,642	113	932,755	118,589	1,382,226	1,500,815	173,510	-	173,510
XVI	**DEPOSITS FROM CUSTOMERS**									
	Personal									
	- Current and savings accounts	5,189,590	1,862,379	7,051,969	5,655,180	795,591	6,450,771	4,404,013	7,167,618	11,571,631
	- Term deposits	4,535,492	2,278,423	6,813,915	3,903,084	188,837	4,091,921	4,330,977	1,907,006	6,237,983
	Business									
	- Current and savings accounts	10,874,061	70,793,816	81,667,877	8,347,914	55,532,210	63,880,124	6,456,746	37,299,324	43,756,070
	- Term deposits	5,269,007	10,561,012	15,830,019	3,648,643	12,989,934	16,638,577	5,046,893	13,756,240	18,803,133
	Government institutions									
	- Current and savings accounts	21,687	-	21,687	21,171	-	21,171	10,159	-	10,159
		25,889,837	85,495,630	111,385,467	21,575,992	69,506,572	91,082,564	20,248,788	60,130,188	80,378,976
XVII	**DEBTS ISSUED**									
	Unsecured subordinated bonds	600,208	-	600,208	1,111,493	-	1,111,493	1,111,032	-	1,111,032
XVIII	**OTHER LIABILITIES**									
	Other payables and sundry creditors	310,155	135,225	445,380	256,260	105,087	361,347	318,885	88,621	407,506

AFRASIA
bank different

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