INTEGRATED REPORT 2019

AFRASIA bank different

Turning collaboration into sustainable performance

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 2019, 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 (the "Bank" or "AfrAsia Bank" or "ABL" or "AfrAsia") Integrated Report 2019 is a thorough report that addresses our economic, environmental and social performance for the financial year 2018-2019, as well as our vision and goals.

TARGETED AUDIENCE

This report is intended for all stakeholders of the Bank. Together with the Sustainability Report (available on our website), this report 2019 gives emphasis to material issues, value creation over the short, medium and long-terms, as well as disclosure and transparency to enable our stakeholders make informed decisions.

INTERNATIONAL STANDARDS

Last year, AfrAsia Bank submitted its first Integrated Report which was based on the Integrated Reporting Framework as directed by the International Integrated Reporting Council (IIRC) and based on the GRI Reporting Principles, as set of standards that are essential to reporting non-financial metrics.

For the first time in its history, AfrAsia Bank is providing both an Integrated Report which gives a detailed overview of its financial performance and a summary of its sustainability strategy. AfrAsia Bank's first Sustainability Report (available at website) must be read in conjunction with its Integrated Report and provides a comprehensive overview of its sustainability strategy and initiatives.

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.

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 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.

Should you need a paper copy of AfrAsia Bank's Sustainability Report 2019, please contact the Corporate Sustainability & CSR Team at absss@afrasiabank.com or via phone (+230) 403 5500. You may also contact us via post [4th Floor NeXTeracom Tower III / Ebene 72201 / Mauritius]. You are requested to provide your full name and full postal address.

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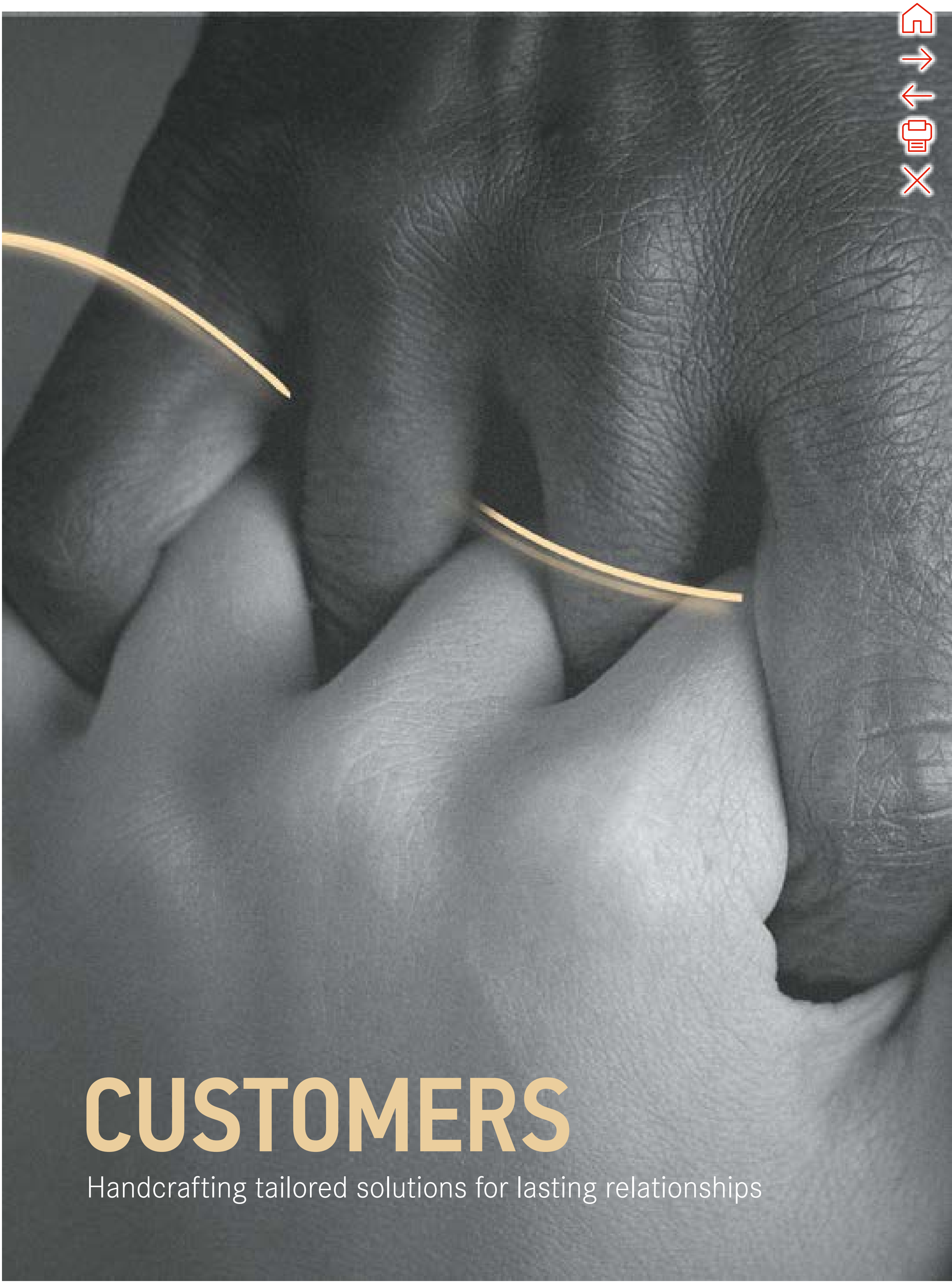
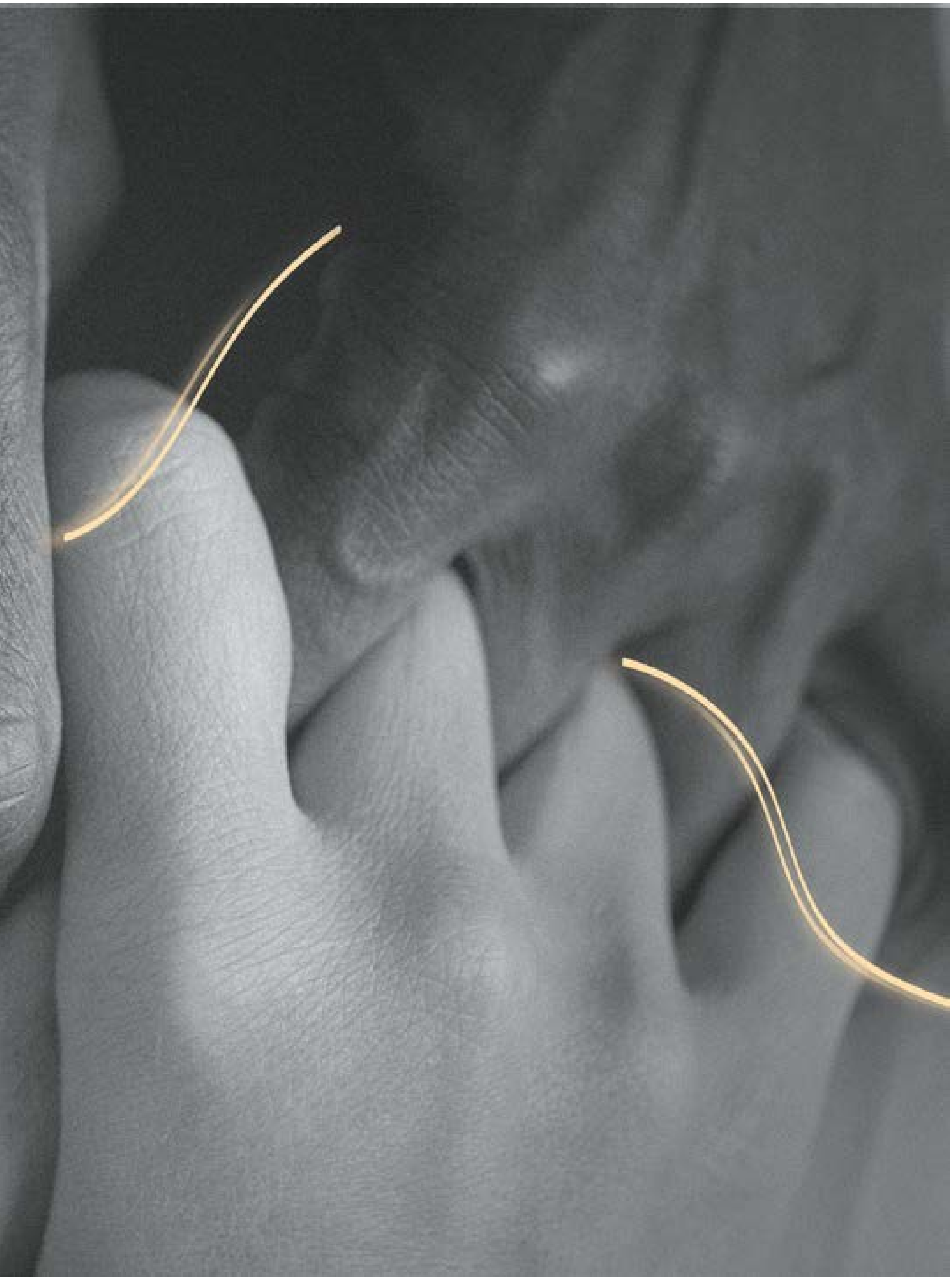


CUSTOMERS

Handcrafting tailored solutions for lasting relationships



CHAIRMAN'S REVIEW

OUR AIM IS TO LEVERAGE THE GROUP'S LINES OF BUSINESS AND STRATEGIC PARTNERS TO GENERATE FURTHER SYNERGIES WHILE TARGETING NEW MARKETS IN AFRICA, ASIA, AND BEYOND.

JEAN JUPPIN DE FONDAUMIERE

Chairperson

Dear Shareholders,

I am pleased to present our Integrated Report 2019 and thank you for your continuous support in making our *Bank Different* approach the hallmark of our achievement. This report is a testimony to AfrAsia Bank's capacity to deliver sustainable value to its stakeholders despite the challenging business environment it operates in.

On behalf of the Board and the Bank, we place on record our thanks for the contribution of Lim Sit Chen (Maurice) LAM PAK NG. He served as Independent Director from 2007 to 2018 and as Chairperson from 2015 to 2018. We also express our appreciation to Boon Huat LEE who was appointed Independent Director from 2018 to 2019 and Chairperson from November 2018 to February 2019, during which he ensured a period of smooth transition.

ECONOMIC BACKGROUND

Against a backdrop of prolonged uncertainty due to the escalating US-China trade war, prevailing geo-political conflicts in the Middle-East, an impending no-deal Brexit, and economic performance being uneven across the African continent, the global economy experienced a tepid growth during the financial year 2018-2019. Mauritius, being vulnerable to these economic uncertainties, has remained resilient and was able to maintain a steady growth, mainly driven by its financial and construction sectors. 2019 being an election year for the country, there is a risk that private investment will stagnate while government has been keeping a prudent monetary policy in place.

With these challenging circumstances, the Bank succeeded in better serving its existing customers, embrace innovation in its processes, while gaining momentum in its efforts to drive sustainability as a key feature of its growth strategy.

PERFORMANCE, CAPITAL STRUCTURE AND DIVIDEND

The financial year 2018-2019 witnessed AfrAsia Bank performing very well with a record 113% increase in the Group's Net Profit after Tax, reaching MUR 1.6bn in 2019, while registering a return on average equity of 26%.

The Bank's client centric business model has continued to draw on the synergy engendered by focusing on its key growth segments, investing in the effectiveness of its processes, having fully engaged people and culture, as well as pursuing its digital transformation and sustainability agenda. These have led to the Group's actualisation of a remarkable growth of 16% with Total Assets worth MUR 141.4bn at end of June 2019.

During this financial year, dividends of MUR 1.65 per share were paid to its ordinary shareholders. The Bank paid MUR 147.1m in dividends to holders of Class A shares in line with the programme memorandum for this category of shares.

The Bank's Capital Adequacy Ratio stood at a healthy 15.85% as at end of June 2019, 2.97% above the regulatory limit of 12.88%, while being considered among the Domestic Systemically Important Banks by the central bank.

THE MAURITIUS IFC

Strategically positioned between Africa and Asia, Mauritius is well poised and experienced to connect these two continents and the rest of the world through its modern International Financial Centre (IFC). Efforts will need to be deployed to better understand Africa with its numerous complexities and vulnerabilities. We are confident that Mauritius will stand up to the innumerable challenges awaiting it.

The need to be flexible and nimble in adapting to a diversity of economic, social, regulatory and technological environments will be key differentiators if the jurisdiction wants to be considered as relevant by international clients. With its repertoire of expertise and global network, AfrAsia Bank is leveraging on the strengths of the Mauritius IFC to better promote it as an IFC of choice and the springboard to Africa. As Mauritius currently ranks second in the fastest growing wealth market worldwide, this is an opportunity to tap into.

GOING FORWARD

The Board and Management Team remain committed to supporting the Group in its efforts to sustain growth. Our aim is to leverage the Group's lines of business and strategic partners to generate further synergies while targeting new markets in Africa, Asia, and beyond. Embracing an innovative mind set and staying relevant to our customers will be essential to achieve success.

While ensuring continuity in our endeavours to meet and exceed the expectations of our shareholders, clients, employees and the communities in which we operate, we shall continue to reinforce the AfrAsia Brand in what is a highly competitive landscape. Two annual torch bearing events, the Sustainability Summit and the AfrAsia Bank Mauritius Open, will continue to strengthen our brand equity.

The AfrAsia Group abides by the highest level of corporate governance by having an effective board composed of the finest blend of qualified and experienced independent and non-independent members.

On behalf of the Board, I wish to thank all our stakeholders, especially the AfrAsian family for their dedication in shaping the AfrAsia brand and bringing the Group to new heights.

JEAN JUPPIN DE FONDAUMIERE

Chairperson

INCREASE IN THE GROUP'S NET PROFIT AFTER TAX

113%

> THE MOST SATISFYING ELEMENT OF OUR PERFORMANCE HAS BEEN THE PROGRESS MADE IN DRIVING OUR CUSTOMER CENTRIC INITIATIVES TO PROVIDE A MORE PERSONALISED AND SEAMLESS SERVICE.

SANJIV BHASIN

Chief Executive Officer

THE BANK'S TOTAL OPERATING INCOME REACHED

MUR 3.7 bn

CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Valued Partner,

The year ended June 2019 recorded an encouraging performance for AfrAsia Bank, and we progressed in our goal to be a reference in customer service and an employer of choice in the industry.

The Bank's Total Operating Income reached MUR 3.7bn, a growth of 27% year-on-year. Cost containment remained in the forefront as Cost-to-Income Ratio was maintained at 30%. This allowed us to record a Net Profit after Tax of MUR 1.6bn. With the aim to maintain a healthy liquidity position, deposits from customers grew by 18% for the year ended 30 June 2019, to reach MUR 131.2bn, while loans and advances stood at MUR 28.2bn, reflecting our prudent lending approach.

During the year, our progress was guided by our 4 core pillars – Customer-Focus, Teamwork, Innovation and Sustainability, in pursuing our efforts in building bridges between Africa, Asia, and the World.

EMBEDDING OURSELVES IN THE CUSTOMER JOURNEY

The most satisfying element of our performance has been the progress made in driving our customer centric initiatives to provide a more personalised and seamless service. With customers in 169 countries, including 47 African countries, we have continued to see an increase in customer acquisition across all businesses, including our Private and Personal Banking cluster, Corporate Banking and Global Business Banking.

The introduction of new regulations such as Basel III and IFRS 9 Financial Instruments challenged revenue growth but we met the new guiding principles of growth. Our agile business lines made it possible to deliver better collaboration to cross-sell and offer diversified value propositions. This was an effort of our team who ensured proximity to our target markets and clients. During the year, our talent pool was expanded and our people processes were enhanced so as to better serve our clients both locally and overseas.

BEING SUSTAINABLE

This year witnessed our effort in introducing sustainability as a fundamental feature in our way of doing business. It was our privilege to pioneer the launch of the first AfrAsia Bank Sustainability Summit in Mauritius in 2018.

In 2019, the Bank was the first Mauritian Bank to join the Global Reporting Initiative Community, another milestone in our sustainability journey which also speaks of our ongoing determination to promote growth with a deep sustainable commitment and an integrative approach.

We have joined the United Nations Global Compact (UNGC) since 2015, and has since continuously strived to embed the 10 principles within our strategy and day-to-day operations. I am pleased to renew our commitment to the UNGC this year as well and support these 10 principles.

RECOGNITION

The year was highlighted by a few international accolades that we received. EMEA Finance's African Banking Awards 2018 felicitated us in four categories among which we were honoured as the Best Bank in Mauritius for the second year running. This confirms our passion to continually improve our offering to better meet the ever changing demands of our customers.

We were recognised as a pioneer in the Digital HR Space by Oracle for our implementation of Human Capital Management (HCM) on cloud and received two prestigious awards for transforming the way our employees engage with the HR function at AfrAsia Bank.

FUTURE-PROOF BANKING

With the advent of the digital age, the relationship between banks and customers is witnessing a transformation. To keep pace with this new relationship where customers expect constant ease of access and flexibility, AfrAsia Bank maintained its progress on its digital transformation journey. The aims are two-fold: upgrade our back office systems as well as improve our internal processes to cater to our tech savvy customers' demands. Our investments will be geared towards enhancing and accelerating enterprise efficiency as well as ensuring operational excellence. We aim to be digital to the core by aligning ourselves with the changes taking place in the market. This is a never ending journey and we are enabling ourselves to ensure we remain relevant to our customers.

Our people, vision, core values and continuous improvements in our processes are embedded in our customer-centric culture. I look to a future filled with opportunities to be explored. Our innovative spirit and our deep involvement for our stakeholders will ensure that AfrAsia Bank continues to grow profitably and sustainably in the future and uphold the trust that our stakeholders have in us.

WORDS OF APPRECIATION

I would like to thank Lynn Dallaire and Vijit Yadav for their contribution during their tenure, and welcome Nicolas Hardy whose extensive experience in technology and leadership will surely assist in piloting our innovation focus.

I would also like to express my sincere appreciation to Mr. Lim Sit Chen Lam Pak Ng and Boon Huat Lee for their guidance and leadership during their tenure as Independent Directors and Chairpersons.

My gratitude also extends to the Shareholders, the Board Members and my Management Team for their continuous support and giving a clear sense of direction.

To our clients, and to all our stakeholders, thank you for choosing AfrAsia as your Banking Partner.

Last but not least, to our dedicated and unwavering bonded team of 402 AfrAsians without whom our journey would have been incomplete and who continue to make AfrAsia the Different Bank that it is today, my sincerest gratitude.

SANJIV BHASIN

CEO

AFRASIA IN NUMBERS

NET PROFIT AFTER TAX

MUR 1.6bn

TOTAL DEPOSITS

MUR 131.2bn

EMPLOYEES

402

TOTAL ASSETS

MUR 139.9bn

DIVIDENDS

> MUR 300m

STAFF TRAINING HOURS

15,000

NET OPERATING INCOME

MUR 3.2bn

CLIENTS IN

168

COUNTRIES

AFRASIA KIDS

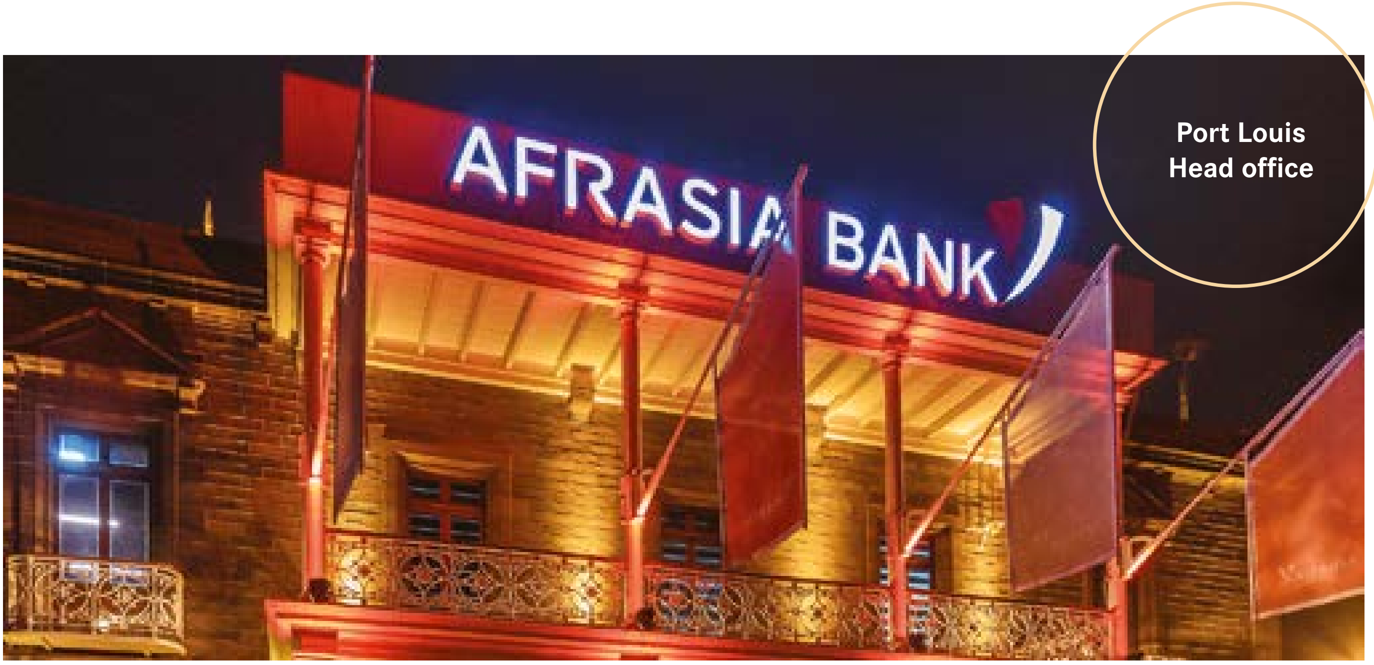
44

(AFTERSCHOOL & PRE-PRIMARY)

ABOUT AFRASIA BANK

LOCATION

Headquartered in Port Louis, Mauritius, AfrAsia Bank's historic building, dating back to 1879, is listed as a National Heritage site. The Bank also has a branch in Ebène, the island's Cybercity, further strengthening its presence in Mauritius. With its representative office in Johannesburg, South Africa, the Bank also serves its regional and international clients. These strategic office locations allow the Bank to bridge Africa and Asia, the two fastest growing emerging markets.



STRATEGIC SHAREHOLDERS

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

The Bank's anchor shareholder, IBL Ltd, is the 1st business conglomerate in Mauritius (2019 Top 100 Companies) and employs more than 25,750 team members.

With more than 280 companies active in 22 countries, the Group covers various economic sectors which are classified into 9 clusters, namely Agro, Building & Engineering, Commercial, Financial Services & other services, Hospitality, Life, Logistics, Manufacturing & Processing and Properties.

IBL Ltd 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 9 companies listed on the SEM and 3 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 24,000 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 BBB+ by S&P as at June, 2019.

https://www.nbc.ca

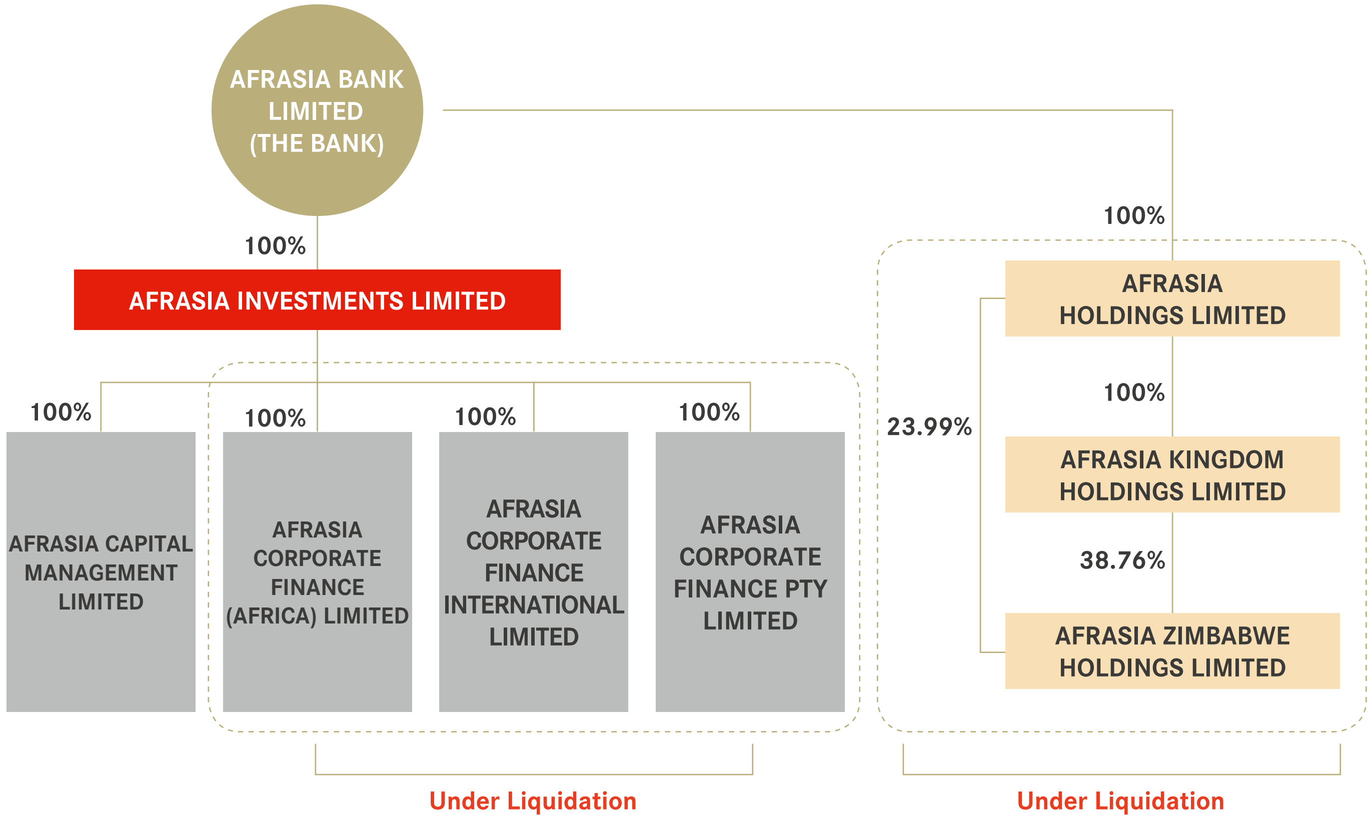
Intrasia Capital Pte Ltd (Group) is a Singapore established family office and investment holding company. Its operations are managed from Mauritius.

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, Intrasia provides corporate structuring and administration services through LJ Management (Mauritius) Limited and produces unique healthy rice through Mighty Rice Limited. Its subsidiary, Aspac Mining Limited has substantial interests in the coal, gold and methane gas industries in Southern and Eastern Africa. Its other businesses operate out of Australia, Madagascar, Tanzania and Mozambique.

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

http://www.intrasiacapital.com/

GROUP STRUCTURE



* AFRASIA CORPORATE FINANCE LIMITED WAS FULLY LIQUIDATED ON 26 JULY 2018

THE “BANK DIFFERENT” PHILOSOPHY

CUSTOMER - FOCUS

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

TEAMWORK

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

“BANK DIFFERENT” PHILOSOPHY

INNOVATION

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

SUSTAINABILITY

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

CORE VALUES – DARE

The DARE culture was formulated using a bottom-up approach by appointing Culture Ambassadors to represent each department to help with the culture revamp and deployment exercises.

In the quest to foster innovation and an intrapreneurial culture, the **Dragon's Den initiative** was introduced to provide all ABL staff the opportunity to participate and come forward with their leading innovative "game" changing ideas which will challenge the status quo and ultimately improve process efficiency to impact positively on Customer Experience.

DISRUPTIVE

Be the change.
Think different, innovate and work smart.

ALWAYS CHALLENGE THE STATUS QUO.

ACTION

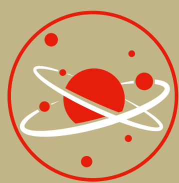
Actions speak louder than words.
Do whatever it takes to get the job done!

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.

BUSINESS SEGMENTS

In line with its "Bank Different" philosophy, AfrAsia provides tailored financial solutions to its clients in four areas of expertise. Additionally, AfrAsia Capital Management Limited complements the Bank by providing asset management services.

Corporate Banking

As an agile and entrepreneurial bank, AfrAsia offers personalised services and tailored products, ranging from cash management solutions to investment and treasury products.

Key Offerings

- Loan Facilities
- Transactional Solutions
- Trade Finance
- Investment Banking

On the domestic front, clients range from the Top 100 corporates through to parastatals and government bodies while our client coverage on the International Banking desk is niche, selective and driven by known relationships of our banking partners abroad. Although the core markets remain South Africa and India, the division has been successful at diversifying its risks across new markets on the African continent and the emerging markets of Asia.

Private Banking and Wealth Management

AfrAsia Bank aims to be a passionate partner to its clients while fostering privileged relationships through disruptive innovation, tailoring financial solutions for both local and international markets.

Key Offerings

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

Global Business Banking

Each and every client is looking for a banking partner who can offer a secure financial haven from economic uncertainty. As a matter of fact, stability and good governance, speed of execution, constant availability, and an in-depth understanding of compliance and regulations regardless of net worth or age are all very important for a success story. With customers in more than 140 countries and a representative office in South Africa, AfrAsia Bank has the ability to play an important role in making the global ventures of its clients succeed. Benefitting from its strategic location in the Mauritius International Financial Centre, the Bank is serving the international corporate, asset management, and private banking markets with a broad range of innovative products and solutions to support business growth and opportunities.

Key Offerings

- Transactional Solutions & Payments Services
- Cash & Liquidity Management
- Other financial products & services

Client Base

- Trust & Foundations
- External Asset Managers
- Private Equity Funds
- Foreign Companies
- Pension Funds
- Investment Holding Companies
- Trading Companies
- Local & International Management Companies

Treasury and Markets

AfrAsia Bank offers a wide range of treasury products to suit the needs of both corporate and institutional customers. Its local expertise, global access and balance sheet scale allow the Bank to provide clients with a range of financial instruments to meet their risk management, investment and trading needs. Managed by a team of professionals with decades of experience, the Bank is committed to satisfy its clients' commercial and investment needs.

Key Pillars

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

Client Base

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

AfrAsia Capital Management Ltd

AfrAsia Capital Management Ltd (ACM) is a fully owned subsidiary of AfrAsia Bank Limited and is licensed by the Financial Services Commission as an investment advisor (unrestricted), CIS manager and distributor of financial products.

Services Provided Include:

- Pension Fund Management
- Portfolio Management
- Advisory Services

Products Include:

- Collective Investment Schemes
- Structured Products

Clients Are:

- Large institutional clients in different sectors
- High Net Worth Individuals
- Corporates

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

2019

- Launch of the first sustainability summit in Mauritius

2018-2019 AT A GLANCE

AfrAsia Bank Sustainability Summit

The AfrAsia Bank Sustainability Summit was launched in October 2018, a first in the Mauritian corporate landscape. With its core theme being "Translating the SDGs into your Business", the summit aimed to trigger a staunch public-private sector collaboration and highlight how inter-organisations cooperation drives the Sustainable Development Goals (SDGs). The event welcomed participants from Africa, Asia and Europe as well as eminent experts from UN and Commonwealth.

4th Edition of AfrAsia Bank Mauritius Open (ABMO)

AfrAsia has been a key player in promoting the Island as a sports, lifestyle and investment destination. The 4th edition of the AfrAsia Bank Mauritius Open was held at Four Seasons Golf Club Mauritius at Anahita. As the first worldwide tri-sanctioned tournament and Mauritius' biggest sporting event, it brings together golf professionals to compete for a EUR 1m prize fund – the highest ever paid for a tournament in Mauritius. The competition is broadcasted worldwide, attracting more than 4,000 spectators and with over 323m households.

Perspective On Wealth by Collaborating with Expert Researchers

Building on our Africa strategy to engage and forge relationships with new audiences, as well as promoting Mauritius as an International Financial Centre, AfrAsia Bank partnered with a leading wealth intelligence and market research company, New World Wealth, to extend some industry insights on the performance of millionaires and wealth trends worldwide. During this financial year, we launched three reports: -

- The Africa Wealth Report 2018;
- The Global Wealth Migration Review 2019; and
- The South Africa Wealth Report 2019.

Perspective On Wealth by Collaborating with Expert Researchers

ACCOLADES

EMEA Finance's African Banking Awards 2018

AfrAsia has been recognised as the Best Bank in Mauritius, retaining this award for the second consecutive year. In addition to this, the Bank has bagged for the first time, the Best Investment Bank in Mauritius and The Most Innovative Bank Pan-Africa. Furthermore, Sanjiv Bhasin has been acknowledged as the CEO of the Year at this awards ceremony.

Oracle HCM Cloud Rubies Awards 2019

In recognition of our successful deployment and implementation of its Human Capital Management system (HCM) on cloud, Oracle has proudly bestowed on us two prestigious accolades: the Oracle HCM Cloud Rubies Awards 2019 under the category "Keep it in the Family" and the Cloud for Millennials Award. The Bank also won the Cloud for Millennials Award from Club Utilisateurs Oracle, France. These accolades reinforce our commitment to continually invest in our digital transformation journey to further enhance our employee experience.

OUR STRATEGIC FOCUS

The strategic cruxes surrounding the philosophy of the Bank continue to create the pathway towards becoming the Bank of Choice for Institutional and Private clients.

INCENTIVISING BUSINESS HOUSES TOWARDS FURTHER VALUE CREATION

At the heart of our business are our business houses, striving, perfecting and innovating relationship management and product offerings. While we are in the race of creating a distinct experience with a unique business framework that caters for customer demands with the most proactive elements, we are also prioritising the most sustainable approach requiring aesthetics, durability and quality.

YIELDING COST IMPROVEMENTS

The idea around cost improvement is a two-tiered ecosystem surrounding the Bank and its Clients. The focal point is over the creation of solid aerodynamics around the processes and operations to lower cost to income quotient through an optimal allocation of resources of the Bank and to incidentally enhance and embed ourselves in the customer's journey.

DIGITALISATION AND HUMAN CAPITAL

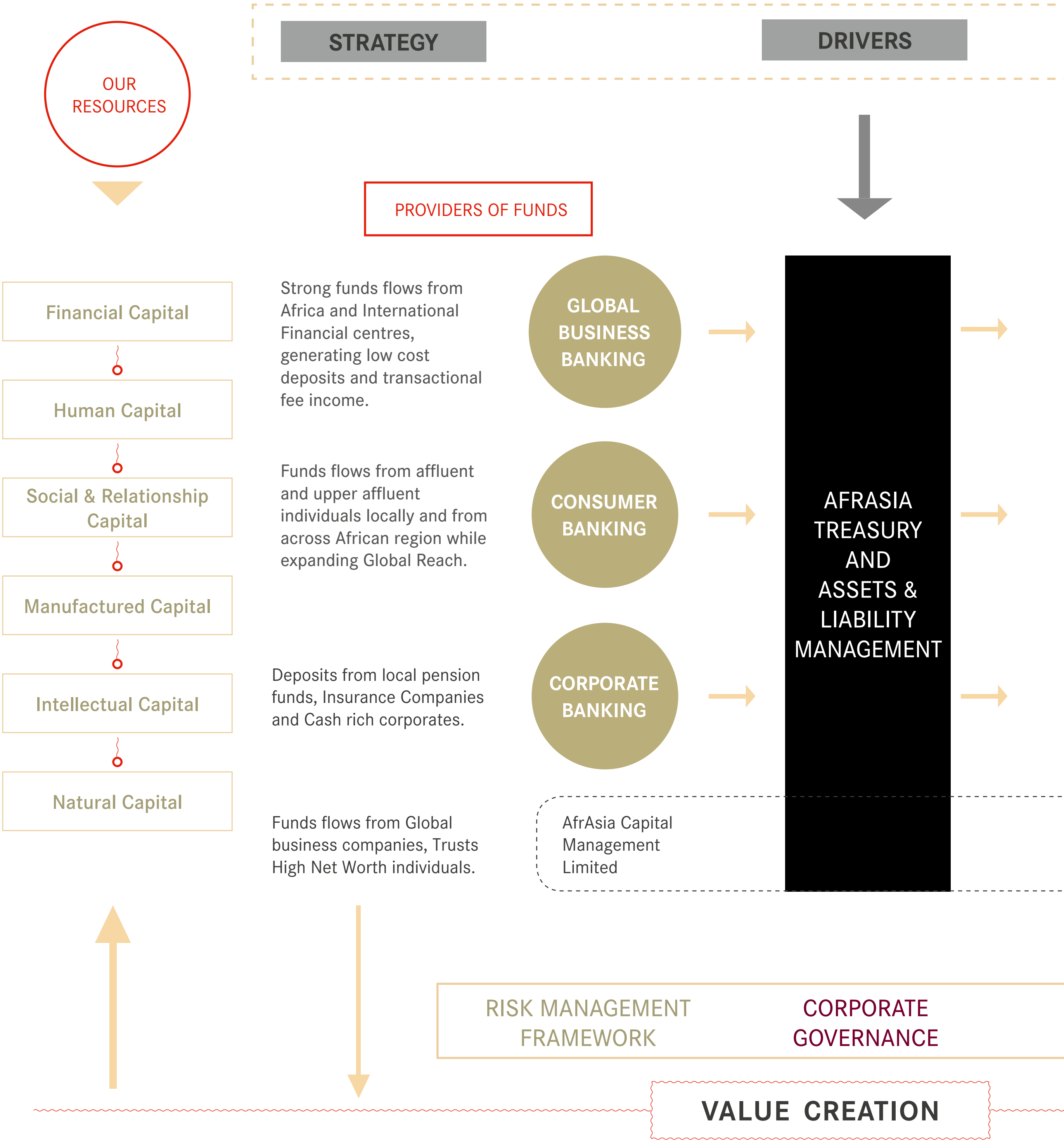
The view is that technology is no more perceived as a support system but rather as a partner to work hand in hand with business in the achivement of objectives and Key Performance Indicators (KPIs). The Bank is trusting in continuing to dwell into digitalisation in this era marked by evolving customer demand but also capitalises over the metamorphosis of the traditional human capital to be able co-drive performance. The result of the fusion of these two forces is a seamless banking platform for everyone.

RESPONSIBLE AND SUSTAINABLE BANKING

The commitment of the Bank remains hovered over making responsible and sustainable banking a pillar of our business framework. The Bank's approach uses Sustainable Development Goals (SDGs) to steer its focus, the main SDGs prioritised during the FY19 are: SDG 1 - No Poverty, SDG 4 - Quality Education, SDG 8 - Decent work and Economic Growth, SDG 13 - Climate Action, SDG 17 - Partnership for the Goals.

HOW WE CREATE VALUE

AfrAsia's business model and strategy is based on the ways in which resources and funds are managed internally to create and distribute value to its stakeholders.



VALUES

OUR STAKEHOLDERS

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.

Shareholders & Investors

Customers

Employees

Government & Regulators

Society (e.g. NGOs)

Suppliers & Service Providers

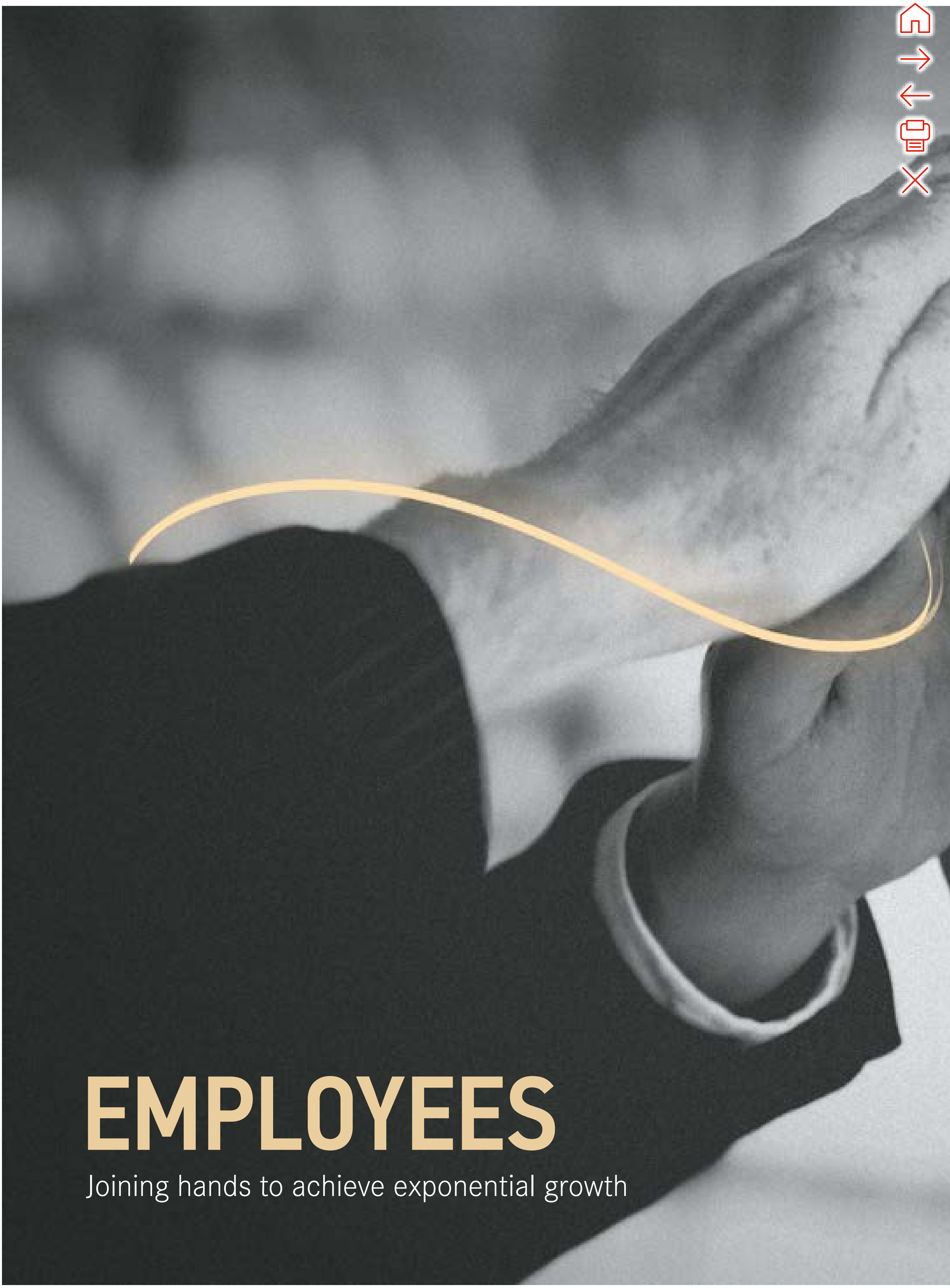
Industry Associations

Educational Institutions

Competitors

Media

INTERNAL AUDIT & COMPLIANCE



EMPLOYEES

Joining hands to achieve exponential growth

PRINCIPLE ONE – GOVERNANCE STRUCTURE

OUR PHILOSOPHY

The Board of Directors (Board) deems that endorsing quality norms and beliefs of corporate governance in the Bank provide a solid bedrock for sustainability, a long haul value creation for all of its stakeholders and promote a culture of debate and openness. The Board is entrusted with the powers through its leadership in the hierarchy eulogising elevated standards of corporate governance to direct and supervise the conduct of the business and the affairs of the Bank ethically and effectively.

OUR GOVERNANCE FRAMEWORK AND ACCOUNTABILITIES

ABL, a public company incorporated on 12 January 2007, holds a Banking Licence which was issued on 29 August 2007. Its core banking and transactional capabilities are in Mauritius along with a representative office in South Africa. 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.

The Bank operates under the aegis of a unitary board, collectively geared in guiding and directing the organisation to take the necessary steps to adhere, to the best of the Board’s knowledge, to all legal and regulatory requirements, such as:

- The eight principles issued by the National Committee on Corporate Governance in its “National Code of Corporate Governance 2016”;
- The Banking Act 2004 (amended March 2019) issued by the Bank of Mauritius;
- 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.

Throughout the year ended 30 June 2019, the Bank has complied with all the principles set out in the Code and explained how these principles have been applied to the exception of the required board appraisal exercise (Principle 4) that could not be undertaken due to recent changes in the Bank’s directorship.

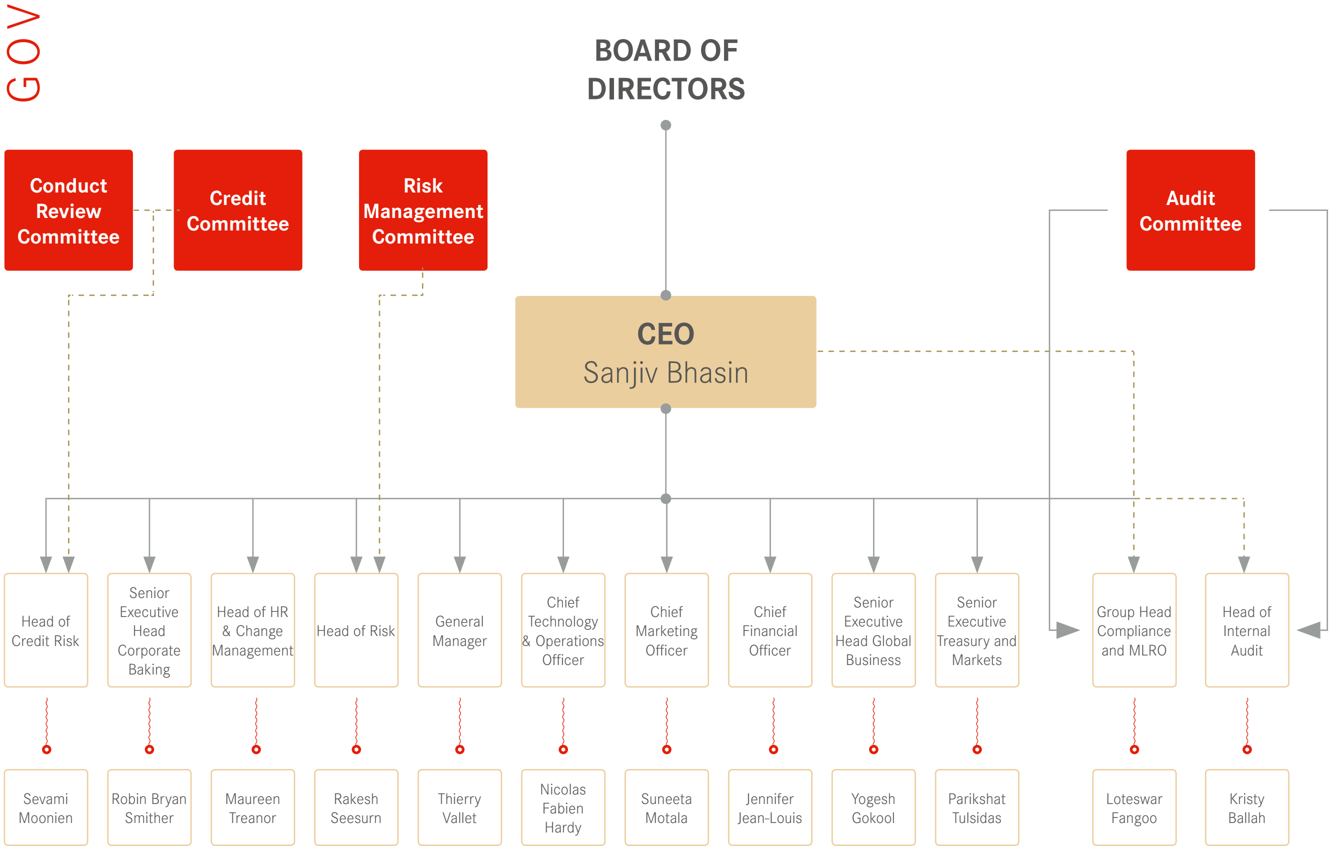
Disclosures pertaining to the eight principles of the Code have been made in different sections of the Annual Report, as outlined below:

Principles of the Code	Relevant sections of the Annual Report
Principle 1: Governance Structure	Corporate Governance Report
Principle 2: The Structure of the Board and its Committees	Corporate Governance Report
Principle 3: Director Appointment Procedures	Corporate Governance Report
Principle 4: Director Duties, Remuneration and Performance	Corporate Governance Report
Principle 5: Risk Governance and Internal Control	Corporate Governance Report and Risk Management Report
Principle 6: Reporting with Integrity	Corporate Governance Report, Sustainability Report and Financial Statements
Principle 7: Audit	Corporate Governance Report
Principle 8: Relations with Shareholders and Other Key Stakeholders	Corporate Governance Report

ABL 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 behaviour. 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 and accountable of their responsibilities.

A copy of the Conduct and Ethics Policy is available on the Bank's website.
(https://www.afrasiabank.com/media/3222/conduct-and-ethics-policy-staff.pdf).

OUR GOVERNANCE STRUCTURE



Fixed Line - Direct Report to CEO

Dotted Line - Functionally/Administratively reporting to CEO

Squared Line - Operationally reporting to Board Committees

KEY GOVERNANCE POSITIONS

The Terms of Reference, which the Board approves and reviews as and when required, defines all key governance positions within the Bank and their corresponding accountabilities which are crucial drivers of strategic performance and optimised adherence to proper governance. A clear line of demarcation is drawn between the roles and responsibilities of the Chairperson and the Chief Executive Officer (CEO) to disrupt any unfettered powers; these are 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.

SENIOR MANAGEMENT TEAM PROFILE

YOGESH GOKOOL

Senior Executive – Head of Global Business

Member

Society of Trust and Estate Practitioners (STEP)

Association of International Wealth Management (AIWM)

Mauritius Institute of Directors (MIoD)

Date joined AfrAsia: 03-Jul-08

Yogesh has over 20 years of experience in financial management gained whilst working for International Financial Services Limited (now part of Sanne Group Plc), a leading International Management Company in Mauritius. He also worked for Deutsche Bank (Mauritius) where he headed the fiduciary services division. Yogesh sits on the board of STEP Mauritius, which promotes Private Clients work and liaises with the Mauritius Government on current issues and the implementation of fiduciary legislation.

NICOLAS FABIEN HARDY

Chief Technology and Operations Officer

Master of Business Administration

University of Cape Town

B.Sc. Mathematics

University of Natal

Date joined AfrAsia: 03-Jun-19

Nicolas brings over 15 years of technology, treasury and operations experience to AfrAsia Bank from Investec Bank (Mauritius) where he held various senior positions. Treasurer by trade, he has cumulated many responsibilities whilst directing the strategic operations and technical development, encompassing the online/digital banking system and the currency cards programme. Nicolas's background includes serving in other leadership roles at Natwest Markets, Robert Fleming & Co, Rogers Group, Tomfin Asset Management and Digi-Strat.

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.

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 of experience. Prior to joining AfrAsia, Sevami held several senior positions within the field of credit risk at Standard Bank (Mauritius) Limited and Barclays Bank Plc Mauritius. During her career, she has developed a broad knowledge of both local and international markets, providing leadership and guidance in all matters relating to credit risk management, credit approvals, monitoring and controlling the credit portfolio.

SENIOR MANAGEMENT TEAM PROFILE (cont'd)

SUNEETA MOTALA

Chief Marketing Officer

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

Suneeta is an experienced marketer in the banking sector, with more than 25 years of experience. She started her career at HSBC in 1994 spearheading responsibilities in sales and marketing, credit and risk, credit risk management 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.

RAKESH SEESURN

Head of Risk

Member
Association of Chartered Certified Accountants (ACCA)
Chartered Institute for Securities & Investment (UK)
Mauritius Institute of Directors (MIoD)
The Institute of Risk Management South Africa (IRMSA)
Date joined AfrAsia: 04-Sep-16

Rakesh was appointed Head of Risk in October 2018. He was previously Business Manager reporting to the Senior Executive – Corporate Banking and to the Chief Executive Officer. He currently oversees the Market Risk, Asset and Liability Management, Recovery, AML, Operational Risk and IFRS9 implementation divisions.

Prior to joining AfrAsia, Rakesh accumulated extensive experience through various senior roles driving change across the Audit & Finance divisions with Deloitte & Touche Qatar, Deutsche Bank and Standard Bank. He brings over 20 years of onshore and offshore expertise in key areas such as Risk Appetite, Budgeting, Strategic planning and other fundamental projects.

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 domestic and international corporate banking activities for the Bank. Robin also acts as a non-executive director on some of the AfrAsia Capital Management (ACM) investment funds.

MAUREEN TREANOR

Head of Human Resources and Change Management

Member
Mauritius Institute of Directors (MIoD)
Master of Business Administration
Edinburgh Business School
Qualifications in Human Resources (ABE UK) and
Project Management (University of Mauritius)
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; she has local and international experience.

SENIOR MANAGEMENT TEAM PROFILE (cont'd)

PARIKSHAT (PARIK) TULSIDAS

Senior Executive – Treasury and Markets

Bachelor of Arts in Marketing and HR
Middlesex University London
ACI Dealing Certificate
ACI
Date joined AfrAsia: 21-Jan-13

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

THIERRY VALLET

General Manager

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.

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 Group.

PRINCIPLE TWO – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board 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 Reporting Act 2004, the Financial Services Act 2007 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). It 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 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. (https://www.afrasiabank.com/en/about/corporate-governance/governance-framework)

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 5 Directors and a maximum of 14 Directors. As at 30 June 2019, the Bank had a unitary Board of ten experienced, well-known and high calibre members from both local and international frontiers. Of the ten Directors, there is one Executive Director and nine 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 37. The Board is of the belief that based on the size of the Bank and its relative shareholding structure, there is a suitable representation in terms of the balance of executive, non-executive and independent non-executive directors and the skills, knowledge and experience of its directors who, collectively provide the core abilities for the leadership of the company.

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/or participation of the CEO as Executive Director and the Senior Management in relevant Committees and Board deliberations as and when required.

The Board acknowledges the requirement for gender representation on its quest for an optimal board diversity, but has not yet found a suitable candidate to fill the role. However, it remains committed to maintain a suitably required diversity of its Board members.

During the financial year, the Board bid farewell to 6 members and welcomed 5 new members. A complete information pack was submitted to all newly appointed Directors and they were given various opportunities to discuss with the CEO and senior officers to better comprehend the business and its affairs.

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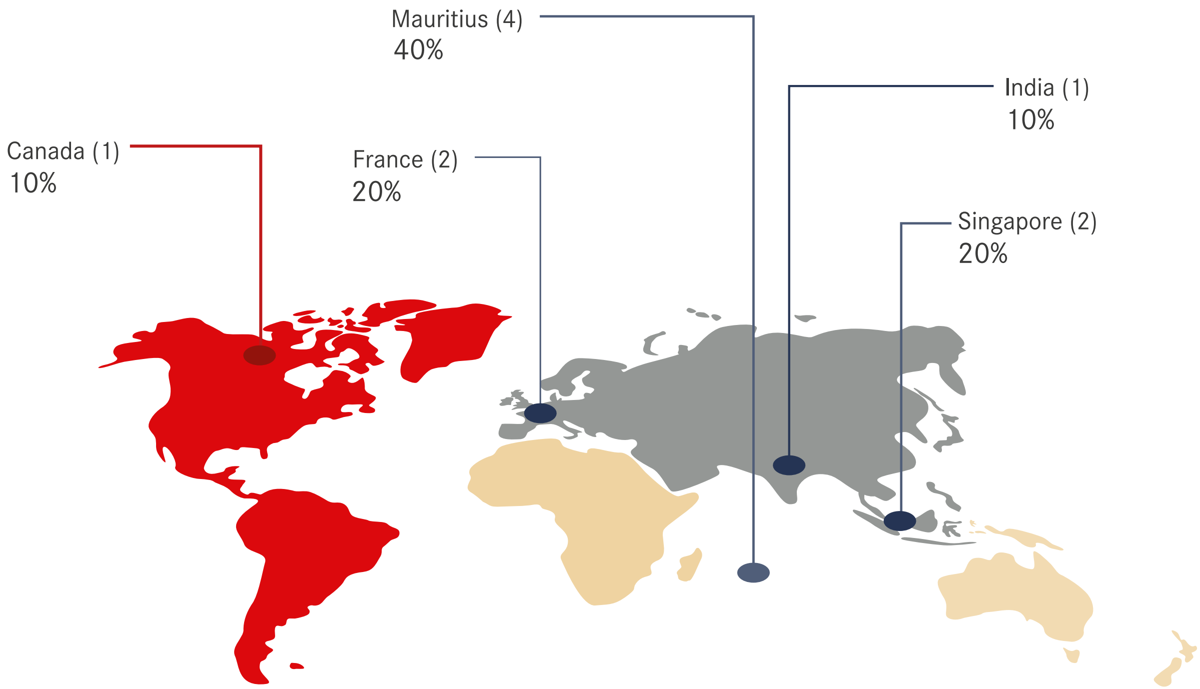
Board Representation as at 30 June 2019 was as follows:

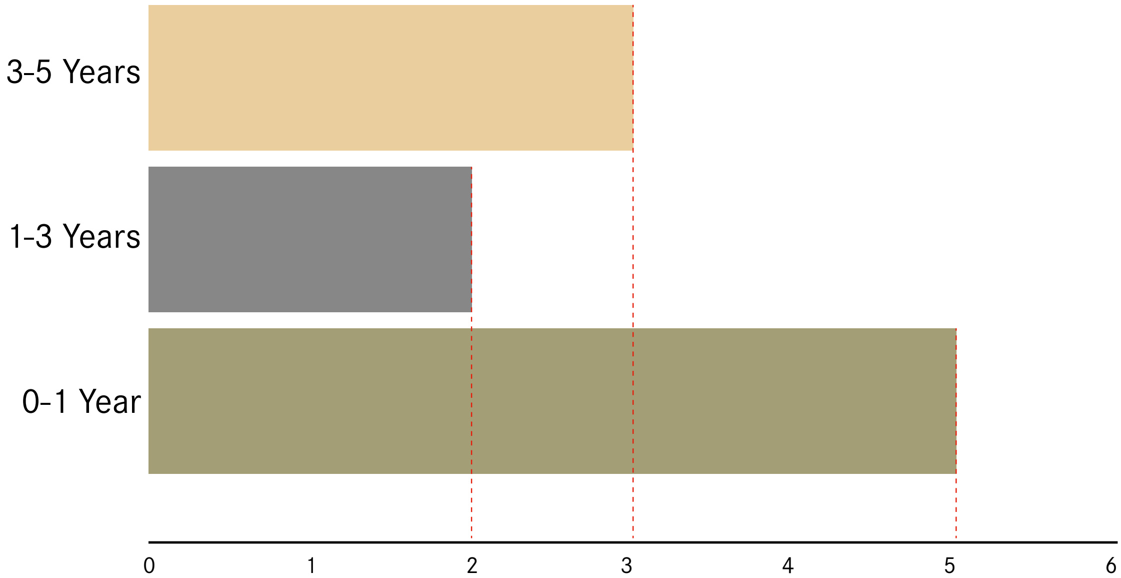
Non-Executive Directors	5
Independent Non-Executive Directors (Including Chairman)	4
Executive Director/CEO	1

Directors' country of residence as at 30 June 2019 was as follows:

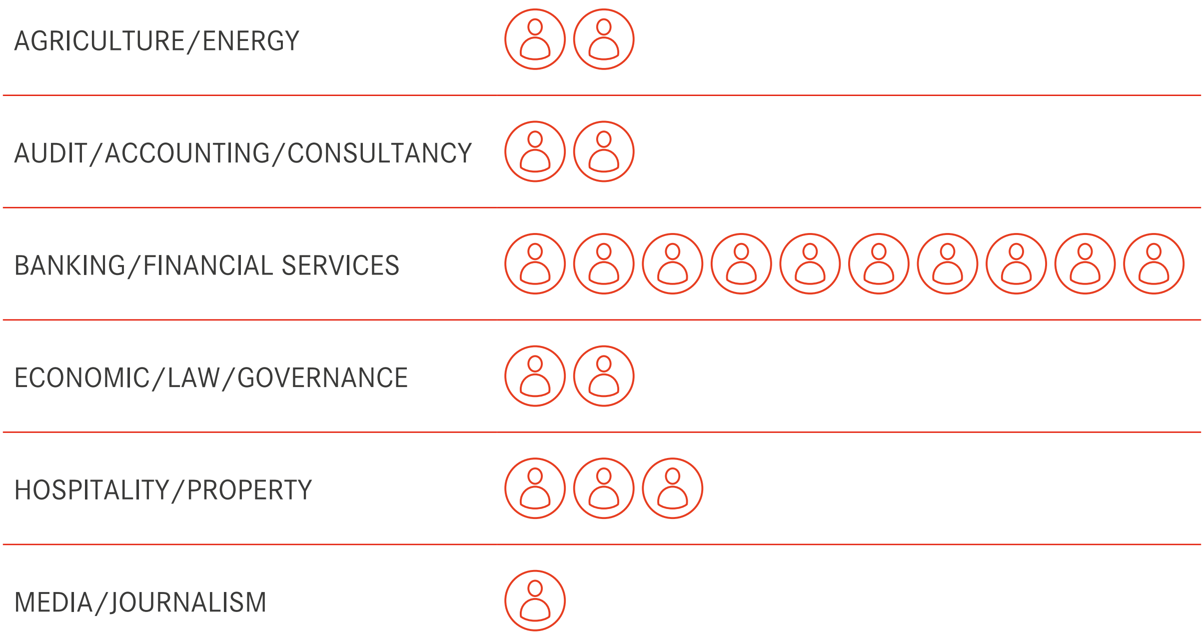


COMPOSITION OF THE BOARD (cont'd)

Directors' length of tenure as at 30 June 2019 was as follows:



Directors' mix of skills and experience as at 30 June 2019 was as follows:



DIRECTORS' PROFILES

JEAN JUPPIN DE FONDAUMIERE

Independent Non-Executive Chairman

Member of the Institute of Chartered Accountants of Scotland

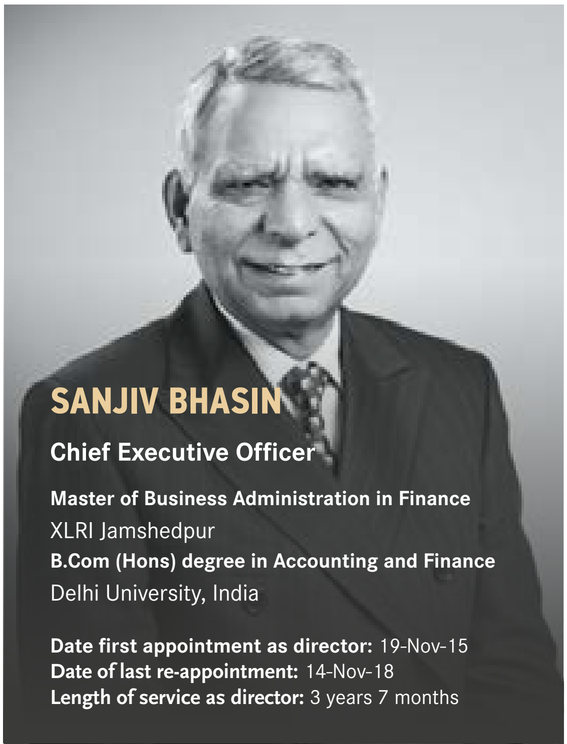
Date first appointment as director: 08-Jan-19
Length of service as director: 6 months

Present directorship:

Listed entities:
Constance Hotels Services Ltd
Constance La Gaiete Company Ltd
Hotelest Ltd
United Investments Ltd
Other non-listed entities:
Les Coniferes Ltd
The LUX* Collective Ltd

Jean trained as a chartered accountant in Edinburgh. His work experience has been with Thomson McLintoch in Edinburgh, PWC, Kleinwort Benson and Security Pacific in Sydney. His specialisation in merchant banking was corporate lending and leasing. He was CEO of the Swan Group in Mauritius between 1992 and 2006 where his focus was in investment and risk management. He has held a portfolio of directorships since 1994 in various sectors including agriculture, commerce, finance, power generation and hospitality. He is a past Chairman of the Stock Exchange of Mauritius. In his current independent non-executive director portfolio his focus has been on risk management and governance.

Country of residence: Mauritius



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: 14-Nov-18
Length of service as director: 3 years 7 months

Present directorship

Other non-listed entities:
AfrAsia Capital Management Limited
Mauritius Institute of Directors

Sanjiv has over 40 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 and risk management divisions in India, UK and Mauritius until 2004. His last role at HSBC was Chief Operating Officer HSBC India. From 2004 to 2008 he was the Managing Director & CEO of RaboBank in India growing the franchise to become the largest one in all Asia. He thereafter joined as CEO of DBS India, leading them to be the fourth largest foreign Bank in India during his tenure, launched DBS India's Digital Banking 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 Banks to embrace the digital change.

Country of residence: Mauritius

DIRECTORS' PROFILES (cont'd)

MARTIN CARON

Non-Executive Director

Chartered Financial Analyst
M.Sc. in Finance
Bachelor's Degree in Actuarial Science
Université Laval

Date first appointment as director: 20-Sep-18
Date of last re-appointment: 14-Nov-18
Length of service as director: 9 months

Present directorship

Other non-listed entities:
AfrAsia Capital Management Limited
AfrAsia Investments Limited
NSIA participants S.A
Assurance Generale Banque Nationale
Assurance Genarale Banque Nationale (Gestion Inc)
Fondation La Mosaique

As Vice President, Strategy and Corporate Development at National Bank of Canada, Martin is responsible for the strategic planning and execution of the Bank's mergers, acquisitions, divestitures and other significant investments.

Martin has more than 20 years of banking experience. Over the course of his career, he has held key positions in capital management, mergers & acquisitions, performance management, corporate strategy, treasury operations, rating agency relations and financial planning.

Prior to joining National Bank of Canada in 2013, he has been in charge of capital management and rating agencies relations at Desjardins Group between 2006 and 2013. With Royal Bank of Canada from 1995 to 2005, he served in corporate finance areas, such as mergers and acquisitions, financial policy, strategy and controller.

Country of residence: Canada

DIPAK CHUMMUN

Non-Executive Director

Fellow Chartered Accountant (FCA)
Institute of Chartered Accountants in England & Wales
Bachelor in Computer Science (BSc)
University of Manchester

Date first appointment as director: 30-Apr-18
Date of last re-appointment: 14-Nov-18
Length of service as director: 1 year 2 months

Present directorship

Listed entity:
Alteo Limited
Eagle Insurance Limited
Other non-listed entities:
Adam and Company Limited
AfrAsia Capital Management Ltd
Air Mascareignes Limitee
Bloomage Ltd
Blyth Brothers & Company Limited
Cassis Limited
Cervonic Ltd
Compagnie Thonière De L'Océan Indien Ltée
DTOS International Ltd
DTOS Ltd
Economic Development Board
Engineering Support Services Ltd
Equip and Rent Company Ltd
Escape Outdoor & Leisure 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
La Tropicale Mauricienne Ltee
Manser Saxon Contracting Limited
Manser Saxon Openings Limited
Medical Trading Company Limited
Medical Trading International Limited
National Committee for Corporate Governance
New Cold Storage Company Limited
Saer (Indian Ocean) Ltd
Seafood Hub Limited
Seaways Marine Supplies Limited
Southern Investments Ltd
Stock Exchange of Mauritius
Systems Building Contracting Ltd
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 as Group Chief Finance Officer from January 2015. He is also a former International Advisory Board Member of the ICAEW, based in the UK.

Country of residence: Mauritius

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: 14-Nov-18
Length of service as director:
4 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
Byblos Bank

Yves has a wide experience in the banking sector. He is presently the First Vice President of International Development for the National Bank of Canada Group and the Deputy Chief Executive of Natcan Investissements Internationaux SAS which is a subsidiary of National Bank of Canada. Previously, he was the Deputy Chief Executive of Bred Banque Populaire, CEO of Cofibred, the investment holding of BRED and Chairman of several Banks subsidiaries of Cofibred.

Country of residence: France

DIRECTORS' PROFILES (cont'd)

PHILIPPE JEWTOUKOFF

Independent Non-Executive Director

Masters in Economic Sciences
Université Panthéon Sorbonne
ENSAE Paris
Université Paris-Saclay
DEA - Mathematics
Université Paris VI
Date first appointment as director: 16-May-17
Date of last re-appointment: 14-Nov-18
Length of service as director:
2 years 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 a wide experience in the finance, asset management and audit fields. He retired from the Bank as CEO of the "Credit Cooperatif", a nationwide retail Bank in France. Since 2011, he became an independent consultant specialised in restructuring. Philippe has also created a micro-finance network in West Africa (Mali) in the nineties and has a strong knowledge of Madagascar where he had lived after his student life.

Country of residence: France

ARNAUD LAGESSE

Non-Executive Director

Master's in Management
Université d'Aix-Marseille, France
Breakthrough Executive Program
Egon Zender-Mobius in Portugal
Advanced Management Program (AMP180)
Harvard Business School, United States
Executive Education Program
INSEAD – France
Graduated
Institut Supérieur de Gestion de Paris
Date first appointment as director: 05-Nov-18
Length of service as director: 8 months

Present directorship

Listed entities:
Alteo limited
Bluelife Limited
IBL Ltd
Phoenix Beverages Limited
Phoenix Investment Company Ltd
The United Basalt Poducts Ltd
Other non-listed entities:
AfrAsia Investments Limited
Alteo Energy Ltd
Alteo Milling Ltd
Bloomage Ltd
Cafe LUX* Ltd
Camp Investment Company ltd
CBL Africa Ltd
CIDP Holding Ltd
City Brokers Ltd
Cosyclub Managment Ltd
Fondation Joseph Lagesse
GML Ltée

Haute Rive Azuri Hotel Ltd
Haute Rive Holdings Limited
IBL Life Ltd
IBL Link Ltd
IBL Management Ltd
International Sugar Expertise & Management Ltd (ISEM)
Island Light Vacations Ltd
LCL-Cynologists Ltd
LUX* Collective Ltd
LUX* Island resorts (Seychelles) Ltd
LUX* Island resorts (UK) limited
Mauritius Stationery Manufacturers Ltd
MBL Offshore Limited
Palm Boutique Hotel Ltd
Phoenix Management Company Ltd
Pick and Buy Limited
PL Resorts Ltd
Salt Hospitality Ltd
SPCB Ltee
Sucriere des Mascareignes Limited
Sukari Investment Company Ltd
The LUX* Collective Pte Ltd
Transmara Investment Limited
Transmara Sugar Company Ltd

Arnaud Lagesse is the Group CEO of IBL Ltd, the largest business group on the island of Mauritius. He is one of the Mauritian private sector's most prominent leader and is known to drive the Group he leads with innovative and challenging undertakings. Three years ago, he initiated the merger of GML Investissement Ltée and Ireland Blyth Limited, creating both a successful Group and substantial shareholder value for all stakeholders since the Group's introduction onto the local Stock Market.

Country of residence: Mauritius

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: 14-Nov-18
Length of service as director: 3 years 2 months

Present directorship

Other non-listed entities:
Old World Hospitality Private Limited
CAP-M Consulting India Private Limited
HSBC Investdirect (India) Limited
HSBC Investdirect Financial Services(India) Limited
Sundaram Asset Management Company Limited
Eden Plantation Resort Pvt. Ltd.
Bear Falls Plantation Resort Pvt. Ltd.
Bloom Plantation & Resort Pvt. Ltd.
Flourish Plantation Resort Pvt. Ltd.
Sundaram Alternate Assets Limited
Sundaram Tyres Lanka Limited
Tikka Town Pvt Ltd
Sun Industrial Tyres (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 India and Managing Director Global Markets at Bank of America, India. 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 and Derivatives Association of India (FIMMDA) and was its Chairman in 1999 & 2000, and was also part of the Reserve Bank of India's Committees on Foreign Exchange and Bond Market. He led a turnaround of Tata Asset Management as its MD & CEO from 2012 to 2015 and has also served as an Independent Director on the Board of Rabo India Finance Limited and Canara Robeco Asset Management.

Country of residence: India

DIRECTORS' PROFILES (cont'd)

MATHEW WELCH

Independent Non-Executive Director

MBA with High Distinction
Harvard Business School
MA (Hons)
Oxford University in Oriental Studies (Chinese)
Date first appointment as director: 04-Feb-19
Length of service as director: 5 months

Present directorship

Other non-listed entities:
Asia Dorset Management
Asia Capital and Advisors

Mathew Welch has over 25 years of experience in the Asian Financial Services arena, with a strong track record of building and leading various businesses in this sector throughout the region. His expertise spans across a diverse range of financial businesses, including investment, wholesale and consumer banking as well as asset management/private equity investment.

Mathew occupied a multitude of roles in companies such as Temasek, Daiwa Investment Bank and ING Bank. Alongside being a Managing Director, Investments at Temasek Holdings, he also served on the Boards of various Temasek investee companies.

Based in Singapore as the Global Head of Banks and FI Head of Asia at Standard Chartered Bank, Mathew grew the FI revenues more than fivefold from 2003 to 2007, adding more than US$1bn in sales and creating one of Asia's largest FI businesses. In the 1990's, he contributed to building McKinsey & Co's

financial institutions practice in Southeast Asia. Mathew started off his career as an International Officer at HSBC in 1986, gaining expertise in key financial markets such as London, Hong Kong & Thailand.

Country of residence: Singapore

FRANCOIS WERTHEIMER

Non-Executive Director

MBA
Columbia University
Member of Singapore Institute of Directors
Date first appointment as director: 08-Jan-19
Length of service as director: 6 months
Present directorship

Other non-listed entities:
Capital Asia Partners

Francois has over 25 years of investment banking and corporate finance experience in Asia, Europe and the US. He specialises on advising Asian groups and financial sponsors on their M&A and fund-raising requirements as well as international companies on their growth and development strategies in Asia. Francois began his career in New York with JP Morgan Chase and then was in London with Dresdner Kleinwort Benson before moving to Asia. He became a Managing Director of Corporate Finance at HSBC and subsequently served as CEO of HSBC Investment Bank in Indonesia.
He then joined BNP Paribas as Head of Corporate Finance and Investment Banking for South East Asia before becoming Managing Director of Capital Asia Partners.

Country of residence: Singapore

DOMINIC JACQUES

Alternate Director to Yves Jacquot

Certified Professional Accountant (CPA)
Chartered Financial Analyst (CFA)
HEC Montreal
BAA in Business
DESSCP in Accounting
Date first appointment as director: 01-Sep-16
Length of service as director: 2 years 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 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. Dominic 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

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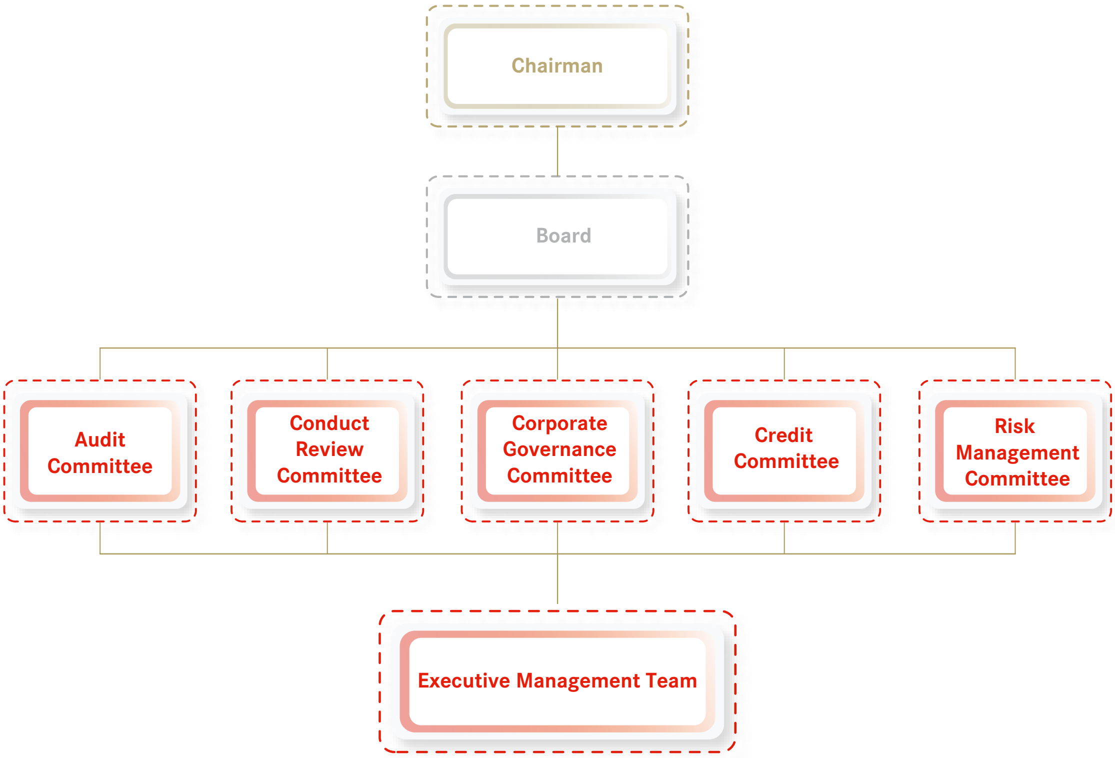
BOARD COMMITTEES

AfrAsia's Board Committees are set up to enable the Board to discharge its roles and responsibilities through delegated authority and ingrained reporting instruments necessary for managing, directing and supervising the management of the business and affairs of the Bank.

The Bank has in place five comprehensively structured Board Committees for more in-depth analysis and review of various issues as may be appropriate. After each meeting, a report is made by each Board Committee and presented to the Board after each meeting. Each committee operates under its own approved Terms of Reference which are subject to reassessment as and when required.

The Bank's Board Structure as at 30 June 2019 is as follows:



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.

Current Composition:

Members	Committee member since	Board status
Philippe Jewtoukoff (Chairperson)	June 2017	Independent Non-Executive Director
Jean Juppin de Fondaumière	February 2019	Independent Non-Executive Director
Mathew Welch	February 2019	Independent Non-Executive Director

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;
- 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;
- 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;
- Review the unaudited and/or audited financial statements of the Bank before they are approved by the Board;
- Review the unaudited and/or audited financial statements of AfrAsia Investments Limited (AIL) before they are approved by the Board;
- 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;
- Ensure that the Bank complies with regulatory requirements; and
- Perform such additional duties as may be assigned to it by the Board.

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.

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

BOARD COMMITTEES (cont'd)

- 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, 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 auditor's 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;
  - 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

Current Composition:

Members	Committee member since	Board status
Jean Juppin de Fondaumière (Chairperson)	February 2019	Independent Non-Executive Director
Sanjiv Bhasin	May 2016	Executive Director
Yves Jacquot	February 2015	Non-Executive Director
Arnaud Lagesse	November 2018	Non-Executive Director
Francois Wertheimer	February 2019	Non-Executive Director

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 Code of Corporate Governance issued by the Bank of Mauritius and ensure compliance with same;
- To prepare the corporate governance report to be published in the annual report;
- 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;

BOARD COMMITTEES (cont'd)

- 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 review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- To liaise with the Board in relation to the preparation of the Committee's report to Shareholders, as required;
- To ensure a review, at least annually, of the current Directors' performance and attendance at Board and Committee meetings;
- To request an annual headcount and budget plan and allow management to execute and report thereon at regular intervals; and
- To ensure that the board members receive thorough orientation on board governance and key strategic issues facing the financial institution.

Credit Committee

Current Composition:

Members	Committee member since	Board status
Mathew Welch (Chairperson)	February 2019	Independent Non-Executive Director
Dipak Chummun	February 2019	Non-Executive Director
Yves Jacquot	August 2015	Non-Executive Director
Philippe Jewtoukoff	November 2018	Independent Non-Executive Director
Arvind Sethi	February 2019	Independent Non-Executive Director

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 Committee

Current Composition:

Members	Committee member since	Board status
Arvind Sethi (Chairperson)	May 2016	Independent Non-Executive Director
Sanjiv Bhasin	November 2015	Executive Director
Martin Caron	February 2019	Non-Executive Director
Mathew Welch	February 2019	Independent Non-Executive Director
Francois Werthiemer	February 2019	Non-Executive Director

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

- Reviewing and having 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;
- Ensuring that the Bank maintains a satisfactory liquidity and solvency ratio at all times;
- Formulating and make recommendations to the Board in respect of risk management issues including limits setting and risk appetite;
- Receiving periodic information on risk exposures and risk management activities from senior officers;
- Ensuring 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;
- Reviewing and approve discussions and disclosure of risks;
- Providing prior endorsement for appointment and removal of the Chief Risk Officer;
- Reviewing the policies and procedures periodically to ensure their continuing adequacy and enforcement

The new Terms of Reference for Risk Management Committee are to be reviewed by the Board.

Conduct Review Committee

Current Composition:

Members	Committee member since	Board status
Philippe Jewtoukoff (Chairperson)	February 2019	Independent Non-Executive Director
Jean de Fondaumière	February 2019	Independent Non-Executive Director
Mathew Welch	February 2019	Independent Non-Executive Director

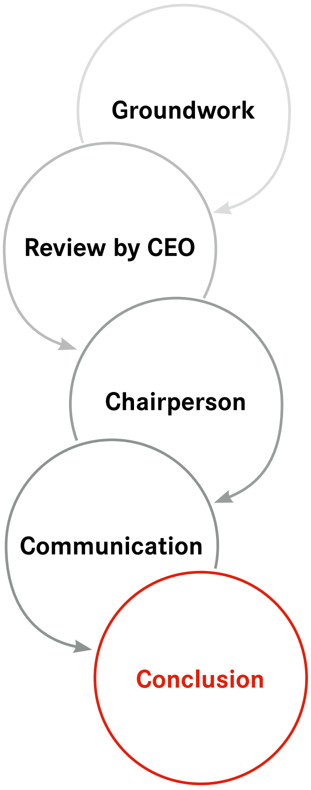
BOARD COMMITTEES (cont'd)

The Conduct Review Committee performs several fundamental functions which include:

- Having the mandate to require management to establish policies and procedures to comply with the requirements of the Guidelines on Related Party Transactions;
- Reviewing and approve credit exposures to related parties;
- Ensuring market terms and conditions are applied to all related party transactions;
- Reviewing the practices of the financial institution to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Bank is identified and dealt with in a timely manner; and
- Reporting periodically and in any case not less frequently than on a quarterly basis to the Board on matters reviewed by it, including exception on policies, processes and limits.

BOARD MEETINGS

During the year under review, the Board held six meetings. The recurrence of Board meetings' main underlying is a timely pinpointing of key issues. The Board manages a designed schedule for the meetings with enough leeway for any additional issues arising to be included in the agenda as and when required. Decisions were also taken by way of resolutions in writing, assented and signed by all the Directors. The overall agenda setting process can be illustrated as follows:



The agenda is prepared by the Company Secretary to design a list of pivotal topics for the Board meetings.

The Chief Executive Officer reviews the draft agenda with the Company Secretary.

The Chairperson reviews and finalises the agenda with the Company Secretary.

The notice and agenda are communicated to the directors prior to the meetings.

Before finalisation, the agenda remains open to additional considerations arising due to external events, directors request or any matters arising in the business and affairs of the bank.

After circularisation, if ever a director requests for additional item(s) to be included, the Chairperson takes the request into consideration.

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ATTENDANCE REPORT

The attendance report of the Directors at Board and Committee meetings for the year ended 30 June 2019, as well as their individual director's remunerations and benefits paid, are shown below:

	Board of Directors	Audit Committee	Corporate Governance Committee	Conduct Review Committee*	Credit Committee	Risk Management Committee*	Remuneration Paid		
No. of meetings held	**6**	**4**	**8**	**4**	**4**	**4**	**Fixed MUR'000**	**Variable MUR'000**	**Total MUR'000**
Jean Juppin De Fondaumière (Chairperson) (Appointed on 8 January 2019)	2	1	1	1	-	-	-	-	-
Sanjiv Bhasin (Chief Executive Officer)	6	-	6	3	-	4	17,975	-	17,975
Jean Claude Béga (Resigned on 28 October 2018)	2	-	3		-	-	364	270	634
Henri Calvet (Resigned on 14 November 2018)	3	2	-	2	2	2	385	1,031	1,416
Martin Caron (Appointed on 20 August 2018)	4	-	-	-	-	1	-	-	-
Dipak Chummun**	6	-	-	-	1	-	295	-	295
Yves Jacquot	6	-	8	3	4	3	440	1,285	1,725
Philippe Jewtoukoff	6	4	-	1	2	-	440	250	690
Arnaud Lagesse** (Appointed on 5 November 2018)	4	-	5	-	-	-	68	135	203
Lim Sit Chen Lam Pak Ng (Resigned on 14 November 2018)	3	-	4	2	2	2	-	471	471
Boon Huat Lee (Resigned on 15 February 2019)	5	-	3	1	1	1	347	139	486
Luc Paiement (Resigned on 20 September 2018)	1	-	-	-	-	-	319	-	319
Graeme Lance Robertson (Resigned on 16 August 2018)	-	-	-	-	-	-	277	-	277
Arvind Sethi	6	3	-	3	1	4	440	400	840
Mathew Welch (Appointed 4 February 2019)	2	1	-	1	1	1	-	-	-
Francois Wertheimer (Appointed on 8 January 2019)	2	-	1	-	-	1	-	-	-

* During the year under review, the Risk Management Committee and Conduct Review Committee separated their fundamental functions to stand as two different committees managed by different members.

** The remunerations and benefits are paid directly to IBL Ltd.

COMPANY SECRETARY

The Company Secretary provides assistance and guidance to the Board of Directors in a number of key areas, for instance, corporate law, governance and corporate secretarial practice. The Company Secretary also helps the directors to fulfil their duties while acting with the utmost integrity and independence in the best interest of the Bank.

It has also a key role to play in the application of corporate governance within the Bank.

The main duties of the Company Secretary include the following:

- Supporting the Chairman in ensuring the board functions efficiently and effectively;
- Ensuring good information flows within the board and its committees;
- 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 provide accurate minutes of the proceedings thereat;
- Managing the convening and the conduct of the Annual Meeting and/or Special Meeting, in line with statutory and regulatory requirements and the Code, and providing accurate minutes of the proceedings thereat;
- Safekeeping of the minutes books and of the legal/statutory documents pertaining to the Bank;
- Ensuring that the Bank complies with its Constitution and all applicable legal and regulatory requirements, including relevant codes, guidelines, procedures and rules established by the Board;
- Supporting the process for the board to undertake formal annual evaluation of its own performance and that of its committees and individual directors.

The Bank tendered its secretarial services during the year under review, IBL Management Ltd responded with the prerequisites of the tender and was chosen as company secretary. The Bank has outsourced its secretarial functions to IBL Management Ltd through its representatives, Doris Dardanne, FCIS and Melanie Kye Thiam, FCIS.

Doris Dardanne is a Chartered Secretary and Fellow Member of the Institute of Chartered Secretaries and Administrators (UK). Doris has been working in the company secretariat field for nearly 33 years and is presently the Group Corporate Secretary of IBL Ltd, the largest Mauritian company listed on the Stock Exchange of Mauritius with activities in 9 different clusters and in 22 countries. As such, she has a wide exposure and a good knowledge of the different business sectors. Prior IBL Ltd, for 30 years, Doris has been working in and driving the Company Secretariat Team of Ireland Blyth Limited, which was a major conglomerate in Mauritius listed on the Stock Exchange of Mauritius. The latter amalgamated with its holding company, GML Investissement Ltée, to become IBL Ltd on 1st July 2016.

Melanie Kye Thiam holds a BA (Hons) in Law and Management and is a Chartered Secretary and Fellow Member of the Institute of Chartered Secretaries and Administrators (UK). Melanie is presently working as Company Secretary at IBL Ltd and has been providing company secretarial services to various companies within IBL Group operating in various sectors, for instance, financial services, logistics, aviation, retail and commerce. Prior to the amalgamation of Ireland Blyth Limited and GML Investissement Ltée, Melanie has been working in the Company Secretarial Department of Ireland Blyth Limited for 3 years. She also worked in the Global Business Sector for nearly 5 years.

PRINCIPLE THREE – DIRECTORS' APPOINTMENT PROCEDURES

BOARD MEMBER APPOINTMENT & RE-APPOINTMENT

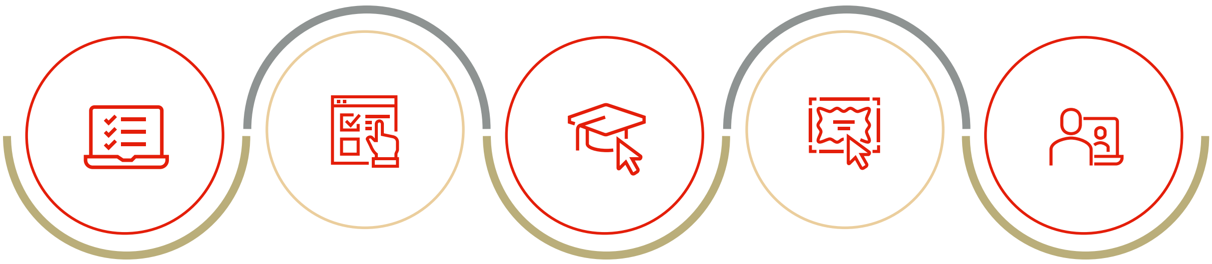
The Board has mandated the Corporate Governance Committee to select and review candidacies of the proposed Directors guided by legal and regulatory requirements. During the year under review, the Board has approved and adopted a policy, procedure and guidance for talent management, it is principally based on a number of objective criteria, for instance:

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

Once the selection process has been completed, it makes its recommendation to the Board 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 board members' selection and nomination process can be classified into the main steps illustrated below:



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

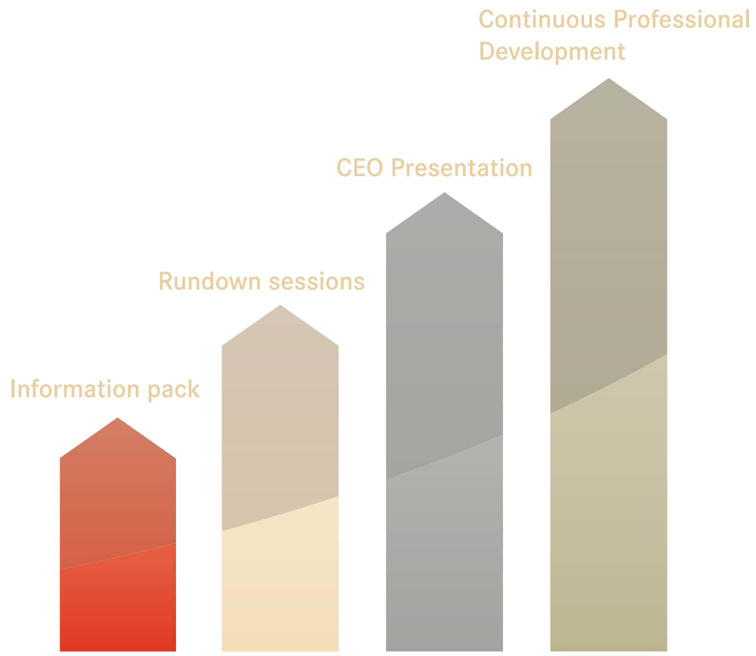
- Terms of Appointment
- Time Commitment
- Roles and Duties
- Outside Interests
- Confidentiality
- Price Sensitive Information and Dealing in the Bank's Shares
- Induction
- Insurance

INDUCTION AND PROFESSIONAL DEVELOPMENT

Following appointment on the Board, the Directors receive an extensive and formal tailored 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 updates on regulatory changes, 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.



In line with continuous professional development, the Directors attended a workshop on IFRS 9 and its implications for the Bank during the year under review.

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 made knowledgeable 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, which is available on the Bank's website. (https://www.afrasiabank.com/media/3187/code-of-ethics-board-of-directors.pdf)

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 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

› The role and function of the Chairperson

The regular board appraisal exercise is performed internally through the Company Secretary, under the leadership of the Chairperson. 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 Board composition. The board regularly considers the need to conduct a board appraisal exercise.

The recommendation of the Code revolving around the use of an external consultant for Board appraisal exercises has been noted for forthcoming assessments.

DIRECTORS' REMUNERATION AND BENEFITS

The Corporate Governance Committee acts as Remuneration Committee as and when required and as part of its duties it determines, agrees, develops and reviews the Bank's general policy on executive and senior management remuneration.

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	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

The 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 and receivable, by the Directors from the Bank and its subsidiary for the year ended 30 June 2019 were as follows:

	YEAR ENDED 30 JUNE 2019		YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017	
	Executive Directors MUR '000	Non-Executive Directors MUR '000	Executive Directors MUR '000	Non-Executive Directors MUR '000	Executive Directors MUR '000	Non-Executive Directors MUR '000
The Bank						
AfrAsia Bank Limited	17,975	8,089	17,546	7,346	18,311	6,152
The Subsidiary						
AfrAsia Capital Management Limited	12,225	-	5,629	-	2,449	-

The detailed fees/remuneration paid to directors have been provided on page 53 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS WITH THE BANK AND ITS SUBSIDIARY

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 an undetermined period, 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 are maintained by the Company Secretary. As part of the appointment of a director, the latter needs to notify in way of writing to the Company Secretary their interests as well as their associates' interests in the securities of the Group and the Bank.

The directors' share interest as at 30 June 2019 were:

	YEAR ENDED 30 JUNE 2019		YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017	
	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 Juppin De Fondaumiere (Chairperson) (Appointed on 8 January 2019)	-	-	-	-	-	-
Sanjiv Bhasin (Chief Executive Officer)	-	-	-	-	-	-
Jean Claude Béga (Resigned on 28 October 2018)	-	-	-	-	-	-
Martin Caron* (Appointed on 20 August 2018)	-	-	-	-	-	-
Henri Calvet (Resigned on 14 November 2018)	-	-	-	-	-	-
Dipak Chummun	-	-	-	-	-	-
Yves Jacquot	-	-	-	-	-	-
Philippe Jewtoukoff	-	-	-	-	-	-
Arnaud Lagesse* (Appointed on 5 November 2018)	-	-	-	-	-	-
Lim Sit Chen Lam Pak Ng* (Resigned on 14 November 2018)	-	-	-	-	-	-
Boon Huat Lee (Resigned on 15 February 2019)	-	-	-	-	-	-
Luc Paiement (Resigned on 20 September 2018)	-	-	-	-	-	-
Graeme Lance Robertson (Resigned on 16 August 2018)	11,436,404	10.12	11,436,406	10.12	10,701,848	10.03
Arvind Sethi	-	-	-	-	-	-
Mathew Welch* (Appointed 4 February 2019)	-	-	-	-	-	-
Francois Wertheimer (Appointed on 8 January 2019)	-	-	-	-	-	-

*Those directors have opted to exclude notification of the interests of their associates in the securities of the Company and their interests and those of their associates in the securities of the associates of the Company.

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.

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.

INFORMATION TECHNOLOGY AND IT SECURITY

The Bank's overall strategic direction is highly dependent upon its information technology management.

Businesses are today rapidly embracing new technologies and modern ways of working. Historically-separate domains no longer have the luxury of operating in a vacuum. Business competitiveness depends on business-technology alignment. As employees spend more time using their personal devices on premise, interacting on social networks, and sharing information via file-sharing services, the Bank has to look for ways to ensure security and data preservation while safeguarding privacy of the users. Newer generations understand this intuitively: the volume of information created and consumed on mobile devices is growing exponentially, which is also changing and shaping the way individuals use and share information.

With technology innovating and evolving much faster than the speed of change in organizational cultures, as they extend out to cloud and mobile devices, IT teams have to radically change how they operate. Most important is how they offer their services, including how they procure products and services, manage technology and data assets, together with their own role within the organization within a certain framework.

ABL's technology leadership plays a key role to embrace this trend to deliver efficient and effective information technology that enables business development. Collective decision-making can result in executive buy-in to help drive more business value from technology investments, however, policy enforcement can fall short when the organization lacks tools to monitor and manage compliance of the Bank policies. Serious efforts are required from executives to enforce the required policies.

In this respect, the Board has established a Board IT steering committee together with a set of governance policies which are implemented and regularly reviewed to manage, minimize the associated risks and align with the modern business world. The Board ensures that the Bank continuously seeks to foster a robust framework for the smooth running of its activities, together with adequate proficient resources and sophisticated infrastructure to manage the relevant risks and the business continuity of the Bank. As such continuous investments in people, technology and security is critical to upkeep with the competitive innovative landscape to remain relevant. The committee also strive to support modern ways of working.

Refer to the Risk Management Report set out on pages 84 to 113 of the Annual Report for information governance.

REMUNERATION PHILOSOPHY

The goal of AfrAsia Bank Limited is to be recognized as an employer of choice and as well as the most trusted financial partner in Mauritius and across Africa. Remuneration is a key vehicle towards achieving this objective, encouraging and enabling the Bank's 400+ employees to deliver the best possible customer experience (CX) through enhanced employee experience (EX). Remuneration plays an essential role in attracting top-talent. On the path towards excellence, the best people are drawn from the broadest pool of applicants from both local and international markets. We offer a decent workplace in which the richness of their diversity and experience are both welcomed and valued by colleagues. The Bank promotes its culture through its values inculcating teamwork, a disruptive and innovative approach. AfrAsians are groomed to excel in their line of operations and expertise. Employees are encouraged to promote the highest ethical standards in their conduct, our internal policies promote integrity at all times and this is demonstrated through our overall business culture. At AfrAsia Bank Limited, we provide competitive remuneration and a variety of financial and non-financial benefits for our people. Our remuneration practice which adopts a total compensation approach, is based on strong governance, ensuring AfrAsia Bank complies with legislation and regulatory requirements while ensuring that as an organisation we remain agile and competitive on the market.

EMBEDDING CULTURE IN BUSINESS AND PEOPLE PROCESSES

Cultural change at AfrAsia Bank Limited is a multi-year journey, with strong senior management commitment and a clear tone from the top. Our organisational values were revamped in 2017 in order to be more in line with employees, a majority of which are millennials and digital natives. To make our values remain tangible our induction was also revamped whereby newcomers are exposed to experiential learning of our values. Moreover, refresher workshops are run on a regular basis for all employees where participants are given the opportunity to reflect and commit to living up the organisation's values. These sessions help explain how the values relate to the bank's vision, what the values and beliefs mean specifically in our everyday business transactions, client relationships and internal processes, and most of all how each employee can implement the values to bring about change in their department.

ATTRACT AND RETAIN TALENT

All employees are assessed using the balanced score card as a performance management online tool. Employees are not only assessed as to what they do through their objectives but also as to how they do what they do through the values assessment. In the aim to promote a high performance culture, the Bank recognises those who successfully execute their responsibilities - a high performance is reflected in comparatively higher rewards, as this ultimately helps the Bank meet its strategic targets. Rewards, benefits, policies and procedures are reviewed on a regular basis to ensure we attract the best talent as well as ensuring we remain aligned to the evolving market. The newly introduced Talent Management system is helping the Bank move another level in its management of talent. We provide career paths and more opportunities for internal moves and promotions. Worth highlighting that around 16% of employees were promoted of over the last 12 months and this figure has been increasing year in year. Investment in learning has been material and we believe in enhancing knowledge through soft and technical training and financial sponsorship to help towards growth in knowledge, skills and attitude. Quality of work life is key and work life integration is promoted along with flexible working arrangements.

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. It sets clearly defined policies and the Bank's risk appetite, which are then conveyed to the executives via their delegated authorities to facilitate them to oversee the course of actions of the business. Additionally, the Board ensures that risks are being properly detected, managed and mitigated.

BOARD SUB-COMMITTEES AND EXECUTIVE MANAGEMENT

The Board Risk Committee (BRC) reviews the principal risks and has a global view on all risks that the Bank faces such as credit, market, liquidity, operational, legal, compliance and reputational risks. The BRC oversees that appropriate actions are being taken to mitigate or avoid these risks, all in compliance with Bank of Mauritius guidelines and policies approved by the Board. It also recommends the Board in respect to risk management issues, including limits setting and the Bank's risk appetite framework. Moreover, the BRC is responsible to ensure that the Bank maintains a satisfactory liquidity and solvency ratio at all times.

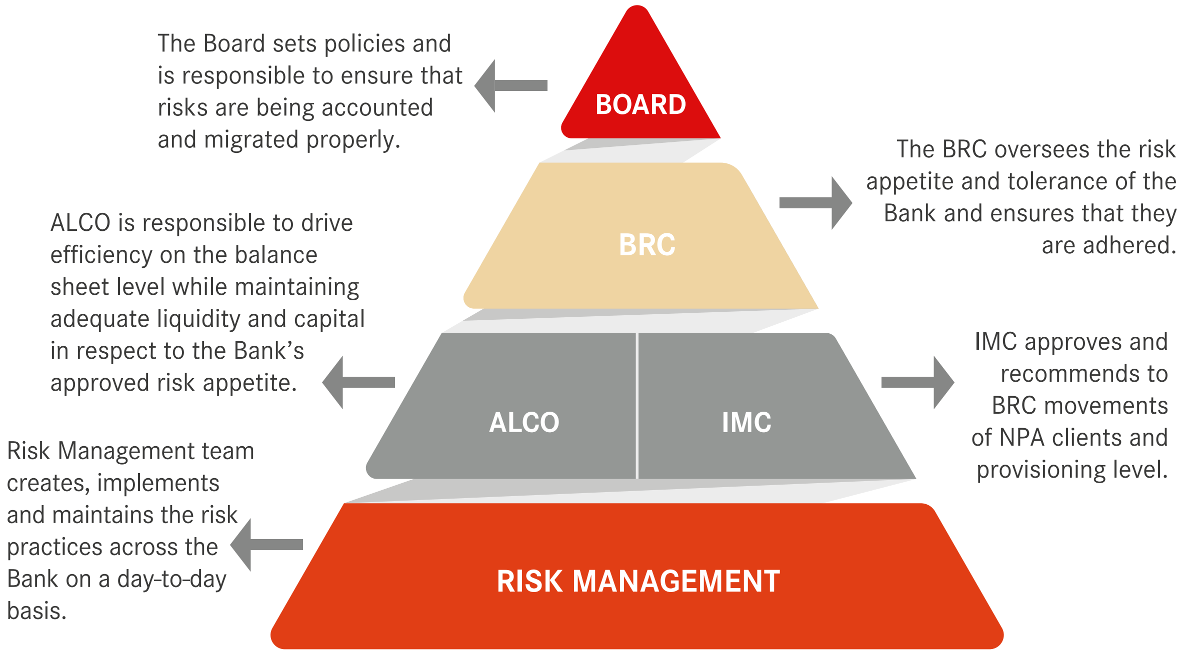
The Assets & Liabilities Committee (ALCO) and the Impairment Committee (IMC) both report to the BRC on their operations.

RISK MANAGEMENT

The risk management team, through its different divisions, monitors the day-to-day 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 reports and provides recommendations on significant issues related to risk management, control and governance processes within the Bank to the BRC. It maintains its objectivity by being independent of operations and the different Risk Heads have direct access to the Board Chairperson/members without impediment.

The complete Risk Management Report is set out on **pages 84** to **113** 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: (https://www.afrasiabank.com/media/3190/corporate-integrity-and-whistle-blowing-policy.pdf)

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PRINCIPLE SIX – REPORTING WITH INTEGRITY

FINANCIAL

The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards, International Accounting Standards and Companies Act 2001. The Directors must ensure that the provisions of the Companies Act 2001, the Banking Act 2004 and Financial Reporting Act 2004 are complied with. They must also ensure that the financial statements are free from errors, material misstatements or irregularities and that any non-adherence is disclosed, explained and quantified.

SUSTAINABILITY

With the deployment of its sustainability strategy since 2016, AfrAsia Bank has been very active in the developments of its four pillars: Marketplace, Workplace, Social and Environmental Responsibilities.

Last year marked a milestone in the sustainability journey of the Bank with the publication of its first Integrated Report. The Integrated Reporting framework serve to guide AfrAsia in its strategy and provides clarity on how the six capitals are processed by the Bank to create value. The Integrated Report 2018 was classified at an advanced level in UNGC.

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

Note: Adapted from CAPITALS Background Paper for <IR>

Additionally, the Bank conducted its first materiality assessment to engage actively with its stakeholders on sustainability topics.

As from April 2019, AfrAsia is also a member of the Global GRI community.

Should you need a paper copy of AfrAsia Bank's Sustainability Report 2019, please contact the Corporate Sustainability & CSR Team at abss@afrasiabank.com or via phone (+230) 403-5500. You may also contact us via post [4th Floor NeXTeracom Tower III / Ebene 72201 / Mauritius]. You are requested to provide your full name and full postal address.

The Annual Report is published in full on the Bank's website.

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

The complete Risk Management Report is set out on **pages 84** to **113** 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 launched a tender exercise in 2017 whereby the appointed audit firm was Deloitte, the latter has served 3 years with the Bank. During the year under review, the members of the Audit Committee have met with the external auditors without the presence of the management during which the financials and the accounting principles of the Bank adopted were discussed. The Audit Committee evaluates the independence and effectiveness of the external auditor on a continuous basis before making a recommendation to the Board on their appointment and retention.

At the Board meeting held on 9 May 2019, it was resolved to renew the audit contract with Deloitte as external auditors of the Bank for the financial years ended 30 June 2020 and 2021, with the Bank reserving the right to review its decision at the end of each of the financial year end mentioned and subject to Deloitte's acceptance to renew the audit contract.

The Bank is complying with the prerequisites of the Banking Act in respect with the rotation of auditors after a period of 5 years.

The audit fees and fees for others services were:

	YEAR ENDED 30 JUNE 2019		YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017	
	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000
Deloitte						
The Bank						
AfrAsia Bank Limited	**7,200**	**3,711**	2,921	1,137	2,456	441
Ernst & Young						
The Bank						
AfrAsia Bank Limited	-	-	-	-	1 ,761	1,723
The Subsidiaries						
AfrAsia Investments Limited	**196**	-	-	189	183	39
AfrAsia Corporate Finance (Africa) Limited (Under liquidation)	-	-	-	-	247	58
AfrAsia Capital Management Limited	720	-	-	828	426	19

	YEAR ENDED 30 JUNE 2019		YEAR ENDED 30 JUNE 2018		YEAR ENDED 30 JUNE 2017	
	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000
The Subsidiaries (Cont'd)						
AfrAsia Corporate Finance (Pty) Limited (Under liquidation)	-	-	-	-	212	-
AfrAsia Corporate Finance International Limited (Under liquidation)	-	-	-	50	-	-

Fees of MUR 7.5m is payable to Deloitte for the audit as at June 2019.

The audit fees include an ad-hoc fee relating to review of IFRS 9 in the first year of implementation.

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 organization 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.

Independence of The Internal Audit Team

The internal audit function in ABL 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 as part of the audit procedures performed during the year under review. 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 Audit Committee. He attends quarterly meetings with the Audit Committee which comprises high calibre professionals and more frequently when the need arises.

Qualifications and Experience

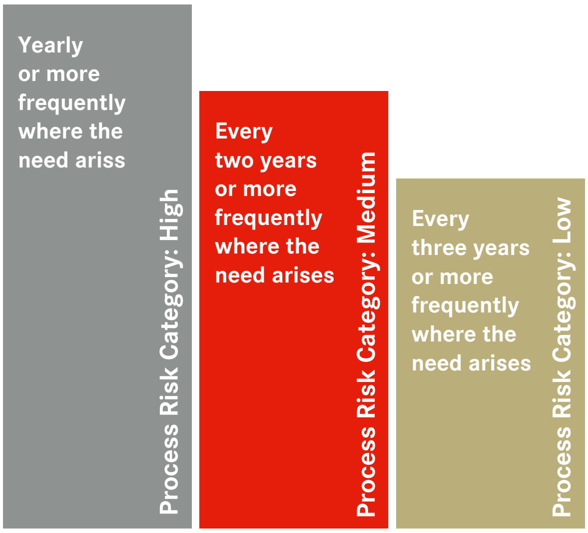
Kristy Kumar Ballah, a Fellow of the Institute of Chartered Accountants in England and Wales with over 14 years of experience in the auditing field heads the Internal Audit department. Prior to joining the Bank, he was the Group Internal Audit Manager at the Mauritius Commercial Bank. He started his career with PwC where he grew to become an Audit Manager. Over the years, the Head of Internal Audit had exposure to many local clients operating in diverse sectors and also had significant international exposure. He is well acquainted with strategy setting for risk functions in Banks and risk management activities in general. The profile of the Head of Internal Audit is displayed on the Bank's website.

INTERNAL AUDIT (cont'd)

The Head of Internal Audit is adequately supported by staff members with significant banking and auditing experience. The team includes members with "Big 4 firm" exposure and who are also 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:



The execution rate of financial year 2019 internal audit plan, which covered key operational and IT areas, is satisfactory. Treasury and Credit processes were audited in financial year 2019 and they cater for a major portion of the Bank's income. Other core functions such as compliance, finance and operations have also been covered. In addition, several ad-hoc assignments have been performed at the request of management comprising fact finding and other assignments of an advisory nature.

The financial year 2020 audit plan is purely risk based and will also accommodate (i) any financial year 2019 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 2020 audit plan, Internal Audit has used the following key criteria to assign a risk rating to the relevant processes in the Bank:

- Past audit findings and cumulative audit knowledge
- 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
- Recent or foreseen changes in management, structure, systems impacting the process

Implementation of The Risk-Based Audit Plan

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 jeopardize the operations of the Bank. The audit of subsidiary ACM revealed several high risk issues, Management has produced a comprehensive action plan to address the audit recommendations with owners and timelines clearly established.

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.

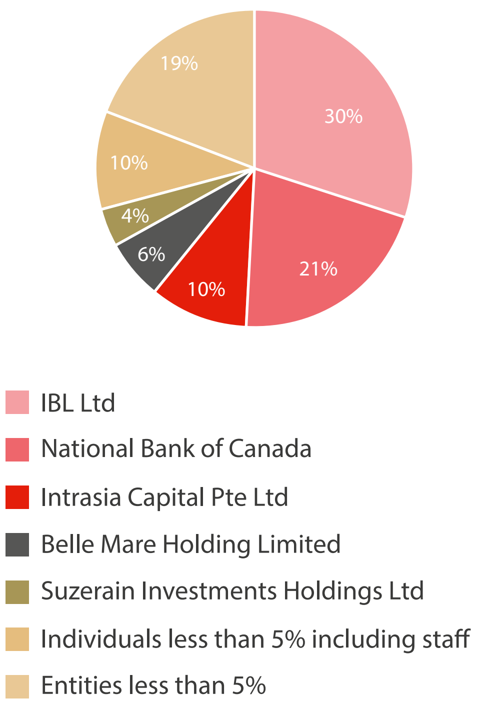
PRINCIPLE EIGHT – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

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 7.7bn as at 30 June 2019. 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 0.33% of the Bank's shareholding is held by its staff.

The Bank's shareholding structure as at 30 June 2019 is as follows:



DIVIDEND POLICY

Dividends are proposed by management to its Board 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 186.4m (MUR 1.65 per share), declared and paid during the year under review (2018: MUR160.2m that is, MUR 1.50 per share /2017: MUR 100.4m that is, MUR 1.00 per share).

Dividend On Class A Shares

Dividend of MUR 74.9m were paid for the 6 months ended 31 December 2018 and MUR 72.2m for the 6 months ended 30 June 2018 (MUR 70.9m for the 6 months ended 31 December 2017, MUR 69.1m for the 6 months ended 30 June 2017).

EQUITY-SETTLED SHARE-BASED PLAN

Please refer to the note on "Other Reserves" contained on Note 31 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 2019.

MANAGEMENT AGREEMENTS

ABL has not entered into any management agreement with third parties during the financial year ended 30 June 2019.

GIFTS AND DONATIONS

The Bank made MUR 0.8m of gifts and donations during the year ended 30 June 2019 (2018: MUR 1.5m / 2017: MUR 0.6m).

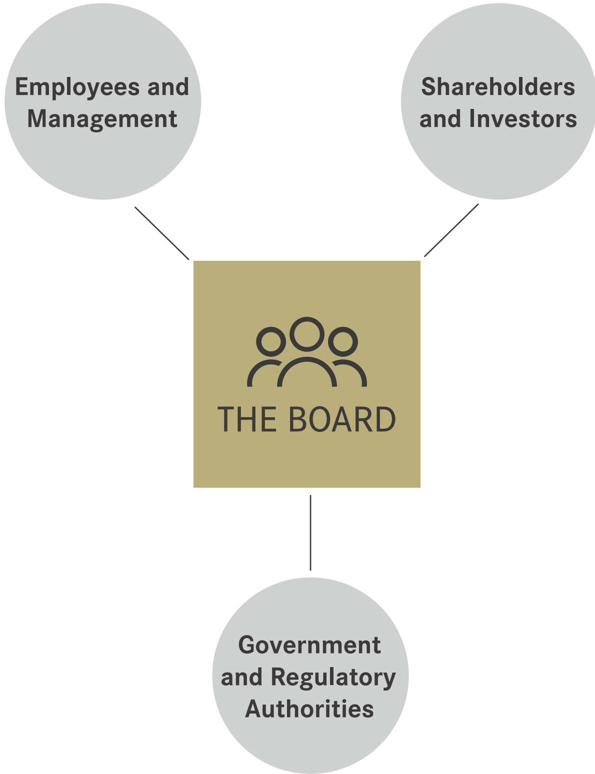
POLITICAL DONATIONS

The Bank has not made any political donations during the year ended 30 June 2019 (2018 & 2017: Nil).

RELATED PARTY TRANSACTIONS

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

OUR KEY RELATIONSHIPS



Employees and Management

We continue to take a proactive approach towards our relations with primary stakeholders. When selecting suppliers, contractors or non-governmental organisations, we look for those that align closely to our values and areas of focus.

We offer a variety of ways for stakeholders to interact with us and provide feedback; we use this information towards understanding what is going well and improving areas of concern. We regularly review how we communicate with out stakeholders to ensure it is still appropriate in an ever changing fast moving world.

Below is an overview of our main stakeholders, how the Bank engages with them:

HOW WE ENGAGE WITH OUR STAKEHOLDERS	› Face to face meetings › CEO town halls › Social events/activities › Training and coaching › External learning and growth opportunities › Committees › Recognition and reward › Engagement Surveys/Pulse Checks › Breakfast meetings with EXCO
THEIR CONTRIBUTION TO VALUE CREATION	› Work towards achievement of our strategy - Key Performance Indicators › Demonstrate passion towards a positive customer experience › Help create & build positive working relationships › Enhance trust on the market › Help create a positive employer and corporate brand
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 growth › Open door management style; with mutual trust › A positive work culture › Sustainability and CSR matters › Regular feedback and coaching › Competitive remuneration › Financial and non-financial rewards › Recognition › A high level of empowerment and autonomy

Shareholders and Investors

HOW WE ENGAGE WITH OUR STAKEHOLDERS	› Engage with all stakeholders on building a sustainable business › Regular presentations › AfrAsia Bank Sustainability Summit › External workshops and seminars › Newsletters › Integrated reports, media releases and published results › Board meetings › Annual general meetings › Investor relations › Sustainability & CSR microsite › Social media platforms
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 employee engagement, empowerment and autonomy

OUR KEY RELATIONSHIPS (cont'd)

Government and Regulatory Authorities

HOW WE ENGAGE WITH OUR STAKEHOLDERS	› Regular meetings › Workgroups with Bank of Mauritius and Financial Services Commission on regulatory guidelines, new legislations, 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, Business Mauritius
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 sustainable way › Ensuring and maintaining customer satisfaction › Complying with acts, regulations and guidelines
WHAT CONCERNS OUR STAKEHOLDERS	› Products and services being provided and the communication around same › Compliance with laws, acts and regulations › Transparency and accessibility to accurate, relevant and current information › The Bank's duty of confidentiality and data protection › Duties of the Board and senior management › Appropriate Customer Due Diligence and Know Your Client (KYC) exercise › Risk management and internal controls › 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.

STATEMENT OF COMPLIANCE

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

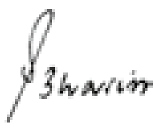
AfrAsia Bank Limited and its Group Entities

Year ended 30 June 2019

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 except for Principle 4. The reason for non-compliance is as per below.

Area of Non-Compliance	
Principle 4	Recommendation of the Code of Corporate Governance with respect to "Board Evaluation and Development" indicates that the Board is encouraged to undertake a formal, regular and rigorous evaluation of its own performance and that of its committees and individual Directors and produce a development plan on an annual basis. *Reason for AfrAsia non-compliance:* No Board appraisal exercise has been performed for the year under review due to recent changes in directors. The exercise will be launched once the new directors are more familiar with the Bank and its activities.

JEAN JUPPIN DE FONDAUMIERE
Chairman

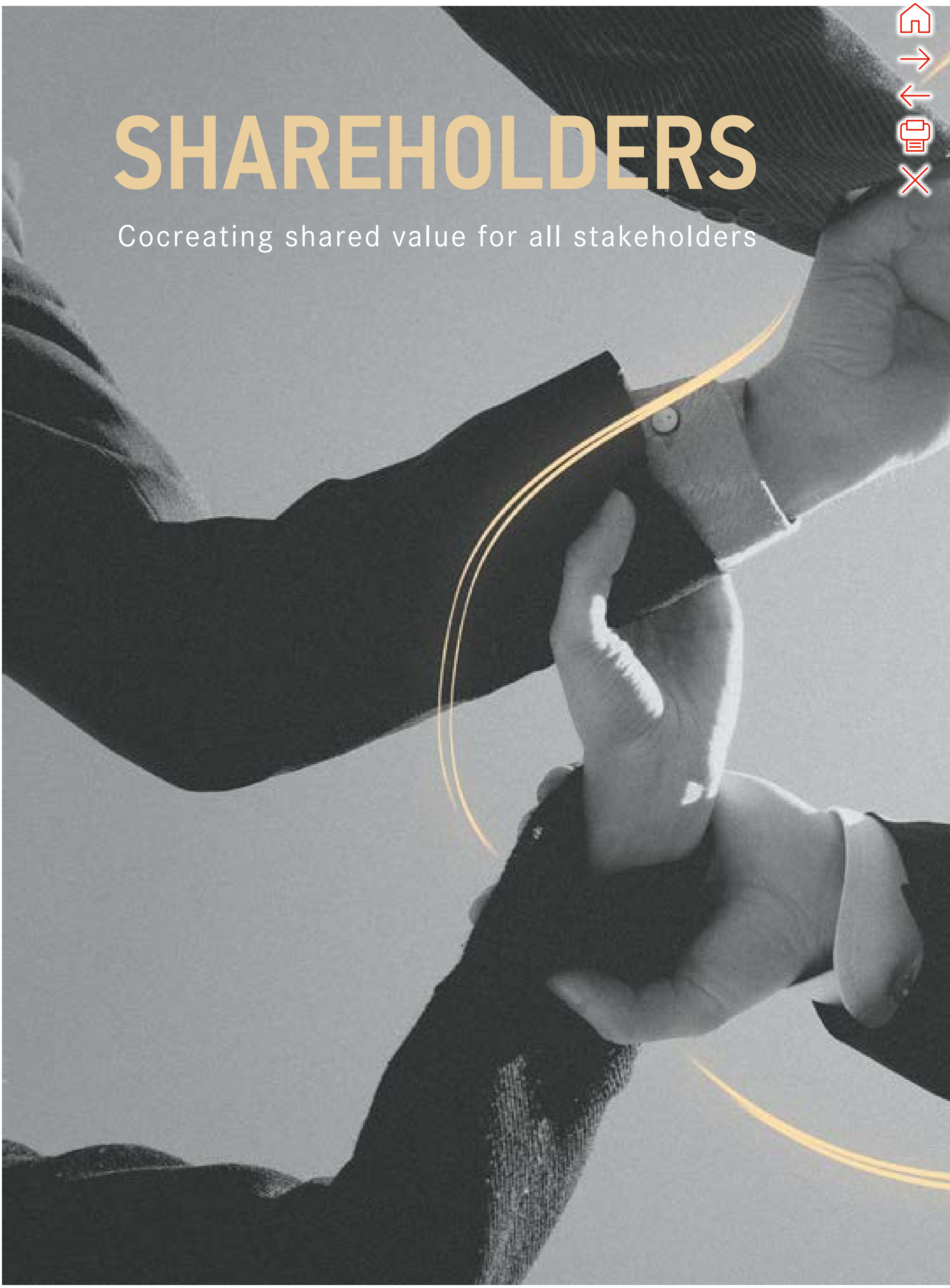


SANJIV BHASIN
Chief Executive Officer

Date: 19 September 2019

SHAREHOLDERS

Cocreating shared value for all stakeholders



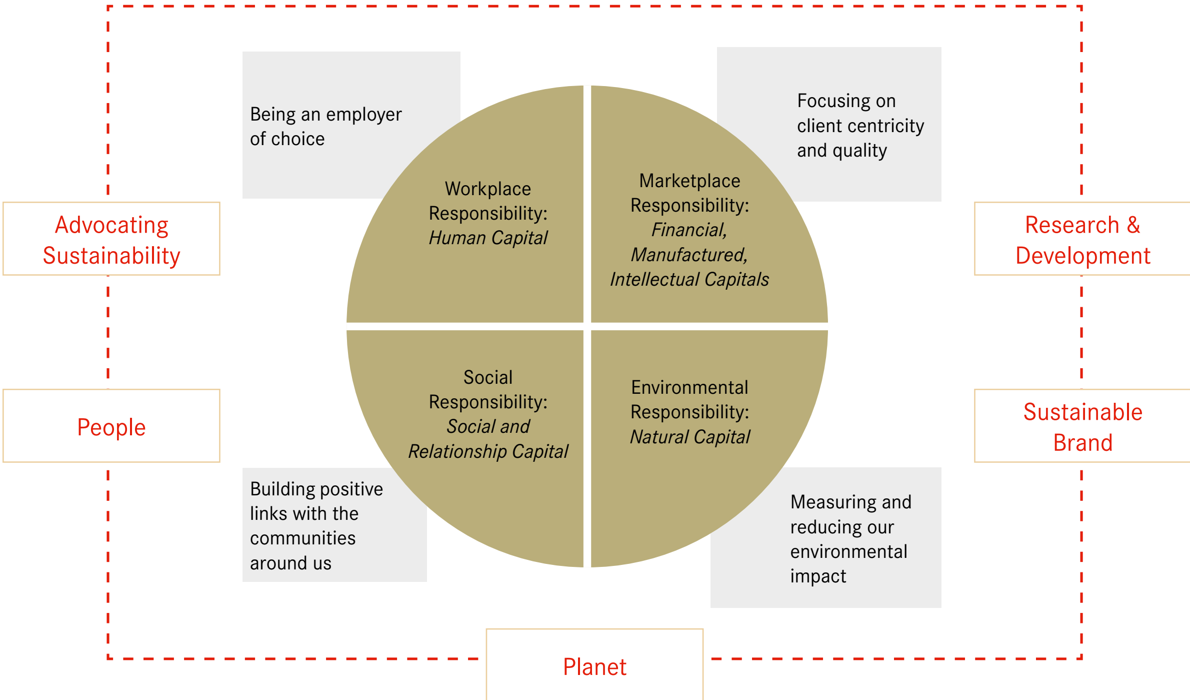
This Integrated Report should be read in conjunction with our Sustainability Report which is available online on our website. The Sustainability Report has in-depth information about our sustainability strategy and performance.

SUSTAINABILITY STRATEGY

Our Sustainability Journey started way back in 2015 with our first reporting to the United Nations Global Compact. A commitment which we have upheld continuously since then.

As one of the pillars of AfrAsia's "Bank Different" philosophy, sustainability is steadily being integrated in the Bank's culture. The pursuit of sustainable practices is an ongoing process, which is being advocated by the sustainability champions of the Bank.

Our 2021 Strategy is based on the 4 pillars of Sustainability, which is further developed into 6 core focus areas:



Last year we conducted a Materiality Assessment exercise through which we engaged with our key stakeholders on sustainability topics. The main takeaway from this assessment was the increase in training hours and revamped training types.

Going forward, for this financial year, two main findings of the materiality assessment will be addressed:

1. Ethics and Compliance; and
2. Greening of the supply chain.

Additionally, another materiality assessment will also be conducted beginning of next year with more emphasis on workshops and debriefing sessions with the stakeholders.

The sustainability department will also work on setting quantitative targets on selected Key Performance Indicators in order to measure our progress in regards to the different initiatives undertaken.

OVERVIEW OF OUR 4 PILLARS OF SUSTAINABILITY

Pillars	Summary	Main Initiatives	Key Performance Indicators FY 18-19 only
Workplace Responsibility (Human Capital)	Our employees are our most valuable stakeholders and our best asset. AfrAsia continues to take positive steps to become an "Employer of Choice".	see below	see below

Main Initiatives

Our HR department has put in place various initiatives to cater for the talents at AfrAsia.

1. Attract

- Interesting financial and non-financial benefits e.g. competitive remuneration packages, Flexible working hours, Housing Loans, Car/Personal Loans at interesting interest rates

2. Develop

- Develop Revamping of our training programmes including implementation of e-learning platform on our Oracle HCM system

3. Retain

- Internal Promotions of high performers
- Additional support for underperformance
- Contribution to wellness activities like yoga, Zumba
- Birthday gift for staff

4. Grievance policy for employees to raise their concerns.

We also have a robust health & safety committee headed by the Safety & Health Officer that ensures that our offices enjoy a safe and healthy environment.

Additionally, our DARE culture is another way through which we engage with our employees including integration of DARE culture in staff KPIs, Dragons Den initiative amongst others.

Key Performance Indicators FY 18-19 only

All KPIs relates to Bank Employees only.

Total Headcount: **402**

Types of Contract	FY18-19
Contractual Long Term	21
Contractual Short Term	7
Part Time	1
Permanent	373

% employees attending at least 1 training: **100**

Total hours of training: **15,600**

Average hours of training:

a. Per employee: **39**

b. Per female employee: **32**

c. Per male employee: **39**

MUR spent in training: **10,000,000**

4 ex-employees were recruited by the Bank.

Turnover rate (*Full time employee only): **8.97%**

33 high performers were promoted

FY 18-19
11 Grievances
18 Written warnings
17 Disciplinary Actions
3 resignations

4 meetings of the committee throughout the year

1 accident reported at the workplace

Pillars	Summary	Main Initiatives	Key Performance Indicators FY 18-19 only
Marketplace Responsibility (Financial Capital, Manufactured Capital, Intellectual Capital)	The marketplace responsibility pillar demonstrates how we, at AfrAsia, manage our relationship with our customers, suppliers and business partners. We also ensure that high ethical standards are maintained across our business, which is critical for the Bank's reputation.	This is a developing pillar with the following initiatives being undertaken by the Bank: 1. Green Finance – Collaboration with external agency and development of our in-house green financial product in progress. 2. AfrAsia wishes to position itself as a sustainable brand though the organization of the AfrAsia Bank Sustainability Summit and ABSS Breakfast Meet 2019 in Johannesburg. 3. Our Oracle HCM system went live as part of its phase 2 with additional modules on recruitment, learning, talent, succession, compensation, and benefits being deployed on the cloud. 4. Quantum upgrade, which is an update of the treasury core system.	Total number of Transactions completed on our Internet Banking Platform: **181,376**

	FY18-19
Total Number Of IB Customers Registered Between Dates	3,095
Total Number Of Personal Internet Banking Customers Registered Between Dates	1,003
Total Number Of Corporate Internet Banking Customers Registered Between Dates	2,092
Total Number Of Internet Banking Customers	21,124
Total Number Of Personal Internet Banking Customers	8,423
Total Number Of Corporate Internet Banking Customers	12,700

Pillars	Summary	Main Initiatives	Key Performance Indicators FY 18-19 only
		5. The Internet Banking platform accessible to all Bank's clients. Internet Banking is linked to our "Bank Different" Strategy and part of our digital transformation journey. 6. Ethical Behaviour and Compliance – Provision of training to our employees and due diligence process of our potential business partners. 7. IT security – several initiatives including training for employees, data classification and phishing tests undertaken to ensure that our clients, employees and partners' sensitive data are protected. 8. Heritage site – In line with the SDG 11, we continue in our efforts to safeguard and preserve our head office in Port-Louis, a historic building dating back to 1879.	**8** training sessions offered by Compliance department Last phishing campaign has a victim rate of **1.3%** (4 staff out of 303 targeted) against the industry average of 26%.

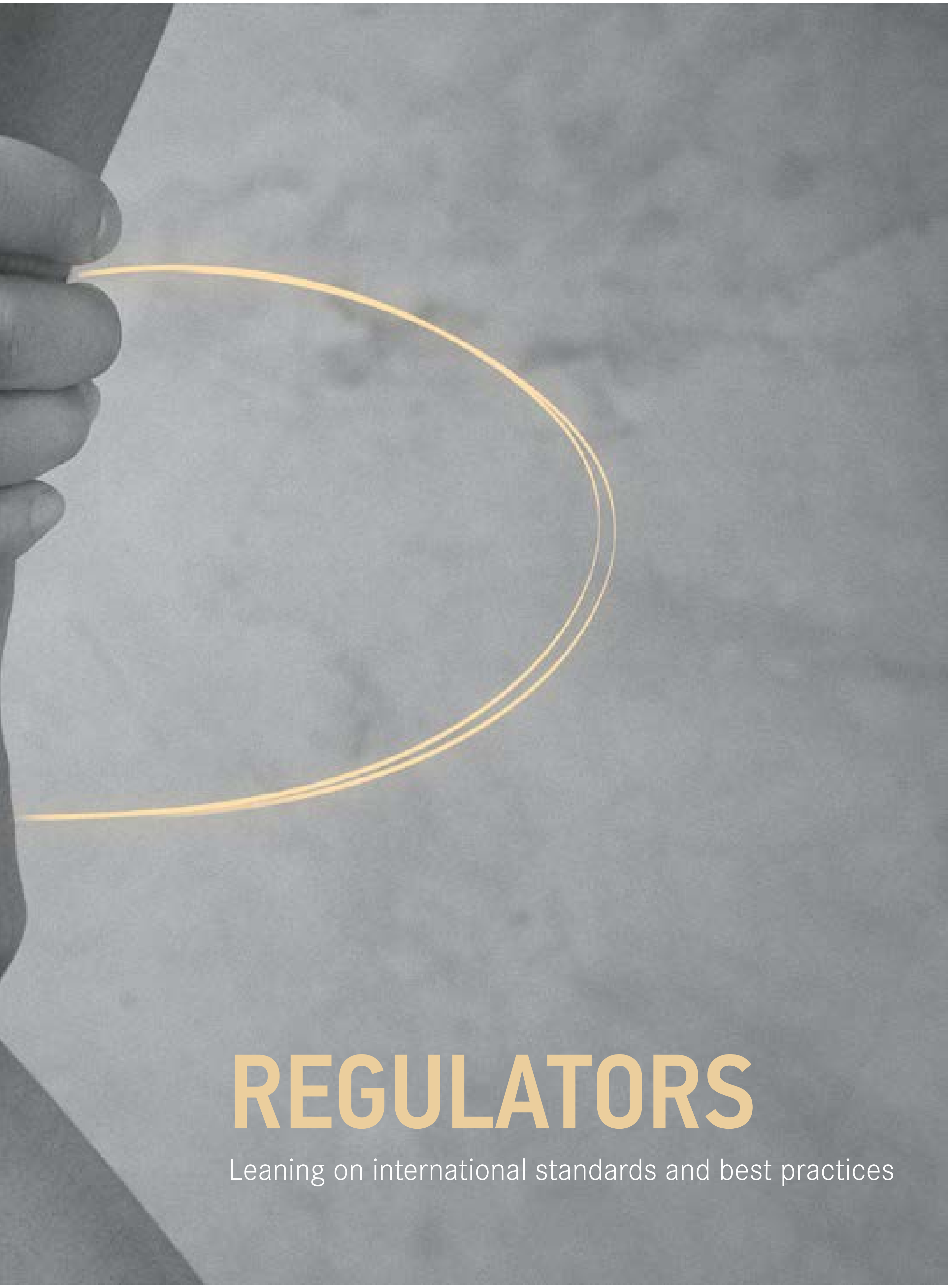
Training	Completion Rates
Security Awareness Fundamentals on the basics of security	78
GDPR Awareness Training	93
Safe Web Browsing	78

Pillars	Summary	Main Initiatives	Key Performance Indicators FY 18-19 only
Environmental Responsibility (Natural Capital)	Management of our natural resources is of up most importance for the Bank. We wish to steadily integrate environmental consciousness in everything we do.	1. Electricity – monitoring of our electricity usage at the Ebene Office on a monthly basis to investigate any irregular and abnormal peak in consumption. 2. Waste Management – We are currently reviewing our waste strategy for the entire Bank. E-waste is responsibly disposed through an external third party, BEM Recycling. 3. Paper saving initiatives have been implemented at the Bank e.g. promotion of E-statements, E-advice. 4. Our DARE team will promote sustainability concept for every event / initiative organised. 5. Sourcing policy – work in progress with our sustainability policy to integrate means to assess suppliers on their environmental practices. 6. Radio Frequency Identification Technology system has been implemented to achieve efficiency in asset and inventory management.	Total Electricity Consumption: **515,882 kWh** Average yearly consumption per employee: **1271 kWh** **4,281** Reams of paper purchased **285.64 Kg** E-waste Recycled by BEM Recycling

Pillars	Summary	Main Initiatives	Key Performance Indicators FY 18-19 only
Social Responsibility (Social & Relationship Capital)	Our ability to sustain strong relationships with customers and the wider community is vital for the Bank. Our approach to this pillar is divided into three main categories: 1. **AfrAsia Foundation** (as the basis for our Corporate Social Responsibility Commitment) 2. **Engaging with our various stakeholders** 3. **Customer Experience**	1. AfrAsia Foundation has 3 pillars through which various projects are developed: › **Education** – AfrAsia School with 44 beneficiaries. Various initiatives have been implemented for the AfrAsia Kids including a health care and food support program. › **Health awareness campaign** – Movember, Blood Donation, Collaboration with Link to Life. › **Environment** – AfrAsia Think Green Program, which includes promotion of awareness through collaboration with NGO, Reef Conservation.Greening of AfrAsia School is a project currently under development as well as a programme to promote awareness on environmental issues. 2. Customer Experience – We have a robust complaint process for our customers that allow us to engage and learn from them. 3. Engagement with our various stakeholders through several channels: Awareness workshops, Emails, Social Media, Reports, Participation in the Voluntary National Review development.	**44** AfrAsia Kids are enrolled in the Early Childhood and After School Programme **41** Families in the Parent Support Programme **69** staff participated in "Sponsor an AfrAsiaKid Programme" **MUR 43,648.70** donations received for Wish Tree Initiative **MUR 474,500** raised for Movember Initiative which was donated to Link to Life **126** pints of blood collected for annual blood donation campaign **3** fun days organized for children fighting cancer in collaboration with the NGO Link to Life and volunteers from AfrAsia **Zero** Complaint in January

More information can be found online in our sustainability report.

Should you need a paper copy of AfrAsia Bank's Sustainability Report 2019, please contact the Corporate Sustainability & CSR Team at abss@afrasiabank.com or via phone (+230) 403 5500. You may also contact us via post [4th Floor NeXTeracom Tower III / Ebene 72201 / Mauritius]. You are requested to provide your full name and full postal address.



REGULATORS

Leaning on international standards and best practices

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CHAIRMAN OF BRC MESSAGE

Statement: "With a clear vision of where we want to be heading and an elaborate risk appetite framework, AfrAsia Bank is fully prepared to manage and mitigate the risks and challenges across the various products we offer and in the various markets we operate."

We live in a risky time in which the global economy has been propped up by unprecedented monetary stimulus and the emergence of a new global economic and political order. At AfrAsia, our attempt is to keep risk at the core of our decision making and keep sharpening the tools to navigate our way through 'known unknowns and unknown unknowns', to borrow a phrase from Donald Rumsfeld.

ARVIND M. SETHI
Chairman of BRC

HEAD OF RISK STATEMENT

"Taking risk is inherent to the Financial Institutions, but such risk taking needs to be made in an informed, calculated and disciplined way, and within a pre-determined risk appetite and tolerance. This is the primary objective of AfrAsia Bank risk management strategy and framework."

CHUNDUNSING (RAKESH) SEESURN
Head of Risk

RISK MANAGEMENT STRATEGY

OUR VISION

To identify, evaluate, respond and monitor risks to which the Bank is exposed 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 to the Bank's strategic goals and risk parameters.

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 unprecedented 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;

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;

RISK APPETITE MANAGEMENT (cont'd)

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;
- It is important to note that the **event** that gives rise to the movements in the parameters is **hypothetical**;

Reverse stress testing

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

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 collateralised/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.

Committees established by the Board of Directors

Credit Committee

- The Board Credit Committee (BCC) consists of 2 non-executive directors, and 3 independent non-executive directors, who 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 BCC examines and approves large credit applications where global exposures exceed MUR 50M.

Risk Management Committee

- The Board Risk Committee (BRC) composes of the chair/ independent non-executive director, 1 independent non-executive director, 2 non-independent non-executive directors and 1 executive director. They all met four times during the year for review.
- The BRC reviews the principal risks and has a global view on all risks that the Bank faces. It oversees that appropriate actions are being taken to mitigate or avoid these risks, all in compliance with Bank of Mauritius guidelines and policies approved by the Board. The BRC also ensures that transactions which could materially affect the financial stability of the Bank are identified at source and that liquidity ratio is maintained at all times

Conduct Review Committee

- The Conduct Review Commi1ee (CRC) composes of 3 independent non-executive directors. They met four times during the year for review.
- The CRC reviews the practices of the financial institution and approves credit exposures to related parties. It ensures that market terms and conditions are applied to all related party transactions. It also reports on a quaterly basis to the Board on malers it has reviewed, including exception on policies, processes and limits.

Audit Committee

- The Audit Committee compromises of three non-executive independent directors, who met four times during the year for review.
- The Audit Committee's principal responsibilities are to ensure that the Bank implements and maintains appropriate accounting, internal control and financial disclosure procedures, evaluate and approve 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 (CGC) consists of 1 independent nonexecutuve director, 3 non-independent non-executive directors and 1 executive director, who met 8 times during the year.
- The CGC 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.

Committees established by Management

Management Credit Committee

- The Management Credit Committee (MCC) reports to the BCC and comprises of three voting members (Chief Executive Officer, Head of Credit Risk and Head of Risk with veto rights on policies.
- The 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. The 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.

Assets and Liabilities Committee (ALCO)

- This committee, which comprises the Chief Executive Officer, Chief Financial Officer, Head of Risk, the General Manager, Senior Executive Head Corporate Banking, Senior Executive - Head of Global Business, Senior Executive - Treasury and Markets, Head of Credit Risk and Head of Treasury meets at least once a month.
- 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 BRC.

Committees

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 concentration and country analysis.

[Please refer to Corporate Governance Report- Principle 2- The Structure of the Board and its Committees – Page 46 for roles and objectives of each committee]

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

	Type of Risk	Description	Which capitals will be impacted?	Mitigating Actions
FINANCIAL RISK	**Credit Risk**	It 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.		1. Policies & Procedures 2. Regulatory Guidelines 3. Control & Monitoring 4. Key Resources with technical expertise 5. Ongoing Training
FINANCIAL 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.		1. Regular Country Review 2. Cap in terms of Country Risk Limit 3. Quality Review by Board 4. In line with Risk Appetite framework
FINANCIAL RISK	**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.		1. Work around solution (manually) 2. Market Risk Policy 3. Process & level of acceptance 4. Tolerance limit 5. System Implementation

	Type of Risk	Description	Which capitals will be impacted?	Mitigating Actions
FINANCIAL RISK (CONT'D)	**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.		1. Liquidity risk is manage in line with the Bank's internal liquidity risk management framework and the BoM Guideline on Liquidity Risk Management. 2. Daily reporting of liquidity metrics and monitoring of Liquidity Early Warning Indicators. 3. Training
FINANCIAL RISK (CONT'D)	**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.		1. Monitoring of interest rate risk exposure in line with the Bank's internally prescribed limits.
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.		1. Documented policies, procedures and processes 2. Implementation of systems and internal controls 3. Training
NON-FINANCIAL RISK	**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.		1. Policies and Procedures- to ensure Bank is compliant to Regulatory Standards 2. Internal Controls 3. Trained and qualified staff 4. Appropriate system/tools
NON-FINANCIAL RISK	**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.		1. Documented policies, processes and procedures. 2. Implementation of systems and internal controls 3. Awareness Training and best practices.

	Type of Risk	Description	Which capitals will be impacted?	Mitigating Actions
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.		1. Documented policies, procedures and processes 2. Implementation of systems and internal controls 3. Training 4. Ensuring that the Bank adheres to its Risk Appetite 5. Ensuring that Business strategy is embedded in the Risk Appetite Framework
	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.		1. Effective communication, staff training, and HR practices 2. Documented policies, procedures and processes 3. Efficient complaints & feedback handling for continuous improvement of products/services 4. Constant compliance checks and monitoring 5. Information Security

Key

Financial Capital

Human Capital

Social & Relationship Capital

Natural Capital

Manufactured Capital

Intellectual Capital

Please refer to Principle 6- Reporting with Integrity in the Corporate Governance Report for an overview of each capital on **Page 64**

CREDIT RISK

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 objective of credit risk management 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.

Organisation and Structure

The Bank has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring that there is an adequate segregation of tasks. Credit policies and 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

FRONT - OFFICE | RELATIONSHIP MANAGEMENT | CREDIT MANAGEMENT | APPROVAL PROCESS

CUSTOMER SERVICE ASSISTANT/ CUSTOMER SERVICE OFFICER	RELATIONSHIP MANAGER	CREDIT MANAGER	LEGAL VETTING	CREDIT RISK MANAGEMENT	MCC/BCC
Account Opening KYC Perfection	Operational Evaluation Provide details on Background and deals	Collect and review data; credit analysis and submission of credit proposal	Vetting of proposed security structure for complex structures	Credit Risk Assessment	Approval by Management Credit Committee or Board Credit Committee
› Establishing contact › Evaluate first customer information › Customer meeting › Shareholding structure › Segmental information	› Performs Operational Evaluation on the credit request › Provide details on the deal and rationale for financing › Provide details on Client's background, client base and products base & markets › Highlights the key business risks › Review MCIB and search report	› Requests supporting documents › Proposes Facility structuring › Obtains information › Completeness and plausibility review › Financial spreading and Financial Analysis › Provides recommendation to Relationship Managers (Domestic Banking or Global Business)	› Provides in-depth advice on appropriate security structure; › Vetting of documentation › Review of existing securities (and advises on flaws or pending documentation if any)	› Ensures compliance with regulatory and Internal Credit Risk Policy › Reviews documents and facility structure › Assesses credit-related factors linked to lending › Assesses Loan to Value ratio › Formulates independent recommendation on the credit request › Evaluates exposure › Industry/Country exposure	› Approval by decision-makers and depending on authority structure

CREDIT RISK POLICIES (cont'd)

Impact of IFRS 9 Financial Instruments

AfrAsia Bank Limited has run a centrally managed IFRS 9 program since 2018, 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 Bank's IFRS 9 Steering Committee and included representatives from Risk, Credit, IT and Finance department. The adoption of IFRS 9 has enabled AfrAsia Bank to enhance its internal control system with a better end-to-end management on an ongoing basis, which is critical to avoid unintended consequences. In addition, IFRS 9 Financial Instruments have allowed the Bank to analyse high frequency market data to enhance the risk assessment of our portfolios; while still delivering a consistent customer experience within set risk parameters. IFRS 9 is much more sensitive to new information compared to IAS 39 in terms of embedding forward-looking information. IFRS 9 reinforces the risk mitigation process through internal controls and credit monitoring.

Controls & Lines of Defense

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 Defense

RISK AND COMPLIANCE

- Establish the integrated management framework for risks and management policies.
- 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 Defense

INTERNAL AUDIT

- Review 1st and 2nd lines of defense
- 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) have been implemented to assist the Bank in complying with the requirements under the internal ratings-based approach of the Basel II Accord. Both models now facilitate credit risk appraisal of a borrower through a judicious mix of objective and subjective methodologies and act as a comprehensive database for all borrower-specific information.

CRISIL rating grades and descriptions for each grade is as follows:

CRISIL	Description
AAA	Borrowers has extremely strong capacity to meet its financial commitments.
AA+	Borrowers are judged to offer high safety of timely payment.
AA	Borrowers are judged to offer high safety of timely payment.
AA-	Borrowers are judged to offer high safety of timely payment.
A+	Borrowers have adequate capacity to meet its financial commitments.
A	Borrowers have adequate capacity to meet its financial commitments.
A-	Borrowers have adequate capacity to meet its financial commitments.
BBB+	Borrowers offer moderate safety of timely payment of interest and principal for the present.
BBB	Borrowers offer moderate safety of timely payment of interest and principal for the present.
BBB-	Borrowers offer moderate safety of timely payment of interest and principal for the present.
BB+	Borrowers are judged to offer moderate safety for timely payment of interest and principal for the present. There is a marginal difference in the degree of safety provided.
BB	Borrowers are judged to offer moderate safety for timely payment of interest and principal for the present. There is a marginal difference in the degree of safety provided.
BB-	Borrowers are judged to offer minimum safety for timely payment of interest and principal for the present.
B+	Borrowers are judged to offer minimum safety for timely payment of interest and principal for the present.
B	Borrowers are judged to offer minimum safety for timely payment of interest and principal for the present.
B-	Borrowers are judged to offer minimum safety for timely payment of interest and principal for the present.
CC	Borrowers have a greater susceptibility to default
D	Borrowers are in default

CREDIT MONITORING

Credit risk exposures are managed through a robust post disbursement monitoring process. This involves regular portfolio reviews and detection of any early warning signals. Exposures showing signs of deterioration are put on watch list and the files are reviewed at least monthly to ensure prompt actions are taken. Regular and ad-hoc checks are performed to ensure that guidelines and policies set by the Board are adhered to. With the implementation of IFRS 9, 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 to identify any significant increase in credit risk.

LOANS AND ADVANCES TO BANKS — THE GROUP AND THE BANK

S&P rating grade	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Credit rating A+ to A-	1,521,469	-	-	1,521,469
Credit rating BBB+ to BBB-	2,763,402	-	-	2,763,402
Credit rating BB+ to BB-	1,425,850	-	-	1,425,850
Credit rating B+ to B-	323,505	-	-	323,505
Total gross carrying amount	**6,034,226**	-	-	6,034,226

LOANS AND ADVANCES TO CUSTOMERS — THE GROUP AND THE BANK

Internal Rating grade	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing:				
Credit rating AAA	63,306,471	-	-	63,306,471
Credit rating AA+ to AA-	947,277,771	-	-	947,277,771
Credit rating A+ to A-	13,099,640,083	-	-	13,099,640,083
Credit rating BBB+ to BBB-	4,647,831,599	-	-	4,647,831,599
Credit rating BB+ to BB-	1,665,109,848	-	-	1,665,109,848
Credit rating B+ to B-	279,795,095	-	-	279,795,095
Credit rating CCC+ to C	-	1,117,417,016	-	1,117,417,016
Non performing:				
Credit rating D	-	-	2,242,335,256	2,242,335,256
Total gross carrying amount	**20,702,960,867**	**1,117,417,016**	**2,242,335,256**	**24,062,713,139**

During the financial year 2018/19, 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.

CONCENTRATION OF RISK

The Bank of Mauritius Guidelines on Credit Concentration (revised September 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 Tier 1 Capital;
- Related group of companies to 40% of the Bank's Tier 1 Capital; and
- In aggregate, any individual exposure of 10% above of the Bank's Tier 1 Capital shall not exceed 800% of its Bank's Tier 1 Capital.

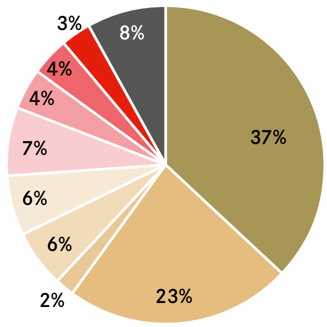
The key focus of the Bank's macro credit risk management approach is to avoid any undue concentrations in its credit portfolio, whether in terms of counterparty, group, portfolio, product, country, sovereign, or currency. The Bank has always kept its large exposures within these limits. For instance, our concentration ratio of large exposures above 10% was 239% as at 30 June 2019, well within the regulatory limit as shown below:

Capital as @ 30 June 2019	MUR'000
Tier 1 Capital	7,257,255
Tier 2 Capital	463,159
Capital Base	**7,720,414**
Total Large Exposure (above 10%)	18,478,477
% Total Large Exposure vs Capital Base (Limitation 800%)	**239%**

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.

	GROSS MAXIMUM EXPOSURE	
	THE BANK	
	2019	2018
	MUR'000	MUR'000
Agriculture	509,649	2,026,262
Construction, infrastructure and real estate	1,119,041	1,780,388
Financial and business services	121,014,380	102,120,488
Government and parastatal bodies	479,419	1,488,649
Information, communication and technology	16,516	45,544
Manufacturing	2,725,894	2,780,767
Personal	1,912,148	1,706,109
Tourism	3,165,754	2,412,999
Traders	1,550,713	1,561,372
Others	8,700,323	4,884,233
	141,193,837	**120,806,811**

CONCENTRATION OF RISK (cont'd)



Mauritius	Africa
United Kingdom	Germany
United States of America	Belgium
India	United Arab Emirates
Canada	Other

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

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.

The Credit and Risk teams analyse the following elements:

- The short and long term Economic Risk: The aim is to assess the degree to which the country approximates the ideal of non-inflationary growth, contained fiscal and external deficits, and manageable debt ratios. The analysis takes into account GDP growth, unemployment, inflation, real interest rates, exchange rates, the fiscal balance, the current account balance, external debt and a number of other structural factors; and
- The short and long term Political Risk: The political risk assessment compares the state against a theoretical ideal state, essentially a liberal state and a homogenous society in terms of ethnicity and income equality, with the premise that democracies are more able to contain and manage direct threats to the political system and offers template for greater long-term stability.

Country risks also arise where borrowers in a particular country are, or are expected to be, unwilling and unable to fulfil their foreign obligations for reasons beyond the usual risk that arise in relation to lending. Political, social and economic factors may give rise to instability in these markets. Thus, in order to mitigate those risks, a country risk 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).

According to ABL's country risk policy, the Board of Directors sets exposure limits for individual countries in order to manage and monitor country risk. Country exposure limits should apply to all on and off balance sheet exposures to foreign borrowers.

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

1. A bottom-up approach: analysis of the country risk pertaining in each cross-border credit file, placement, financial product;
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

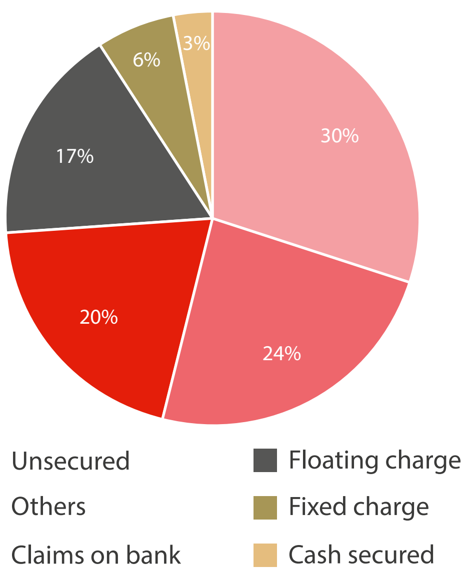
As a fundamental credit principle, the Bank does not generally grant credit facilities solely on the basis of the collateral provided. All credit facilities are also based on the credit rating, source of repayment and debt-servicing ability of the borrower. Collaterals are taken whenever possible to 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 close out netting agreements. This enables the Bank to offset 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 and other charges represent 70% of the asset book*, whilst unsecured portions account for 30% of total asset book.

Collateral Detail	Total
Unsecured	8,990,898,749
Others	7,166,876,269
Claims on bank	6,009,187,500
Floating Charge	5,033,654,613
Fixed charge	1,715,440,407
Cash secured	790,271,278
	29,706,328,815

Collateral Details



*exclusive of interest.

MARKET RISK

Market risk refers to the potential losses that arise from the adverse movement in market value of financial instruments triggered by changes in market variables. These variables include, but are not limited to, interest rates, foreign exchange rates, inflation rates, implied volatilities, credit spreads, and the prices of bonds, equities, commodities or derivatives. The key drivers of market risk that the Bank is exposed to is mainly associated with fluctuations in interest rates and foreign exchange rates.

Market risk, also known as “systematic risk”, typically affects the entirety of a market. As such, this risk cannot be fully eliminated through diversification but may be reduced using the various hedging products and techniques.

The Bank has in place a sound risk management framework to monitor and manage the market risks that the Bank is exposed to on a daily basis, a framework of limits and triggers as approved and regularly reviewed by ALCO (Asset and Liability Committee) and the BRC (Board Risk Committee) which is in line with the Bank’s risk appetite and complement the regulatory limits as established by the central bank.

The Market Risk unit, being responsible in identifying and monitoring the Bank’s exposure to market risks, works in partnership with business lines to efficiently define market risk policies and procedures. As part of the independent risk management structure, the Market Risk unit reports to the Bank’s Head of Risk. The objective of market risk management is to help control risk, facilitate risk-return decision-making, reduce volatility in operating performance and provide transparency into the Bank’s market risk profile to senior management, the Board of Directors and regulators.

Interest Rate Risk

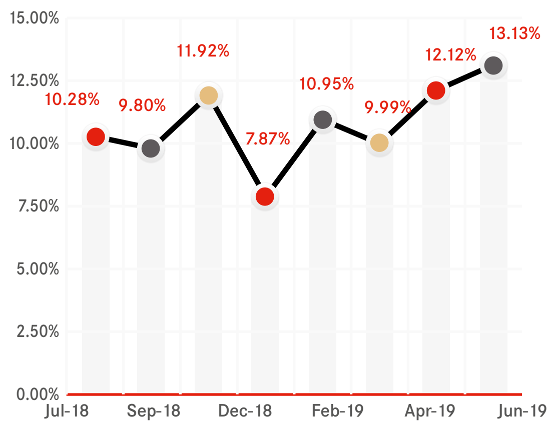
Interest rate risk arises from the likelihood that movements in interest rates will affect future cash flows and the market value of financial instruments. The main approach used by the Bank to measure this risk is through a gap analysis and sensitivity analysis. The risk is managed as per the Bank’s interest rate risk policy.

Foreign Exchange Risk

Foreign exchange or currency risk is the risk that exchange rate fluctuations may result in adverse changes in the value of current holdings and future cash flows that are denominated in currencies other than the base currency. This risk affects the Bank due to the multi-currency investing and lending activities.

For the financial year ended 30th June 2019, the Bank has maintained a daily net FX Open position against the Mauritian rupee that were well under the regulatory limit of 15% of Tier 1 capital as prescribed by the Bank of Mauritius.

FX Exposure Regulatory Limit



FX Exposure for the Financial Year ended 30th June 2019

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

Market risk reports are regularly communicated to Senior Management, ALCO and the BRC highlighting all market risk matters and relevant issues are promptly escalated.

Value at Risk (VaR)

The Value at Risk 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 individual trading desks up to the Bank level. The metric can be defined as the maximum loss that the Bank can incur during a given holding period under normal market conditions – at specific confidence levels.

The Bank has adopted a parametric approach to compute the VaR at a 99 percent confidence level using a 10-day daily volatility change. The holding period used is one day in order to proactively manage risk on a day-to-day basis.

Sensitivity Limits

Sensitivity limits are used to monitor the potential risks faced by the Bank due to changes in several pricing parameters. These measurements include Portfolio Duration limits and PV01 limits.

The PV01 is a measure of sensitivity to a 1bp (basis point) change in interest rates. The outcomes may be positive or negative reflecting the percentage change in value for a 1bp or a 100bp (PV100) rise or fall in interest rates.

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 mark-to-market valuations of these products are more difficult to obtain if the products have long-term maturity, low liquidity or low credit rating. Maturity limits are established for portfolios that trade those types of products.

ASSETS AND LIABILITIES MANAGEMENT (ALM)

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 significant costs. The assessment, monitoring and management of the Bank's liquidity risk and strategy is done through the Asset and Liability Management (ALM) desk.

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 under both business-as-usual and stressed scenarios.

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 2019 MUR'm
Coins and bank notes	42
Excess cash with Central Bank	3,969
Short-term balances (less than 1 month) with banks in Mauritius	2,435
Short-term balances (less than 1 month) with foreign banks	43,914
Securities issued by sovereigns	33,572

As at 30th June 2019, the Bank's liquid assets ratio was 79% against an internal limit of 25%.

DEPOSITOR CONCENTRATION RATIO

The Bank's deposit base remains well diversified. As at 30th June 2019, the depositor concentration ratios were as follows:

MUR deposits	
Single depositor	4.94%
Top 10 depositors	26.98%
FCY deposits	
Single depositor	3.17%
Top 10 depositors	13.57%

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 of value in private markets, to meet its liquidity needs for a 30 calendar day time period under a severe liquidity stress scenario.

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

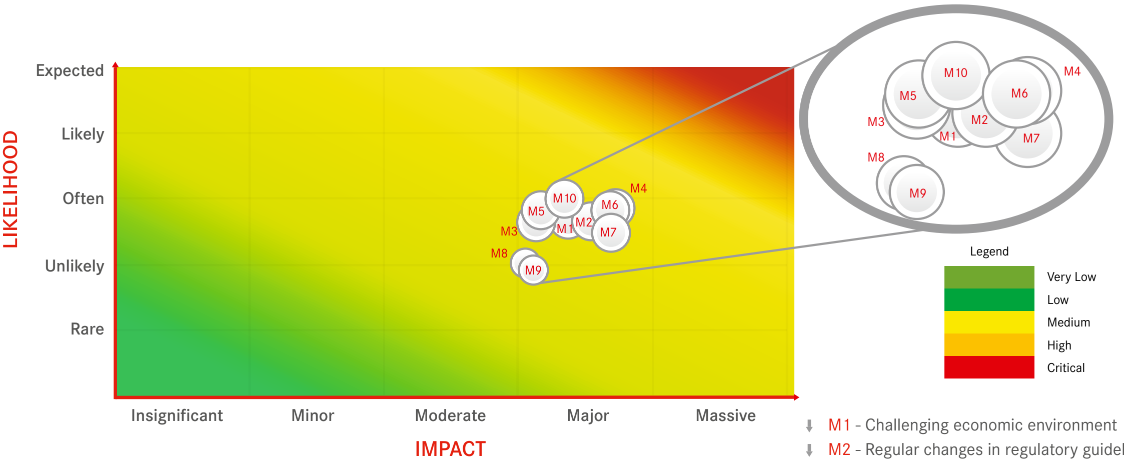
BoM has adopted the following phased in approach to the LCR requirement:

	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 2019, the Bank was within regulatory LCR limits with a MUR LCR of 729%, a USD LCR of 232%, an EUR LCR of 95% and a consolidated LCR of 350%.

ENTERPRISE RISK MANAGEMENT

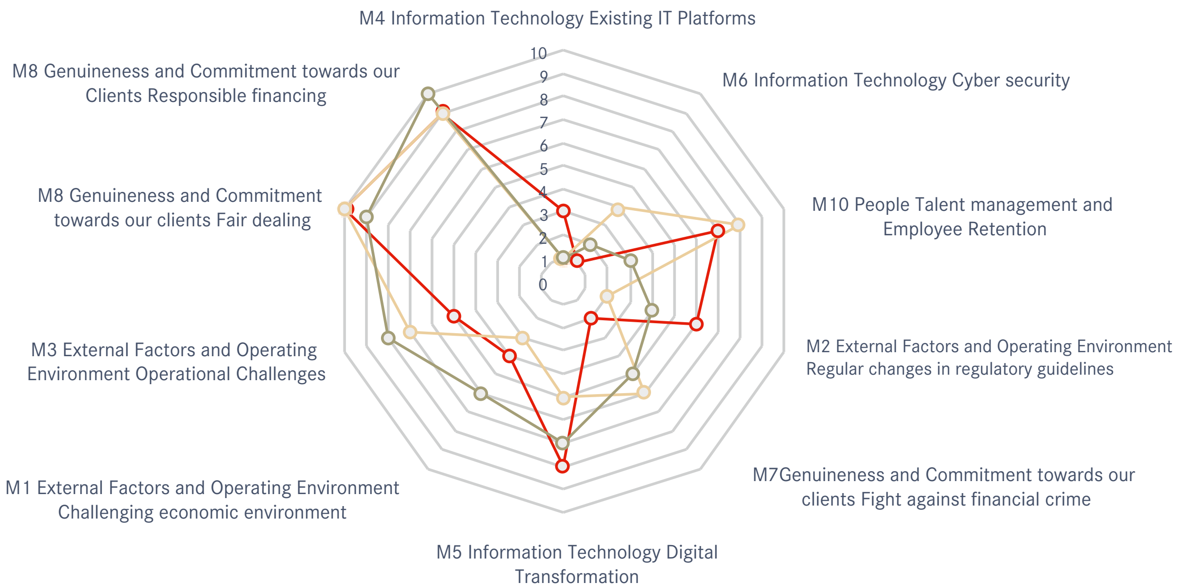
The Top 10 principal risks of the Bank have been evaluated where all departments were requested to provide their assessment through a rating exercise with regards to their actual business activities. The snapshot below depicts the inherent risks of the Top 10 principal risks in terms of likelihood and impact. From the Bank's risk scoring, it can be deduced that the inherent risks are positioned in the Low to Medium quadrant, which is acceptable.



- M1 - Challenging economic environment
- M2 - Regular changes in regulatory guidelines
- M3 - Operational Challenges
- M4 - Existing IT Platforms
- M5 - Digital Transformation
- M6 - Cyber Security
- M7 - Fight against financial crime
- M8 - Fair dealing
- M9 - Responsible financing
- M10 - Talent management and Employee Retention

The diagram below depicts the trends of the Top 10 principal risks between the FY 2016/2017, FY 2017/2018 and FY 2018/2019. Existing IT platforms and Cyber Security are among the lead risks positioning themselves first and second respectively while Talent Management and Employee Retention has moved from the eight position to third position. The Bank is taking appropriate actions to mitigate the inherent risk in this area. No major movement is observed for the remaining risks identified and they are containable within the Bank's risk profile.

Trends Analysis of Enterprise Risk



OPERATIONAL RISK MANAGEMENT

At AfrAsia, Operational Risk is Everyone's Responsibility. Operational Risk (OR) is the risk of not achieving our strategy or objectives as a result of inadequate or failure in internal processes, people, and systems or from external events, which can lead to adverse customer impact, reputational damage, litigation or financial loss. Operational risk is inherent in the day-to-day operations, activities, products and services which the Bank offers.

The Bank has a well-defined structure for operational risk that complies with regulatory and best practice requirements and is aligned with the risk culture and the risk profile of its activities. This is supplemented through an operational risk charter and operational risk framework, which include the three lines of defense (Business Units, Control Units, and External Auditors) and involvement of senior management ensuring the coverage that all operational risks are efficiently managed across its activities.

The OR framework includes a risk control self-assessment (RCSA) process, risk impact likelihood matrix, key risk and control indicators, Early Warning Indicators(EWIs), a robust operational risk event management tool, an escalation process, scenario analysis, audit recommendations, external information sources (external events or industry reports) and operational losses process.

ABL continuously improve operational control procedures to keep pace with new regulations and best practices in the market through holistic follow up of risks and their mitigating controls.

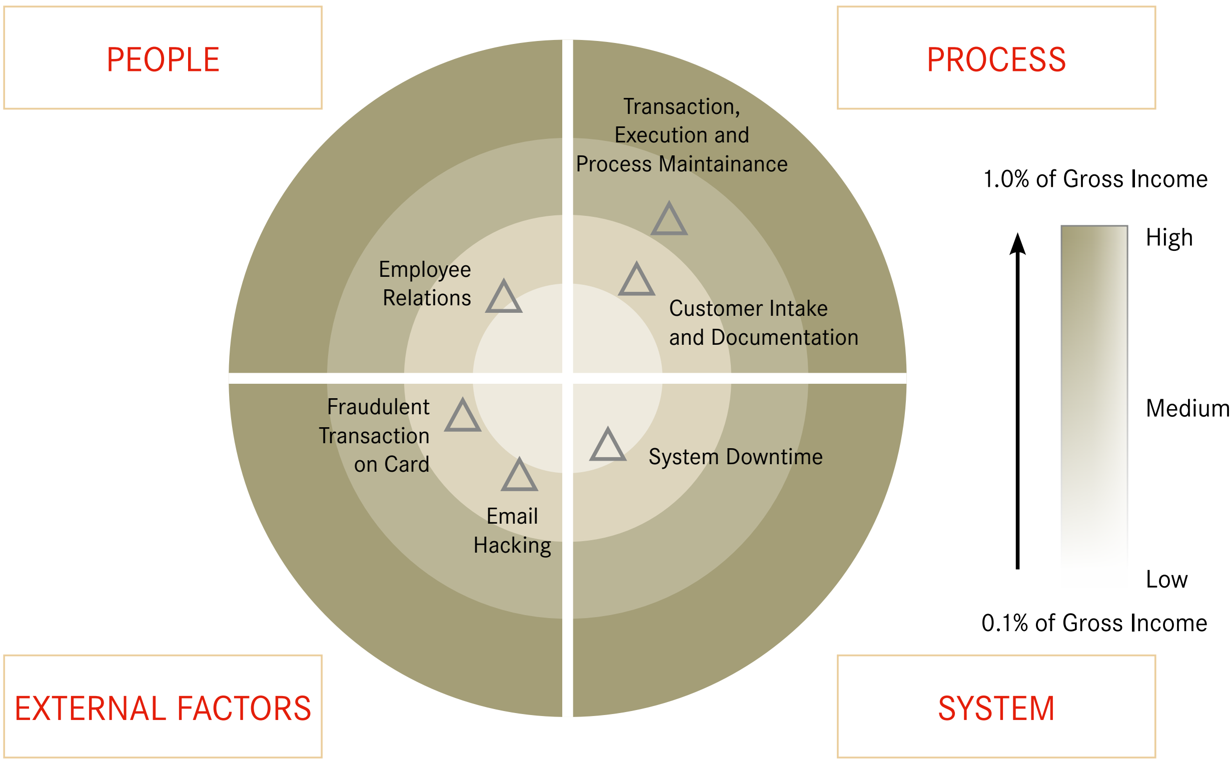
ABL fosters awareness and knowledge of operational risks at all levels of the organization through its risk-pro culture. During the financial year 18/19, several training sessions were conducted using the e-learning platform (LMS) and face-to-face sessions addressed general knowledge of Operational Risk.

ABL calculates its minimum (Pillar I) operational risk capital requirement using the Basic Indicator Approach (BIA) where the capital charge is 15% of average gross income over the last 3 years.

ABL has come up with an Early Warning Indicators (EWIs) for Operational Risk, which is 0.1% to 1.0 % of Gross income.

The Operational risk radar depicts the position of Operational Risk incidents with Operational losses according to the Basel Event Classification under the four quadrant; people, process, system and external factors vis-a-vis the Early Warning Indicators (EWIs).

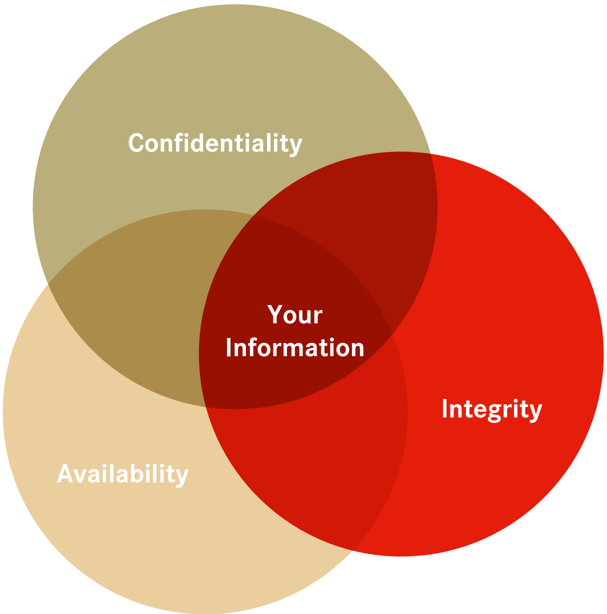
Operational Risk Radar



INFORMATION TECHNOLOGY

Technology is at the forefront when leading modern business and revenue generating strategies. FinTech and banking strategies are enabling simpler, more efficient and innovative 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 organisation, the information strategy of 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, maintaining adherence to the General Data Protection Regulation (GDPR) and the 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.



Technology, Infrastructure and Security: With technology evolving faster than ever, the primary challenge for an enabling technology is to ensure that the Bank is adequately prepared and equipped to sustain 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.

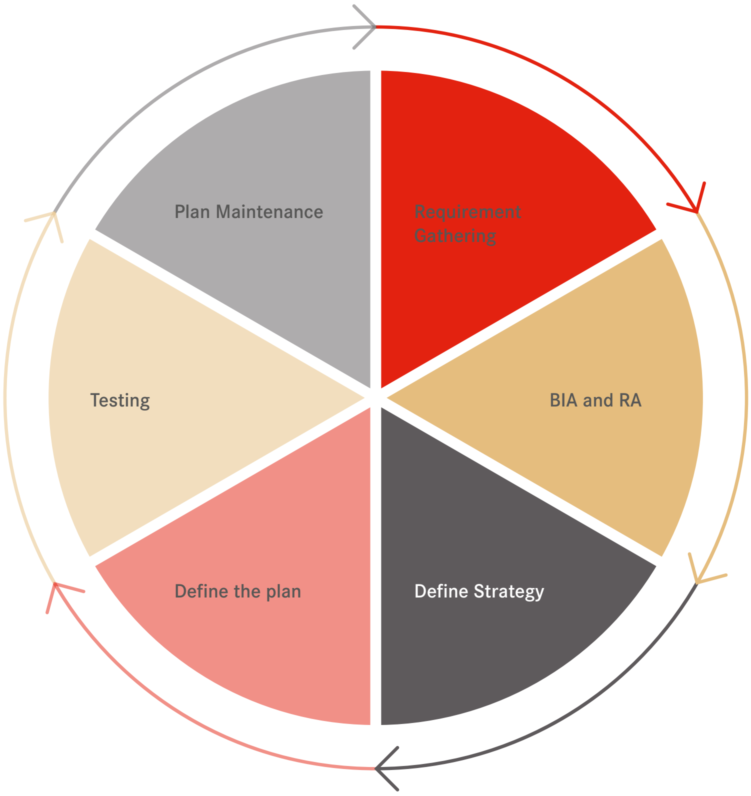
The Bank's Information Technology (IT) and Information Security (IS) frameworks are built on global standards like ITIL, ISO 27001 etc. and the governance principles are modeled along the lines of COBIT, ISO/IEC 27014:2013. The practice of governance includes regular reviews with executive management 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 same.

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

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management (BCM) Policy includes 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 are defined and implemented to provide for a Disaster Recovery site with data being updated as per preset recovery time objectives. This minimises operational, financial, legal, reputational and other material consequences arising from any disruption to the primary IT infrastructure.

The BCM policy reviewed in May 2019 is in line with the Business Continuity Institute Good Practice Guidelines 2018 (BCI GPG 2018), which is built on ISO requirements namely ISO 22301:2012 for business continuity management and ISO/TS 22317:2015 for Business Impact Analysis (BIA).



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 Bank has a BCM Steering Committee to review the processes after each testing exercise and to review the policy every year with a view to continuously improve 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.

At least one 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 Bank has adopted a cyclical approach residing on the four pillars: Readiness, Prevention, Response and Recovery /Resumption to continuously improve on the BCM and attain an efficient and acceptable level. Rigorous administration and maintenance, as well as any event experienced, will necessitate revisions and/or plan additions. The strategy 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.

Business Continuity Management (BCM) Lifecycle

Building organisational resilience

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 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 the Management and staff members concerning Compliance and regulatory matters. During this past financial year, the Bank further invested in capacity enhancement of the Compliance Function and is thus able to better assist and support internal customers.

The compliance culture of the Bank has been reinforced in line with regulatory requirements. The Customer On boarding Team (responsible for new clients being on boarded) and Compliance Team have been segregated (responsible for post compliance checks) for a better governance structure.

The Compliance Team will continue to provide support and advice to business lines, management and the Board and assist in regulatory matters. Furthermore, it will continue to provide ongoing training to relevant departments of the Bank.

The Compliance Function monitors and oversees 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

FINANCIAL CRIME

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

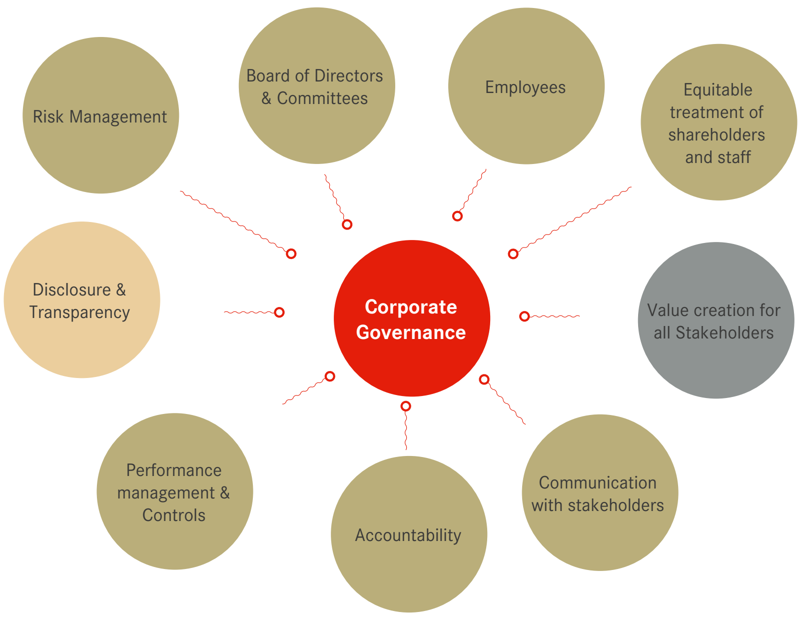
Training

To enhance compliance culture, compliance training is 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.
- Specific training concerning FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards) is also provided to relevant departments.

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 Bank of Mauritius Guideline on Corporate Governance it is vital to recognize employees as valued stakeholders in terms of corporate social and ethical responsibility.

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 is also a Primary Dealer as per the Bank of Mauritius requirement and is allowed to deal in government securities.

CAPITAL STRUCTURE AND ADEQUACY

RISK WEIGHTED ASSETS

AFRASIA BANK LIMITED		2019 MUR'000	2018 MUR'000	2017 MUR'000
Common Equity Tier 1 capital: instruments and reserves				
Share Capital		3,641,049	3,641,049	3,157,608
Share premium (from issue of ordinary shares included in CET1)		-	-	2,862
Statutory reserve		692,398	454,679	339,711
Retained earnings		1,836,242	1,277,521	944,373
Accumulated other comprehensive income and other disclosed reserves		108,365	88,728	70,618
Common Equity Tier 1 capital before regulatory adjustments		**6,278,054**	**5,461,977**	**4,515,172**
Common Equity Tier 1 capital: regulatory adjustments				
Treasury (Own Shares)		-	-	-
Other intangible assets		(243,398)	(249,585)	(155,855)
Deferred Tax		(100,953)	(141,462)	(147,057)
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)
Total regulatory adjustments to Common Equity Tier 1 capital		**(344,351)**	**(542,697)**	**(416,650)**
Common Equity Tier 1 capital (CET1)		**5,933,703**	**4,919,280**	**4,098,522**
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)		1,323,552	1,360,715	1,340,467
Additional Tier 1 capital before regulatory adjustments		**1,323,552**	**1,360,715**	**1,340,467**
Additional Tier 1 capital: regulatory adjustments		-	-	-
Total regulatory adjustments to Additional Tier 1 capital		-	-	-
Additional Tier 1 capital (AT1)		**1,323,552**	**1,360,715**	**1,340,467**
Tier 1 capital (T1 = CET1 + AT1)		**7,257,255**	**6,279,995**	**5,438,989**
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
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)		463,159	415,825	381,347
Tier 2 capital before regulatory adjustments		**463,159**	**427,205**	**650,607**
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)
Total regulatory adjustments to Tier 2 capital		**-**	**(37,913)**	**(75,825)**
Tier 2 capital (T2)		**463,159**	**389,292**	**574,782**
Total Capital (capital base) (TC = T1 + T2)		**7,720,414**	**6,669,287**	**6,013,771**
Risk weighted assets				
Credit Risk		43,810,049	41,591,459	42,506,702
Market Risk		499,978	332,436	440,288
Operational Risk		4,404,267	3,421,490	2,988,502
Total risk weighted assets		**48,714,294**	**45,345,385**	**45,935,492**
Capital ratios (as a percentage of risk weighted assets)	**Regulatory Limits under Basel III**			
CET1 capital ratio	9.38%	12.18%	10.85%	8.92%
Tier 1 capital ratio	10.88%	14.90%	13.85%	11.84%
Total capital ratio	12.88%	15.85%	14.71%	13.09%

RECONCILIATION WITH AFRASIA BANK'S AUDITED FINANCIAL STATEMENTS

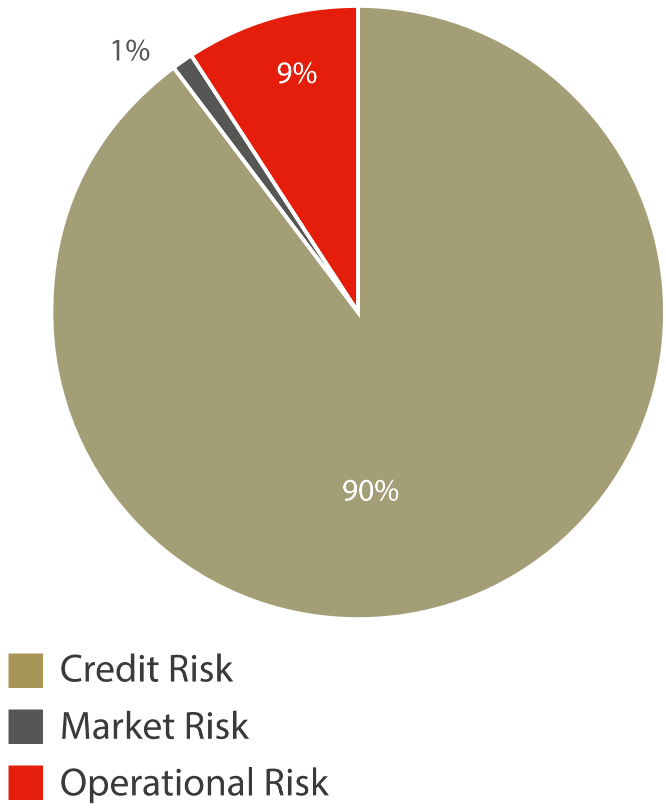
	30 June 2019	
	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III
Assets	MUR'000	MUR'000
Cash and cash equivalents *	63,666,922	65,383,047
Trading assets	8,415,725	8,433,956
Pledged assets	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	6,019,048	6,009,188
Loans and advances to customers	22,150,196	22,131,334
Derivative financial instruments	92,413	-
Financial investments-held for maturity	36,892,446	36,901,673
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	-	-
Property, plant and equipment	185,675	185,675
Intangible assets	243,398	243,398
of which: Goodwill	-	-
of which: Other intangible assets	243,398	243,398
Deferred tax assets	100,953	100,953
Other assets	2,106,722	884,374
of which: Defined benefit pension fund assets		
Total assets	**139,873,498**	**140,273,598**
Liabilities		
Deposits from banks	30,434	30,434
Deposits from customers	131,208,365	131,208,365
Derivative financial instruments	49,995	49,995
Trading liabilities	-	-
Derivatives liabilities held for risk management	-	-
Debt securities issues	-	-
Other borrowed funds	-	-
Subordinated liabilities	184,205	184,205
of which: Subordinated debt not eligible for inclusion in regulatory capital	184,205	184,205
of which: Subordinated debt eligible for inclusion in regulatory capital	-	-
Current tax liabilities	112,116	112,116
Deferred tax liabilities	-	-
Provisions	-	463,159
of which: Provision reflected in regulatory capital	-	463,159
Other liabilities	571,979	561,502
Total liabilities	**132,157,094**	**132,609,776**
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	1,323,552	1,323,552
Retained earnings	1,836,242	1,836,242
Other reserves	853,345	800,763
Accumulated other comprehensive income	-	-
Total shareholders' equity	**7,716,404**	**7,663,822**

*Cash and Cash Equivalent include due from banks.

The total asset book witnessed a growth of MUR 19.5bn for the year ended June 2019 versus the same period in 2018. The total risk weighted assets as at end of the current FY stood at MUR 48.7bn, demonstrating an increase of 7% in comparison to MUR 45.3bn as at end of June 2018. Despite the year-on-year growth of MUR 3.4bn in the risk weighted assets, the capital adequacy ratio rose from 14.71% to 15.85% as at end of June 2019, achieved through a net profit after tax recognised in retained earnings, as a result of a good performance of the Bank's balance sheet. The capital adequacy ratio was well above the regulatory limit of 12.88% for the year 2019. The regulatory limit includes a capital surcharge of 1% in 2019, given that the Bank is classified as a Domestic Systemically Important Bank.

Analysis by risk type:

- Credit Risk MUR 43.8bn
- Market Risk MUR 0.5bn
- Operational Risk MUR 4.4bn



RELATED PARTY TRANSACTIONS, POLICIES AND PRACTICES

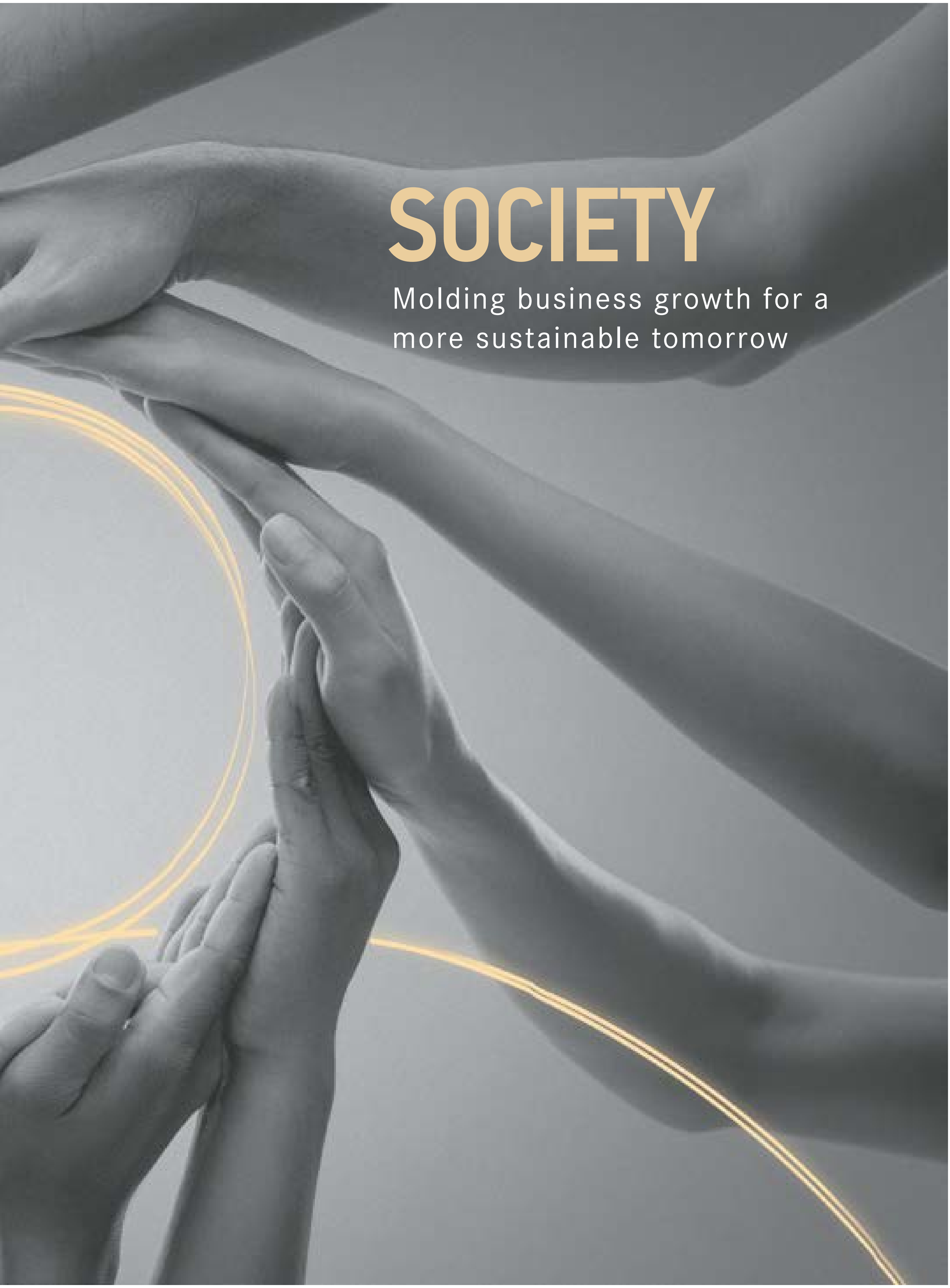
The Bank adheres to the Guideline on Related Party Transactions issued by the Bank of Mauritius in December 2001 (Revised June 2015). In line with this Guideline, the Board of Directors set up a Conduct Review Committee (CRC) to review and approve related party transactions. The Board has also adopted 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, 1 independent non-executive director, 2 non-independent non-executive directors 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 CRC, which ensures that market terms and conditions are applied to such transactions. Those exceeding the 2% of Tier 1 capital is sent for approval while exempted transactions i.e. below the 2% of Tier 1 capital 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 2019, related party exposure was within regulatory guidelines at 19% (Cat 1 and Cat 2).

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



SOCIETY

Molding business growth for a more sustainable tomorrow

FINANCIAL REVIEW

NET PROFIT AFTER TAX
MUR **1.6bn**
2018: MUR 766.4m

COST TO INCOME RATIO
30 %
2018: 32%

TOTAL ASSETS
MUR **139.9bn**
2018: MUR 120.4bn

LOAN-TO- DEPOSITS RATIO
21 %
2018: 25%

TOTAL LIABILITIES
MUR **132.2bn**
2018: MUR 113.5bn

SHAREHOLDERS' EQUITY
MUR **7.7bn**
2018: MUR 6.9bn

CAPITAL ADEQUACY RATIO
15.85 %
2018: 14.71%

With a Net Profit After Tax and Other Comprehensive Income (NPAT & OCI) of MUR 1.6bn, AfrAsia Bank Limited ("AfrAsia Bank"/ "ABL"/the "Bank") overtook the billion bar for the Financial Year (FY) 2019 as compared to MUR 766.4m last FY representing a year-on-year growth of 106%.

The Bank's total operating income reached MUR 3.7bn compared to last year's MUR 2.9bn, i.e., 27% growth with major contributor being Net Interest Income (NII) of MUR 2.3bn representing 63%, followed by income from other treasury operations at 25% and Net Fees and Commission Income (NFI) at 12%. The Bank's NII grew by 35% compared to last FY. Income from treasury operations grew by 12% reaching MUR 916.9m (2018: MUR 816.8m) while NFI reached MUR 426.8m.

Total operating expenses on the other hand, rose by 20% reaching MUR 1.1bn (2018: MUR 927.4m) primarily on account of personnel expenses growing from MUR 529.7m to MUR 646.3m, i.e., 22%.

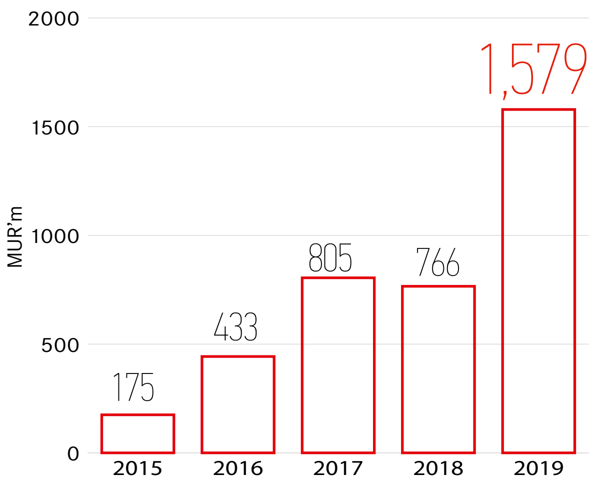
The Bank's net impairment loss on financial assets stood at MUR 468.4m compared to MUR 1.1bn last FY. Of note, the resulting post tax impact for the first time adoption of IFRS 9 "Financial Instruments" (effective 1 January 2018) was to the tune of MUR 429.4m and same was deducted from retained earnings as at 1 July 2018.

Similarly, ABL's loan book net of impairment remained at par as a result of the Bank's continued strategy of a vigilant and disciplined risk management approach towards lending.

Conversely, our deposit base grew by 18% reaching MUR 131.2bn (2018: MUR 111.4bn) which showed ABL's ability to secure a decent share of the deposit market. Our local and foreign currency loans-to-deposits ratio stood at 21% compared to 25% in the prior year.

OUR CURRENT NUMBERS

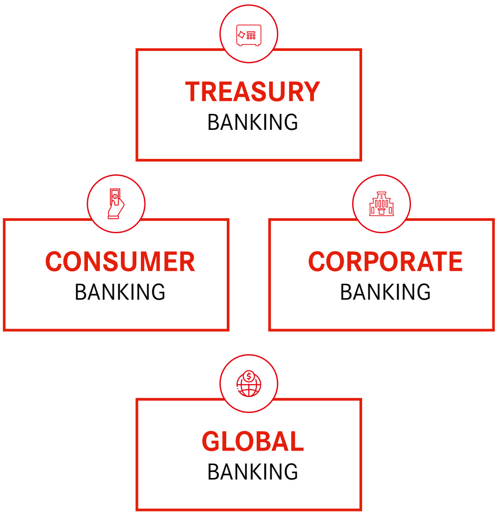
NPAT & OCI EVOLUTION



MUR **1,579m**

A growth of 106% year-on-year.

BUSINESS SEGMENTS ACHIEVEMENTS



CONSUMER BANKING

In FY19, the Consumer Banking Cluster had a productive year with a much-improved results as compared to FY18. Our liabilities book increased by 16% (5% in Current and Savings accounts and 33% in Fixed Deposits) while our assets book increased by 35%.

This performance is primarily due to the shift in focus for FY19. Our strategy was focused around rebuilding our brand image through increased proximity with the High Net Worth Individuals (HNWI) community.

With this as our objective, we organised some lifestyle events, like customer cocktails, golf games, among many more. The AfrAsia Mauritius Golf Open 2018 was an opportunity for our high-end clients to interact with high profile world professional golfers such as Romain Langasque, Mathieu Pavon and Marcel Siem during private events get-together.

Internally, we had more cross-selling opportunities across the Bank. We also worked on the turnaround time for loan applications, which reduced considerably in the last FY giving ABL a competitive edge in the market while still maintaining the rigorous KYC process. Moreover, a more rigorous approach for the daily management of arrears and excesses by Relationship Managers (RMs) were implemented, resulting in a significant drop in downgrading of accounts to Non-Performing Assets (NPA). Furthermore, the Bank revitalized and launched its credit card loyalty programme “XtraMiles”.

During FY19, our sales team was reorganised in order to better serve our clients. Hence, a new mentoring and RM pairing programme was introduced whereby junior staff started being mentored by the senior RMs. Consequently, significant improvement has been recognised in our customer service delivery.

Our focus to upskill our team members probably is the main reason for the very good results that Consumer Banking reaped in its employee engagement score in Staff Engagement Survey 2018. With a score of 71%, Consumer Banking was above amongst the best engagement of the Bank; this is testament to the team spirit within Consumer Banking. This was achieved through a high level staff motivation across the business. Much efforts were spent on having team bonding events, be it among ourselves and jointly with colleagues from other departments.

Furthermore, due to internal issues faced by some of our main competitors, we saw a number of their valuable clients moving their accounts to ABL due to the level of affiliation between the RMs and their clients. Our RMs were quick to respond by proposing a dedicated service and ready to offer tailor-made solutions to prospective customers.

On a final note, ABL is actively attracting Wealth Management Business from the region, mainly by local RMs visiting and targeting clients in Madagascar with our South African Representative Office (SAREPO) exploiting the Sub-Sahara Africa region.

CORPORATE BANKING

The Corporate Banking 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 to 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 forex solutions.

Our efforts and initiatives to continuously strengthen and grow our existing business was underscored by the recognition received from Europe, the Middle East and Africa (EMEA) Finance as the 'Best Investment Bank 2018' in Mauritius (MRU). The award demonstrates our unwavering commitment to a strategy that revolves around our clients and delivering upon the innovative ideas of our people "A truly differentiated banking experience".

Despite a challenging global environment and the provisioning increases from the adoption of IFRS 9 – "Financial Instruments", NII earned from customers served by this division grew by 1%. In order to position ourselves for growth, it has been critical for us to maintain constant vigilance on the risk profile of our asset book and also ensure effective risk management of our NPA.

During the course of the year, we took various initiatives to grow new businesses and expand our market reach. We were a key sponsor and participant to the 2018 Africa Down Under Conference held in Australia, with the aim to benefit our client coverage. As we look ahead, our focus is geared towards deepening our relationships with existing clients on the local market whilst diversifying our asset exposure across emerging markets in Africa and Asia on the international front.

GLOBAL BANKING

Overview

The performance of the Global Business Desk for the year under review was underpinned by sustained efforts to deploy its business expansion strategy in servicing the financial intermediaries and strengthening its position with the existing relationships. The desk has essentially sharpened its leading banking position in the Global Business scene in Mauritius. In addition, it pursued its international market diversification agenda across reputable International Financial Centres (IFC).

Leveraging on Mauritius as an IFC of repute and substance, the Bank has broadened its exposures vis-à-vis Global Business entities. The market development initiatives have been supported by the delivery of customized solutions and enhanced client interactions.

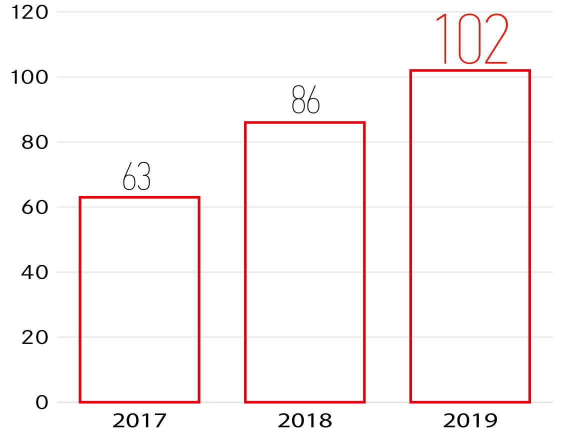
Interactions with External Asset Managers (EAM) have expanded as we provided them with enhanced trading, safekeeping and transactional services.

The Bank has focused in improving the quality of its value proposition and achieve closer proximity with its clients.

During the year under review, the desk supported several high-profile events and business meetings of the Bank and actively participated in key events and road shows. It continued to be involved in local and international forums with a view to promote its value proposition.

GLOBAL BANKING (cont'd)

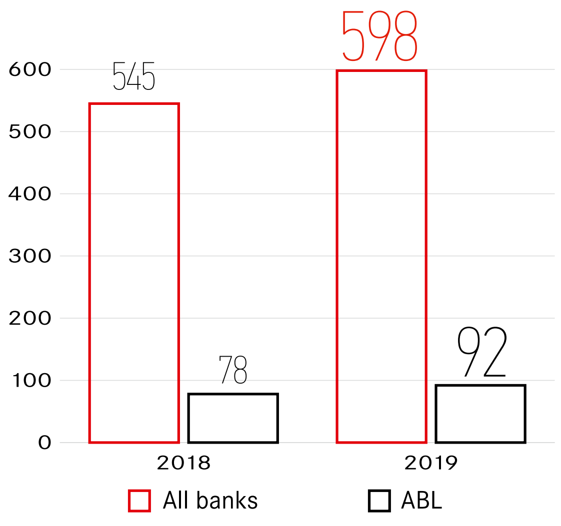
Global Business Banking is considered as the main provider of funds to the Bank, contributing to 78% of Bank's deposit base. The total deposits have grown year-on-year as illustrated below:



It is worth noting the deposits funding by the Global business desk expanded by 17% to attain MUR 102.0bn as at 30 June 2019.

Comparison of ABL's Global Business Unit's Deposits with Total Deposits (Segment B) Of All Banks in Mauritius - As at March 2019:

Deposits of ABL's Global Business segment represents 15% of the total deposits of all Banks in Mauritius for 2019 (Segment B only) compared to 14% for the year 2018, gaining a 1% market share for the year under review.



(Source: Bank of Mauritius monthly bulletin March 2019- Banks' Foreign Currency Deposit)

Challenges

Clients' behaviour is changing at a quick pace insofar as new technologies and digitalisation are concerned. This implies that the focus will, in the years to come, remain on financial solutions to be quickly available and suitably delivered across digital channels.

During the year, the desk revised some of its processes and procedures, upgraded some of the information systems and provided training to employees in targeted areas.

In terms of the regulatory and legal framework and new substance requirements for Global Business entities, we expect to see stricter regulatory rules and norms to be adopted by all IFCs.

The Bank has the necessary risk management and compliance capabilities to ensure strict adherence to the regulatory framework in Mauritius. The US Foreign Accounts Tax Compliance Act (FATCA) and Organisation for Economic Co-operation and Development (OECD) Common Reporting Standards (CRS) reporting was effectively carried out during the year. Anti-money laundering and countering of terrorism financing programs are also in place at the Bank.

Going Forward

Looking ahead, the Desk is confident to pursue its business growth and to sustain its good performance. Whilst there is no doubt that new digitalisation practices will drive the future of banking globally and force financial institutions to invest heavily in this segment, at the same time, implies new opportunities for ABL to upgrade its information systems and processes in order to improve customer service quality and enhance competitiveness.

The Global Business Desk will continue to provide increasingly adapted products and services while innovating its digital channels, adopting a proactive approach to the changing dynamics of the Global business landscape, focusing on risk controls and consistently improving its risk control and mitigation framework.

TREASURY AND MARKETS

Overview

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

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 and Markets' prerogative is to provide clients with tailored solutions by reinforcing ABL's position as the market makers for foreign exchange, interest rate, debt, and other structured derivatives.

ABL 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 compass.

Treasury

The treasury unit serves a wide customer base including large domestic and international corporates; Trading companies, International Management Companies; Banks and 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.

In a bid to continuously enhance our product offering and customer centric approach coupled with bringing a consummate level of sophistication to our services, the treasury team is designed as follows:

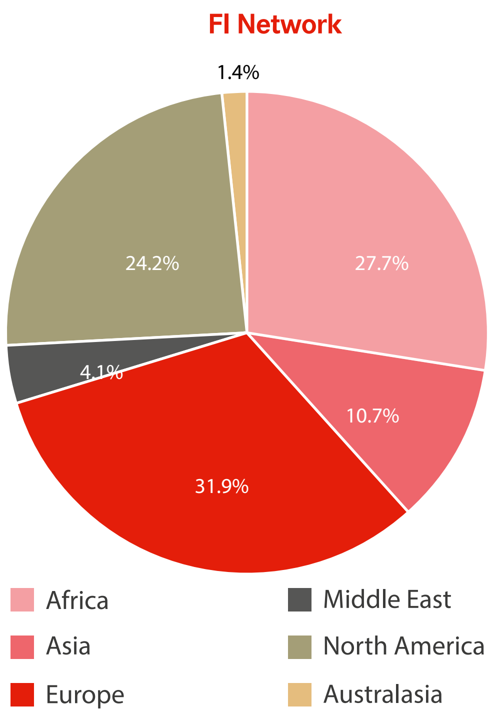
- Treasury sales
- FX trading and derivatives
- Fixed income trading and liquidity management
- Structuring

Our specialist team of dealers and traders 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)
- Yield Enhancement Solutions across asset classes (Foreign Exchange, Interest Rates, Commodities, Credit, Equities)

Financial Institutions



Our FI unit's key roles involve broadening and excavating ABL relationships with banks in targeted strategic markets, notably Africa, India, South East Asia and the Middle East, enhancing participation in trade-flows between Africa and Asia, as well as acting as lead arrangers for financial institutions by building and leveraging on our relationship network remain our key priorities.

TREASURY AND MARKETS (cont'd)

Our FI 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 and Markets cluster.

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

Debt Capital Markets (DCM)

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

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, US, Australia, Africa, India as well as in exotic markets.

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 916.9m as at the close of FY19, a 12% growth year-on-year.

Strong performance was noted on the FX Trading Desk, the Money Markets and Fixed Income Desk, delivering on the strategy formulated for the year. Growth on each desk stood at 69% and 53% respectively.

However, the FX Sales Desk and the Structuring Desk enduring tough years with income shrinking by 2% and 73% respectively.

On the FX Sales side, local market condition remained tough with lessening margins in light of added competition from banks. On the Structuring side, FX hedging flows from two major clients dried up due to a reduced hedging appetite from these clients.

In terms of FX turnover, our domestic banking volume firmly stood at USD 1.2bn, representing a 14% market share in the local market – cementing our robust position on the market.

Gross Net Interest Income closed at MUR 2.0bn as at FY19, experiencing growth of 60% 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 FI 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 is demonstrated by a robust growth in interbank placements and circa USD 90m of disbursement on the Financial Institutions loans side.

This, coupled with significant work performed in shoring up our tactical liquidity management has brought in more efficiency from a balance sheet perspective.

The Liquidity Management and Assets and Liabilities Monitoring desks have worked closely together to also maximize the benefits of the rising interest rate environment.

Fee Income was down 87% year-on-year, with performance ending at MUR 2.0m as at FY19. This was on the back of no DCM mandates being bagged by the desk.

Custody and Securities Trading related income also shrunk by 22% year-on-year, closing at MUR 111.9m as at FY19. The overall downturn in the custody performance can primarily be attributed to plummeting stock market indices and an upheaval in competitive pressures during the year. It should however be noted that 196 new custody accounts were opened during the year at competitive tariffs to reinforce our stance in the market and custody expenses were curtailed by 61% across the year driven by the desk renegotiating tariff agreements with brokers.

AFRASIA CAPITAL MANAGEMENT LIMITED (ACM)

Overview

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

ACM's target is to help a selected 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 investment whilst collaborating with the world's best performing asset managers.

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 (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 are 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 which is based on trust.

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

Improving synergies with the Bank allows 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.

SOUTH AFRICAN REPRESENTATIVE OFFICE (SAREPO)

With its extensive network and years of market knowledge and experience in Southern and East Africa, the SAREPO continues to play a key role representing AfrAsia in these markets.

South Africa went to the polls in May 2019 and the ruling African National Congress party was re-elected into power with Mr. Cyril Ramaphosa as the President. Over this period Mr Ramaphosa has made some key appointments (including new heads of the National Prosecuting Authority and SA Revenue Services) aimed at strengthening these portfolios. As reported previously, he has also embarked on an ambitious project to raise USD 100bn in new investments into South Africa. Several state-owned enterprises, however, remain a headache for the authorities, as well as ongoing revelations of the corruption that flourished under the previous regime.

It is believed that this is the commencement of a clean-up process which together with various other measures, including unbundling the state-owned power utility, will produce the ambient economic growth necessary to set South Africa on a path to growth and prosperity. It is crucial to the fortunes of the region and the continent that South Africa exceeds the World Bank's conservative GDP growth forecasts of 1.3% in 2019 and 1.7% in 2020.

The AfrAsia Bank South African Wealth Report 2019, revealed total wealth in South Africa rose by 13.0% to USD 649bn over the past 10 years. A relatively modest performance not helped by a torrid 2018 which saw the Johannesburg Stock Exchange (one of the world's 20 largest stock exchanges) lose 29.0% in USD terms. The local equity market has however bounced back in 2019 to rise some 13.0% in USD terms by mid-year. The report further predicts a healthy 30.0% growth in total wealth to USD 844bn for the next 10 years.

The wealth report also indicated that South African HNWIs have moved towards increased foreign asset allocations over the past 10 years. There is also increased interest and activity amongst the South African-based corporate and fund management sectors to explore international markets, with a focus on the African continent, over the same period. Furthermore, it is predicted that these trends will gather momentum over the next 10 years. Based in the international financial centre of Mauritius with a representative office in Johannesburg, AfrAsia Bank continues to be well-positioned to capitalise on these developments.

The representative office in South Africa also addresses the East African region, with an emphasis on Kenya. With economic growth projected at 6.0% in 2019 and 6.1% in 2020 (driven by growth in agriculture, completion of ongoing infrastructure projects and continued macroeconomic stability), Kenya is a key economic hub on the continent offering a range of private and global banking opportunities.

The Bank's team based in South Africa actively promotes AfrAsia to corporates, fund managers, private individuals and financial institutions in the Southern and Eastern African regions as well as other international markets.

ECONOMIC OUTLOOK

Source: BMI Research, Fitch Solution, Budget Speech and PwC

THE GLOBAL ECONOMY

From BMI Research - The outlook for the global economy has deteriorated since mid-May, when trade tensions between the US and China re-escalated following the collapse in trade talks. These tensions are running centre-stage at a time when global growth momentum has been weakening and financial conditions tightening as measured by several indices. These dynamics point to continue downside risks to our global forecast of 2.9% growth for 2019, which already marks a downward revision from 3.0% last month, and we see the potential for even slower growth in the event that trade tensions escalate further. Over the past month, we have revised our forecast for several countries including the Australia, Brazil, Canada, Egypt, Mexico, Thailand and US, and we have also revised our outlook for oil prices slightly lower. Data coming out of the US have weakened slightly in recent months across several sectors of the economy, ranging from the labour market, trade, production and inventories, to business conditions, profit margins as well as financial conditions.

The slowdown in high frequency indicators combined with rising trade risks has resulted in a sharp re-pricing of market expectations for the US Federal Reserve (Fed), indicating expectations for around 75 basis points (bps) of cuts in 2019 and another 25bps in 2020, BMI Research June 2019.

EMERGING MARKETS

A sharp rise in expectations of interest rate cuts by the Fed in 2019 following the collapse in US-China trade talks in May has provided some respite to Emerging Markets (EMs) since the start of June as capital outflows have partially reversed. This has also allowed a number of central banks to adopt a more dovish policy stance in a bid to offset slowing growth.

For example, in contrast to substantial tightening through much of 2018, central banks in Turkey, South Africa and Indonesia (to list a few) have kept their benchmark rates on hold through this year (although the latter two have recently hinted at looser policy in the coming months), while central bank policymakers in Egypt, India, Malaysia and the Philippines have cut their respective benchmark policy rates in the year to date. Although Turkey has held its policy rate, it is using less overt and more unorthodox measures to tighten while waiting for a window of opportunity to cut should inflationary pressures subside. Given ongoing trade risks and the potential for risk appetite to shift, aggressive monetary loosening could leave some EMs exposed to a sudden return of capital flight, similar to what was seen in 2018. Significant uncertainty remains as to whether the China and US will strike a deal to alleviate trade tensions, or whether Trump will follow through on his pledge to raise tariffs on the remaining USD 300bn worth of imports from China. Even if the two sides do strike a deal, it will likely be a superficial agreement, in our view, with prolonged uncertainty continuing to weigh on investor sentiment in the coming months, BMI Research June 2019.

RISK FACTORS

Risk sentiment has deteriorated substantially in recent weeks, posing downside risks to our forecast for the global economy to grow by 3.0% in 2019, which is unchanged from last month's forecast. While strong services sector growth in recent months has been offsetting some of the weakness in the manufacturing sector across many countries, momentum is now starting to slow in the services sector. Moreover, the softness in manufacturing activity and trade could be more prolonged than we originally thought given the recent rise in trade tensions between China and the US, which saw the US administration raise tariffs on USD 200bn of Chinese imports to 25.0%, from 10.0% previously,

and threatened to impose tariffs on the remaining USD 300bn. China retaliated by announcing additional tariffs of between 5.0% and 25.0% on USD 60bn worth of its imports of US goods – set to take effect from 1 June.

RISK FACTORS (cont'd)

Risk assets such as emerging market FX and equities responded negatively to the latest trade developments, while safe-haven assets such as US Treasuries were bid up. At this point, we believe that US-China trade risks are likely mostly priced in, even though it is still too early to fully estimate the medium-to-long term consequences. Moreover, despite the increase in tariffs, both sides will continue negotiating in the hope of finding some common ground. That said, the combination of rising tariffs, the potential for higher imported inflation and general risk aversion could start to feed through to investment and consumption decisions which could see growth slow over the coming quarters.

KEY TO WATCH

Brexit Remains a Major Downside Risk

In case of a disorderly Brexit-induced economic slowdown (not our core scenario), the Bank of England might face a dilemma (see 'Downside Risk Scenario: The Impact of a No-Deal Brexit on the UK Economy', February 25). It would have to choose between raising interest rates to defend the pound and stave off inflation risks on the one hand, and loosening monetary policy to support the economy on the other. Should it opt for hiking rates, the government would face rising financing costs in line with increases in bond yields. Higher debt servicing costs would reverse the hitherto downward trend of the debt-to-GDP ratio seen in recent years. That said, the debt maturity profile would remain favourable even in a disorderly Brexit scenario.

The average maturity of public debt has been consistently longer than the average across the G7 group of advanced economies, and currently stands at 15.0 years, nearly twice as much as France and Japan (approximately 7.8 years) and well above Germany, Italy and the US (6.4 years on average). This implies that the UK will face a manageable debt refinancing burden in the coming years, even if economic conditions deteriorate, BMI Research UK Country Risk Q3 2019.

The US Currency and Its Monetary Policy

Most importantly will be movements in the US dollar as well as US monetary policy. The recent sell-off in risk assets did not coincide with a substantial strengthening of the greenback as one would expect, as much of the weakness in the dollar index seems to have been driven by the euro and sterling.

While we maintain our neutral view of the US dollar, we continue to highlight upside risks, which would be negative for risk assets in general. At the same time, US interest rate futures are pricing in about 25bps worth of cuts by the US Federal Reserve (Fed) by the end of the year. If correct, this could signal a Fed that is worried about growth, which is in contrast to previous statements that described the US economy as strong, and is in distinction to our own view where we still see scope for one hike by end 2020, although risks to the view are clearly to the downside, BMI Research May 2019.

THE MAURITIAN ECONOMY

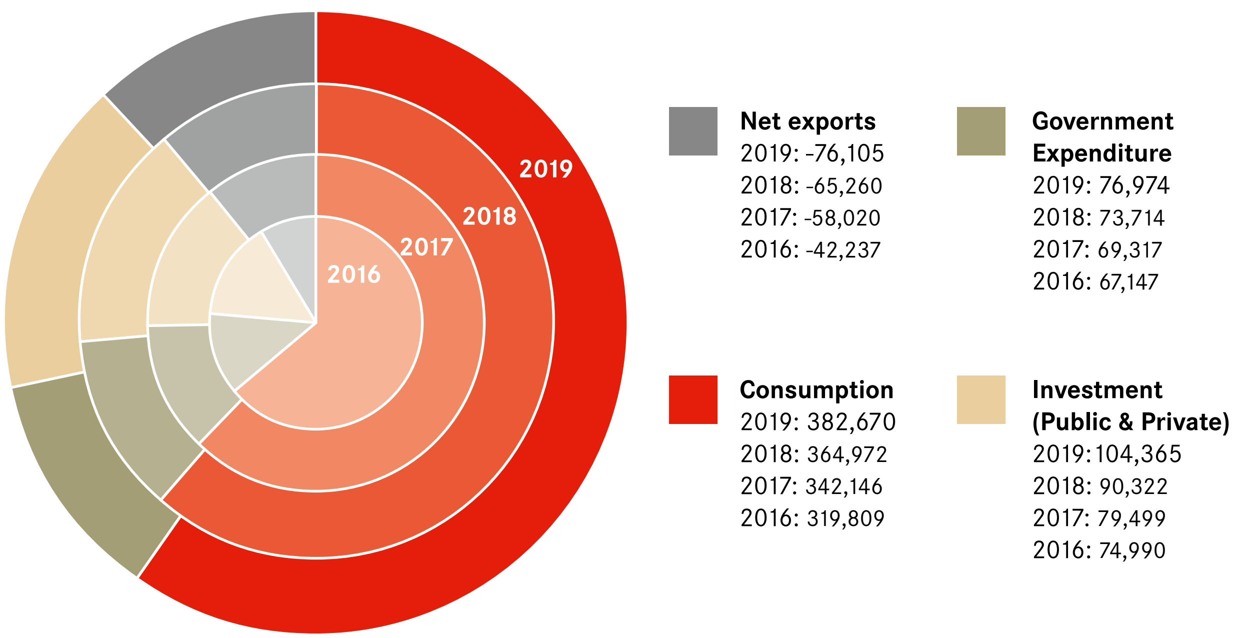
A BRIEF OVERVIEW OF THE MAURITIAN ECONOMY

Although Mauritius lacks natural resources, it is one of the leading African economies. It is ranked 1st as a long-term political and economic country among the Sub-Saharan countries (Fitch Solution, pg. 39-40). Its political stability and unique position in the Indian Ocean has enable Mauritius to place itself as a gateway for investment into the African continent.

Even though the past year has been filled with global economic uncertainties and various geopolitical events, Mauritius was able to maintain a steady average GDP growth of 3.8% (refer to Table 1) and is expected to reach 3.9% this year. In fact, in his Budget speech in June 2019, the Prime Minister confirmed that Mauritius' GDP has passed the half trillion rupee mark this year (Budget Speech, pg. 5). In general, "a relatively stable growth outlook, prudent monetary policy and low but growing consumer and business confidence is 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" (Fitch Solutions, pg. 6).

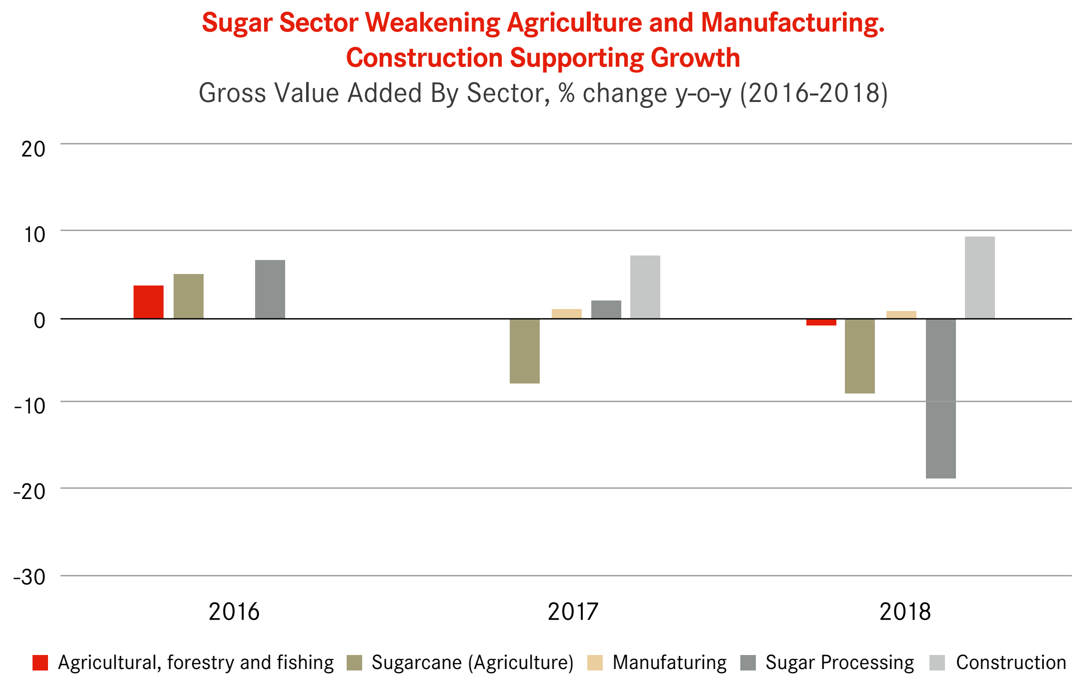
The main contributing factor to the Mauritian GDP is household consumption, representing approximately 77.0% of the GDP (Fitch Solutions, pg.12). This explains the several Government's social measures to boost purchasing power, for example increasing pension etc. (PwC, pg.5). The financial and construction sectors are also big contributors to the economic growth. The direct investments of big construction developments happening in Mauritius are contributing to the economic growth.

Figure 2: GDP Composition (Rs m)



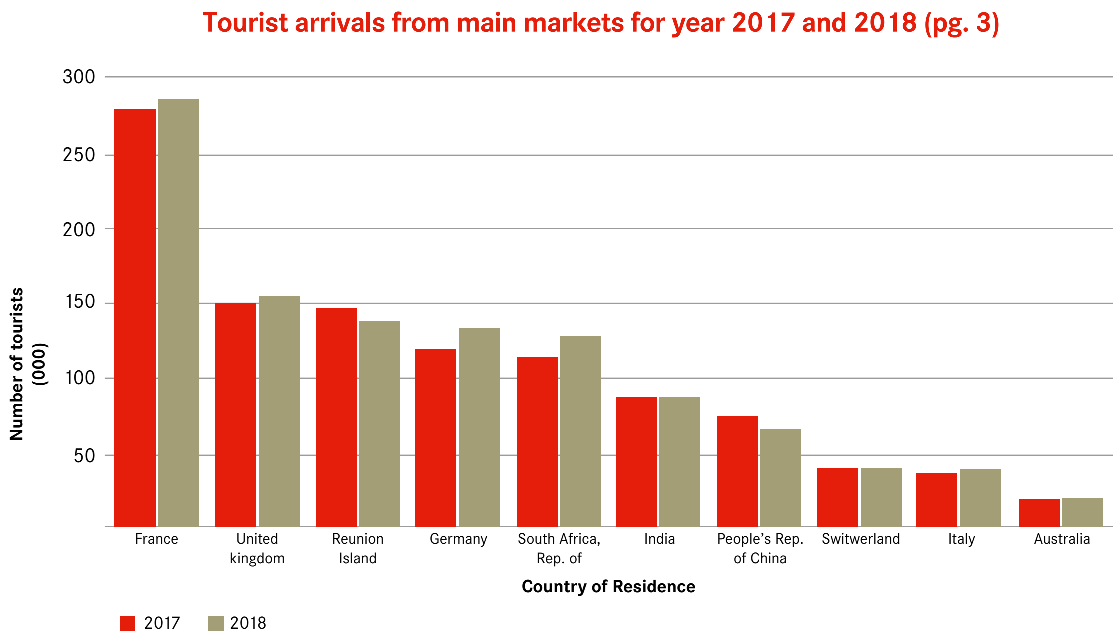
GDP Composition (MUR'm)

THE DIFFERENT SECTORS



Agriculture and sugar industry: "The sugar sector – including both sugarcane growing and processing – made up 2.9% of gross value added (GVA) in 2018 and is a major export earner for Mauritius. The sector has faced major weakness in recent quarters due to the end of sugar production quotas in Europe – the largest market for Mauritian sugar – and weak global sugar prices" (FS, pg. 9). In the budget 2019-2020, the Prime Minister tried to boost the agriculture and tea sector by providing incentives to the planters, such as doubling the winter months' allowance that tea growers receive (Budget Speech, pg. 13-14).

The tourism industry: The tourism industry is one of the main industries of the Mauritian economy. The total arrival of tourists increased by 4.6% between 2017 and 2018 (International Travel and Tourism, pg. 1).



The construction industry: With the big projects, such as "the construction of a light rail network, government buildings and new homes", the construction industry was the industry that expanded the most in the last two years and is expected to continue being a key sector for economic growth in future years (SF, pg. 11).

Financial sector: "The financial services sector's growth is being aided by Mauritius' favourable tax status, with substantial funds directed through the country before being reinvested in markets such as India and other SSA countries. Although the sector is coming under threat from negotiations over tax agreements with many of these countries – India most crucially – we expect it to continue to grow over the long term nonetheless, and to increase at around the 5.0% mark at which it has been expanding in recent years. This will be powered by both increasing domestic demand for banking services, and an increase in provision of financial services to foreign markets" (SF, pg. 30).

THE PERCEIVED RISK FACTORS

Due to the Double Taxation Agreement (DTA) between Mauritius and India, the Mauritius International Financial Centre has facilitated a lot of investment flows into India, making Mauritius the biggest provider of foreign direct investment to India (The Economic Times). However, since April 2019, the DTA has been amended to be par with other DTAs signed by India. Hence, it is speculated that many investors who were routing money through Mauritius to invest in India would not necessarily choose Mauritius anymore. This could potentially impact the Mauritian financial sector negatively. However, cross-border investments are not limited on the taxation cost but international investors are also concerned with the investment, operational and legal risks. Since Mauritius is an IFC, it has all the components to help the international investors to minimize these risks.

Moreover, the uncertainty of the Brexit deal will impact Mauritius as there is an expected slowdown of the European economy. Mauritius is closely tie to the region, especially with France and the U.K. They are key trading partners to Mauritius and hence, the export and tourism industries are likely to suffer a weaker growth rate. Besides Brexit, "Mauritius' dispute with the UK and USA over the Chagos islands, combined with deepening ties with China, may cause some tensions in trade and diplomatic relations" (SF, pg.34). Nevertheless, due to recent trade agreements and the close economic ties between Mauritius and the U.K., it is unlikely that there will be any major trade restrictions implemented in the short-term between the two countries.

In addition, with the uncertainty looming over Brexit, the European economy is expected to have a slower growth. Hence, since France and the U.K. are the main tourism markets for the island, Mauritius will have to find new markets to sustain this industry. The government has derived new strategies, including opening Mauritius to the medical tourism and targeting new markets like the Scandinavian countries (Budget Speech, pg. 30).

FUTURE VISION FOR MAURITIUS

The geographic location of Mauritius will play an important role for its future. The government wants to make Mauritius a transhipment hub for the Sino-African and Indo-African trade with a plan to expand the port and increase storage facilities (FS, pg. 11). “This will bring new opportunities to the service sector and boost the transport service exports as well as re-exports over the long term” (FS, pg. 15). Mauritius also aims to reinforce its tourism, education and banking sectors as well as, promote itself as a medical tourist destination. By offering advanced healthcare services, Mauritius will be able to attract patients from the African and Middle East region (FS, pg.31).

(Real GDP growth at market prices in percent, unless indicated otherwise)	2016	2017	2018e	2019f	2020f
WORLD	2.6	3.1	3	2.6	2.7
Angola	-2.6	-0.1	-1.7	1.0	2.9
China	6.7	6.8	6.6	6.2	6.1
Euro Area	2.0	2.4	1.8	1.2	1.4
India	8.2	7.2	7.2	7.5	7.5
Japan	0.6	1.9	0.8	0.8	0.7
Kenya	5.9	4.9	6.3	5.7	5.9
Malaysia	4.2	5.9	4.7	4.6	4.6
Mauritius	3.8	3.8	3.8	3.9	3.9
Nigeria	-1.6	0.8	1.9	2.1	2.2
Philippines	6.9	6.7	6.2	6.4	6.5
South Africa	0.6	1.4	0.8	1.1	1.5
Thailand	3.4	4.0	4.1	3.5	3.6
United States	1.6	2.2	2.9	2.5	1.7
Vietnam	6.2	6.8	7.1	6.6	6.5

REAL GDP GROWTH

CHIEF FINANCIAL OFFICER STATEMENT

AfrAsia Bank's financial position continued to strengthen during the last financial year, despite a challenging environment characterised by increased uncertainty in global markets which remain the core segment for the Bank's activity. This growth translated into various milestones for the Bank, such as customer deposits of MUR 131.2bn, total assets of MUR 139.9bn and a net profit after tax of MUR 1.6bn.

Chief Financial Officer

A STRONG FINANCIAL POSITION

Total assets grew by 16% during the financial year, but with a mix that remained conservative compared to the previous year. Indeed, the Bank's total assets remained predominantly invested in high quality liquid assets while loans and advances represented only 20% of its book.

Breakdown of main total assets and their mix by type/currency as at 30 June 2019 indicates that the majority of the Bank's total assets across the main categories are in USD:

CASH AND CASH EQUIVALENTS AND DUE FROM BANKS	MUR 2.9bn (LCY) MUR 22.4bn (FCY excl. USD) MUR 38.4bn (USD)
LOANS AND ADVANCES	MUR 7.4bn (LCY) MUR 4.9bn (FCY excl. USD) MUR 15.9bn (USD)
INVESTMENT SECURITIES	MUR 18.6bn (LCY) MUR 3.1bn (FCY excl. USD) MUR 23.6bn (USD)

76% of investment securities are short term in nature, having a remaining contractual maturity of less than 12 months. Furthermore 78% of the Bank's foreign investments that are held at amortised cost have a rating grade of AAA as per note 18 of the Financial Statements. Monies with banks, categorized as cash and cash equivalents/due from banks are what makes up the majority of the Bank's total assets, at 46%.

A STRONG FINANCIAL POSITION (cont'd)

From a maturity perspective, 80% of the Bank's assets had a remaining maturity of 12 months or less, there of 75% maturing in the next 3 months or less, demonstrating the high liquidity profile of the Bank's assets.

As from 1 July 2018, we adopted the new accounting standard, IFRS9 – "Financial Instruments" which provides for new requirements for the classification and measurement of our financial assets as well as the new methodology for calculation of credit impairments. These applications have effectively been reflected in our accounts as at 30 June 2019.

A deterioration in the Bank's asset quality, with Non-Performing Assets (NPA) increasing by 32% from MUR 1.5bn to MUR 1.9bn is to be noted. During the year, the Bank managed recoveries of the order of MUR 89.2m and also wrote-off MUR 214.3m of assets which was fully provided for. On the other hand, it is to be highlighted that assets coverage ratio was healthy at 65% as compared to 39% last year.

Our deposit base continued its sustained growth, with an increase of 18% as compared to the previous year end, to stand at MUR 131.2bn. Consistent with last year, approximately 14% of our customer deposits is in MUR and the remaining in foreign currency, 61% of which is in USD. Customers' monies are mainly held in current account and represents 69% of our total customer deposits, followed by 27% in fixed deposits of which 70% is in USD. The largest portion of our total customer deposits is from our Global Business Segment, which contributes 78% of the total deposits base, equivalent to more than MUR 102bn, of which MUR 72bn was in USD.

On the regulatory side, the Bank's capital base stood at MUR 7.7bn, of which MUR 5.9bn in Common Equity Tier 1 capital and MUR 1.3bn in Additional Tier 1 capital, demonstrating that the Bank is well capitalized, with a Capital Adequacy ratio of 15.85%, against regulatory threshold of 12.88% as at 30 June 2019. The Bank also maintained a dividend pay-out of 30% to its Ordinary Shareholders, while at the same time meeting its obligations to Class A shareholders.

Being still qualified as a Domestic Systemically Important Bank (D-SIB), we are imposed an additional buffer of 1.00% over and above the regulatory benchmark and it is reassuring to note that the Bank therefore has sufficient capital buffer for its growth and should also be in a position to absorb any systemic shock that may arise in the future.

INCREASED PROFITS RESULTING FROM A DIVERSIFIED INCOME STREAM

During the year under review, total operating income increased by 27% to MUR 3.7bn. Net Interest Income (NII) grew by 35% to MUR 2.3bn, driven mainly by the Bank's important Non-Interest bearing dollar deposit base which sits at USD 1.6bn as at end of June 2019, while on the other hand, there was a favourable trend in the USD yield curve during Financial Year 2018-2019.

Net fee and commission Income registered a growth of 24%, principally on the back of increased commission income from transactional flows in the Global Business segment. Net custody income was rather subdued this year on account of a drop in global market indices and stronger competition, resulting in the Bank having to reduce its tariff to maintain market share. Ignoring an abnormal impact last year, returns from our credit card business grew marginally this year, contributing to approximately MUR 16.0m to the bottom line.

With the first time adoption of IFRS 9, there have been several changes in the recognition, presentation and disclosure of financial assets which also had a net positive impact in the Bank's NPAT. Indeed, these changes led to a transition impact of a net tax credit impairment of MUR 429.4m to be recognized against retained earnings, while there was concurrently a drop of around MUR 599.2m in the Bank's "Net impairment loss on financial assets" from MUR 1.1bn to MUR 468.4m.

Operating expenses increased during the FY under review by 20% to MUR 1.1bn, split 58% between personnel expenses and the balance in other expenses. The growth in personnel expenses of 22% is on the back of our headcount increasing from 368 to 402 as well as an increase in the Performance Bonus pool.

Other expenses also grew year on year to reach MUR 462.3m, representing a growth of 16%. The main component of this increase is on account of IT costs (annual maintenance costs and IT amortisation) growing by 17%, making up MUR 123.3m of the total other expenses.

Taxation of Banks has gone through several changes following the enactment of the Finance Act 2018 and 2019. The Bank's tax expense increased by 69% to MUR 239.2m in 2019 which was driven by increase in profit and change in the deferred tax rate. A lower effective tax rate of 13.1% was reported for 2019 as compared to 15.6% in 2018, mainly on account of the reclassification of special levy worth MUR 63.8m to total operating expenses.

A DIVE IN THE FUTURE

The future at this stage is clearly marked with numerous uncertainties, both on the local scene and internationally. Notwithstanding the impossible prediction as to where the UK and EU are heading amidst the never-ending Brexit saga, the international environment will also be marked by trade tensions and increasing geo-political risks that could have marked repercussions on currency and interest rate movements. Furthermore, the Mauritian economy being itself heavily and directly dependent on Global Business, Tourism and Commodity prices, is highly exposed to external shocks. In that context, it will be imperative for the Bank to allocate its resources carefully to build up a strong buffer that would shield it from unpredictable events.

JENNIFER JEAN-LOUIS
Chief Financial Officer

PERFORMANCE HIGHLIGHTS

AFRASIA BANK LIMITED

	30 JUNE 2017	30 JUNE 2018	30 JUNE 2019
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (MUR'm)			
Net interest income	1,212	1,710	2,311
Non-interest income	1,000	1,193	1,382
Total operating income	2,212	2,903	3,693
Total operating expenses	712	927	1,109
Profit after tax after OCI	805	766	1,579
STATEMENT OF FINANCIAL POSITION (MUR'm)			
Total assets	100,406	120,400	139,873
Loans and advances	27,513	28,066	28,169
Deposits from customers	91,083	111,385	131,208
Total equity (including Class A shares)	5,992	6,899	7,716
PERFORMANCE RATIOS (%)			
Return on average equity	19	14	25
Return on average asset	0.9	0.7	1.2
Loans-to-deposits ratio	30	25	21
Cost-to-income ratio	32	32	30
CAPITAL ADEQUACY RATIO (%)			
Basel III	13.09	14.71	15.85

AFRASIA BANK LIMITED AND ITS SUBSIDIARIES

	30 JUNE 2017	30 JUNE 2018	30 JUNE 2019
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (MUR'm)			
Net interest income	1,206	1,706	2,311
Non-interest income	1,055	1,277	1,417
Total operating income	2,272	2,983	3,728
Total operating expenses	771	994	1,200
Profit after tax after OCI	798	763	1,627
STATEMENT OF FINANCIAL POSITION (MUR'm)			
Total assets	101,399	121,961	141,361
Loans and advances	27,513	28,066	28,169
Deposits from customers	90,601	111,136	131,033
Total equity (including Class A shares)	5,932	6,836	7,701
PERFORMANCE RATIOS (%)			
Return on average equity	19	15	26
Return on average asset	0.9	0.7	1.2
Loans-to-deposits ratio	30	25	21
Cost-to-income ratio	34	33	32
CAPITAL ADEQUACY RATIO (%)			
Basel III	12.74	14.10	15.30

CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

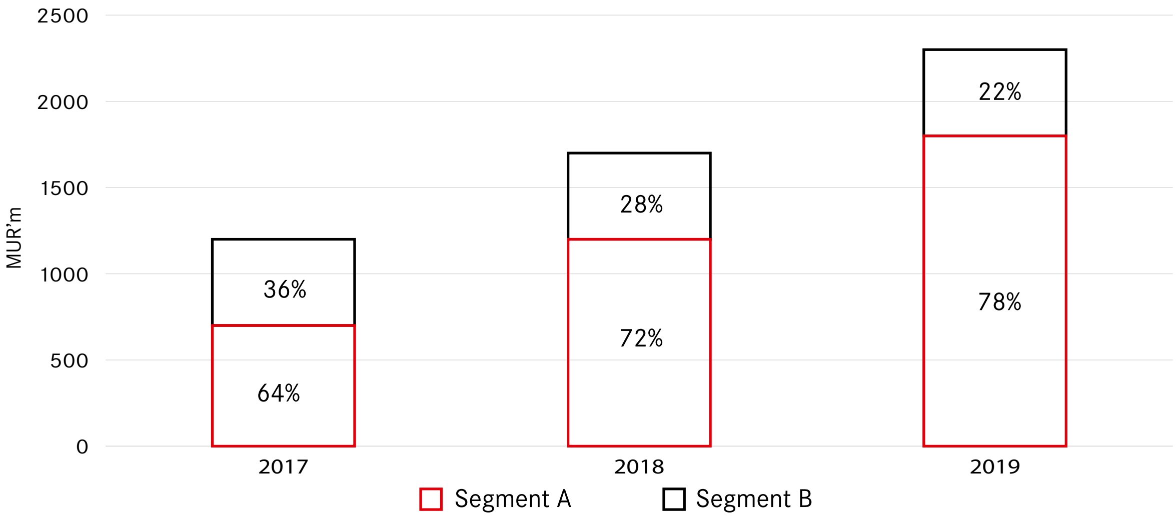
KPI	OUTCOME	TARGET FOR NEXT FY
Statement of Profit or Loss and Other Comprehensive Income – Total Operating Income		
› The Bank forecasts total operating income of MUR 3.2bn for the FY19.	› The Bank achieved a total operating income of MUR 3.7bn, that is, an excess of 14% over budget.	› Due to challenging market conditions, the Bank is expected to achieve a marginal growth in its total operating income for FY20 at MUR 3.9bn.
Statement of Profit or Loss and Other Comprehensive Income – Total Operating Expenses		
› 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 FY19.	› The Bank's total operating expenses was at par with budget of MUR 1.1bn whilst continuing to invest in its people and to revamp its IT platform and to invest in new IT systems.	› The Bank will further its IT strategy plan which will be reflected in an increase in overall IT costs (maintenance and amortization costs) as a major contributor to the increase in total operating expenses of the Bank at MUR 1.4bn in FY20.
Statement of Financial Position – Loans and Advances		
› Total loans and advances are expected to reach MUR 31.6bn and deposits from customers MUR 106.0bn at end of June 2019, that is, a loans-to-deposits ratio of 30%.	› In line with its conservative approach towards lending, the Bank's gross loans and advances was MUR 30.1bn while customer deposits of MUR 131.2bn as at end of FY19, resulting in a lower than budgeted loans-to-deposits ratio of 21%.	› The Bank's gross loans and advances is expected to grow by 18% targeting to reach MUR 35.4bn by end of FY20, with customer deposits continuing to increase and reach MUR 156.5bn – this is expected to result in a loans-to-deposits ratio of 21%.
Statement of Financial Position – Deposits from Customers		
› With total liabilities of MUR 106.9bn, customer deposits are expected to be MUR 106.0bn.	› Total customer deposits achieved a record growth and reached MUR 131.2bn, i.e., 24% over budget.	› With total liabilities of MUR 157.6bn, customer deposits are expected to reach MUR 156.5bn.
Statement of Financial Position – Asset Quality		
› Non-performing loans and advances as a percentage of gross loans is expected to be maintained at 5%.	› The Bank's non-performing loans and advances as a percentage of gross loans stood at 7% as at the end of FY19.	› We expect our ratio of non-performing loans and advances as a percentage of gross loans to be around to 6%.
Statement of Financial Position – Capital Management		
› Capital adequacy ratio will be maintained in conformity with the limits set under the regulatory framework.	› The Bank's capital adequacy ratio stood at 15.85% at the end of June 2019, compared to 12.88% limit set by the Regulators.	› Capital adequacy ratio will be maintained in conformity with the limits set under the regulatory framework.
Performance Ratio – Return on Average Equity		
› The Bank aims to attain a return on average equity of 20% by the end of the next FY.	› The Bank achieved a return on average equity above the budget of 25%.	› The Bank aims to attain a return on average equity of 25% for FY20.
Performance Ratio – Cost to Income		
› The cost-to-income ratio is targeted at 35% for the next FY.	› With a disciplined approach towards spending along with a higher total operating income, the Bank achieved a cost-to-income ratio of 30%.	› The cost-to-income ratio is targeted at 35% for the next FY due to more pressures on the Bank's total operating income and an increase in its total operating expenses.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW

REVENUE

Net Interest Income

AfrAsia Bank's net interest income (NII) continued to grow progressively to make up for a significant 63% (2018: 59%) of the Bank's total operating income. The Bank's NII grew by a more than satisfactory level of 35% to reach MUR 2.3bn this year compared to MUR 1.7bn 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 MUR 1.8bn, that is, 78% compared to 72% in the previous year with a noted increment of 46%.



Interest Income

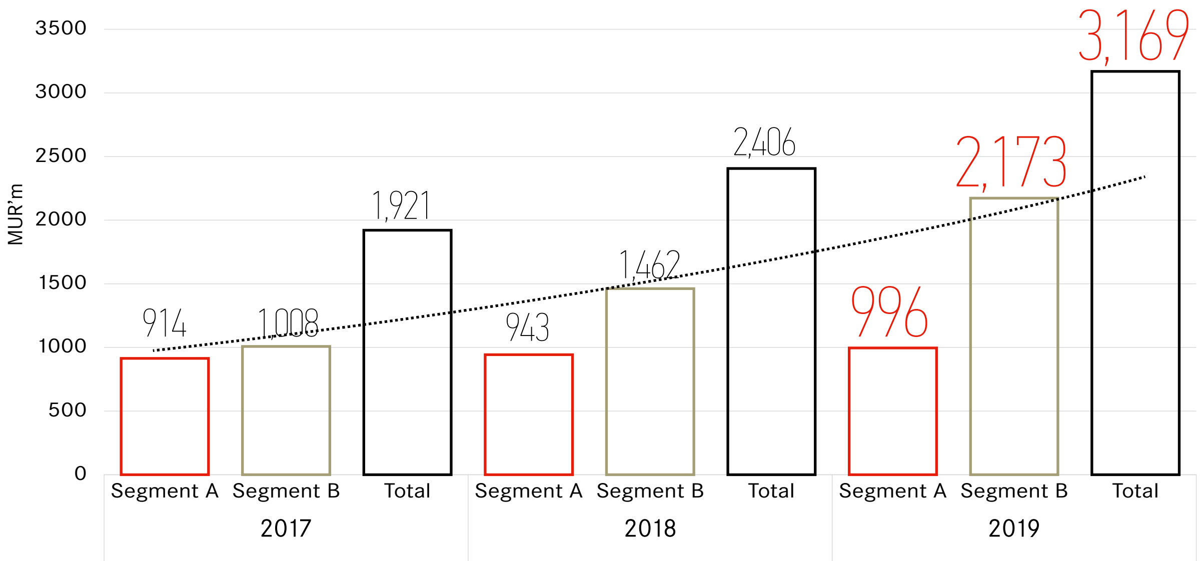
The underlying interest income growth from MUR 2.4bn to MUR 3.2bn is primarily on the back of interest income from non-customers, for instance, interest income on placements with other banks underwent an almost twofold growth reaching MUR 1.0bn in this FY compared to MUR 0.5bn last FY. The Bank benefited from favourable conditions through auspicious evolution of yields and lucrative hikes on USD LIBOR rates during the year under review. The proportion relating to due from banks is split between MUR 49.4m in Local Currency (LCY) and MUR 943.9m in Foreign Currency (FCY) (of which MUR 843.3m in USD).

The constituents of the Bank's investment securities are fore mostly sovereign and graded bonds with reputable institutions; the year-on-year increase to the tune of MUR 248m, that is, 37% with the contribution of segment A at 45% and segment B at 55%.

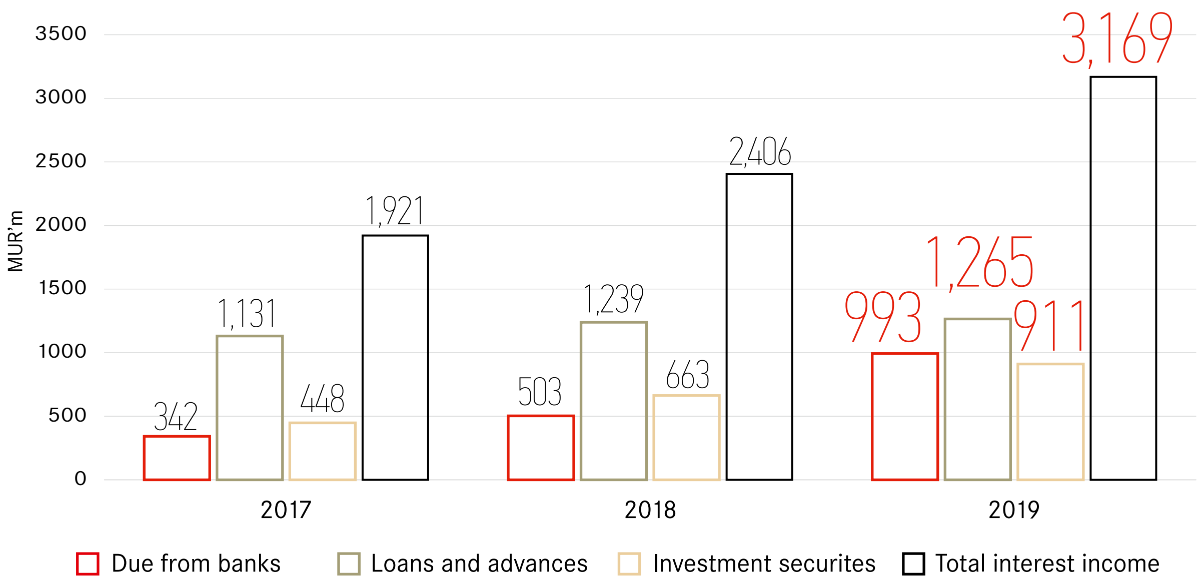
The return on assets is as tabulated below:

	MUR		FCY		USD	
	Customer	Bank	Customer	Bank	Customer	Bank
FY19	5.13%	3.68%	3.13%	1.73%	3.36%	2.50%
FY18	5.81%	3.12%	2.69%	1.13%	2.79%	1.58%

Interest Income By Segment



Interest Income By Product



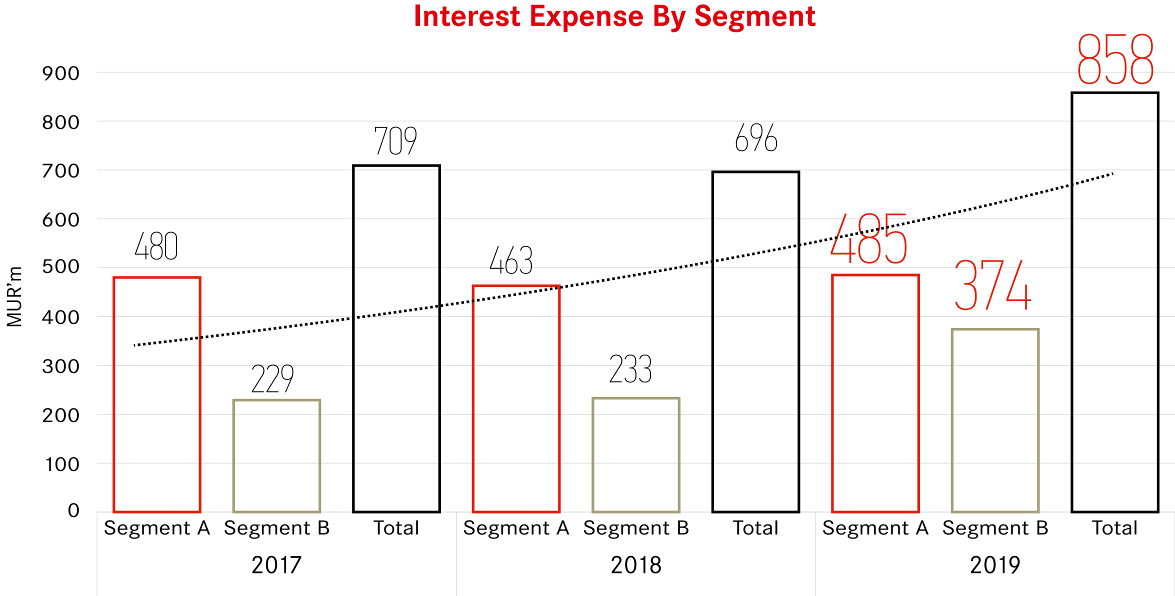
Interest Expense

A rise of 23% in interest expense volume wise was noted in the reporting year reaching MUR 0.9bn, of which, 92% count as interest expense on customer deposits as a result of growth in customer deposit base in both local and international markets.

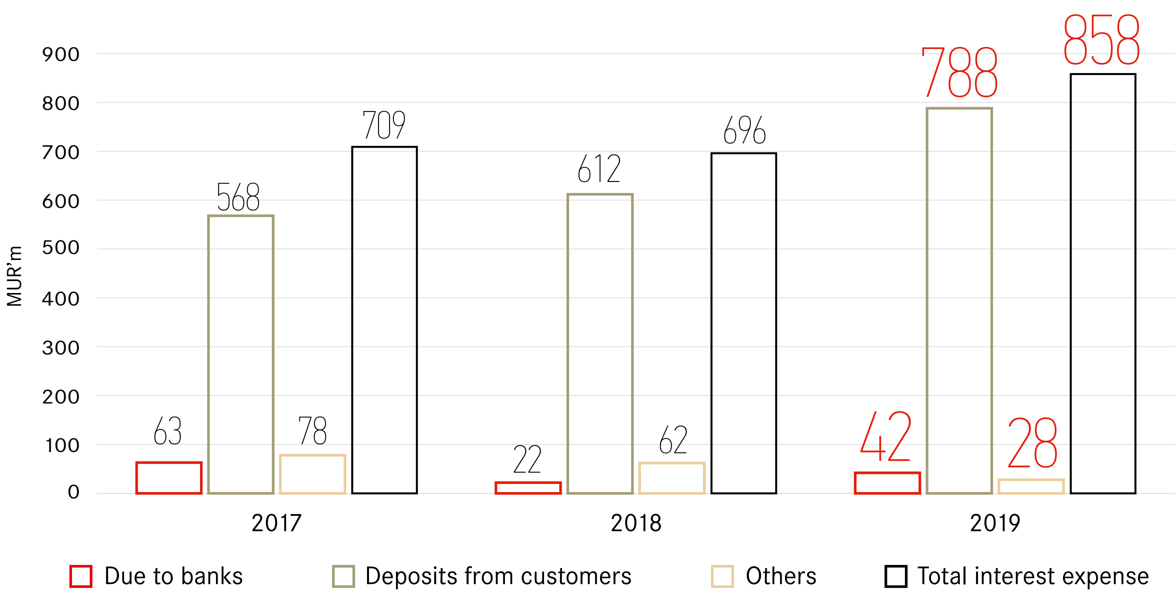
The associated cost from deposits is mainly sourced from the fixed deposits slice of our deposit base which grew by 55% year-on-year.

The cost of funds for MUR interest paying liabilities dropped by 19 bps to 2.40% while the FCY part rose by 11 bps to climb to 0.39% (of which USD rose by 12 bps to reach 0.56%).

Interest Expense By Segment



Interest Expense By Product

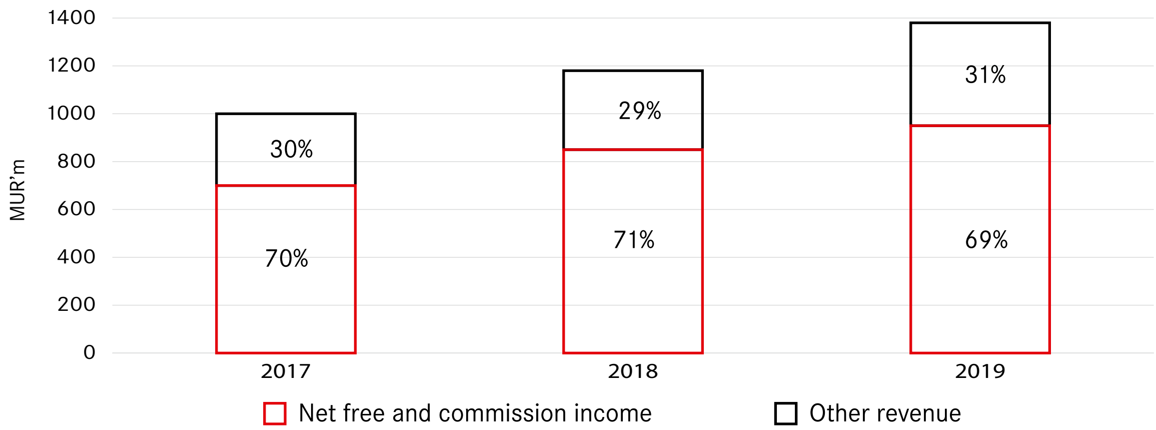


Non-Interest Income

Non-Interest Income, represented 37% of the total operating income for the year under review, was at par year-on-y1ar at MUR 1.4bn with the core components being:

- Net fee and commission income amounting MUR 426.8m; and
- Other revenue of MUR 955.9m.

The split can be illustrated as follows:

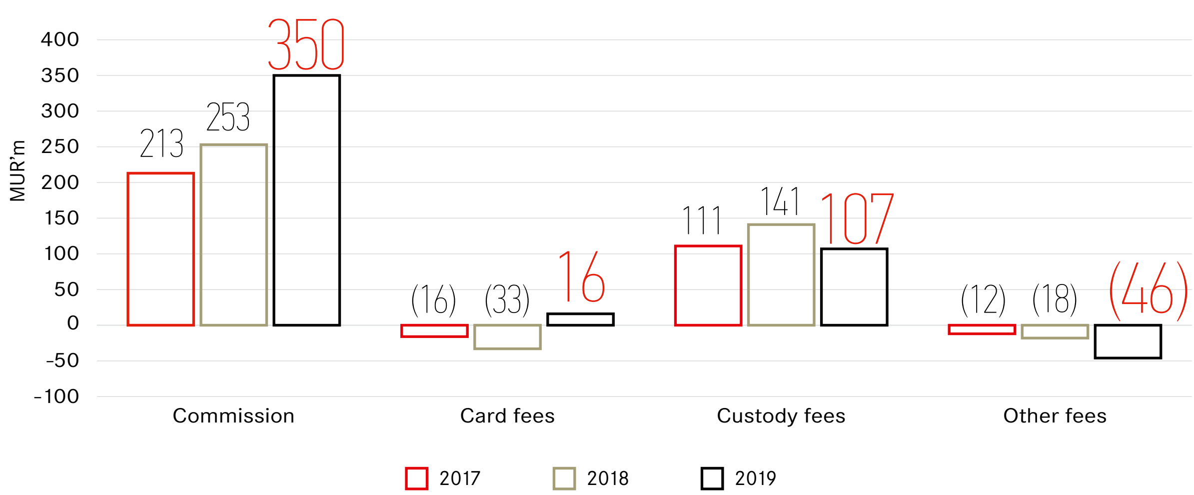


Net Fee and Commission Income

The prime sources of net fee and commission income increased from MUR 342.9m to MUR 426.8m, representing an increase of 24%. The growth is a matter of difference between its related income and expenses, with major component being commission income on local and foreign transactions reckoning a 38% year-on-year growth (2018: 18%).

The card business thrived from a consecutive two-year loss to a profitable turn to stand at MUR 16.0m representing a growth of 148% due to foreign exchange losses of MUR 18.9m sitting as part of the credit card expenses last year maintaining the loss trend from 2017.

Conversely, custody fees even though showing a positive allocation between its income and expense components shrunk by 24% down to MUR 107m (2018: MUR 141m) as an outcome plunging stock market indices and reinforced competitive forces on the market which drove trading tariffs down through aggressive sales strategies.



Other Revenue

Other revenue stood at MUR 955.9m for the year under review, this represents a 12% increase compared to the prior year at MUR 849.7m. Other revenue places itself as a major element of the non-interest income with a 69% contribution, the constituents are derived from earnings emanating from treasury activities including foreign exchange revaluation, profit on disposal of securities among others totalling MUR 916.9m.

Net Impairment Loss On Financial Assets

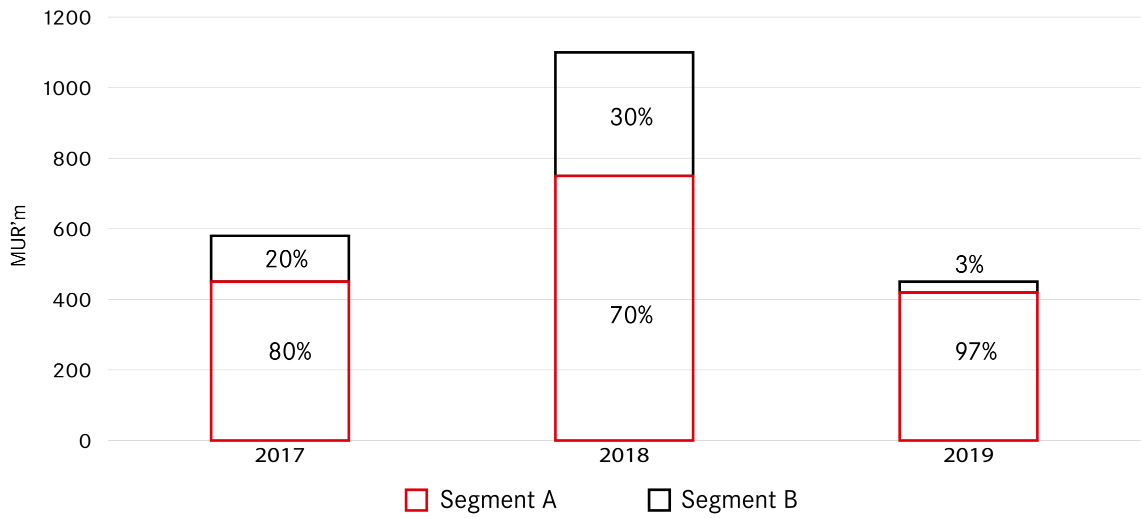
As far as credit exposure is concerned, the Bank recorded its impairment loss at MUR 468.4m which represented a drop of 56% compared to MUR 1.1bn in 2018.

The net impairment loss on financial assets was MUR 14.1m for Segment A and MUR 454.3m for Segment B as compared to last year of MUR 322.3m for Segment A and MUR 745.3m for Segment B, which is a decrease of 96% in Segment A and 39% in Segment B respectively.

Of crucial note that the Bank was also impacted by first time adoption of IFRS 9 – "Financial Instruments" effective 1 January 2018 and the resulting methodology of calculating impairment has changed coupled with a material reclassification surrounding the treatment of asset sell down amounting to MUR 23.9m sits in other revenue.

The impairment figures were attenuated by bad debts recovered of MUR 89.2m (2018: MUR 8.6m).

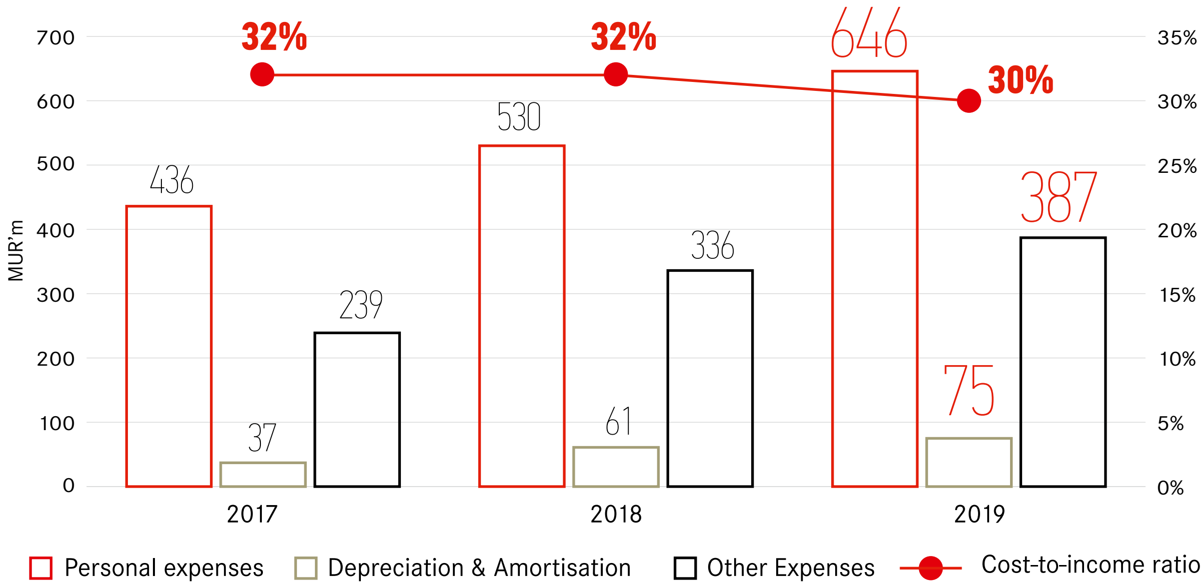
The segmental split of the impairment is illustrated year-on-year as follows:



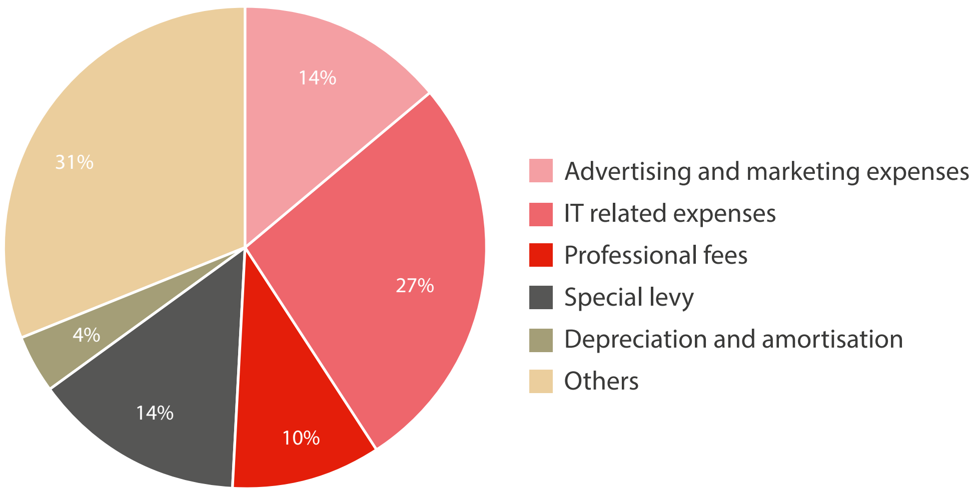
Total Operating Expenses

The Bank bolstered its investment in its human capital, information technology and infrastructure which has allowed us to deliver industry leading efficiency while investing in our talent. We have created and buoyed up a culture that is committed to enabling growth and progress through responsible finance. The Bank optimized its costs which resulted in a stable year-on-year cost-to-income ratio of 30%.

The Bank invested MUR 646.3m, that is, 58% of its total operating expenses to upgrade and sustain its personnel during the year compared to MUR 529.7m, that is, 57% last year. ABL's total headcount increased from 368 in 2018 to 402 in 2019 as we continue to steer ourselves towards being 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 which increased by 17% to MUR 123.3m in line with the set out strategy explained above.

Advertising and marketing expenses increased by 30% to MUR 63.7m with a substantial chunk residing in the sponsorship of AfrAsia Bank Mauritius Open (ABMO).

Special levy increased by 53% to MUR 63.8m, it is also of note that this item was previously part of income tax expenses and has been subject to a reclassification to operating expenses following changes in tax legislation in Finance Act 2018.

On the other hand, professional fees decreased by 24% to MUR 48.4m due to an exceptional refund of fees and communication cost remained mostly stable at MUR 42.2m.

Impairment On Receivable from Subsidiary

In line with the requirements of IFRS 9 – "Financial Instruments" under paragraph 5.2.2, the Bank assessed the recoverability of the receivable balance with its subsidiary based on the cash flow forecast of AfrAsia Capital Management Ltd. An impairment of MUR 103.0m was recognised in the financial statements.

Taxation

The Bank's income tax expense as at 30 June 2019 as per its Statement of Profit or Loss and Other Comprehensive Income comprises of Corporate tax and Corporate Social Responsibility (CSR) and deferred tax.

The corporate tax as at 30 June 2019 is at 15%, with a deemed tax credit of 80% applicable for Segment B income.

Corporate Social Responsibility (CSR) is at 2% of taxable income under Segment A of the preceding financial year paid to Government-approved CSR projects. The CSR contributions for 2019 is MUR 6.5m compared to MUR 11.6m for 2018.

Following the Finance Act 2018 and 2019, there were several changes in the corporate tax and special levy computation.

Corporate tax – as from 01 July 2019, the tax rate for banks in Mauritius will range between 5% to 15% depending on the chargeable income.

Special Levy for prior years was recorded under income tax expense. Following the Finance Act 2018 and 2019, Special Levy is now classified under the VAT Act and therefore does not meet the criteria of income tax expense as per IAS 12 – "Income Taxes". As a result, from this financial year, the special levy is recorded under operating expenses at a rate of 4.5% of leviable income. Leviable income is defined the sum of net interest income and other income from banking transactions with residents (Segment A) before deduction of expenses. The special levy increased from MUR 41.5m in 2018 to MUR 63.8m in 2019 due to increase in leviable income.

The deferred tax asset is aligned to the new tax rate of 5% as the asset will be utilized in future years at the new tax rate. The impact is recorded in the Statement of Profit or Loss as at 30 June 2019.

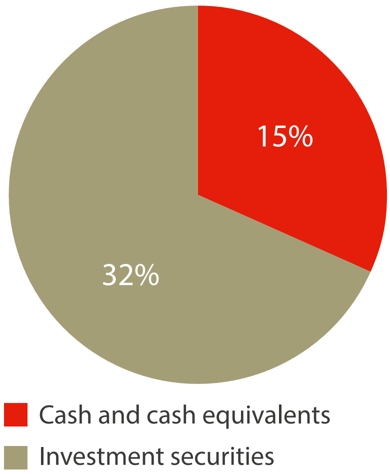
Overall, the Bank's income tax expense increased by 69.4% from MUR 141.2m in 2018 to MUR 239.2m in 2019. The effective tax rate decreased from 15.6% in 2018 to 13.1% in 2019. The lower effective tax rate was on mainly account of the reclassification of special levy to operating expense.

FINANCIAL POSITION REVIEW

Total Assets

The Bank's asset base grew by a solid 16% (MUR 19.5bn) and reached MUR 139.9bn by end of this FY. This growth was primarily in investment securities, cash and cash equivalents and due from banks while loans and advances and other assets were relatively stable when compared to last FY.

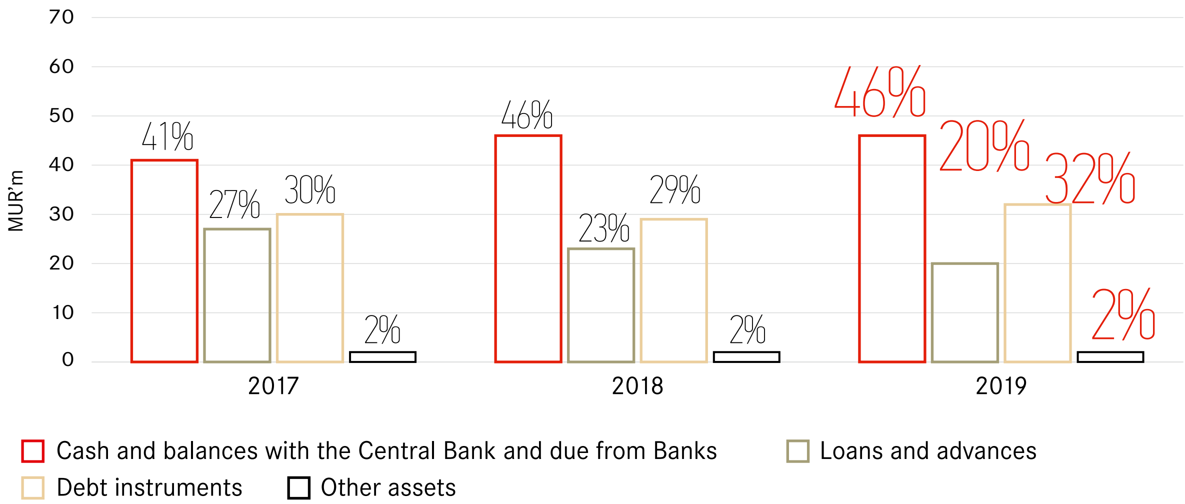
Assets growth



Investment securities increased by MUR 10.9bn due primarily to higher holdings of debt instruments at amortised cost; representing 32% of total assets. Cash and cash equivalents and due from banks increased by 15% in 2019. Other assets, with its foremost component being mandatory balances with the Central Bank (MUR 1.9bn), did not experience major change. During the financial year 2019, in line with the requirements of IAS 36 – "Impairment of Assets" to test its assets for impairment, the Bank made a full provision for impairment of its investment in AfrAsia Investments Limited of MUR 189.6m. Furthermore, the proportion of the Bank's total assets to Segment B represented 63% in 2019 which is a drop when compared to 70% in 2018.

Overall, as depicted in the chart below, the Bank furthered its risk diversification over its assets, this can be represented by:

Assets Mix



Cash and cash equivalents and due from banks

- MUR 2.9bn (LCY) - 5%
- MUR 60.8bn (FCY) - 95% of which MUR 38.4bn (USD) - 60%

Loans and advances

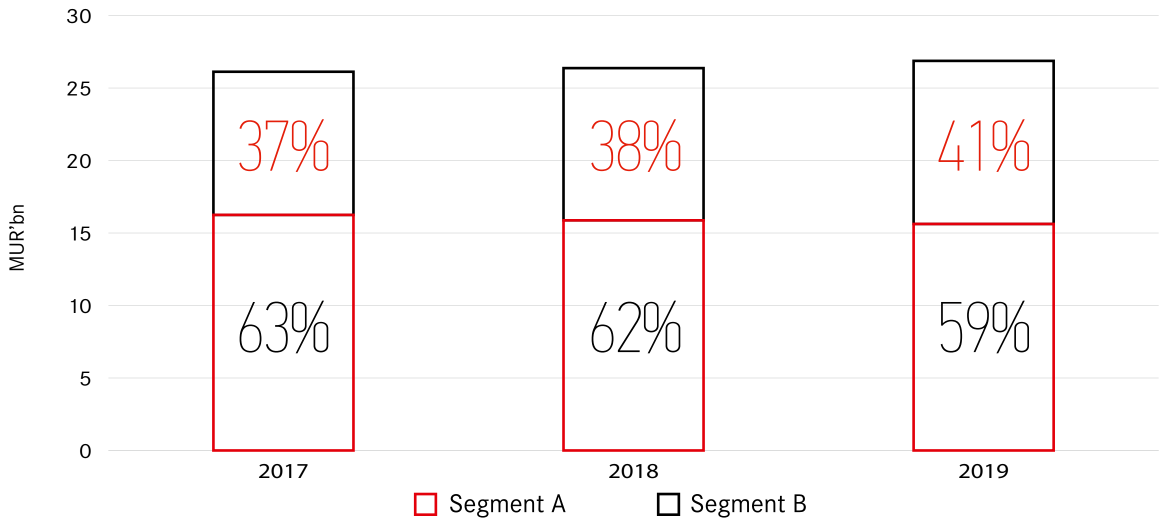
- MUR 7.4bn (LCY) - 26%
- MUR 20.8bn (FCY) - 74% of which MUR 15.9bn (USD) - 56%

Investment securities

- MUR 18.6bn (LCY) - 41%
- MUR 26.7bn (FCY) - 59% of which MUR 23.6bn (USD) - 52%

Loans and Advances

With the conservative approach towards its lending strategy, the Bank's loans and advances remained at par at MUR 28.2bn this year geared mostly towards Segment B representing 59%. Loans and advances with contractual maturities over 12 months represented 56% of total loans in 2019. The weightage of the Bank's loan book sits primarily at 32% in financial and business services sector, 11% in the tourism sector and Global Business Licence holders (GBL) and 18% in other entities in the mist of other industry sectors. We note a decline in the concentration risk in industry sectors such as government and parastatal bodies, construction, ICT and agriculture and fishing primarily.



Allowance for Impairment Losses

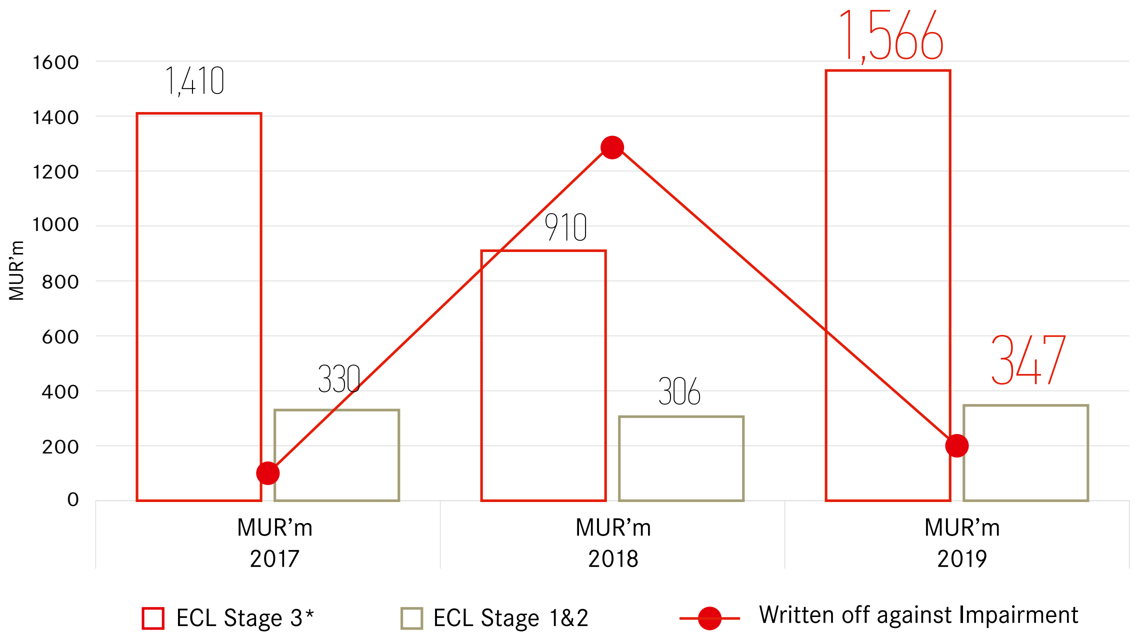
The Bank's allowance for impairment losses represent estimated losses related to impaired loans in the portfolio provided for but not yet written off, and allowances for performing loans, which is our best estimate of impairment in the existing portfolio for loans that have not yet been individually identified as impaired. Our approach to establishing and maintaining the allowance for performing loans is based on the requirements of IFRS. Under the IFRS 9 – "Financial Instruments", an allowance is recorded for expected credit losses (ECL) on financial assets regardless of whether there has been actual impairment. The ECL methodology is based on a 3 stage model:

Stage 3	ECL - MUR 1.6bn
Stage 2	ECL - MUR 226.4m
Stage 1	ECL - MUR 135.5m

Allowance for Impairment Losses

Allowance for impairment losses encompasses ECL stage 3 provisioning, which increased from MUR 1.3bn in 2018 to MUR 1.9bn in 2019. Segment B makes 76% of the total allowance for impairment losses. MUR 214.3m of loans and advances to customers have been written off against provisions in 2019, 96% being in Segment A.

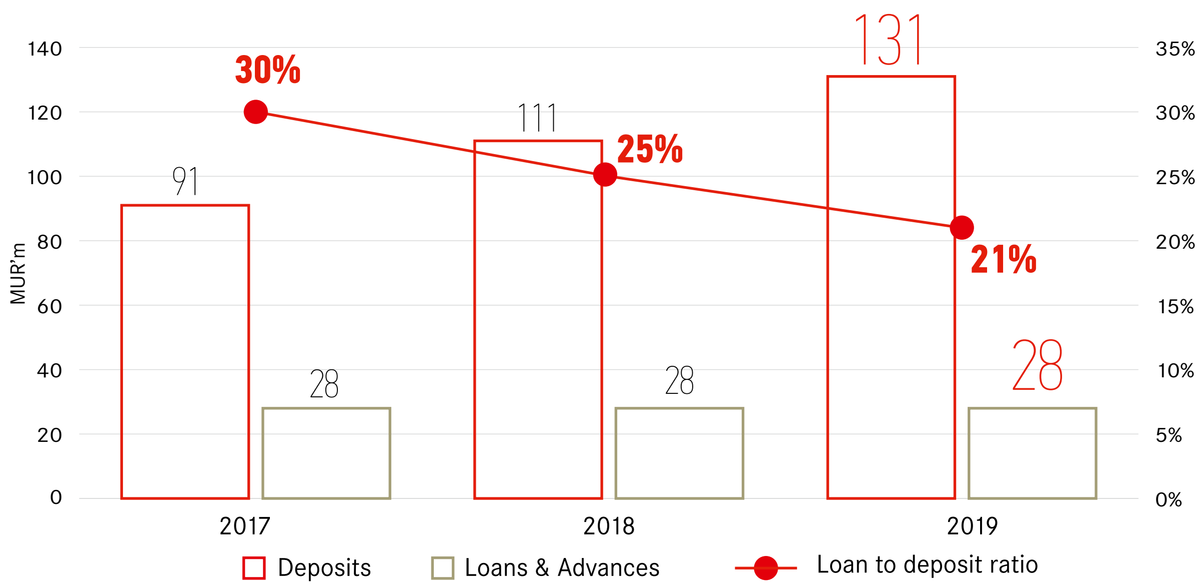
Other Non-Financial Corporations (ONFC) sector represents 44% of the written off against provision quantum followed closely by the construction sector at 36%.



*The above specific impairment includes interest component.

Loans-to-Deposits Ratio

A lower than expected loans-to-deposits ratio was achieved in 2019, that is, 21% compared to 25% last year. This ratio can be further broken down into LCY at 40% and FCY at 18%. The result can be explained with a lower than expected growth in the Bank's loans and advances compared to the growth on deposits.



NPA Coverage ratio

The Bank's NPA subdued an increase to MUR 1.9bn at end June 2019 as compared to MUR 1.5bn for the same period in 2018. Consequently, it is to be noted that the Bank's NPA ratio was 7% (2018: 5%). The financial sectors were the topmost contributor at 25% of NPA taking the manufacturing sector off the pedestal which was at 35% last year.

Coverage ratio

Coverage ratio is measured as the percentage of specific impairment over total NPA. As a matter of fact, the Bank coverage showed an improvement from 39% in 2018 to 65% in 2019.

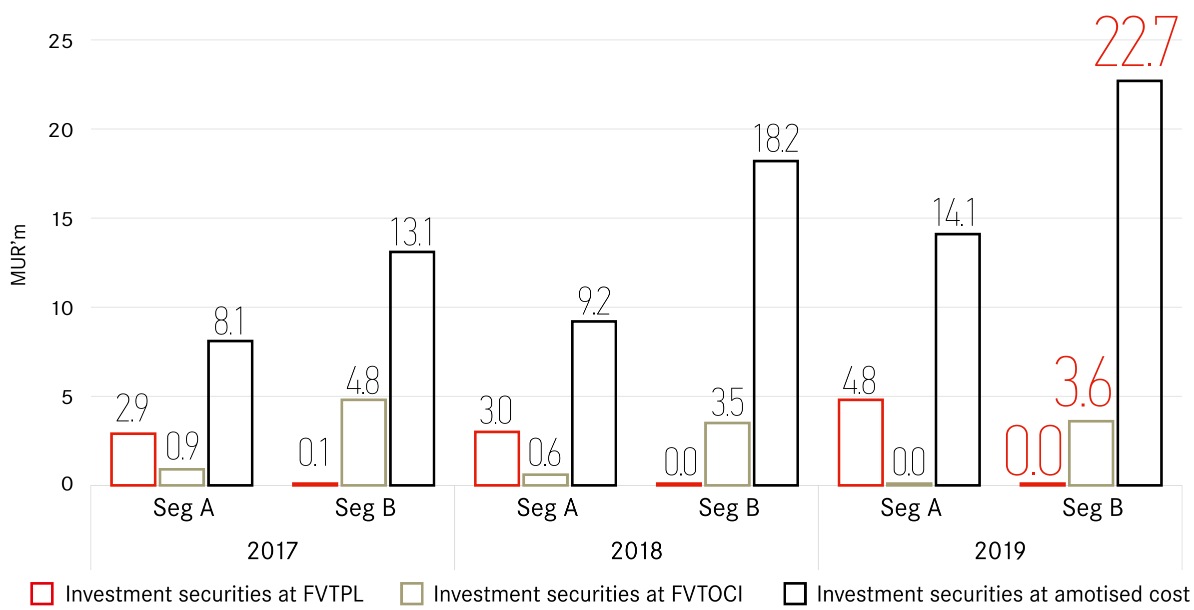
Investment Securities

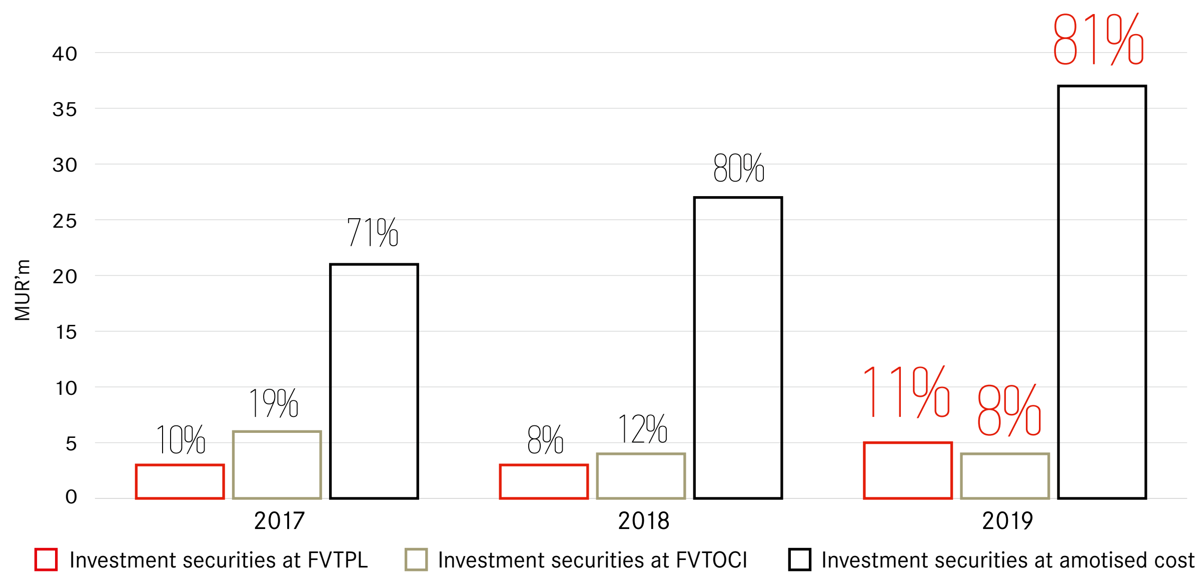
Investment securities which is held in either its trading or banking book grew by 32% to reach MUR 45.3bn as at 30 June 2019 (2018: MUR 34.5bn) with the majority investments being in Government papers both domestic and international.

The currency split as from 30 June 2019 stands as LCY MUR 18.6bn and FCY MUR 26.8bn (of which USD MUR 23.7bn).

Effective 1 January 2018, with the adoption of the IFRS 9, the former classifications under held-for-trading, available-for-sale and held-to-maturity have been superseded and replaced by the following categories:

- Debt instruments at fair value through profit or loss (FVTPL) for held for trading investments
- Debt instruments at fair value through other comprehensive income (FVTOCI) for available for sale investments
- Debt instruments at amortised cost (AC) for held to maturity investments



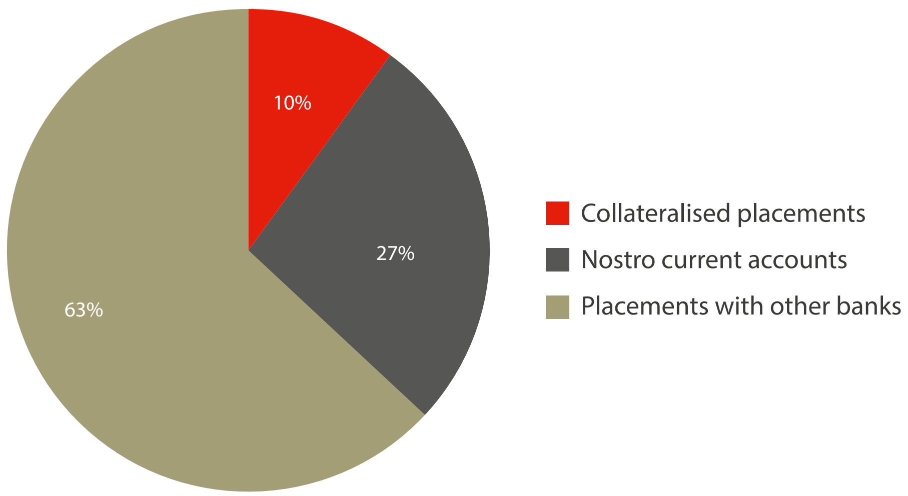


Cash and Cash Equivalents and Due from Banks

The Bank's conservative approach towards customer lending also led to an expansion in the Bank's monies held with other banks from MUR 55.1bn to MUR 63.7bn between 2018 and 2019 consisting mainly of the following:

- Nostro current accounts;
- Placement with other banks; and
- Collateralised placements.

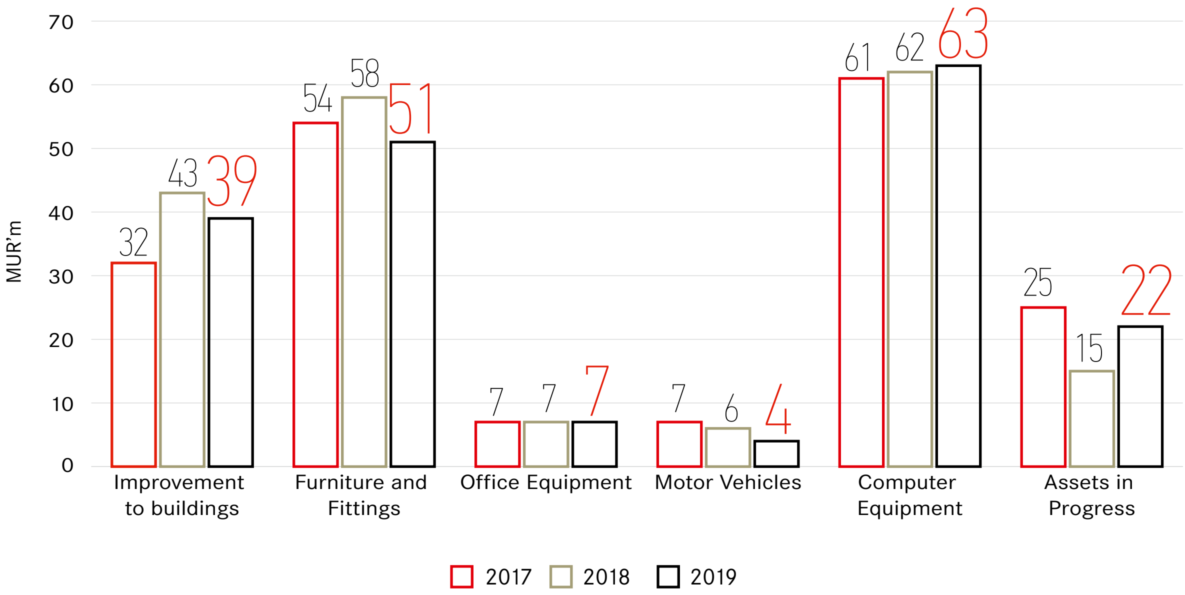
Nostro current accounts were dropped by 15% from MUR 19.8bn to MUR 16.9bn, placement with other banks increased by 26% from MUR 30.2bn to MUR 40.2bn of which MUR 32.4bn in USD and collateralised placements experienced an increase of 89% from MUR 3.5bn to MUR 6.6bn in 2019 which are money lent to local banks.



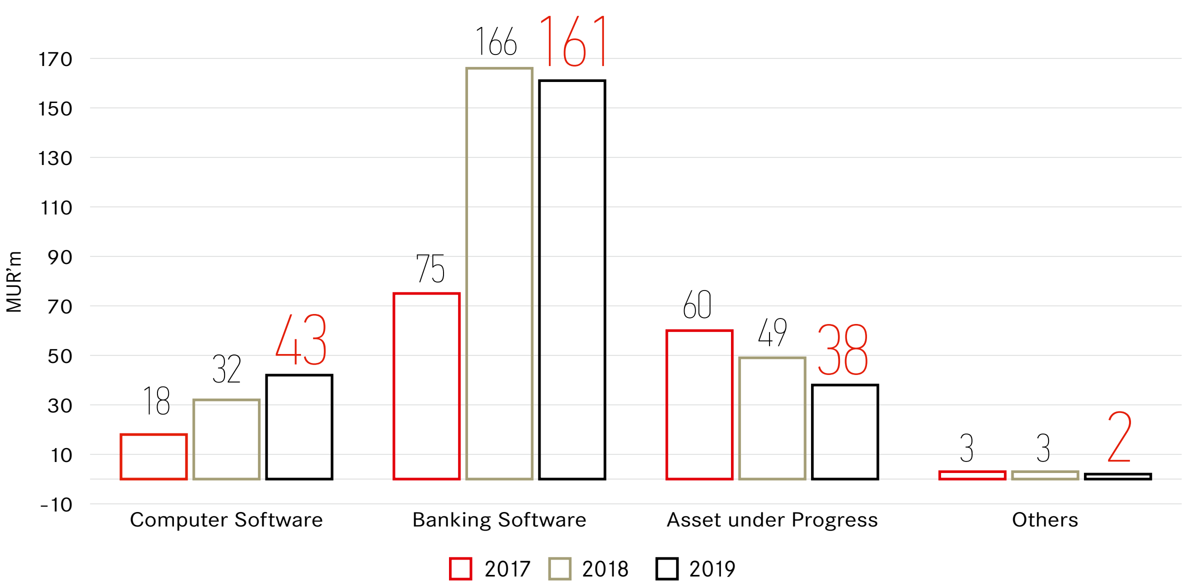
MANAGEMENT DISCUSSION AND ANALYSIS

Non-Current Assets – Tangible and Intangible

At AfrAsia, we have embraced digitalisation to make it easier for our clients to seamlessly bank with us and create scope for productivity gains in the workforce. Thus, an ample amount of our capital expenditure was channelled towards banking software, computer software and computer equipment, that is, MUR 19.7m, MUR 23.2m and MUR 22.2m respectively capitalized this year, out of which MUR 10.8m, MUR 18.8m and MUR 13.7 respectively refers to assets which formerly were classified under work-in-progress. The carrying amounts are depicted below:



Non-Current Assets – Tangible and Intangible



Liabilities

Deposits from Customers

Our offering is continuously evolving in order to address and anticipate our clients' changing needs. As a result, existing customers placed high level of confidence and with the on-boarding of new clients the Bank's deposits from customers grew from MUR 111.4bn end of June 2018 to reach MUR 131.2bn by the end of June 2019.

The deposit figure for the year under review is split into MUR 18.6bn LCY and MUR 112.6bn FCY (of which MUR 80.5bn in USD).

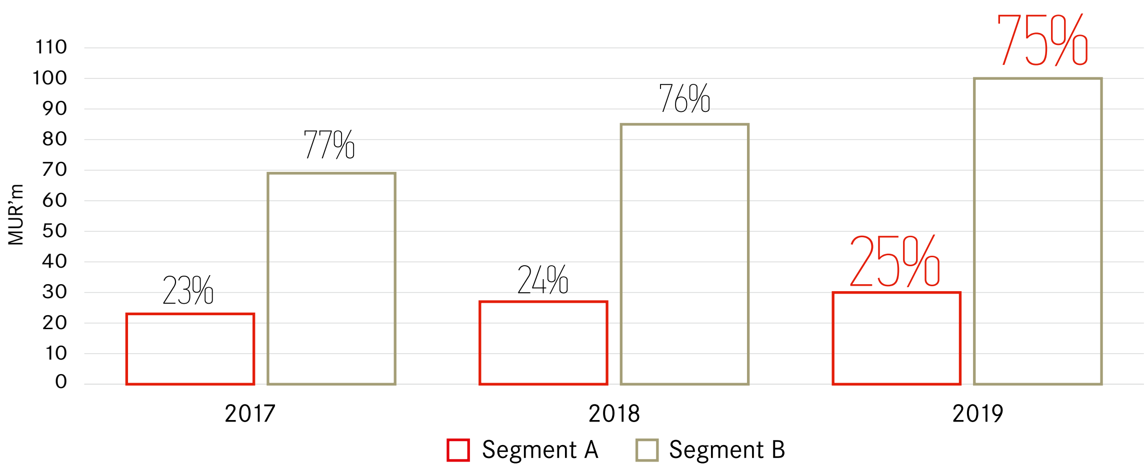
Split of Customer deposits base was as follows:

- Current accounts MUR 90.9bn, that is, 69% of total deposits and 8% growth year on year;
- Savings accounts MUR 5.1bn, that is, 4% of total deposits and 14% growth year on year; and
- Fixed deposits MUR 35.2bn, that is, 27% of total deposits and 55% growth year on year.

Current Accounts
- MUR 5.5bn (LCY) - 6%
- MUR 85.4bn (FCY) - 94% of which MUR 55.8bn (USD) - 61%

Savings Accounts
- MUR 5.1bn (LCY)

Fixed Deposits
- MUR 8.0bn (LCY) - 23%
- MUR 27.2bn (FCY) - 77% of which MUR 24.7bn (USD) - 70%



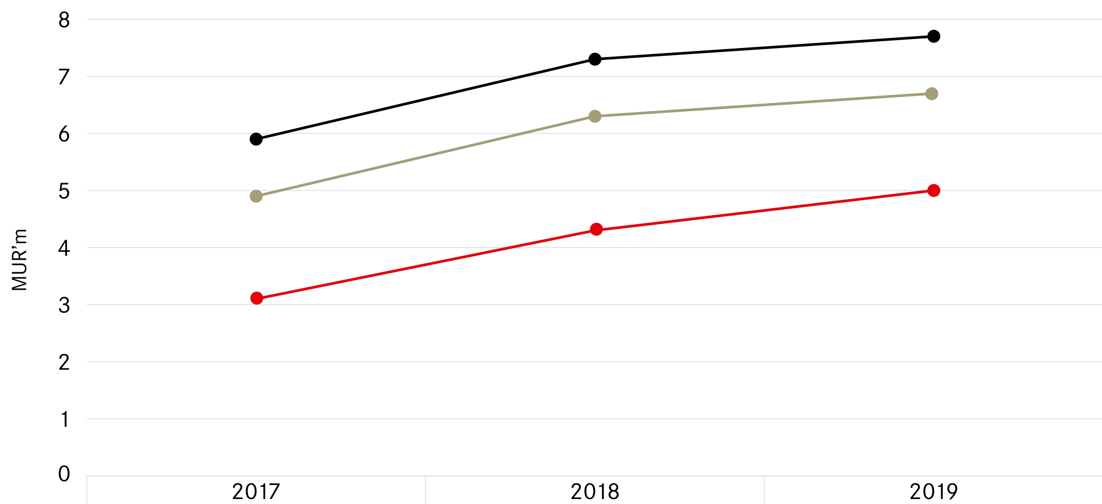
Shareholders' Equity

ABL's shareholders' equity stood at MUR 7.7bn as at 30 June 2019 (2018: MUR 6.9bn, 2017: MUR 6.0bn). Retained earnings of MUR 1.8bn include profit for the year ended 30 June 2019 partly offset by payment of Ordinary and Class A dividend totalling MUR 333.5m paid during the year.

Ordinary Dividends – During the year, the Bank compensated its ordinary shareholder by paying an amount of MUR 186.4m, equivalent of MUR 1.65 per share along with a dividend pay-out ratio of 30% based on FY18 results.

Class A Dividends – Similarly, MUR 147.1m was paid to our Class A shareholders in two tranches during the FY ended 30 June 2019 in line with the programme memorandum and applicable pricing supplement.

On the regulatory side, with a Common Equity Tier 1 (CET1) of MUR 5.9bn (2018: MUR 4.9bn), Tier 1 (T1) of MUR 7.3bn (2018: MUR 6.3bn) and Total Capital base (TC) of MUR 7.7bn (2018: MUR 6.7bn) coupled with total risk-weighted assets of MUR 48.7bn (2018: MUR 45.3bn), the Bank achieved a satisfactory total capital adequacy ratio of 15.85% (2018: 14.7%) which is 2.97% above the current threshold of 12.88%. Similarly, being considered as a Domestic Systemically Important Bank (D-SIB), a surcharge of 1% is included in the current limit.



	2017	2018	2019
CET 1	3.1	4.9	5.9
T1	4.3	6.3	7.3
TC	5	6.7	7.7

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, who 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 by the Bank of Mauritius, have been applied in the preparation and fair presentation of the financial statements for the year ended 30 June 2019 and management has exercised its judgement and made best estimates where deemed necessary.

The Group and the Bank have 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 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 Committee, Conduct Review Committee and Credit Committee, which comprise independent directors who are not officers or employees of the Bank, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas and assessment of significant and related party transactions.

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

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

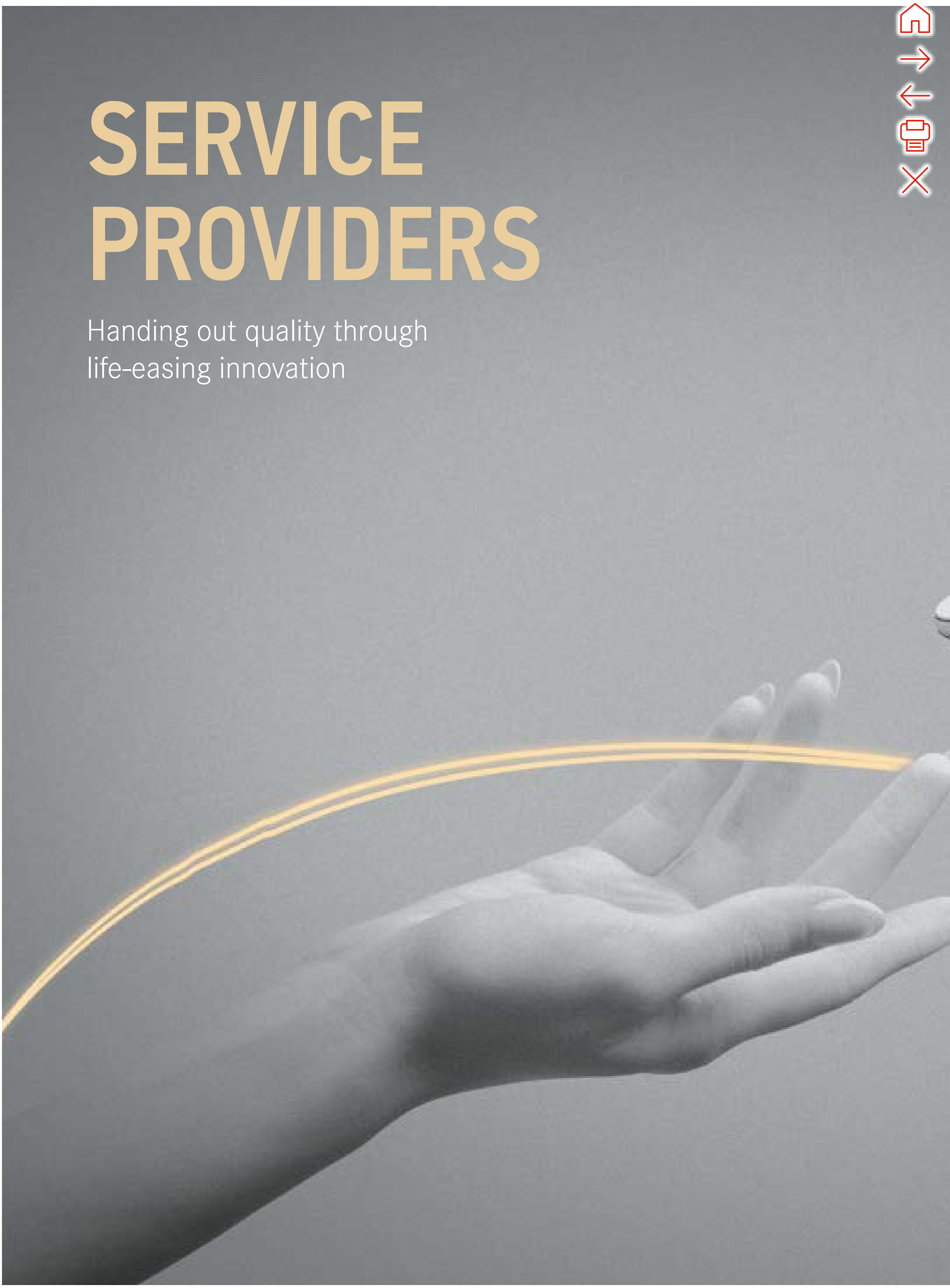
The Bank's external auditors, Deloitte, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

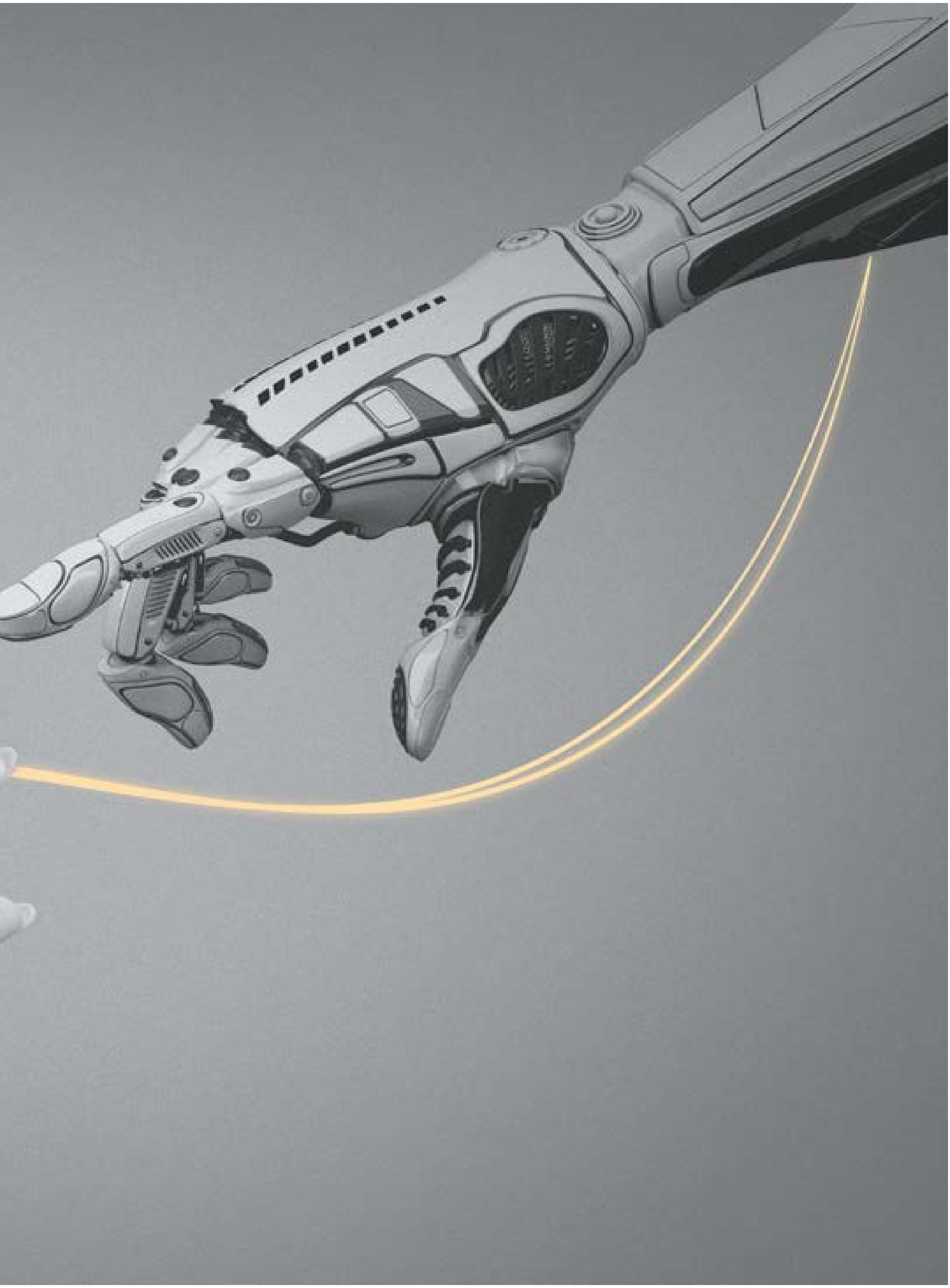
JEAN JUPPIN DE FONDAUMIERE	**SANJIV BHASIN**	**PHILIPPE JEWTOUKOFF**
Chairman	Chief Executive Officer	Director

Date: 19 September 2019

SERVICE PROVIDERS

Handing out quality through life-easing innovation





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 2019.

IBL MANAGEMENT LTD
Company Secretary

Date: 19 September 2019

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 the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 164 to 267, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 30 June 2019, 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 Accountants Code of Ethics 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 (CONT'D)

Key audit matter	How our audit addressed the key audit matter
Provision for credit losses – Financial assets which are not credit impaired	
IFRS 9 was implemented by the Bank on 1 July 2018. This new standard requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: › Model estimations – the Bank has used a combination of statistical model and credit rating model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. › Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. › Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macro-economic forecasts are estimates of future economic conditions. › Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	Our audit procedures included amongst others: › Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; › Evaluating controls over model monitoring and validation; › Use of specialist team in performing certain procedures; › Verifying the historical data used in determination of PD in the models; › Reviewing a sample of the rating reports derived from the internal rating system and the corresponding mapping to S&P table; › Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; › Assessing the appropriateness of the macro- economic forecasts used; › Independently assess probability of default, loss given default and exposure at default assumptions; › Testing the accuracy and completeness of ECL by reperformance; and › Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit losses in the consolidated and separate financial statements and related disclosures to be appropriate.

Key audit matter (cont'd)	How our audit addressed the key audit matter
Provision for credit losses – Credit impaired assets	
Provision for credit losses on credit-impaired loans and advances to customers at 30 June 2019 amount to MUR 1,566 million and the charge to profit or loss for the year amount to MUR 870 million. Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for credit losses, this item is considered as a key audit matter. The use of assumptions for the measurement of provision for credit losses 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 of allowance for credit impairment on loans and advances are disclosed in Notes 3B and 17 to the financial statements. The most significant judgements are: › whether impairment events have occurred › valuation of collateral and future cash flows › management judgements and assumptions used	Our audit procedures included amongst 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 consolidated and separate financial statements to be appropriate.
Impairment assessment of goodwill	
Goodwill arising from the acquisition of AfrAsia Capital Management Ltd amounting to MUR 134.9 million was fully impaired in profit or loss at 30 June 2019. 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 3B and 21, there is inherent uncertainty and significant judgements 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; › Comparing the growth rates used to historical data regarding economic growth rates in the cash generating unit; › Reviewing appropriateness of discount factors used; › Verifying the mathematical accuracy of the valuation; and › Performing sensitivity analyses on discount rates to evaluate the extent of impact on the value in use. We found the assumptions used and disclosures in the consolidated financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED (CONT'D)

Key audit matter (cont'd)	How our audit addressed the key audit matter
Deferred tax assets	
As disclosed in Notes 3B and 12(d), the Group and the Bank have recognized deferred tax assets as at 30 June 2019 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 consolidated and separate financial statements to be appropriate.

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.

Other information

The directors are responsible for the other information. The other information comprises the following: About this Report, Corporate Profile & Overview, Corporate Governance Report, Sustainability at AfrAsia Bank, Risk Management Report, Management Discussion and Analysis, Statement of Management's Responsibility for Financial Reporting and Certificate from the Company Secretary. We obtained these prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements 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.

Corporate governance report

Our responsibility under Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AFRASIA BANK LIMITED (CONT'D)

Auditor's responsibilities for the audit of the consolidated and separate financial statements (cont'd)

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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

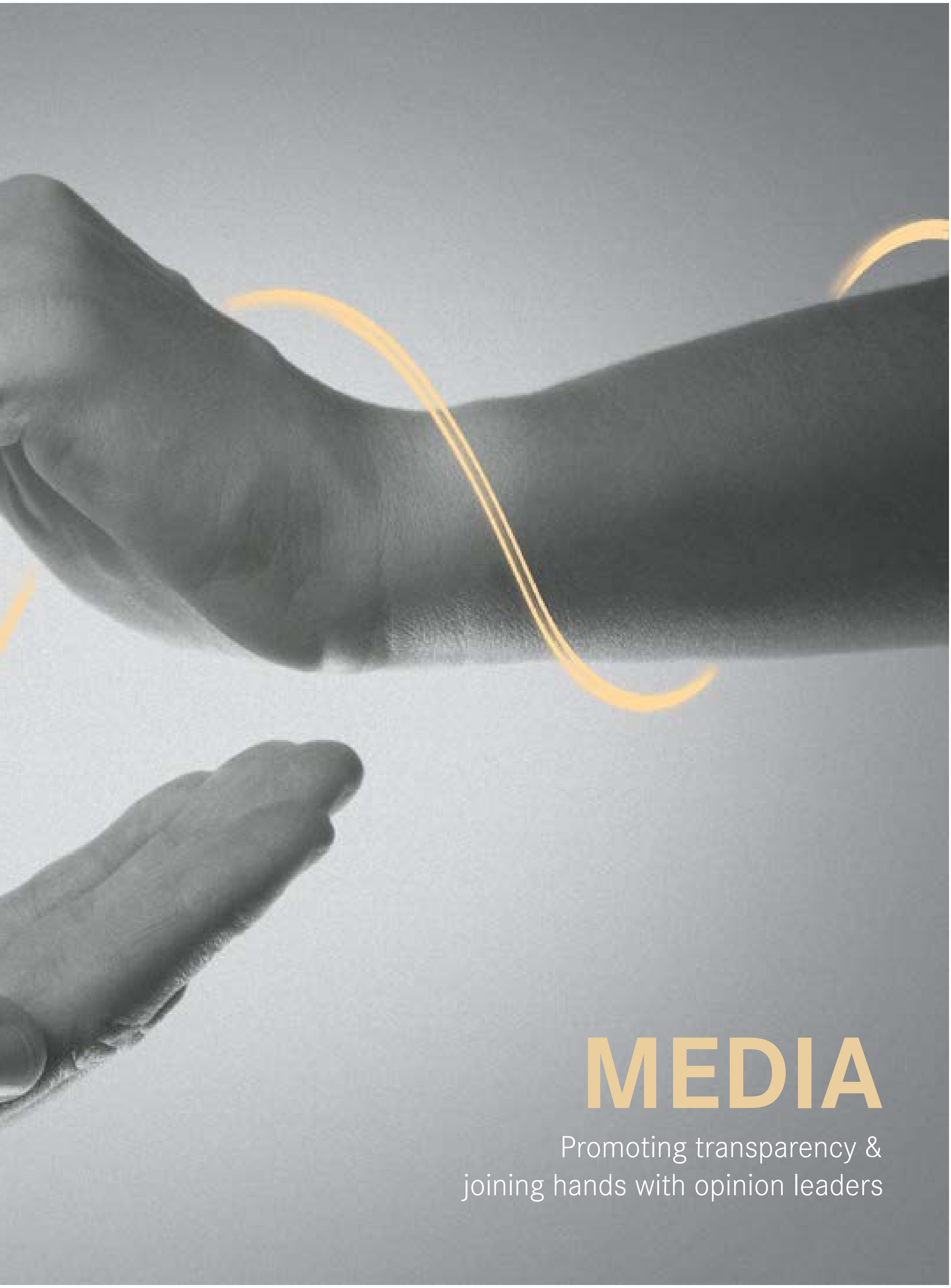
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe those matters in our auditor's report 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

19 September 2019



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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		THE GROUP			THE BANK		
		2019	2018	2017	**2019**	2018	2017
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income	5(a)	**3,169,022**	2,405,712	1,921,852	**3,169,047**	2,405,556	1,921,267
Interest expense	5(b)	**(858,407)**	(699,391)	(716,175)	**(858,274)**	(695,565)	(709,355)
Net interest income		**2,310,615**	1,706,321	1,205,677	**2,310,773**	1,709,991	1,211,912
Fee and commission income	6	**767,392**	739,778	607,915	**718,151**	649,327	536,038
Fee and commission expense	6	**(293,084)**	(309,428)	(242,283)	**(291,379)**	(306,402)	(239,566)
Net fee and commission income		**474,308**	430,350	365,632	**426,772**	342,925	296,472
Net gain from derecognition of financial assets measured at amortised cost	7	**23,927**	-	-	**23,927**	-	-
Net trading income	8(a)	**228,862**	142,122	188,494	**228,862**	142,122	188,494
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	8(b)	**98**	34,582	9,624	**98**	34,582	9,624
Net gain from foreign exchange and derivatives	8(c)	**684,180**	642,260	487,587	**687,941**	640,063	487,903
Other operating income	8(d)	**5,598**	27,707	15,048	**15,118**	32,977	17,979
Total operating income		**3,727,588**	2,983,342	2,272,062	**3,693,491**	2,902,660	2,212,384
Net impairment loss on financial assets	9	**(468,380)**	(1,067,581)	(580,549)	**(468,380)**	(1,067,581)	(580,549)
Net operating income		**3,259,208**	1,915,761	1,691,513	**3,225,111**	1,835,079	1,631,835
Personnel expenses	10	**(685,120)**	(570,135)	(463,512)	**(646,296)**	(529,664)	(436,358)
Depreciation of property and equipment	20	**(37,726)**	(35,608)	(25,271)	**(36,361)**	(34,370)	(24,091)
Amortisation of intangible assets	21	**(72,014)**	(37,310)	(23,185)	**(38,586)**	(27,005)	(12,810)
Other operating expenses	11	**(405,437)**	(351,378)	(258,893)	**(387,303)**	(336,362)	(238,902)
Total operating expenses		**(1,200,297)**	(994,431)	(770,861)	**(1,108,546)**	(927,401)	(712,161)
Operating profit		**2,058,911**	921,330	920,652	**2,116,565**	907,678	919,674
Impairment loss on investment in subsidiary	19	**-**	-	-	**(189,563)**	-	-
Impairment loss on receivable from subsidary	22	**-**	-	-	**(103,000)**	-	-
Loss on winding up of subsidiary	19	**(57,210)**	(10,353)	(5,004)	**-**	-	-
Impairment loss on goodwill	21	**(134,903)**	-	-	**-**	-	-
Impairment of available-for-sale investment		**-**	-	(5,128)	**-**	-	-
Profit before tax		**1,866,798**	910,977	910,520	**1,824,002**	907,678	919,674
Tax expense	12(b)	**(238,826)**	(148,115)	(106,411)	**(239,219)**	(141,224)	(102,676)
Profit for the year		**1,627,972**	762,862	804,109	**1,584,783**	766,454	816,998
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss:							
Net gain/(loss) on available-for-sale investments		**-**	10,722	(9,888)	**-**	10,722	(12,259)
Movement in investment revaluation reserve for debt instrument measured at fair value through other comprehensive income:							
- gains arising during the year		**2,574**	-	-	**2,574**	-	-
- reclassification of losses included in profit or loss on derecognition		**(98)**	-	-	**(98)**	-	-
Gain on equity instruments designated at fair value through other comprehensive income		**6,205**	-	-	**1,122**	-	-
Exchange differences on translation of foreign operations		**-**	(523)	3,331	**-**	-	-
Recycling of retranslation reserve on winding up		**-**	523	-	**-**	-	-
		8,681	10,722	(6,557)	**3,598**	10,722	(12,259)
Other comprehensive income/(loss) that will not be reclassified to profit or loss:							
Remeasurement of retirement benefits obligation		**(10,179)**	(11,611)	-	**(9,269)**	(11,611)	-
Deferred tax of remeasurement on retirement benefits obligation	12(d)	**426**	819	-	**381**	819	-
		(9,753)	(10,792)	-	**(8,888)**	(10,792)	-
Other comprehensive loss for the year		**(1,072)**	(70)	(6,557)	**(5,290)**	(70)	(12,259)
Total comprehensive income for the year attributable to equity holders of the parent		**1,626,900**	762,792	797,552	**1,579,493**	766,384	804,739

The notes on pages 169 to 267 form an integral part of these financial statements.

Auditor's report on pages 155 to 161.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	THE GROUP			THE BANK		
		2019	2018	2017	**2019**	2018	2017
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
ASSETS							
Cash and cash equivalents	14	**50,700,638**	50,105,076	35,965,163	**50,698,992**	49,974,647	35,945,320
Due from banks	15	**12,967,930**	5,164,742	4,752,221	**12,967,930**	5,164,742	4,752,221
Derivative financial instruments	16	**744,595**	897,052	318,120	**92,413**	208,490	228,533
Loans and advances to banks	17(a)	**6,019,048**	5,769,229	3,509,330	**6,019,048**	5,769,229	3,509,330
Loans and advances to customers	17(b)	**22,150,196**	22,297,254	24,003,415	**22,150,196**	22,297,254	24,003,415
Investment securities	18	**46,203,952**	35,290,627	30,742,647	**45,308,171**	34,374,414	29,861,287
Investment in subsidiary	19	**-**	-	-	**-**	189,563	189,563
Property and equipment	20	**187,071**	192,285	189,287	**185,675**	189,854	186,269
Intangible assets	21	**243,401**	417,919	334,494	**243,398**	249,585	155,855
Deferred tax assets	12(d)	**101,664**	141,747	147,057	**100,953**	141,462	147,057
Other assets	22	**2,042,215**	1,685,508	1,436,888	**2,106,722**	1,841,173	1,427,433
TOTAL ASSETS		**141,360,710**	121,961,439	101,398,622	**139,873,498**	120,400,413	100,406,283
LIABILITIES AND EQUITY							
Due to banks	23	**30,434**	932,755	1,500,815	**30,434**	932,755	1,500,815
Deposits from customers	24	**131,032,605**	111,136,100	90,601,331	**131,208,365**	111,385,467	91,082,564
Derivative financial instruments	16	**702,177**	752,944	294,047	**49,995**	64,382	204,460
Debts issued	25	**320,662**	855,302	1,673,625	**184,205**	600,208	1,111,493
Financial liabilities measured at fair value through profit or loss	27	**872,139**	897,654	861,677	**-**	-	-
Retirement benefits obligation	30	**67,307**	42,776	23,000	**64,652**	41,688	23,000
Current tax liabilities	12(a)	**112,116**	34,780	130,156	**112,116**	31,281	130,156
Deferred tax liabilities	12(d)	**-**	-	129	**-**	-	-
Other liabilities	26	**522,732**	473,048	381,589	**507,327**	445,380	361,347
TOTAL LIABILITIES		**133,660,172**	115,125,359	95,466,369	**132,157,094**	113,501,161	94,413,835
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Ordinary shares	28	**3,641,049**	3,641,049	3,197,608	**3,641,049**	3,641,049	3,197,608
Class A shares	29	**1,399,768**	1,399,768	1,399,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	31	**1,801,294**	1,200,350	870,794	**1,836,242**	1,277,521	944,373
Other reserves	31	**858,427**	594,913	464,083	**853,345**	594,914	464,699
TOTAL EQUITY		**7,700,538**	6,836,080	5,932,253	**7,716,404**	6,899,252	5,992,448
TOTAL LIABILITIES AND EQUITY		**141,360,710**	121,961,439	101,398,622	**139,873,498**	120,400,413	100,406,283

The financial statements have been approved by the Board of Directors and authorised for issue on 19 September 2019.

JEAN JUPPIN DE FONDAUMIERE

Chairman

SANJIV BHASIN

Chief Executive Officer

PHILIPPE JEWTOUKOFF

Director

The notes on pages 169 to 267 form an integral part of these financial statements.

Auditor's report on pages 155 to 161.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

(a) THE GROUP	Notes	Ordinary shares MUR'000	Class A shares MUR'000	Retained earning MUR'000	Other reserves MUR'000	Total MUR'000
Attributable to owners of the Bank						
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	31	-	-	(15,898)	15,898	-
Share-based payments	28	-	-	-	(11,061)	(11,061)
Appropriation of reserves	31	-	-	(122,959)	122,959	-
Issue of shares	28	602,245	-	-	-	602,245
Dividends	13	-	-	(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		-	-	(10,792)	10,722	(70)
Total comprehensive income/(loss) 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	13	-	-	(300,159)	-	(300,159)
At 30 June 2018		3,641,049	1,399,768	1,200,350	594,913	6,836,080
At 1 July 2018		**3,641,049**	**1,399,768**	**1,200,350**	**594,913**	**6,836,080**
Effect of adopting IFRS 9	4	**-**	**-**	**(429,481)**	**547**	**(428,934)**
At 01 July 2018 (as restated)		**3,641,049**	**1,399,768**	**770,869**	**595,460**	**6,407,146**
Profit for the year		**-**	**-**	**1,627,972**	**-**	**1,627,972**
Other comprehensive (loss)/income		**-**	**-**	**(9,753)**	**8,681**	**(1,072)**
Total comprehensive income for the year		**-**	**-**	**1,618,219**	**8,681**	**1,626,900**
Appropriation of reserves	31	**-**	**-**	**(254,286)**	**254,286**	**-**
Dividends	13	**-**	**-**	**(333,508)**	**-**	**(333,508)**
At 30 June 2019		**3,641,049**	**1,399,768**	**1,801,294**	**858,427**	**7,700,538**

The notes on pages 169 to 267 form an integral part of these financial statements.

Auditor's report on pages 155 to 161.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

(b) THE BANK

	Notes	Ordinary shares MUR'000	Class A shares MUR'000	Retained earnings MUR'000	Other reserves MUR'000	Total MUR'000
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	28	-	-	-	(11,061)	(11,061)
Issue of shares	28	602,245	-	-	-	602,245
Appropriation of reserves	31	-	-	(122,959)	122,959	-
Dividends	13	-	-	(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	28	-	-	-	(2,862)	(2,862)
Issue of shares	28	446,291	-	-	-	446,291
Indemnity costs	28	(2,850)	-	-	-	(2,850)
Appropriation of reserves	31	-	-	(122,355)	122,355	-
Dividends	13	-	-	(300,159)	-	(300,159)
At 30 June 2018		3,641,049	1,385,768	1,277,521	594,914	6,899,252
At 01 July 2018		**3,641,049**	**1,385,768**	**1,277,521**	**594,914**	**6,899,252**
Effect of adopting IFRS 9		**-**	**-**	**(429,380)**	**547**	**(428,833)**
At 01 July 2018 (as restated)	4	**3,641,049**	**1,385,768**	**848,141**	**595,461**	**6,470,419**
Profit for the year		**-**	**-**	**1,584,783**	**-**	**1,584,783**
Other comprehensive (loss)/income		**-**	**-**	**(8,888)**	**3,598**	**(5,290)**
Total comprehensive income for the year		**-**	**-**	**1,575,895**	**3,598**	**1,579,493**
Appropriation of reserves	31	**-**	**-**	**(254,286)**	**254,286**	**-**
Dividends	13	**-**	**-**	**(333,508)**	**-**	**(333,508)**
At 30 June 2019		**3,641,049**	**1,385,768**	**1,836,242**	**853,345**	**7,716,404**

The notes on pages 169 to 267 form an integral part of these financial statements.

Auditor's report on pages 155 to 161.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		THE GROUP			THE BANK		
		2019	2018	2017	**2019**	2018	2017
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
OPERATING ACTIVITIES							
Profit before tax		**1,866,798**	910,977	910,520	**1,824,002**	907,678	919,674
Adjustments for:							
Change in operating assets	33(b)	**(19,935,395)**	(7,250,255)	(17,383,284)	**(20,018,305)**	(6,785,417)	(17,820,715)
Change in operating liabilities	33(c)	**18,807,502**	20,253,961	11,633,569	**18,926,691**	19,677,838	12,061,742
Non-cash items included in profit before tax	33(d)	**799,659**	1,167,055	909,865	**873,935**	1,144,072	892,638
Tax paid		**(99,738)**	(234,267)	(152,379)	**(96,254)**	(230,461)	(143,508)
Net cash flows from/(used in) operating activities		**1,438,826**	14,847,471	(4,081,709)	**1,510,069**	14,713,710	(4,090,169)
INVESTING ACTIVITIES							
Purchase of property and equipment	20	**(33,821)**	(45,121)	(80,287)	**(33,491)**	(44,470)	(79,532)
Purchase of intangible assets	21	**(33,692)**	(122,809)	(61,256)	**(33,692)**	(122,809)	(61,209)
Addition to investment		**(57,210)**	-	-	**-**	-	-
Dividend received		**-**	-	-	**-**	22,000	-
Proceeds from sale of property and equipment		**-**	89	-	**-**	89	-
Net cash flows used in investing activities		**(124,723)**	(167,841)	(141,543)	**(67,183)**	(145,190)	(140,741)
FINANCING ACTIVITIES							
Issue of shares	28	**-**	446,291	602,245	**-**	446,291	602,245
Indemnity paid on shares issued	28	**-**	(2,850)	-	**-**	(2,850)	-
Repayment of subordinated debt		**(385,033)**	(682,475)	-	**(385,033)**	(682,475)	-
Dividends paid	13	**(333,508)**	(300,159)	(242,949)	**(333,508)**	(300,159)	(242,949)
Net cash flows (used in)/generated from financing activities		**(718,541)**	(539,193)	359,296	**(718,541)**	(539,193)	359,296
Net cash flows for the year		**595,562**	14,140,437	(3,863,956)	**724,345**	14,029,327	(3,871,614)
Movement in cash and cash equivalents							
Cash and cash equivalents at 1 July		**50,105,076**	35,965,163	39,825,786	**49,974,647**	35,945,320	39,816,934
Net increase/(decrease) in cash and cash equivalents		**595,562**	14,140,437	(3,863,956)	**724,345**	14,029,327	(3,871,614)
Net foreign exchange difference		**-**	(524)	3,333	**-**	-	-
Cash and cash equivalents at 30 June	33(a)	**50,700,638**	50,105,076	35,965,163	**50,698,992**	49,974,647	35,945,320
Operational cash flows from interest							
Interest paid		**(881,316)**	(732,067)	(714,991)	**(881,183)**	(662,889)	(708,169)
Interest received		**2,864,490**	2,808,791	1,947,515	**2,864,516**	2,808,635	1,946,930

The notes on pages 169 to 267 form an integral part of these financial statements.

Auditor's report on pages 155 to 161.

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 (together referred to in this report as "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 2019 were authorised for issue through a resolution of the directors on 19 September 2019.

2. 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 Standards 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 2018.

New and revised Standards that are effective for the current year

The following relevant revised Standards have been applied in these financial statements. Except for IFRS 9, their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

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 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group and the Bank initially applied IFRS 15 on 1 July 2018 using the modified retrospective method. The timing or amount of the fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the new disclosure requirements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration issued

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group and the Bank have applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The Group and the Bank initially applied IFRS 9 on 1 July 2018. In accordance with the transition provisions of IFRS 9, the Group and the Bank have elected not to restate the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

As a result of the adoption of IFRS 9, the Group and the Bank have adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the Group and the Bank adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019 but have not been applied to the comparative information.

IFRS 9 introduced new requirements for:

a) The classification and measurement of financial assets and financial liabilities,

b) Impairment of financial assets, and

c) General hedge accounting.

The Group and the Bank have not applied hedge accounting to its financial instruments during the years ended 30 June 2017, 2018 and 2019.

Details of these new requirements as well as their impact on the Group's and the Bank's financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group and the Bank have assessed their existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Group and the Bank have applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and have not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have not been restated.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, specifically:

- debt instruments 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 and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the entity may make the following irrevocable election/designation at initial recognition of a financial asset:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the entity may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group and the Bank have not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

Management reviewed and assessed the Group's and the Bank's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's and the Bank's financial assets as regards their classification and measurement:

- Financial assets classified as "loans and receivables" under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.
- The Bank's financial assets classified as held to maturity that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- The Bank's investments in debt instruments that were previously classified as available for sale investments and were measured at fair value are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. These investments have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest and are now being measured at FVTOCI. The change in fair value continues to be accumulated in the fair value reserve;
- The Group's and the Bank's investment on debt instruments that were previously classified as held for trading and measured at FVTPL continues to be measured at FVTPL; and
- The Group's and the Bank's investments in other equity securities (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified and measured as available for sale at cost have been designated as at FVTOCI. The change in fair value on the equity investment is accumulated in the fair value reserves.

There were no financial assets or financial liabilities which the Group and the Bank had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group and the Bank have elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group and the Bank have elected to designate as at FVTPL at the date of initial application of IFRS 9.

The changes in financial assets are disclosed in Note 4 – Transition disclosure.

(b) Impairment of financial assets

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 the 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards that are effective for the current year (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

(b) Impairment of financial assets (continued)

Specifically, IFRS 9 requires the entity to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI;
- Lease receivables;
- Trade receivables and contract assets;
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply; and
- Loans and advances to banks and customers.

In particular, IFRS 9 requires the entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the entity is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The impact of impairment of financial asset is disclosed in Note 4 – Transition disclosure.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's and the Bank's financial liabilities which continue to be measured at amortised cost except for financial liabilities held for trading which continue to be measured at FVTPL.

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 1	Presentation of Financial Statements – Amendments regarding the definition of material (effective 01 January 2020)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material (effective 01 January 2020)
IAS 12	Income Taxes – Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends) (effective 01 January 2019)
IAS 19	Employee Benefits – Amendments regarding plan amendment, curtailment or settlement (effective 01 January 2019)
IFRS 9	Amendment Prepayment Features with Negative Compensation (effective 01 January 2019)
IFRS 16	Leases (effective 01 January 2019)
IFRIC 23	Uncertainty over Income Tax Treatments (effective 01 January 2019)

The directors anticipate that these Standards and Interpretations will be applied in the Group's and the Bank's financial statements at the above effective dates in future periods. Except for the impact of IFRS 16 which is detailed below, the directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group and the Bank will be 1 July 2019.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The only exceptions are short-term and low-value leases.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group and the Bank will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30 June 2019, the Group and the Bank have non-cancellable operating lease commitments of MUR 34.1M.

A preliminary assessment indicates that the above non-cancellable operating lease arrangements relate to leases other than short-term leases. The Group and the Bank will recognise a right of use asset of MUR 92.8M and a corresponding liability of MUR 90.1M in respect of all these leases. The impact on profit or loss is to decrease other expenses by MUR 34.5M, to increase depreciation by MUR 31.9M and to increase interest expense by MUR 4.7M.

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Group's and the Bank's activities as a lessor are not material and hence the Group and the Bank do not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3A. ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated and separate financial statements of the Group and the Bank have been prepared on a historical cost basis, except as modified by the fair valuation of certain financial instruments.

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 and the Bank take 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 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') and in compliance with the Mauritius Companies Act 2001, the Guidelines and Guidance Notes issued by the Bank of Mauritius, the Financial Reporting Act 2004 and 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 37.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). 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 in line with the Group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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.

3A. ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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 IFRS 9 (previously 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 and all differences are recognised in the statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupees at the rate of exchange prevailing at the reporting date. The income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. The exchange differences arising on translation for consolidation are recognised in 'Other comprehensive 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) Recognition of income and expenses

(i) Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year in 'Net trading income'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

(ii) Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR.

The Group and the Bank earn fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised into the following two categories:

Fee income earned from services provided

These fees include commission income, asset management, custody and other management and advisory fees. The fees are recognised as the related services are provided.

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.

3A. ACCOUNTING POLICIES (CONTINUED)

(d) Recognition of income and expenses (continued)

Fee income earned from services provided (continued)

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the performance obligations.

Fee and commission expense

Fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) 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.

(iv) 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.

(e) Financial instruments

Policy applicable after 01 July 2018

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the statement of financial position when the Group and the Bank become a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the entity will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statements of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments 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 and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI); and
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the entity may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable after 01 July 2018 (continued)

Debt instruments measured at amortised cost or at FVTOCI

The Group and the Bank assess the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group and the Bank have more than one business model for managing their financial instruments which reflect how they manage their financial assets in order to generate cash flows. The business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group and the Bank consider all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group and the Bank do not reasonably expect to occur, such as 'worst case' or 'stress case' scenarios. The Group and the Bank take into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group and the Bank determine whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group and the Bank reassess their business models at each reporting period to determine whether the business models have changed since the preceding period.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

In the current reporting period the Group and the Bank have not applied the fair value option and so have not designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Financial assets measured at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable after 01 July 2018 (continued)

Equity instruments designated at FVTOCI

On initial recognition, the entity may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Reclassifications

If the business model under which the entity holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets. During the current financial year there was no change in the business model under which the Group and the Bank hold financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the 'net gain from foreign exchange' line item;
- for debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'net gain from foreign exchange' line item; and
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at FVTPL' if otherwise held at FVTPL.

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 guarantee contracts issued by an entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the entity's revenue recognition policies.

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.

Impairment of financial assets

The Group and the Bank recognise loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks and customers;
- due from banks;
- debt instruments at amortised cost;
- debt instruments at FVTOCI;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable after 01 July 2018 (continued)

Impairment of financial assets (continued)

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 37.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the entity if the holder of the commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the entity expects to receive from the holder, the debtor or any other party.

The Group and the Bank measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in Note 37.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender , for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group and the Bank assess whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group and the Bank consider factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

The Group and the Bank do not have purchased or originated credit impaired financial assets.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 37).

The Group and the Bank consider the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group and the Bank; or
- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full.

This definition of default is used by the Group and the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable after 01 July 2018 (continued)

Definition of default (continued)

When assessing if the borrower is unlikely to pay its credit obligation, the Group and the Bank take into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group and the Bank use a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 37. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECLs are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Significant increase in credit risk (SICR)

The Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group and the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group's and the Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Bank compare the risk of default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group and the Bank consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group and the Bank 's historical experience and expert credit assessment including forward-looking information. See Note 37 for more details about forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's and the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Group and the Bank allocate their counterparties to a relevant internal credit risk grade depending on their credit quality.

The PDs used are forward-looking and the Group and the Bank use the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Group and the Bank still consider separately some qualitative factors to assess if credit risk has increased significantly.

For corporate lending, there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, sale of assets.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 31 days past due, the Group and the Bank consider that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is adequate documentary evidence of credit impairment, the assets are moved to stage 3 of the impairment model.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable after 01 July 2018 (continued)

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group and the Bank renegotiate loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness), change in interest rates and amendments to covenants.

When a financial asset is modified, the Group and the Bank assess whether this modification results in derecognition. In accordance with the Group's and the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Group and the Bank consider the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate.

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognized, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group and the Bank monitor credit risk of modified financial assets by evaluating qualitative and quantitative information, as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the entity determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Group calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group and the Bank derecognise a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable after 01 July 2018 (continued)

Modification and derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group and the Bank retain an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group and the Bank have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group and the Bank are or may be obliged to deliver a variable number of their own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's and the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity 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.

Financial liabilities

Financial liabilities include deposits from customers and due to banks, debts issued and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" below.

Financial liabilities measured at FVTPL

The Group has financial liabilities held for trading which are measured at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable after 01 July 2018 (continued)

Derecognition and modification of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

Policy applicable prior to 01 July 2018

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 become a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, 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 (HTM) 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 (AFS) 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.

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.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable prior to 01 July 2018 (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

(viii) Due from banks, loans and advances to banks and customers and other assets

'Due from banks', 'Loans and advances to banks' and 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, designate 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 their 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 25 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.

(xii) 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 indicates 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:

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).

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable prior to 01 July 2018 (continued)

Financial instruments - initial recognition and subsequent measurement (continued)

(xii) Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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'.

Financial liabilities

Financial liabilities include deposits from customers and due to banks, debts issued and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" below.

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.

3A. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Policy applicable prior to 01 July 2018 (continued)

Derecognition of financial assets and financial liabilities (continued)

(i) Financial assets (continued)

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.

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) Derivative financial instruments

The Group and the Bank enter into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(g) Dividend payable

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.

(h) 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 31.

(i) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position.

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.

3A. ACCOUNTING POLICIES (CONTINUED)

(j) 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 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to 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 is provided in Note 32.

(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.

(l) 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 IFRS 9 Financial Instruments, 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 IFRS 9, 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.

3A. ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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%
Banking software	14.29%
Customer relationship	13% - 20%
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.

(o) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3A. ACCOUNTING POLICIES (CONTINUED)

(p) 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 disclosures in their 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.

(q) Pension benefits

(i) Defined contribution pension plan

The Group and the Bank operate a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Group 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.

State plan

Contributions to the National Pension Scheme are expensed to profit or loss in the period in which they fall due.

(r) 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 subject to the Advance Payment System (APS) whereby it pays income tax on a quarterly basis.

(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; and
- 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.

3A. ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (continued)

(ii) Deferred Tax (continued)

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 of the preceding financial year under Segment A – residents 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.

(s) Special Levy

As from 01 July 2018, the Bank is liable to pay a special levy on Segment A only at 4.5% of leviable income [Net interest income + other Segment A income before expenses].

The special levy is included in other operating expenses and current tax liability in the financial statements.

(t) 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.

(u) 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.

(v) Comparatives

Where necessary, comparative figures are reclassified to conform to the current year's presentation and to the changes in accounting policies.

3B. 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.

Judgements

Going concern

Directors have made an assessment of the Group's and the Bank's ability to continue as a going concern and are 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.

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 the functional currency of the Group and Bank as Mauritian Rupees (MUR).

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 2). The Group and the Bank determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Bank monitor financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Calculation of ECL allowance

- Significant increase of credit risk: As explained in note 37, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group and the Bank take into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 37 for more details.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 3 for details of the characteristics considered in this judgement. The Group and the Bank monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.
- Models and assumptions used: The Group and the Bank use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions

Fair value of financial instruments

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

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 and the Bank are 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 21.

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 estimates and as per provision of the Employment Rights Act 2008. Management considers that they have used their 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.

Calculation of ECL

- When measuring ECL the Bank and Group use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 37 for more details.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical information, assumptions and expectations of future conditions. See Note 37 for more details.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Note 37 for more details.

Actual loss experience may differ from changes in estimated forward looking information and economic drivers.

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 and the Bank 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.

4. TRANSITION DISCLOSURE

THE GROUP

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 01 July 2018 is, as follows:

At 1 July 2018	IAS 39 classification & measurement	Carrying amount under IAS 39	IFRS 9 classification & measurement	Carrying amount under IFRS 9*
		MUR'000		MUR'000
Cash and cash equivalents	Loans & Receivables at amortised cost	50,105,076	Amortised cost	50,054,681
Due from banks	Loans & Receivables at amortised cost	5,164,742	Amortised cost	5,164,516
Derivative financial instruments	FVTPL	897,052	FVTPL	897,052
Financial investments held for trading	Held for trading at FVTPL	3,855,950	Held for trading at FVTPL	3,855,950
Financial investments available for sale (debt)	AFS - FVTOCI	4,055,941	FVTOCI	4,055,941
Financial investments available for sale (equity)	AFS - FVTOCI	18,559	FVTOCI	18,559
Financial investment held to maturity	HTM	27,360,177	HTM at Amortised cost	27,354,148
Loans and advances to banks	Loans & Receivables at amortised cost	5,769,229	Amortised cost	5,804,487
Loans and advances to customers	Loans & Receivables at amortised cost	22,297,254	Amortised cost	21,878,778
Other assets	Loans & Receivables at amortised cost	1,659,327	Amortised cost	1,659,327
Trade receivables	Loans & Receivables at amortised cost	19,000	Amortised cost	18,899
Equity investments (Included in other assets)	At cost	7,181	Equity investment designated at FVTOCI *	7,181
		121,209,488		120,769,519

*** The fair value movement at 01 July 2018 was insignificant for equity investments designated at FVTOCI.**

	IAS 39				IFRS 9
FINANCIAL ASSETS	CARRYING AMOUNT	RECLASSIFICATION	ECL	FAIR VALUE	CARRYING AMOUNT
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	50,105,076	-	(50,395)	-	50,054,681
Due from banks	5,164,742	-	(226)	-	5,164,516
Derivative financial instruments	897,052	-	-	-	897,052
Debt instruments mandatorily measured at fair value through profit or loss	3,855,950	-	-	-	3,855,950
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	(547)	547	4,055,941
Debt instruments measured at amortised cost	27,360,177	-	(6,029)	-	27,354,148
Financial investments available for sale (equity)	18,559	(18,559)	-	-	-
Equity Investment designated at fair value through other comprehensive income	-	25,740	-	-	25,740
Loans and advances to banks	5,769,229	-	35,258	-	5,804,487
Loans and advances to customers	22,297,254	-	(418,476)	-	21,878,778
Other assets	1,659,327	-	-	-	1,659,327
Trade receivables	19,000	-	(101)	-	18,899
Equity investments (Included in other assets)	7,181	(7,181)	-	-	-
	121,209,488	-	(440,516)	547	120,769,519
FINANCIAL LIABILITIES					
Financial guarantee contracts and loan commitments	-	-	(10,087)	-	(10,087)

4. TRANSITION DISCLOSURE (CONTINUED)

Impact on retained and earnings and reconciliation of ECL at 1 July 2018

	THE GROUP
	MUR '000
Retained earnings	
Additional credit losses	(450,603)
Impact of deferred tax	21,122
Net impact on retained earnings at 1 July 2018	**(429,481)**
Fair value reserve	
Additional credit loss	**547**

The reconciliation between the closing provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 July 2018 is as follows:

	Allowance for impairment under IAS 39 as at 30 June 2018	Remeasurement	ECL under IFRS 9 as at 1 July 2018
	MUR '000	MUR '000	MUR '000
Loans and receivables and Held to Maturity under IAS 39/ Financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, due from banks loans and advances to banks and loans and advances to customers)	1,273,954	439,868	1,713,822
Trade receivables at amortised cost	-	101	101
Available-for-sale debt investment securities under IAS 39/debt financial assets at FVTOCI under IFRS 9	-	547	547
Loan commitments and financial guarantee contracts issued	-	10,087	10,087
	1,273,954	**450,603**	**1,724,557**

4. TRANSITION DISCLOSURE (CONTINUED)

THE BANK

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 01 July 2018 is, as follows:

At 1 July 2018	IAS 39 classification & measurement	Carrying amount under IAS 39	IFRS 9 classification & measurement	Carrying amount under IFRS 9*
		MUR'000		MUR'000
Cash and cash equivalents	Loans & Receivables at amortised cost	49,974,647	Amortised cost	49,924,252
Due from banks	Loans & Receivables at amortised cost	5,164,742	Amortised cost	5,164,516
Derivative financial instruments	FVTPL	208,490	FVTPL	208,490
Financial investments held for trading	Held for trading at FVTPL	2,958,296	Held for trading at FVTPL	2,958,296
Financial investments available for sale	AFS - FVTOCI	4,055,941	FVTOCI	4,055,941
Financial investment held to maturity	HTM	27,360,177	HTM at Amortised cost	27,354,148
Loans and advances to banks	Loans & Receivables at amortised cost	5,769,229	Amortised cost	5,804,487
Loans and advances to customers	Loans & Receivables at amortised cost	22,297,254	Amortised cost	21,878,778
Other assets	Loans & Receivables at amortised cost	1,833,992	Amortised cost	1,833,992
Equity investments designated at FVTOCI	At cost	7,181	Equity investment designated at FVTOCI *	7,181
		119,629,949		119,190,081

*** The fair value movement at 01 July 2018 was insignificant for equity investments designated at FVTOCI.**

FINANCIAL ASSETS	IAS 39 CARRYING AMOUNT	RECLASSIFICATION	ECL	FAIR VALUE	IFRS 9 CARRYING AMOUNT
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	49,974,647	-	(50,395)	-	49,924,252
Due from banks	5,164,742	-	(226)	-	5,164,516
Derivative financial instruments	208,490	-	-	-	208,490
Debt instruments mandatorily measured at fair value through profit or loss	2,958,296	-	-	-	2,958,296
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	(547)	547	4,055,941
Debt instruments measured at amortised cost	27,360,177	-	(6,029)	-	27,354,148
Equity Investment designated at fair value through other comprehensive income	-	7,181	-	-	7,181
Loans and advances to banks	5,769,229	-	35,258	-	5,804,487
Loans and advances to customers	22,297,254	-	(418,476)	-	21,878,778
Other assets	1,841,173	(7,181)	-	-	1,833,992
	119,629,949	-	(440,415)	547	119,190,081
FINANCIAL LIABILITIES					
Financial guarantee contracts and loan commitments	-	-	(10,087)	-	(10,087)

4. TRANSITION DISCLOSURE (CONTINUED)

Impact on retained and earnings and reconciliation of ECL at 1 July 2018

	THE BANK
	MUR '000
Retained earnings	
Additional credit losses	(450,502)
Impact of deferred tax	21,122
Net impact on retained earnings at 1 July 2018	**(429,380)**
Fair value reserve	
Additional credit loss	**547**

The reconciliation between the closing provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 July 2018 is as follows:

	Allowance for impairment under IAS 39 as at 30 June 2018	Remeasurement	ECL under IFRS 9 as at 1 July 2018
	MUR '000	MUR '000	MUR '000
Loans and receivables and Held to Maturity under IAS 39/ Financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, due from banks loans and advances to banks and loans and advances to customers)	1,273,954	439,868	1,713,822
Available-for-sale debt investment securities under IAS 39/debt financial assets at FVTOCI under IFRS 9	-	547	547
Loan commitments and financial guarantee contracts issued	-	10,087	10,087
	1,273,954	**450,502**	**1,724,456**

5. NET INTEREST INCOME

5(a) INTEREST INCOME

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income on financial instruments measured at amortised cost:						
- Due from banks	**943,876**	473,972	312,968	**943,901**	473,816	312,383
- Loans and advances to banks	**214,044**	174,192	124,768	**214,044**	174,192	124,768
- Loans and advances to customers	**1,050,485**	1,065,221	1,006,456	**1,050,485**	1,065,221	1,006,456
- Investment securities	**802,098**	562,204	361,350	**802,098**	562,204	361,350
- Placements with the Central Bank	**49,377**	29,091	29,884	**49,377**	29,091	29,884
	3,059,880	2,304,680	1,835,426	**3,059,905**	2,304,524	1,834,841
Interest income on financial instruments measured at fair value through other comprehensive income:						
- Investment securities	**109,142**	101,032	86,426	**109,142**	101,032	86,426
Total interest income calculated using EIR	**3,169,022**	2,405,712	1,921,852	**3,169,047**	2,405,556	1,921,267

5(b) INTEREST EXPENSE

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest expense on financial instruments measured at amortised cost:						
- Due to banks	**42,390**	21,702	69,700	**42,390**	21,702	63,079
- Deposits from customers	**787,711**	612,195	568,066	**787,711**	612,195	568,066
- Subordinated debts issued	**28,173**	61,668	78,210	**28,173**	61,668	78,210
- Loan notes	**133**	3,826	199	**-**	-	-
Total interest expense	**858,407**	699,391	716,175	**858,274**	695,565	709,355
NET INTEREST INCOME	**2,310,615**	1,706,321	1,205,677	**2,310,773**	1,709,991	1,211,912

6. NET FEE AND COMMISSION INCOME

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Fee and commission income						
Commission income	**438,263**	332,718	279,602	**438,263**	332,718	279,602
Credit card fees	**107,796**	70,835	51,491	**107,796**	70,835	51,491
Custody fees income	**163,279**	238,868	198,596	**164,330**	239,718	199,575
Other fees received	**8,632**	12,863	10,166	**7,762**	6,056	5,370
Asset management fees	**49,422**	84,494	68,060	**-**	-	-
Total fee and commission income	**767,392**	739,778	607,915	**718,151**	649,327	536,038
Fee and commission expense						
Commission to other banks	**(88,380)**	(80,085)	(66,315)	**(88,381)**	(80,085)	(66,315)
Credit card expenses	**(92,226)**	(103,476)	(67,100)	**(92,226)**	(103,476)	(67,100)
Custody fees expense	**(57,279)**	(99,284)	(88,454)	**(57,178)**	(99,134)	(88,454)
Other fees paid	**(55,199)**	(26,583)	(20,414)	**(53,594)**	(23,707)	(17,697)
Total fee and commission expense	**(293,084)**	(309,428)	(242,283)	**(291,379)**	(306,402)	(239,566)
Net fee and commission income	**474,308**	430,350	365,632	**426,772**	342,925	296,472

The asset management fees are earned on fiduciary activities, where the Group holds or invests in assets on behalf of its customers.

7. NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	THE GROUP AND THE BANK		
	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Loans and advances to banks	**(15,687)**	-	-
Loans and advances to customers	**41,002**	-	-
Debt instruments measured at amortised cost	**(1,388)**	-	-
	23,927	-	-

During the year under review, the Bank sold some assets measured at amortised cost, as these assets were no longer in line with the Bank's policy due to risks associated with these assets.

8(a) NET TRADING INCOME

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net trading income:						
- Net gain on debt instruments measured at fair value through profit or loss	**235,878**	115,015	138,695	**235,878**	115,015	138,695
- Fair value (loss)/gain on HFT derivatives	**(7,016)**	27,107	49,799	**(7,016)**	27,107	49,799
	228,862	142,122	188,494	**228,862**	142,122	188,494

8(b) NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	**98**	34,582	9,624	**98**	34,582	9,624

The above relates to assets disposed and redeemed on maturity.

8(c) NET GAIN FROM FOREIGN EXCHANGE AND DERIVATIVES

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Derivatives held for risk management (foreign exchange)	**(105,279)**	-	-	**(105,279)**	-	-
Foreign exchange difference	**789,459**	642,260	487,587	**793,220**	640,063	487,903
	684,180	642,260	487,587	**687,941**	640,063	487,903

Foreign exchange difference for financial year 2018 and 2017 includes derivative held for risk management.

8(d) OTHER OPERATING INCOME

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	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	**5,598**	27,618	15,048	**15,118**	32,888	17,979
	5,598	27,707	15,048	**15,118**	32,977	17,979

9. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents (Note 14)	**(24,449)**	-	-	**(24,449)**	-	-
Due from banks (Note 15)	**3,660**	270,720	-	**3,660**	270,720	-
Loans and advances to banks (Note 17(a))	**(2,662)**	52,796	35,270	**(2,662)**	52,796	35,270
Loans and advances to customers (Note 17(b))	**577,719**	752,618	545,279	**577,719**	752,618	545,279
Debt instruments measured at FVTOCI (Note 18)	**527**	-	-	**527**	-	-
Debt instruments measured at amortised cost (Note 18)	**2,395**	-	-	**2,395**	-	-
Financial guarantee contracts and loan commitments (Note 37)	**390**	-	-	**390**	-	-
Total credit losses under IFRS 9	**557,580**	1,076,134	580,549	**557,580**	1,076,134	580,549
Bad debts recovered	**(89,200)**	(8,553)	-	**(89,200)**	(8,553)	-
	468,380	1,067,581	580,549	**468,380**	1,067,581	580,549

10. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Salaries	**369,667**	354,088	279,243	**339,654**	320,190	257,048
Staff benefits	**269,962**	175,261	146,982	**264,204**	171,769	145,524
Retirement benefit cost (Note 30)	**14,353**	8,165	23,000	**13,697**	7,077	23,000
Pension cost - defined contribution scheme	**24,533**	21,310	13,477	**22,414**	19,376	9,976
Training expenses	**6,605**	11,311	810	**6,327**	11,252	810
	685,120	570,135	463,512	**646,296**	529,664	436,358

11. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Advertising and marketing expenses	**64,312**	51,067	23,754	**63,736**	49,188	23,473
Rental expense (non-cancellable)	**36,713**	34,423	32,740	**38,862**	36,500	34,400
Administrative expenses	**179,094**	191,054	135,410	**171,208**	178,671	128,648
Equipment written off	**1,309**	8,601	9,834	**1,309**	8,601	9,166
Professional fees	**60,212**	66,233	56,045	**48,391**	63,402	43,215
Special Levy	**63,797**	-	-	**63,797**	-	-
Debt written off	**-**	-	1,110	**-**	-	-
	405,437	351,378	258,893	**387,303**	336,362	238,902

12. TAXATION

Income tax is calculated at the rate of 15% (2018: 15% , 2017:15%) 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%.

Finance Act 2018 has prescribed new tax measures applicable to banks as follows:

- Distinguishing between Segment A and Segment B to be abolished

- Chargeable income up to MUR 1.5bn - Taxed at 5%

- Chargeable income over MUR 1.5bn - Taxed at 15%, but subject to satisfying certain conditions; banks may be taxed at reduced rate of 5% or gratuated rates.

The above is effective as from financial year ended 30 June 2020.

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

Up to 30 June 2018, special levy was 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.

Special levy on banks was amended under the Finance Act 2018 and 2019 and is now governed under the VAT Act. For the year under review, special levy has been reclassified under operating expenses. (Note 11)

Total tax paid (including levy, APS and CSR) during the year ended 30 June 2019 was MUR 96.3m (2018: MUR 230.5m, 2017: 143.5m).

12(a) STATEMENTS OF FINANCIAL POSITION

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Corporate tax liability:						
Provision for the year	**170,618**	84,815	124,328	**170,618**	79,318	121,282
Overprovision in income tax in previous years	**-**	442	454	**-**	-	-
Tax paid under advance payment scheme	**(63,408)**	(93,800)	(61,659)	**(59,312)**	(91,054)	(57,465)
	107,210	(8,543)	63,123	**111,306**	(11,736)	63,817
CSR liability	**1,040**	1,754	-	**810**	1,448	-
Special levy	**-**	41,569	66,339	**-**	41,569	66,339
Current tax liabilities	**108,250**	34,780	129,462	**112,116**	31,281	130,156
Analysed as follows:						
Current tax liabilities	**112,116**	34,780	130,156	**112,116**	31,281	130,156
Current tax assets (included in other assets Note 22)	**(3,866)**	-	(694)	**-**	-	-
	108,250	34,780	129,462	**112,116**	31,281	130,156

12(b) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The components of income tax expense for the years ended 30 June 2019, 2018 and 2017 are as follows:

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current income tax	**170,618**	84,815	124,328	**170,618**	79,318	121,282
Overprovision in income tax in previous years	**(1,053)**	225	(7,743)	**(311)**	(850)	(7,860)
Withholding tax	**431**	3,190	2,214	**431**	3,191	2,214
CSR expense	**7,199**	12,316	7,885	**6,469**	11,582	7,317
Special levy	**-**	41,569	66,339	**-**	41,569	66,339
Overprovision in deferred tax in previous years	**34**	(2,767)	(30,364)	**31**	(2,570)	(30,364)
Deferred tax movement (Note 12(d))	**61,597**	8,767	(56,248)	**61,981**	8,984	(56,252)
Tax expense for the year	**238,826**	148,115	106,411	**239,219**	141,224	102,676

12. TAXATION (CONTINUED)

12(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 2019, 2018 and 2017 is as follows:

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Accounting profit before tax	**1,866,798**	910,977	910,520	**1,824,002**	907,678	919,674
Taxed at 17% (2018: 17% and 2017: 17%)	**317,356**	154,866	154,788	**310,080**	154,305	156,345
Deemed credit on Segment B profits	**(247,039)**	(142,555)	(157,252)	**(247,039)**	(142,555)	(157,252)
Over provision of deferred tax asset in prior years	**34**	(2,767)	(30,364)	**31**	(2,570)	(30,364)
Overprovision in income tax in previous years	**(1,052)**	225	(7,743)	**(311)**	(850)	(7,860)
Non deductible expenses	**57,752**	10,252	19,627	**63,658**	1,667	12,916
Bad debt written off subject to tax	**31,368**	163,147	384	**31,368**	164,499	384
Non taxable income	**(9,875)**	(2,796)	(1,737)	**(6,442)**	(1,015)	-
Withholding tax	**431**	3,190	2,214	**431**	3,190	2,214
CSR adjustment	**(8,521)**	5,080	(4,292)	**(9,333)**	5,080	(4,361)
Tax rate differential	**98,372**	(82,096)	64,447	**96,776**	(82,096)	64,315
Special levy	**-**	41,569	66,339	**-**	41,569	66,339
Tax expense	**238,826**	148,115	106,411	**239,219**	141,224	102,676

Prior to 30 June 2019, deferred tax was calculated on all temporary differences under the liability method at the rate of 17% for Segment A and 3% for Segment B. Following the enactment of the new tax rates in August 2018, deferred tax is calculated at the rate of 7% for Segment A and 5% for Segment B.

12(d) DEFERRED TAX

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July 2018	**(141,747)**	(146,928)	(60,316)	**(141,462)**	(147,057)	(60,441)
Effect of adoption of IFRS 9 (Note 4)	**(21,122)**	-	-	**(21,122)**	-	-
At 1 July 2018 (as restated)	**(162,869)**	(146,928)	(60,316)	**(162,584)**	(147,057)	(60,441)
Charge to profit or loss:						
Overprovision in deferred tax in previous years (Note 12 (b))	**34**	(2,767)	(30,364)	**31**	(2,570)	(30,364)
Movement for the year	**61,597**	8,767	(56,248)	**61,981**	8,984	(56,252)
Charge to other comprehensive income:						
Movement for the year	**(426)**	(819)	-	**(381)**	(819)	-
At 30 June 2019	**(101,664)**	(141,747)	(146,928)	**(100,953)**	(141,462)	(147,057)
Analysed as follows:						
Deferred tax liabilities	**-**	-	129	**-**	-	-
Deferred tax assets	**(101,664)**	(141,747)	(147,057)	**(100,953)**	(141,462)	(147,057)
Deferred tax liabilities	**(101,664)**	(141,747)	(146,928)	**(100,953)**	(141,462)	(147,057)

12. TAXATION (CONTINUED)

THE GROUP	At 1 July 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	**Charge to retained earnings**	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2019**
	MUR'000	MUR'000	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 banks and customers	(75,960)	(68,795)	(144,755)	2,737	-	(142,018)	**(18,096)**	**53,852**		**(106,262)**
Other temporary differences	-	-	-	(285)	-	(285)	**-**	**(251)**		**(536)**
Impairment loss on bond and other financial assets	-	(10,994)	(10,994)	(408)	-	(11,402)	**(3,026)**	**8,436**	**-**	**(5,992)**
Retirement benefit obligations	-	(1,817)	(1,817)	(303)	(819)	(2,939)	**-**	**(480)**	**(426)**	**(3,845)**
	(75,960)	(81,606)	(157,566)	1,741	(819)	(156,644)	**(21,122)**	**61,557**	**(426)**	**(116,635)**
Deferred tax liability										
Accelerated capital allowances	15,644	(5,006)	10,638	4,259	-	14,897	**-**	**74**	**-**	**14,971**
	(60,316)	(86,612)	(146,928)	6,000	(819)	(141,747)	**(21,122)**	**61,631**	**(426)**	**(101,664)**

THE BANK	At 1 July 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	**Charge to retained earnings**	**Charge/ (credit) to profit or loss**	**Charge/ (credit) to OCI**	**At 30 June 2019**
	MUR'000	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 banks and customers	(75,960)	(68,795)	(144,755)	2,737	-	(142,018)	**(18,096)**	**53,852**	**-**	**(106,262)**
Impairment loss on bond and other financial assets	-	(10,994)	(10,994)	(408)	-	(11,402)	**(3,026)**	**8,438**	**-**	**(5,990)**
Retirement benefit obligations	-	(1,817)	(1,817)	(1,122)	(819)	(2,939)	**-**	**(392)**	**(381)**	**(3,712)**
	(75,960)	(81,606)	(157,566)	1,207	(819)	(156,359)	**(21,122)**	**61,898**	**(381)**	**(115,964)**
Deferred tax liability										
Accelerated capital allowances	15,519	(5,010)	10,509	4,388	-	14,897	**-**	**114**	**-**	**15,011**
	(60,441)	(86,616)	(147,057)	5,595	(819)	(141,462)	**(21,122)**	**62,012**	**(381)**	**(100,953)**

13. DIVIDENDS

	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Dividends on Ordinary shares:			
Dividend paid	**186,412**	160,185	100,400
Dividends on Class A shares - Series 1 & Series 2:			
Dividend paid	**147,096**	139,974	142,549
Total dividends	**333,508**	300,159	242,949

Ordinary Shares

With respect to the year ended 30 June 2019, the Directors proposed that a dividend of MUR 1.65 (2018: MUR 1.50, 2017: MUR 1.00) per share be paid to the holders of Ordinary shares with respect to the year ended 30 June 2018. The Board of Directors approved the dividend on 20 September 2018 and it was paid in October 2018. Total dividend paid is MUR 186M (2018: MUR 160M; 2017: MUR 100M).

Class A Shares

With respect to the year ended 30 June 2019, the Directors proposed that a dividend of MUR 14.71 (2018: MUR 14.00 ; 2017: MUR 14.25) per share be paid to the holders of Class A shares. The Board of Directors approved the dividend on 20 September 2018 and 8 February 2019 respectively, and these were paid in October 2018 and March 2019 respectively. Total dividend paid is MUR 147M (2018: MUR 140M ;2017: MUR 143M).

14. CASH AND CASH EQUIVALENTS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand	**42,087**	30,086	34,710	**42,087**	30,086	34,710
Unrestricted balances with the Central Bank (Note 1)	**3,988,536**	1,490,484	1,689,118	**3,988,536**	1,490,484	1,689,118
Short term placements with other banks	**33,808,173**	30,172,195	18,253,610	**33,808,173**	30,172,195	18,253,610
Short term placements with the Central Bank	**-**	-	253,412	**-**	-	253,412
Current accounts with other banks	**12,887,788**	18,412,311	15,732,864	**12,886,142**	18,281,882	15,713,021
Other amounts due	**-**	-	1,449	**-**	-	1,449
	50,726,584	50,105,076	35,965,163	**50,724,938**	49,974,647	35,945,320
Less: allowance for impairment losses	**(25,946)**	-	-	**(25,946)**	-	-
	50,700,638	50,105,076	35,965,163	**50,698,992**	49,974,647	35,945,320

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with Central Bank and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group and the Bank in the management of its short-term commitments

Note 1: Unrestricted balances with the Central Bank represent amounts above the minimum cash reserve requirement.

Allowance for impairment losses

The balances were classified in stage 1 and 12-month ECL was calculated hereon.

	Stage 1
	12-months ECL
	MUR'000
Loss allowance as at 01 July 2018	**-**
- Effect of adopting IFRS 9	**50,395**
Loss allowance as at 01 July 2018 (as restated)	**50,395**
Movement in ECL during the year	**(24,449)**
Loss allowance as at 30 June 2019	**25,946**

15. DUE FROM BANKS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
Short term collateralized placements	**4,844,692**	-	-	**4,844,692**	-	-
Medium term collateralized placements	**1,781,279**	3,489,079	-	**1,781,279**	3,489,079	-
Medium term placements with the central bank	**1,009,464**	1,675,663	840,368	**1,009,464**	1,675,663	840,368
Long term placements with central bank	**507,181**	-	-	**507,181**	-	-
Medium term placements with other banks	**4,829,200**	-	3,911,853	**4,829,200**	-	3,911,853
	12,971,816	5,164,742	4,752,221	**12,971,816**	5,164,742	4,752,221
Less: allowance for impairment losses	**(3,886)**	-	-	**(3,886)**	-	-
	12,967,930	5,164,742	4,752,221	**12,967,930**	5,164,742	4,752,221

The collateralized placements relate to placements held with two local banks on which Government bonds and notes are pledged as security. The fair value of the collaterals at 30 June 2019 was MUR 9.4bn (2018: MUR 5.6bn).

15. DUE FROM BANKS (CONTINUED)

THE GROUP AND THE BANK

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

The financial assets were classified in Stage 1 and 12 month ECL was calculated hereon.

External rating grade	Stage 1
	MUR'000
Performing:	
Credit rating AAA	1,516,644
Credit rating AA+ to AA-	1,069,659
Credit rating A+ to A-	712,354
Credit rating BBB+ to BBB-	8,955,768
Credit rating BB+ to BB-	717,391
Total gross carrying amount	12,971,816
Loss allowance	(3,886)
Carrying amount at 30 June 2019	12,967,930

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1
	12-months ECL
	MUR'000
Gross carrying amount at 01 July 2018	5,164,742
New financial assets originated	12,971,817
Financial assets that have been repaid	(5,164,743)
Gross carrying amount at 30 June 2019	12,971,816

Allowance for impairment losses	Stage 1
	12-months ECL
	MUR'000
Loss allowance as at 01 July 2018	-
- Effect of adopting IFRS 9	226
Loss allowance as at 01 July 2018 (as restated)	226
New financial assets originated	3,886
Financial assets that have been repaid	(226)
Loss allowance as at 30 June 2019	3,886

16. DERIVATIVE FINANCIAL INSTRUMENTS

(a) THE GROUP

	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018	Assets 2017	Liabilities 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	8,361	(7,945)	11,815	(11,392)	156,180	(156,180)
Forward foreign exchange contracts and swaps	84,052	(42,050)	196,675	(52,990)	59,843	(48,280)
Spot position account	-	-	-	-	12,510	-
Option Linked Notes	-	-	85,625	(85,625)	89,587	(89,587)
Index Linked Notes	652,182	(652,182)	602,937	(602,937)	-	-
	744,595	(702,177)	897,052	(752,944)	318,120	(294,047)

(b) THE BANK

	Assets 2019	Liabilities 2019	Assets 2018	Liabilities 2018	Assets 2017	Liabilities 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	8,361	(7,945)	11,815	(11,392)	156,180	(156,180)
Forward foreign exchange contracts and swaps	84,052	(42,050)	196,675	(52,990)	59,843	(48,280)
Spot position account	-	-	-	-	12,510	-
	92,413	(49,995)	208,490	(64,382)	228,533	(204,460)

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.

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.

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.

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.

Swaps

Swaps are derivatives in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. The benefits in question depend on the type of financial instruments involved.

Option contracts

Option contracts give the buyer the right, but not the obligation, to buy (in the case of a call) or sell (in the case of a put) the underlying asset at a specific price on or before a certain date.

17(a). LOANS AND ADVANCES TO BANKS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Banks outside Mauritius	**6,034,226**	5,827,242	3,544,600	**6,034,226**	5,827,242	3,544,600
Less: allowance for impairment losses	**(15,178)**	(58,013)	(35,270)	**(15,178)**	(58,013)	(35,270)
	6,019,048	5,769,229	3,509,330	**6,019,048**	5,769,229	3,509,330

All the loans and advances to banks are classified in stage 1 and 12 months ECL calculated thereon.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	THE GROUP AND THE BANK
External rating grade	**Stage 1**
	MUR'000
Performing:	
Credit rating A+ to A-	**1,521,469**
Credit rating BBB+ to BBB-	**2,763,402**
Credit rating BB+ to BB-	**1,425,850**
Credit rating B+ to B-	**323,505**
Total gross carrying amount	**6,034,226**
Loss allowance	**(15,178)**
Carrying amount	**6,019,048**

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK
Gross carrying amount	**Stage 1**
	MUR'000
Gross carrying amount at 01 July 2018	**5,827,242**
New financial assets originated	**3,455,025**
Financial assets that have been repaid	**(2,794,423)**
Financial assets that have been derecognised	**(514,200)**
Other movements	**60,582**
Gross carrying amount at 30 June 2019	**6,034,226**

	THE GROUP AND THE BANK
Allowance for impairment losses	**Stage 1**
	MUR'000
Loss allowance at 01 July 2018	**58,013**
- Effect of adopting IFRS 9	**(35,258)**
Loss allowance as at 01 July 2018 (as restated)	**22,755**
Financial assets that have been derecognised	**(4,915)**
New financial assets originated	**4,748**
Financial assets that have been repaid	**(12,079)**
Other movements	**4,669**
Loss allowance as at 30 June 2019	**15,178**

17(b). LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP AND THE BANK		
	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Retail and personal	**1,460,455**	1,147,945	1,164,728
Business	**9,434,693**	8,933,679	8,490,060
Government and parastatal bodies	**992,546**	1,160,169	1,199,381
Entities outside Mauritius	**12,065,223**	12,139,078	14,723,935
Credit cards	**109,796**	132,324	129,593
Gross core loans and advances to customers	**24,062,713**	23,513,195	25,707,697
Less: allowance for impairment losses	**(1,912,517)**	(1,215,941)	(1,704,282)
	22,150,196	22,297,254	24,003,415

17(b). LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	THE GROUP AND THE BANK			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				-
Credit rating AAA	63,306	-	-	63,306
Credit rating AA+ to AA-	947,278	-	-	947,278
Credit rating A+ to A-	13,099,640	-	-	13,099,640
Credit rating BBB+ to BBB-	4,647,832	-	-	4,647,832
Credit rating BB+ to BB-	1,665,110	-	-	1,665,110
Credit rating B+ to B-	279,795	-	-	279,795
Credit rating CCC+ to C	-	1,117,417	-	1,117,417
Non performing:				
Credit rating D	-	-	2,242,335	2,242,335
Total gross carrying amount	20,702,961	1,117,417	2,242,335	24,062,713
Loss allowance	(120,351)	(226,360)	(1,565,806)	(1,912,517)
Carrying amount at 30 June 2019	20,582,610	891,057	676,529	22,150,196

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK			
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	
	12-months ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Gross carrying amount at 01 July 2018	18,901,352	2,815,420	1,796,423	23,513,195
Changes in the gross carrying amount				-
Transfer to stage 1	149,259	(128,108)	(21,151)	-
Transfer to stage 2	(486,171)	486,173	(2)	-
Transfer to stage 3	(240,702)	(1,030,318)	1,271,020	-
New financial assets originated	11,821,407	4,700	17,233	11,843,340
Financial assets that have been repaid	(8,524,383)	(590,152)	(533,458)	(9,647,993)
Financial assets that have been derecognised	-	(310,091)	-	(310,091)
Write-offs	-	-	(213,662)	(213,662)
Other movements	(917,801)	(130,207)	(74,068)	(1,122,076)
Gross carrying amount at 30 June 2019	20,702,961	1,117,417	2,242,335	24,062,713

	THE GROUP AND THE BANK			
	Stage 1	**Stage 2**	**Stage 3**	
Allowance for impairment losses	**12-months ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Loss allowance as at 01 July 2018	306,304	-	909,637	1,215,941
- Effect of adopting IFRS 9	(147,203)	565,679	-	418,476
Loss allowance as at 01 July 2018 (as restated)	159,101	565,679	909,637	1,634,417
Changes in the loss allowance				
Transfer to stage 1	26,348	(4,752)	(21,596)	-
Transfer to stage 2	(1,576)	1,578	(2)	-
Transfer to stage 3	(1,027)	(220,518)	221,545	-
Financial assets that have been derecognised	-	(142,023)	-	(142,023)
Write-offs	-	-	(192,203)	(192,203)
Net remeasurement of loss allowance	(64,666)	79,059	665,767	680,160
New financial assets originated	60,180	83	3,964	64,227
Financial assets that have been repaid	(47,311)	(33,028)	(202,904)	(283,243)
Other movements	(10,698)	(19,718)	181,598	151,182
Loss allowance as at 30 June 2019	120,351	226,360	1,565,806	1,912,517

Allowance for impairment losses include both capital and interest on non-performing loans. Interest provision amounts to MUR 296m at 30 June 2019 (2018: MUR 341m, 2017: MUR 395m) on non-performing loans which are in arrears for more than 90 days (included in stage 3).

17(b). LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The following is a reconciliation of the allowance for impairment losses for loans and advances:

	THE GROUP AND THE BANK		
	Specific impairment	Collective impairment	Total
	MUR'000	MUR'000	MUR'000
At 1 July 2016	750,008	222,494	972,502
Amount written off against allowance	(67,275)	67	(67,208)
Charge for the year	726,980	72,008	798,988
At 30 June 2017	1,409,713	294,569	1,704,282
At 1 July 2017	1,409,713	294,569	1,704,282
Amount written off against allowance	(1,364,156)	-	(1,364,156)
Charge for the year	864,080	11,735	875,815
At 30 June 2018	909,637	306,304	1,215,941

18. INVESTMENT SECURITIES

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Financial assets mandatorily measured at fair value through profit or loss (Note 18(a))	**5,715,984**	3,855,950	3,806,253	**4,843,845**	2,958,296	2,944,577
Debt instruments measured at fair value through other comprehensive income (Note 18(b))	**3,571,880**	4,055,941	5,727,413	**3,571,880**	4,055,941	5,726,288
Debt instruments measured at amortised cost (Note 18(c))	**36,884,143**	27,360,177	21,190,422	**36,884,143**	27,360,177	21,190,422
Equity Investments designated at fair value through other comprehensive income (Note 18(d))	**31,945**	18,559	18,559	**8,303**	-	-
	46,203,952	35,290,627	30,742,647	**45,308,171**	34,374,414	29,861,287

(a) FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Trading assets:						
Government of Mauritius debt securities	**1,416,463**	1,749,284	2,000,177	**1,416,463**	1,749,284	2,000,177
Bank of Mauritius bonds and notes	**3,427,026**	1,209,012	845,572	**3,427,026**	1,209,012	845,572
Unquoted equity investments	**58,356**	203,247	861,676	**-**	-	-
Listed equity shares	**813,783**	694,407	-	**-**	-	-
Corporate debt securities and bonds	**356**	-	98,828	**356**	-	98,828
	5,715,984	3,855,950	3,806,253	**4,843,845**	2,958,296	2,944,577

The 2018 and 2017 comparative figures were presented as financial investments held for trading under the previous standard.

18. INVESTMENT SECURITIES (CONTINUED)

(b) DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	**-**	119,091	649,741	**-**	119,091	649,741
Bank of Mauritius bonds and notes	**-**	451,389	272,946	**-**	451,389	272,946
Foreign Securities treasury bills and bonds	**3,571,880**	3,485,461	4,803,601	**3,571,880**	3,485,461	4,803,601
Investment in equity shares	**-**	-	1,125	**-**	-	-
	3,571,880	4,055,941	5,727,413	**3,571,880**	4,055,941	5,726,288

The 2018 and 2017 comparative figures were presented as available for sale financial investments under the previous standard.

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The balances were classified in stage 1 and 12month ECL was calculated hereon. The amounts presented are gross of impairment allowances.

	THE GROUP AND THE BANK
External rating grade	**Stage 1**
	MUR'000
Performing:	
Credit rating A+ to A-	**3,571,880**
Gross carrying amount	**3,571,880**
Loss allowance	**(1,074)**
Carrying amount at 30 June 2019	**3,570,806**

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Gross carrying amount	**Stage 1**
	12-months ECL
	MUR'000
Gross carrying amount at 01 July 2018	**4,055,941**
Financial assets that have been repaid	**(570,480)**
Other movements	**83,845**
Fair value movement	**2,574**
Gross carrying amount at 30 June 2019	**3,571,880**

	Stage 1
Allowance for impairment loss	**12-months ECL**
	MUR'000
Loss allowance at 01 July 2018	-
- Effect of adopting IFRS 9	**547**
Loss allowance as at 01 July 2018 (as restated)	**547**
Financial assets that have been repaid	**(77)**
Other movements	**604**
Loss allowance as at 30 June 2019	**1,074**

18. INVESTMENT SECURITIES (CONTINUED)

(c) DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	THE GROUP AND THE BANK		
	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	**7,291,728**	6,116,458	4,451,232
Bank of Mauritius bonds and notes	**5,056,172**	2,246,969	2,550,818
Corporate debt securities and bonds	**1,792,723**	812,251	1,130,682
Foreign Securities treasury bills and bonds	**22,751,899**	18,184,499	13,057,690
	36,892,522	27,360,177	21,190,422
Less: allowance for impairment losses	**(8,379)**	-	-
	36,884,143	27,360,177	21,190,422

The 2018 and 2017 comparative figures were presented as financial assets held to maturity under the previous standard.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The balances were classified in stage 1 and 12-month ECL was calculated hereon. The amounts presented are gross of impairment allowances.

	THE GROUP AND THE BANK
External rating grade	**Stage 1**
	MUR'000
Performing:	
Credit rating AAA	**28,837,100**
Credit rating AA+ to AA-	**3,846,157**
Credit rating A+ to A-	**2,416,542**
Credit rating BB+ to BB-	**1,792,723**
Total gross carrying amount	**36,892,522**
Loss allowance	**(8,379)**
Carrying amount at 30 June 2019	**36,884,143**

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1
Gross carrying amount	**12-months ECL**
	MUR'000
Gross carrying amount at 01 July 2018	**27,360,177**
New financial assets originated	**25,605,260**
Financial assets that have been repaid	**(16,047,518)**
Financial assets that have been derecognised	**(89,762)**
Other movements	**64,365**
Gross carrying amount at 30 June 2019	**36,892,522**

An analysis of the movement of the loss allowance is as follows:

	Stage 1
Allowance for impairment losses	**12-months ECL**
	MUR'000
Loss allowance at 01 July 2018	-
- Effect of adopting IFRS 9	**6,029**
Loss allowance as at 01 July 2018 (as restated)	**6,029**
New financial assets originated	**6,284**
Financial assets that have been repaid	**(2,980)**
Financial assets that have been derecognised	**(45)**
Other movements	**(909)**
Loss allowance as at 30 June 2019	**8,379**

18. INVESTMENT SECURITIES (CONTINUED)

(d) EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

At 01 July 2018, the Group and the Bank designated certain investments as equity securities at FVTOCI.

In prior years, these investments were classified as available for sale investment and measured at cost. The FVTOCI were made as the investments are expected to be held for the long term for strategic purposes. There was no disposal during the year. No dividend income was recognised on these investments during the year under review (2018 and 2017 : Nil).

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Equities securities:						
At 01 July	**18,559**	18,559	18,559	**-**	-	-
Reclassification from other assets	**7,181**	-	-	**7,181**	-	-
Fair value movement	**6,205**	-	-	**1,122**	-	-
At 30 June	**31,945**	18,559	18,559	**8,303**	-	-

19. INVESTMENT IN SUBSIDIARY

	THE BANK		
	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Cost			
At 01 July	**189,563**	189,563	189,563
Impairment loss recognised	**(189,563)**	-	-
At 30 June	**-**	189,563	189,563

The directors are of the opinion that the investment in subsidiary is fully impaired at 30 June 2019 as AfrAsia Investment Limited has accumulated losses and a shareholder's deficit.

The details of the direct and indirect subsidiaries are as follows:

	Country of Incorporation	Class of Shares	Effective % Holdings 2019	2018	2017
			%	%	%
Direct subsidiary					
AfrAsia Investments Limited	Mauritius	Ordinary	100	100	100
Indirect subsidiaries					
AfrAsia Capital Management Ltd	Mauritius	Ordinary	100	100	100
AfrAsia Corporate Finance ((Pty)) Ltd (Formerly known as "Africa Asia Corporate Finance ((Pty)) Ltd")	South Africa	Ordinary	-	-	100
AfrAsia Corporate Finance International Limited (Formerly known as "Africa Capital Advisors PCC")	Mauritius	Ordinary	-	-	100
AfrAsia Corporate Finance (Africa) Limited (Note (b))	Mauritius	Ordinary	-	-	-
AfrAsia Corporate Finance Limited (Note (b))	Mauritius	Ordinary	-	-	-
AfrAsia Kingdom Holdings Limited ("AKHL") (Note (a & b))	Mauritius	Ordinary	-	-	-
AfrAsia Special Opportunities Fund* (Note (a))	Mauritius	Ordinary	-	-	-

(a) *During the current year, AfrAsia Investments Limited took over the shares of AfrAsia Special Oportunities Fund ("ASOF") from its unit holders. The directors of AfrAsia Investments Limited are of the opinion that the investment is fully impaired in the financial statements as ASOF is under liquidation and the write-off in the profit or loss amounts to MUR 57.2M.

(b) 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

20. 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 2016	44,593	77,266	12,910	12,549	45,899	11	193,228
Additions for the year	261	513	1,163	-	6,311	65,867	74,115
Transfer from intangible assets (Note 21)	-	-	-	-	-	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
Additions for the year	12,198	1,442	2,974	-	13,873	14,634	45,121
Adjustment	1	103	16	-	141	-	261
Capitalisation of assets in progress	4,511	13,163	127	-	7,200	(25,001)	-
Disposal for the year	-	-	-	(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
At 1 July 2018	**57,734**	**81,752**	**14,926**	**11,878**	**100,506**	**14,634**	**281,430**
Additions for the year	**602**	**292**	**1,916**	**-**	**8,803**	**22,208**	**33,821**
Capitalisation of assets in progress	**602**	**53**	**182**	**-**	**13,688**	**(14,525)**	**-**
Assets written off	**-**	**(417)**	**(676)**	**-**	**(2,283)**	**-**	**(3,376)**
At 30 June 2019	**58,938**	**81,680**	**16,348**	**11,878**	**120,714**	**22,317**	**311,875**
ACCUMULATED DEPRECIATION							
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
Assets written off	(905)	(2,076)	(566)	-	(2,309)	-	(5,856)
Disposal for the year	-	-	-	(671)	-	-	(671)
At 30 June 2018	14,729	22,944	8,610	4,813	38,049	-	89,145
At 1 July 2018	**14,729**	**22,944**	**8,610**	**4,813**	**38,049**	**-**	**89,145**
Charge for the year	**5,293**	**7,175**	**2,213**	**1,789**	**21,256**	**-**	**37,726**
Assets written off	**-**	**(175)**	**(329)**	**-**	**(1,563)**	**-**	**(2,067)**
At 30 June 2019	**20,022**	**29,944**	**10,494**	**6,602**	**57,742**	**-**	**124,804**
CARRYING AMOUNT							
At 30 June 2019	**38,916**	**51,736**	**5,854**	**5,276**	**62,972**	**22,317**	**187,071**
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

20. PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE BANK

	Improvement to buildings MUR'000	Furniture and fittings MUR'000	Office equipment MUR'000	Motor vehicles MUR'000	Computer equipment MUR'000	Assets in progress MUR'000	Total MUR'000
COST							
At 1 July 2016	44,474	74,833	14,869	8,800	45,608	11	188,595
Additions for the year	261	499	1,163	-	5,568	65,867	73,358
Transfer from intangible assets (Note 21)	-	-	-	-	-	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
Capitalisation of assets in progress	4,511	13,163	127	-	7,200	(25,001)	-
Additions for the year	12,198	1,442	2,974	-	13,222	14,634	44,470
Disposal for the year	-	-	-	(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
At 1 July 2018	**57,883**	**79,733**	**16,885**	**8,129**	**98,953**	**14,634**	**276,217**
Additions for the year	**602**	**283**	**1,916**	**-**	**8,482**	**22,208**	**33,491**
Capitalisation of assets in progress	**602**	**53**	**182**	**-**	**13,688**	**(14,525)**	**-**
Assets written off	**-**	**(417)**	**(676)**	**-**	**(2,283)**	**-**	**(3,376)**
At 30 June 2019	**59,087**	**79,652**	**18,307**	**8,129**	**118,840**	**22,317**	**306,332**
ACCUMULATED DEPRECIATION							
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 for the year	-	-	-	(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
At 1 July 2018	**15,020**	**22,016**	**9,525**	**2,599**	**37,203**	**-**	**86,363**
Charge for the year	**5,293**	**7,146**	**2,213**	**1,045**	**20,664**	**-**	**36,361**
Assets written off	**-**	**(175)**	**(329)**	**-**	**(1,563)**	**-**	**(2,067)**
At 30 June 2019	**20,313**	**28,987**	**11,409**	**3,644**	**56,304**	**-**	**120,657**
CARRYING AMOUNT							
At 30 June 2019	**38,774**	**50,665**	**6,898**	**4,485**	**62,536**	**22,317**	**185,675**
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
NET BOOK VALUE FOR THE YEAR ENDED 2019							
SEGMENT A	**12,020**	**15,706**	**2,138**	**1,390**	**19,386**	**6,918**	**57,558**
SEGMENT B	**26,754**	**34,959**	**4,760**	**3,095**	**43,150**	**15,399**	**128,117**
	38,774	**50,665**	**6,898**	**4,485**	**62,536**	**22,317**	**185,675**
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

For the year ended 30 June 2018, an amount of MUR 12.4M with respect to certain categories of assets have been written off due to existing structure and partitions were dismantled following renovations, replacement during renovations, defective and repair cost exorbitant.

For the year under review, an amount of MUR 3.4M with respect to certain categories of assets have been written off due to damage.

21. 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 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 20)	-	-	-	(9,831)	-	-	-	-	(9,831)
Reclaasification 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
At 1 July 2018	**54,511**	**221,620**	**9,105**	**49,078**	**212,116**	**-**	**-**	**124,609**	**671,039**
Additions for the year	**4,412**	**8,936**	**526**	**19,818**	**-**	**-**	**-**	**-**	**33,692**
Capitalisation of assets in progress	**18,755**	**10,763**	**-**	**(29,518)**	**-**	**-**	**-**	**-**	**-**
Recognised to Expense	**-**	**-**	**-**	**(1,293)**	**-**	**-**	**-**	**-**	**(1,293)**
At 30 June 2019	**77,678**	**241,319**	**9,631**	**38,085**	**212,116**	**-**	**-**	**124,609**	**703,438**
AMORTISATION									
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
At 1 July 2018	**22,949**	**55,433**	**6,328**	**-**	**77,213**	**-**	**-**	**91,197**	**253,120**
Charge for the year	**11,958**	**25,291**	**1,353**	**-**	**-**	**-**	**-**	**33,412**	**72,014**
Impairment loss	**-**	**-**	**-**	**-**	**134,903**	**-**	**-**	**-**	**134,903**
At 30 June 2019	**34,907**	**80,724**	**7,681**	**-**	**212,116**	**-**	**-**	**124,609**	**460,037**
NET CARRYING AMOUNT									
At 30 June 2019	**42,771**	**160,595**	**1,950**	**38,085**	**-**	**-**	**-**	**-**	**243,401**
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

Customer relations were amortised on an accelerated basis during the year.

21. 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 ACML:

	2019	2018	2017
	MUR'000	MUR'000	MUR'000
At 01 July	**134,903**	134,903	134,903
Impairment loss recognised	**(134,903)**	-	
At 30 June	**-**	134,903	134,903

The directors are of the opinion that goodwill arising from the acquisition of AfrAsia Capital Management Ltd is fully impaired at 30 June 2019 as a result of the fall in its finacial performance. The annual impairment review has been based on a value in use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period.

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

	ACML		
	2019	2018	2017
	%	%	%
Discount rates	**15.6%**	12.0%	19.0%

The Group has disclosed the key assumptions used (discount rate) to determine the recoverable amount of assets and CGUs.

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. A further 10% liquidity discount has been applied on the NPV.

Sensitivity to changes in assumptions	**ACML**
	2019
	MUR'000
1% increase in discount rates (WACC)	**(6,519)**
1% decrease in discount rates (WACC)	**7,684**

21. INTANGIBLE ASSETS (CONTINUED)

(b) THE BANK

	Computer software	Banking software	Other	Assets in progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2016	20,519	78,305	9,926	51,167	159,917
Transfer to property and equipment (Note 20)	-	-	-	(9,831)	(9,831)
Additions for the year	3,035	3	-	64,341	67,379
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 for the year	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
At 1 July 2018	**53,919**	**221,621**	**9,102**	**49,078**	**333,720**
Additions for the year	**4,412**	**8,936**	**526**	**19,818**	**33,692**
Capitalisation of assets under progress	**18,755**	**10,763**	**-**	**(29,518)**	**-**
Recognised to expense	**-**	**-**	**-**	**(1,293)**	**(1,293)**
At 30 June 2019	**77,086**	**241,320**	**9,628**	**38,085**	**366,119**
AMORTISATION					
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
At 1 July 2018	**22,374**	**55,433**	**6,328**	-	**84,135**
Charge for the year	**11,942**	**25,291**	**1,353**	-	**38,586**
At 30 June 2019	**34,316**	**80,724**	**7,681**	-	**122,721**
CARRYING AMOUNT					
At 30 June 2019	**42,770**	**160,596**	**1,947**	**38,085**	**243,398**
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
NET BOOK VALUE FOR THE YEAR ENDED 2019					
SEGMENT A	**13,259**	**49,785**	**604**	**11,806**	**75,454**
SEGMENT B	**29,511**	**110,811**	**1,343**	**26,279**	**167,944**
	42,770	**160,596**	**1,947**	**38,085**	**243,398**
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

22. OTHER ASSETS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mandatory balances with the Central Bank	**1,865,835**	1,519,797	1,288,715	**1,865,835**	1,519,797	1,288,715
Dividend receivable	**-**	-	-	**-**	-	22,000
Trade receivable (net)	**12,054**	18,576	17,164	**-**	-	-
Advance payment	**-**	-	255	**-**	-	242
Current tax receivable (Note 12)	**3,866**	-	-	**-**	-	-
Indirect and other taxes receivable	**73,870**	59,816	48,101	**73,870**	59,816	46,714
Due from credit card service provider	**25,866**	18,412	18,264	**25,866**	18,412	18,264
Prepaid expenses	**37,183**	33,279	24,753	**36,722**	32,850	17,096
Other receivables	**23,541**	28,447	34,987	**18,544**	23,383	29,753
Amount due from subsidiaries	**-**	-	-	**85,885**	179,734	-
Other investments at cost	**-**	7,181	4,649	**-**	7,181	4,649
	2,042,215	1,685,508	1,436,888	**2,106,722**	1,841,173	1,427,433

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 2019, 2018 and 2017 respectively.

Receivable from subsidiary amounting to MUR 85M (2018: MUR 179M and 2017: Nil) bears interest at 3.60%, is unsecured and is repayable on demand. Receivable from subsidiary amounting to MUR 1M (2018 and 2017: Nil) is unsecured, interest free and payable on demand.

During the year under review, an impairment review has been performed on the amount due from subsidiaries, as a result of a fall in their financial performances. An impairment loss of MUR 103M has been recognised against the receivable balance. The annual impairment review has been based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. No additional impairment is required.

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
2019	**5,082**	**2,568**	**3,074**	**1,330**	**12,054**
2018	16,619	38	1,155	764	18,576
2017	14,124	2,997	-	43	17,164

During the year under review, ECL on the trade receivables amounted to MUR 36 (2018 and 2017: Nil). The credit term is 30 days and the average credit period is 90 days.

	2019	2018	2017
Movement in allowance for expected credit loss	**MUR'000**	MUR'000	MUR'000
Loss allowance as at 01 July	**-**	-	-
- Effect of adopting IFRS 9	**101**	-	-
Loss allowance as at 01 July (as restated)	**101**	-	-
Movement in ECL during the year	**(65)**	-	-
Loss allowance as at 30 June	**36**	-	-

23. DUE TO BANKS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
Borrowings from the central bank	**29,787**	72,432	118,589	**29,787**	72,432	118,589
Borrowings from other banks	**-**	860,210	1,375,975	**-**	860,210	1,375,975
Bank overdraft	**647**	113	6,251	**647**	113	6,251
	30,434	932,755	1,500,815	**30,434**	932,755	1,500,815

The borrowings from the Central Bank of MUR 72.4m are unsecured and long-term with tenor days ranging from 573 to 1,088 days attracting interest rate of 0.68% for the year ended 2018.

The borrowings from the other banks of MUR 860.2m are from other local banks. Those borrowings are unsecured and short-term with minimum tenor days of 3 to 7 days along with interest rate ranging from 3.4% to 3.6% for the year ended 2018.

For the year under review, the borrowings from Central Bank of MUR 29.8M are secured and long-term with tenor days from 207 to 722 days attracting interest rate of 0.63%.

The borrowings from the Central Bank are secured by the Bank's cash balances held with the Central Bank.

24. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
Personal						
- Current accounts	**10,111,598**	3,046,551	3,052,986	**10,111,598**	3,046,551	3,052,986
- Savings accounts	**4,537,142**	4,005,417	3,397,785	**4,537,142**	4,005,418	3,397,785
- Term deposits	**9,978,045**	6,813,915	4,091,921	**9,978,045**	6,813,915	4,091,921
Business						
- Current accounts	**80,364,924**	80,942,584	62,267,513	**80,540,684**	81,154,337	62,629,697
- Savings accounts	**570,048**	475,927	1,240,223	**570,048**	475,927	1,240,223
- Term deposits	**25,200,564**	15,830,019	16,529,732	**25,200,564**	15,830,019	16,638,577
Government institutions						
- Current accounts	**248,093**	-	2	**248,093**	37,613	10,206
- Savings accounts	**22,191**	21,687	21,169	**22,191**	21,687	21,169
	131,032,605	111,136,100	90,601,331	**131,208,365**	111,385,467	91,082,564

Included in 'Deposits from customers' accounts are deposits of MUR 790.2M (2018: MUR 558.6M and 2017: MUR 499.2M) held as collateral against loans and advances to the respective customers.

25. DEBTS ISSUED

		THE GROUP			THE BANK		
		2019	2018	2017	**2019**	2018	2017
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
(i)	Loan notes	**136,457**	334,304	614,172	**-**	-	-
(ii)	Unsecured subordinated bonds	**184,205**	520,998	1,059,453	**184,205**	600,208	1,111,493
		320,662	855,302	1,673,625	**184,205**	600,208	1,111,493

(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		
	2019	2018	2017
The notes are due as follows:	**MUR'000**	MUR'000	MUR'000
Within 1 year	**136,457**	255,094	383,003
After 1 year but before 5 years	**-**	79,210	231,169
	136,457	334,304	614,172

Loan notes bear interest at 7.50% per annum on average (2018 and 2017: 7.50%).

(ii) *Unsecured subordinated bonds*

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
The bonds are due as follows:	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within 1 year	**184,205**	404,758	538,834	**184,205**	404,758	538,834
After 1 year but before 5 years	**-**	116,240	520,619	**-**	195,450	572,659
	184,205	520,998	1,059,453	**184,205**	600,208	1,111,493

Interest on unsecured subordinated bonds denominated in MUR ranges between 5.85% to 7.00% (2018: between 6.35% to 8.50% and 2017: between 6.75% to 8.90%) while USD-denominated bonds bear interest that ranges between 4.19% to 6.67% (2018: between 4.19% to 6.02% and 2017: between 4.20% to 5.23%).

25. DEBTS ISSUED (CONTINUED)

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 flows were, or future cash flows will be, classified in the statement of cash flows from financing activities.

	THE GROUP				
			Non Cash		
	1 July 2018	Financing cash flows	Acquisition of unsecured bonds	Movement in Operating activities	30 June 2019
	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000
Debts issued	855,302	(385,033)	-	(149,607)	320,662
	855,302	(385,033)	-	(149,607)	320,662

	THE BANK				
			Non Cash		
	1 July 2018	Financing cash flows	Acquisition of unsecured bonds	Movement in Operating activities	30 June 2019
	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000
Debts issued	600,208	(385,033)	-	(30,970)	184,205
	600,208	(385,033)	-	(30,970)	184,205

	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	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	MUR '000
Debts issued	1,111,493	(682,475)	172,150	(960)	600,208
	1,111,493	(682,475)	172,150	(960)	600,208

26. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Customer custody payable	**-**	29,420	-	**-**	29,420	-
Advance commission	**50,369**	68,280	84,276	**50,369**	68,280	84,276
Personnel expenses related accruals	**204,958**	148,883	138,180	**203,701**	148,883	130,620
Dividend payable	**344**	344	343	**344**	344	343
Other payables	**192,788**	226,121	158,790	**178,640**	198,453	146,108
Special levy	**63,797**	-	-	**63,797**	-	-
Loss allowance on financial guarantee contracts and loan commitments (Note 38)	**10,476**	-	-	**10,476**	-	-
	522,732	473,048	381,589	**507,327**	445,380	361,347

Customer custody payable relates to fund received from deposit clients at reporting date which has not yet been allocated to the respective client accounts.

Advance commission relates mainly to upfront fees received on credit advances.

Special levy was previously classified under income tax expense.

27 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP		
	2019	2018	2017
Held for trading:	**MUR'000**	MUR'000	MUR'000
Equities	**813,783**	694,407	556,113
Bonds	**58,356**	203,247	305,564
	872,139	897,654	861,677

Financial liabilities measured at FVTPL are portfolio of funds that are managed on a fair value basis by the subsidiary.

28. ORDINARY SHARES

	THE GROUP AND THE BANK		
	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Ordinary shares of no par value			
Issued and fully paid	**3,641,049**	3,641,049	3,197,608

Analysed as follows: Issued and fully paid	THE GROUP AND THE BANK					
	2019		2018		2017	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 1 July	**112,977,210**	**3,641,049**	106,745,800	3,197,608	97,024,360	2,595,363
Issue of ordinary shares	**-**	**-**	6,231,410	446,291	9,721,440	602,245
Indemnity costs	**-**	**-**	-	(2,850)	-	-
At 30 June	**112,977,210**	**3,641,049**	112,977,210	3,641,049	106,745,800	3,197,608

Each of the above share confer to its holder the following rights:

(a) the right to vote at meetings of shareholders and on a poll to cast one vote for each share held;

(b) subject to the rights of any other class of shares, the right to an equal share in dividends and other distributions made by the Bank;

(c) subject to the rights of any other class of shares, the right to an equal share in the distribution of the surplus assets of the Bank on its liquidation.

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 one of the founders.

29. CLASS A SHARES

THE GROUP

Issued and fully paid	**2019**		2018		2017	
	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	**2019**		2018		2017	
	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 GROUP AND THE BANK

Analysed as follows:	**2019**		2018		2017	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares						
At 30 June	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580

	2019		2018		2017	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
MUR 800,000,000 Class A Series 2 Shares						
At 30 June	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000

The Class A shares do not carry any general voting right at any shareholders meeting of the Bank other than an irrevocable right to vote on any proposal to amend the Class A shares Terms and Conditions.

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 and subject to the prior approval of Bank of Mauritius.

30. RETIREMENT BENEFIT OBLIGATION

The Bank has a defined contribution (DC) scheme which is a funded obligation 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 2019 by Swan Life Ltd.

The plan expose the Group and the Bank to normal risks associated with defined benefit pension plans such as interest risk and salary risk.

Interest risk: If the bond/bill yields decrease, the liabilities would be calculated using a lower discount rate, and would therefore increase.

Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

Retirement benefits under The Employment Rights Act 2008

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Present value of obligations	**67,307**	42,776	23,000	**64,652**	41,688	23,000

Movement in liability recognised in statements of financial position:	**2019**	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net liability at start of year	**42,776**	23,000	-	**41,688**	23,000	-
Past service cost	**-**	-	21,230	**-**	-	21,230
Amount recognised in profit or loss	**14,353**	8,165	1,770	**13,697**	7,077	1,770
Amount recognised in other comprehensive income	**10,178**	11,611	-	**9,267**	11,611	-
Net liability at end of the year	**67,307**	42,776	23,000	**64,652**	41,688	23,000

Amounts recognised in statements of profit or loss and other comprehensive income	**2019**	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'001
Past service cost	**-**	-	21,230	**-**	-	21,230
Current service cost	**11,126**	6,071	267	**10,550**	5,697	267
Net interest cost	**3,227**	2,094	1,503	**3,147**	1,380	1,503
Components of amount recognised in profit or loss	**14,353**	8,165	23,000	**13,697**	7,077	23,000
Remeasurement of defined benefit obligations:						
Liability experience loss	**1,998**	7,267	-	**1,630**	7,267	-
Liability loss due to change in financial assumptions	**8,180**	4,344	-	**7,637**	4,344	-
	24,531	19,776	23,000	**22,964**	18,688	23,000

Changes in the present value of the defined benefit obligations:	**2019**	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**42,776**	23,000	-	**41,688**	23,000	-
Past service cost	**-**	-	21,230	**-**	-	21,230
Interest cost	**3,227**	2,094	1,503	**3,147**	1,380	1,503
Current service cost	**11,126**	6,071	267	**10,550**	5,697	267
Liability experience loss	**1,998**	7,267	-	**1,630**	7,267	-
Liability loss due to change in financial assumptions	**8,180**	4,344	-	**7,637**	4,344	-
At 30 June	**67,307**	42,776	23,000	**64,652**	41,688	23,000

30. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

Future cash flows:

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

The weighted average duration of the defined benefit obligation is 14 years for the Bank and 19 years for the subsidiary.

	THE GROUP		THE BANK	
	2019	2018	**2019**	2018
Sensitivity analysis:	**MUR'000**	MUR'000	**MUR'000**	MUR'000
Increase in defined benefit obligation due to 1% decrease in discount rate	**13,464**	12,652	**12,652**	12,652
Decrease in defined benefit obligation due to 1% increase in discount rate	**11,160**	10,494	**10,494**	10,494
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	**13,613**	12,796	**12,796**	12,796
Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption	**11,459**	10,779	**10,779**	10,779

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:	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
Discount rate	**5.7% - 5.9%**	6.4% - 6.7%	6.00%	**5.70%**	6.40%	6.00%
Salary increases	**5.00%**	5.00%	4.00%	**5.00%**	5.00%	4.00%
Average retirement age	**60 years**	60 years	60 years	**60 years**	60 years	60 years

The rate per annum of withdrawal from service before retirement for the Bank is between 10% and 15% for age upto 30, reducing to 0% after 50 years. The rate per annum of withdrawal from service for the subsidiary is 1% up to age 45, reducing to 0% after 45.

The discount rate is determined by reference to the yield on government bonds of duration equivalent to the duration of liabilities.

31. 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	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
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)	-	122,550	409	-	-	122,959	(122,959)	-	-	122,550	409	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)
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)	-	114,968	7,387	-	-	122,355	(122,355)	-	-	114,968	7,387	122,355
Dividends	(300,159)	-	-	-	-	-	-	(300,159)	-	-	-	-	-
Expense arising from equity-settled share-based payment	-	(2,862)	-	-	-	-	(2,862)	-	(2,862)	-	-	-	(2,862)
Movement in revaluation reserve	-	-	-	-	-	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
At 01 July 2018	**1,200,350**	**-**	**454,679**	**142,351**	**-**	**(2,117)**	**594,913**	**1,277,521**	**-**	**(2,116)**	**454,679**	**142,351**	**594,914**
Effect of adopting IFRS 9	**(429,481)**	**-**	**547**	**-**	**-**	**-**	**547**	**(429,380)**	**-**	**547**	**-**	**-**	**547**
At 01 July 2018 (as restated)	**770,869**	**-**	**-**	**-**	**-**	**-**	**-**	**848,141**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**1,627,972**	**-**	**-**	**-**	**-**	**-**	**-**	**1,584,783**	**-**	**-**	**-**	**-**	**-**
Remeasurement losses in pension plan	**(9,753)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,888)**	**-**	**-**	**-**	**-**	**-**
Appropriation of reserves	**(254,286)**	**-**	**237,719**	**16,567**	**-**	**-**	**254,286**	**(254,286)**	**-**	**-**	**237,719**	**16,567**	**254,286**
Dividends	**(333,508)**	**-**	**-**	**-**	**-**	**-**	**-**	**(333,508)**	**-**	**-**	**-**	**-**	**-**
Net gain on debt instruments at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**8,681**	**8,681**	**-**	**-**	**3,598**	**-**	**-**	**3,598**
At 30 June 2019	**1,801,294**	**-**	**692,945**	**158,918**	**-**	**6,564**	**858,427**	**1,836,242**	**-**	**2,029**	**692,398**	**158,918**	**853,345**

EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

Movement in equity-settled share-based payment reserve relates to expense recognised for employee services received. The remaining balance on the scheme was settled during the year ended 30 June 2018 and the Bank no longer has a share option scheme as from 01 July 2018.

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.

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve arises on retranslation of foreign operations on consolidation.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments recorded at fair value

Determination of fair value and fair value hierarchy

The Group and the Bank 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	2019				2018			2017		
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**		Quoted prices in active markets	Significant observable inputs		Quoted prices in active markets	Significant observable inputs	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments										
Foreign exchange option contracts	-	8,361	-	8,361	-	11,815	11,815	-	156,180	156,180
Forward foreign exchange contracts	-	84,052	-	84,052	-	196,675	196,675	-	59,843	59,843
Options linked notes	-	-	-	-	-	85,625	85,625	-	89,587	89,587
Spot position account	-	-	-	-	-	-	-	-	12,510	12,510
Index linked notes	-	652,182	-	652,182	-	602,937	602,937	-	-	-
	-	744,595	-	744,595	-	897,052	897,052	-	318,120	318,120
								-		
Debt instruments mandatorily measured at fair value through profit or loss										
Government of Mauritius debts securities	-	1,416,463	-	1,416,463	-	1,749,284	1,749,284	-	2,000,177	2,000,177
Bank of Mauritius bonds and notes	-	3,427,026	-	3,427,026	-	1,209,012	1,209,012	-	845,572	845,572
Unquoted equity investments and bonds	-	58,356	-	58,356	-	203,247	203,247	-	861,676	861,676
Listed equity shares	813,783	-	-	813,783	-	694,407	694,407	-	-	-
Corporate debt securities	356	-	-	356	-	-	-	-	98,828	98,828
	814,139	4,901,845	-	5,715,984	-	3,855,950	3,855,950	-	3,806,253	3,806,253
Debt instruments at fair value through other comprehensive income										
Government of Mauritius treasury bills and bonds	-	-	-	-	-	119,091	119,091	-	649,741	649,741
Equity shares	-	-	-	-	-	-	-	-	1,125	1,125
Bank of Mauritius bonds and notes	-	-	-	-	-	451,389	451,389	-	272,946	272,946
Foreign Securities treasury bills and bonds	-	3,571,880	-	3,571,880	-	3,485,461	3,485,461	-	4,803,601	4,803,601
	-	3,571,880	-	3,571,880	-	4,055,941	4,055,941	-	5,727,413	5,727,413
Equity investment designated at fair value through other comprehensive income										
Equity investments	-	-	31,945	31,945		18,559	18,559		18,559	18,559
	-	-	-	-	-	18,559	18,559	-	18,559	18,559
	814,139	9,218,320	-	-	-	8,827,502	8,827,502	-	9,870,345	9,870,345
Financial liabilities										
Derivative financial instruments										
Foreign exchange option contracts	-	(7,945)	-	(7,945)	-	(11,392)	(11,392)	-	(156,180)	(156,180)
Forward foreign exchange contracts	-	(42,050)	-	(42,050)	-	(52,990)	(52,990)	-	(48,280)	(48,280)
Options linked notes	-	-	-	-	-	(85,625)	(85,625)	-	(89,587)	(89,587)
Index linked notes	-	(652,182)	-	(652,182)	-	(602,937)	(602,937)	-	-	-
	-	(702,177)	-	(702,177)	-	(752,944)	(752,944)	-	(294,047)	(294,047)

* An increase in NAV will lead to an increase in fair value of investment and a decrease in NAV will lead to a decrease in fair value of investments.

The reconcilation for level 3 has been disclosed in note 18(d).

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

THE BANK	2019				2018			2017		
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs		Quoted prices in active markets	Significant observable inputs	
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments										
Foreign exchange option contracts	-	8,361	-	8,361	-	11,815	11,815	-	156,180	156,180
Forward foreign exchange contracts and swaps	-	84,052	-	84,052	-	196,675	196,675	-	59,843	59,843
Spot position account	-	-	-	-	-	-	-	-	12,510	12,510
	-	92,413	-	92,413	-	208,490	208,490	-	228,533	228,533
Financial assets mandatorily measured at fair value through profit or loss										
Government of Mauritius debts securities	-	1,416,463	-	1,416,463	-	1,749,284	1,749,284	-	2,000,177	2,000,177
Bank of Mauritius bonds and notes	-	3,427,026	-	3,427,026	-	1,209,012	1,209,012	-	845,572	845,572
Corporate debt securities and bonds	356	-	-	356	-	-	-	-	98,828	98,828
	356	4,843,489	-	4,843,845	-	2,958,296	2,958,296	-	2,944,577	2,944,577
Debt instruments measured at fair value through other comprehensive income										
Government of Mauritius treasury bills and bonds	-	-	-	-	-	119,091	119,091	-	649,741	649,741
Bank of Mauritius bonds and notes	-	-	-	-	-	451,389	451,389	-	272,946	272,946
Foreign Securities treasury bills and bonds	-	3,571,880	-	3,571,880	-	3,485,461	3,485,461	-	4,803,601	4,803,601
	-	3,571,880	-	3,571,880	-	4,055,941	4,055,941	-	5,726,288	5,726,288
Equity investments designated at fair value through other comprehensive income *										
Equity investments	-	-	8,303	8,303	-	-	-	-	-	-
	-	-	8,303	8,303	-	-	-	-	-	-
	356	8,507,782	8,303	8,516,441	-	7,222,727	7,222,727	-	8,899,398	8,899,398
Financial liabilities										
Derivative financial instruments										
Foreign exchange option contracts	-	(7,945)	-	(7,945)	-	(11,392)	(11,392)	-	(156,180)	(156,180)
Forward foreign exchange contracts and swaps	-	(42,050)	-	(42,050)	-	(52,990)	(52,990)	-	(48,280)	(48,280)
	-	(49,995)	-	(49,995)	-	(64,382)	(64,382)	-	(204,460)	(204,460)
	-	(49,995)	-	(49,995)	-	(64,382)	(64,382)	-	(204,460)	(204,460)

* An increase in NAV will lead to an increase in fair value of investment and a decrease in NAV will lead to a decrease in fair value of investments.

The reconcilation for level 3 has been disclosed in note 18(d).

Valuation techniques

Debt instruments mandatorily measured at fair value through profit or loss

(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 the market yield of similar instruments as made publicly available by the local regulator.

(iii) Corporate debt securities

Those investments are valued based on the market yield of similar instruments which is publicly available.

Equity Investments designated at fair value through other comprehensive income

The investment in equity shares has been fair valued at year end based either on the net assets value of the investee or are based on the market yield of similar instruments as made publicly available by the local regulator.

Derivative Financial Instruments

Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

Assets 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 amount approximates their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and floating rate financial instruments

The fair value of fixed and floating rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. The estimated fair value of fixed and floating interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining terms to maturity and credit spreads.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's and the Bank's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

THE GROUP	2019		2018		2017	
	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 cash equivalents	**50,700,638**	**50,700,638**	50,105,076	50,105,076	35,965,163	35,965,163
Due from banks	**12,967,930**	**12,967,930**	5,164,742	5,164,742	4,752,221	4,752,221
Loans and advances to banks	**6,019,048**	**6,019,048**	5,769,229	5,300,039	3,509,330	3,544,600
Loans and advances to customers	**22,150,196**	**22,284,503**	22,297,254	22,610,456	24,003,415	24,263,398
Debt instruments measured at fair value through other comprehensive income	**-**	**-**	18,510	18,510	18,510	18,510
Debt instruments at amortised cost	**36,884,143**	**37,553,867**	27,360,177	26,187,282	21,190,422	21,190,607
Other assets (excluding prepayments, accrued income,inventory and taxes)	**1,922,348**	**1,922,348**	1,587,987	1,587,987	1,326,186	1,326,186
	130,644,303	**131,448,334**	112,302,975	110,974,092	90,765,247	91,060,685

	2019		2018		2017	
	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	**(30,434)**	**(30,434)**	(932,755)	(932,755)	(1,500,815)	(1,500,815)
Deposits from customers	**(131,032,605)**	**(131,439,094)**	(111,136,100)	(111,721,847)	(90,601,331)	(91,200,650)
Debts issued	**(320,662)**	**(361,671)**	(855,302)	(788,257)	(1,673,625)	(2,068,333)
Other liabilities (excluding advance commission and taxes)	**(394,083)**	**(394,083)**	(434,769)	(434,769)	(297,313)	(297,313)
Financial liabilities measured at fair value through profit or loss	**(872,139)**	**(872,139)**	(897,654)	(897,654)	(861,677)	(861,677)
	(132,649,923)	**(133,097,421)**	(114,256,580)	(114,775,282)	(94,934,761)	(95,928,788)

Financial assets and liabilities to be classified in level 3 if carried at fair value.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not carried at fair value (Continued)

THE BANK

	2019		2018		2017	
	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 cash equivalents	**50,698,992**	**50,698,992**	49,974,647	49,974,647	35,945,320	35,945,320
Due from banks	**12,967,930**	**12,967,930**	5,164,742	5,164,742	4,752,221	4,752,221
Loans and advances to banks	**6,019,048**	**6,019,048**	5,769,229	5,300,039	3,509,330	3,544,600
Loans and advances to customers	**22,150,196**	**22,284,503**	22,297,254	22,610,456	24,003,415	24,263,398
Debt instruments at amortised cost	**36,884,143**	**37,553,867**	27,360,177	26,187,282	21,190,422	21,190,607
Other assets (excluding prepayments, accrued income,inventory and taxes)	**1,991,181**	**1,991,181**	1,744,081	1,744,081	1,325,787	1,325,787
	130,711,490	**131,515,521**	112,310,130	110,981,247	90,726,495	91,021,933

	2019		2018		2017	
	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	**(30,434)**	**(30,434)**	(932,755)	(932,755)	(1,500,815)	(1,500,815)
Deposits from customers	**(131,208,365)**	**(131,614,855)**	(111,385,467)	(111,952,632)	(91,082,564)	(91,689,394)
Debts issued	**(184,205)**	**(225,214)**	(600,208)	(765,310)	(1,111,493)	(1,519,864)
Other liabilities (excluding advance commission and taxes)	**(378,678)**	**(378,678)**	(373,263)	(373,263)	(273,505)	(273,505)
	(131,801,682)	**(132,249,181)**	(113,291,693)	(114,023,960)	(93,968,377)	(94,983,578)

Financial assets and liabilities to be classified in level 3 if carried at fair value.

33. ADDITIONAL CASH FLOW INFORMATION

		THE GROUP			THE BANK		
		2019	2018	2017	**2019**	2018	2017
(a) Cash and cash equivalents	**Notes**	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand		**42,087**	30,086	34,710	**42,087**	30,086	34,710
Unrestricted balances with the Central Bank		**3,988,536**	1,490,484	1,689,118	**3,988,536**	1,490,484	1,689,118
Short term placements with other banks		**33,808,173**	30,172,195	18,253,610	**33,808,173**	30,172,195	18,253,610
Short term placements with the central bank		**-**	-	253,412	**-**	-	253,412
Current accounts with other banks		**12,887,788**	18,412,311	15,732,864	**12,886,142**	18,281,882	15,713,021
Other amounts due		**-**	-	1,449	**-**	-	1,449
Allowance for impairment losses		**(25,946)**	-	-	**(25,946)**	-	-
	14	**50,700,638**	50,105,076	35,965,163	**50,698,992**	49,974,647	35,945,320
(b) Change in operating assets							
Net change in mandatory balances with the Central Bank		**(346,038)**	(231,082)	(55,122)	**(346,038)**	(231,082)	(55,122)
Net change in placement with the Central Bank		**(25,946)**	(835,294)	(31,712)	**(25,946)**	-	(31,712)
Net change in medium term placements with other banks		**(7,807,073)**	152,054	3,258,768	**(7,807,073)**	605,475	3,258,768
Net change in derivative financial instruments		**152,457**	(578,932)	(179,473)	**116,077**	20,043	(194,889)
Net change in loans and advances to banks		**(203,506)**	(2,282,642)	(1,342,625)	**(203,506)**	(2,282,642)	(1,342,625)
Net change in loans and advances to customers		**(768,332)**	932,043	(5,046,037)	**(768,332)**	932,043	(5,046,037)
Net change in investment securities		**(10,926,066)**	(4,539,659)	(13,969,116)	**(10,960,855)**	(4,504,806)	(14,476,564)
Net change in other assets		**(10,891)**	133,257	(17,967)	**(22,632)**	(1,324,448)	67,466
		(19,935,395)	(7,250,255)	(17,383,284)	**(20,018,305)**	(6,785,417)	(17,820,715)
(c) Change in operating liabilities							
Net change in due to banks		**(902,321)**	(568,118)	1,327,305	**(902,321)**	(568,060)	1,327,305
Net change in derivative financial instruments		**(50,767)**	458,897	61,130	**(14,387)**	(140,078)	76,546
Net change in debts issued		**(149,607)**	(307,998)	183,682	**(30,970)**	(960)	462
Net change in deposits from customers		**19,896,505**	20,534,769	10,589,062	**19,822,898**	20,302,903	10,703,588
Net change in other liabilities		**39,207**	100,434	(41,610)	**51,471**	84,033	(46,159)
Net change in Financial liabilities measured at fair value through profit or loss		**(25,515)**	35,977	(486,000)	**-**	-	-
		18,807,502	20,253,961	11,633,569	**18,926,691**	19,677,838	12,061,742
(d) Non-cash items included in profit before tax							
Depreciation of property and equipment	20	**37,726**	35,608	25,271	**36,361**	34,370	24,091
Amortisation of intangible assets	21	**72,014**	37,310	23,185	**38,586**	27,005	12,810
Profit on disposal of property and equipment	8(d)	**-**	(89)	-	**-**	(89)	-
Property and equipment written off	20	**1,309**	6,527	9,488	**1,309**	6,527	8,820
Intangible assets written off	21	**134,903**	2,074	346	**-**	2,074	346
Adjustment for property and equipment	20	**1,293**	(12)	-	**1,293**	(12)	-
Retirement benefit obligation	28	**14,352**	8,165	23,000	**13,697**	7,077	23,000
Share based payments		**-**	(2,862)	(11,061)	**-**	(2,862)	(11,061)
Impairment loss on investment in subsidiary		**-**	-	-	**189,563**	-	-
Loss on winding up of subsidiary		**57,210**	10,352	5,004	**-**	-	-
Impairment on financial investments - held-for-trading		**12,472**	2,401	-	**21,746**	2,401	-
Net impairment loss on financial assets		**468,380**	1,067,581	834,632	**468,380**	1,067,581	834,632
Impairment on receivable from subsidary	9	**-**	-	-	**103,000**	-	-
		799,659	1,167,055	909,865	**873,935**	1,144,072	892,638

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank classify an asset or liability as current when:

- they expect to realise the asset/settle the liability within 12 months after the reporting period;
- they expect to settle the liability in its normal operating cycle;
- they hold the asset or liability primarily for the purpose of trading;
- they expect to realise the asset, or intend to sell or consume it, in its normal operating cycle;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period; or
- they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Bank classify all other assets and liabilities as current.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(a) THE GROUP

	2019			2018			2017		
	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 cash equivalents	**50,700,638**	**-**	**50,700,638**	50,105,076	-	50,105,076	35,965,163	-	35,965,163
Due from banks	**12,460,749**	**507,181**	**12,967,930**	5,164,742	-	5,164,742	4,752,221	-	4,752,221
Derivative financial instruments	**92,413**	**652,182**	**744,595**	242,106	654,946	897,052	256,987	61,133	318,120
Loans and advances to banks	**3,620,346**	**2,398,702**	**6,019,048**	1,854,489	3,914,740	5,769,229	978,949	2,530,381	3,509,330
Loans and advances to customers	**8,588,332**	**13,561,864**	**22,150,196**	8,573,878	13,723,376	22,297,254	6,534,854	17,468,561	24,003,415
Investment securities	**35,224,940**	**10,979,012**	**46,203,952**	19,693,066	15,597,561	35,290,627	17,591,925	13,150,722	30,742,647
Property and equipment	**-**	**187,071**	**187,071**	-	192,285	192,285	-	189,287	189,287
Intangible assets	**-**	**243,401**	**243,401**	-	417,919	417,919	-	334,494	334,494
Deferred tax assets	**-**	**101,664**	**101,664**	-	141,747	141,747	-	147,057	147,057
Other assets	**2,042,215**	**-**	**2,042,215**	1,685,508	-	1,685,508	1,436,888	-	1,436,888
TOTAL ASSETS	**112,729,633**	**28,631,077**	**141,360,710**	87,318,865	34,642,574	121,961,439	67,516,987	33,881,635	101,398,622
Due to banks	**19,204**	**11,230**	**30,434**	860,323	72,432	932,755	1,382,226	118,589	1,500,815
Deposits from customers	**123,745,012**	**7,287,593**	**131,032,605**	105,676,811	5,459,289	111,136,100	86,138,470	4,462,861	90,601,331
Derivative financial instruments	**49,995**	**652,182**	**702,177**	97,998	654,946	752,944	232,914	61,133	294,047
Debts issued	**320,662**	**-**	**320,662**	659,852	195,450	855,302	925,608	748,017	1,673,625
Financial liabilities measured at fair value through profit or loss	**813,783**	**58,356**	**872,139**	842,777	54,877	897,654	556,113	305,564	861,677
Retirement benefits obligation	**-**	**67,307**	**67,307**	-	42,776	42,776	-	23,000	23,000
Current tax liabilities	**112,116**	**-**	**112,116**	34,780	-	34,780	-	130,156	130,156
Deferred tax liabilities	**-**	**-**	**-**	-	-	-	-	129	129
Other liabilities	**522,732**	**-**	**522,732**	473,048	-	473,048	381,589	-	381,589
TOTAL LIABILITIES	**125,583,504**	**8,076,668**	**133,660,172**	108,645,589	6,479,770	115,125,359	89,616,920	5,849,449	95,466,369

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2019			2018			2017		
	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 cash equivalents	**50,698,992**	**-**	**50,698,992**	49,974,647	-	49,974,647	35,945,320	-	35,945,320
Due from banks	**12,460,749**	**507,181**	**12,967,930**	5,164,742	-	5,164,742	4,752,221	-	4,752,221
Derivative financial instruments	**92,413**	**-**	**92,413**	190,433	18,057	208,490	210,283	18,250	228,533
Loans and advances to banks	**3,620,346**	**2,398,702**	**6,019,048**	1,854,489	3,914,740	5,769,229	978,949	2,530,381	3,509,330
Loans and advances to customers	**8,588,332**	**13,561,864**	**22,150,196**	8,573,878	13,723,376	22,297,254	6,534,854	17,468,561	24,003,415
Investment securities	**34,387,515**	**10,920,656**	**45,308,171**	18,831,730	15,542,684	34,374,414	17,016,128	12,845,159	29,861,287
Investment in subsidiary	**-**	**-**	**-**	-	189,563	189,563	-	189,563	189,563
Property and equipment	**-**	**185,675**	**185,675**	-	189,854	189,854	-	186,269	186,269
Intangible assets	**-**	**243,398**	**243,398**	-	249,585	249,585	-	155,855	155,855
Deferred tax assets	**-**	**100,953**	**100,953**	-	141,462	141,462	-	147,057	147,057
Other assets	**2,106,722**	**-**	**2,106,722**	1,841,173	-	1,841,173	1,427,433	-	1,427,433
TOTAL ASSETS	**111,955,069**	**27,918,429**	**139,873,498**	86,431,092	33,969,321	120,400,413	66,865,188	33,541,095	100,406,283
LIABILITIES									
Due to banks	**19,204**	**11,230**	**30,434**	860,323	72,432	932,755	1,382,226	118,589	1,500,815
Deposits from customers	**123,920,772**	**7,287,593**	**131,208,365**	105,926,178	5,459,289	111,385,467	86,619,703	4,462,861	91,082,564
Derivative financial instruments	**49,995**	**-**	**49,995**	46,325	18,057	64,382	186,210	18,250	204,460
Debts issued	**184,205**	**-**	**184,205**	404,758	195,450	600,208	538,834	572,659	1,111,493
Retirement benefits obligation	**-**	**64,652**	**64,652**	-	41,688	41,688	-	23,000	23,000
Current tax liabilities	**-**	**112,116**	**112,116**	-	31,281	31,281	-	130,156	130,156
Other liabilities	**507,327**	**-**	**507,327**	445,380	-	445,380	361,347	-	361,347
TOTAL LIABILITIES	**124,681,503**	**7,475,591**	**132,157,094**	107,682,964	5,818,197	113,501,161	89,088,320	5,325,515	94,413,835

35. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the 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		
	2019	2018	2017
Contingent liabiliites	**MUR'000**	MUR'000	MUR'000
Financial guarantees	**353,258**	649,276	729,637
Letters of credit	**208,486**	225,412	92,891
Bills for collection	**323,703**	121,546	116,736
	885,447	996,234	939,264
Commitments			
Undrawn commitments to lend	**1,093,881**	1,102,424	706,166
Total	**1,979,328**	2,098,658	1,645,430

Refer to note 37 for disclosure on allowance for impairment losses.

Contingent liabilities

Financial guarantees and letters of credit (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.

During the reporting period, a customer of the Bank instigates proceedings against it for breach of contract in connection to an outward transfer payment of MUR 5M.

Management considers that no liability will arise as the case is currently still at preliminary stage before the Supreme Court of Mauritius and is remote.

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		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Within one year	**33,261**	23,518	32,785	**34,143**	26,220	34,002
After one year but not more than five years	**62,171**	45,659	72,340	**67,488**	54,262	77,860
	95,432	69,177	105,125	**101,631**	80,482	111,862

Future minimum sublease payments expected to be received under non-cancellable sub-leases from subsidiary at 30 June are as follows:

	THE BANK		
	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Within one year	**1,396**	-	-
	1,396	-	-

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group and the Bank have formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group and the Bank make adjustments to account for any adverse effects which the claims may have on its financial standing.

36. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2019	2018	2017	**2019**	2018	2017
Compensation to key management personnel (Including directors)	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Short-term employee benefits	**132,870**	111,835	113,395	**112,262**	100,345	99,394
Share-based payments	**-**	2,862	2,246	**-**	2,862	2,246
	132,870	114,697	115,641	**112,262**	103,207	101,640

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	**2019**		2018		2017	
	Balances as at 30 June 2019	**Income from / (expense to)**	Balances as at 30 June 2018	Income from / (expense to)	Balances as at 30 June 2017	Income from / (expense to)
Directors and key management personnel of the Group:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**51,530**	**2,509**	33,198	2,030	21,242	1,949
Deposits from customers:						
- Term deposits	**47,719**	**(1,433)**	21,228	(450)	11,628	(146)
- Savings and current accounts	**105,930**	**(3,582)**	50,704	6,597	62,191	5,339
	153,649	**(5,015)**	71,932	6,147	73,819	5,193
Class A shares	**12,850**	**-**	12,690	-	11,532	
Directors' fees	**4,230**	**(8,062)**	3,766	(6,387)	2,807	(6,102)
Other fees	**340**	**(2,150)**	340	(2,040)	510	(2,040)
Other expense	**-**	**(531)**	-	-	-	-
	171,069	**(15,758)**	88,728	(2,280)	88,668	(2,949)

THE BANK	**2019**		2018		2017	
	Balances as at 30 June 2019	**Income from / (expense to)**	Balances as at 30 June 2018	Income from / (expense to)	Balances as at 30 June 2017	Income from / (expense to)
Directors of the Bank:	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**27,076**	**1,070**	3,791	240	4,318	334
Deposits from customers:						
- Term deposits	**39,003**	**(966)**	21,228	(450)	11,427	(145)
- Savings and current accounts	**26,625**	**(1,209)**	17,862	(815)	24,872	(718)
	65,628	**(2,175)**	39,090	(1,265)	36,299	(863)
Directors' fees	**4,230**	**(7,502)**	3,766	(6,387)	2,807	(6,102)
Other fees	**340**	**(2,150)**	340	(2,040)	510	(2,040)
	70,198	**(11,827)**	43,196	(9,692)	39,616	(9,005)

	2019		2018		2017	
	Balances as at 30 June 2019	**Income from / (expense to)**	Balances as at 30 June 2018	Income from / (expense to)	Balances as at 30 June 2017	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	**18,559**	**987**	20,593	1,588	17,160	912
Deposits from customers:						
- Term deposits	**8,716**	**(467)**	26,180	(471)	7,117	(293)
- Savings and current accounts	**21,812**	**(657)**	20,220	1,460	6,835	(413)
	30,528	**(1,124)**	46,400	989	13,952	(706)
Class A shares	**12,850**	**-**	12,690	-	11,532	-
Other expense	**-**	**(530)**	-	-	-	-
	43,378	**(1,654)**	59,090	989	25,484	(706)

36. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with other related parties

In addition to transactions with key management personnel, the Group and the Bank enter into transactions with entities 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
2019							
Entities with significant influence over the Group	**7,455**	**70,025**	**181,419**	**18,853**	**14,398,153**	**510,382**	**148,606**
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

(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
2019							
Entities with significant influence over the Bank	**7,392**	**70,025**	**181,132**	**17,135**	**14,392,484**	**452,889**	**148,606**
Subsidiary companies	**7,649**	**-**	**200**	**2,648**	**84,843**	**177,678**	**-**
	15,041	**70,025**	**181,332**	**19,783**	**14,477,327**	**630,567**	**148,606**
2018							
Entities with significant influence over the Bank	15,266	78,333	152,468	13,256	14,571,117	713,039	104,086
Subsidiary companies	136	-	766	67,942	178,266	742,007	-
	15,402	78,333	153,234	81,198	14,749,383	1,455,046	104,086
2017							
Entities with significant influence over the Bank	1,480	56,946	63,123	53,069	4,266,245	2,245,321	123,716
Subsidiary companies	2,782	-	6,080	38,956	98,131	1,131,108	-
	4,262	56,946	69,203	92,025	4,364,376	3,376,429	123,716

The dividend paid to related parties on Class A Shares is MUR 1.2M (2018: MUR 1.1M, 2017: MUR 7.4M).

The dividend paid to related parties on Ordinary Shares is MUR 95.1M (2018: MUR 97.5M, 2017: MUR 52.2M).

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose in the normal course of business. For the year ended 30 June 2019, the Group and the Bank have not raised any expected credit losses for doubtful debts relating to amounts owed by related parties (2018: MUR Nil, 2017: MUR Nil). At 30 June 2019, none of the facilities to related parties was non-performing (2018: MUR Nil, 2017: MUR Nil). In addition, for the year ended 30 June 2019 the Bank has not written off any amount owed by related party (2018: MUR Nil, 2017: MUR Nil).

The total on and off balance sheet exposure to the related parties amounted to MUR 3.0 bn (2018: MUR 2.4bn, 2017: MUR 2.4 bn) representing 10% (2018: 8%, 2017: 8%) of the Group's total exposure.

The credit exposure to the six related parties with the highest exposure amounted to MUR 671M (2018: MUR 526M, 2017: MUR 784.2M) representing 10% (2018: 9%, 2017: 14%) 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 effective in January 2009.

The Bank had no letter of guarantee on behalf of related parties as at 30 June 2019 (2018: MUR Nil , 2017: 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 (2018: USD 1.2M and 2017: USD 1.2M).

Amount owed by related parties

The above-related party transactions were carried out under normal business terms and conditions subject to interest wherever applicable.

The amount owed by related parties is unsecured except for MUR 494M under loans and advances which is secured by fixed and floating charge on assets and MUR 420M under debt instruments at amortised cost which is secured by fixed charge on assets. Settlement occurs in cash.

The amount owed by related parties consist mainly of loans and advances and investment securities.

Amount owed to related parties

The above-related party transactions were carried out under normal business terms and conditions subject to interest wherever applicable. The above balances were unsecured.

The amount owed to related parties consist mainly of deposits.

37. FINANCIAL RISK MANAGEMENT

Introduction

Risk is inherent in the Group's and the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors as well as the Group's and the Bank's senior management are responsible for understanding both the nature and level of risks taken by the institution and how the 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

The 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.

Information compiled from all the business is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the Head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

The Bank has set in place a Watchlist committee that monitors accounts in arrears rigourously. Weekly reports are circulated for follow up and tabled at the committee. Through its Impairment committee, Management are provided with a status on Loans and Advances in arrears so as to ensure that appropriate actions have been taken.

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 Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, 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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the entity. The Group and the Bank main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investment in debt securities, derivatives that are an asset position, trade receivables and receivables from related partiies. The Group and the Bank consider all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

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 appetite

- expert scrunity and approval of credit risk and its mitigation independently of the business functions

- ongoing monitoring of exposure 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

- Appropriate credit policies and procedures are in place

- Ensuring that the Bank has IFRS 9 policy in place to appropriately maintain and validate models used to assess and measure ECL.

The Bank is using a combination of credit rating (internal and external) and statistical regression analysis to determine the probability of default. Internal credit ratings are mapped to S&P table on default rates to arrive at the Bank's PD for each customer. Statistical Regression is derived using an analysis of historical data, whereby the Bank has estimated relationships between macro-economic variables, credit risk and credit losses. Country rating is also factored in our ECL computation for non-resident counterparties.

Internal Credit Risk Ratings

In order to minimise credit risk, the Bank has tasked its Risk Management Committee to develop and maintain the Bank's Credit Risk grading to categorise exposures according to their degree of risk of default. Board Credit and Risk committee have oversight on the credit rating. The credit rating information is based on a range of data that is determined to be predictive of the risk of default. The nature of the exposure and type of borrower are taken into account in the analysis.

The Bank's Risk Appetite Framework ('RAF') comprises of quantitative and qualitative factors that are indicative of risk of default and are used to define credit risk grades. The RAF has been designed and calibrated to reflect the risk of default as credit risk deteriorates.

As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Bank's exposures:'- Payment record and ageing analysis;

- Extent of utilisation of granted limit;

- Changes in business, financial and economic conditions;

- Credit rating information supplied by external rating agencies; and

- For retail exposures internally generated data of customer behaviour or other metrics.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

Internal Credit Risk Ratings (continued)

CRISIL	Corresponding S&P rating	Description	Avzrage PD Range
AAA	AAA	Prime	0.03% - 0.03%
AA+	A+	Upper medium grade	0.05% - 0.05%
AA			
AA-	BBB	Lower medium grade	0.16% - 0.16%
A+	BB+	Non-Investment Grade Speculative	0.32% - 0.33%
A	BB		0.53% - 0.99%
A-			
BBB+	BB-		0.95% - 0.98%
BBB			
BBB-	B+	Highly Speculative	2.01% - 3.74%
BB+	B		3.41% - 4.22%
BB			
BB-	B-		6.75% - 7.07%
B+			
B			
B-			
CC	CC	Highly Vulnerable	34.44% - 34.44%
D	D	In Default	100%

Significant Increase in Credit Risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

At each reporting date, the Bank must assess whether the credit risk on a financial instrument has increased significantly.

-This assessment shall be based on the risk of default (as opposed to the overall expected loss)

- If an asset is considered “low risk” at the reporting date, the entity may assume that it is not subject to SICR

- If forward looking information is available without undue cost, this shall be used in the assessment of SICR, whether this be on an individual or collective basis

- A 30-days past due backstop criterion shall be used to identify SICR. An entity may challenge this backstop if it has evidence that exposures may become 30 days past due without a significant increase in credit risk.

In addition, the Bank has developed a number of objective and subjective factors to consider when evaluating whether an account exhibits SICR:

- Negative market information: if there is negative market information that may impair the ability of the borrower to pay future instalments

- Changes in credit worthiness/ratings: if the external/internal S&P rating on the borrower drops to below A- and has dropped by two or more notches

- Adverse changes in economic/business environment: if there are adverse changes in the macroeconomic/borrower specific business environment that may impair the ability of the borrower to pay future instalments

- Restructured facilities due to financial stress: if the account is not in stage 3 at the time of restructuring, the restructured facility will be in stage 2, and remain in stage 2 for a 6-month cooling period before returning to stage 1

- Significant financial difficulty: if there is adverse financial information indicating that the borrower may be unable to pay future instalments e.g. debts to other financial institutions are in arrears as per MCIB report

- Suspected fraudulent transactions: if there is indication that legal proceedings or a regulatory investigation will be opened against the borrower on grounds of fraud

- Application of court order: if the borrower is subject to legal proceedings from a third party that may impair their ability to pay future instalments

- Significant country downgrade: if the external country rating on the borrower drops to below A- and has dropped by two or more notches

Loan commitments are assessed along with the category of loan the Bank is commited to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

The Bank has monitoring procedures in place to make sure that the qualitative criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward looking information

The Bank incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its intial recognition and its measurement of ECL.

The Bank loan book is split into two segments, namely Segment A for local exposures and Segment B for cross-border exposures.

The Segment A portfolio is further segregated into 2 distinct homogenous group namely Mid-Corporate and Large-Corporate where these clients fall into either one of 14 sectors based on a Bank of Mauritius classification criteria. Monthly marginal PDs for each facility over their remaining maturity are generated through the respective PD function, which is built upon the coefficients of logistic regression equation for each sub-sector and the relevant forward-looking macro-economic estimates that were deemed as statistically significant by the model. Using these econometric models, the relationships between movements in macroeconomic variables and the default behaviours of our clients are investigated and where evidence could be found, PDs based on the internal default experience including forward looking premium are derived. Macroeconomic variables including GDP and Inflation as well as key market indicator such as the SEMDEX were considered and found to possess significant predictive power within the PD models. For clients belonging to sectors with no internal default experience, PDs are assessed based on the internal rating models given assessments done support that movements in the macroeconomic variables do not have a significant impact on the default behaviours.

The Segment B portfolio on the other hand is segregated by country of exposure. The PD attached to each facility, derived from the Bank’s rating based approach is subsequently adjusted to incorporate forward looking information based on the movements of Sovereign Credit Default Swap (CDS) curves.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

ECL Measurement

The key inputs into the measurement of ECL are the following:

(i) probability of default (PD);

(ii) loss given default (LGD);

(iii) exposure at default (EAD).

These parameters are derived as detailed below and they are adjusted to reflect forward-looking information as described above.

The IFRS 9 ECL is calculated every quarter, or as frequently as required. Separate IFRS 9 ECL calculation is done for Stage 1, Stage 2 and Stage 3 accounts.

The ECL for all accounts in stage 1 is calculated by multiplying the PD, LGD and EAD. For stage 2 accounts, ECL is calculated separately for the first 12 months, months 13-24 and so on until the contractual maturity. Lastly, ECL for stage 3 accounts is calculated simply by multiplying the EAD and LGD, given that the account is in default (i.e. the PD is 100%).

PD is an estimate of the likelihood of default over a given time horizon. PDs are estimated considering the contractual maturities of exposures and the estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

The PD of the domestic accounts is derived either through the econometric models where available or alternatively, based on the Bank internal rating models (as explained above). For international accounts, the PD is determined based on the external rating of the counterparty if available. Otherwise, the Bank uses the internal rating models, capped to the respective country rating. The PDs are thereafter duly adjusted to include any forward looking premium as required.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral.

LGD for performing accounts is dependent on the collateral held against the exposure. The Bank derives the LGD based on the type of collateral rather than the estimated collateral value. The LGD for non-performing accounts is prudently calculated under the assumption that the Bank will take possession of the collateral and liquidate.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For overdraft, credit card and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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 specific act, generally related to the import or export of goods. Such committments 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 t o 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 borower's domectic 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 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 30 June 2018 and 30 June 2019.

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 Board Risk Committee (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 repsonsible for setting the Bank's tolerance for country risks.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group's and the Bank's concentrations of risk are managed by client/counterparty (excluding government), by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2019 was MUR 18.5bn (2018: MUR 13.4bn and 2017: MUR 4.8bn) 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		
	2019	2018	2017	**2019**	2018	2017
Financial assets	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents	**50,700,638**	50,105,076	35,965,163	**50,724,938**	49,974,647	35,945,320
Due from banks						
Collateralized placements	**6,625,971**	3,489,079	-	**6,625,971**	3,489,079	-
Placements with the Central Bank	**1,516,645**	1,675,663	840,368	**1,516,645**	1,675,663	840,368
Placements with other banks	**4,829,200**	-	3,911,853	**4,829,200**	-	3,911,853
	12,971,816	5,164,742	4,752,221	**12,971,816**	5,164,742	4,752,221
Derivative financial instruments	**744,595**	897,052	318,120	**92,413**	208,490	228,533
Loans and advances to banks	**6,034,226**	5,827,242	3,544,600	**6,034,226**	5,827,242	3,544,600
Loans and advances to customers	**24,062,713**	23,513,195	25,707,697	**24,062,713**	23,513,195	25,707,697
Investment securities	**46,203,952**	35,290,627	30,742,647	**45,316,550**	34,374,414	29,861,287
Other assets (excluding prepayments, accrued income, inventory and taxes)	**1,922,348**	1,587,987	1,326,186	**1,991,181**	1,744,081	1,325,787
	142,640,288	122,385,921	102,356,634	**141,193,837**	120,806,811	101,365,445

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		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mauritius	**52,201,180**	39,488,613	32,544,210	**52,279,050**	38,599,565	31,956,467
United Kingdom	**33,023,386**	26,161,868	6,030,296	**33,023,386**	26,114,491	6,018,277
United States of America	**3,446,884**	8,098,727	16,278,825	**3,137,282**	8,098,727	15,957,532
India	**7,767,311**	5,793,291	8,515,406	**7,767,311**	5,793,291	8,515,406
Canada	**8,519,337**	9,283,771	8,515,406	**8,519,337**	9,283,771	4,101,221
Africa	**10,579,280**	11,517,650	8,473,813	**10,579,280**	11,517,650	8,473,813
Germany	**5,842,409**	6,370,537	2,143,095	**5,842,409**	6,370,537	2,143,095
Belgium	**4,946,953**	4,555,718	4,846,313	**4,946,953**	4,555,718	4,846,313
United Arab Emirates	**4,093,244**	420,874	3,222,885	**4,093,244**	420,874	3,222,885
Other	**12,220,304**	10,694,872	11,786,385	**11,005,585**	10,052,187	16,130,436
	142,640,288	122,385,921	102,356,634	**141,193,837**	120,806,811	101,365,445

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

An industry 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		
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Agriculture	**509,649**	2,026,262	2,122,926	**509,649**	2,026,262	2,122,926
Construction, infrastructure and real estate	**1,119,041**	1,780,388	3,170,516	**1,119,041**	1,780,388	3,170,516
Financial and business services	**122,460,831**	103,699,598	71,030,265	**121,014,380**	102,120,488	70,039,474
Government and parastatal bodies	**479,419**	1,488,649	7,646,560	**479,419**	1,488,649	7,646,560
Information, communication and technology	**16,516**	45,544	87,348	**16,516**	45,544	87,348
Manufacturing	**2,725,894**	2,780,767	3,000,171	**2,725,894**	2,780,767	3,000,171
Personal	**1,912,148**	1,706,109	1,734,269	**1,912,148**	1,706,109	1,734,269
Tourism	**3,165,754**	2,412,999	2,196,167	**3,165,754**	2,412,999	2,196,167
Traders	**1,550,713**	1,561,372	1,682,717	**1,550,713**	1,561,372	1,682,717
Others	**8,700,323**	4,884,233	9,685,695	**8,700,323**	4,884,233	9,685,297
	142,640,288	122,385,921	102,356,634	**141,193,837**	120,806,811	101,365,445

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 2019 is MUR 21bn (2018: MUR 18bn and 2017: MUR 28bn). All other financial assets are unsecured except for collateralised placements.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Bank's credit rating system:

THE GROUP

Refer to the different captions in the financial statements for the credit quality disclosure based on credit rating system for 30 June 2019.

	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 cash equivalents	50,105,076	-	-	-	50,105,076
Due from banks	5,164,742	-	-	-	5,164,742
Derivative financial instruments	897,052	-	-	-	897,052
Financial assets mandatorily measured at fair value through profit or loss	2,958,296	-	-	-	2,958,296
Loans and advances to banks and customers	27,826,169	24,045	15,832	1,474,391	29,340,437
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	-	-	4,055,941
Debt instruments measured at amortised cost	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 cash equivalents	35,965,163	-	-	-	35,965,163
Due from banks	4,752,221	-	-	-	4,752,221
Derivative financial instruments	318,120	-	-	-	318,120
Financial assets mandatorily measured at fair value through profit or loss	3,250,140	-	-	-	3,250,140
Loans and advances to banks and customers	25,625,742	176,455	478,196	2,971,904	29,252,297
Debt instruments measured at fair value through other comprehensive income	5,726,288	-	-	-	5,726,288
Debt instruments measured at amortised cost	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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Credit quality per class of financial assets (Continued)

THE BANK

Refer to the different captions in the financial statements for the credit quality disclosure based on credit rating system for 30 June 2019.

	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 cash equivalents	49,974,647	-	-	-	49,974,647
Due from banks	5,164,742	-	-	-	5,164,742
Derivative financial instruments	208,490	-	-	-	208,490
Financial assets mandatorily measured at fair value through profit or loss	2,958,296	-	-	-	2,958,296
Loans and advances to banks and customers	27,826,169	24,045	15,832	1,474,391	29,340,437
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	-	-	4,055,941
Debt instruments measured at amortised cost	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

	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 cash equivalents	35,945,320	-	-	-	35,945,320
Due from banks	4,752,221	-	-	-	4,752,221
Derivative financial instruments	228,533	-	-	-	228,533
Debt instruments mandatorily measured at fair value through profit or loss	2,944,577	-	-	-	2,944,577
Loans and advances to banks and customers	25,625,742	176,455	478,196	2,971,904	29,252,297
Debt instruments measured at fair value through other comprehensive income	5,726,288	-	-	-	5,726,288
Debt instruments measured at amortised cost	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

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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Analysis of loans and advances to customers by past due status:

THE GROUP AND THE BANK

	30 JUNE 2019	
	Gross carrying amount	Loss allowance
	MUR 000	MUR 000
0-29 days	20,707,171	121,006
30-59 days	2,998	78
60-89 days	1,127,597	226,227
90-180 days	72,870	31,973
More than 181 days	2,152,077	1,533,233
Total	24,062,713	1,912,517

	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

See Note 17 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 2019 amounts to MUR 665M (2018: MUR 437M and 2017: MUR 3.7bn) and MUR 658m (2018: MUR 1.6bn and 2017: MUR 3.7bn) respectively .

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2018: Nil and 2017: 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 up to 2018'.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

Commitments and guarantees

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the 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.

	2019	2018	2017
	MUR'000	MUR'000	MUR'000
Financial guarantees	353,258	649,276	729,637
Letters of credit	208,486	225,412	92,891
Bills for collection	323,703	121,546	116,736
Undrawn commitments to lend	1,093,881	1,102,424	706,166
	1,979,328	2,098,658	1,645,430

Financial guarantee contracts and loan commitments

The allowance for impairment losses on off balance sheet items is classified under other liabilities.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's External credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

External rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	40	-	-	40
Credit rating BBB+ to BBB-	3,535	-	-	3,535
Credit rating BB+ to BB-	528,751	-	-	528,751
Credit rating B+ to B-	347,710	-	-	347,710
Credit rating CCC+ to C	-	4,615	-	4,615
Non performing:				
Credit rating D	-	-	796	796
Total gross carrying amount	880,036	4,615	796	885,447
Loss allowance	(10,411)	(65)	-	(10,476)
Carrying amount	869,625	4,550	796	874,971

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

Financial guarantee contracts and loan commitments	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Total amount guaranteed as at 30 June 2018	1,195,295	-	3,095	1,198,390
Changes in the amount guaranteed:				
Transfer to stage 3	(31)	-	31	-
New financial guarantees	195,304	-	-	195,304
Financial guarantee derecognised	(177,533)	-	(1,690)	(179,223)
New letter of credit issued	163,871	4,615	-	168,486
Letter of credit derecognised	(185,412)	-	-	(185,412)
Other changes	(311,458)	-	(640)	(312,098)
Gross carrying amount at 30 June 2019	880,036	4,615	796	885,447

	Stage 1	Stage 2	Stage 3	
Loss allowance - Financial guarantee contracts	12-months ECL	Lifetime ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Loss allowance as at 01 July 2018	10,086	-	-	10,086
Changes in the loss allowance				
Transfer to stage 3	(31)	-	31	-
Increases due to change in credit risk	34	-	-	34
Decreases due to change in credit risk	(150)	-	-	(150)
New financial guarantees	3,875	-	-	3,875
Financial guarantee derecognised	(2,588)	-	-	(2,588)
New letter of credit issued	1,018	65	-	1,083
Letter of credit derecognised	(580)	-	-	(580)
Other movements	(1,253)	-	(31)	(1,284)
Expected credit loss as at 30 June 2019	10,411	65	-	10,476

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management

Liquidity risk is the risk that the Group and the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Sources of liquidity risk include unforseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset 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 below 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.

THE GROUP	30 June 2019								
	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 cash equivalents	16,892,465	33,808,173	-	-	50,700,638	-	-	-	50,700,638
Due from banks	-	4,840,807	4,822,090	2,797,852	12,460,749	507,181	-	507,181	12,967,930
Loans and advances to banks	-	925,600	2,320,192	374,554	3,620,346	2,398,702	-	2,398,702	6,019,048
Loans and advances to customers	100,808	6,910,096	397,799	1,179,629	8,588,332	8,561,002	5,000,862	13,561,864	22,150,196
Investment securities	813,783	18,267,522	8,220,328	7,923,307	35,224,940	9,184,773	1,794,239	10,979,012	46,203,952
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,676,950	5,082	10,655	229,661	1,922,348	-	-	-	1,922,348
Total	19,484,006	64,757,280	15,771,064	12,505,003	112,517,353	20,651,658	6,795,101	27,446,759	139,964,112
Liabilities									
Derivative financial instruments	-	8,216	8,577	33,202	49,995	652,182	-	652,182	702,177
Due to banks	647	-	-	18,557	19,204	11,230	-	11,230	30,434
Deposits from customers:									
-Current account	90,861,072	-	(136,457)	-	90,724,615	-	-	-	90,724,615
-Savings account	5,129,381	-	-	-	5,129,381	-	-	-	5,129,381
-Term deposits	-	16,441,090	4,680,838	6,769,088	27,891,016	7,185,195	102,398	7,287,593	35,178,609
	95,990,453	16,441,090	4,544,381	6,769,088	123,745,012	7,185,195	102,398	7,287,593	131,032,605
Debts issued*	-	-	320,662	-	320,662	-	-	-	320,662
Other liabilities	-	-	-	394,083	394,083	-	-	-	394,083
Financial liabilities measured at fair value through profit or loss	813,783	-	-	-	813,783	58,356	-	58,356	872,139
Total	96,804,883	16,449,306	4,873,620	7,214,930	125,342,739	7,906,963	102,398	8,009,361	133,352,100
Net liquidity gap	(77,320,877)	48,307,974	10,897,444	5,290,073	(12,825,386)	12,744,695	6,692,703	19,437,398	6,612,012

*Included in debt issued are subordinated debt with maturity of 1 year amounting to MUR 184.2M.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 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 cash equivalents	19,802,452	30,302,624	-	-	50,105,076	-	-	-	50,105,076
Due from banks	-	-	3,547,691	1,617,051	5,164,742	-	-	-	5,164,742
Financial assets mandatorily measured at fair value through profit or loss	694,407	810,723	918,959	965,994	3,390,083	465,867	-	465,867	3,855,950
Loans and advances to banks	-	401,032	344,322	1,109,135	1,854,489	3,914,740	-	3,914,740	5,769,229
Loans and advances to customers	1,781,297	4,640,499	929,077	1,223,005	8,573,878	8,774,469	4,948,907	13,723,376	22,297,254
Debt instruments measured at fair value through other comprehensive income	-	124,143	292,998	149,970	567,111	3,505,621	1,768	3,507,389	4,074,500
Debt instruments measured at amortised cost	-	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	23,738,137	45,824,542	10,126,470	7,290,089	86,979,238	27,403,810	5,831,867	33,235,677	120,214,915
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	-	-	-	434,769	434,769	-	-	-	434,769
Financial liabilities measured at fair value through profit or loss	694,407	-	24,888	123,482	842,777	54,877	-	54,877	897,654
Total	89,441,780	9,461,661	3,160,505	6,508,584	108,572,530	6,323,458	113,536	6,436,994	115,009,524
Net liquidity gap	(65,703,643)	36,362,881	6,965,965	781,505	(21,593,292)	21,080,352	5,718,331	26,798,683	5,205,391

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE GROUP

	30 June 2017								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	17,438,298	18,526,865	-	-	35,965,163	-	-	-	35,965,163
Due from banks	-	-	3,187,620	1,564,601	4,752,221	-	-	-	4,752,221
Financial assets mandatorily measured at fair value through profit or loss	556,113	1,009,509	357,811	927,913	2,851,346	954,907	-	954,907	3,806,253
Loans and advances to banks	-	-	171,455	807,494	978,949	2,530,381	-	2,530,381	3,509,330
Loans and advances to customers	2,144,691	1,670,560	259,311	2,460,292	6,534,854	11,585,363	5,883,198	17,468,561	24,003,415
Debt instruments measured at fair value through other comprehensive income	-	1,375,364	243,439	365,205	1,984,008	3,761,964	-	3,761,964	5,745,972
Debt instruments measured at amortised cost	-	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	21,381,103	27,243,147	6,445,120	12,079,928	67,149,298	26,958,999	6,190,665	33,149,664	100,298,962
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	-	-	-	297,313	297,313	-	-	-	297,313
Financial liabilities measured at fair value through profit or loss	556,113	-	-	-	556,113	305,564	-	305,564	861,677
Total	70,542,042	9,905,593	2,668,153	6,416,856	89,532,644	5,573,513	122,651	5,696,164	95,228,808
Net liquidity gap	(49,160,939)	17,337,554	3,776,967	5,663,072	(22,383,346)	21,385,486	6,068,014	27,453,500	5,070,154

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	2019								
	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 cash equivalents	16,890,819	33,808,173	-	-	50,698,992	-	-	-	50,698,992
Due from banks	-	4,840,807	4,822,090	2,797,852	12,460,749	507,181	-	507,181	12,967,930
Derivative financial instruments	-	31,100	26,302	35,011	92,413	-	-	-	92,413
Loans and advances to banks	-	925,600	2,320,192	374,554	3,620,346	2,398,702	-	2,398,702	6,019,048
Loans and advances to customers	100,808	6,910,096	397,799	1,179,629	8,588,332	8,561,002	5,000,862	13,561,864	22,150,196
Investment securities	-	18,267,522	8,196,735	7,923,258	34,387,515	9,126,417	1,794,239	10,920,656	45,308,171
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,865,835	-	-	125,346	1,991,181		-	-	1,991,181
Total	18,857,462	64,783,298	15,763,118	12,435,650	111,839,528	20,593,302	6,795,101	27,388,403	139,227,931
Liabilities									
Due to banks	647	-	-	18,557	19,204	11,230	-	11,230	30,434
Deposits from customers:									
-Current account	90,900,375	-	-	-	90,900,375	-	-	-	90,900,375
-Savings account	5,129,381	-	-	-	5,129,381	-	-	-	5,129,381
-Term deposits	-	16,441,090	4,680,838	6,769,088	27,891,016	7,185,195	102,398	7,287,593	35,178,609
	96,029,756	16,441,090	4,680,838	6,769,088	123,920,772	7,185,195	102,398	7,287,593	131,208,365
Derivative financial instruments	-	8,216	8,577	33,202	49,995	-	-	-	49,995
Debts issued*	-	-	184,205	-	184,205	-	-	-	184,205
Other liabilities	-	-	-	378,678	378,678	-	-	-	378,678
Total	96,030,403	16,449,306	4,873,620	7,199,525	124,552,854	7,196,425	102,398	7,298,823	131,851,677
Net liquidity gap	(77,172,941)	48,333,992	10,889,498	5,236,125	(12,713,326)	13,396,877	6,692,703	20,089,580	7,376,254

*Included in debt issued are subordinated debt with maturity of 1 year amounting to MUR 184.2M.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 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 cash equivalents	19,802,452	30,172,195	-	-	49,974,647	-	-	-	49,974,647
Due from banks	-	-	3,547,691	1,617,051	5,164,742	-	-	-	5,164,742
Financial assets mandatorily measured at fair value through profit or loss	-	810,723	894,071	842,512	2,547,306	410,990	-	410,990	2,958,296
Loans and advances to banks	-	401,032	344,322	1,109,135	1,854,489	3,914,740	-	3,914,740	5,769,229
Loans and advances to customers	1,781,297	4,640,499	929,077	1,223,005	8,573,878	8,774,469	4,948,907	13,723,376	22,297,254
Debt instruments measured at fair value through other comprehensive income	-	124,143	292,998	131,411	548,552	3,505,621	1,768	3,507,389	4,055,941
Debt instruments measured at amortised cost	-	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	45,694,113	10,101,582	7,244,326	86,143,567	27,348,933	5,831,867	33,180,800	119,324,367
Liabilities									
Due to banks	113	860,210	-	-	860,323	72,432	-	72,432	932,755
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
Derivative financial instruments	-	35,521	7,604	3,200	46,325	18,057	-	18,057	64,382
Debts issued	-	167	-	404,591	404,758	195,450	-	195,450	600,208
Other liabilities	-	-	-	373,263	373,263	-	-	-	373,263
Total	88,741,646	9,423,414	3,135,617	6,310,170	107,610,847	5,631,692	113,536	5,745,228	113,356,075
Net liquidity gap	(65,638,100)	36,270,699	6,965,965	934,156	(21,467,280)	21,717,241	5,718,331	27,435,572	5,968,292

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

THE BANK

	30 June 2017								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	17,438,298	18,507,022	-	-	35,945,320	-	-	-	35,945,320
Due from banks	-	-	3,187,620	1,564,601	4,752,221	-	-	-	4,752,221
Financial assets mandatorily measured at fair value through profit or loss	-	1,009,509	357,811	927,913	2,295,233	649,344	-	649,344	2,944,577
Loans and advances to banks	-	-	171,455	807,494	978,949	2,530,381	-	2,530,381	3,509,330
Loans and advances to customers	2,144,691	1,670,560	259,311	2,460,292	6,534,854	11,585,363	5,883,198	17,468,561	24,003,415
Debt instruments measured at fair value through other comprehensive income	-	1,374,246	243,439	346,639	1,964,324	3,761,964	-	3,761,964	5,726,288
Debt instruments measured at amortised cost	-	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	27,222,186	6,445,120	12,060,963	66,553,259	26,653,436	6,190,665	32,844,101	99,397,360
Liabilities									
Due to banks	6,251	1,375,975	-	-	1,382,226	118,589	-	118,589	1,500,815
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
Derivative financial instruments	-	80,621	94,519	11,070	186,210	18,250	-	18,250	204,460
Debts issued	-	-	423,565	115,269	538,834	572,659	-	572,659	1,111,493
Other liabilities	-	-	-	273,505	273,505	-	-	-	273,505
Total	70,358,317	9,624,544	2,668,153	6,349,464	89,000,478	5,049,708	122,651	5,172,359	94,172,837
Net liquidity gap	(49,533,327)	17,597,642	3,776,967	5,711,499	(22,447,219)	21,603,728	6,068,014	27,671,742	5,224,523

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (Continued)

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

THE GROUP AND THE BANK

	Less than 3 months MUR'000	3 to 12 months MUR'000	1 to 5 years MUR'000	More than 5 Years MUR'000	Total MUR'000
30 June 2019					
Contingent liabilities	**589,262**	**251,954**	**44,071**	**160**	**885,447**
Commitments	**303,386**	**186,410**	**7,879**	**596,206**	**1,093,881**
Total	**892,648**	**438,364**	**51,950**	**596,366**	**1,979,328**
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

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Management has established limits on the interest rate gaps for stipulated periods.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, (all other variables held constant) of the Group's and the Bank's 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

Currency	Change in Basis points	2019 Sensitivity of profit or loss MUR'000	2018 Sensitivity of profit or loss MUR'000	2017 Sensitivity of profit or loss MUR'000
AUD	+50	**2,170**	48	(545)
	- 50	**(2,170)**	(48)	545
EUR	+50	**68,571**	813	(2,665)
	- 50	**(75,287)**	(813)	2,665
GBP	+50	**26,967**	19,511	5,012
	- 50	**(26,967)**	(19,511)	(5,012)
MUR	+50	**7,769**	18,208	70,917
	- 50	**(7,769)**	(18,208)	(70,917)
USD	+50	**239,917**	236,642	120,726
	- 50	**(239,917)**	(236,642)	(120,726)

THE BANK

Currency	Change in Basis points	2019 Sensitivity of profit or loss MUR'000	2018 Sensitivity of profit or loss MUR'000	2017 Sensitivity of profit or loss MUR'000
AUD	+50	**2,233**	48	(545)
	- 50	**(2,233)**	(48)	545
EUR	+50	**68,569**	797	(2,675)
	- 50	**(75,285)**	(797)	2,675
GBP	+50	**27,246**	19,511	5,012
	- 50	**(27,246)**	(19,511)	(5,012)
MUR	+50	**7,240**	18,202	70,903
	- 50	**(7,240)**	(18,202)	(70,903)
USD	+50	**238,232**	236,613	119,816
	- 50	**(238,232)**	(236,613)	(119,816)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

The table below analyses the Group's and the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The 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

	2019							
	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 cash equivalents	**50,700,638**	**15,191,168**	**33,808,173**	**-**	**-**	**-**	**-**	**1,701,297**
Due from banks	**12,967,930**	**-**	**4,840,807**	**4,822,090**	**2,797,852**	**507,181**	**-**	**-**
Loans and advances to banks	**6,019,048**	**-**	**925,600**	**2,320,192**	**374,554**	**2,398,702**	**-**	**-**
Loans and advances to customers	**22,150,196**	**100,808**	**6,910,096**	**397,799**	**1,179,629**	**8,561,002**	**5,000,862**	**-**
Debt instruments measured at amortised cost	**36,884,143**	**-**	**11,721,302**	**7,503,269**	**7,175,226**	**8,855,045**	**1,629,301**	**-**
Equity Investment designated at fair value through other comprehensive income	**31,945**	**-**	**-**	**-**	**31,945**	**-**	**-**	**-**
Other assets (excluding prepayments, accrued income, inventory and taxes)	**1,922,348**	**-**	**5,082**	**10,655**	**229,661**	**-**	**-**	**1,676,950**
Total assets	**130,676,248**	**15,291,976**	**58,211,060**	**15,054,005**	**11,788,867**	**20,321,930**	**6,630,163**	**3,378,247**
Liabilities								
Due to banks	**30,434**	**647**	**-**	**-**	**18,557**	**11,230**	**-**	**-**
Deposits from customers	**131,032,605**	**95,990,453**	**16,441,090**	**4,544,381**	**6,769,088**	**7,185,195**	**102,398**	**-**
Debts issued	**320,662**	**-**	**-**	**320,662**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value through profit or loss	**872,139**	**813,783**	**-**	**-**	**-**	**58,356**	**-**	**-**
Total liabilities	**132,255,840**	**96,804,883**	**16,441,090**	**4,865,043**	**6,787,645**	**7,254,781**	**102,398**	**-**
Total interest sensitivity gap	**(1,579,592)**	**(81,512,907)**	**41,769,970**	**10,188,962**	**5,001,222**	**13,067,149**	**6,527,765**	**3,378,247**

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 cash equivalents	50,105,076	18,412,311	30,172,195	-	-	-	-	1,520,570
Due from banks	5,164,742	-	-	3,547,691	1,617,051	-	-	-
Loans and advances to banks	5,769,229	-	401,032	344,322	1,109,135	3,914,740	-	-
Loans and advances to customers	22,297,254	1,781,297	4,640,499	929,077	1,223,005	8,774,469	4,948,907	-
Debt instruments measured at amortised cost	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,587,987	-	-	-	-	-	-	1,587,987
Total assets	112,284,465	20,193,608	44,759,247	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)	(68,553,765)	35,371,354	5,786,500	112,412	17,818,687	5,716,563	3,108,557

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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 cash equivalents	35,965,163	15,714,470	18,526,865	-	-	-	-	1,723,828
Due from banks	4,752,221	-	-	3,187,620	1,564,601	-	-	-
Loans and advances to banks	3,509,330	-	171,455	807,494	-	2,530,381	-	-
Loans and advances to customers	24,003,415	2,144,691	1,670,560	259,311	2,460,292	11,585,363	5,883,198	-
Debt instruments measured at amortised cost	21,190,422	-	4,660,849	2,225,484	5,870,238	8,126,384	307,467	-
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,326,186	-	-	-	-	-	-	1,326,186
Total assets	90,746,737	17,859,161	25,029,729	6,479,909	9,895,131	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)	(52,126,768)	15,207,878	3,906,275	3,830,241	17,035,312	6,068,014	3,050,014

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

THE BANK

	2019							
	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 cash equivalents	50,698,992	15,189,522	33,808,173	-	-	-	-	1,701,297
Due from banks	12,967,930	-	4,840,807	4,822,090	2,797,852	507,181	-	-
Loans and advances to banks	6,019,048	-	925,600	2,320,192	374,554	2,398,702	-	-
Loans and advances to customers	22,150,196	100,808	6,910,096	397,799	1,179,629	8,561,002	5,000,862	-
Debt instruments measured at amortised cost	36,884,143	-	11,721,302	7,503,269	7,175,226	8,855,045	1,629,301	-
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,991,181	-	-	-	125,346	-	-	1,865,835
Total assets	130,711,490	15,290,330	58,205,978	15,043,350	11,652,607	20,321,930	6,630,163	3,567,132
Liabilities								
Due to banks	30,434	647	-	-	18,557	11,230	-	-
Deposits from customers	131,208,365	25,839,984	18,473,252	4,680,838	6,769,088	7,185,195	102,398	68,157,610
Debts issued	184,205	-	-	184,205	-	-	-	-
Total liabilities	131,423,004	25,840,631	18,473,252	4,865,043	6,787,645	7,196,425	102,398	68,157,610
Total interest sensitivity gap	(711,514)	(10,550,301)	39,732,726	10,178,307	4,864,962	13,125,505	6,527,765	(64,590,478)

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
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	49,974,647	18,281,882	30,172,195	-	-	-	-	1,520,570
Due from banks	5,164,742	-	-	3,547,691	1,617,051	-	-	-
Loans and advances to banks	5,769,229	-	401,032	344,322	1,109,135	3,914,740	-	-
Loans and advances to customers	22,297,254	1,781,297	4,640,499	929,077	1,223,005	8,774,469	4,948,907	-
Debt instruments measured at amortised cost	27,360,177	-	9,545,521	4,093,423	2,096,928	10,743,113	881,192	-
Other assets (excluding prepayments, accrued income, inventory and taxes)	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

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(i) Interest rate risk (Continued)

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
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	35,945,320	15,714,470	18,507,022	-		-	-	1,723,828
Due from banks	4,752,221	-	-	3,187,620	1,564,601	-	-	-
Loans and advances to banks	3,509,330	-	171,455	807,494	-	2,530,381	-	-
Loans and advances to customers	24,003,415	2,144,691	1,670,560	259,311	2,460,292	11,585,363	5,883,198	-
Debt instruments measured at amortised cost	21,190,422	-	4,660,849	2,225,484	5,870,238	8,126,384	307,467	-
Other assets (excluding prepayments, accrued income, inventory and taxes)	1,325,787	-	-	-	-	-	-	1,325,787
Total assets	90,726,495	17,859,161	25,009,886	6,479,909	9,895,131	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)	15,465,963	3,906,275	3,830,242	17,210,670	6,068,014	3,049,615

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MUR, with all other variables held constant on the 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

		2019		
		Effect of change in currency on		
Currency	**% Change in Currency rate**	**Assets**	**Liabilities**	**Sensitivity of profit or loss**
		MUR'000	**MUR'000**	**MUR'000**
AUD	**+5%**	**44,683**	**(46,419)**	**(1,736)**
	-5%	**(44,683)**	**46,419**	**1,736**
EUR	**+5%**	**1,146,540**	**(1,125,829)**	**20,711**
	-5%	**(1,146,540)**	**1,125,829**	**(20,711)**
GBP	**+5%**	**358,688**	**(359,186)**	**(498)**
	-5%	**(358,688)**	**359,186**	**498**
USD	**+5%**	**4,154,738**	**(4,151,564)**	**3,174**
	-5%	**(4,154,738)**	**4,151,564**	**(3,174)**

		2018		
		Effect of change in currency on		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		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		
Currency	% Change in Currency rate	Assets	Liabilities	Sensitivity of profit or loss
		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)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

(ii) Currency risk (Continued)

THE BANK

Currency	% Change in Currency rate	2019 Effect of change in currency on Assets	Liabilities	Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	44,683	(46,419)	(1,736)
	-5%	(44,683)	46,419	1,736
EUR	+5%	1,146,459	(1,125,796)	20,663
	-5%	(1,146,459)	1,125,796	(20,663)
GBP	+5%	358,684	(358,927)	(243)
	-5%	(358,684)	358,927	243
USD	+5%	4,153,861	(4,150,771)	3,090
	-5%	(4,153,861)	4,150,771	(3,090)

THE BANK

Currency	% Change in Currency rate	2018 Effect of change in currency on Assets	Liabilities	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

Currency	% Change in Currency rate	2017 Effect of change in currency on Assets	Liabilities	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)

(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 debt instrument measured at fair value through other comprehensive income.

38. CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Group and the Bank. During the past year, the Group and the Bank have complied fully with all its externally imposed capital requirements.

Capital management

The primary objectives of the Group's and the Bank's capital management are to ensure that the Group and the Bank comply with externally imposed capital requirements and that the Group and the Bank maintain strong credit ratings and healthy capital ratios in order to support the business and to maximise shareholders' value.

The Group and the Bank manage their capital structure and makes adjustments to it in 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
	2019	2018	2017	**2019**	2018	2017
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Tier 1 capital	**7,240,680**	6,199,854	5,313,894	**7,257,255**	6,279,995	5,438,989
Tier 2 capital	**463,159**	427,205	650,607	**463,159**	389,292	574,782
Total capital	**7,703,839**	6,627,059	5,964,501	**7,720,414**	6,669,287	6,013,771
Risk-weighted assets	**50,286,707**	47,000,533	46,816,645	**48,714,294**	45,345,385	45,935,492
	%	%	%	**%**	%	%
Capital adequacy ratio	**15.32**	14.10	12.74	**15.85**	14.71	13.09

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 stage 1 and stage 2 provisions and country risk reserves.

39. EVENTS AFTER REPORTING DATE

(i) Dividend

On 19 September 2019, the Board of Directors declared and approved a dividend of MUR 73.2M on Class A Series 1 and 2 and MUR 429.7M on Ordinary shares, subject to approval from the regulators.

40. OFFSETTING FINANCIAL INSTRUMENTS

The Group and the Bank offsetting financial arrangement is summarised below.

THE GROUP

2019

	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 cash equivalents	50,700,638	-	50,700,638	-	50,700,638
Due from banks	12,967,930	-	12,967,930	-	12,967,930
Derivative financial instruments	-	744,595	744,595	-	744,595
Loans and advances to banks	6,019,048	-	6,019,048	-	6,019,048
Loans and advances to customers	22,150,196	-	22,150,196	(790,271)	21,359,925
Investment Securities	46,203,952	-	46,203,952	-	46,203,952
Other assets	1,922,348	-	1,922,348	-	1,922,348
	139,964,112	744,595	140,708,707	(790,271)	139,918,436
LIABILITIES					
Derivative financial instruments	(42,418)	744,595	702,177	-	702,177
Due to banks	30,434	-	30,434	-	30,434
Deposits from customers	131,032,605	-	131,032,605	(790,271)	130,242,334
Debts issued	320,662	-	320,662	-	320,662
Other liabilities	394,083	-	394,083	-	394,083
	131,735,366	744,595	132,479,961	(790,271)	131,689,690

2018

	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 cash equivalents	50,105,076	-	50,105,076	-	50,105,076
Due from banks	5,164,742	-	5,164,742	-	5,164,742
Derivative financial instruments	688,562	208,490	897,052	-	897,052
Financial assets mandatorily measured at fair value through profit or loss	3,855,950	-	3,855,950	-	3,855,950
Loans and advances to banks	49,974,647	-	49,974,647	-	49,974,647
Loans and advances to customers	22,297,254	-	22,297,254	(558,564)	21,738,690
Debt instruments measured at fair value through other comprehensive income	4,074,500	-	4,074,500	-	4,074,500
Debt instruments measured at amortised cost	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,587,987	-	1,587,987	-	1,587,987
	165,108,895	208,490	165,317,385	(558,564)	164,758,821
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	434,769	-	434,769	-	434,769
Financial liabilities measured at fair value through profit or loss	897,654	-	897,654	-	897,654
	114,801,034	208,490	115,009,524	(558,564)	114,450,960

40. OFFSETTING FINANCIAL INSTRUMENTS (CONITNUED)

THE GROUP (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 cash equivalents	35,965,163	-	35,965,163	-	35,965,163
Due from banks	4,752,221	-	4,752,221	-	4,752,221
Derivative financial instruments	89,587	228,533	318,120	-	318,120
Financial assets mandatorily measured at fair value through profit or loss	3,806,253	-	3,806,253	-	3,806,253
Loans and advances to banks	49,974,647	-	49,974,647	-	49,974,647
Loans and advances to customers	22,297,254	-	22,297,254	(558,564)	21,738,690
Debt instruments measured at fair value through other comprehensive income	5,745,972	-	5,745,972	-	5,745,972
Debt instruments measured at amortised cost	21,190,422	-	21,190,422	-	21,190,422
Other assets	1,326,186	-	1,326,186	-	1,326,186
	145,147,705	228,533	145,376,238	(558,564)	144,817,674
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	297,313	-	297,313	-	297,313
Financial liabilities measured at fair value through profit or loss	861,677	-	861,677	-	861,677
	95,000,275	228,533	95,228,808	(499,174)	94,729,634

THE BANK

2019

	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 cash equivalents	**50,698,992**	**-**	**50,698,992**	**-**	**50,698,992**
Due from banks	**12,967,930**	**-**	**12,967,930**	**-**	**12,967,930**
Derivative financial instruments	**-**	**92,413**	**92,413**	**-**	**92,413**
Loans and advances to banks	**6,019,048**	**-**	**6,019,048**	**-**	**6,019,048**
Loans and advances to customers	**22,150,196**	**-**	**22,150,196**	**(790,271)**	**21,359,925**
Investment Securities	**45,308,171**	**-**	**45,308,171**	**-**	**45,308,171**
Other assets	**1,991,181**	**-**	**1,991,181**	**-**	**1,991,181**
	139,135,518	**92,413**	**139,227,931**	**(790,271)**	**138,437,660**
LIABILITIES					
Derivative financial instruments	**(42,418)**	**92,413**	**49,995**	**-**	**49,995**
Due to banks	**30,434**	**-**	**30,434**	**-**	**30,434**
Deposits from customers	**131,208,365**	**-**	**131,208,365**	**(790,271)**	**130,418,094**
Subordinated debts issued	**184,205**	**-**	**184,205**	**-**	**184,205**
Other liabilities	**378,678**	**-**	**378,678**	**-**	**378,678**
	131,759,264	**92,413**	**131,851,677**	**(790,271)**	**131,061,406**

40. OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

THE BANK (CONTINUED)

2018

	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 cash equivalents	49,974,647	-	49,974,647	-	49,974,647
Due from banks	5,164,742	-	5,164,742	-	5,164,742
Derivative financial instruments	-	208,490	208,490	-	208,490
Financial assets mandatorily measured at fair value through profit or loss	2,958,296	-	2,958,296	-	2,958,296
Loans and advances to banks	49,974,647		49,974,647		49,974,647
Loans and advances to customers	22,297,254	-	22,297,254	(558,564)	21,738,690
Loans and advances to banks	5,769,229		5,769,229		5,769,229
Debt instruments measured at fair value through other comprehensive income	4,055,941	-	4,055,941	-	4,055,941
Debt instruments measured at amortised cost	27,360,177	-	27,360,177	-	27,360,177
Other assets	1,744,081	-	1,744,081	-	1,744,081
	169,299,014	208,490	169,507,504	(558,564)	168,948,940
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	373,263	-	373,263		373,263
	113,147,585	208,490	113,356,075	(558,564)	112,797,511

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 cash equivalents	35,945,320	-	35,945,320	-	35,945,320
Due from banks	4,752,221	-	4,752,221	-	4,752,221
Derivative financial instruments	-	228,533	228,533	-	228,533
Financial assets mandatorily measured at fair value through profit or loss	2,944,577	-	2,944,577	-	2,944,577
Loans and advances to banks	3,509,330		3,509,330		3,509,330
Loans and advances to customers	24,003,415	-	24,003,415	(499,174)	23,504,241
Debt instruments measured at fair value through other comprehensive income	5,726,288	-	5,726,288	-	5,726,288
Debt instruments measured at amortised cost	21,190,422	-	21,190,422	-	21,190,422
Other assets	1,325,787	-	1,325,787	-	1,325,787
	99,397,360	228,533	99,625,893	(499,174)	99,126,719
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
Other liabilities	273,505	-	273,505	-	273,505
	93,944,304	228,533	94,172,837	(499,174)	93,673,663

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 2019, 2018 and 2017 these amounts have been shown in "due to customers" and have not been offset against the loan balances.

41. SEGMENTAL REPORTING

The following table presents income and profit and certain asset and liability information regarding the Bank's operating segments.

		Year ended 30 June 2019			Year ended 30 June 2018			Year ended 30 June 2017		
		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	996,029	2,173,018	3,169,047	943,300	1,462,256	2,405,556	913,765	1,007,502	1,921,267
Interest expense	I	(484,612)	(373,662)	(858,274)	(463,024)	(232,541)	(695,565)	(479,988)	(229,367)	(709,355)
Net interest income		511,417	1,799,356	2,310,773	480,276	1,229,715	1,709,991	433,777	778,135	1,211,912
Fee and commission income	II	168,541	549,610	718,151	150,478	498,849	649,327	105,872	430,166	536,038
Fee and commission expense	II	(41,457)	(249,922)	(291,379)	(65,656)	(240,746)	(306,402)	(74,123)	(165,443)	(239,566)
Net fee and commission income		127,084	299,688	426,772	84,822	258,103	342,925	31,749	264,723	296,472
Net gain from derecognition of financial assets measured at amortised cost	III	-	23,927	23,927	-	-	-	-	-	-
Net trading income	IV (a)	177,652	51,210	228,862	110,802	31,320	142,122	143,870	44,624	188,494
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	IV (b)	98	-	98	34,582	-	34,582	9,624	-	9,624
Net gain from foreign exchange and derivatives	IV (c)	336,868	351,073	687,941	106,916	533,147	640,063	104,958	382,945	487,903
Other operating income	IV (d)	9,097	6,021	15,118	22,114	10,863	32,977	4,526	13,453	17,979
Total operating income		1,162,216	2,531,275	3,693,491	839,512	2,063,148	2,902,660	728,504	1,483,880	2,212,384
Net impairment loss on financial assets	V	(14,085)	(454,295)	(468,380)	(322,262)	(745,319)	(1,067,581)	(116,516)	(464,033)	(580,549)
Net operating income		1,148,131	2,076,980	3,225,111	517,250	1,317,829	1,835,079	611,988	1,019,847	1,631,835
Personnel expenses		(199,350)	(446,946)	(646,296)	(149,485)	(380,179)	(529,664)	(147,987)	(288,371)	(436,358)
Depreciation of property and equipment		(11,442)	(24,919)	(36,361)	(9,942)	(24,428)	(34,370)	(8,434)	(15,657)	(24,091)
Amortisation of intangible assets		(12,141)	(26,445)	(38,586)	(7,811)	(19,194)	(27,005)	(4,485)	(8,325)	(12,810)
Other operating expenses		(165,593)	(221,710)	(387,303)	(97,283)	(239,079)	(336,362)	(83,639)	(155,263)	(238,902)
Total operating expenses		(388,526)	(720,020)	(1,108,546)	(264,521)	(662,880)	(927,401)	(244,545)	(467,616)	(712,161)
Operating profit		759,605	1,356,960	2,116,565	252,729	654,949	907,678	367,443	552,231	919,674
Impairment loss on subsidiary		(189,563)	-	(189,563)	-	-	-	-	-	-
Impairment on receivable from subsidary		(103,000)	-	(103,000)	-	-	-	-	-	-
Profit before tax		467,042	1,356,960	1,824,002	252,729	654,949	907,678	367,443	552,231	919,674
Tax expense		(220,003)	(19,216)	(239,219)	(83,833)	(57,391)	(141,224)	(108,963)	6,287	(102,676)
Profit for the year		247,039	1,337,744	1,584,783	168,896	597,558	766,454	258,480	558,518	816,998
Other comprehensive income										
Other comprehensive income that may be subsequently reclassified to profit or loss:										
Net gain/(loss) on available-for-sale investments		-	-	-	(8,548)	19,270	10,722	(12,259)	-	(12,259)
Movement in investment revaluation reserve for debt instrument measured at fair value through other comprehensive income:										
- gains arising during the year		2,468	106	2,574	-	-	-	-	-	-
- reclassification of losses included in profit or loss on derecognition		(98)	-	(98)	-	-	-	-	-	-
Gain on equity instruments designated at fair value through other comprehensive income		1,122	-	1,122	-	-	-	-	-	-
		3,492	106	3,598	(8,548)	19,270	10,722	(12,259)	-	(12,259)
Other comprehensive income that will not be reclassified to profit or loss:										
Remeasurement of retirement benefits obligation		(2,916)	(6,353)	(9,269)	(3,358)	(8,253)	(11,611)	-	-	-
Deferred tax of remeasurement on retirement benefits obligation		120	261	381	237	582	819	-	-	-
		(2,796)	(6,092)	(8,888)	(3,121)	(7,671)	(10,792)	-	-	-
Other comprehensive gain/(loss) for the year		696	(5,986)	(5,290)	(11,669)	11,599	(70)	(12,259)	-	(12,259)
Total comprehensive income for the year attributable to equity holders of the parent		247,735	1,331,758	1,579,493	157,227	609,157	766,384	246,221	558,518	804,739

41. SEGMENTAL REPORTING (CONTINUED)

		2019			2018			2017		
		Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
ASSETS	**Notes**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	VI	**6,469,041**	**44,229,951**	**50,698,992**	4,659,473	45,315,174	49,974,647	2,509,627	33,435,693	35,945,320
Due from banks	VII	**10,469,896**	**2,498,034**	**12,967,930**	5,164,742	-	5,164,742	4,752,221	-	4,752,221
Derivative financial instruments	VIII	**81,507**	**10,906**	**92,413**	94,498	113,992	208,490	52,462	176,071	228,533
Loans and advances to banks	X(b)	**-**	**6,019,048**	**6,019,048**	-	5,769,229	5,769,229	-	3,509,330	3,509,330
Loans and advances to customers	X(a)	**11,480,579**	**10,669,617**	**22,150,196**	10,632,700	11,664,554	22,297,254	10,304,990	13,698,425	24,003,415
Investment securities	IX	**18,981,315**	**26,326,856**	**45,308,171**	12,704,454	21,669,960	34,374,414	11,925,807	17,935,480	29,861,287
Investment in subsidiary	XI	**-**	**-**	**-**	189,563	-	189,563	189,563	-	189,563
Property and equipment		**57,558**	**128,117**	**185,675**	55,057	134,797	189,854	65,193	121,076	186,269
Intangible assets		**75,454**	**167,944**	**243,398**	72,380	177,205	249,585	54,549	101,306	155,855
Deferred tax assets		**32,142**	**68,811**	**100,953**	129,100	12,362	141,462	119,779	27,278	147,057
Other assets	XII	**2,088,779**	**17,943**	**2,106,722**	1,817,828	23,345	1,841,173	1,346,432	81,001	1,427,433
TOTAL ASSETS		**49,736,271**	**90,137,227**	**139,873,498**	35,519,795	84,880,618	120,400,413	31,320,623	69,085,660	100,406,283
LIABILITIES AND EQUITY										
Due to banks	XIII	**29,787**	**647**	**30,434**	932,642	113	932,755	118,589	1,382,226	1,500,815
Deposits from customers	XIV	**31,030,246**	**100,178,119**	**131,208,365**	25,889,837	85,495,630	111,385,467	21,575,992	69,506,572	91,082,564
Derivative financial instruments	VIII	**9,823**	**40,172**	**49,995**	21,575	42,807	64,382	47,792	156,668	204,460
Debts issued	XV	**184,205**	**-**	**184,205**	600,208	-	600,208	1,111,493	-	1,111,493
Retirement Benefits Obligation		**20,344**	**44,308**	**64,652**	12,057	29,631	41,688	6,662	16,338	23,000
Current tax liabilities		**82,311**	**29,805**	**112,116**	17,580	13,701	31,281	104,817	25,339	130,156
Other liabilities	XVI	**281,789**	**225,538**	**507,327**	310,155	135,225	445,380	256,260	105,087	361,347
TOTAL LIABILITIES		**31,638,505**	**100,518,589**	**132,157,094**	27,784,054	85,717,107	113,501,161	23,221,605	71,192,230	94,413,835
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Ordinary Shares				**3,641,049**			3,641,049			3,197,608
Class A shares				**1,385,768**			1,385,768			1,385,768
Retained earnings				**1,836,242**			1,277,521			944,373
Other reserves				**853,345**			594,914			464,699
TOTAL EQUITY				**7,716,404**			6,899,252			5,992,448
TOTAL LIABILITIES AND EQUITY				**139,873,498**			120,400,413			100,406,283

41. SEGMENTAL REPORTING (CONTINUED)

	2019			2018			2017		
	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
Interest income on financial instruments measured at amortised cost:									
- Due from banks	**240,066**	**703,835**	**943,901**	85,813	388,003	473,816	49,037	263,346	312,383
- Loans and advances to banks	**-**	**214,044**	**214,044**	-	174,192	174,192	-	124,768	124,768
- Loans and advances to customers	**293,312**	**757,173**	**1,050,485**	467,559	597,662	1,065,221	521,554	484,902	1,006,456
- Investment securities	**407,559**	**394,539**	**802,098**	323,429	238,775	562,204	275,828	85,522	361,350
- Placements with the Central Bank	**49,377**	**-**	**49,377**	29,091	-	29,091	29,884	-	29,884
	990,314	**2,069,591**	**3,059,905**	905,892	1,398,632	2,304,524	876,303	958,538	1,834,841
Interest income on financial instruments measured at fair value through other comprehensive income:									
- Investment securities	**5,715**	**103,427**	**109,142**	37,408	63,624	101,032	37,462	48,964	86,426
Total interest income calculated using EIR	**996,029**	**2,173,018**	**3,169,047**	943,300	1,462,256	2,405,556	913,765	1,007,502	1,921,267
I INTEREST EXPENSE									
Interest expense on financial instruments measured at amortised cost:									
- Due to banks	**14,845**	**27,545**	**42,390**	8,010	13,692	21,702	3,162	59,917	63,079
- Deposits from banks and customers	**441,594**	**346,117**	**787,711**	394,687	217,508	612,195	398,616	169,450	568,066
- Subordinated debts issued	**28,173**	**-**	**28,173**	60,327	1,341	61,668	78,210	-	78,210
Total interest expense	**484,612**	**373,662**	**858,274**	463,024	232,541	695,565	479,988	229,367	709,355
NET INTEREST INCOME	**511,417**	**1,799,356**	**2,310,773**	480,276	1,229,715	1,709,991	433,777	778,135	1,211,912
II NET FEE AND COMMISSION INCOME									
Fee and commission income									
Credit related fees and commission income	**127,267**	**418,792**	**546,059**	110,117	293,436	403,553	96,601	234,492	331,093
Custody fees income	**38,380**	**125,950**	**164,330**	37,538	202,180	239,718	6,596	192,979	199,575
Other fees received	**2,894**	**4,868**	**7,762**	2,823	3,233	6,056	2,675	2,695	5,370
Total fee and commission income	**168,541**	**549,610**	**718,151**	150,478	498,849	649,327	105,872	430,166	536,038
Fee and commission expense									
Custody fees expense	**(1,405)**	**(55,773)**	**(57,178)**	(23,264)	(75,870)	(99,134)	(25,753)	(62,701)	(88,454)
Other fees	**(40,052)**	**(194,149)**	**(234,201)**	(42,392)	(164,876)	(207,268)	(48,370)	(102,742)	(151,112)
Total fee and commission expense	**(41,457)**	**(249,922)**	**(291,379)**	(65,656)	(240,746)	(306,402)	(74,123)	(165,443)	(239,566)
Net fee and commission income	**127,084**	**299,688**	**426,772**	84,822	258,103	342,925	31,749	264,723	296,472

41. SEGMENTAL REPORTING (CONTINUED)

	2019			2018			2017		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
III NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST									
Loans and advances to banks	**-**	**(15,687)**	**(15,687)**	-	-	-	-	-	-
Loans and advances to customers	**-**	**41,002**	**41,002**	-	-	-	-	-	-
Debt instruments measured at amortised cost	**-**	**(1,388)**	**(1,388)**	-	-	-	-	-	-
	-	**23,927**	**23,927**	-	-	-	-	-	-
IV (a) NET TRADING INCOME									
Net trading income:									
- Net gain on debt instruments measured at fair value through profit or loss	**184,668**	**51,210**	**235,878**	83,695	31,320	115,015	94,071	44,624	138,695
- Fair value (loss)/gain on derivatives	**(7,016)**	**-**	**(7,016)**	27,107	-	27,107	49,799	-	49,799
	177,652	**51,210**	**228,862**	110,802	31,320	142,122	143,870	44,624	188,494
IV (b) NET GAIN FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	**98**	**-**	**98**	34,582	-	34,582	9,624	-	9,624
IV (c) NET GAIN FROM FOREIGN EXCHANGE AND DERIVATIVES									
Derivatives held for risk management (foreign exchange)	**(18,305)**	**(86,974)**	**(105,279)**	-	-	-	-	-	-
Foreign exchange difference	**355,173**	**438,047**	**793,220**	106,916	533,147	640,063	104,958	382,945	487,903
	336,868	**351,073**	**687,941**	106,916	533,147	640,063	104,958	382,945	487,903
IV (d) OTHER OPERATING INCOME									
Other operating income:									
- Transaction and other related fees	**9,097**	**6,021**	**15,118**	22,114	10,863	32,977	4,526	13,453	17,979
	9,097	**6,021**	**15,118**	22,114	10,863	32,977	4,526	13,453	17,979
V NET IMPAIRMENT LOSS ON FINANCIAL ASSETS									
LOSS ALLOWANCE ON FINANCIAL ASSETS									
Cash and cash equivalents	**(2,206)**	**(22,243)**	**(24,449)**	-	-	-	-	-	-
Due from banks	**2,290**	**1,370**	**3,660**	-	270,720	270,720	-	-	-
Loans and advances to banks	**-**	**(2,662)**	**(2,662)**	-	52,796	52,796	-	35,270	35,270
Loan and advances to customers	**16,824**	**560,895**	**577,719**	324,842	427,776	752,618	116,516	428,763	545,279
Debt instruments measured at FVTOCI	**(77)**	**604**	**527**	-	-	-	-	-	-
Debt instruments measured at amortised cost	**1,890**	**505**	**2,395**	-	-	-	-	-	-
Financial guarantee contracts and loan commitments (Note 38)	**1,092**	**(702)**	**390**	-	-	-	-	-	-
Total credit loss expense under IFRS 9	**19,813**	**537,767**	**557,580**	324,842	751,292	1,076,134	116,516	464,033	580,549
Bad debt recovered	**(5,728)**	**(83,472)**	**(89,200)**	(2,580)	(5,973)	(8,553)	-	-	-
	14,085	**454,295**	**468,380**	322,262	745,319	1,067,581	116,516	464,033	580,549

41. SEGMENTAL REPORTING (CONTINUED)

	2019			2018			2017		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
VI CASH AND CASH EQUIVALENTS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash in hand	28,690	13,397	42,087	15,505	14,581	30,086	22,883	11,827	34,710
Unrestricted balances with the Central Bank	3,988,536	-	3,988,536	1,490,484	-	1,490,484	1,689,118	-	1,689,118
Short term placements with other banks	2,430,659	31,377,514	33,808,173	3,139,243	27,032,952	30,172,195	535,076	17,718,534	18,253,610
Short term placements with the Central Bank	-	-	-	-	-	-	253,412	-	253,412
Current accounts with other banks	23,783	12,862,359	12,886,142	14,241	18,267,641	18,281,882	9,138	15,703,883	15,713,021
Other amounts due	-	-	-	-	-	-	-	1,449	1,449
	6,471,668	44,253,270	50,724,938	4,659,473	45,315,174	49,974,647	2,509,627	33,435,693	35,945,320
Less: Impairment on placement	(2,627)	(23,319)	(25,946)	-	-	-	-	-	-
	6,469,041	44,229,951	50,698,992	4,659,473	45,315,174	49,974,647	2,509,627	33,435,693	35,945,320

	2019			2018			2017		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
VII DUE FROM BANKS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At amortised cost:									
Short term collateralized placements	4,844,692	-	4,844,692	-	-	-	-	-	-
Medium term collateralized placements	1,781,279	-	1,781,279	3,489,079	-	3,489,079	-	-	-
Medium term placements with the central bank	1,009,464	-	1,009,464	1,675,663	-	1,675,663	840,368	-	840,368
Long term placements with central bank	507,181	-	507,181	-	-	-	-	-	-
Medium term placements with other banks	2,329,796	2,499,404	4,829,200	-	-	-	3,911,853	-	3,911,853
	10,472,412	2,499,404	12,971,816	5,164,742	-	5,164,742	4,752,221	-	4,752,221
Less: allowance for impairment losses	(2,516)	(1,370)	(3,886)	-	-	-	-	-	-
	10,469,896	2,498,034	12,967,930	5,164,742	-	5,164,742	4,752,221	-	4,752,221

	2019			2018			2017		
VIII DERIVATIVE FINANCIAL INSTRUMENTS	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
Derivative Financial Instruments									
Foreign exchange option contracts	6,315	2,046	8,361	11,392	423	11,815	8,755	147,425	156,180
Forward foreign exchange contracts and swaps	75,192	8,860	84,052	83,106	113,569	196,675	31,197	28,646	59,843
Spot position account	-	-	-	-	-	-	12,510	-	12,510
	81,507	10,906	92,413	94,498	113,992	208,490	52,462	176,071	228,533
LIABILITIES									
Derivative Financial Instruments									
Foreign exchange option contracts	(593)	(7,352)	(7,945)	-	(11,392)	(11,392)	(8,755)	(147,425)	(156,180)
Forward foreign exchange contracts and swaps	(9,230)	(32,820)	(42,050)	(21,575)	(31,415)	(52,990)	(39,037)	(9,243)	(48,280)
	(9,823)	(40,172)	(49,995)	(21,575)	(42,807)	(64,382)	(47,792)	(156,668)	(204,460)

41. SEGMENTAL REPORTING (CONTINUED)

	2019			2018			2017		
	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 INVESTMENT SECURITIES									
(a) FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS									
Government of Mauritius debt securities	1,416,463	-	1,416,463	1,749,284	-	1,749,284	2,000,177	-	2,000,177
Bank of Mauritius bonds and notes	3,427,026	-	3,427,026	1,209,012	-	1,209,012	845,572	-	845,572
Corporate debt securities and bonds	-	356	356	-	-	-	24,639	74,189	98,828
	4,843,489	356	4,843,845	2,958,296	-	2,958,296	2,870,388	74,189	2,944,577
b) DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
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
Foreign Securities treasury bills and bonds	-	3,571,880	3,571,880	-	3,485,461	3,485,461	-	4,803,601	4,803,601
	-	3,571,880	3,571,880	570,480	3,485,461	4,055,941	922,687	4,803,601	5,726,288
c) DEBT INSTRUMENTS MEASURED AT AMORTISED COST									
Government of Mauritius treasury bills and bonds	7,291,728	-	7,291,728	6,116,458	-	6,116,458	4,451,232	-	4,451,232
Bank of Mauritius bonds and notes	5,056,172	-	5,056,172	2,246,969	-	2,246,969	2,550,818	-	2,550,818
Other corporate debt securities	1,792,723	-	1,792,723	812,251	-	812,251	1,130,682	-	1,130,682
Foreign Securities treasury bills and bonds	-	22,751,899	22,751,899	-	18,184,499	18,184,499	-	13,057,690	13,057,690
	14,140,623	22,751,899	36,892,522	9,175,678	18,184,499	27,360,177	8,132,732	13,057,690	21,190,422
Less: Allowance for impairment losses	(5,069)	(3,310)	(8,379)	-	-	-	-	-	-
	14,135,554	22,748,589	36,884,143	9,175,678	18,184,499	27,360,177	8,132,732	13,057,690	21,190,422
d) EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME									
Equities securities:									
Reclassification from other assets	2,525	4,656	7,181	-	-	-	-	-	-
Fair value movement	(253)	1,375	1,122	-	-	-	-	-	-
At 30 June	2,272	6,031	8,303	-	-	-	-	-	-

41. SEGMENTAL REPORTING (CONTINUED)

	2019			2018			2017		
	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
X (a) LOANS AND ADVANCES TO CUSTOMERS									
(a) Remaining term to maturity									
Within 3 months	**5,021,059**	**2,453,588**	**7,474,647**	5,457,010	2,234,702	7,691,712	3,752,679	1,802,125	5,554,804
Over 3 to 6 months	**130,832**	**269,797**	**400,629**	24,310	1,249,089	1,273,399	255,770	1,820	257,590
Over 6 to 12 months	**226,701**	**1,543,648**	**1,770,349**	316,023	899,480	1,215,503	720,906	1,731,298	2,452,204
Over 1 to 5 years	**2,412,072**	**6,695,222**	**9,107,294**	1,793,167	6,590,507	8,383,674	2,933,541	8,626,360	11,559,901
Over 5 years	**4,147,081**	**1,162,713**	**5,309,794**	3,783,607	1,165,300	4,948,907	3,320,866	2,562,332	5,883,198
Gross core loans and advances to customers	**11,937,745**	**12,124,968**	**24,062,713**	11,374,117	12,139,078	23,513,195	10,983,762	14,723,935	25,707,697
Less: Allowances for impairment losses	**(457,166)**	**(1,455,351)**	**(1,912,517)**	(741,417)	(474,524)	(1,215,941)	(678,772)	(1,025,510)	(1,704,282)
Net core loans and advances to customers	**11,480,579**	**10,669,617**	**22,150,196**	10,632,700	11,664,554	22,297,254	10,304,990	13,698,425	24,003,415
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	**159,099**	**350,551**	**509,650**	1,095,391	530,504	1,625,895	845,778	351,181	1,196,959
Manufacturing	**436,431**	**2,289,225**	**2,725,656**	381,977	2,398,790	2,780,767	438,193	2,561,129	2,999,322
Tourism	**2,714,782**	**449,560**	**3,164,342**	2,236,127	144,624	2,380,751	2,149,109	-	2,149,109
Transport	**44,608**	**318,959**	**363,567**	41,364	388,225	429,589	2,774	546,390	549,164
Construction, infrastructure and real estate	**913,531**	**205,502**	**1,119,033**	1,196,304	582,608	1,778,912	2,194,843	975,673	3,170,516
Financial and business services	**2,739,957**	**1,621,871**	**4,361,828**	1,916,284	1,735,310	3,651,594	1,057,573	1,724,843	2,782,416
Traders	**1,204,300**	**363,938**	**1,568,238**	947,685	611,949	1,559,634	801,942	878,056	1,679,998
Personal	**1,506,811**	**442,365**	**1,949,176**	1,280,269	455,113	1,735,382	1,294,321	439,899	1,734,220
Professional	**456,563**	**-**	**456,563**	4,035	494	4,529	6,233	-	6,233
Information, communication and technology	**251,421**	**-**	**251,421**	45,544	-	45,544	87,348	-	87,348
Government and parastatal bodies	**-**	**101,768**	**101,768**	1,160,169	139,178	1,299,347	-	271,646	271,646
Global Business Licence Holders (GBL)	**-**	**2,577,547**	**2,577,547**	-	2,613,741	2,613,741	-	3,596,604	3,596,604
Other entities	**1,510,242**	**3,403,682**	**4,913,924**	1,068,968	2,538,542	3,607,510	2,105,648	3,378,514	5,484,162
	11,937,745	**12,124,968**	**24,062,713**	11,374,117	12,139,078	23,513,195	10,983,762	14,723,935	25,707,697

41. SEGMENTAL REPORTING (CONTINUED)

X (a) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Loss allowance by sector	2019					Total provision		
	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	2019	2018	2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	509,650	350,551	230	-	210,151	210,381	23,489	30,793
Manufacturing	2,725,656	322,717	4,297	144,352	257,645	406,294	368,125	588,698
Tourism	3,164,342	-	11,168	-	-	11,168	54,412	73,192
Transport	363,567	115,717	3,268	-	115,717	118,985	51,002	80,306
Construction, infrastructure and real estate	1,119,033	291,116	11,874	-	220,610	232,484	192,128	295,433
Financial and business services	4,361,828	553,283	11,683	-	420,530	432,213	63,705	53,862
Traders	1,568,238	92,829	12,123	45	59,859	72,027	140,850	177,485
Personal	1,949,176	214,769	26,044	5,919	136,439	168,402	186,418	123,875
Professional	456,563	1,198	741	-	74	815	44	61
Information, communication and technology	251,421	2,593	661	-	2,593	3,254	13,558	6,946
Government and parastetal bodies	101,768	-	1,562	-	-	1,562	-	7,333
Global Business Licence Holders (GBL)	2,577,547	243,208	17,068	-	126,360	143,428	48,552	236,846
Other entities	4,913,924	54,354	19,632	76,044	15,828	111,504	73,658	29,452
	24,062,713	2,242,335	120,351	226,360	1,565,806	1,912,517	1,215,941	1,704,282

	2019					Total provision		
Analysed by Segments:	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	2019	2018	2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Segment A								
Agriculture and fishing	159,099	-	230	-	-	230	17,336	26,964
Manufacturing	436,431	158,441	729	-	93,369	94,098	91,140	36,912
Tourism	2,714,782	-	7,385	-	-	7,385	52,711	71,389
Transport	44,608	-	149	-	-	149	459	447
Construction, infrastructure and real estate	913,531	105,594	11,509	-	79,601	91,110	185,363	206,583
Financial and business services	2,739,957	266	8,012	-	266	8,278	33,087	19,643
Traders	1,204,300	92,829	11,268	45	59,859	71,172	133,751	166,892
Personal	1,506,811	171,158	23,505	5,624	127,685	156,814	171,787	118,283
Professional	456,563	1,198	741	-	74	815	38	61
Information, communication and technology	251,421	2,593	661	-	2,593	3,254	13,558	6,946
Other entities	1,510,242	54,326	8,061	-	15,800	23,861	42,187	24,652
	11,937,745	586,405	72,250	5,669	379,247	457,166	741,417	678,772
Segment B								
Agriculture and fishing	350,551	350,551	-	-	210,151	210,151	6,153	3,829
Manufacturing	2,289,225	164,276	3,568	144,352	164,276	312,196	276,985	551,786
Tourism	449,560	-	3,783	-	-	3,783	1,701	1,803
Transport	318,959	115,717	3,119	-	115,717	118,836	50,543	79,859
Construction, infrastructure and real estate	205,502	185,522	365	-	141,009	141,374	6,765	88,850
Financial and business services	1,621,871	553,017	3,671	-	420,264	423,935	30,618	34,219
Traders	363,938	-	855	-	-	855	7,099	10,593
Personal	442,365	43,611	2,539	295	8,754	11,588	14,631	5,592
Professional	-	-	-	-	-	-	6	-
Government and parastatal bodies	101,768	-	1,562	-	-	1,562	-	7,333
Global Business Licence Holders (GBL)	2,577,547	243,208	17,068	-	126,360	143,428	48,552	236,846
Other entities	3,403,682	28	11,571	76,044	28	87,643	31,471	4,800
	12,124,968	1,655,930	48,101	220,691	1,186,559	1,455,351	474,524	1,025,510

41. SEGMENTAL REPORTING (CONTINUED)

	2019			2018			2017		
	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
X(b) LOANS AND ADVANCES TO BANKS									
(a) Remaining term to maturity									
Within 3 months	-	932,311	932,311	-	-	-	-	-	-
Over 3 to 6 months	-	2,323,488	2,323,488	-	-	-	-	-	-
Over 6 to 12 months	-	375,833	375,833	-	-	-	-	-	-
Over 1 to 5 years	-	2,402,594	2,402,594	-	-	-	-	-	-
Gross core loans and advances to banks	-	6,034,226	6,034,226	-	-	-	-	-	-
Less: Allowances for impairment losses	-	(15,178)	(15,178)	-	-	-	-	-	-
Net core loans and advances to banks	-	6,019,048	6,019,048	-	-	-	-	-	-

	2019					Total provision		
	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	2019	2018	2017
Loss allowance by sector	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial and business services	6,034,226	-	15,178	-	-	15,178	58,013	35,270

	2019					Total provision		
Analysed by Segments:	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	2019	2018	2017
Segment A	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial and business services	-	-	-	-	-	-	-	-
Segment B								
Financial and business services	6,034,226	-	15,178	-	-	15,178	58,013	35,270

41. SEGMENTAL REPORTING (CONTINUED)

		2019			2018			2017		
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									
	Opening balance	**189,563**	**-**	**189,563**	189,563	-	189,563	189,563	-	189,563
	Impairment loss	**(189,563)**	**-**	**(189,563)**	-	-	-	-	-	-
	At 30 June	**-**	**-**	**-**	189,563	-	189,563	189,563	-	189,563
XII	**OTHER ASSETS**									
	Mandatory balances with the central bank	**1,865,835**	**-**	**1,865,835**	1,519,797	-	1,519,797	1,288,715	-	1,288,715
	Dividend receivable	**-**	**-**	**-**	-	-	-	22,000	-	22,000
	Accrued income	**246**	**-**	**246**	354	5,061	5,415	392	5,172	5,564
	Prepayments	**20,414**	**16,308**	**36,722**	20,679	12,171	32,850	6,946	10,150	17,096
	Other receivables	**116,399**	**1,635**	**118,034**	94,739	1,457	96,196	25,854	63,555	89,409
	Amount due from subsidiary	**85,885**	**-**	**85,885**	179,734	-	179,734	-	-	-
	Other investments	**-**	**-**	**-**	2,525	4,656	7,181	2,525	2,124	4,649
		2,088,779	**17,943**	**2,106,722**	1,817,828	23,345	1,841,173	1,346,432	81,001	1,427,433
XIII	**DUE TO BANKS**									
	At amortised cost									
	Borrowings from the central bank	**29,787**	**-**	**29,787**	72,432	-	72,432	118,589	-	118,589
	Borrowings from other banks	**-**	**-**	**-**	860,210	-	860,210	-	1,375,975	1,375,975
	Bank overdraft	**-**	**647**	**647**	-	113	113	-	6,251	6,251
		29,787	**647**	**30,434**	932,642	113	932,755	118,589	1,382,226	1,500,815
XIV	**DEPOSITS FROM CUSTOMERS**									
	At amortised cost									
	Personal									
	- Current and savings accounts	**5,442,041**	**9,206,699**	**14,648,740**	5,189,590	1,862,379	7,051,969	5,655,180	795,591	6,450,771
	- Term deposits	**6,020,392**	**3,957,653**	**9,978,045**	4,535,492	2,278,423	6,813,915	3,903,084	188,837	4,091,921
	Business						-			-
	- Current and savings accounts	**13,041,224**	**68,069,508**	**81,110,732**	10,836,448	70,793,816	81,630,264	8,337,710	55,532,210	63,869,920
	- Term deposits	**6,256,305**	**18,944,259**	**25,200,564**	5,269,007	10,561,012	15,830,019	3,648,643	12,989,934	16,638,577
	Government institutions									
	- Current and savings accounts	**270,284**	**-**	**270,284**	59,300	-	59,300	31,375	-	31,375
		31,030,246	**100,178,119**	**131,208,365**	25,889,837	85,495,630	111,385,467	21,575,992	69,506,572	91,082,564
XV	**DEBTS ISSUED**									
	Unsecured subordinated bonds	**184,205**	**-**	**184,205**	600,208	-	600,208	1,111,493	-	1,111,493
XVI	**OTHER LIABILITIES**									
	Other payables and sundry creditors	**281,789**	**225,538**	**507,327**	310,155	135,225	445,380	256,260	105,087	361,347

NOTES

bank different

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