2014

Flying steadily
on the path of progress
and prosperity

ABC BANKING CORPORATION
count on us

ANNUAL REPORT

OUR

VISION

Be the preferred and trusted bank in our stakeholders' quest for excellence.

MISSION

We strive to delight our customers whilst delivering on our responsibilities towards the country, community & environment. We shall also drive the continuous development of the bank as a diverse, yet one team. As such we commit to uphold the shareholders' trust in us.

VALUES

- **Customer Care**
  Delighting customers through quality products and services
- **Innovation**
  Tailoring services and products to meet changing customer needs
- **Integrity**
  Good governance, honesty and respect for values
- **Passion**
  Service with enthusiasm, speed & drive
- **Equality & Diversity**
  Respect and opportunity for all

Our success comes from YOU!

FOR THE 2ND YEAR IN A ROW
OUR BANK HAS BEEN AWARDED
BEST PRIVATE BANK IN MAURITIUS
IN THE OFFSHORE SERVICES CATEGORY.

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FINANCIAL HIGHLIGHTS

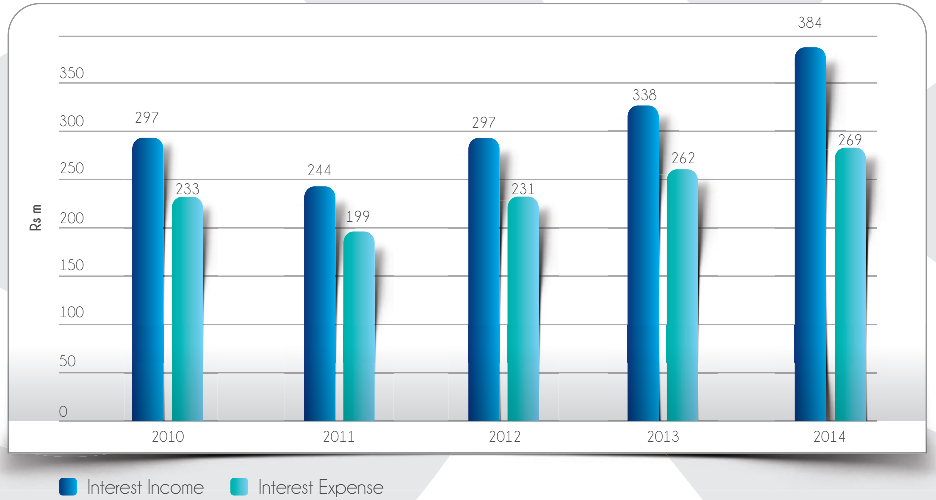
	Bank 2014	Bank * 2013	Bank * 2012
Income Statements (Rs m)			
Net Interest Income	114.7	75.6	65.7
Net fee and commission Income	41.7	32.2	21.3
Other Income	48.2	20.2	13.1
Profit before impairment	80.7	20.1	12.2
Profit before tax	18.1	7.7	(9.1)
Profit after tax	15.1	5.9	(9.3)
Total Comprehensive income / (loss)	17.4	2.4	(11.0)
Statements of Financial Position (Rs m)			
Total assets	9,033.1	7,318.5	4,533.2
Net loans and advances portfolio	2,611.5	2,440.6	2,377.0
Total deposits	8,258.2	6,594.0	3,937.4
Shareholders' equity	389.7	320.5	247.7
Tier 1 Capital	360.4	297.9	220.1
Total net capital	503.7	452.4	341.5
Risk- weighted assets	4,512.9	3,666.5	2,686.8
Performance Ratios (%)			
Return on average total assets - based on profit after tax	0.19	0.10	(0.4)
Return on average total assets - based on total comprehensive income / (loss)	0.2	0.04	(0.5)
Return on equity - based on profit after tax	3.9	1.8	(3.8)
Return on equity - based on total comprehensive income / (loss)	4.5	0.8	(4.4)
Non-interest income to operating income	44.0	41.0	34.4
Loans and advances to deposit ratio	32.4	37.2	60.9
Capital Adequacy Ratios (%)			
Capital & Reserves/Total assets	4.3	4.4	5.5
Capital adequacy ratio	11.2	12.3	12.7
Investor Data			
Earnings per share (Rs.)	0.5	0.2	(0.4)
Net assets value per share (Rs.)**	12.0	12.2	11.1

(calculated on weighted average number of shares for 2014 & 2013)

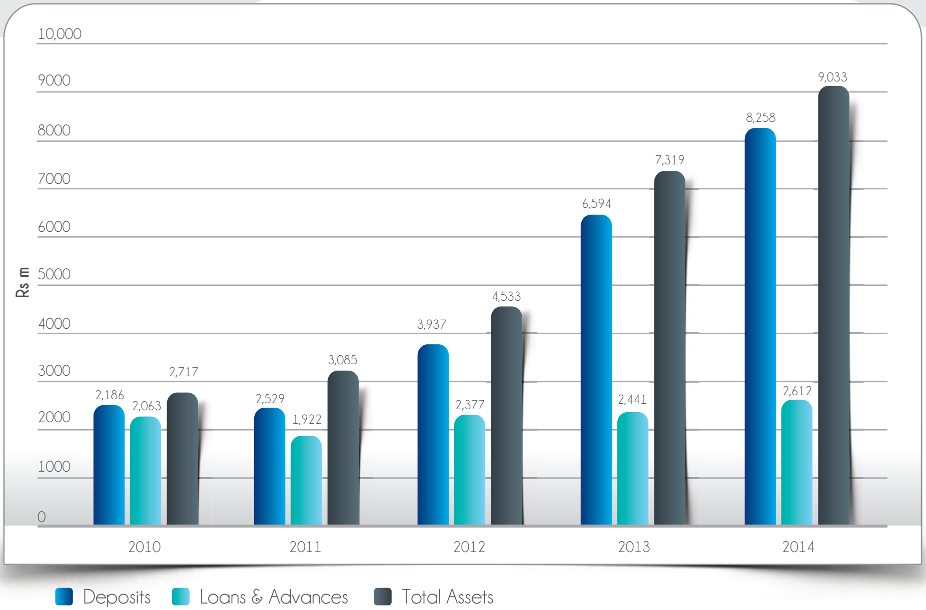
* restated for comparative purposes

** there was a rights issue of 5,182,809 shares in 2014

INTEREST INCOME & EXPENSE



ASSETS, DEPOSITS AND LOANS



DIRECTORS' REPORT

Dear Shareholders,

The Directors of ABC Banking Corporation (the "bank") are pleased to present the Annual Report for the financial year ended 30th June 2014. The bank has now completed a third full year of operations and we can look back with satisfaction on the steady progress it has achieved, particularly in the expansion of its customer base and deposits and lending portfolio, and in terms of growth of its total revenues.

We are proud to add that the bank has over this short span of time, already earned tangible recognition as playing a credible, effective and worthy role in the banking and financial sector, especially its success in International Banking, in the mobilization of national savings, and in its concrete and valuable support to the socio-economic development of Mauritius.

The large trade exposure of our country in the Eurozone, which is still facing serious problems of budget deficits, economic and financial instability and very high level of unemployment, has inevitably brought along to our economy a low economic growth and a continued unfavourable climate of reduced demand, low degree of productive investment, and tough competition. However, in spite of the above setback, with the completion of our staff re-organisation and strengthening, and the new opportunities in the area of International Banking, we have managed to maintain our progressive course in the ascending net income curve which started towards the end of the FY 2013, and we have thus completed the FY 2014 with a much improved bottom line, which allows us to say that the birds of prosperity have definitely begun to swarm in, bringing also the good news of an International Performance Award.

Award Winning Bank

As a result of the level of satisfaction disclosed by a survey of the international banking clients on our performance, Euromoney Magazine has awarded ABC Banking for the second consecutive year the award of "Best private bank in Mauritius in the offshore services category". Euromoney is an international publication of the financial services sector which conducts an annual "Private Banking and Wealth Management Survey" to a wide network of financial institutions. Since its inception, the bank has continuously developed its reputation by consolidating its foundation on integrity and the quality of its services.

The year under review and results

The hard work of our banking team has resulted in a positive growth in the net interest income of the bank as well as in the gross operating income, which is a very encouraging sign. The bank has experienced an increase in its net interest income from Rs 76million to Rs 115million which represents 52% growth. Its gross operating income similarly increased to Rs 205million representing 60% year on year increase. For consolidation and further developing the bank's lending capacity, the share capital was increased by Rs 51.8million during the year. Over and above that, having one of the highest Premier Savings Interest Rates on the market, the Savings Accounts portfolio increased substantially to reach approximately Rs 1.4billion.

With a better presence on the market, the loans and advances have increased to Rs 2.7billion thus maintaining the same positive trend as the previous year. Besides, the foreign currency loans proved to be positively correlated to our performance in terms of lending. On the deposit side, the total portfolio reached Rs 8.3 billion as at 30th June 2014 compared to Rs 6.6billion in preceding year. All these ingredients contributed to an encouraging net profit for the bank of Rs 15million after tax for the financial year 2013/2014.

Furthermore, the bank has constantly extended its help to the SME sector by offering competitive loan packages. Adding to the list is the support given to the Mauritian households with the introduction of the Housing Empowerment Scheme that finances 95% of the value of the projects.

Risk Management

The volatility of the risk environment requires rapid changes in policies and procedures so as to meet the needs of our clients effectively. One of the main commitments of the bank is to have a strong system of internal control backed by an effective and reliable IT System to ensure that the business operations are effectively being carried out and risks taken without any high exposure to unacceptable level of potential losses. To be able to strengthen control, the risk management and measurement approaches will be continuously improved while enhancing customer service.

Customer Experience Upgraded

The coming advent of the bank's new head quarters at Weal House in Place D'Armes, Port Louis, will enable us to give a new dimension in our welcome and service to our valued clients. This new infrastructure and appropriately designed environment will provide more space for our customers, in terms of open areas and private meeting rooms, personalized attention and well being, in a modernized and comfortable setting. The positioning of more tellers and customer service officer desks will help improve interaction and the speed of operation with customers, thus, improving the personal service experience as a whole.

Future Outlook

For our fourth year of operation, we are looking towards a brighter horizon not only for the bank but also for the Mauritian economy. We will focus on developing more customized solutions for individuals and corporate clients. Teams will be set up for new product and service development mainly to target specific segments of the society, and to motivate many unbanked Mauritians to become our clients, in line with the national objective of moving towards a cashless or "cash-lite" society. Given the encouraging results received in the international banking sector, we feel encouraged to put more efforts to widen access from international customers and increase the bank's visibility through the participation in global events. More investment in marketing, public & media relations and communication are being planned to increase the reputation and goodwill of the bank. In this ever-changing market, the Information Technology and systems will be regularly reviewed, updated and innovated.

Acknowledgement

The Board wishes to express its sincere gratitude and appreciation to the management and staff for having relentlessly dedicated themselves to the bank with all their hard work and loyalty during the year. Above all, we look forward to their continued collaboration and support which are vital towards achieving our bank's objective of creating and adding value for its customers, shareholders and our country's economic development and social progress. We are of course grateful to our shareholders for their unflinching support and trust. We also extend our thanks to the Bank of Mauritius for having provided us with their valuable advice and guidance. Having completed its journey of establishment and consolidation in June 2013, ABC Banking Corporation Ltd is now flying on the path of progress and prosperity.

Philippe Chan Kin, *C.B.E*
Chairman
24 September 2014

Professor Donald Ah-Chuen, *G.O.S.K*
Managing Director

CORPORATE PROFILE

Originally a leasing company, ABC Finance & Leasing Ltd was converted into ABC Banking Corporation Ltd and started operations as a fully-fledged commercial bank on 9th December 2010 at 7 Duke of Edinburgh Avenue, Place d'Armes, Port Louis.

Essentially, ABC Banking Corporation is based on three main pillars: Domestic Banking, International Banking and Treasury Operations. The bank offers a comprehensive range of traditional and innovative products and services to cater for both the local and international market through its dedicated, highly qualified and competent staff and management. It is also equipped with the top Oracle IT System which ensures service accessibility to its valued clients especially through its internet banking services.

In 2014, ABC Banking Corporation won the Best Private Bank award in Mauritius of Euromoney Magazine, in the category of offshore services, for the second consecutive year. This survey is primarily based on a peer ranking methodology and known as one of the leading benchmarks in the global wealth management industry since its establishment.

In just 3 1/2 years of operations, ABC Banking Corporation has built up a strong reputation through the outstanding quality and the integrity of its services. This year, we have launched new products such as the New Home Loan which falls under the Housing Empowerment Scheme and the SME and Micro-Entity Loans. We have also developed ABC Optimum+, an innovative feature of our product line which is specifically targeted to the middle income group, with the special benefits of an interest-earning account, debit card and cheque book, and free withdrawals at any MasterCard ATM in Mauritius.

“STRONG REPUTATION THROUGH OUTSTANDING QUALITY AND INTEGRITY”

The bank recognises the urgent need for mobilizing savings in Mauritius, the level of which has fallen drastically in recent years. It has thus been very active in this field with periodical avdertising campaigns.

By December 2014, the bank will be moving its operations to the prestigious WEAL House which is currently under renovation and is strategically located in the heart of the nation's financial Capital at Place d'Armes, Port Louis. WEAL House will thus become the Head Office and main branch of ABC Banking Corporation.

Team Spirit

CORPORATE INFORMATION

Registered Office
ABC Centre
Military Road,
Port Louis
Tel: (230) 206 8000
Fax: (230) 208 0088/217 1908
www.abcbanking.mu
BRN: C07018920

Head Office & Main Branch
7 Duke of Edinburgh Ave
Place d'Armes,
Port Louis

Leasing Unit
ABC Centre
Military Road
Port Louis

Back Office
Suite 3B
3rd Floor, Raffles Tower
19 Cybercity
Ebène

External Auditors
Deloitte
7th Floor, Raffles Tower
19 Cybercity,
Ebène

Legal Services
Me. Danielle Lagesse, S.A.
Me. Dev Erriah
Me. Jean Christophe Oh-San Bellepeau
Me. Georgy Ng Wong Hing
Me. Michael King Fat
Me. Catherine Nalletamby

Main Correspondent Banks

Bank of China
Commerzbank AG
Mizuho Corporate Bank Ltd
National Westminster Bank PLC
National Australia Bank Limited
Societe Generale, Paris
Standard Bank of South Africa Limited
Standard Chartered Bank, London
Standard Chartered Bank, New York
United Overseas Bank Limited
Yes Bank Limited

BOARD OF DIRECTORS

Chairman

Mr. Philippe Chan Kin, *C.B.E.*

Managing Director

Professor Donald Ah-Chuen, *G.O.S.K.*

Strategic Business Executive

Mr. David Brian Ah-Chuen

Members

Mr. Vincent Ah-Chuen *
Mr. Andre Marc Ah-Chuen *
Mr. Patrick Andrew Dean Ah-Chuen
Mr. Robert Chung Tung
Mr. Marie Jacques Henri Fleurot
Ms. Stephanie Ha Chow **
Mr. Dick Li Wan Po **
Mr. Yognandan Sharma (Vipin) Mahabirsingh **
Me. Georges Ng Wong Hing, S.A.
Mr. Kee Koun Tin Kiong Fong *

** Until 15 November 2013*
*** Appointed on 11 December 2013*

CORPORATE INFORMATION

COMMITTTEES OF THE BOARD

Supervisory & Monitoring Committee
Professor Donald Ah-Chuen (Chairman)
Mr. Vincent Ah-Chuen *(until 15 November 2013)*
Mr. Robert Chung Tung
Mr. David Brian Ah-Chuen

Audit Committee
Mr. Robert Chung Tung *(Chairman)*
Mr. Philippe Chan Kin *(until 16 January 2014)*
Mr. Marie Jacques Henri Fleurot
Ms. Stephanie Ha Chow *(appointed on 16 January 2014)*
Me. Georges Ng Wong Hing *(until 16 January 2014)*

Risk Management Committee
Mr. Robert Chung Tung *(Chairman)*
Professor Donald Ah-Chuen
Mr. Philippe Chan Kin
Mr. Yognandan Sharma (Vipin) Mahabirsingh *(appointed on 16 January 2014)*
Mr. Kee Koun Tin Kiong Fong *(until 15 November 2013)*

Conduct Review Committee
Mr. Dick Li Wan Po *(Chairman) (appointed on 16 January 2014)*
Mr. Philippe Chan Kin *(appointed on 16 January 2014)*
Ms. Stephanie Ha Chow *(appointed on 16 January 2014)*

Corporate Governance Committee
Mr. Philippe Chan Kin *(Chairman)*
Professor Donald Ah-Chuen
Mr. Vincent Ah-Chuen *(until 15 November 2013)*
Mr. Robert Chung Tung
Mr. Yognandan Sharma (Vipin) Mahabirsingh *(appointed on 16 January 2014)*
Me. Georges Ng Wong Hing *(until 16 January 2014)*

Nominations and Remuneration Committee
Mr. Philippe Chan Kin *(Chairman)*
Professor Donald Ah-Chuen
Mr. Vincent Ah-Chuen *(until 15 November 2013)*
Mr. Robert Chung Tung
Me. Georges Ng Wong Hing *(until 18 November 2013)*

Company Secretary & Share Registry
ABC Professional & Secretarial Services Ltd, represented by Mrs. Kareen Ng, *ACIS.*
The Company Secretary acts as Secretary to the Board and all Board committees.

CORPORATE GOVERNANCE REPORT

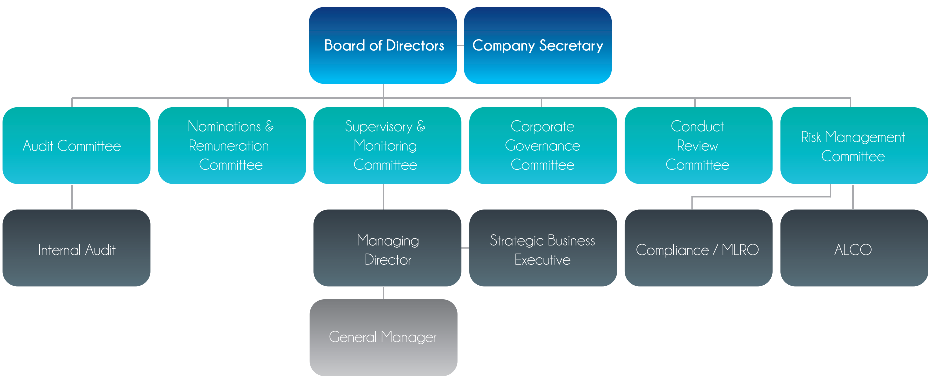
Corporate Governance Framework

The Board of Directors of ABC Banking Corporation Ltd (the "bank") is fully committed to attaining and sustaining the highest standards of corporate governance with the objective of enhancing shareholders' value whilst having regard to stakeholders at large. It believes that good governance is not only concerned with complying with the legal and regulatory requirements but also encompasses operating within the highest level of business ethics and the stewardship and supervision of the management of the bank by the Board of Directors.

The directors continuously review the implications of corporate governance best practices and are of opinion that the bank complies with the provisions of the Code of Corporate Governance and Bank of Mauritius Guideline on Corporate Governance in all material aspects.

The corporate governance framework includes a Board of Directors which has been entrusted with the necessary powers for the directing and supervising of the management of the business and affairs of the bank in an ethical and responsible manner as per its Constitution and to the extent permitted by law. Some of the responsibilities are discharged directly, whilst others are discharged through committees of the Board. While the Board has delegated to the Supervisory & Monitoring Committee the responsibility of implementing and realizing the policies, strategies and directives of the bank as set out by itself, the day-to-day management and operation of the bank's business has been delegated to senior management.

The senior management team comprises the Managing Director, the Strategic Business Executive and the General Manager. Key departments are headed by heads of departments and senior management has been delegated the responsibility of implementing the strategies and policies approved by the Board and ensuring that same are communicated to all relevant staff. Senior management is also responsible for the design and monitoring of the control system and ensure that there exists an adequate segregation of duties, prevalence of dual control in all areas where required and ensure that situations of conflict of interest are avoided. They are also responsible to provide the Board with timely, relevant and complete information on the affairs of the bank for effective discharge of the Board's responsibilities.
The governance framework and committee structure is illustrated below:



CORPORATE GOVERNANCE REPORT

Board of Directors

The bank's Constitution provides that the Board of Directors shall consist of not less than 6 or more than 10 directors. The Board is ultimately responsible for the affairs of the bank and the directors are appointed to serve on the Board by the shareholders at the annual meeting of shareholders. The Secretary to the Board and all Board committees is the Company Secretary.

In line with its succession planning and BoM Guideline on Corporate Governance which recommends that non-executive and independent directors shall cease to be members of the Board after having served on the Board for an aggregate period of 6 years, Messrs. Vincent Ah-Chuen, Andre Marc Ah-Chuen and Kee Koun Tin Kiong Fong did not offer themselves for re-election at the last annual meeting of shareholders and ceased to be directors of the bank on 15 November 2013. Upon the recommendations of the Nominations and Remuneration Committee and the Board of Directors, three new independent directors namely, Ms. Stephanie Ha Chow, Mr. Dick Li Wan Po and Mr. Yognandan Sharma (Vipin) Mahabirsingh were appointed by the shareholders at the last annual meeting of shareholders. Such appointments became effective on 11 December 2013 upon approval of the Bank of Mauritius.

The Board presently comprises 10 members as follows, and their profiles can be viewed on pages 34 to 37 of the annual report:

	Category
Mr. Philippe Chan Kin	Independent Chairman
Professor Donald Ah-Chuen	Executive (Managing Director)
Mr. David Brian Ah-Chuen	Executive (Strategic Business Executive)
Mr. Patrick Andrew Dean Ah-Chuen	Non-Executive
Mr. Robert Chung Tung	Independent
Mr. Marie Jacques Henri Fleurot	Independent
Ms. Stephanie Ha Chow	Independent
Mr. Dick Li Wan Po	Independent
Mr. Yognandan Sharma (Vipin) Mahabirsingh	Independent
Me. Georges Ng Wong Hing	Independent

The responsibilities of the Board of Directors are set out in its Board Charter which is reviewed at least once a year or as may be required with the introduction of or amendment to laws, regulations and practices. The responsibilities of the Board include, but are not limited to:

- determining appropriate policies and processes to ensure the integrity of the bank's risk management practices and internal controls
- retaining full and effective control over the bank and be responsible for the appointment and monitoring of management in its implementation of the Board's approved plans and strategies
- functioning independently of management and putting in place appropriate structures and procedures to achieve and project its independence

- ensuring that the bank's policies and systems are effective enough to achieve a prudential balance between the risks and potential returns to the shareholders
- giving strategic directions to the bank
- approving the bank's objectives, strategies and business plans and budgets

Board Committees

The Board has set up 6 committees to assist it in the discharge of its duties and responsibilities, namely the Supervisory & Monitoring Committee, the Audit Committee, the Risk Management Committee, the Conduct Review Committee, the Nominations & Remuneration Committee and the Corporate Governance Committee. The composition and terms of reference of each committee were reviewed in January / February 2014, during which the Board also approved the split of the Risk Management & Conduct Review Committee into 2 distinct committees, namely the Risk Management Committee and the Conduct Review Committee. The terms of reference and membership of the Board Committees are summarized below.

Supervisory & Monitoring Committee

The Supervisory & Monitoring Committee ("SMC") has been delegated the responsibility of implementing and realizing the policies, strategies and directives of the bank as set out by the Board. The primary attributions of the Committee are:

- to submit to the Board the development strategy of the bank
- to delegate authority to the Managing Director for the day-to-day operations of the bank and to supervise and monitor the management of the bank
- to liaise with all Board committees as required
- to set out the corporate values and principal policies, including the credit policy, in respect of the conduct of the business
- to report to the Board on the progress of the operations of the bank

Members of the SMC are:
- Professor Donald Ah-Chuen (Chairman)
- Mr. Robert Chung Tung
- Mr. David Brian Ah-Chuen

The General Manager is in attendance at SMC meetings which meets on a weekly basis.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee assists the Board of Directors in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The responsibilities of the Audit Committee are defined in its terms of reference and include, but are not limited to:

- reviewing the audited financial statements and quarterly results of the bank before they are approved by the directors
- ensuring that management implements and maintains appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures
- reviewing such transactions as could adversely affect the sound financial condition of the bank
- reviewing and approving the audit scope and frequency
- receiving audit reports and ensure that management is taking appropriate corrective actions in a timely manner to address control weaknesses and areas of non-compliance identified
- satisfying itself that accounting principles, policies and practices are adequate to ensure resources are safeguarded, laws are followed, reliable data is disclosed and internal control systems are adequate

Members of the Audit Committee are:

- Mr. Robert Chung Tung (Chairman)
- Mr. Marie Jacques Henri Fleurot
- Ms. Stephanie Ha Chow

The Head of Internal Audit and Head of Finance are in attendance at all Committee meetings and the external auditors are requested to attend the meetings as and when required.

Risk Management Committee

The Risk Management Committee assists the Board of Directors in the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting. The responsibilities of the Risk Management Committee are defined in its terms of reference, and include, but are not limited to:

- reviewing of the principal risks, formulating and making recommendations to the Board in respect of risk management issues
- reviewing and approving discussions and disclosure of risks
- reviewing the ALCO reports

Members of the Risk Management Committee are:
- Mr. Robert Chung Tung (Chairman)
- Professor Donald Ah-Chuen
- Mr. Philippe Chan Kin
- Mr. Yognandan Sharma (Vipin) Mahabirsingh

Conduct Review Committee

The responsibilities of the Conduct Review Committee are as specified in the Guideline on Related Party Transactions, and include, but are not limited to the following:

- ensure that management establishes policies and procedures to comply with the requirements of the Guideline on Related Party Transactions
- review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the bank
- review and approve each credit exposure to related parties
- ensure that market terms and conditions are applied to all related party transactions

Members of the Conduct Review Committee are:
- Mr. Dick Li Wan Po (Chairman)
- Mr. Philippe Chan Kin
- Ms. Stephanie Ha Chow

Nominations and Remuneration Committee

The Nominations and Remuneration Committee has been delegated the responsibility of making recommendations to the Board on all new board appointments. To ensure that the Board remains effective and focused, the Committee will regularly review the balance and effectiveness of the Board, identify the skills needed and those individuals who might best be seen to be providing such skills in a fair and thorough manner.

The Board of Directors, recognising the need to establish a formal and transparent procedure for developing a fair remuneration policy, has delegated this task to the Nominations and Remuneration Committee. It should be highlighted that, for reasons of self-interest, the Committee's function in relation to the remuneration of non-executives is limited to making recommendations to the full Board.

Members of the Nominations and Remuneration Committee are:
- Mr. Philippe Chan Kin (Chairman)
- Professor Donald Ah-Chuen
- Mr. Robert Chung Tung

CORPORATE GOVERNANCE REPORT

Corporate Governance Committee

The Corporate Governance Committee has been established by the Board of Directors to make recommendations to the Board on all corporate governance provisions to be adopted so that the bank remains effective and complies with prevailing corporate governance principles. The Committee shall be constituted to ensure that the reporting requirements with regard to corporate governance, whether in the annual report or on an on-going basis, are in accordance with the guidelines set out by the Bank of Mauritius and the Code of Corporate Governance.

Members of the Corporate Governance Committee are:

- Mr. Philippe Chan Kin (Chairman)
- Professor Donald Ah-Chuen
- Mr. Robert Chung Tung
- Mr. Yognandan Sharma (Vipin) Mahabirsingh

Directors – Orientation, Fit and Proper & Evaluation and Access to Information and Advice

On appointment to the Board, new directors receive a comprehensive induction pack and an orientation programme is run by Chairman of the Board, Managing Director and Chairman of the Audit Committee, assisted by the Company Secretary. Such event was run in February 2014 for the three independent directors, namely Ms. Stephanie Ha Chow, Mr. Dick Li Wan Po and Mr. Yognandan Sharma (Vipin) Mahabirsingh.

In line with the Code of Corporate Governance and BoM Guideline on Corporate Governance, the Board has established a mechanism to evaluate the performance of the Board and its members with the process being reviewed and refined periodically. The review and evaluation included an assessment of the Board's composition and independence, performance and effectiveness of the Board's responsibilities, maintenance and implementation of the Board's governance, relationship with management as well as an evaluation of its sub committees. The Nominations and Remuneration Committee was delegated the responsibility of conducting such appraisal to identify additional competencies and resources as appropriate and enable the Board to deliver its responsibilities more efficiently and effectively. Such a process also aids the Board to identify and deal with issues that impedes on its effectiveness. The fit and proper criteria of Board members are also reviewed periodically to ensure that same are up to date.

All directors have access to the advice and services of the Company Secretary who is responsible to provide guidance to the directors as to their duties, responsibilities and powers. Directors also attend BoM approved leadership training programmes on governance matters to enable them to have a robust understanding of good governance principles.

All directors also have access to senior executives to obtain information on any item to be discussed at board or committee meetings or any other relevant area they deem appropriate. The Board and committees also have the authority to obtain such outside or other independent professional advice as it considers necessary to carry out its duties.

3D design of the headquarters of ABC Banking Corporation at WEAL House

Prof. Donald Ah-Chuen, Managing Director of ABC Banking Corporation surrounded by Clive Horwood: Editor-In-Chief, Euromoney and Alastair Campbell: Head of communications for former UK Prime Minister Tony Blair, Guest of Euromoney -13th of February 2014 at Plaisterer's Hall in London.

CORPORATE GOVERNANCE REPORT

Board & Committee Meetings

Board meetings are held at least on a quarterly basis with interval between any two meetings not being more than 110 days and meetings are scheduled so as to maximise attendance. Urgent decisions of the Board are exceptionally taken by way of resolutions in writing, agreed and signed by all the directors. A list of any such written resolutions passed in between any 2 meetings is circulated to the Board at its next meeting. Similarly, the Audit and Risk Management Committees meetings are held as frequently as the respective Committees consider appropriate but normally meet not less than 4 times a year with interval between any 2 meetings not being more than 110 days. The Corporate Governance Committee and Conduct Review Committee also meet on a quarterly basis while the Supervisory & Monitoring Committee meets on a weekly basis and the Nominations and Remuneration Committee meets at least on an annual basis.

Board and committee meetings are convened by giving appropriate notice to the directors. Detailed agenda, as determined by the relevant Chairman in conjunction with the Managing Director, as appropriate, and Company Secretary, together with management reports and such other relevant papers are circularised in advance to the directors to enable them to make focused and informed deliberations at meetings.

The minutes of proceedings of all meetings are recorded by the Company Secretary and tabled at the next meeting for approval, following which they are signed by the relevant Chairman and Company Secretary and entered in the Minutes Book. The minutes of all committee meetings are tabled at Board meetings during which the respective committees' chairmen also report on each committee meeting held. It is to be highlighted that, to maintain high ethical standards, board members do not participate in matters in which they have an interest. Any such interest is declared by the concerned director to the Board and entered in the Register of Directors' Interests.

Board and Committee Attendance during the financial year ended 30 June 2014

	Board Meeting	SMC	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Nominations & Remuneration Committee
CHAN KIN Philippe	4		3	4	2	4	3
AH-CHUEN Donald	5	30		5		4	3
AH-CHUEN Vincent *	3	16				2	1
AH-CHUEN Andre Marc *	3						
AH-CHUEN David Brian	5	46					
AH-CHUEN Patrick Andrew Dean	5						
CHUNG TUNG Robert	5	45	6	5		4	3
FLEUROT Marie Jacques Henri	5		6				
HA CHOW Stephanie **	2		2		2		
LI WAN PO Dick **	2				2		
MAHABIRSINGH Y. S.(Vipin) **	2			2		2	
NG WONG HING Georges ¬	4		1			0	0
TIN KIONG FONG Kee Koun *	3			3			
Total Number of Meetings	5	47	6	5	2	4	3

** Messrs. Vincent Ah-Chuen, Andre Marc Ah-Chuen and Kee Koun Tin Kiong Fong ceased to be directors of the bank at the conclusion of the last Annual Meeting of Shareholders on 15 November 2013. Their appointment in sub-committees (as applicable) ceased as of same date.*

*** Ms. Stephanie Ha Chow, Messrs. Dick Li Wan Po and Yognandan Sharma (Vipin) Mahabirsingh were appointed as directors of the bank on 11 December 2013. They were appointed in the various sub-committees (as applicable) as of 16 January 2014.*

¬ Me. Georges Ng Wong Hing ceased to be a member of the Nominations and Remuneration Committee on 18 November 2013 and the Audit and Corporate Governance Committees as of 16 January 2014.

◊ The responsibilities of the Conduct Review Committee were previously under the aegis of the Risk Management and Conduct Review Committee. Such Committee was subsequently split into 2 distinct committees in February 2014. The composition of the Risk Management Committee remained unchanged while that of the Conduct Review Committee was changed to comprise solely of independent directors. The Committee met twice since its formation.

CORPORATE GOVERNANCE REPORT

Directors' Interests and Dealings in Shares

The following table give the interests of the directors in the share capital of ABC Banking Corporation Ltd and dealings in shares during the financial year. All the shares acquired by the directors were by way of subscription in respect of a rights issue of shares made by the bank in March 2014.

Director	No. of Shares Acquired	No. of Shares Sold	Direct Shareholding	Indirect Shareholding
AH CHUEN Donald	130,000	-	1.847%	5.166%
AH-CHUEN P.A Dean	18,012	-	0.299%	1.843%
AH-CHUEN David Brian	43,395	-	0.360%	0.064%
CHAN KIN Philippe	-	-	-	-
CHUNG TUNG Robert	72,037	-	0.561%	0.001%
FLEUROT Marie Jacques Henri	-	-	-	-
HA CHOW Stephanie	-	-	-	-
LI WAN PO Dick	-	-	-	-
MAHABIRSINGH Y.S. (Vipin)	-	-	-	-
NG WONG HING Georges	-	-	-	-

Directors' Remuneration

During the financial year ended 30 June 2014, the executive and non-executive directors received emoluments amounting to Rs.3,917,508 (2013: Rs.2,332,573) and Rs.984,500 (2013: Rs.1,204,000) respectively. Remuneration of directors has not been disclosed on an individual basis due to the commercial sensitivity of the information.

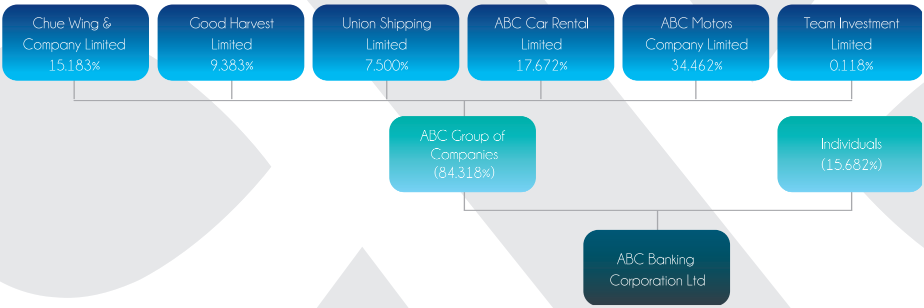
Directors' Service Contract

There were no service contracts between the bank and its directors during the year.

Directors and Officers Liability Insurance

The bank has arranged for appropriate insurance cover in respect of legal actions against its directors and officers.

Group Structure and Common Directors



Common Directors

	CW	GHL	USL	ABCCR	ABCM	TI
AH-CHUEN Donald	●	●	●	●	●	●
AH-CHUEN P.A. Dean	○	○	○	○	●	○
AH-CHUEN D. Brian	●	○	○	○	●	○

● *- Director*
○ *- Alternate Director*
CW - Chue Wing & Company Limited
GHL - Good Harvest Limited
USL - Union Shipping Limited
ABCCR - ABC Car Rental Limited
ABCM - ABC Motors Company Limited
TI - Team Investment Limited

List of Shareholders holding more than 5% in the bank

ABC Car Rental Limited
ABC Motors Company Limited
Chue Wing & Company Limited
Good Harvest Limited
Union Shipping Limited

Share Option Plans

The bank has no share option plan.

Shareholders' Agreement

The bank is not aware of any shareholders' agreement.

Management Agreement

The bank has not entered into any management agreement with third parties.

Dividend Policy

Payment of dividends is subject to the profitability of the bank, its cash flow and its capital expenditure requirements.

CORPORATE GOVERNANCE REPORT

Material Clauses of the Constitution

The Constitution of the bank is in conformity with the provisions of the Companies Act 2001 and the Banking Act 2004 and comprises the following main clauses:

- *Paragraph 8(b):*

The Board of Directors shall consist of not less than six (6) or more than ten (10) Directors.

- *Paragraph 10.5(2):*

The Chairman does not have a casting vote at Board Meetings.

- *Paragraph 7.4(a):*

Two members present in person or by proxy and entitled to vote thereat and holding at least sixty percent (60%) of the stated share capital of the bank carrying the right to vote shall be a quorum for a shareholders' meeting.

- *Paragraph 7.5(g):*

The Chairman of a shareholders' meeting is entitled to a casting vote.

- *Paragraph 6.4.2.1:*

Shares issued or proposed to be issued by the Company that rank equally with, or in priority to existing shares as to voting or distribution rights, shall, unless otherwise provided in the resolution approving the issue under subparagraph 6.4.1, be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders, in accordance with section 55(1) of the Act.

- *Paragraph 6.6.1:*

Subject to the laws of the Republic of Mauritius (including but not limited to the provisions of the Banking Act 2004) and to the provisions of this Constitution, there shall be no restrictions on the transfer of fully paid up shares in the Company and transfers and other documents relating to or affecting the title to any shares shall be registered with the Company without payment of any fee.

Shareholders' Diary

Financial Year 2013/14

Financial year end	30 June 2014
Annual Meeting	November 2014

Financial Year 2014/15

Unaudited quarterly reports	Within 45 days from the quarter ending September, December and March
Financial year end	30 June 2015
Annual Report & Results	Within 90 days from end of June 2015
Annual Meeting	November 2015

CUSTOMER CARE

CORPORATE GOVERNANCE REPORT

Related Party Transactions

Until February 2014, related party transactions were being monitored and reviewed by the Risk Management and Conduct Review Committee. Following a split of the latter into 2 distinct committees, the Conduct Review Committee now reviews all related party transactions conducted during the year under review in accordance with the Bank of Mauritius guidelines. The Committee meets at least on a quarterly basis and matters reviewed by same are reported to the Board of Directors.

For related party transactions, please refer to Page 71 of the Annual Report. Exposure to major related parties are given on Page 136 Note 31 to the Financial Statements.

Risk Management and Internal Audit

Risk management refers to the process by which the bank monitors and mitigates its exposure to risk. The objective of risk management is not to eliminate risks altogether but to mitigate them to an acceptable level having regard to the objectives of the bank.

While the Board is responsible for the overall risk management and internal control systems, oversight of the bank's risk management process has been delegated to the Audit and Risk Management Committees.

The risk management framework, including policies and systems in place to ensure a systematic and continuous identification and evaluation of risks and actions to terminate, transfer, accept or mitigate each risk to achieve a prudential balance between the risks and potential returns to shareholders is explained in the Risk Report section as from Page 64. Identification of key risk areas and internal control systems in place are also addressed.

The internal audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management. Internal Audit reports at all Audit Committee meetings and the Head of Internal Audit has ready and regular access to the Chairman of the Audit Committee. The systems in place for implementing, maintaining and monitoring of the internal controls and the processes by which the Board derives assurance that the internal audit systems are effective are explained on Page 65 of the Risk Report.

Integrated Sustainability Reporting

The bank is committed to the highest standards of business integrity, transparency and professionalism and ensures that all its activities are managed responsibly and ethically whilst seeking to enhance business value for all shareholders. In line with this objective, the bank has put in place a Code of Conduct and Ethics which clearly reveals the core values, which the bank stands for, and the standard of dealings that the public at large can uncompromisingly expect. The Code is designed to help employees at all levels to understand their responsibilities, carry out their duties with due diligence, honesty and integrity, which are fundamental to the reputation and success of the bank. The bank also has in place an anti-fraud policy to encourage employees to freely communicate concerns about illegal, unethical or questionable practices to senior management or the Head of Internal Audit without fear of reprisal. Other bank policies are also in place to ensure against improper use of the bank's property and/or information, unfair dealing with customers/clients, employees and other stakeholders.

In the light of recent climate events, the ABC Group has taken to a *Going Green Initiative*. Readers of the Group's annual reports will notice that same have been printed on recycled paper this year. To further support its paper reduction plan, the bank also offers to its shareholders the option to receive their copy of the annual report in a CD format. At the level of the bank, paperless initiatives are encouraged. E-statements for all clients have been introduced to reduce the need for paper statements and allow for instant access to banking information. Even at Board level, such paperless initiative has been taken where board papers are now being accessed electronically.

Since its inception in 2010 the bank has been decentralised in three different locations: at Raffles Tower, Ebène, ABC Centre, Port-Louis, and at Place D'Armes. The bank's new head office, expected to be inaugurated by the end of 2014, will be located at the Weal House, Place D'Armes. Weal House has been designed to fit a completely new philosophy: to centralise the activities of the bank whilst saving on natural resources and energy. It is also anticipated that this move will further reduce our ecological footprint as logistics facilities will be channelled to a single location.

The bank values the health and safety of its employees and other stakeholders. It abides by the Health and Safety policy set out by the Board of Directors and necessary steps, arrangements and systems are in place to ensure compliance with health and safety legislation.

As an equal opportunity employer, ABC Banking Corporation considers individuals for employment or promotion on merit and according to their skills, abilities and experience and strives for equal treatment and respect of all employees at the workplace.

Statement of Remuneration Philosophy

The bank's remuneration philosophy is geared towards encouraging optimal performance on the part of everyone within the organization by rewarding efforts and merits as fairly as possible.

With regard to the directors, including the executive directors, their remuneration is dealt with by the Nominations and Remuneration Committee and ratified by the Board of Directors. While independent and non-executive directors are remunerated in the form of attendance fees, executive directors, in addition to their monthly salaries, are entitled to an annual performance bonus based on the financial results of the bank as well as on their individual contribution thereto. It is to be highlighted that the bank does not make in its remuneration criteria for those excutive directors approaching retirement.

In respect of Management and staff, the bank strongly believes that in addition to the salaries paid to them, the achievements and merits of high performing employees should be recognized and rewarded. All employees are also assessed for the payment of an annual performance bonus.

The remuneration practices and salary levels of all employees are reviewed annually in the light of changes in the economy and in the cost of living, in the job content and the general market conditions.

Corporate Social Responsibility

CSR initiatives of the bank have been channelled through the Sir Jean Etienne Moilin Ah-Chuen Foundation, the ABC Group's vehicle for the implementation of social projects.

Having at heart the welfare of its stakeholders, the ABC Group of companies is actively engaged in various social and charitable activities in Mauritius. This led to the creation of the Sir Jean Etienne Moilin Ah-Chuen Foundation (the "Foundation") in 2013, which has been named after the Founder of ABC Group, and whose main purpose is to regroup all the CSR funds of the ABC businesses under one CSR plan.

For a sustainable development, four areas of advancement have been identified by the Foundation: environment, education, sports and community empowerment. During the 2013-14 financial year, with a CSR fund of Rs.1.6M, the Foundation has helped ten NGOs within Mauritius in these four areas of intervention. ABC Group staff were also encouraged to be more involved in philanthropic activities.

Included in the CSR events organised were a Christmas Day for children in need, an entertainment programme (including games and shows) for the elderly at Sir Leonard Cheshire Home, participation in the *Clean Up* Mauritius project at Roche Bois and a forest weeding with the Mauritian Wildlife Foundation in order to save the endangered flora and fauna of Mauritius.

Education, which is undoubtedly a hugely powerful tool for social mobility, is an initiative that is greatly supported by the Foundation. During the financial year, a special fund of Rs.400,000 was placed into scholarship schemes and these were offered to these youngsters from needy families to further their studies at universities and technical colleges.

Diabetes and cancer affect a significant portion of the population of Mauritius and the Foundation wished to raise awareness of its employees about these health issues. As such, a Health Week was organised for the employees of the Group - on-site testing of diabetes, breast cancer and sight as well as a blood donation took place over the course of this week.

For the next financial year, the Foundation expects to strengthen its contribution in the field of education through the scholarship scheme and shall maintain and expand on employee involvement in its CSR initiatives.

Sir J.Moilin Ah-Chuen
Foundation

Tipa Art' La Li La Festival- August 2014

Scholarship Giving Ceremony- July 2013

Forest Weeding at Mondrain with the Mauritian Wildlife Foundation- May 2014

Christmas Wonderland - December 2013

PROFILES OF DIRECTORS

Mr. Philippe Chan Kin, C.B.E.
Independent Chairman

Mr. Philippe Chan Kin has more than 40 years of professional experience and has served in the public service as Assistant Secretary, Principal Assistant Secretary and Permanent Secretary in 1964 - 1985 in several Ministries of the Government of Mauritius. He left the public service in May 1986 to join the Esquel Group (Textile industry) as General Manager and retired in 1999. He has also served on several boards including the CEB, CWA, MBC and was also a director of the Bank of Mauritius. In 1988, Mr. Philippe Chan Kin was appointed as Commander of the Most Excellent Order of the British Empire (C.B.E.) by Her Majesty Queen Elizabeth II.

Professor Donald Ah-Chuen holds an M.B.A (University of Strathclyde, UK). He is also a Fellow of Chartered Accountant Institute (England & Wales) and Fellow of Chartered Accountant Institute (Australia) and holds an M.C.I.P.D (Chartered Institute of Personnel & Development, UK). In March 2009, he was conferred the distinction of G.O.S.K (Grand Officer of the Star and Key of the Indian Ocean) in recognition of his valuable contributions in the sectors of Banking & Financial Services and Tertiary Education.

Professor Donald is a director of the Stock Exchange of Mauritius Ltd and the Central Depository & Settlement Co. Ltd and a Council Member of the Mauritius Chamber of Commerce and Industry. He is also a director of ABC Motors Company Limited, company listed on the DEM.

Professor Donald Ah-Chuen, G.O.S.K
Managing Director

Mr. David Brian Ah-Chuen
Strategic Business Executive

Mr. Brian Ah-Chuen holds a BBA Honours from Schulich School of Business, York University, Toronto, Canada.

He was previously the Executive Director of ABC Autotech Ltd which markets the Fiat & Alfa Romeo motor vehicles, Executive Director of Marina Resort, President of Chinese Chamber of Commerce (2006 - 2007) and Board Member of the Mauritius Chamber of Commerce & Industry (2006 - 2007). He is a director of ABC Motors Company Limited, company listed on the DEM, Chue Wing & Company Limited and is also a Fellow Member of the Mauritius Institute of Directors.

Mr. Dean Ah-Chuen holds a BA degree in Computer Science, Economics and Mathematics from the University of Sydney (Australia) and holds an MBA in International Business from the University of Western Sydney (Australia). After working for 4 years as Team Leader of IT Department of Westpac Banking Corporation, Australia, Mr. Dean joined the ABC Group and is currently the Executive Director of ABC Motors Company Limited, with overall responsibility for the Automobile Division of the ABC Group. He was also a director of the Mauritius Post & Co-operative Bank Ltd and is a member of the Board of Directors of the Trust Fund for Excellence in Sports, set up by the Government of Mauritius. He is also a director of Harel Mallac & Co Ltd, a listed company.

Mr. Patrick Andrew Dean Ah-Chuen
Non-Executive Director

Mr. Robert Chung Tung
Independent Director

Mr. Robert Chung Tung has a vast experience in the accounting, financial management, manufacturing and distribution sectors. He worked with British American Tobacco (Mauritius) PLC for 33 years and was seconded on duty to the BAT Group Head Office in the UK and thereby promoted as Finance Manager & Deputy General Manager until his retirement. He was formerly President of the Chinese Chamber of Commerce, a Council Member of the Mauritius Chamber of Commerce & Industry and Honorary Treasurer of the Mauritius Gymkhana Club. Mr. Robert is a director in ABC Capital Markets Ltd and Prime Ebony Fund Ltd and is also the Chairman of ABC Professional & Secretarial Services Ltd.

PROFILES OF DIRECTORS

Mr. Marie Jacques Henri Fleurot
Independent Director

Mr. M. J. Henri Fleurot is a professional banker with more than 40 years of experience in the banking industry. He joined The Barclays Bank PLC in 1960 and had occupied the following positions:

- Manager, Rodrigues Branch
- Manager, Foreign Exchange Centre
- Internal Auditor
- Administration Manager
- Corporate Manager
- Corporate Director
- Deputy Managing Director

In 2001, he retired from Barclays and joined The Union Commercial Bank Madagascar (now MCB Madagascar). He was appointed Director-General in 2002 until his retirement in 2004.

Ms. Stephanie Ha Chow
Independent Director

Ms. Stephanie Ha Chow is a Fellow member of the Institute of Chartered Accountants in England & Wales and holds a BSC in Computer Science with Management from King's College, University of London. She has worked for over ten years in London specialising in accounting and auditing for both private sector and international public sector agencies, namely the European Commission and the United Nations. Since 2010, she is a Manager of the family business, Ah Koye Ha Chow & Co. Ltd.

Mr. Dick Li Wan Po
Independent Director

Mr. Dick Li Wan Po is a Fellow member of the Association of Chartered Certified Accountants and holds a BSC Hons Business Administration and Computer Science from UK. He worked as an accountant for Dian Fossey Gorilla Fund in UK. Hereafter, Mr. Dick worked in the department of audit at De Chazal Du Mee.

Mr. Dick has been the President of the Mauritius Chinese Chamber of Commerce in 2006 and the Treasurer of the Association of Manufacturers between 2009 and 2013. He is currently a director of Food Canners Ltd.

Mr. Vipin Mahabirsingh holds a Bachelor in Technology Hons Electronic Engineering, an M. Phil Microelectronic Eng and an MBA. He is currently the Managing Director of the Central Depository Settlement (CDS) and a member of ICT Advisory Council of Mauritius. He is also a director in River Court Administrators Ltd and a Fellow of Mauritius Institute of Directors (MIoD).

Mr. Yognandan Sharma (Vipin) Mahabirsingh
Independent Director

Me. Georges Ng Wong Hing
Independent Director

Me. Georges Ng Wong Hing is a highly respected member of the legal profession. He started his career in 1964 as an Articled Clerk with Me. Patrice Lagesse and in 1969, he set up his own Etude where he has been practising as Attorney-at-Law. Me. Georges was appointed as Senior Attorney in 2003 by the President of the Republic of Mauritius.

PROFILE OF MANAGEMENT TEAM

Senior Management

Professor Donald Ah-Chuen	Managing Director
Mr. David Brian Ah-Chuen	Strategic Business Executive
Mr. Yashodaren Umanee	General Manager

Management Team

Mr. Nick Chin Koon Siw	Finance
Mr. Gilbert Easton	Corporate Banking
Mrs. M. Veronique Lim Hoye Yee	Risk & Credit
Mrs. Christine K.L. Ng Cheong Hin	Internal Audit
Mr. Abdullah Nurmahomed	Treasury
Mr. Hemraj Rubee	Retail & SME

Mr. Yashodaren Umanee - *General Manager*

Mr. Yashodaren Umanee holds an MBA (Heriot Watt University) and is also holder of the Chartered Institute of Bankers (ACIB).

With over 30 years' experience in the banking industry, he joined ABC Banking Corporation Ltd since July 2011 as the Head of Banking – Domestic & International and was promoted to the post of General Manager in January 2012. He was previously with Barclays Bank PLC as International Banking Division Director and also Corporate Director for the last 6 months in Barclays Seychelles.

Mr. Nick Chin Koon Siw - *Finance*

Mr. Nick Chin holds a BSc. First Class Honours in Actuarial Science and a MSc. in Applied Statistics (Oxon). He is also member of the Institute of Chartered Accountants (England & Wales). He joined ABC Banking Corporation Ltd as from March 2012 initially as Finance Consultant and was subsequently appointed Head of Finance. He previously worked as Finance Manager in the Investment and Treasury Department of RBS Insurance, UK. Prior to that, he had spent four years in the Finance Department of Barclays Capital London.

Mr. Gilbert Easton – *Corporate Banking*

Mr. Gilbert Easton holds an MBA from Ecole des Hautes Etudes Commerciales (HEC) and a B-Comm from Concordia University in Montreal, Quebec.

Mr. Gilbert joined ABC Banking Corporation Ltd in January 2014 as Corporate Consultant and was subsequently appointed Head of Corporate. He has 6 years' professional experience at Standard Bank (Mauritius) Ltd as Credit Manager with vast analytical/credit assessment experience and exposures to various key sectors in Mauritius and in Eastern African countries. He also acquired banking experience in Canada where he worked for 7 years as Analyst Commercial Banking at TD Bank Financial Group and as Financial Services Manager at National Bank of Canada.

Mrs. Marie Veronique Lim Hoye Yee - *Risk and Credit*

Mrs. Veronique Lim is a CFA Charter holder and holds a BSc. First Class Honours in Economics and Accounting and a MSc. in Economics and Finance (Distinction) from the University of Bristol, UK.

Prior to joining ABC Banking Corporation Ltd in August 2012, she worked for 14 years within SBM Group, of which 11 years were within SBM Ltd where she held various senior management positions - Head of Credit Administration, Head of Credit Underwriting Division, Head of Intensive Care Team and Research Department and Head of Risk Management. She was also member of the Board of Directors of several subsidiaries within SBM Group.

Mrs. Christine K.L. Ng Cheong Hin - Internal Audit

Mrs. Christine Ng is a Certified Internal Auditor (CIA) from the Institute of Internal Auditors (USA). She also holds a MSc. in Human Resource Studies from the University of Mauritius and a BSc. (Hons.) in Management Sciences from the University of Warwick (UK).

She worked in the Consulting Division of Ernst & Young Ltd (Mauritius) for 4 years and in the Risk Advisory Division for more than 7 years where she acquired significant internal audit experience and where she had the opportunity to work in 9 African countries and 1 Pacific country on short-term European Union (EU) assignments. She was also seconded to Ernst & Young Ltd in Johannesburg for 6 months during 2006/2007.

Mr. Abdullah Nurmahomed – *Treasury*

Mr. Abdullah Nurmahomed holds a BSc. First Class Honours in Finance from the University of Mauritius and an ACI Dealing Certificate of the Financial Markets Association. He is currently studying for CFA Level 3 and ICSA Level 2.

He has 8 years of experience in treasury sales. Prior to joining ABC Banking Corporation Ltd in March 2014, he worked for 4 years as Money Market, Fixed Income, Interbank & Forex Dealer at the State Bank of Mauritius and was posted as Treasurer in 2012 and 2013 at SBM Madagascar Branch. He worked for 4 years as Trader (Shift/ Team Leader) at Superfund Asset Management Mauritius and for 2 years at HSBC Mauritius as Credit Support Staff.

Mr. Hemraj Rubee – *Retail & SME*

Mr. Hemraj Rubee holds a BSc. (Hons.) in Banking and Finance (University of London) and a Post Graduate Diploma in Business Administration (Heriot Watt University).

He joined ABC Banking Corporation Ltd as Leasing Consultant in April 2013 and was subsequently appointed Head of Leasing. Following a restructuring of the sales team, Mr. Hemraj Rubee was subsequently appointed as Head of Retail and SME segments. Prior to joining ABC Banking Corporation Ltd, he worked as Portfolio Lead-Asset Finance (Leasing) at SBM Ltd for 3 years. He also worked as Manager and Project Manager for 2 years at SBM Lease Ltd (amalgamated with SBM Ltd in 2009). Mr. Hemraj spent 12 years within MCB Group during which he was an Accounts Executive for 2 years at Finlease Co Ltd and 10 years in retail banking at MCB Ltd.

Approved by the Board of Directors on 24 September 2014 and signed on its behalf by:

Philippe Chan Kin, *C.B.E.* Chairman Corporate Governance Committee	ABC Professional & Secretarial Services Ltd Company Secretary Per Kareen Ng, *ACIS*

MANAGEMENT TEAM


Nick Chin
Head of Finance
Christine Ng
Head of Internal Audit
Abdullah Nurmahomed
Head of Treasury
Hemraj Rubee
Head of Retail Banking & SME

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

(Section 75(3) of the Financial Reporting Act)

Name of PIE: ABC Banking Corporation Ltd

Reporting Period: 30 June 2014

We, the Directors of ABC Banking Corporation Ltd, confirm that to the best of our knowledge:

The PIE has not complied with section 2.8 of the Code: Remuneration of directors has been disclosed on an aggregate basis due to the commercial sensitivity of the information.

Date: 24 September 2014

....

Philippe Chan Kin, *C.B.E*
Chairman

....

Professor Donald Ah Chuen, *G.O.S.K.*
Managing Director

OTHER STATUTORY DISCLOSURES

(pursuant to section 221 of the Companies Act 2001)

Principal Activity

ABC Banking Corporation Ltd is the holder of a banking licence from the Bank of Mauritius and provides the full range of banking products to the public at large.

Directors & Interests

The directors of the bank as at 30 June 2014 were as follows:

Mr. Philippe Chan Kin
Professor Donald Ah-Chuen
Mr. David Brian Ah-Chuen
Mr. Patrick Andrew Dean Ah-Chuen
Mr. Robert Chung Tung
Mr. Marie Jacques Henri Fleurot
Ms. Stephanie Ha Chow
Mr. Dick Li Wan Po
Mr. Yognandan Sharma (Vipin) Mahabirsingh
Me. Georges Ng Wong Hing

Messrs. Andre Marc Ah-Chuen, Vincent Ah-Chuen and Kee Koun Tin Kiong Fong ceased to be directors of the bank as of 15 November 2013.

Directors' interests in shares of the bank are set out on Page 26 of the annual report. No directors have any service contract with the bank.

Directors' Emoluments

During the financial year ended 30 June 2014, the executive and non-executive directors received emoluments amounting to Rs.3,917,508 (2013: Rs.2,332,573) and Rs.984,500 (2013: Rs.1,204,000) respectively.

OTHER STATUTORY DISCLOSURES

(pursuant to section 221 of the Companies Act 2001)

Donations

Donations made during the year were as follow:

	2014	2013
	Rs.	Rs.
Donations	22,026	12,250
Political Donations	-	-
	22,026	12,250

Auditors

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

	2014	2013
	Rs.	Rs.
Audit Services	640,000	600,000
Other Services	20,000*	-
	660,000	600,000

*Other services pertain to the review of tax computations.

Approved by the Board of Directors on 24 September 2014 and signed on its behalf by:

Philippe Chan Kin, *C.B.E*
Chairman

Professor Donald Ah Chuen, *G.O.S.K.*
Managing Director

SECRETARY'S CERTIFICATE

(pursuant to section 166(d) of the Companies Act 2001)

We certify that, to the best of our knowledge and belief, the company has filed with the Registrar of Companies, in respect of the financial year ended 30 June 2014, all such returns as are required of the company under the Companies Act 2001 in terms of section 166(d).

ABC Professional & Secretarial Services Ltd
Company Secretary
Per Kareen Ng, *ACIS*
24 September 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the bank and which comply with the Companies Act 2001, the Banking Act 2004 and the International Financial Reporting Standards.

In preparing those financial statements, the directors are required to:
- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the bank will continue in business
- Adhere to the provisions of the Code of Corporate Governance

They are also responsible for safeguarding of the assets of the bank and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing the annual report and financial statements. The Board acknowledges its responsibility for ensuring the preparation of the financial statements in accordance with the International Financial Reporting Standards and the responsibility of external auditors to report on these financial statements. The Board also acknowledges its responsibility for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

The Board of Directors considers that the bank has complied in all material aspects with the provisions of the National Code of Corporate Governance (the "Code") for the year ended 30 June 2014.

Approved by the Board of Directors on 24 September 2014 and signed on its behalf by

....
Philippe Chan Kin, *C.B.E*
Chairman

....
Robert Chung Tung
Chairman of Audit Committee

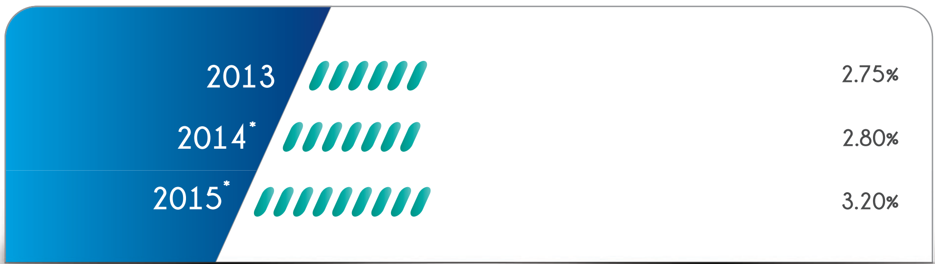
MANAGEMENT DISCUSSION AND ANALYSIS

Review of the Operating Environment

The Global Context

The global economy is expected to strengthen in 2014 and 2015, with growth projections of 2.8% and 3.2% respectively; slightly lower than the World Economic Situation and Prospects January 2014 forecast. Growth rates for developing countries and economies in transition have been reviewed downwards owing to a deterioration in the situation of several states forming part of the two aforesaid groups. Though these countries have suffered from set-backs such as structural imbalances, macroeconomic and financial mismanagement and political instability, they are expected to contribute significantly towards achievement of global economic growth of 4.7% in 2014 and 5.1% in 2015. On the other hand, developed economies are anticipated to grow by 2% and 2.4% in 2014 and 2015 respectively, a notch higher than the last two years. However, these countries are still confronted to a plethora of issues including unemployment, lingering fragilities associated with the euro area and unsustainable public finances.

Global Growth



* Source: LINK Global Economic Outlook, 2014-2015, United Nations, Department of Economic and Social Affairs

Globally, the unemployment rate stood at 6% in 2013 with long-term unemployment forecast on the rising trend in developed economies. Informal employment still remains a challenge in developing countries; averaging some 40% in Africa, Asia and Latin America. On a more futuristic note, global employment is expected to witness timid growth. A small increase is expected in the average global inflation rate from 2.4% in 2013 to 2.7% in 2014. Developed economies are projected to experience a mild rise in average inflation from 1.2% to 1.5% whilst the price level in developing states will remain relatively stable. Price for international commodities will continue to be on the high side but are expected to face downward pressure and great variation across commodities. World trade growth is forecast to stand around 4.1% in 2014 and is projected to increase in 2015; mainly driven by a boost in import from developed countries. On the financial landscape, global markets have calmed and capital flows to emerging economies have stabilised and are expected to pick up.

The United States experienced a contraction in its growth momentum in quarter one of 2014 mainly driven by the adverse climatic conditions. Nevertheless, the American economy is forecasted to pick up again in the remainder of 2014. In fact, Gross Domestic Product is anticipated to grow by 2.5% and 3.2% in 2014 and 2015 respectively. On the other hand, Canada's economy is expected to contract mildly in 2014 courtesy of the inclement weather and Vancouver port strike. It is forecasted that Gross Domestic Product will grow by 1.9% in 2014 to be followed by a further rise to 2.8% in 2015 with a strengthening of the economy.

Western Europe is sailing away from the tumultuous waters brought on by the recession. Gross Domestic Product growth rate for 2014 and 2015 stands at 1.5% and 1.8% respectively. At 2.7%, the United Kingdom is expected to achieve the strongest growth rate in 2014 followed by Germany at 1.9%. The exit from recession of Italy and Spain is notably highlighted whilst Greece and Cyprus still remain anchored in economic recession.

Economic growth in Africa has been revised downwards on account of various issues including political tensions, exchange rate volatility and macroeconomic mismanagement. It is anticipated that West Africa will attain steady growth at 7% in 2014 and 7.1% in 2015. With respect to Southern African countries, growth will accelerate as expected; though the downward revision by 0.8% in the forecast growth rate of South Africa to 2.5% is worth highlighting.

On an overall basis, a strengthening of international policy coordination is warranted to boost output growth and create jobs. Developing countries, on the other hand, would require additional financial resources to attain growth.

Review of the Economic Performance of the Mauritian Economy

The Mauritian economy has been resilient despite its vulnerability to the Eurozone which generated approximately 60% of its tourist and export earnings. The economy lost in momentum in the fourth quarter of 2013 as slow recovery in the euro area had an adverse impact on external demand. This was mirrored in declining private investment and domestic consumption. All main pillars of economic activity registered a positive growth rate with the exception of the construction cluster which witnessed a contraction. The country is expected to grow at a rate of 3.5% in 2014 followed by 4.1% in 2015 fuelled by a strong performance in financial intermediation, information and communications technology.

* Source for Mauritian Growth Rate is: African Economic Outlook, AfDB, OECD, UNDP 2014

MANAGEMENT DISCUSSION AND ANALYSIS

It is anticipated that the unemployment level will vary around 8% in 2014 as the rise in business confidence is encouraging firms to invest in expansion plans catapulting in more employment opportunities. In spite of the prevailing excess liquidity, credit growth expanded at a moderate pace. In fact, the Mauritian banking sector has remained well capitalised and profitable on an overall basis. The banking cluster appears to be robust and resilient to external shocks as attested by the IMF Article IV Consultation Mission.

November 2013 saw a rise in year on year inflation given that there was a rise in excise duties on tobacco and alcoholic drinks. Inclement weather conditions impacting on price level of food led to further price increases at the start of 2014. However, a fall in inflation rate was witnessed in March 2014. Respondents to the Inflation Expectation Survey carried out by the Bank of Mauritius in May 2014 were expecting inflation to range from 4.5% to 6.5%. The Bank of Mauritius has forecasted a year on year inflation rate between 3.9% - 4.3%.

Future Outlook

Strategically positioned between Asia and Africa with strong economic ties to the Eurozone, Mauritius is consolidating its position to become the economic hub, bridging value chains in the three economic blocks. Wide-ranging structural reform coupled with sound and prudential macroeconomic management have undoubtedly propelled Mauritius as the region's best business environment and one of the most competitive economies. Mauritius is indeed well placed to build on the headway it has already achieved by participating in the global industry.

Business Segment Review

Domestic Banking

Covering mostly large clients, Corporate Banking has well positioned itself during the year under review in spite of prevailing market conditions and heightened competition. With the appointment of a new Head of Corporate, the Division is now equipped with the right mix of expertise, experience and competency. The objectives of the business unit had been clearly defined with focus on market share acquisition especially among the Top 100 companies. The financial targets assigned to the Corporate Banking Division were achieved and the department is now one of the main revenue contributors. Retail Banking has witnessed a timid growth on the lending side. This has been rendered possible through the offer of tailor-made and personalised services to individual customers having specific requirements.

The overall loans and advances portfolio has expanded by 8% in line with the profitability intent of the bank whilst simultaneously adhering to the stringent risk management framework. Growth at balance sheet level reflects the efforts of a focused sales-driven team in tapping in new business opportunities and encouraging existing clients to utilise more of our products and services. The bank also continued to renew its participation in the SME Financing Scheme.

During FY13/14, the bank continued to lay emphasis on publicity via different media including e-mails, newspapers and billboards as well as through a marked field presence to promote proximity with the population. Cognizant of the fact that service delivery and proximity are the key ingredients to maintain the growth momentum; the bank has invested in training sessions in customer care to front liners and back office staff in order to upgrade their knowledge, skills and abilities.

FY14/15 will be a new milestone during which the bank will concentrate at strengthening its assets base and optimising its current portfolio. The bank will build on its growth momentum by prospecting intensively into the sectors that are driving the Mauritian economy.

International Banking

Following its inception in 2011, the International Banking Department continues to be one of the most profitable business lines of the bank with a contribution of around 12% to the total revenue registered for the year under review. The department's performance has by far exceeded the objectives set at the start of the year and posts an exceptional consistent growth over the last two financial years as attested by the EuroMoney award won for the past two consecutive years in the offshore services category.

The dedicated International Banking Team, which is the main point of contact for intermediaries, delivers a relationship proposition that adds value at all levels and acts as the single gateway into ABC Banking Corporation Ltd. The International Banking Department offers accounts in all major currencies and deposits are mainly sourced from European clients referred to the bank by introducers established worldwide. The Division offers an exceptional customer experience in a simple and effective manner by ensuring that the customers' banking needs are satisfied. It differentiates itself through the quick quality-oriented service that is offered to customers and the motto is to exceed customer expectations. During the year under review, the International Banking department has been focusing on targeting specific markets and increasing the deposit base. Several initiatives have been taken to remain customer-oriented through an acceptable turnaround time and a complaints management framework.

The team will continue with its strategy for sustainable growth, targeting new regions and market segments that will enable it to actively pursue new business opportunities. The Division will strive to build long-term sustainable beneficial relationships with all its customers, based on service commitments and on its underlying values of mutual respect, the pursuit of excellence and integrity in all its dealings.

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Operations

During the year under review, the bank achieved a total foreign exchange gain of Rs 35.7million; 30.4% out of which was contributed directly by the Treasury Department. This commendable performance, attained in a prevailing contracting economic environment, has been mainly driven by collective efforts from the bank's various departments to increase business volume along with a much more diversified customer base.

Focus has been on expanding the client base and on providing competitive exchange rates. Margins continue to be tight owing to prevailing fierce competition and a general contraction of business volumes due to a global economic slowdown.

Looking ahead in 2014-2015, the bank will continue to review its business model in order to better serve customers in this evolving business context. The Treasury Department shall continue its efforts to diversify its sources of income, expand its client base and generate an improved economic value by offering innovative banking products that will allow it to generate additional revenues.

eBusiness

The bank's eBusiness suite comprises the electronic service delivery channels and encompasses card management, ATM and e-Banking services. For the year under review, the net income generated from ebusiness activities approximate Rs 17million. The Internet Banking platform which currently provides clients with real time online access to their accounts has been revamped to support transactional features to meet the evolving needs and convenience of customers. Additionally, the bank has launched an e-correspondence service whereby its customers may opt to receive bank statements by e-mail which is in line with the bank's strategy to promote green banking.

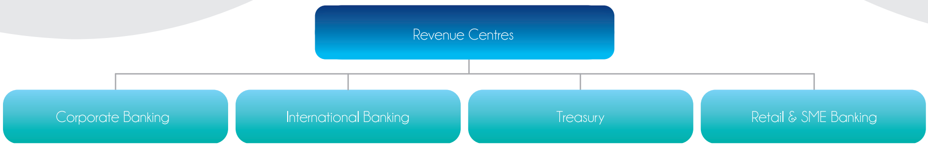
Support Business Units

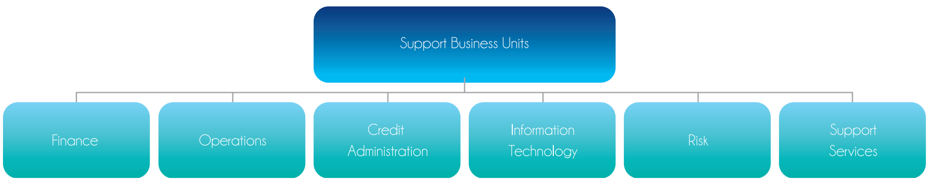
ABC Banking has put in place a customer-centric business model whereby business origination is decentralised and all other back office operations have been centralised to draw advantage from specialist expertise of key personnel and enhanced operational efficiency. Various Business Units namely Human Resources, Credit Administration, Risk, Information Technology, Finance, Operations, Product Development and Marketing are continuously providing support to the Revenue Centres of the bank. Conscious of evolving customer expectations, the Product Development and Marketing team is working in close collaboration with the Sales Team in order to come up with innovative banking products and services that will meet the exigencies of customers.

Serving the interests of internal and external customers is at the heart of the bank's priority. As such, established policies and procedures are being streamlined with a view to providing a quicker and better service to the bank's customers without compromising on the risk aspects. Enhancements are continuously brought to our technological set up to achieve higher efficiency gains and to facilitate decision making. The bank is currently focusing on consolidating its human capital with a view to meeting the changing demand and unending expectations of today's dynamic customers. To that effect, the bank has rolled out a Performance Management System which reflects Management's will to enhance service quality all across the bank. Four main perspectives namely Financial, Customer, Internal Process and Learning and Growth have been adopted in the establishment of a well-defined strategy which have been translated into goals and objectives that can be easily tracked to monitor progress.

Reorganisation of the Business Structure

The bank's business operating model, which is in compliance with good corporate governance policies and in line with best practices, provides for clear segregation of duties and powers between its various departments. Recently, same has been modified to cater for new challenges in the banking environment. In the light of its expansion plans, it has engaged into the reorganisation of its business structure whereby it aims at segregating its banking activities into distinct customer segments namely Retail & SME Banking, Corporate Banking and International Banking. This should enable the bank to provide a better service whilst simultaneously promoting the image of a full-fledged commercial bank. Three years after having been granted its banking license, ABC Banking remains committed to its primary objective of offering a wide range of financial services.





MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Cautionary Note

An analysis of the bank's financial information is given below. It includes forward looking statements and it is important to take into consideration that risks exist and that forecasts, projections and assumptions contained therein may not materialise and that actual results may vary from plans and expectations. The bank has no plan to update any forward looking statements periodically and the reader should stand cautioned not to place any undue reliance on such forecasts.

Highlights

In spite of the difficult prevailing market and economic conditions coupled with heightened competition, ABC Banking Corporation Ltd has achieved a remarkable performance for FY13/14 to reach a further milestone with a Net Profit after Impairment of Rs 18million [FY12/13: Rs 8million] and total assets surpassing the Rs 9billion mark as at 30th June 2014. This performance, characterised by a sustained systematic focus on asset quality and continuous consolidation of the client base, is all the more commendable as it has been attained in a highly liquid, competitive and challenging market environment. With the leap in profits, Return on Equity has shot from 1.8% to 3.9% for the year under review. Earnings per Share witnessed a rise from Rs 0.23 at 30th June 2013 to Rs 0.47 at 30th June 2014, reflecting improved value creation for the shareholders. The consolidation of the bank's capital with an injection of Rs 51.8million has certainly enabled the bank to increase its assets base in line with its strategic intent. Concurrently, the bank registered a noticeable growth of 25% in deposits which closed at Rs 8.3billion at 30th June 2014. The bank's capital adequacy level sat comfortably at 11.2% as at close of books at 30th June 2014 and remains well above the regulatory requirement of 10%.

Performance against Objectives

Area of Performance	Objectives for FY 2013/2014	Actual for FY 2013/2014	Objectives for FY 2014/2015
Net Interest Income	With continuous expected slow recovery, Net Interest Income growth is budgeted to be around 10%.	Net Interest Income of the bank improved considerably year on year driven by the increase in loans and other interest generating assets portfolio.	Net Interest Income to rise around 15%, with a continuous growth in loans and advances portfolio, and tightening of margin with aggressive competition.
Non-Interest Expense	As the bank completes its third year of operation, it is expected that operating expenses will stabilise with growth rate of around 10%.	Non-Interest Expense increased slightly more than 10% with the bank's expansion and continued investment in qualified staff, IT infrastructure and recovery.	Non-Interest Expense expected to increase around 15%, driven by staff expenses and planned growth.
Productivity (Non-Interest Expense as a % of the sum of Other Income and Net Interest Income before impairment)	Following the expectation that operating expenses will experience a slower growth, the target is to continue to aim for the 70% mark.	The cost to income ratio ended up at 61% for FY13/14, improving significantly from previous years on the back of a positive growth in operating income.	To continue focusing on bringing the cost to income ratio to less than 60% without prejudice to level of service, quality of staff and up to date infrastructure.
Return on Equity (Net Profit/Equity)	Aiming to build on the commendable start and continue the positive trend to 2%.	ROE for the year standing at 3.9% as bank showed a significant positive trend for this year.	To keep ROE at least at same level in view of the surrounding economic condition and high competition on the local market.
Return on Average Total Assets	With the timid recovery expectation globally and locally, ROA target to remain at 0.15%.	Return on average total assets was 0.2%.	Target to increase the ROA to 0.3%.
Portfolio Quality (Specific provision as a % of average Loans and Advances to customers)	Tightening of credit assessment and improved recovery methods to ensure a continuous increase in portfolio quality. Target to reduce the ratio of impaired loans to gross loans towards 10%.	The efforts dedicated towards portfolio quality has resulted in an improved ratio for NPL of 11.7% (FY12/13: 15.9%). The specific provision percentage was at 4.2% for the year.	Sustained focus to bring down further the NPL ratios
Deposit from Customers	Continued focus building on the momentum to increase savings and current accounts by 30%.	Total deposit portfolio increased by 25% year on year notably due to increase in savings and other deposits.	To build on the recent trend and encourage more savings and increase foreign currency book. We expect deposits to grow around 15%.
Loans and other Advances portfolio	Aim to build back our leasing market share as well as expanding corporate and retail lending by about 30%.	The loans and advances portfolio rose by 42% offset by a drop in the leasing portfolio of 15%. Net total portfolio showed net positive progress from previous FY.	To keep on growing our loans and advances portfolio and aim for a net increase of 30% year on year.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Results

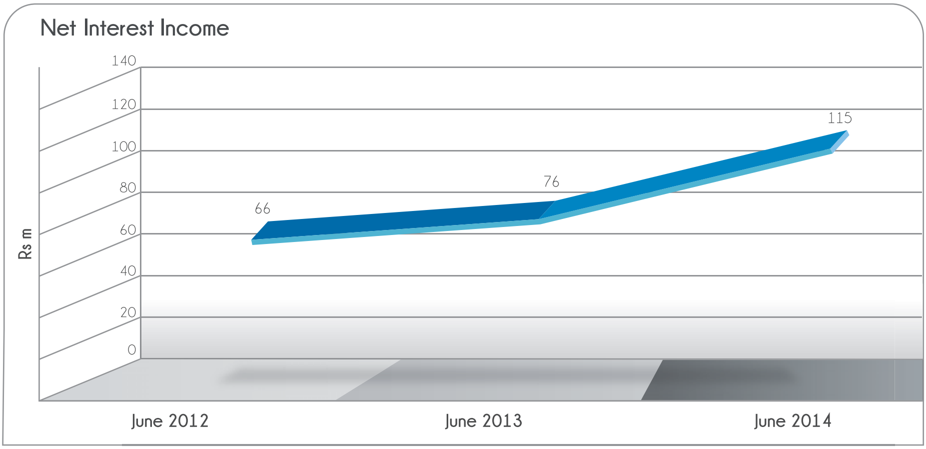
REVENUE GROWTH

Total Operating Income

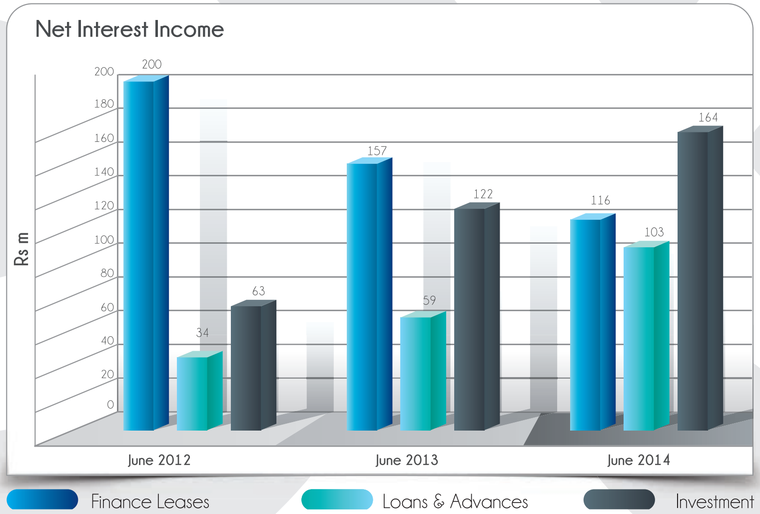
Total Operating Income stood at Rs 205million, depicting a substantial achievement of 60% increase over the last financial year. Net Interest Income accounted for 56% of Total Operating Income.

Net Interest Income

A satisfactory growth of 52% was recorded in Net Interest Income to reach Rs 115million for the financial year 2014 (FY12/13: Rs 76million), mainly driven by an expansion in the loans and advances portfolio coupled with better spreads, an efficient management of liquidity, a repricing of high cost fixed deposits and channelling of excess funds to gilt-edged securities and sovereign as well as corporate bonds yielding attractive medium-term returns. On an overall basis, Interest Income of Rs 384million and Interest Expense of Rs 269million were recorded.

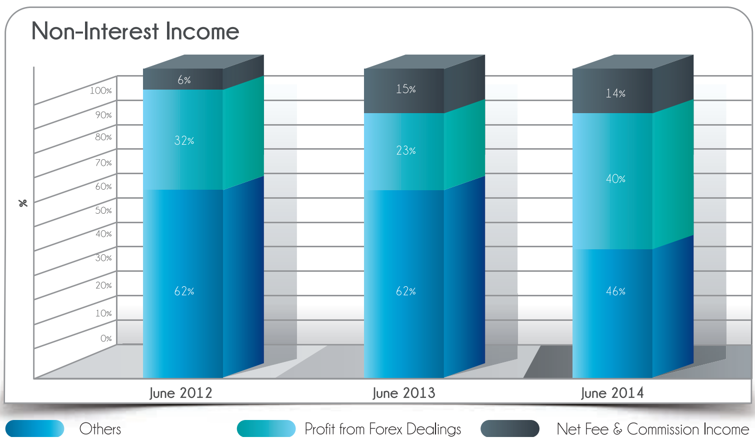


The chart below depicts the contribution per asset type towards the achievement of Total Interest Income:



Non-Interest Income

Non-Interest Income posted an annual growth rate of 71.7% to reach Rs 90million (FY12/13: Rs 52million). The main components of Non-Interest Income which account for 44% (FY12/13: 41%) of Total Income are fee-based income, commissions and exchange profits. Fees and commission mainly generated by the International Banking cluster was one of the key drivers of Non-Interest Income. An expansion in card related activities coupled with an exceptional performance in forex dealings have contributed to more than double the income generated in the previous financial year.



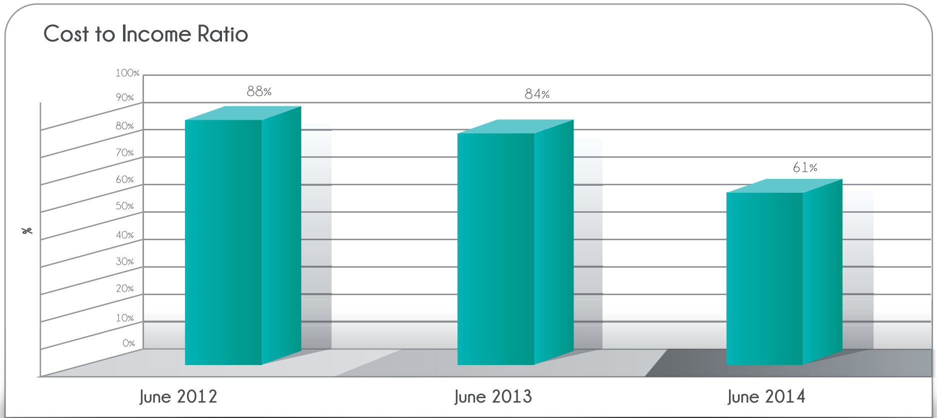
MANAGEMENT DISCUSSION AND ANALYSIS

COST CONTROL

The last financial year has been characterised by continued investment in human resources, technology and advertising to assist the bank in achieving its growth strategy. Operating expenses, which include mainly salaries and staff benefits, administrative, communication and marketing costs as well as IT expenditure, increased by 15% year on year to reach Rs 124million in FY13/14. The main component of Non-Interest Expenses is still Personnel Expenses which have grown by 22%. This is mainly attributable to further investment in human capital in reinforcement of the existing support and service teams as well as an increase in the remuneration package for existing employees in line with the bank's strategy to attract and retain talent which are becoming increasingly scarce on the labour market.

In line with the bank's policy to exercise maximum control over expenditure whilst simultaneously increasing return, Management has strived continuously hard to maintain costs within budget. The benefits of same are clearly visible in the commendable improvement noted in the cost to income ratio from 84% to 61%.

The bank's cost to income ratio for the year under review is pictured below:

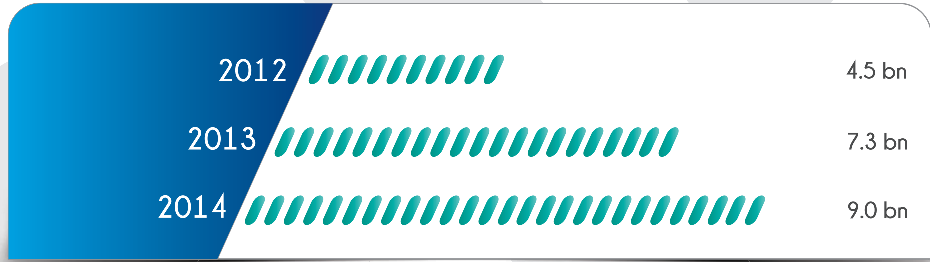


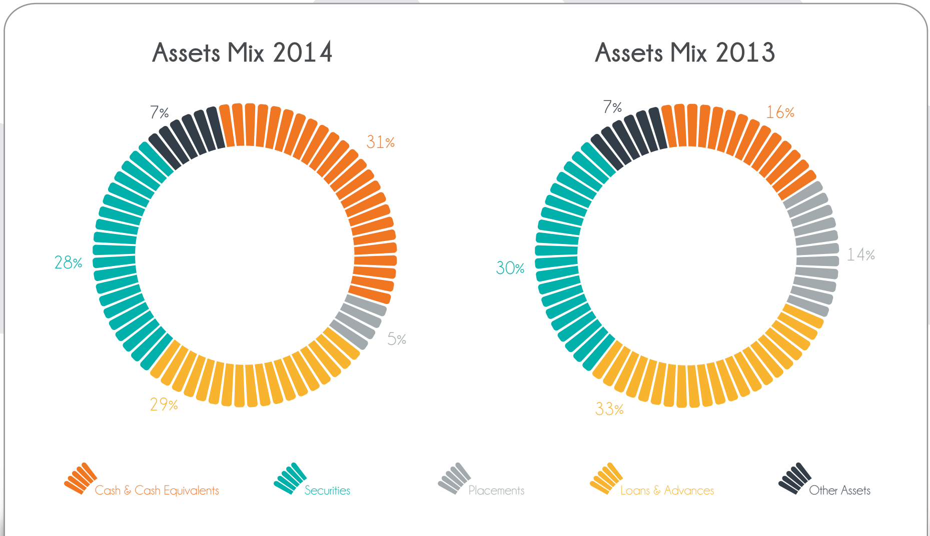
ASSETS

Total Assets

Total Assets expanded by 24% from Rs 7.3billion at 30th June 2013 to attain the Rs 9billion landmark at 30th June 2014, fired mainly by an increase in Investment in Securities and Cash and Cash Equivalents. This has been achieved by the bank pursuing asset growth whilst aiming simultaneously for an acceptable risk-return profile and adopting a systematic focus on asset quality. The following charts depict the bank's assets mix as at 30th June 2014 and 30th June 2013 respectively with clear efforts to reduce risks through diversification:

Total Assets





Investment in Securities

Investment in gilt-edged securities represents 28% of Total Deposits thereby creating a comfortable situation in the advent of a liquidity crisis. The bank has adopted a policy whereby any excess funds are being channelled to gilt-edged securities and sovereign and corporate bonds yielding attractive medium-term rates. Investment in Securities stood at Rs 2.5billion representing a year on year increase of 18% compared to last year.

Cash and Cash Equivalents

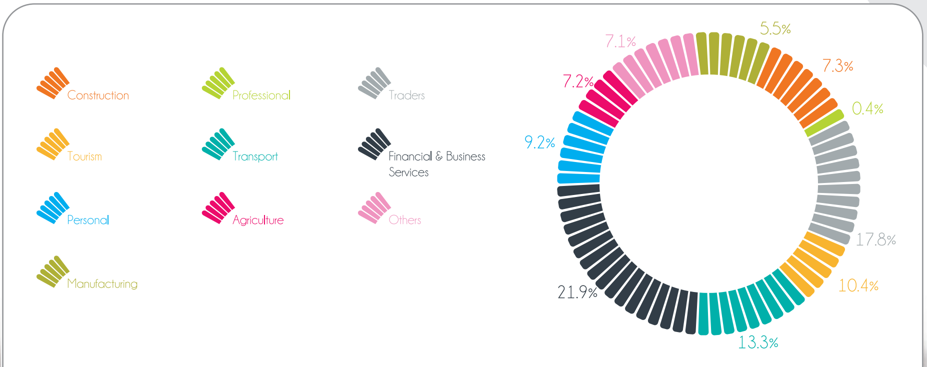
Cash in hand and balances with Central Bank and other financial institutions stood at Rs 3.2billion at 30th June 2014 (FY12/13: Rs 2.2billion).

MANAGEMENT DISCUSSION AND ANALYSIS

Credit Exposure

Despite the difficult operating environment and heightened competition including the non-bank financial institutions, the loans and advances portfolio grew marginally by 8% to Rs 2.7billion at 30th June 2014. This increase was sustained by our ability to consolidate and expand our existing business segments and by venturing timidly on cross-border lending.

In line with prudential regulation and cognizant of the importance of sectorial portfolio diversification, the bank has maintained its endeavours to ensure that credit granted is diversified across the various economic sectors with a view to minimising any concentration risks.



Provisioning and Asset Quality

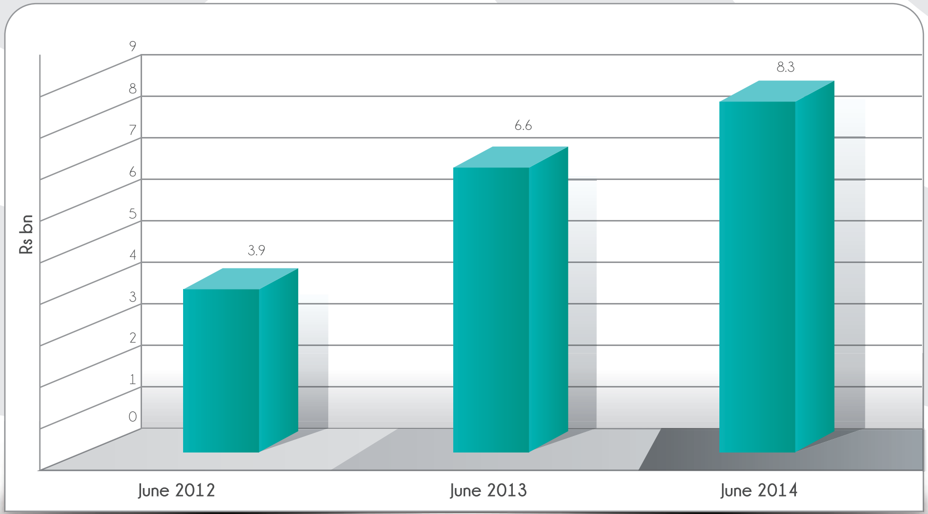
During the year under review, the bank has been focusing on two fronts notably; a rigorous control and credit assessment. Efforts are being continuously geared towards recovery to improve the portfolio quality and mix. Tantamount of same, the ratio of non-performing accounts to gross loans and advances dropped from 15.9% to 11.7% at close of books; with the uncovered portion shielded by a suitable level of collateral.

The overall provisioning for the bank as at 30th June 2014 stood at Rs 124million [FY12/13: Rs 82million].

FUNDING

Deposits

Deposits from customers grew by 25% to reach Rs 8.3billion (FY12/13: Rs 6.6billion) driven mostly by an expansion in low cost foreign currency denominated deposits and the bank's constant efforts to mobilise savings and deposits in an environment characterised by excess liquidity. At 30th June 2014, time deposits accounted for 41.7% of the bank's overall deposit portfolio (FY12/13: 53.2%). 42.5% of total deposits were denominated in foreign currencies at end of June 2014 (FY12/13: 29.8%).



Capital Resources

A year on year increase of 22% from Rs 321million to Rs 390million was noted in Shareholders' Funds at 30th June 2014. This rise has been fuelled by a capital injection of Rs 51.8million and a positive growth in retained earnings. On an overall basis, the bank has maintained a fairly comfortable level of capitalisation as attested by its risk-weighted capital adequacy ratio of 11.2% and is endeavouring to maintain adequate buffers in support of its expansion strategy as well as to comply with the new Basel III requirements.

RISK REPORT

1. Key Highlights of the FY2014

The FY2014 was a year of progress and growth for the bank, while the risk framework was reinforced.

- The Risk Categorisation Policy defining parameters for rating customers has been defined and approved by the Risk Management Committee.
- The key positions – Head of Corporate, Head of Treasury and IT Manager have been filled.
- The Guideline on Scope of Application of Basel III and Eligible Capital, effective as from July 2014 was released in June 2014. The bank is already geared to implement same.
- The bank further strengthened the capital base via a rights issue in March 2014 and June 2014. Total capital raised during the year amounted to Rs 51.8million.
- Loans and advances portfolio improved by 7%, underpinned by growth in loans and advances other than leasing. The leasing portfolio accounted for 45.8% of gross loans and advances, from 59% a year ago.
- With increased focus and restructuring of the recovery team, the credit quality improved further, extending the positive trend experienced since June 2013. NPL decreased from 15.9% as at June 2013 to 11.7% as at June 2014.
- With the growth in the International Banking business, investments in sovereign bonds – Rwanda and Ghana valued at USD905,259 (as at 30 June 2014) were effected.
- On the liquidity side, the customer deposit base has been diversified and new limits contracted with banks.
- A new system for tracking the complaints from clients has been rolled out. This will ensure prompt resolution, improve service and reduce reputational risk.

2. Risk Governance Structure

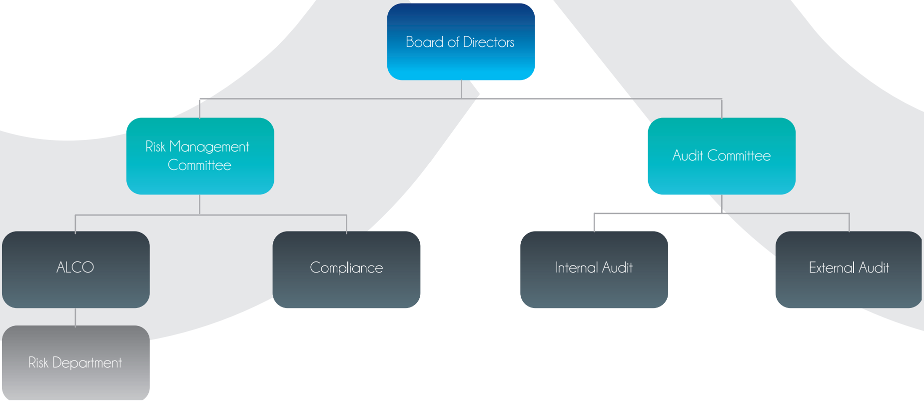
The risk management process comprises of the following five steps

The process seeks to ensure that the risk exposures are adequately managed within the set limits and guidelines.

The risk framework aims to manage rather than eliminate the risk of failure in order to achieve the business objectives. It can provide reasonable but not absolute assurance against material misstatement or loss. The bank seeks to ensure that the expected returns compensate for the risks taken and appropriate measures are put in place to mitigate any identified weaknesses in the control environment.

The risk function is independent of, but closely interacts with other departments to ensure the appropriate flow of information and controls are in place.

3. Risk Governance Framework



• 3.1 Board Oversight and Management of Risks and Internal Control

The Board of the bank is responsible for determining the long term strategy of the business, the markets in which it operates and the level of risk acceptable to the bank. The bank has both a domestic and international client base.

The Board has the responsibility of ensuring that management maintains an effective system of Risk Management and Internal Control and for reviewing its effectiveness.

The Board is principally responsible for
- Establishing risk appetite and tolerance
- Approving risk management policies
- Overseeing policy compliance and effectiveness of the risk systems, controls and policies to meet the requirements of regulations

RISK REPORT

• 3.2 Risk Management Committee

The Risk Management Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to corporate accountability and risk in terms of management, assurance and reporting.

Responsibilities include
- Determining risk tolerance and appetite
- Reviewing and assessing the integrity of the risk control systems
- Reviewing policies and ensuring risk policies and strategies are effectively managed
- Monitoring exposures against limits set
- Monitoring and reviewing related party transactions, their terms and conditions
- Reviewing the ICAAP document and recommending same to the Board
- Ensuring the effectiveness of procedures and compliance with Bank of Mauritius Guidelines

• 3.3 Assets and Liabilities Committee (ALCO)

The ALCO comprises of the following members or be as determined by the Risk Management Committee:

Managing Director
General Manager
Strategic Business Executive
Head of Finance
Head of Risk and Credit
Head of Treasury

Other employees or professional advisers including the Head of Internal Audit may be invited to attend depending on the agenda to be discussed.

The Committee meets every quarter. The Chairman of ALCO may also convene a special meeting of the Committee in the event an issue arises that cannot wait until the next regularly scheduled meeting and the issue cannot be adequately dealt with via a quorum of ALCO members or the rapid response protocol.

ALCO is responsible for maintaining:
- Appropriate limits on risk taking
- Adequate systems and standards for measuring risk
- Standards for valuing positions and measuring performance
- A comprehensive interest rate risk reporting and interest rate risk management review process
- Effective internal controls

ALCO is also responsible for
- Analysing monthly reports of the bank's liquidity exposure and monitoring exposure against the limits.
- Reviewing and monitoring interest rate risk and recommending alterations in the features, terms, rates or prices of the bank's deposit and loan products in order to reduce market risk and recommend same to the Risk Management Committee for approval.

- Recommending the selling or purchasing of securities with defined features or terms in order to reduce market risk to the Board or Risk Management Committee for approval.
- Monitoring the bank's use of borrowed funds, as it deems appropriate for the management of risk.

ROLE OF ALCO AS REGARDS ICAAP

- Review and recommend to the Board the capital plan of the bank at annual intervals and lay down capital planning process and responsibilities as well as contingency planning for dealing with deviations and unexpected events like restrictions on business activities.
- Develop an internal strategy for maintaining adequate capital, which reflects desired level of risk coverage, expected balance sheet growth, future sources and application of fund, acquisitions, new products and services, market image, strategic goals.
- Review and appraise the capital management, targets and planning of the bank.
- Ensure that stress testing and scenario analyses have been carried out to arrive at capital adequacy level.
- Ensure that new risks arising out of events like new product launch, new business, changes in concentration, changes in the quality of portfolio or in overall economic scenario have been properly incorporated in the risk assessment.
- Apprise the Board of Directors on the capital adequacy level.

• 3.4 Audit Committee

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities by monitoring management's approach with respect to financial reporting, internal control, accounting, legal and regulatory compliance, and by reviewing the Risk control framework and compliance. Major roles of Audit Committee with respect to Risk Management include

- Overseeing the effectiveness of the bank's Internal Control and Risk Management Systems
- Overseeing the policies and procedures to ensure compliance with legal and regulatory requirements
- Reviewing scope of internal audit, the annual audit plan and significant matters reported by Internal Audit department

• 3.5 Risk Department

The Risk Department develops methodologies to identify, measure, mitigate and monitor the major risks. The department reports to the Risk Management Committee and ultimately to the Board in a structured manner on credit, market and operational risk matters. The department is responsible for:

- Ensuring that risk remains within the boundaries and limits established by the Board.
- Ensuring that the business lines comply with risk parameters and prudential limits established by the Board.
- Remedial measures are implemented by the departments concerned to address identified issues and problems.
- Ensuring compliance with regulatory norms.
- Stress testing.
- Risk Reporting to Risk Management Committee on matters relating to credit, market and operational risks.
- Presenting the ICAAP to the Bank of Mauritius and addressing queries.

4. Risks

Through its normal operations, the bank is exposed to a number of risks, the most significant being credit, market and liquidity, operational, regulatory/compliance and strategic risks.

RISK REPORT

5. Credit Risk

Credit risk is the risk of financial loss that the bank may incur due to the following:

- Default risk – risk of counterparties failing to meet their contractual payment obligations.
- Settlement risk – risk that the settlement or clearance of transactions will fail.

• 5.1 Credit Risk Management Approach

On the Credit Management side, key elements in the underwriting process include:
- Segregation of the risk function from origination and sales function.
- Credit approvals are based on delegated credit approval authority of executives and Committees.

The independence of the Risk Function is to ensure the right balance between risk/return decisions and to ensure that the latter is not compromised by short term pressures to generate revenues.

Effective Credit Risk Management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. The process can be summarized as follows:
- Establishment and use of limits including individual obligor/group limits, concentration limits to control concentrations within countries and industry sectors to avoid any undue concentrations.
- Careful assessment of credit worthiness of counterparties and clients.
- Active use of credit mitigation tools.
- Monitoring compliance with limits, policy and guidelines.
- Continuous monitoring of advances and Identification of potential risky advances.
- Systematic approach to recognize credit impairment.
- Reporting to Board Risk Management Committee on risk matters.

• 5.2 Credit Policies

Credit Policies incorporating the delegated powers of approval authority are approved by the Board Risk Management Committee. Approval authorities are tiered based on line of business and aggregate credit facilities to the related customer group.

Credit Policies are reviewed on at least an annual basis. More frequent reviews are undertaken in response to changes in the economic environment or strategies.

• 5.3 Credit Risk Profile

In FY2014, the bank had exposure to sovereign bonds. The bank actively monitors country exposures, exposures to single borrowers/groups of closely related customers, industry and concentrations.

• 5.3.1 Sovereign Risk

Sovereign Risk is a type of credit risk specific to government debt. As at 30 June 2014, investment in Treasury notes amounted to 7% of total rupee deposit from 5.6% of total rupee deposit as at 30 June 2013.

Total investments in Government Bonds remained unchanged at Rs 1,991.5million (representing 42% of total rupee deposit) as at 30 June 2014.
As at 30 June 2014, investments in sovereign bonds were as follows:

	USD	% of Tier 1 Capital
Rwanda	417,559	3.5
Ghana	487,700	4.1

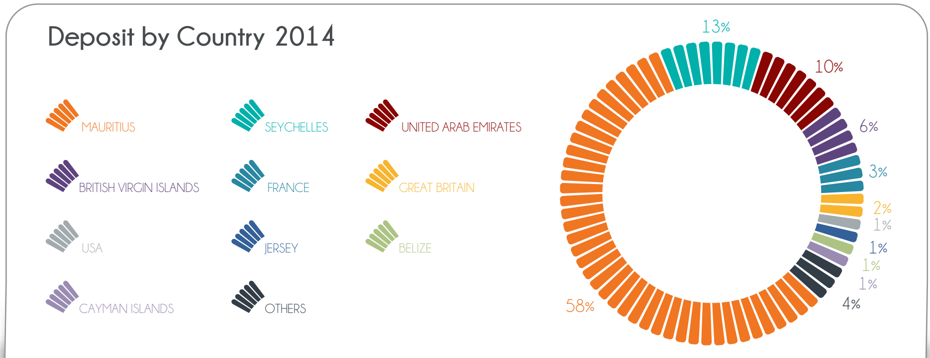
• 5.3.2 Country Risk

Country risk refers to the risk attributable to events in a specific country. It is the risk of loss associated with lending, pre-settlement, money market and investment transactions in any given country. The occurrence of a country risk event may result in all counterparties in a country to be unable to effect timely payments, despite their willingness to meet contractual debt obligations.

With the expansion in International Business segment, the bank has started to grant loans to entities/invest in corporate bonds under Segment B. Country risk is taken into account in the credit approval process of clients under Segment B as the country risk event may impact on the default probability of counterparties.

To manage and assess country risk, the bank uses Moody's, Standard and Poor's and /or Fitch ratings. Country limits are worked out based on the country risk ratings and the bank's Tier 1 capital.

Segment A (domestic) exposure still predominates, with 92.7% as at 30 June 2014 (including Gross total loans and advances, Investments in Corporate Bonds and Non fund based exposure) while Segment B represented 7.3% of exposure. On the deposit side, 42.4% of the bank's deposits pertain to International Banking customers.



• 5.3.3 Bank Risk

Moody's, Standard and Poor's and /or Fitch ratings are also used to assess the counterparty risk related to financial institutions. Limits on banks have been worked out based on the ratings of the banks and the bank's Tier 1 capital. Where ratings are not available, other parameters are taken into consideration, including the financial strength and reputation of the bank, tenor of exposure and return on the placement.

Surplus funds are invested in treasury bills/bonds or placed with other banks.

RISK REPORT

• 5.3.4 Concentration Risk

Concentration Risk refers to a bank's loss potential through uneven distribution of dependencies on specific risk drivers. Concentration Risk is encountered within and across counterparties, products, business sectors or geographical regions/countries.

The effective management and limitation of concentration risk is carried out by setting limits by banks, sectors, group and single exposure limits and by monitoring exposures against these limits.

Sector concentration

	Exposure (out bal) Jun-13		Exposure (out bal)* Jun-14					
			Domestic		Non-Resident		Total	
SECTOR	Rs m	% of Total Exposure	Rs m**	% of Total Exposure	Rs m Equiv.	% of Total Exposure	Rsm Equiv.	% of Total Exposure
							309.4	
Agriculture and Fishing	190.9	7.6%	197.4	7.4%	112.0	53.1%	150.0	10.7%
Manufacturing	162.5	6.4%	150.0	5.6%			284.2	5.2%
Tourism	179.4	7.1%	284.2	10.6%			365.5	9.9%
Transport	396.2	15.7%	365.5	13.7%			198.6	12.7%
Construction	197.6	7.8%	198.6	7.4%				6.9%
of which Commercial, Residential and Land Parcelling							78.5	
	61.8	2.4%	78.5	2.9%				2.7%
Traders							488.5	
ICT	506.5	20.1%	488.5	18.3%			23.1	16.9%
Financial & Business Services	25.0	1.0%	23.1	0.9%				0.8%
Infrastructure							629.2	
Professional	380.0	15.1%	540.3	20.2%	88.9	42.2%	5.7	21.8%
Health Development	5.5	0.2%	5.7	0.2%			9.8	0.2%
Education	6.9	0.3%	9.8	0.4%			1.2	0.3%
Media entertainment	3.0	0.1%	1.2	0.0%			3.3	0.0%
Other services	6.1	0.2%	3.3	0.1%			15.2	0.1%
Personal	18.3	0.7%	15.2	0.6%			149.8	0.5%
	123.9	4.9%	149.8	5.6%			251.3	5.2%
Total	320.8	12.7%	241.4	9.0%	9.9	4.7%		8.7%
							2884.9	
	2522.6	100%	2674.1	100%	210.8	100%		100%

* Exposure includes investments in corporate bonds, non fund base exposure

** Includes FCY loans in MUR equivalent

Table 1: Sector-wise distribution

With respect to breakdown by sectors, as at 30 June 2014, Financial and Business Services represented the largest sector to which the bank is exposed followed by Traders. 62.1% of the total exposure was concentrated in top 4 sectors (Financial and Business Services, Traders, Transport, Agriculture and Fishing) as at 30 June 2014. All sectors are within the respective internal prudential limits approved by the Board. It is to be noted that exposure to the Commercial, Residential and Land parcelling segment is well within the regulatory limit of 15% applicable as from July 2014. Exposures to the Tourism and Personal segments are within the regulatory limits of 25% and 15% respectively (applicable as from July 2014).

• 5.3.5 Credit Concentration Risk for large exposures

The bank is exposed to the credit risk of large individual single counterparties. In the event of default of their obligations to the bank, this will have a significant impact on impairment charge.

The bank is in compliance with the Bank of Mauritius Guideline on Credit Concentration Limits. The bank ensures that it does not grant credit to a single customer or group of related customers which exceeds the regulatory limit stipulated in the Guideline.

The table below provides a breakdown of the bank's top credit exposures (group) exceeding 15% of capital base after netting off of deposits.

Group of Closely related Customers	Net Exposure as at 30.06.2014 (Rs m)	% of Bank's Capital Base
1	183.4	36.4%
2	178.4	35.4%
3	112.0	22.2%
4	105.7	21.0%
5	100.0	19.9%
6	97.5	19.4%
7	95.4	18.9%
8	92.3	18.3%
9	90.8	18.0%
10	90.8	18.0%
11	79.5	15.8%
12	76.0	15.1%
Total	1,301.9	258.5%

Table 2 : Credit Concentration - Per Group of Closely Related Customers

The bank has been able to diversify its client base during the year. As at 30 June 2014, 12 groups of closely related customers had group exposures exceeding 15% of the Bank's Capital Base compared with 7 groups as at 30 June 2013. The aggregate of the exposures are within the regulatory limit of 600% of bank's capital base. The regulatory limit will be reduced to 400% of bank's capital base as from 01 Jan 2015.

•5.3.6 Related Party Transactions

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions.

As at 30 June 2014, the bank's exposure to related parties did not exceed the limits. The Bank's exposures to non-exempt related parties aggregated to Rs 164.4million, representing 45.6% of Tier 1 Capital (from Rs 129.6million as at June 2013). The top 6 exposures to related parties aggregated Rs 142.7million as at 30 June 2014 from Rs 109.7million as at 30 June 2013. The top 6 exposures represented 10.1%, 8.8%, 7.1%, 5.2%, 4.5% and 3.9% of Tier 1 Capital respectively. None of the facilities granted to related parties was impaired.

RISK REPORT

• 5.4 Credit Risk Mitigation

Potential Credit Losses are mitigated by the use of collateral and other guarantees where feasible. For Corporate deals, legal opinions are sought and documentation is reviewed by the legal advisor where required.

Policies and guidelines are in place regarding the types of collateral acceptable to the bank, their strengths as credit risk mitigation and the valuation frequencies. Physical collateral are insured against all risks.

Corporate Money Market lines are unsecured. However, these facilities are granted on short term basis to mitigate the risks and rolled over depending on the liquidity position of the bank.

• 5.5 Credit Risk Quality

Ratio	As at 30 June 2014	As at 30 June 2013	As at 30 June 2012
Non performing loans/ Gross loans	11.7%	15.9%	16.6%
Total Provision/ Non performing loans	38.9%	20.4%	18.6%
Specific Provision/Non performing loans	35.7%	17.7%	15.1%

Table 3: Key Indicators of asset quality

NPLs as a percentage of gross advances came down to 11.7% as at 30 June 2014 from 15.9% as at 30 June 2013 with the increased focus and restructuring of the recovery team. The decrease is on the back of a 20.6% decrease in NPL coupled with an increase of 8.4% in gross loans and advances. Specific Provision amounted to 35.7% of the non performing advances as at June 2014 from 17.7% as at June 2013. The performance of the Recovery team is reviewed on a monthly basis by Supervisory Monitoring Committee. The focus is on bringing down the impairment level and ensuring prompt recovery of assets.

6. Market Risk Management

Market Risk refers to the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other market changes.

The Assets and Liabilities Committee (ALCO) and the Risk Management Committee are involved in evaluating, managing and monitoring the market risks of the bank. Performance is monitored against policy limits and gap analysis undertaken to ensure that market risk is captured, reported and effectively managed.

• 6.1 Liquidity Risk

Liquidity Risk is the potential loss to a bank arising from either its inability to meet its obligations when they fall due or to fund increases in assets without incurring unacceptable cost or losses. Large unexpected outflows resulting from customer withdrawals and unplanned loan drawdowns may impact on the balance sheet and entail inability to fulfill lending obligations and a failure to meet liquidity regulatory requirements.

• 6.1.1 Liquidity Risk Management

The bank manages liquidity risk in accordance with the Guideline on Liquidity Risk Management and within the risk appetite and tolerance of the bank for liquidity risk. The market risk policy of the bank sets out the framework within which the liquidity of the bank is managed and monitored. Liquidity risk is managed at Treasury level.

Primary funding sources are from deposits across retail and corporate clients. Our funding strategy is to diversify the funding base while ensuring access to alternate funding sources to be able to meet unexpected demands.

Funding, liquidity, and foreign exchange exposures in the banking book are managed centrally by the Treasury.

The bank's Liquidity Management Processes are based on the following:

- Liquidity gap analysis. Mismatches are translated into short term and long term funding strategies.
- Limited undue concentration on any single counterparty, group of counterparties for Term Funding.
- Monitoring of the ratios against the limits set.
- Maintenance of Liquidity contingency plan and the identification of alternative sources of funds in the market.

Limits are reviewed at least annually or more frequently if required to ensure that they remain relevant in the context of prevailing market conditions and business strategy. Some of the liquidity risk management tools include monitoring the list of top depositors, funding source mixture and maturity profile of funding sources. Excesses above limits are ratified at Board Risk Management Committee.

• 6.1.2 Principal sources of Funding

The principal source of funding remains customer deposits, comprising of savings, call deposits and term deposits. Total deposits increased to Rs 8,258million as at end of June 2014 from Rs 6,594million as at end of June 2013. Of this, 57.5% accounted for MUR deposits (70% as at end of June 2013) and 42.5% for FCY deposits (30% as at end of June 2013).

• 6.1.3 Liquid Asset Ratio

The Liquid Asset Ratio measures the extent to which assets can be readily converted into cash or cash substitutes to meet financial commitments. The liquid asset ratio (MUR) amounted to 6.4% as at June 2014 compared with 3.6% as at June 2013.

RISK REPORT

• 6.1.4 Contingent Liquidity Risk

Committed credit facilities, whilst drawn in period of liquidity crises, give rise to contingent liquidity risk. The liquidity gap is worked out taking into account committed exposures to assess the risk as part of the stress testing exercise.

• 6.2 Interest Rate Risk

Interest Rate Risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. Interest rate risk is the potential negative impact on the Net Interest Income and refers to the vulnerabilities of the bank's financial condition to movement in interest rates. In line with the Guideline on Measurement and Management of Market Risk, the bank conducts repricing gap analysis for individual currencies accounting for 5% or more of the bank's banking book total assets or liabilities.

The tables below provide an analysis of the interest rate risk exposure for the bank. As at 30 June 2014, currencies accounting for 5% or more of total assets included MUR, USD, EUR. The up to 3 months column includes assets and liabilities bearing floating rates of interest that do not reprice at set dates, but reprice whenever the underlying interest rate changes.

REPRICING GAP – BANK

As at 30 June 2014

	Up to 3 months Rs m	3-6 months Rs m	6-12 months Rs m	1-2 years Rs m	2-5 years Rs m	Over 5 years Rs m	Non interest sensitive Rs m
Assets	3,008.5	152.6	401.4	610.2	640.8	1,932.9	2,410.9
Liabilities	2,403.4	213.6	1,307.8	435.2	639.9	-	3,643.4
On Balance sheet interest rate repricing gap	605.1	(61.0)	(906.3)	174.9	0.8	1,932.9	(1,232.5)
Cumulative repricing gap	605.1	544.1	(362.2)	(187.3)	(186.4)	1,746.5	514.0

REPRICING GAP – BANK

As at 30 June 2013

	Up to 3 months Rs m	3-6 months Rs m	6-12 months Rs m	1-2 years Rs m	2-5 years Rs m	Over 5 years Rs m	Non interest sensitive Rs m
Assets	2,114.5	258.7	1,483.2	310.5	877.3	1,239.3	1,117.2
Liabilities	2,149.0	541.4	1,022.2	574.2	593.8	-	2,117.4
On Balance sheet interest rate repricing gap	(34.5)	(282.8)	461.0	(263.8)	283.5	1,239.3	(1000.2)
Cumulative repricing gap	(34.5)	(317.3)	143.7	(120.1)	163.4	1,402.8	402.6

REPRICING GAP – MUR

As at 30 June 2014

	Up to 3 months Rs m	3-6 months Rs m	6-12 months Rs m	1-2 years Rs m	2-5 years Rs m	Over 5 years Rs m	Non interest sensitive Rs m
Assets	1,125.8	92.0	168.6	610.2	640.8	1,793.5	1,175.1
Liabilities	2,292.3	201.1	1,295.3	435.2	639.9	-	265.1
On Balance sheet interest rate repricing gap	(1,166.4)	(109.1)	(1,126.7)	174.9	0.8	1,793.5	909.9
Cumulative repricing gap	(1,166.4)	(1,275.5)	(2,402.2)	(2,227.3)	(2,226.4)	(432.9)	477.0

REPRICING GAP – USD

As at 30 June 2014

	Up to 3 months Rs m	3-6 months Rs m	6-12 months Rs m	1-2 years Rs m	2-5 years Rs m	Over 5 years Rs m	Non interest sensitive Rs m
Assets	450.5	60.6	159.0	-	-	139.4	317.6
Liabilities	7.0	0.7	0.3	-	-	-	1,109.2
On Balance sheet interest rate repricing gap	443.4	59.9	158.7	0.0	0.0	139.4	(791.6)
Cumulative repricing gap	443.4	503.3	662.0	662.0	662.0	801.5	9.9

REPRICING GAP – EUR

As at 30 June 2014

	Up to 3 months Rs m	3-6 months Rs m	6-12 months Rs m	1-2 years Rs m	2-5 years Rs m	Over 5 years Rs m	Non interest sensitive Rs m
Assets	1,169.0	-	69.9	-	-	-	511.8
Liabilities	21.6	-	8.2	-	-	-	1,697.0
On Balance sheet interest rate repricing gap	1,147.5	0.0	61.7	0.0	0.0	0.0	(1,185.2)
Cumulative repricing gap	1,147.5	1,147.5	1,209.1	1,209.1	1,209.1	1,209.1	23.9

Tables 4 : Repricing gap

The risk department tracks and reviews the gap analysis to recommend strategies to reduce the repricing mismatches and manage the interest rate risk. The findings and compliance reports are sent to ALCO members on a monthly basis for review. ALCO meetings are held on a quarterly basis.

Management of interest rate risk is measured from earnings perspective. Earnings perspective involves analyzing the impact of changes in interest rates on reported earnings in the short term.

Earnings at Risk is used by the bank to measure the sensitivity of net interest income over the next 12 months. The bank assesses the impact of various interest rate shocks on net interest income over a static 12 months period assuming a static position.

RISK REPORT

Analysis of 50 basis points movement up and down on interest earning assets and interest bearing liabilities has been carried out for respective currencies as below. The table below indicates that a 100 basis points decrease in interest rate for MUR will have a positive impact of MUR 13.8million on our profit and loss and vice versa in the event of an increase. In order to reduce the interest rate risk on MUR, the bank will focus on further growing the floating rate assets in line with the growth of floating rate deposits.

Currency	Change in Basis Points	Sensitivity of Profit or Lossand Equity Rs m
EUR	+50	+5.3
	-50	-5.3
USD	+50	+2.4
	-50	-2.4
GBP	+50	+0.7
	-50	-0.7
MUR	+50	-6.9
	-50	+6.9
	+100	-13.8
	-100	+13.8

• 6.3 Foreign Exchange Risk

Foreign exchange risk refers to the risk that the bank may suffer loss as a result of adverse exchange rate movement during which period it has an open position, either spot or forward, or both in the same foreign currency. There is also settlement risk arising out of default of the counterparty and time lag in settlement of currencies due to different time zones.

The risk element in foreign exchange risk is managed and monitored against appropriate limits – open position, stop loss limits, Day light as well as overnight limits for each currency. To manage the foreign exchange risk, dealers operate within the prudential limits approved by the Board and the regulatory limit as prescribed by the Bank of Mauritius. The regulatory limit is 15% of the bank's Tier 1 capital.

• 6.4 Value at Risk (VaR)

VaR is used to determine the potential loss from adverse currency movements under normal conditions. VaR is based on historical observation period of 12 months and using a one day holding period and a confidence interval of 99%. VaR is calculated based on exposure at close of business. There is the risk that intraday trading and exposures may vary from close of day level, but given that the volume is low, the risk is mitigated. VaR as at 30 June 2014 came to Rs 54,511 from Rs 34,536 as at 30 June 2013.

7. Operational Risk Management

Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk. It is not possible to eliminate all operational risks. However, the likelihood of material operational risks should be reduced by introducing mitigating controls.

• 7.1 Key types of Operational Risk

- Processing Risk
- People Risk
- Legal Risk
- Compliance Risk
- Technology Risk

• 7.2 Management of Operational Risk

The bank identifies and manages operational risks in the following ways:

i) Reporting by Business units of the specific operational risks inherent in their business activities on both regular and event-driven basis.
ii) Key Risk Indicators have been developed, where appropriate to act as early warning signals for risk of potential losses. The Key Risk Indicators are reported to the Risk Management Committee on a quarterly basis.
iii) Tracking of Loss incidents.
iv) Processes and procedures of the different departments are reviewed by the Risk Management Team.

The main responsibility for the management of Operational Risk and compliance with control requirements rests with the business and functional units where the risk arises.

To mitigate the impact of some operational risks, measures used by the bank include the following:

i) Complaints tracking and prompt resolution of issues
ii) Capital management
iii) Risk transfer via Insurance
iv) Disaster recovery and business continuity plans

8. Information Technology Risk

IT Risk forms an integral part of operational risk management. An IT Steering Committee comprising of senior executives meets on regular basis to discuss on IT matters and resolution. IT KRIs, including system downtime, incidents, Virus detection are tracked, monitored and reported quarterly to the Risk Management Committee.

RISK REPORT

9. Strategic Risk

Strategic Risk refers to the risk to earnings and/or capital arising from adverse effects of business decisions, failure to meet the business development targets, improper implementation of business decisions/projects, unexpected external events or damage to the bank's reputation resulting from negative public opinion.

To mitigate the risk, performance against strategic plans, budgets or projects are monitored continuously.

10. Compliance and Anti Money Laundering

The compliance function ensures that the bank continuously complies with existing and emerging regulations impacting on operations. The bank recognises its responsibility to conduct business in accordance with the relevant laws and regulations. The bank is subject to supervisory governance and seeks to abide to the highest standard in terms of compliance practices. The bank's Compliance Manager reports to the Risk Management Committee.

Regular training is provided to ensure employees are kept informed of regulatory obligations and changes. To ensure consistent management of compliance risk, compliance function provides advice on regulatory issues and works closely with business and operational units.

The Compliance function through the Money Laundering Reporting Officer is also empowered to report any suspicious transactions to the Financial Intelligence Unit (FIU).

11. Internal Audit

The Head of Internal Audit, in line with the Code of Corporate Governance, reports to the Audit Committee for direction and accountability and administratively to the Managing Director. The scope of work is provided in an annual Audit Charter which is approved by the Audit Committee.

The Internal Audit function provides to management and the Audit Committee an independent view on the bank's governance, risk assessment and management and control processes. The Internal Audit team has full access to the bank's records, the management team and employees. An in-depth review of the bank's procedures is undertaken through identification and testing of key controls for design and operating effectiveness. Audit findings and recommendations are compiled into the draft audit report and discussed with the relevant departmental Heads and/ or Managers, the General Manager and the Managing Director. The final audit report includes the management comments and is circulated to the Audit Committee, Managing Director, GM and the relevant departmental Heads and/ or Managers.

Other responsibilities of the Internal Audit function include the following:
- Evaluating the procedures in place against the bank's established policies and the legal and regulatory framework;
- Performing advisory work as deemed appropriate for the bank;
- Carrying out special investigations/ reviews/ adhoc assignments as approved by the Audit Committee;

• Assessing the means of safeguarding assets and verifying the existence of such assets; and
• Evaluating the reliability and integrity of financial information.

The Internal Audit function, as part of its Audit Plan, also verifies the implementation status of its recommendations and those made by External Auditors and the Bank of Mauritius and reports same to the Audit Committee.

12. Capital Adequacy and Management

The aim of the bank is to maintain adequate capital base to support the development of business and to meet regulatory capital requirements. Regulatory capital adequacy is measured through the Capital Adequacy Ratio. This ratio measures the capital supply relative to capital demand as measured by Risk Weighted Assets. The Bank of Mauritius has exercised its discretion in fixing the minimum capital adequacy ratio at 10%, which is above the 8% norm of Basel Committee.

Risk Weighted Assets

Risk Weighted Assets are worked out by applying risk weights from prescribed risk parameters.

The bank has adopted the Standardised Approach to Credit and Market risks and the Basic Indicator Approach to Operational Risks.

Under the Standardised Approach to Credit Risks, the bank has applied risk weights in line with the Guideline on Standardised Approach to Credit Risk. For credit risk weighted exposures, both on balance sheet and off balance sheet credit exposures are taken into account. The Guideline on Standardised Approach to Credit Risk has been revised to incorporate the revised risk weights to residential and commercial loans in Segment A as well as past dues on these loans. The changes are effective as from 01 July 2014.

For regulatory purpose, the bank has adopted the Standardised Measurement Approach for market risk capital charge. The bank complies with the Guideline on Measurement and Management of Market Risk issued by the Bank of Mauritius.

For Operational risk, the Basic Indicator Approach is used by the bank. Under the Basic Indicator Approach, the capital charge of the bank is calculated by multiplying the 3 year average gross income to a beta factor of 15%.

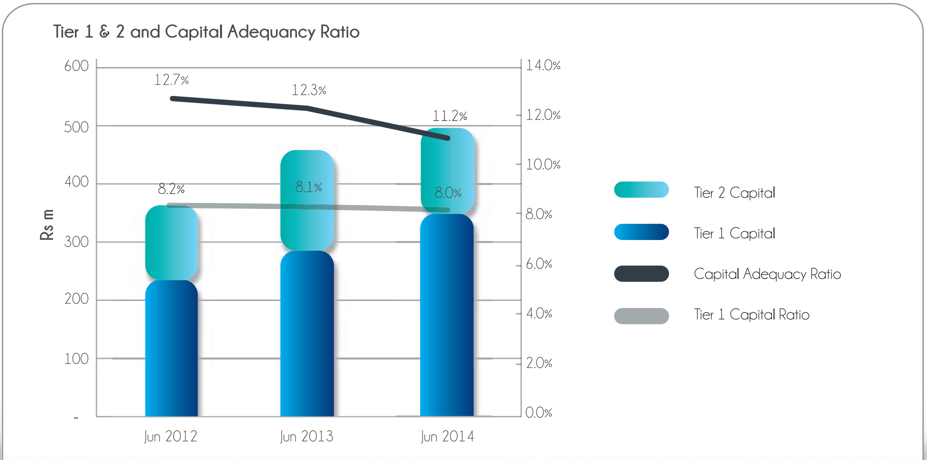
RISK REPORT

The Tier 1 and the Eligible capital adequacy ratios are provided below:

Capital Ratios (%)	June 2014	June 2013	June 2012	
Capital Base	Rs m	Rs m	Rs m	
Tier 1 Capital	360.4	297.9	220.1	
Tier 2 Capital	143.3	154.5	121.4	
Total Capital Base	503.7	452.4	341.5	
Total Risk Weighted Assets	4,512.9	3,666.5	2,686.8	
				BoM guideline
Tier 1 Capital Ratio	8.0%	8.1%	8.2%	6.5%
Capital Adequacy Ratio	11.2%	12.3%	12.7%	10.0%

Table 5: Capital Ratios

The bank Tier 1 Capital increased to Rs 360.4million as at 30 June 2014 from Rs 297.9million as at 30 June 2013 (restated) and the total capital base came to Rs 503.7million as at 30 June 2014 from Rs 452.4million as at 30 June 2013 (restated). During FY2014, the bank proceeded with a rights issue of 5,182,809 shares totalling Rs 51,828,090, in the proportion of 0.17 share for every one share. The issue was made in 2 equal calls on the 17th March 2014 and 02nd June 2014 respectively.



Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP report serves the following main purposes.

1. It documents and informs the Board of Directors as to how the bank conducts its risk assessment, the measures put in place to mitigate those risks
2. It sets out a forward looking capital planning and forecasting of capital requirements
3. It sets out a stress testing framework to ensure that the bank continues to be adequately capitalized.

As at 30 June 2014, the bank had headroom of capital of Rs 52.4million when compared with regulatory capital requirement of Rs 451.3million after taking into account the audited year-end profit. Even after accounting for Pillar II add-ons due to concentration risk, the bank has capital buffer for other risks including business strategy risks.

The table below shows the capital adequacy ratios and the breakdown of the capital base.

	Jun-14 Rs m	Jun-13 Rs m *	Jun-12 Rs m *
1:CAPITAL BASE			
Stated capital:paid up or assigned capital	356.7	304.9	234.5
Statutory reserve	14.1	11.8	11.0
General reserve	14.8	10.4	6.0
Other disclosed free reserves	2.4	-	-
Accumulated losses	-	(6.1)	(6.8)
Intangible assets	(13.7)	(15.2)	(15.3)
Deferred taxation	(13.9)	(7.9)	(7.7)
Core capital	360.4	297.9	221.6
50% of investments in capital of other banks and financial institutions	-	-	(1.5)
TIER 1 Net Core Capital (A)	360.4	297.9	220.1
Supplementary capital (Tier 2 capital)			
Portfolio provisions	10.2	10.9	14.4
Reserve on revaluation of securities not held for trading	0.8	-	1.4
Term subordinated debt	132.3	143.5	107.1
Supplementary capital	143.3	154.5	122.9
50% of investments in capital of other banks and financial institutions	-	-	(1.5)
TIER 2 Net supplementary capital (B)	143.3	154.5	121.4
Total Capital base (A+B)	503.7	452.4	341.5
11:WEIGHTED RISK ASSETS			
Weighted amount of on- balance sheet assets	4,270.4	3,488.0	2,518.2
Weighted amount of off- balance sheet assets	16.4	14.8	11.8
Weighted risk assets for operational risk	216.4	160.4	138.1
Aggregate net open foreign exchange position	9.7	3.3	18.9
Total risk weighted assets	4,512.9	3,666.5	2,686.8
CAPITAL ADEQUACY RATIO	11.2%	12.3%	12.7%

*restated for comparative purposes

RISK REPORT

Risk weighted assets

	June 2014 Amount Rs m	June 2014 Weight %	June 2014 Weighted assets Rs m	June 2014 Weighted assets % of total	June 2013 Weighted assets Rs m	June 2013 Weighted assets % of total	June 2012 Weighted assets Rs m
Risk weighted of On-Balance Sheet assets							
Cash items	16.4	0-20	-	-	-	-	-
Claims on sovereigns	2,350.9	0-100	27.4	0.6	-	-	-
Claims on central banks	715.1	0-100	69.6	1.6	0.1	0.0	0.1
Claims on banks	2,885.9	20-100	1,219.5	28.6	875.6	25.1	102.5
Claims on corporates	1,810.4	100	1,781.8	41.7	1,819.8	52.2	1,623.3
Claims on regulatory retail	310.1	75	224.2	5.3	323.3	9.3	425.2
Claims secured by residential property and commercial estate	331.2	35-100	319.3	7.5	19.1	0.5	16.8
Past due claims	89.8	50-150	122.7	2.9	184.7	5.3	188.2
Others	506.0	100	506.0	11.8	265.4	7.6	162.0
Total on Balance Sheet	9,015.7		4,270.4	100.0	3,488.0	100.0	2,518.2

As at 30 June 2014, the % share of claims on banks increased to 28.6% from 25% as at 30 June 2013. This is on account of higher placements. Claims on sovereigns and Central Banks rose as well.

Risk weighted of Off-Balance Sheet assets

	June 2014 Amount Rs m	June 2014 Credit conversion factor %	June 2014 Credit Equivalent amount Rs m	June 2014 Weight %	June 2014 Weight Amount Rs m	June 2013 Weight Amount Rs m	June 2012 Weight Amount Rs m
Trade related contingencies	4.3	20	0.8	100	0.8	-	-
Outstanding commitments	77.9	20	15.6	100	15.6	14.8	11.8
Total off Balance Sheet					16.4	14.8	11.8

Risk weighted Assets for Operational risk

	Jun 2014 Rs m	Jun 2013 Rs m	Jun 2012 Rs m
Average gross income for last 3 years	144.3	106.9	92.0
Capital Charge	21.6	16.0	13.8
Risk weighted assets for operational risk	216.4	160.4	138.1

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements for the Bank's operations in Mauritius presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Accounting Standards/International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's board of directors, acting in part through the Audit Committee, Risk Management Committee and Conduct Review Committee, which comprise independent directors, 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 Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits in coordination with the Bank's external auditors. 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.

....	....	....
Philippe Chan Kin, *C.B.E.*	Professor Donald Ah Chuen, *G.O.S.K*	Robert Chung Tung
Chairman	Managing Director	Chairman of Audit Committee

September, 24 2014

AUDITOR'S REPORT

Independent auditor's report to the shareholders of ABC Banking Corporation Ltd

This report is made solely to the shareholders of ABC Banking Corporation Ltd (the "Bank"), 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.

Report on the Financial Statements

We have audited the Financial Statements of ABC Banking Corporation Ltd ("the Bank") set out on pages 86 to 146 which comprise the statement of financial position as at 30 June 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

AUDITOR'S REPORT

Opinion

In our opinion, the financial statements on pages 86 to 146 give a true and fair view of the financial position of the Bank as at 30 June 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

We have no relationship with, or interests in, the Bank other than in our capacities as auditors and arm's length dealings in the ordinary course of business.

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

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

Banking Act 2004

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

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

The Financial Reporting Act 2004

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

In our opinion, the disclosures in the annual report are consistent with the requirements of the Code.

Deloitte
Chartered Accountants
September 24, 2014

L.Yeung Sik Yuen, ACA
Licensed by FRC

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2014 Rs	2013 Restated Rs	2012 Restated Rs
ASSETS				
Cash and cash equivalents	6	**2,805,820,364**	1,180,200,869	383,006,543
Loans to and placements with banks	7	**410,357,000**	985,271,614	120,592,750
Loans and advances to customers	8	**2,611,531,008**	2,440,553,848	2,376,953,997
Investment securities	9	**2,549,821,997**	2,166,577,625	1,259,757,398
Investment in subsidiary	10	**-**	-	3,000,000
Property, plant and equipment	11	**140,519,789**	119,585,273	30,311,349
Intangible assets	12	**13,669,563**	15,185,060	15,330,036
Deferred tax assets	13	**13,891,899**	7,879,126	7,739,899
Current tax assets		**-**	3,920,166	5,849,073
Other assets	14	**487,445,589**	399,328,701	330,666,899
Total assets		**9,033,057,209**	7,318,502,282	4,533,207,944
LIABILITIES				
Deposits from customers	15	**8,258,162,243**	6,593,970,793	3,937,395,089
Other borrowed funds	16	**1,180,207**	50,378,328	629,732
Current tax liabilities		**7,511,567**	-	-
Other liabilities	18	**194,052,836**	171,233,815	165,027,636
Preference shares	19	**182,407,187**	182,407,187	182,407,187
Total liabilities		**8,643,314,040**	6,997,990,123	4,285,459,644
Shareholders' Equity				
Stated capital	20	**356,699,200**	304,871,110	234,516,240
Retained earnings/(Accumulated losses)		**2,360,009**	(6,095,409)	(6,776,537)
Other reserves	21	**30,683,960**	21,736,458	20,008,597
Capital and reserves		**389,743,169**	320,512,159	247,748,300
Total equity and liabilities		**9,033,057,209**	7,318,502,282	4,533,207,944

These financial statements have been approved and authorised for issue by the Board of Directors on September 24, 2014

Philippe Chan Kin, *C.B.E* Chairman	Professor Donald Ah Chuen, *G.O.S.K* Managing Director	Robert Chung Tung Chairman of Audit Committee

The Notes set out on pages 90 to 146 form part of these financial statements.
Auditors' report on pages 84 and 85.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Rs	2013 Restated Rs	2012 Restated Rs
Interest income		**383,602,068**	338,143,578	297,302,672
Interest expense		**(268,857,872)**	(262,576,399)	(231,577,898)
Net interest income	22	**114,744,196**	75,567,179	65,724,774
Fee and commission income		**47,542,671**	34,063,579	22,905,631
Fee and commission expense		**(5,796,650)**	(1,819,185)	(1,591,385)
Net fee and commission income	23	**41,746,021**	32,244,394	21,314,246
Other income	24	**48,231,512**	20,170,304	13,114,130
Operating income		**204,721,729**	127,981,877	100,153,150
Personnel expenses	26	**(64,694,724)**	(52,947,195)	(46,383,809)
Depreciation and amortisation	11,12	**(11,263,285)**	(8,420,701)	(6,963,128)
Other expenses	27	**(48,063,214)**	(46,470,984)	(34,560,221)
Non interest expense		**(124,021,223)**	(107,838,880)	(87,907,158)
Operating profit before impairment		**80,700,506**	20,142,997	12,245,992
Provision for credit impairment on financial assets	25	**(62,550,915)**	(12,427,111)	(21,344,064)
Operating profit/(loss) before tax		**18,149,591**	7,715,886	(9,098,072)
Tax expense	17	**(3,005,747)**	(1,789,680)	(222,331)
Profit/(loss) for the year		**15,143,844**	5,926,206	(9,320,403)
Other Comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Fair value realised on disposal of available-for-sale financial assets		**-**	(3,936,792)	-
Gain/(loss) on remeasuring available-for-sale financial assets	9(a)	**2,259,076**	419,575	(1,704,000)
Other Comprehensive income/(loss) for the year		**2,259,076**	(3,517,217)	(1,704,000)
Total Comprehensive income/(loss)		**17,402,920**	2,408,989	(11,024,403)
Earnings/(Loss) per share				
Basic	28	**0.47**	0.23	(0.42)

The Notes set out on pages 90 to 146 form part of these financial statements.
Auditors' report on pages 84 and 85.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Stated Capital Rs	Retained earnings/ (Accumulated Losses) Rs	Statutory Reserve Rs	General Banking Reserve Rs	Investment Revaluation Reserve Rs	Total Rs
At 1 July 2011-as previously reported		201,013,920	8,320,397	10,960,152	-	4,746,264	225,040,733
Reversal of portfolio provision net of tax			229,650	-	-	-	229,650
Transfer to general banking reserve			(270,176)	-	270,176	-	-
As restated		201,013,920	8,279,871	10,960,152	270,176	4,746,264	225,270,383
Loss for the year		-	(9,320,403)	-	-	-	(9,320,403)
Other comprehensive loss	9(a)	-	-	-	-	(1,704,000)	(1,704,000)
Total comprehensive loss for the year		-	(9,320,403)	-	-	(1,704,000)	(11,024,403)
Right Issue		33,502,320	-	-	-	-	33,502,320
Transfer to general banking reserve			(5,736,005)	-	5,736,005	-	-
At 30 June 2012-restated		234,516,240	(6,776,537)	10,960,152	6,006,181	3,042,264	247,748,300
At 1 July 2012 - restated		234,516,240	(6,776,537)	10,960,152	6,006,181	3,042,264	247,748,300
Profit for the year		-	5,926,206	-	-	-	5,926,206
Other comprehensive loss		-	-	-	-	(3,517,217)	(3,517,217)
Total comprehensive profit/ (loss) for the year		-	5,926,206	-	-	(3,517,217)	2,408,989
Rights issue		70,354,870	-	-	-	-	70,354,870
Transfer to statutory reserve		-	(888,931)	888,931		-	-
Transfer to general banking reserve		-	(4,356,147)	-	4,356,147	-	-
At 30 June 2013-restated		304,871,110	(6,095,409)	11,849,083	10,362,328	(474,953)	320,512,159
At 1 July 2013		304,871,110	(6,095,409)	11,849,083	10,362,328	(474,953)	320,512,159
Profit for the year		-	15,143,844	-	-	-	15,143,844
Other comprehensive income		-	-	-	-	2,259,076	2,259,076
Total comprehensive income for the year		-	15,143,844	-	-	2,259,076	17,402,920
Rights issue		51,828,090	-	-	-	-	51,828,090
Transfer to general banking reserve		-	(4,416,849)	-	4,416,849	-	-
Transfer to statutory reserve		-	(2,271,577)	2,271,577	-	-	-
At 30 June 2014		356,699,200	2,360,009	14,120,660	14,779,177	1,784,123	389,743,169

The Notes set out on pages 90 to 146 form part of these financial statements.
Auditors' report on pages 84 and 85.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Rs	2013 Restated Rs	2012 Restated Rs
Cash flows from operating activities				
Profit/(loss) before taxation		**18,149,591**	7,715,886	(9,098,072)
Adjustments for:				
Depreciation	11	**8,683,428**	5,964,852	4,975,822
Amortisation	12	**2,579,857**	2,455,849	1,987,306
Provision for credit impairment	25	**62,550,915**	12,427,111	21,344,064
Employee benefit liability	18	**136,533**	520,785	300,000
Net interest income	22	**(114,744,196)**	(75,567,179)	(65,724,774)
Profit on disposal of property, plant and equipment	24	**(170,023)**	(121,739)	(195,652)
Profit on disposal of shares	24	**-**	(4,034,621)	-
Loss on winding up of subsidiary	27	**-**	2,663,022	-
		(22,813,895)	(47,976,034)	(46,411,306)
Changes in operating assets and liabilities				
Increase in loans and advances to customers		**(231,107,509)**	(79,606,497)	(489,063,756)
Increase in other assets		**(80,380,623)**	(42,544,323)	(92,412,264)
Decrease/(Increase) in loans to and placements with banks		**574,914,613**	(864,678,864)	28,765,500
Increase in deposits from customers		**1,664,191,450**	2,656,575,704	1,406,775,845
Increase/(Decrease)in other liabilities		**42,058,678**	(23,729,999)	(9,540,050)
		1,946,862,714	1,598,039,987	798,113,969
Interest received		**373,445,236**	315,605,634	315,660,571
Interest paid		**(274,448,669)**	(219,375,613)	(204,118,393)
Income tax refund		**2,413,213**	-	-
Net cash generated from operating activities		**2,048,272,494**	1,694,270,008	909,656,147
Cash flows from investing activities				
Purchase of investment securities		**(798,516,854)**	(1,126,104,060)	(1,772,549,987)
Proceeds from sale and redemption of investment securities		**417,531,560**	219,801,237	584,200,439
Purchase of property, plant and equipment	11	**(31,234,895)**	(95,238,776)	(9,309,773)
Purchase of intangible assets	12	**(1,064,360)**	(2,310,873)	(2,098,449)
Proceeds from sale of property, plant and equipment		**1,786,974**	121,739	195,652
Net cash inflow on winding up of subsidiary		**-**	336,978	-
Net cash used in investing activities		**(411,497,575)**	(1,003,393,755)	(1,199,562,118)
Cash flows from financing activities				
Proceeds of debt securities issued and other borrowed funds	16(c)	**-**	50,000,000	-
Repayment of debt securities issued and other borrowed funds		**(50,264,266)**	(251,404)	(239,167)
Proceeds from issue of preference shares	19	**-**	-	124,981,000
Proceeds from rights issue of shares	20	**51,828,090**	70,354,870	33,502,320
Redemption of preference shares	19	**-**	-	(109,100,000)
Interest paid on preference shares		**(13,785,393)**	(13,785,393)	(17,030,236)
Net cash (used in)/generated from financing activities		**(12,221,569)**	106,318,073	32,113,917
Net Increase /(Decrease) in cash and cash equivalents		**1,624,553,350**	797,194,326	(257,792,054)
Net cash and cash equivalents at beginning of year		**1,180,200,869**	383,006,543	640,798,597
Net cash and cash equivalents at end of year	6	**2,804,754,219**	1,180,200,869	383,006,543

The Notes set out on pages 90 to 146 form part of these financial statements.
Auditors' report on pages 84 and 85.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

ABC Finance and Leasing Ltd was incorporated on 21st November 1997 as a private company and was converted to a public company in 1998.

The company has changed its name to ABC Banking Corporation Ltd (referred to as the bank) on 21st April 2010 and was granted a banking licence on 1st June 2010.

The financial statements for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 24 September 2014.

2. ACCOUNTING POLICIES

• 2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis except for available-for-sale investments that have been measured at fair value. The financial statements are presented in Mauritian Rupees (Rs) which is the bank's functional and presentation currency.

• 2.2 Statement of compliance

The financial statements of the bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

• 2.3 Summary of significant accounting policies

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

(a)Transactions and balances

Transactions in foreign currencies are initially recorded in 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 functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the profit or loss .

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(b) Leases

Finance leases

(i) Initial recognition

Assets held under a finance lease are recognised in the statement of financial position and are presented as a receivable at an amount equal to the net investment in the lease.

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the bank, and thus the lease payment receivable is treated by the bank as repayment of principal and finance income.

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable.

(ii) Subsequent measurement

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

The bank aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the bank's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Estimated unguaranteed residual values used in computing the bank's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognised immediately.

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(c) Financial instruments-initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the bank commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Held to maturity financial investments

Held to maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairment of such investments are recognised in the statement of profit or loss and other comprehensive income.

(iv) Loans to and placements with banks

Loans to and placements with banks are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held-for-trading', designated as 'Financial investment -available-for-sale' or 'Financial assets designated at fair value through profit or loss'. They are classified as 'Loans and Receivables'. After initial measurement, loans to and placements with banks are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(v) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held to maturity or loans and receivables.

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 in the 'Investmnet revaluation reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss ('Other operating income' or 'Other operating expense'). Where the bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interests earned whilst holding available-for-sale financial investments are reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of profit or loss and other comprehensive income and removed from the investment revaluation reserve.

Where the equity instrument does not have a quoted market price in an active market and whose fair value cannot be reliably measured, such unquoted equity instrument is measured at cost less impairment.

(vi) Due to customers and other borrowed funds

After initial measurement, due to customers and other borrowed funds are subsequently measured at amortised cost using the effective interest rate 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 effective interest rate.

(vii) Preference shares

The preference shares are classified as liability as the substance of the contractual arrangement results in the bank having an obligation to deliver cash to the holder. The preference shares are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

The corresponding dividends on those shares are charged to the statement of profit or loss and other comprehensive income as interest expense.

(viii) Unquoted equity investments

Equity investments which do not have a quoted market price and whose fair value cannot be measured reliably are carried at cost less impairment.

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(d) 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 where:

- the rights to receive cash flows from the asset have expired; or
- the bank has transferred its rights to receive cash flows from the asset or have 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 bank has transferred substantially all the risks and rewards of the asset, or (b) the bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When 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 bank's continuing involvement in the asset. 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 bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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, and the difference in the respective carrying amounts is recognised in profit or loss.

(e) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(e) Determination of fair value (cont'd)

Investments in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost net of any impairment loss.

(f) Impairment of financial assets

The bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Loans and advances

For loans and advances, the bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and advances 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 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 statement of profit or loss and other comprehensive income.

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(f) Impairment of financial assets (cont'd)

(i) Loans and advances (cont'd)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If loans and advance have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. 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.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years 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 directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Statutory and other regulatory reserve that exceed these amounts are accounted in general banking reserve as an appropriation of retained earnings.

(ii) Held to maturity investments

For held to maturity investments the bank assesses individually whether there is objective evidence 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the statement of profit or loss and other comprehensive income.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(f) Impairment of financial assets (cont'd)

(iii) Available-for-sale financial investments (cont'd)

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 the statement of profit or loss and other comprehensive income - is removed from equity through other comprehensive income and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iv) Renegotiated leases

Where possible, the bank seeks to restructure net investment in finance leases rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new lease conditions. Once the terms have been renegotiated, the lease is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The leases continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(g) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(g) Recognition of income and expenses (cont'd)

(i) Interest income and expense (cont'd)

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

(ii) Other operating income

Financial service fees

Financial service fees are an integral part of the effective interest rate of a financial instrument.

Such fees are generally treated as an adjustment to the effective interest rate.

Dividend income

Revenue is recognised when bank's right to receive the payment is established.

(h) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, current accounts with banks and amounts due from banks on demand or with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. 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.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. No depreciation is charged on freehold land.The estimated useful lives are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(i) Property, plant and equipment (cont'd)

• Buildings	50 years
• Improvement to building	20 years
• Other fixed assets (comprising office furniture and equipment and vault)	10 years
• Computer Equipment	4 years
• Motor Vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "other operating income" or "other operating expense" in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(j) Intangible assets

Intangible assets relate to the value of computer software. 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 to be 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 treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset. The bank does not have any intangible asset with indefinite useful life.
Amortisation is calculated using the straight-line method to write down the cost of computer software to its residual value over ten years.

(k) Impairment of non-financial assets

The bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(k) Impairment of non-financial assets (cont'd)

For assets, 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 recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

(l) Pensions and other post-employment benefits

Retirement gratuities

Pensions and other post-employment benefits relate to retirement gratuities payable under the Employment Rights Act 2008 and provided for. The obligations arising under this item are not funded.

(m) Provisions

Provisions are recognised when the the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(n) Taxes

(i) Current tax

Current tax liabilities for the current and prior years are measured at the amount expected to be 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.

(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 assets are recognised for all deductible temporary differences and carry forward of unused tax credits, 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 can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(n) Taxes (cont'd)

(ii) Deferred tax (cont'd)

each statement of financial position 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 statement of financial position 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) Value Added Tax

Revenues, expenses and assets are recognised net of the amount of value added taxes except:

• where the value added taxes incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

• receivables and payables that are stated with the amount of value added tax included.

The net amount of value added taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(o) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(p) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions

2. ACCOUNTING POLICIES (CONT'D)

• 2.3 Summary of significant accounting policies (cont'd)

(q) Segmental reporting

The financial statements have been prepared in line with the requirements of the Bank of Mauritius Guideline on Public Disclosure of information.

Segment B activity 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 A activity relates to all banking business other than segment B activity.

(r) Operating lease

Rentals payable under operating leases are charged to the Statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

• 2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the bank has adopted all of the new and revised standard and interpretations issued by the International Accounting Standards Board (the "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 2013.

New and revised IFRS applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any material impact on the amounts reported for current and prior years but may affect the accounting for future transitions or arrangements.

IAS 1 Presentation of financial statement - Amendments resulting from Annual Improvements 2009-2011 cycle (comparative information)

IAS 16 Property, plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 cycle (servicing equipment)

IAS 19 Employee benefits - Amended Standard resulting from the post-employment benefits and termination benefits projects

IAS 32 Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 cycle (tax effect of equity distributions)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONT'D)

IFRS 7 Financial Instruments: Disclosures - Amendments related to the offsetting of assets and liabilities

IFRS 13 Fair Value Measurement - Original issue

Relevant new and revised Standards in issue not yet effective

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 16 Property, plant and Equipment – Amendments resulting from Annual Improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation on revaluation) (effective 1 July 2014)

IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)

IAS 16 Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16 (effective 1 January 2016)

IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service (effective 1 July 2014)

IAS 24 Related Party Disclosures – Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities) (effective 1 July 2014)

IAS 32 Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities (effective 1 January 2014)

IAS 36 Impairment of Assets - Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets (Effective 1 January 2014)

IAS 38 Intangible assets- Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation) (Effective 1 July 2014)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. ACCOUNTING POLICIES (CONT'D)

• 2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONT'D)

IAS 38 Intangible assets- Amendments regarding the clarification of acceptable methods of depreciation and amortisation (Effective 1 January 2016)

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for novations of derivatives (effective 1 January 2014)

IAS 39 Financial instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018)

IFRS 7 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)

IFRS 7 Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)

IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)

IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables (Amendments for conclusion basis only))

IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52) (effective 1 July 2014)

IFRS 15 Revenue from Contracts with Customers – Original issue (effective 1 January 2017)

The directors anticipate that the application of these standards and interpretations on the above effective dates in future periods will have no material impact on the financial statements of the bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. USE OF ESTIMATES AND JUDGEMENTS

In the process of applying the bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Impairment losses on loans and advances

The bank reviews its problem assets under finance leases at each reporting date to assess whether an allowance for impairment should be recorded in the statement of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount, timing of future cash flows, future default rates, realisable value of collaterals and time required to liquidate collaterals when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant assets under finance leases, the bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in economic environment, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction

Risk is inherent in 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 bank's continuing profitability and each individual within the bank is accountable for the risk exposures relating to his or her responsibilities. The bank is exposed to credit risk, interest rate risk, liquidity risk and market risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the bank's strategic planning process.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Introduction (cont'd)

Board of Directors

The Board of Directors as well as the bank's senior management is responsible for understanding both the nature and level of risks taken by the institution and how the risk relates to adequate capital levels.

The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

Management

Management oversees the day to day operations and oversees the Debtors' unit which is responsible for the independent control of risks, including monitoring the risk exposures of finance leases.

(b) Credit risk

"Credit risk is the risk that the bank will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.
The bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. "

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure		
BANK	2014 Rs	2013 Rs	2012 Rs
Cash and cash equivalents	**2,805,820,364**	1,180,200,869	383,006,543
Loans to and placements with banks	**410,357,000**	985,271,614	120,592,750
Investment securities	**2,549,821,997**	2,166,577,625	1,259,757,398
Investment in subsidiary	**-**	-	3,000,000
Loans and advances to customers	**2,735,801,421**	2,522,604,860	2,452,956,007
Other assets	**86,286,478**	89,605,654	65,866,142
Total credit risk exposure	**8,588,087,260**	6,944,260,622	4,285,178,840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Where financial instruments are recorded at fair value the amounts shown above 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.

	Gross maximum exposure		
	2014 Rs	2013 Rs	2012 Rs
Manufacturing	**150,016,168**	162,516,203	183,711,416
Construction	**198,594,824**	197,643,629	272,319,201
Professional	**9,802,023**	6,885,486	92,127,058
Traders	**486,294,192**	506,492,686	456,528,099
Tourism	**283,681,245**	179,408,568	191,360,210
Transport	**364,764,996**	396,242,368	379,661,285
Financial and Business services	**599,211,904**	379,996,998	83,482,917
Personal	**250,718,036**	320,807,443	547,766,378
Agriculture	**197,377,106**	190,933,519	118,357,487
Others	**195,340,927**	181,677,960	127,641,956
	2,735,801,421	2,522,604,860	2,452,956,007

An industry sector analysis of the bank's allowance for credit impairment is as follows:

	2014 Rs	Restated 2013 Rs	Restated 2012 Rs
Manufacturing	**5,087,342**	3,237,030	13,119,741
Construction	**17,203,437**	16,953,779	14,412,000
Professional	**42,288**	7,910	7,166,871
Traders	**7,879,953**	7,426,638	11,798,275
Tourism	**24,537,796**	14,208,986	4,791,787
Transport	**29,823,405**	15,937,118	8,670,043
Financial and Business services	**715,037**	367,098	555,237
Personal	**17,585,216**	9,048,693	11,221,813
Agriculture	**248,214**	242,411	112,520
Others	**21,147,725**	14,621,349	4,153,723
	124,270,413	82,051,012	76,002,010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

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:
For investment in finance leases, the assets under lease are registered under ABC Banking Corporation Ltd up until the lessee pays in full the contractual amount due, whereby title is then transferred. Should the lessee default in payment, the bank has the right to undertake legal procedures to recover the asset under lease, which in substance acts as a collateral against defaults.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims.

Credit quality per class of financial assets

	2014		2013		2012	
	Neither past due nor impaired Rs	Past due or individually impaired Rs	Neither past due nor impaired Rs	Past due or individually impaired Rs	Neither past due nor impaired Rs	Past due or individually impaired Rs
Cash and cash equivalents	2,805,820,364	-	1,180,200,869	-	383,006,543	-
Loans to and placements with banks	410,357,000	-	985,271,614	-	120,592,750	-
Investment in subsidiary	-	-	-	-	3,000,000	-
Investment - unquoted equity instruments	2,470, 000	-	1,270,000	-	1,270,000	-
Financial investments - available-for-sale	81,845,357	-	3,488,475	-	10,716,100	-
Financial investments - held to maturity	2,465,506,640	-	2,161,819,150	-	1,247,771,298	-
Loan and advances to customers	2,038,117,938	697,683,483	2,101,148,999	421,455,861	1,868,609,950	584,346,057
Other assets	86,286,478	-	89,605,654	-	65,866,142	-
	7,890,403,777	697,683,483	6,522,804,761	421,455,861	3,700,832,783	584,346,057

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Impairment assessment

The main considerations for the impairment assessment of the bank's loans and advances portfolio include whether any payments of principal or interest are overdue by more than 90 days 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 bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The bank determines the allowances appropriate for each individually significant finance lease on an individual basis. Items considered when determining allowance amounts include an assessment of the counterparty's repayment plan, the availability of other financial support and 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 the loans and advances portfolio 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 assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

(c) Liquidity risk

Liquidity risk is the risk that 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 weekly basis. This incorporates an assessment of expected cash flows.

Sources of liquidity risk include unforseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset timeously with minimum risk of capital loss, unpredicted non payment of a finance lease obligation and a sudden increased demand for leases.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

The bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. 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 bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. The ratio during the period was as follows:

30 June	2014 %	2013 %	2012 %
Average during the period	**21**	25	14
Highest	**34**	32	22
Lowest	**16**	19	17

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the the bank's financial liabilities at 30 June based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the bank expect that many customers will not request repayment on the earliest date the bank could be required to pay and the table does not reflect the expected cash flows indicated by the bank's deposit retention history.

Financial liabilities

2014	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	No specific maturity Rs	Total Rs
Due to customers	5,589,698,794	1,760,268,536	908,194,913	-	-	8,258,162,243
Borrowed funds	1,134,298	45,909	-	-	-	1,180,207
Other liabilities	43,380,563	29,736,116	22,420,633	-	95,970,165	191,507,477
Preference shares	-	3,601,187	178,806,000	-	-	182,407,187
Total undiscounted financial liabilities	5,634,213,655	1,793,651,748	1,109,421,546	-	95,970,165	8,633,257,114

2013	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	No specific maturity Rs	Total Rs
Due to customers	3,739,899,601	1,842,883,161	1,011,188,031	-	-	6,593,970,793
Borrowed funds	50,064,836	199,430	114,062	-	-	50,378,328
Other liabilities	46,897,206	53,278,465	14,737,831	-	53,911,487	168,824,989
Preference shares	-	3,601,187	178,806,000	-	-	182,407,187
Total undiscounted financial liabilities	3,836,861,643	1,899,962,243	1,204,845,924	-	53,911,487	6,995,581,297

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

2012	Less than 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs.	No specific maturity Rs	Total Rs
Due to customers	1,434,940,621	1,321,684,922	1,180,769,546	-	-	3,937,395,089
Borrowed funds	61,680	189,724	378,328	-	-	629,732
Other liabilities	33,363,340	37,471,459	14,627,857	-	77,676,939	163,139,595
Preference shares	-	3,601,187	53,825,000	124,981,000	-	182,407,187
Total undiscounted financial liabilities	1,468,365,641	1,362,947,292	1,249,600,731	124,981,000	77,676,939	4,283,571,603

(d) 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.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the bank's statement of profit or loss and other comprehensive income. The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held at 30 June.

	Sensitivity of net interest income		
	2014 Rs	2013 Rs	2012 Rs
Increase in basis point - 50 bp	**(5,823,033)**	(6,170,120)	(3,933,162)
Decrease in basis point - 50 bp	**5,823,033**	6,170,120	3,933,162

Most of the assets are at fixed interest rates such that their sensitivity to interest rate risk and the corresponding impact on net interest income is immaterial.

(e) Equity price risk

Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the bank's investment portfolio.

The effect on changes in net assets (as a result of a change in the fair value of equity instruments held as available-for-sale at 30 June 2014) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Equity price risk (cont'd)

Change in price %	Effect on equity 2014 Rs	Effect on equity 2013 Rs	Effect on equity 2012 Rs
+10	**8,184,536**	348,848	1,071,610

(f) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the bank are able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(g) Foreign exchange risk

Foreign exchange risk is the risk that the bank's foreign currency positions will be negatively affected by movements in exchange rates between one currency and another. The bank exercises control over its foreign currency exposures through the allocation of trading limits. The Treasury Department monitors open positions to measure foreign exchange risk and liquidity gaps. Exposures are reported on an ongoing basis to the Assets and Liabilities Committee.

VaR as at 30 June 2014 amounted to Rs 54,511 and as at 30 June 2013 VaR was Rs 34,536.

(h) Significant accounting policies

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each classes of financial asset, financial liability and equity instruments are disclosed in Note 2 to the financial statements.

(i) Categories of financial instruments

The categories of financial instruments are disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. CAPITAL RISK MANAGEMENT

The bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of 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 Bank.
During the past year, the bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the bank's capital management are to ensure that bank comply with externally imposed capital requirements and that the bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The bank manages its capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The capital structure of the bank consists of stated capital, reserves and retained earnings. Note on stated capital is disclosed in Note 20 . The bank has to comply with the Banking Act 2004 in respect of both its stated capital and reserves which is detailed in the notes. For the year ended 30 June 2014 and at that date, the bank has complied with the regulatory requirement for both share capital and reserves. The bank manage its capital with the aim of maximising the return to the shareholders and other stakeholders.

6. CASH AND CASH EQUIVALENTS

	2014 **Rs**	2013 Rs	2012 Rs
Cash in hand	**15,264,945**	5,361,198	6,002,749
Foreign currency notes and coins	**1,129,166**	644,972	876,007
Unrestricted balances with Central Bank	**313,924,802**	155,318,512	.20,648,339
Balances with local banks	**16,333,820**	7,042,037	14,905,053
Balances with banks abroad	**1,091,676,881**	985,325,736	140,574,395
Interbank placements	**1,367,490,750**	26,508,414	200,000,000
	2,805,820,364	1,180,200,869	383,006,543

The bank earns interest at fluctuating rates based on daily bank deposit rates.
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

	2014 **Rs**	2013 Rs	2012 Rs
Balances with banks	**2,805,820,364**	1,180,200,869	383,006,543
Bank overdrafts (Note 16)	**(1,066,145)**	-	-
Cash and cash equivalents	**2,804,754,219**	1,180,200,869	383,006,543

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. LOANS TO AND PLACEMENTS WITH BANKS

	2014 Rs	2013 Rs	2012 Rs
In Mauritius	**348,677,000**	776,452,738	105,119,565
Outside Mauritius	**61,680,000**	208,818,876	15,473,185
	410,357,000	985,271,614	120,592,750

The interest rates vary from 0.05% to 3.80% (2013 from 0.1% to 4.0%, 2012 from 0.25% to 4.5%)
The maturity analysis of loans to and placements with banks is disclosed in Note 30.

8. LOANS AND ADVANCES TO CUSTOMERS

	2014 Rs	Restated 2013 Rs	Restated 2012 Rs
Retail:			
Investment in finance leases	**410,869,641**	527,760,701	680,722,522
Rental income receivable	**51,191,265**	61,324,119	70,866,422
Loans	**79,654,733**	46,799,843	42,973,128
Others	**1,899,899**	1,913,106	1,513,920
Corporate:			
Investment in finance leases	**702,222,662**	788,366,465	982,304,702
Rental income receivable	**88,839,478**	107,586,496	118,444,288
Loans	**1,146,753,946**	809,625,417	464,120,623
Others	**254,369,797**	179,228,713	92,010,402
	2,735,801,421	2,522,604,860	2,452,956,007
Less allowance for specific impairment	**(114,032,593)**	(71,111,343)	(61,562,563)
Less allowance for collective impairment	**(10,237,820)**	(10,939,669)	(14,439,447)
	2,611,531,008	2,440,553,848	2,376,953,997

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(a) Remaining term to maturity

Finance lease receivables Gross investment in finance leases:	2014 Rs	2013 Rs	2012 Rs
Up to 3 months	**126,010,339**	250,150,366	199,930,868
Over 3 months and up to 6 months	**117,960,248**	146,218,817	186,618,868
Over 6 months and up to 12 months	**211,409,989**	262,647,263	338,554,366
Over 1 year and up to 5 years	**687,028,684**	830,627,187	1,208,066,511
Over 5 years	**13,188,879**	12,972,984	35,318,570
	1,155,598,139	1,502,616,617	1,968,489,183
Unearned future finance income on finance leases	**(42,505,836)**	(186,489,451)	(305,461,959)
Net investment in finance leases	**1,113,092,303**	1,316,127,166	1,663,027,224

The net investment in finance leases may be analysed as follows:

	2014 Rs	2013 Rs	2012 Rs
Current			
- Not later than 1 year	**498,357,142**	562,901,945	579,967,581
Non current			
- Later than 1 year and not later than 5 years	**602,784,152**	741,311,411	1,052,035,986
- Later than 5 years	**11,951,009**	11,913,810	31,023,657
	1,113,092,303	1,316,127,166	1,663,027,224

Generally, the lease period is for five years (average interest rate of 9.5%).

Loans and others	2014 Rs	2013 Rs	2012 Rs
Up to 3 months	**753,326,887**	757,381,354	399,823,176
Over 3 months and up to 6 months	**75,685,415**	155,951,685	35,047,560
Over 6 months and up to 12 months	**125,306,875**	26,465,676	42,208,770
Over 1 year and up to 5 years	**369,198,735**	57,550,683	88,755,821
Over 5 years	**159,160,463**	40,217,681	34,782,746
	1,482,678,375	1,037,567,079	600,618,073

8. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(b) Credit concentration of risk by industry sectors

Sectorial concentration of loans and advances	2014 Rs	2013 Rs	2012 Rs
Manufacturing	**150,016,168**	162,516,203	183,711,416
Construction	**198,594,824**	197,643,629	272,319,201
Professional	**9,802,023**	6,885,486	92,127,058
Traders	**486,294,192**	506,492,686	456,528,099
Tourism	**283,681,245**	179,408,568	191,360,210
Transport	**364,764,996**	396,242,368	379,661,285
Financial and Business services	**599,211,904**	379,996,998	83,482,917
Personal	**250,718,036**	320,807,443	547,766,378
Agriculture	**197,377,106**	190,933,519	118,357,487
Others	**195,340,927**	181,677,960	127,641,956
	2,735,801,421	2,522,604,860	2,452,956,007

Total credit facilities including guarantees, acceptances and other similar commitments extended by the bank to any one customer or group of closely related customers for amounts aggregating more than 15% of its capital base classified by industry sectors:

Sectorial concentration of loans and advances	2014 Rs	2013 Rs	2012 Rs
Agriculture	**297,733,749**	178,270,884	69,858,354
Construction	**49,467,977**	50,097,149	75,000,000
Financial and Business Services	**537,129,821**	281,060,928	19,487,084
Information, Communication & Technology	**2,897,582**	2,073,930	187,972
Infrastructure	**569,927**	760,902	-
Manufacturing	**45,082,712**	44,619,423	15,370,338
Professional	**-**	-	3,821,287
Tourism	**114,586,491**	13,207,150	9,412,222
Traders	**176,742,413**	157,886,404	49,767,411
Transport	**63,491,583**	48,148,275	29,493,889
Others	**14,200,000**	1,445,659	135,000,000
	1,301,902,255	777,570,704	407,398,557

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(c) Impairment allowance for loans and advances

The following is a reconciliation of the individual and collective allowances for impairment losses on net investment in finance leases:

	Individual impairment Rs	Collective impairment Rs	Total Rs
At 1 July 2011-as previously stated	**53,211,249**	15,639,108	68,850,357
Transfer to reserve	-	(270,176)	(270,176)
As restated	**53,211,249**	15,368,932	68,580,181
Provision for credit impairment for the year	**30,077,178**	4,806,520	34,883,698
Provision released	**(15,057,262)**	-	(15,057,262)
Written off	**(6,668,602)**	-	(6,668,602)
Transfer to reserve	-	(5,736,005)	(5,736,005)
At 30 June 2012 (restated)	**61,562,563**	14,439,447	76,002,010
At 1 July 2012 (restated)	**61,562,563**	14,439,447	76,002,010
Provision for credit impairment for the year	**19,289,570**	856,369	20,145,939
Provision released	**(8,252,453)**	-	(8,252,453)
Written off	**(1,488,337)**	-	(1,488,337)
Transfer to reserve	-	(4,356,147)	(4,356,147)
At 30 June 2013 (restated)	**71,111,343**	10,939,669	82,051,012
At 1 July 2013	**71,111,343**	10,939,669	82,051,012
Provision for credit impairment for the year	**52,551,231**	-	52,551,231
Provision released	**(6,405,936)**	(701,849)	(7,107,785)
Written off	**(3,224,045)**	-	(3,224,045)
At 30 June 2014	**114,032,593**	10,237,820	124,270,413

(d) Allowance for credit impairment by industry sectors

	2014					Restated 2013	Restated 2012
	Gross amount of loans Rs	Impaired loans Rs	Specific allowance for credit impairment Rs	Portfolio allowance for credit impairment Rs	Total allowances for credit impairment Rs	Total allowances for credit impairment Rs	Total allowances for credit impairment Rs
Manufacturing	150,016,168	9,646,584	4,456,574	630,768	5,087,342	3,237,030	13,119,741
Construction	198,594,824	30,401,605	16,681,957	521,480	17,203,437	16,953,779	14,412,000
Professional	9,802,023	866,464	-	42,288	42,288	7,910	7,166,871
Traders	486,294,192	37,333,599	5,953,550	1,926,403	7,879,953	7,426,638	11,798,275
Tourism	283,681,245	38,088,837	23,395,522	1,142,274	24,537,796	14,208,986	4,791,787
Transport	364,764,996	99,887,955	27,623,594	2,199,811	29,823,405	15,937,118	8,670,043
Financial and Business services	599,211,904	2,690,529	336,943	378,094	715,037	367,098	555,237
Personal	250,718,036	58,780,412	15,582,856	2,002,360	17,585,216	9,048,693	11,221,813
Agriculture	197,377,106	671,740	30,873	217,341	248,214	242,411	112,520
Others	195,340,927	41,410,313	19,970,724	1,177,001	21,147,725	14,621,349	4,153,723
Total	2,735,801,421	319,778,038	114,032,593	10,237,820	124,270,413	82,051,012	76,002,010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. INVESTMENT SECURITIES

		2014 Rs	2013 Rs	2012 Rs
Unquoted equity instruments		**2,470,000**	1,270,000	1,270,000
Available-for-sale investments	9(a)	**81,845,357**	3,488,475	10,716,100
Held to maturity investment securities	9(b)	**2,465, 506,640**	2,161,819,150	1,247,771,298
		2,549,821,997	2,166,577,625	1,259,757,398

(a) Available-for-sale investments

	2014 Rs	2013 Rs	2012 Rs
Quoted securities	**81,845,357**	3,488,475	10,716,100

	2014 Rs	2013 Rs	2012 Rs
At 1 July,	**3,488,475**	10,716,100	12,420,100
Additions	**76,097,806**	-	-
Disposals	**-**	(7,647,200)	-
Unrealised fair value adjustments	**2,259,076**	419,575	(1,704,000)
At 30 June,	**81,845,357**	3,488,475	10,716,100

(b) Held to maturity investment securities

	2014 Rs	2013 Rs	2012 Rs
(i) BOM Bills and bonds	**60,103,800**	29,945,400	19,369,800
Treasury Bills	**-**	387,586,160	142,911,408
Treasury Notes	**332,013,750**	256,880,000	-
Government Bonds	**1,931,353,090**	1,487,407,590	1,085,490,090
Corporate Bonds	**142,036,000**	-	-
	2,465,506,640	2,161,819,150	1,247,771,298

(ii) Remaining term to maturity

	Up to 3 months Rs	3-12 months Rs	1 to 5 years Rs	Over 5 years Rs	2014 Total Rs	2013 Total Rs	2012 Total Rs
BOM Bills and bonds	-	-	60,103,800	-	**60,103,800**	29,945,400	19,369,800
Treasury Bills	-	-	-	-	**-**	387,586,160	142,911,408
Treasury Notes	-	-	332,013,750	-	**332,013,750**	256,880,000	-
Government Bonds	-	-	258,467,840	1,672,885,250	**1,931,353,090**	1,487,407,590	1,085,490,090
Corporate Bonds	-	-	-	142,036,000	**142,036,000**	-	-
	-	-	650,585,390	1,814,921,250	**2,465,506,640**	2,161,819,150	1,247,771,298

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. INVESTMENT SECURITIES (CONT'D)

(c) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale investment securities

	Level 1	Level 2	Level 3	**2014**	2013	2012
	Rs	Rs	Rs	**Rs**	Rs	Rs
Quoted	81,845,357	-	-	**81,845,357**	3,488,475	10,716,100

10. INVESTMENT IN SUBSIDIARY

	Principal activity	Date of acquisition	Stated Capital	Effective holding (%)			Carrying amounts (Rs)		
			Rs	**2014**	2013	2012	**2014**	2013	2012
Intercash Ltd	Money Changer	30-Jun-10	3,000,000	**-**	-	100	**-**	-	3,000,000

On 29 April 2013, Intercash Ltd was wound up and removed from the Register of companies under section 308 of the Companies Act 2001.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Improvement to building	Other Fixed Assets	Computer Equipment	Motor Vehicles	Total
	Rs	Rs	Rs	Rs	Rs	Rs.	Rs
COST							
At 1 July 2011	-	-	277,150	21,890,241	5,487,363	9,184,677	36,839,431
Additions	-	-	99,544	8,384,743	825,486	-	9,309,773
Disposals	-	-	-	-	-	(1,540,000)	(1,540,000)
At 30 June 2012	-	-	376,694	30,274,984	6,312,849	7,644,677	44,609,204
At 1 July 2012	-	-	376,694	30,274,984	6,312,849	7,644,677	44,609,204
Additions	34,846,792	58,077,988	36,800	332,509	1,944,687	-	95,238,776
Disposals	-	-	-	-	-	(360,500)	(360,500)
At 30 June 2013	34,846,792	58,077,988	413,494	30,607,493	8,257,536	7,284,177	139,487,480
At 1 July 2013	34,846,792	58,077,988	413,494	30,607,493	8,257,536	7,284,177	139,487,480
Additions	-	-	18,827,356	-	1,023,594	11,383,945	31,234,895
Disposals	-	-	-	-	(65,435)	(5,460,171)	(5,525,606)
At 30 June 2014	34,846,792	58,077,988	19,240,850	30,607,493	9,215,695	13,207,951	165,196,769
DEPRECIATION							
At 1 July 2011	-	-	8,761	2,838,261	2,200,335	5,814,676	10,862,033
Charge for the year	-	-	36,840	2,573,831	1,115,983	1,249,168	4,975,822
Disposals	-	-	-	-	-	(1,540,000)	(1,540,000)
At 30 June 2012	-	-	45,601	5,412,092	3,316,318	5,523,844	14,297,855
At 1 July 2012	-	-	45,601	5,412,092	3,316,318	5,523,844	14,297,855
Charge for the year	-	580,780	40,736	3,041,924	1,553,682	747,730	5,964,852
Disposals	-	-	-	-	-	(360,500)	(360,500)
At 30 June 2013	-	580,780	86,337	8,454,016	4,870,000	5,911,074	19,902,207
At 1 July 2013	-	580,780	86,337	8,454,016	4,870,000	5,911,074	19,902,207
Charge for the year	-	1,161,560	250,227	3,062,020	1,653,864	2,555,757	8,683,428
Disposals	-	-	-	-	(27,265)	(3,881,390)	(3,908,655)
At 30 June 2014	-	1,742,340	336,564	11,516,036	6,496,599	4,585,441	24,676,980
NET BOOK VALUE							
At 30 June 2014	34,846,792	56,335,648	18,904,286	19,091,457	2,719,096	8,622,510	140,519,789
At 30 June 2013	34,846,792	57,497,208	327,157	22,153,477	3,387,536	1,373,103	119,585,273
At 30 June 2012	-	-	331,093	24,862,892	2,996,531	2,120,833	30,311,349

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12. INTANGIBLE ASSETS

COMPUTER SOFTWARE	2014 Rs	2013 Rs	2012 Rs
COST			
At 1 July,	**22,126,798**	19,815,925	17,717,476
Additions	**1,064,360**	2,310,873	2,098,449
At 30 June,	**23,191,158**	22,126,798	19,815,925
AMORTISATION			
At 1 July,	**6,941,738**	4,485,889	2,498,583
Amortisation	**2,579,857**	2,455,849	1,987,306
At 30 June,	**9,521,595**	6,941,738	4,485,889
NET BOOK VALUE			
At 30 June,	**13,669,563**	15,185,060	15,330,036

13. DEFERRED TAX ASSETS

The deferred tax included in the statements of financial position and changes recorded in the income tax expense are as follows:

As at 1 July 2011	Rs
-As previously stated	8,002,756
Adjustment on provision for credit impairment	(40,526)
As restated	7,962,230
Accelerated tax depreciation	(1,380,605)
Impairment allowance	1,113,274
Retirement benefit obligations	45,000
As at 30 June 2012 (restated)	7,739,899
As at 1 July 2012(restated)	7,739,899
Accelerated tax depreciation	(846,241)
Impairment allowance	907,350
Retirement benefit obligations	78,118
As at 30 June 2013 (restated)	7,879,126
As at 1 July 2013	7,879,126
Accelerated tax depreciation	(340,617)
Impairment allowance	6,332,910
Retirement benefit obligations	20,480
As at 30 June 2014	13,891,899

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. DEFERRED TAX ASSETS (CONT'D)

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2014	2013	2012	2014	2013	2012
	Rs	Rs	Rs	Rs	Rs	Rs
Deferred tax liability						
Accelerated tax depreciation	**(5,130,467)**	(4,789,850)	(3,943,609)	**(340,617)**	(846,241)	(1,380,605)
Deferred income tax asset						
Impairment allowance	**18,640,562**	12,307,652	11,400,302	**6,332,910**	907,350	1,113,274
Retirement benefit obligations	**381,804**	361,324	283,206	**20,480**	78,118	45,000
	19,022,366	12,668,976	11,683,508	**6,353,390**	985,468	1,158,274
Deferred tax income/ (expense) (Note 17)				**6,012,773**	139,227	(222,331)
Deferred tax assets net	**13,891,899**	7,879,126	7,739,899			

14. OTHER ASSETS

	2014	2013	2012
	Rs	Rs	Rs
Mandatory balances with Central Bank	**401,159,111**	309,723,047	264,800,757
Receivables from related parties	**548,517**	2,345,500	5,703,247
Non banking assets acquired in satisfaction of debts	**11,790,341**	13,924,332	12,847,282
Other receivables	**73,947,620**	73,335,822	47,315,613
	487,445,589	399,328,701	330,666,899

Maturity analysis of other assets is disclosed in Note 30.

For terms and conditions relating to the related party receivables, refer to Note 31.

Other receivables are non interest bearing and are generally on 30-90 days' term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

15. DEPOSITS FROM CUSTOMERS

	2014 Rs	2013 Rs	2012 Rs
Retail customers			
Savings deposits	1,130,618,717	643,765,958	293,343,009
Other deposits	305,625,686	65,853,064	21,021,054
Time deposits with remaining term to maturity:			
Up to 3 months	162,539,132	206,995,683	138,426,998
Over 3 months and up to 6 months	104,753,845	105,197,900	86,089,782
Over 6 months and up to 12 months	426,768,139	371,456,867	402,022,915
Over 1 year and up to 5 years	622,718,808	764,429,362	784,625,926
Over 5 years	-	-	-
Corporate customers			
Savings deposits	243,413,642	499,700,558	424,442,366
Other deposits	3,132,622,151	1,876,683,498	273,687,776
Term deposits with remaining term to maturity:			
Up to 3 months	614,879,466	446,900,840	284,019,418
Over 3 months and up to 6 months	109,869,941	437,475,540	158,446,095
Over 6 months and up to 12 months	1,118,876,611	928,752,854	675,126,130
Over 1 year and up to 5 years	285,476,105	246,758,669	396,143,620
	8,258,162,243	6,593,970,793	3,937,395,089

Deposits bear interest rates ranging from 3.40% to 14.00% per annum (2013: 3.65% to 16.5%, 2012: 4.5 % to 16.5%)

16. OTHER BORROWED FUNDS

	2014 Rs	2013 Rs	2012 Rs
Bank overdraft (Note (a) & Note 6)	1,066,145	-	-
Other Loan (Note (b))	114,062	378,328	629,732
Interbank borrowings	-	50,000,000	-
	1,180,207	50,378,328	629,732

(a) The bank overdrawn balance is secured

(b) Other loan is unsecured .

The loan is repayable as follows:

	2014 Rs	2013 Rs	2012 Rs
Within 1 year	114,062	264,266	251,404
After 1 year but before 2 years		114,062	264,266
After 2 years but before 5 years	-	-	114,062
	114,062	378,328	629,732

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

16. OTHER BORROWED FUNDS (CONT'D)

The loan outstanding at the year end is as follows:

	Effective interest rate %	Maturity date	**At 30 June 2014 Rs**
Rs. 1,224,000 loan	5.00%	Nov 2014	**114,062**

17. TAX EXPENSE

Income tax is calculated at the rate of 15% (2013 and 2012: 15%) on the profit for the year
The components of income tax expense for the years ended 30 June are:

	2014 Rs	2013 Rs	2012 Rs
Current income tax	**9,018,520**	1,928,907	-
Deferred tax			
Relating to origination and reversal of temporary differences (Note 13)	**(6,012,773)**	(139,227)	222,331
(Over)/Under provision in previous years	**-**	-	-
Income tax expense	**3,005,747**	1,789,680	222,331

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by the domestic statutory tax rate for the years ended 30 June is as follows:

	2014 Rs	Restated 2013 Rs	Restated 2012 Rs
Profit/(Loss) before tax	**18,149,591**	7,715,886	(9,098,072)
At statutory income tax rate of 15% (2013 and 2012: 15%)	**2,722,439**	1,157,383	(1,364,711)
Non-deductible expenses	**2,642,770**	3,578,163	3,497,714
Exempt income	**(131,292)**	(724,187)	(135,162)
Tax loss utilised	**-**	(1,628,813)	(1,775,510)
Special levy	**3,308,207**	-	-
Income tax overprovision for the previous year	**-**	(592,866)	
Tax credit	**(5,536,377)**	-	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	**3,005,747**	1,789,680	222,331

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18. OTHER LIABILITIES

	2014 Rs	2013 Rs	2012 Rs
Interest payable on deposits	**95,537,312**	114,913,502	85,498,109
Other payables	**98,515,524**	56,320,313	79,529,527
	194,052,836	171,233,815	165,027,636

Maturity analysis of other liabilities is disclosed in Note 30.
Terms and conditions of the above financial liabilities
- Lease creditors are non-interest bearing and are normally settled on 15-30 days terms.
- Other payables comprising employee benefit liability and other accrued expenses are non-interest bearing.

Employee benefit liability

Employee benefit liability is composed of retirement gratuities payable under the Employment Rights Act 2008.

	2014 Rs	2013 Rs	2012 Rs
At 1 July,	**2,408,826**	1,888,041	1,588,041
Charge for the year	**136,533**	520,785	300,000
At 30 June,	**2,545,359**	2,408,826	1,888,041

19. PREFERENCE SHARES

	2014 Rs	2013 Rs	2012 Rs
At 1 July,	**178,806,000**	178,806,000	162,925,000
Issue of shares	**-**	-	124,981,000
Shares reedeemed	**-**	-	(109,100,000)
Interest accrued	**3,601,187**	3,601,187	3,601,187
At 30 June,	**182,407,187**	182,407,187	182,407,187

On 15 March 2007, the bank issued 10,910,000 11.5% non-cumulative preference shares at Rs 10 each and these are redeemable five years from the date of the issue. These shares carry no voting rights and confer preferential rights to distributions of capital and income over ordinary shares.

On 18 March 2011, the bank issued 7.5% cumulative redeemable preference shares amounting Rs 53,825,000 and these are redeemable six years from the date of the issue. These shares carry no voting rights and confer preferential rights to distributions of capital and income over ordinary shares.

On 2 April 2012, the bank issued 7.8% cumulative redeemable preference shares amounting to Rs 124,981,000 which have a maturity period of 6 years. While the shares carry no voting rights, except

19. PREFERENCE SHARES (CONT'D)

upon a resolution purporting to alter any of the acquired rights, they confer to its holders the right to a fixed cumulative dividend of 7.8% per annum as and when authorised by the Board and ranking before ordinary share dividend. The said shares also carry the right to a share in the distribution of the surplus assets of the bank ranking before ordinary shareholders, in the event of a winding up of the bank.

20. STATED CAPITAL

	2014 Rs	2013 Rs	2012 Rs
Issued and fully paid capital	-	-	-
Ordinary shares of Rs 10 each	**356,699,200**	304,871,110	234,516,240

ISSUED CAPITAL Issued and fully paid	2014 Rs	2013 Rs	2012 Rs
At 1 July	**304,871,110**	234,516,240	201,013,920
Rights issue	**51,828,090**	70,354,870	33,502,320
At 30 June,	**356,699,200**	304,871,110	234,516,240

All shares were issued at the nominal value of Rs 10 each.

Number of shares			
At 1 July	**30,487,111**	23,451,624	20,101,392
Rights issue	**5,182,809**	7,035,487	3,350,232
At 30 June,	**35,669,920**	30,487,111	23,451,624

Rights conferred to an ordinary share are the following: right to one vote on a poll at a meeting of the bank on any resolution, right to an equal share in dividends authorised by the Board and right to an equal share in the distribution of the surplus assets of the bank.

On 9 November 2011, the ordinary share capital of the bank was increased from Rs 201,013,920 to Rs 234,516,240 through a rights issue of 3,350,232 shares of Rs 10 each in the proportion of 1 share for every 6 shares held. The new ordinary shares rank pari passu with the existing ordinary shares in the capital of the bank.

During the year ended 30 June 2013, the bank increased its stated capital by Rs 70,354,870 by way of 2 rights issues. The first one consisted of an issue of 3,986,776 shares for a total consideration of Rs 39,867,760 on 30 Nov 2012. The said issue was done in the proportion of 0.17 share for every 1 share held. The second issue, made on 13 May 2013, was in respect of a further issue of 3,048,711 shares for a total consideration of Rs 30,487,110 in the proportion of 0.13 share for every 1 share held.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20. STATED CAPITAL (CONT'D)

On 11 February 2014, the Board of Directors has resolved to increase the ordinary share capital of the bank by Rs 51,828,090 through a rights issue of 5,182,809 ordinary shares of nominal value of Rs 10 each in the proportion of 0.17 new ordinary shares for every 1 ordinary share held. The issue date of such rights issue was on 17 March 2014 and same was made in two equal calls.

21. OTHER RESERVES

	2014 Rs	2013 Rs	2012 Rs
Investment revaluation	**1,784,123**	(474,953)	3,042,264
Statutory reserve	**14,120,660**	11,849,083	10,960,152
General banking reserve	**14,779,177**	10,362,328	6,006,181
	30,683,960	21,736,458	20,008,597

Statutory reserve

The statutory reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the net profit is transferred each year until the balance is equal to the amount paid as stated capital.

General banking reserve

The general banking reserve comprises of amounts set aside for general banking risks, including future losses and other unforseeable risks. It also includes provision made to meet other minimum regulatory provision requirements.

Investment revaluation reserve	2014 Rs	2013 Rs	2012 Rs
At 1 July,	**(474,953)**	3,042,264	4,746,264
Net unrealised gain / (loss) on available-for-sale financial investments (Note 9 (a))	**2,259,076**	(3,517,217)	(1,704,000)
At 30 June,	**1,784,123**	(474,953)	3,042,264

This reserve records fair value changes on available-for-sale financial investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22. NET INTEREST INCOME

Interest income	2014 Rs	2013 Rs	2012 Rs
Finance leases	101,023,431	143,028,189	184,108,496
Bank balances	-	9,663	68,970
Interest on late payment	15,250,185	14,323,458	16,256,354
Other advances to customers	81,818,997	53,909,223	22,831,135
Financial investments - loans to and placements with banks	21,138,725	5,288,017	11,335,117
Investment securities	164,370,730	121,585,028	62,702,600
	383,602,068	338,143,578	297,302,672

Interest expense	2014 Rs	2013 Rs	2012 Rs
Due to customers	254,345,078	248,692,684	215,729,057
Preference shares (Note 19)	13,785,393	13,785,393	15,810,734
Borrowed funds	727,401	98,322	38,107
	268,857,872	262,576,399	231,577,898
Net interest income	114,744,196	75,567,179	65,724,774

23. NET FEE AND COMMISSION INCOME

Fee and commission income	2014 Rs	2013 Rs	2012 Rs
Processing fees	4,361,904	3,401,150	13,128,355
International banking	33,330,148	19,877,573	422,815
Interbank transaction fees	1,129,421	851,282	337,096
Others	8,721,198	9,933,574	9,017,365
	47,542,671	34,063,579	22,905,631

Fee and commission expense	2014 Rs	2013 Rs	2012 Rs
Card and related fees	5,700,918	1,675,781	1,193,178
Interbank transaction fees	95,732	143,404	398,207
	5,796,650	1,819,185	1,591,385
Net fee and commission income	41,746,021	32,244,394	21,314,246

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

24. OTHER INCOME

	2014 Rs	2013 Rs	2012 Rs
Dividend income	**705,255**	592,620	705,428
Profit on disposal of property, plant and equipment	**170,023**	121,739	195,652
Profit on disposal of shares	**-**	4,034,621	-
Foreign exchange gain	**35,709,156**	11,561,656	10,556,536
Others	**11,647,078**	3,859,668	1,656,514
	48,231,512	20,170,304	13,114,130

25. PROVISION FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2014 Rs	2013 Rs	2012 Rs
Loans and advances to customers (Note 8(c))	**62,550,915**	12,427,111	21,344,064
Provision for credit impairment	**52,551,231**	20,145,939	34,883,698
Provision released	**(7,107,785)**	(8,252,453)	(15,057,262)
Bad debts recovered	**(857,039)**	(1,923,621)	-
Bad debts written off for which no provision was made	**17,964,508**	6,813,393	7,253,633
Transfer to reserve	**-**	(4,356,147)	(5,736,005)
	62,550,915	12,427,111	21,344,064

26. PERSONNEL EXPENSES

	2014 Rs	2013 Rs	2012 Rs
Wages and salaries	**57,206,491**	46,248,666	42,490,859
Employees benefit liability	**136,533**	520,785	300,000
Others	**7,351,700**	6,177,744	3,592,950
	64,694,724	52,947,195	46,383,809

27. OTHER EXPENSES

	2014 Rs	2013 Rs	2012 Rs
Motor vehicle expenses and insurance	**7,172,210**	6,223,321	4,574,340
Rental of office	**4,854,071**	4,929,503	4,878,006
Advertising	**1,193,650**	1,325,393	1,380,229
Information technology costs	**6,131,275**	6,130,183	4,371,636
Licences	**1,660,196**	1,199,364	1,348,432
Loss on winding up of subsidiary	**-**	2,663,022	-
Others	**27,051,812**	24,000,198	18,007,578
	48,063,214	46,470,984	34,560,221

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

28. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share is calculated by dividing profit / (loss) attributable to the ordinary equity owners of the bank by the weighted average number of ordinary shares outstanding during the year.

	2014	Restated 2013	Restated 2012
Restated profit / (loss) - Rs	**15,143,844**	5,926,206	(9,320,403)
Weighted average number of ordinary shares	**32,475,038**	26,187,432	22,293,751
Earnings / (loss) per share			
As previously reported	**0.47**	0.08	(0.64)
Effect of restatement	**-**	0.15	0.22
As restated	**0.47**	0.23	(0.42)

29. CATEGORIES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair values of the bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

		2014					
		Classification of carrying amount					Fair value
	Notes	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	**Total**	Total
		Rs	Rs	Rs	Rs	**Rs**	Rs
Financial assets							
Cash and cash equivalents	6	2,805,820,364	-	-	-	**2,805,820,364**	2,805,820,364
Loans to and placements with banks	7	410,357,000	-	-	-	**410,357,000**	410,357,000
Investment securities	9	-	84,315,357	2,465,506,640	-	**2,549,821,997**	2,549,821,997
Loans and advances to customers	8	2,611,531,008	-	-	-	**2,611,531,008**	2,611,531,008
Other assets		81,610,438	-	-	-	**81,610,438**	81,610,438
		5,909,318,810	84,315,357	2,465,506,640	-	**8,459,140,807**	8,459,140,807
Financial liabilities							
Deposits from customers	15	-	-	-	8,258,162,243	**8,258,162,243**	8,258,162,243
Borrowed funds	16	-	-	-	1,180,207	**1,180,207**	1,180,207
Other liabilities		-	-	-	191,507,477	**191,507,477**	191,507,477
Preference shares	19	-	-	-	182,407,187	**182,407,187**	182,407,187
		-	-	-	8,633,257,114	**8,633,257,114**	8,633,257,114
		5,909,318,810	84,315,357	2,465,506,640	(8,633,257,114)	**(174,116,307)**	(174,116,307)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

		2013 (Restated)					
		Classification of carrying amount					Fair value
	Notes	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	**Total**	Total
		Rs	Rs	Rs	Rs	**Rs**	Rs
Financial assets							
Cash and cash equivalents	6	1,180,200,869	-	-	-	**1,180,200,869**	1,180,200,869
Loans to and placements with banks	7	985,271,614	-	-	-	**985,271,614**	985,271,614
Investment securities	9	-	4,758,475	2,161,819,150	-	**2,166,577,625**	2,166,577,625
Loans and advances to customers	8	2,440,553,848	-	-	-	**2,440,553,848**	2,440,553,848
Other assets		87,948,703	-		-	**87,948,703**	87,948,703
		4,693,975,034	4,758,475	2,161,819,150	-	**6,860,552,659**	**6,860,552,659**
Financial liabilities							
Deposits from customers	15	-	-	-	6,593,970,793	**6,593,970,793**	6,593,970,793
Borrowed funds	16	-	-	-	50,378,328	**50,378,328**	50,378,328
Other liabilities		-	-	-	168,824,989	**168,824,989**	168,824,989
Preference shares	19	-	-	-	182,407,187	**182,407,187**	182,407,187
		-	-	-	6,995,581,297	**6,995,581,297**	6,995,581,297
		4,693,975,034	4,758,475	2,161,819,150	(6,995,581,297)	**(135,028,638)**	**(135,028,638)**

		2012 (Restated)					
		Classification of carrying amount					Fair value
	Notes	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	**Total**	Total
		Rs	Rs	Rs	Rs	**Rs**	Rs
Financial assets							
Cash and cash equivalents	6	383,006,543	-	-	-	**383,006,543**	383,006,543
Loans to and placements with banks	7	120,592,750	-	-	-	**120,592,750**	120,592,750
Investment securities	9	-	11,986,100	1,247,771,298	-	**1,259,757,398**	1,259,757,398
Loans and advances to customers	8	2,376,953,997	-	-	-	**2,376,953,997**	2,376,953,997
Other assets		65,365,142	-	-	-	**65,365,142**	65,365,142
		2,945,918,432	11,986,100	1,247,771,298	-	**4,205,675,830**	**4,205,675,830**
Financial liabilities							
Deposits from customers	15	-	-	-	3,937,395,089	**3,937,395,089**	3,937,395,089
Borrowed funds	16	-	-	-	629,732	**629,732**	629,732
Other liabilities		-	-	-	163,139,595	**163,139,595**	163,139,595
Preference shares	19	-	-	-	182,407,187	**182,407,187**	182,407,187
		-	-	-	4,283,571,603	**4,283,571,603**	4,283,571,603
		2,945,918,432	11,986,100	1,247,771,298	(4,283,571,603)	**(77,895,773)**	**(77,895,773)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they are first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing finance leases and deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and maturity.

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value, among those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation technique involves the use of non-market observable inputs.

Financial assets		Note	Quoted market price Rs	Valuation techniques - market observable inputs Rs	Valuation techniques- non-market observable inputs Rs	Total Rs
Financial investments - available-for-sale	**2014**	9	**81,845,357**	-	-	**81,845,357**
Financial investments - available-for-sale	2013	9	3,488,475	-	-	3,488,475
Financial investments - available-for-sale	2012	9	10,716,100	-	-	10,716,100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

		2014						
		Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
	Notes	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and cash equivalents	6	2,805,820,364	-	2,805,820,364	-	-	-	2,805,820,364
Loans to and placements with banks	7	116,954,000	293,403,000	410,357,000	-	-	-	410,357,000
Investment securities	9,10	-	-	-	650,585,390	1,814,921,250	84,315,357	2,549,821,997
Loans and advances to customers	8	841,562,722	456,304,869	1,297,867,591	949,530,903	169,132,085	195,000,429	2,611,531,008
Intangible assets	12	-	-	-	-	-	13,669,563	13,669,563
Property, plant and equipment	11	-	-	-	-	-	140,519,789	140,519,789
Deferred tax assets	13	-	-	-	-	-	13,891,899	13,891,899
Other assets	14	81,912,294	218,203,723	300,116,017	101,043,094	-	86,286,478	487,445,589
Total		3,846,249,380	967,911,592	4,814,160,972	1,701,159,387	1,984,053,335	533,683,515	9,033,057,209
Liabilities								
Due to customers	15	5,589,698,794	1,760,268,536	7,349,967,330	908,194,913	-	-	8,258,162,243
Borrowed funds	16	1,134,298	45,909	1,180,207	-	-	-	1,180,207
Current tax liabilities		-	7,511,567	7,511,567	-	-	-	7,511,567
Employee benefit liability	18	-	-	-	-	-	2,545,359	2,545,359
Other liabilities	18	43,380,563	29,736,116	73,116,679	22,420,633	-	95,970,165	191,507,477
Preference shares	19	-	3,601,187	3,601,187	178,806,000	-	-	182,407,187
Total		5,634,213,655	1,801,163,315	7,435,376,970	1,109,421,546	-	98,515,524	8,643,314,040
Net liquidity gap		(1,787,964,275)	(833,251,723)	(2,621,215,998)	591,737,841	1,984,053,335	435,167,991	389,743,169

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

		2013 (Restated)						
		Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
	Notes	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and cash equivalents	6	1,180,200,869	-	1,180,200,869	-	-	-	1,180,200,869
Loans to and placements with banks	7	21,387,877	963,883,737	985,271,614	-	-	-	985,271,614
Investment securities	9,10	29,945,400	387,586,160	417,531,560	515,347,840	1,228,939,750	4,758,475	2,166,577,625
Loans and advances to customers	8	739,860,440	538,165,320	1,278,025,760	763,362,025	79,760,215	319,405,848	2,440,553,848
Intangible assets	12	-	-	-	-	-	15,185,060	15,185,060
Plant and equipment	11	-	-	-	-	-	119,585,273	119,585,273
Deferred tax assets	13	-	-	-	-	-	7,879,126	7,879,126
Current tax assets		-	-	-	-	-	3,920,166	3,920,166
Other assets	14	-	-	-	-	-	399,328,701	399,328,701
Total		1,971,394,586	1,889,635,217	3,861,029,803	1,278,709,865	1,308,699,965	870,062,649	7,318,502,282
Liabilities								
Due to customers	15	3,739,899,601	1,842,883,161	5,582,782,762	1,011,188,031	-	-	6,593,970,793
Borrowed funds	16	50,064,836	199,430	50,264,266	114,062	-	-	50,378,328
Employee benefit liability	18	-	-	-	-	-	2,408,826	2,408,826
Other liabilities	18	46,897,206	53,278,465	100,175,671	14,737,831	-	53,911,487	168,824,989
Preference shares	19	-	3,601,187	3,601,187	178,806,000	-	-	182,407,187
Total		3,836,861,643	1,899,962,243	5,736,823,886	1,204,845,924	-	56,320,313	6,997,990,123
Net liquidity gap		(1,865,467,057)	(10,327,026)	(1,875,794,083)	73,863,941	1,308,699,965	813,742,336	320,512,159

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

		2012 (Restated)						
		Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
	Notes	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and cash equivalents	6	383,006,543	-	383,006,543	-	-	-	383,006,543
Loans to and placements with banks	7	96,208,255	20,516,198	116,724,453	3,868,297	-	-	120,592,750
Investment securities	9,10	124,071,658	38,209,550	162,281,208	258,467,840	827,022,250	14,986,100	1,262,757,398
Loans and advances to customers	8	568,142,683	426,905,589	995,048,272	997,483,081	52,031,411	332,391,233	2,376,953,997
Intangible assets	12	-	-	-	-	-	15,330,036	15,330,036
Plant and equipment	11	-	-	-	-	-	30,311,349	30,311,349
Deferred tax assets	13	-	-	-	-	-	7,739,899	7,739,899
Current tax assets		-	-	-	-	-	5,849,073	5,849,073
Other assets	14	-	-	-	-	-	330,666,899	330,666,899
Total		1,171,429,139	485,631,337	1,657,060,476	1,259,819,218	879,053,661	737,274,589	4,533,207,944
Liabilities								
Due to customers	15	1,434,940,621	1,321,684,922	2,756,625,543	1,180,769,546	-	-	3,937,395,089
Borrowed funds	16	61,680	189,724	251,404	378,328	-	-	629,732
Employee benefit liability	18	-	-	-	-	-	1,888,041	1,888,041
Other liabilities	18	33,363,340	37,471,459	70,834,799	14,627,857	-	77,676,939	163,139,595
Preference shares	19	-	3,601,187	3,601,187	53,825,000	124,981,000	-	182,407,187
Total		1,468,365,641	1,362,947,292	2,831,312,933	1,249,600,731	124,981,000	79,564,980	4,285,459,644
Net liquidity gap		(296,936,502)	(877,315,955)	(1,174,252,457)	10,218,487	754,072,661	657,709,609	247,748,300

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

31. RELATED PARTY DISCLOSURES

a. The following table provides the total amount of transactions and balances, which have been entered into with related parties for the relevant financial years.

		LOANS AND ADVANCES			DEPOSITS FROM CUSTOMERS		OTHERS			
		Loans and advances granted Rs	Outstanding amount at year end Rs	Interest receivable for the year Interest for the year Rs	Deposits at year end Rs	Interest payable for the year Rs	Amount owed by related party Rs	Interest receivable from related party Rs	Investment Rs	Other expenses Rs
Directors and key management personnel	2014	600,000	710,744	25,359	60,755,847	2,805,897	-	-	-	-
	2013	-	1,025,189	85,816	54,986,666	2,740,234	-	-	-	-
	2012	250,000	2,167,647	112,991	32,706,757	1,855,203	-	-	-	-
Corporate shareholders with significant influence	2014	-	11,658	165,364	812,095	1,336	-	-	-	1,244,345
	2013	500,000	3,254,722	194,168	-	3,443	-	-	-	1,640,283
	2012	500,000	2,060,021	731,557	-	781	-	-	-	534,841
Enterprises that have a number of directors in common	2014	115,762,694	178,432,583	11,038,050	22,505,681	838,070	552,860	-	-	7,269,641
	2013	30,746,000	137,550,084	11,083,109	51,296,634	1,080,915	2,345,500	-	-	5,590,871
	2012	48,745,545	125,480,183	8,684,939	20,605,158	412,441	5,703,247	-	3,000,000	2,553,000
Enterprises under common control	2014	-	3,765,664	355,215	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-	-
Total	2014	116,362,694	182,920,649	11,583,988	84,073,623	3,645,303	552,860	-	-	8,513,986
	2013	31,246,000	141,829,995	11,363,093	106,283,300	3,824,592	2,345,500	-	-	7,231,154
	2012	49,495,545	129,707,851	9,529,487	53,311,915	2,268,425	5,703,247	-	3,000,000	3,087,841

Terms and conditions of transactions with related parties

The transactions with related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There has been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2014, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2013 & 2012: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Equity contribution from shareholders paid in cash is disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

31. RELATED PARTY DISCLOSURES (CONT'D)

b. Reconciliation of loans and advances

	2014 Rs 000	2013 Rs 000	2012 Rs 000
Balance at beginning of year	**141,830**	129,708	84,940
Loans granted during year	**116,363**	31,246	49,496
Repayments	**(75,272)**	(19,124)	(4,728)
Balance at end of year	**182,921**	141,830	129,708

c. Compensation of key management personnel of the bank

	2014 Rs	2013 Rs	2012 Rs
Short term employee benefits	**4,902,008**	3,536,573	3,375,000

d. The bank's top six exposures to related parties amount to Rs 142,691,890 (2013: Rs 109,722,800 and 2012: Rs 89,150,871)

These were 39.6% of Tier 1 Capital.

None of these facilities were non performing (2013 and 2012: Nil).

32. CONTINGENT LIABILITIES

	2014 Rs	2013 Rs	2012 Rs
(a) Instruments			
Guarantees on account of customers	**6,043,848**	4,984,573	3,495,093
(b) Commitments			
Undrawn credit facilities	**2,700,000**	5,286,932	-
	8,743,848	10,271,505	3,495,093

33. CAPITAL COMMITMENTS

	2014 Rs	2013 Rs	2012 Rs
Contracted but not yet incured	**84,060,876**	-	-

34. PLEDGED ASSETS

The assets that have been pledged to secure the credit facilities with the Central Bank and other commercial banks are as follows:

	2014 Rs	2013 Rs	2012 Rs
Government of Mauritius bonds	**240,000,000**	40,000,000	40,000,000

35. CHANGE IN ACCOUNTING POLICY

Portfolio provision was estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as on current economic and other conditions plus an additional provision for regulatory loan loss provision. The charge for portfolio allowance was recognised in the statement of profit or loss. The additional regulatory loan loss provision has been reversed from portfolio provision to General banking reserve

	Previoulsy reported Rs	Adjustment Rs	As reported Rs
30-June-13			
Effect on the statement of financial position			
Assets			
Loans and advances to customers	2,430,191,520	10,362,328	2,440,553,848
Deferred tax asset	9,433,475	(1,554,349)	7,879,126
Total assets	2,439,624,995	8,807,979	2,448,432,974
Shareholders' Equity			
Accumulated losses	(3,985,651)	(2,109,758)	(6,095,409)
Other reserves (statutory reserve)	11,293,674	555,409	11,849,083
Other reserves (General banking reserve)	-	10,362,328	10,362,328
Total equity	7,308,023	8,807,979	16,116,002
Effect on the statement of profit or loss			
Non-interest expense			
Provision for credit impairment	(16,783,258)	4,356,147	(12,427,111)
Taxation			
Deferred tax credit	792,649	(653,422)	139,227
30-June-12			
Effect on the statement of financial position			
Assets			
Loans and advances to customers	2,370,947,816	6,006,181	2,376,953,997
Deferred tax asset	8,640,826	(900,927)	7,739,899
Total assets	2,379,588,642	5,105,254	2,384,693,896
Shareholders' Equity			
Accumulated losses	(5,875,610)	(900,927)	(6,776,537)
Other reserves (General banking reserve)	-	6,006,181	6,006,181
Total equity	(5,875,610)	5,105,254	(770,356)
Effect on the statement of profit or loss			
Non-interest expense			
Provision for credit impairment	(27,080,069)	5,736,005	(21,344,064)
Taxation			
Deferred tax credit/(expense)	638,070	(860,401)	(222,331)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36. SEGMENTAL REPORTING

Statement of financial position	Notes	2014 Bank Rs	2014 Segment A Rs	2014 Segment B Rs	Restated 2013 Bank Rs	Restated 2013 Segment A Rs	Restated 2013 Segment B Rs	Restated 2012 Bank Rs	Restated 2012 Segment A Rs	Restated 2012 Segment B Rs
ASSETS										
Cash and cash equivalents	36(a)	2,805,820,364	1,714,143,483	1,091,676,881	1,180,200,869	194,875,133	985,325,736	383,006,543	242,432,148	140,574,395
Loans to and placements with banks	36(b)	410,357,000	348,677,000	61,680,000	985,271,614	776,452,738	208,818,876	120,592,750	105,119,565	15,473,185
Loans and advances to customers		2,611,531,008	2,512,695,415	98,835,593	2,440,553,848	2,440,553,848	-	2,376,953,997	2,376,953,997	-
Investment securities		2,549,821,997	2,549,821,997	-	2,166,577,625	2,166,577,625	-	1,259,757,398	1,259,757,398	-
Investment in subsidiary		-	-	-	-	-	-	3,000,000	3,000,000	-
Property, plant and equipment		140,519,789	140,519,789	-	119,585,273	119,585,273	-	30,311,349	30,311,349	-
Intangible assets		13,669,563	13,669,563	-	15,185,060	15,185,060	-	15,330,036	15,330,036	-
Deferred tax assets		13,891,899	13,891,899	-	7,879,126	7,879,126	-	7,739,899	7,739,899	-
Current tax assets		-	-	-	3,920,166	3,920,166	-	5,849,073	5,849,073	-
Other assets		487,445,589	487,445,589	-	399,328,701	399,328,701	-	330,666,899	330,666,899	-
Total assets		9,033,057,209	7,780,864,735	1,252,192,474	7,318,502,282	6,124,357,670	1,194,144,612	4,533,207,944	4,377,160,364	156,047,580
LIABILITIES										
Deposits from customers	36(c)	8,258,162,243	4,755,187,163	3,502,975,080	6,593,970,793	4,688,496,956	1,905,473,837	3,937,395,089	3,937,395,089	-
Other borrowed funds		1,180,207	1,180,207	-	50,378,328	50,378,328	-	629,732	629,732	-
Current tax liabilities		7,511,567	7,511,567	-	-	-	-	-	-	-
Other liabilities		194,052,836	194,052,836	-	171,233,815	171,233,815	-	165,027,636	165,027,636	-
Preference shares		182,407,187	182,407,187	-	182,407,187	182,407,187	-	182,407,187	182,407,187	-
Total liabilities		8,643,314,040	5,140,338,960	3,502,975,080	6,997,990,123	5,092,516,286	1,905,473,837	4,285,459,644	4,285,459,644	-
Shareholders' Equity										
Stated capital		356,699,200	356,699,200	-	304,871,110	304,871,110	-	234,516,240	234,516,240	-
Retained earnings / (Accumulated losses)		2,360,009	2,360,009	-	(6,095,409)	(6,095,409)	-	(6,776,537)	(6,776,537)	-
Other reserves		30,683,960	30,683,960	-	21,736,458	21,736,458	-	20,008,597	20,008,597	-
Capital and reserves		389,743,169	389,743,169	-	320,512,159	320,512,159	-	247,748,300	247,748,300	-
Total equity and liabilities		9,033,057,209	5,530,082,129	3,502,975,080	7,318,502,282	5,413,028,445	1,905,473,837	4,533,207,944	4,533,207,944	-

The bank classifies its assets and liabilities into two segments; Segment A and Segment B. Segment B activity is essentially directed to the provision of international financial services that give rise to "foreign source income".
Segment B assets will generally consist of placements with and advances to foreign financial institutions, notably associated companies and overseas correspondents.
Segment liabilities will normally arise from deposits, borrowings and funds deposited by non-residents, global business companies and residents.
Segment A activity relates to all banking business other that Segment B activity.
Expenditure incurred by the bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner

36. SEGMENTAL REPORTING (CONT'D)

Statement of profit or loss and other comprehensive income	Notes	2014			Restated 2013			Restated 2012		
		Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Interest income		383,602,068	377,165,935	6,436,133	338,143,578	337,278,192	865,386	297,302,672	296,312,968	989,704
Interest expense		(268,857,872)	(255,580,790)	(13,277,082)	(262,576,399)	(262,576,399)	-	(231,577,898)	(231,577,898)	-
Net interest income	36(d)	114,744,196	121,585,145	(6,840,949)	75,567,179	74,701,793	865,386	65,724,774	64,735,070	989,704
Fee and commission income		47,542,671	14,212,523	33,330,148	34,063,579	34,063,579	-	22,905,631	22,905,631	-
Fee and commission expense		(5,796,650)	(2,604,136)	(3,192,514)	(1,819,185)	(1,819,185)	-	(1,591,385)	(1,591,385)	-
Net fee and commission income		41,746,021	11,608,387	30,137,634	32,244,394	32,244,394	-	21,314,246	21,314,246	-
Other Income		48,231,512	17,041,553	31,189,959	20,170,304	20,170,304	-	13,114,130	13,114,130	-
		204,721,729	150,235,085	54,486,644	127,981,877	127,116,491	865,386	100,153,150	99,163,446	989,704
Personnel expenses		(64,694,724)	(61,071,822)	(3,622,902)	(52,947,195)	(52,947,195)	-	(46,383,809)	(46,383,809)	-
Depreciation and amortisation		(11,263,285)	(10,343,833)	(919,452)	(8,420,701)	(8,420,701)	-	(6,963,128)	(6,963,128)	-
Other expenses		(48,063,214)	(44,390,495)	(3,672,719)	(46,470,984)	(46,470,984)	-	(34,560,221)	(34,560,221)	-
Non interest expense		(124,021,223)	(115,806,150)	(8,215,073)	(107,838,880)	(107,838,880)	-	(87,907,158)	(87,907,158)	-
Operating profit before impairment		80,700,506	34,428,935	46,271,571	20,142,997	19,277,611	865,386	12,245,992	11,256,288	989,704
Provision for credit impairment on financial assets		(62,550,915)	(61,540,597)	(1,010,318)	(12,427,111)	(12,427,111)	-	(21,344,064)	(21,344,064)	-
Operating profit/(loss) before tax		18,149,591	(27,111,662)	45,261,253	7,715,886	6,850,500	865,386	(9,098,072)	(10,087,776)	989,704
Tax expense		(3,005,747)	(3,005,747)	-	(1,789,680)	(1,789,680)	-	(222,331)	(222,331)	-
Profit/(loss) for the year		15,143,844	(30,117,409)	45,261,253	5,926,206	5,060,820	865,386	(9,320,403)	(10,310,107)	989,704
Other Comprehensive income / (loss)										
Items that may be reclassified subsequently to profit or loss:										
Fair value realised on disposal of available-for-sale financial assets		-	-	-	(3,936,792)	(3,936,792)	-	-	-	-
Gain/(loss) on remeasuring available-for-sale financial assets		2,259,076	2,259,076	-	419,575	419,575	-	(1,704,000)	(1,704,000)	-
Other Comprehensive income / (loss) for the year		2,259,076	2,259,076	-	(3,517,217)	(3,517,217)	-	(1,704,000)	(1,704,000)	-
Total Comprehensive income / (loss)		17,402,920	(27,858,333)	45,261,253	2,408,989	1,543,603	865,386	(11,024,403)	(12,014,107)	989,704

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36. SEGMENTAL REPORTING (CONT'D)

(a) Cash and cash equivalents

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Cash in hand	15,264,945	15,264,945	-	5,361,198	5,361,198	-	6,002,749	6,002,749	-
Foreign Currency notes and coins	1,129,166	1,129,166	-	644,972	644,972	-	876,007	876,007	-
Unrestricted balances with Central Banks	313,924,802	313,924,802	-	155,318,512	155,318,512	-	20,648,339	20,648,339	-
Balances with local banks	16,333,820	16,333,820	-	7,042,037	7,042,037	-	14,905,053	14,905,053	-
Balances with banks abroad	1,091,676,881	-	1,091,676,881	985,325,736	-	985,325,736	140,574,395	-	140,574,395
Interbank loans	1,367,490,750	1,367,490,750	-	26,508,414	26,508,414	-	200,000,000	200,000,000	-
	2,805,820,364	1,714,143,483	1,091,676,881	1,180,200,869	194,875,133	985,325,736	383,006,543	242,432,148	140,574,395

	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs.	Segment B Rs
Balances with banks	2,805,820,364	1,714,143,483	1,091,676,881	1,180,200,869	194,875,133	985,325,736	383,006,543	242,432,148	140,574,395
Bank overdrafts (Note 16)	(1,066,145)	(1,066,145)	-	-	-	-	-	-	-
Cash and cash equivalents	2,804,754,219	1,713,077,338	1,091,676,881	1,180,200,869	194,875,133	985,325,736	383,006,543	242,432,148	140,574,395

(b) Loans to and placements with banks

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
In Mauritius	348,677,000	348,677,000	-	776,452,738	776,452,738	-	105,119,565	105,119,565	-
Outside Mauritius	61,680,000	-	61,680,000	208,818,876	-	208,818,876	15,473,185	-	15,473,185
	410,357,000	348,677,000	61,680,000	985,271,614	776,452,738	208,818,876	120,592,750	105,119,565	15,473,185

36. SEGMENTAL REPORTING (CONT'D)

(b) Loans to and placements with banks (cont'd)

Maturity	2014 Bank Rs	2014 Segment A Rs	2014 Segment B Rs	2013 Bank Rs	2013 Segment A Rs	2013 Segment B Rs	2012 Bank Rs	2012 Segment A Rs	2012 Segment B Rs
Up to 3 months	1,484,444,750	1,484,444,750	-	21,387,877	5,720,853	15,667,024	96,208,255	96,208,255	-
Over 3 months and up to 6 months	60,560,000	60,560,000	-	57,100,574	57,100,574	-	4,195,592	4,195,592	-
Over 6 months and up to 12 months	232,843,000	171,163,000	61,680,000	906,783,163	713,631,311	193,151,852	16,320,607	847,422	15,473,185
Over 1 year and up to 5 years	-	-	-	-	-	-	3,868,296	3,868,296	-
	1,777,847,750	1,716,167,750	61,680,000	985,271,614	776,452,738	208,818,876	120,592,750	105,119,565	15,473,185

(c) Loans and advances to customers

	2014 Bank Rs	2014 Segment A Rs	2014 Segment B Rs	Restated 2013 Bank Rs	Restated 2013 Segment A Rs	Restated 2013 Segment B Rs	Restated 2012 Bank Rs	Restated 2012 Segment A Rs	Restated 2012 Segment B Rs
Retail:									
Investment in finance leases	410,869,641	410,869,641	-	527,760,701	527,760,701	-	680,722,522	680,722,522	-
Rental income receivable	51,191,265	51,191,265	-	61,324,119	61,324,119	-	70,866,422	70,866,422	-
Loans	79,654,733	19,094,733	60,560,000	46,799,843	46,799,843	-	42,973,128	42,973,128	-
Others	1,899,899	1,899,899	-	1,913,106	1,913,106	-	1,513,920	1,513,920	-
Corporate:									
Investment in finance leases	702,222,662	702,222,662	-	788,366,465	788,366,465	-	982,304,702	982,304,702	-
Rental income receivable	88,839,478	88,839,478	-	107,586,496	107,586,496	-	118,444,288	118,444,288	-
Loans	1,146,753,946	1,136,837,052	9,916,894	809,625,417	809,625,417	-	464,120,623	464,120,623	-
Others	254,369,797	226,011,098	28,358,699	179,228,713	179,228,713	-	92,010,402	92,010,402	-
	2,735,801,421	2,636,965,828	98,835,593	2,522,604,860	2,522,604,860	-	2,452,956,007	2,452,956,007	-
Less allowance for specific impairment	(114,032,593)	(114,032,593)	-	(71,111,343)	(71,111,343)	-	(61,562,563)	(61,562,563)	-
Less allowance for collective impairment	(10,237,820)	(10,237,820)	-	(10,939,669)	(10,939,669)	-	(14,439,447)	(14,439,447)	-
	2,611,531,008	2,512,695,415	98,835,593	2,440,553,848	2,440,553,848	-	2,376,953,997	2,376,953,997	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36. SEGMENTAL REPORTING (CONT'D)

(d) Deposits from customers

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Retail customers									
Savings deposits	1,130,618,717	1,080,318,561	50,300,156	643,765,958	633,266,835	10,499,123	293,343,009	293,343,009	-
Other deposits	305,625,686	4,269,639	301,356,047	65,853,064	4,345,941	61,507,123	21,021,054	21,021,054	-
Time deposits with remaining term to maturity:									
Up to 3 months	162,539,132	139,198,976	23,340,156	206,995,683	199,473,995	7,521,688	138,426,998	138,426,998	-
Over 3 months and up to 6 months	104,753,845	93,631,796	11,122,049	105,197,900	99,290,400	5,907,500	86,089,782	86,089,782	-
Over 6 months and up to 12 months	426,768,139	361,729,415	65,038,724	371,456,867	347,456,993	23,999,874	402,022,915	402,022,915	-
Over 1 year and up to 5 years	622,718,808	607,479,959	15,238,849	764,429,362	676,317,687	88,111,675	784,625,926	784,625,926	-
Over 5 years	-	-	-	-	-	-	-	-	-
Corporate customers									
Savings deposits	243,413,642	243,413,642	-	499,700,558	499,700,558	-	424,442,366	424,442,366	-
Other deposits	3,132,622,151	221,493,920	2,911,128,231	1,876,683,498	229,076,358	1,647,607,140	273,687,776	273,687,776	-
Term deposits with remaining term to maturity:									
Up to 3 months	614,879,466	510,929,136	103,950,330	446,900,840	428,437,132	18,463,708	284,019,418	284,019,418	-
Over 3 months and up to 6 months	109,869,941	98,069,403	11,800,538	437,475,540	407,672,750	29,802,790	158,446,095	158,446,095	-
Over 6 months and up to 12 months	1,118,876,611	1,116,876,611	2,000,000	928,752,854	916,699,638	12,053,216	675,126,130	675,126,130	-
Over 1 year and up to 5 years	285,476,105	277,776,105	7,700,000	246,758,669	246,758,669	-	396,143,620	396,143,620	-
Over 5 years	-	-	-	-	-	-	-	-	-
	8,258,162,243	4,755,187,163	3,502,975,080	6,593,970,793	4,688,496,956	1,905,473,837	3,937,395,089	3,937,395,089	-

36. SEGMENTAL REPORTING (CONT'D)

(e) Net interest income

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Interest income									
Finance leases	101,023,431	100,980,087	43,344	143,028,189	143,028,189	-	184,108,496	184,108,496	-
Bank balances	-	-	-	9,663	9,663	-	68,970	68,970	-
Interest on late payment	15,250,185	15,250,185	-	14,323,458	14,323,458	-	16,256,354	16,256,354	-
Other advances to customers	81,818,997	80,897,763	921,234	53,909,223	53,909,223	-	22,831,135	22,831,135	-
Loans to and placements with banks	21,138,725	18,690,763	2,447,962	5,288,017	4,422,631	865,386	11,335,117	10,345,413	989,704
Investment securities	164,370,730	161,347,137	3,023,593	121,585,028	121,585,028	-	62,702,600	62,702,600	-
	383,602,068	377,165,935	6,436,133	338,143,578	337,278,192	865,386	297,302,672	296,312,968	989,704
Interest expense									
Due to customers	254,345,078	241,067,996	13,277,082	248,692,684	248,692,684	-	215,729,057	215,729,057	-
Preference shares	13,785,393	13,785,393	-	13,785,393	13,785,393	-	15,810,734	15,810,734	-
Borrowed funds	727,401	727,401	-	98,322	98,322	-	38,107	38,107	-
	268,857,872	255,580,790	13,277,082	262,576,399	262,576,399	-	231,577,898	231,577,898	-
	114,744,196	121,585,145	(6,840,949)	75,567,179	74,701,793	865,386	65,724,774	64,735,070	989,704

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36. SEGMENTAL REPORTING (CONT'D)

(f) Net fee and commission income

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Fee and commission income									
Processing fees	4,361,904	4,361,904	-	3,401,150	3,401,150	-	13,128,355	13,128,355	-
International banking	33,330,148	-	33,330,148	19,877,573	19,877,573	-	422,815	422,815	-
Interbank transaction fees	1,129,421	1,129,421	-	851,282	851,282	-	337,096	337,096	-
Others	8,721,198	8,721,198	-	9,933,574	9,933,574	-	9,017,365	9,017,365	-
	47,542,671	14,212,523	33,330,148	34,063,579	34,063,579	-	22,905,631	22,905,631	-
Fee and commission expense									
Card and related fees	5,700,918	2,508,404	3,192,514	1,675,781	1,675,781	-	1,193,178	1,193,178	-
Interbank transaction fees	95,732	95,732	-	143,404	143,404	-	398,207	398,207	-
	5,796,650	2,604,136	3,192,514	1,819,185	1,819,185	-	1,591,385	1,591,385	-
Net fee and commission income	41,746,021	11,608,387	30,137,634	32,244,394	32,244,394	-	21,314,246	21,314,246	-

(g) Other Income

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Dividend income	705,255	705,255	-	592,620	592,620	-	705,428	705,428	-
Profit on disposal of property, plant and equipment	170,023	170,023	-	121,739	121,739	-	195,652	195,652	-
Profit on disposal of shares	-	-	-	4,034,621	4,034,621	-	-	-	-
Foreign exchange gain	35,709,156	10,844,036	24,865,120	11,561,656	11,561,656	-	10,556,536	10,556,536	-
Others	11,647,078	5,322,239	6,324,839	3,859,668	3,859,668	-	1,656,514	1,656,514	-
	48,231,512	17,041,553	31,189,959	20,170,304	20,170,304	-	13,114,130	13,114,130	-

36. SEGMENTAL REPORTING (CONT'D)

(h) Provision for credit impairment on financial assets

	2014			Restated 2013			Restated 2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Loans and advances to customers (Note 8(c))	62,550,915	61,540,597	1,010,318	12,427,111	12,427,111	-	21,344,064	21,344,064	-

(i) Personnel expenses

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Wages and salaries	57,206,491	54,082,877	3,123,614	46,248,666	46,248,666	-	42,490,859	42,490,859	-
Employees benefit liability	136,533	136,533	-	520,785	520,785	-	300,000	300,000	-
Others	7,351,700	6,852,412	499,288	6,177,744	6,177,744	-	3,592,950	3,592,950	-
	64,694,724	61,071,822	3,622,902	52,947,195	52,947,195	-	46,383,809	46,383,809	-

(j) Other expenses

	2014			2013			2012		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Motor vehicle expenses and insurance	7,172,210	6,586,724	585,487	6,223,321	6,223,321	-	4,574,340	4,574,340	-
Rental of office	4,854,071	4,457,821	396,251	4,929,503	4,929,503	-	4,878,006	4,878,006	-
Advertising	1,193,650	1,096,209	97,441	1,325,393	1,325,393	-	1,380,229	1,380,229	-
Information technology costs	6,131,275	5,630,763	500,512	6,130,183	6,130,183	-	4,371,636	4,371,636	-
Licences	1,660,196	1,524,670	135,526	1,199,364	1,199,364	-	1,348,432	1,348,432	-
Loss on winding up of subsidiary	-	-	-	2,663,022	2,663,022	-	-	-	-
Others	27,051,812	25,094,308	1,957,502	24,000,198	24,000,198	-	18,007,578	18,007,578	-
	48,063,214	44,390,496	3,672,719	46,470,984	46,470,984	-	34,560,221	34,560,221	-

NOTES

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