RISING WITH INTEGRITY TO NEW HEIGHTS IN INNOVATION & SERVICE

ABC BANKING CORPORATION
count on us

ANNUAL REPORT 2015

BEST INTERNATIONAL BANK - INDIAN OCEAN 2015
AWARDED BY CAPITAL FINANCE INTERNATIONAL

OUR

VISION

To 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 one team, whilst catering for diverse interest, providing development opportunities for individual talents.

Furthermore we commit to uphold the shareholders' trust in us.

VALUES

RESPECT AND INTEGRITY

We respect our history, culture and traditions, our country and our planet, our ancestors and our elders. We are honest with ourselves and to others.

CREATIVITY AND INNOVATION

With an entrepreneur spirit, we constantly seek for new opportunities whilst constantly applying ourselves to create and innovate.

CUSTOMER CARE

We delight our customers through quality products and services, we put our minds and hearts in everything we do.

PASSION

Passionate about what we do, we strive to achieve excellence and value creation, and uphold equity and fairness.

AWARD WINNING BANK

2015

Best International Bank Indian Ocean by Capital Finance International (cfi.co).

2014 & 2015

Best Bank for International Banking Services Mauritius by Global Banking & Finance Review.

2013 & 2014

Euromoney Best Private Bank Award in the category of offshore services.

cfi.co 2015
BEST INTERNATIONAL BANK
WINNER INDIAN OCEAN

GLOBAL BANKING & FINANCE REVIEW AWARDS
BEST BANK FOR INTERNATIONAL BANKING SERVICES MAURITIUS 2015

EUROMONEY
PRIVATE BANKING SURVEY 2014

ABC BANKING
CORPORATION

TABLE OF CONTENTS

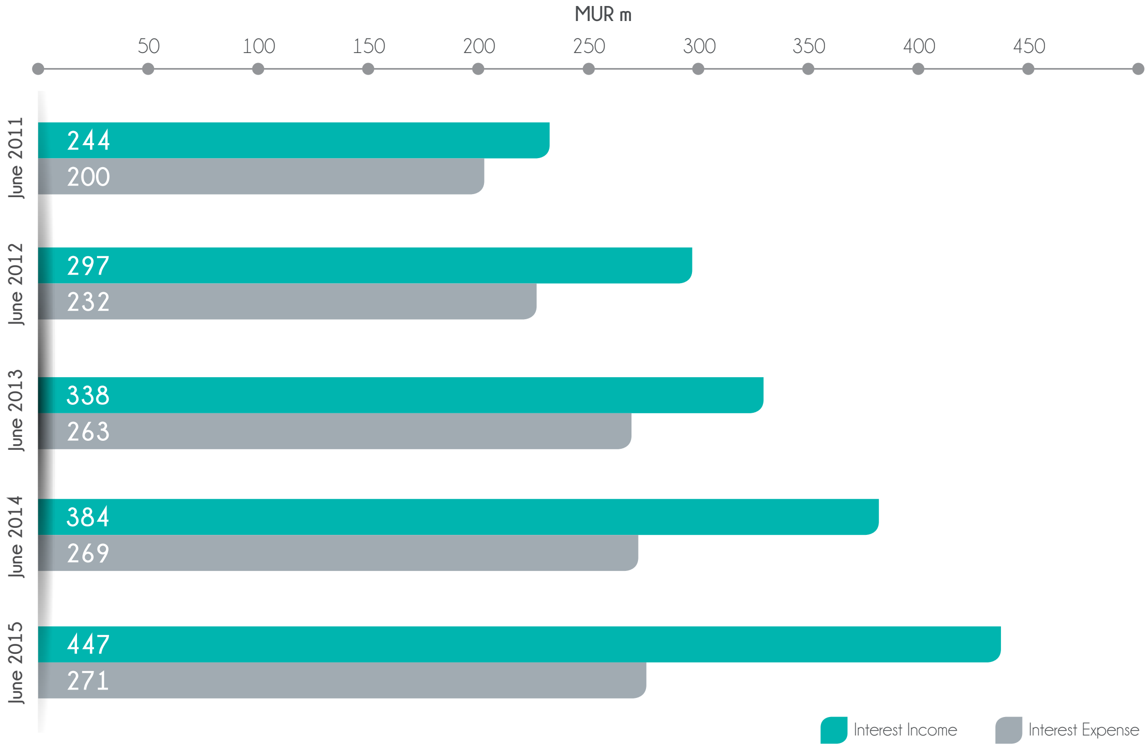
FINANCIAL HIGHLIGHTS

Income Statement (Rs' m)	Bank 2015	Bank 2014	Bank 2013*
Net Interest Income	175.7	114.7	75.6
Net fee and commission Income	37.6	41.7	32.2
Trading and other Income	108.2	48.2	20.2
Profit before impairment	146.7	80.7	20.1
Profit before tax	75.1	18.1	7.7
Profit after tax	68.2	15.1	5.9
Total Comprehensive income	68.2	17.4	2.4
Statements of Financial Position (Rs' m)			
Total assets	12,331.2	9,033.1	7,318.5
Net loans and advances portfolio	3,022.5	2,611.5	2,440.6
Total deposit	11,210.1	8,258.2	6,594.0
Shareholders' fund	607.9	389.7	320.5
Tier 1 Capital	558.5	346.4	287.6
Total net capital	831.4	503.7	452.4
Risk- weighted assets	6,464.6	4,512.9	3,666.5
Performance Ratios (%)			
Return on average total assets - based on profit after tax	0.6	0.19	0.10
Return on average total assets - based on total comprehensive income	0.6	0.2	0.04
Return on equity - based on profit after tax	11.2	3.9	1.8
Return on equity - based on total comprehensive income	11.2	4.5	0.8
Non-interest income to operating income	45.4	44.0	41.0
Loans and advances to deposit ratio	27.9	33.1	38.3
Capital Adequacy Ratios (%)			
Capital & Reserves/Total assets	4.9	4.3	4.4
Capital adequacy ratio	12.9	11.2	12.3
Investor Data			
Earnings per share (Rs.)	1.6	0.5	0.2
Net assets value per share (Rs.)	14.2	12.0	12.2

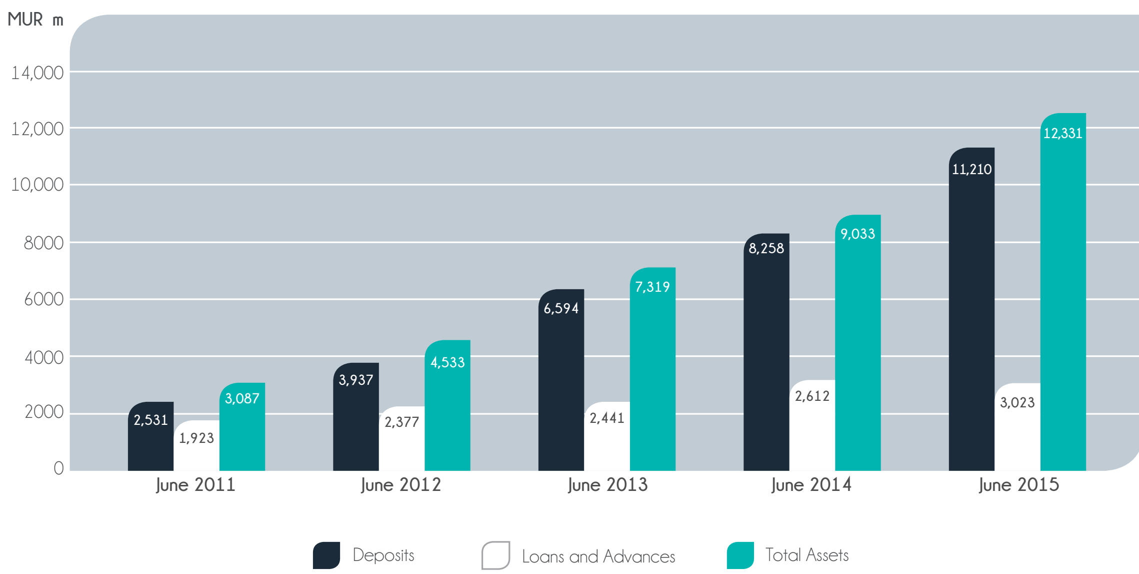
(calculated on weighted average number of shares)

* restated for comparative purposes

INTEREST INCOME & EXPENSE



ASSETS, DEPOSITS AND LOANS



DIRECTORS' REPORT

Dear Shareholders,

The Directors of ABC Banking Corporation Ltd (the "bank") are pleased to present the Annual Report for the financial year ended 30th June 2015. After four and a half years of operations, albeit within a bearish economic environment, we feel very much encouraged by the continuous and steady progress the bank has achieved since 9th December 2010 when it first opened its doors to the public. Our customer base has during that period followed a consistent ascending trend for taking deposits as well as for lending, denoting the confidence and trust of our customers in the stability, strength, and integrity of our bank and in the quality of its services and products.

During the year, the bank has continued to play its role on the one hand, in encouraging national savings through its attractive interest rates and transaction facilities, and on the other hand, in its support for the country's economic development through its competitive loan packages for the Corporate, the SME and the housing sectors and through its investment in BoM and Government Securities. On the international front, the push for new clients and businesses has also been very positive and rewarding, which has translated into a very satisfactory growth in this sector.

WEAL HOUSE

In December 2014, the bank began a new chapter in its history when it moved its Head Office and Main Branch to its newly acquired and renovated "WEAL HOUSE" building. This historical landmark in the City of Port Louis, with its elegant colonial and classic façade brings a new and refreshing panorama to Place D'Armes in the financial district of the capital. With three floors accessible to clients, the new premises allows us to welcome our clients in a modern, spacious and pleasant environment. WEAL HOUSE is the latest jewel that adds itself to the tangible recognition the bank has earned in the banking and financial sector, locally and overseas.

MORE AWARDS

ABC Banking Corporation Ltd is currently ranked among the top 10 private banks in Africa according to the highly reputable Euromoney magazine. Following the Euromoney accolade in 2013 and 2014 in the offshore services category, the bank was awarded the prize of *"Best Bank for International Banking services Mauritius 2015"* by Global Banking and Finance Review which recognizes excellence within the global financial community. The Global Banking and Finance Review Awards honour institutions that stand out in their particular area of expertise, based on achievement, challenge, progress and inspirational change to the finance community. More recently, the bank's hard work and perseverance were further rewarded by another distinction, that of *"Best International Bank – Indian Ocean 2015"* conferred by Capital Finance International (cfi.co), in recognition of the consistently superior services provided by the bank to clients both on the local and international scenes.

THE YEAR UNDER REVIEW AND RESULTS

Determination, self-confidence, and positive attitude, all fueled by the hard work and relentless efforts of each and every member of Staff of the bank with the strong encouragement and support of the Management Team have constituted the driving force of this year's extraordinary performance. For the second consecutive year, the bank saw its net interest income increased by more than 50% to reach MUR 176 million (2014: MUR 115 million). Similarly, gross operating income rose sharply from MUR 205 million to MUR 321 million, representing a 57% year on year increase. Our cost to income ratio also moved down to a modest 54% (2014: 61%) even though the bank expanded its work force and pursued its investment in new infrastructure and technology.

The bank further consolidated its capital base in order to meet the Central Bank's Capital Adequacy Ratio Regulations and simultaneously expanded its asset base. Thus, its share capital was increased by MUR 150 million through a rights issue, while an additional amount of MUR 138 million was raised through a private placement of Preference Shares. The capital injection has thus allowed the bank to continue on its path of sustained growth and to actually achieve beyond its set goals, thereby bringing further encouragement and determination to all its stakeholders for the coming year's operations.

On the local deposit side, the bank has increased its savings portfolio by 88% to reach MUR 2.6 billion by end of June 2015 thanks to its active marketing efforts and its strong reputation. Our foreign depositors followed the same ascending curve with a yearly rise of 70% noted. As at the end of June 2015, the total deposit portfolio reached an impressive MUR 11.2 billion for a relatively young bank, up from the MUR 8.3 billion achieved in the preceding year. The bank's total assets rose by 37% to reach MUR 12.3 billion while the loans and advances to customers portfolio reached MUR 3.1 billion (2014: MUR 2.7 billion). Building confidently on the sustained performance of prior years, the bank has successfully concluded this financial year with a net profit after tax of MUR 68.2 million, which represents four and a half times the preceding year's profit!

SOUND RISK MANAGEMENT EMBEDDED IN OUR CULTURE

The year saw greater diversification of the credit risk of our lending book and further improvement in credit quality and significant reduction in impairment level. The bank maintained rigorous standards in assessing the risks. NPL ratio declined from 11.7% as at 30th June 2014 to 5.4% as at 30th June 2015. The decrease is on the back of the high drop of 47% in Non-Performing Loans, the result of hard work and perseverance of the Management and Staff, especially the Debt Recovery Unit and the Credit Risk Team. The bank will continue to put emphasis on strengthened credit risk management. In spite of the difficult and the slow global economic conditions and tight demand, the bank was able to achieve a 14.3% increase in gross loans from MUR 2.7 billion as at 30th June 2014 to MUR 3.1 billion as at 30th June 2015.

FUTURE OUTLOOK

With a sound, well regulated and stable banking and financial sector, Mauritius is more and more seen as the ideal platform for wealth management and private banking into Africa. The emergence of several new banks and financial institutions in Mauritius within the last ten years stands as testimony to this growing trend. The bank therefore intends to capitalise on its fast, efficient, well-established operation as well as its international recognition awards to explore and take advantage of this opportunity. On the domestic banking front with the definite turnaround in the economy of the United States, the ending of the financial crisis in Greece following its bail-out agreement with Europe, the advent of future certainty for the export of Mauritian garments to the American market brought about by the renewal of the African Growth and Opportunity Act, the significant tangible improvement in the Tourism Sector, coupled with the Government's strong commitment to stimulate the economy, with the participation of the Public and Private Sectors and the population, ABC Banking stands ready and will certainly be an active participant in the further social and economic development of Mauritius.

ACKNOWLEDGEMENT

The Board wishes to place on record its high appreciation for the continued support given by its shareholders and customers. It is also grateful to the management and staff for their relentless effort, hard work and loyalty to the bank during the year. Above all, we look forward to the continued commitment and collaboration of all stakeholders which are vital for the bank to achieve its objective of creating and adding value for everyone's benefit and for the country's development and well-being. Finally, we wish to extend our thanks to the Bank of Mauritius for having provided us as always with their valuable advice and guidance.

Building on the early years of foundation and consolidation, ABC Banking Corporation Ltd is now set to fly higher and freely on the path of progress and prosperity.

Hon. Y.K.J Yeung Sik Yuen, G.O.S.K.
Chairman

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

31st August 2015

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 received the *"Best Private Bank in Mauritius"* award in the category of offshore services, for the second consecutive year from Euromoney Magazine. This survey is primarily based on a peer ranking methodology and has been known as one of the leading benchmarks in the global wealth management industry since its establishment. During the same year, it also won the prize of "Best Bank for International Banking Services Mauritius" awarded by Global Banking & Finance Review, a well-known online portal that publishes informative and independent news within the financial community. This award was obtained again by our bank in 2015, in the course of which it achieved another distinction, viz. that of the "Best International Bank Indian Ocean" adjudicated by the reputed financial magazine, Capital Finance International (cfi.co).

In just four and a half years of operations, ABC Banking Corporation has built up a strong reputation through its capacity for innovation and 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 new SME and Micro-Entity Loans. We also launched ABC Optimum+ in September 2014, which is an innovative feature of our product line specifically targetting the middle income group, with the special benefits of an interest-earning account, the chip-embedded debit card and cheque book, and free withdrawals at any ATM displaying the MasterCard logo in Mauritius.

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 billboard campaigns and attractive interest rates for its ABC Premier Savings Account.

In December 2014, the bank moved its Head Office and Main Branch to its newly acquired and prestigious WEAL HOUSE, strategically located in the heart of the nation's financial capital at Place d'Armes, Port Louis.


WEAL HOUSE
ABC BANKING CORPORATION

CORPORATE INFORMATION

Registered Office, Head Office & Main Branch

WEAL HOUSE
Duke of Edinburgh Avenue, Place d'Armes
Port Louis 11328
Republic of Mauritius
Tel: (230) 206 8000
Fax: (230) 208 0088/217 1908
www.abcbanking.mu
BRN: C07018920

External Auditor

Deloitte
7th Floor Raffles Tower
19 Cybercity
Republic of Mauritius
Ebène

Legal Services

Me. Dev Erriah
Me. Jean Christophe Oh-San Bellepeau
Me. Georgy Ng Wong Hing
Me. Michael King Fat
Me. Ghanshyam Bhanji Soni

Main Correspondent Banks

Bank of China (Shanghai RMB Trading Unit)
Commerzbank AG
Mizuho Corporation 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 (until 14.11.2014)
Hon. Yeung Kam John (Bernard) Yeung Sik Yuen, G.O.S.K. (as from 20.11.2014)

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

Strategic Business Executive
Mr. David Brian Ah-Chuen

Members
Mr. Patrick Andrew Dean Ah-Chuen
Mr. Robert Chung Tung
Mr. Marie Jacques Henri Fleurot
Mrs. Stephanie Ha Chow
Mr. Dick Li Wan Po
Me. Marie Danielle Low Kwan Sang (as from 20.11.2014)
Mr. Yognandan Sharma (Vipin) Mahabirsingh
Me. Georges Ng Wong Hing (until 14.11.2014)

CORPORATE INFORMATION

COMMITTEES OF THE BOARD

Until 14.11.2014	As from 15.11.2014
Supervisory & Monitoring Committee	
Professor Donald Ah-Chuen (Chairman) Mr. Brian Ah-Chuen Mr. Robert Chung Tung	Professor Donald Ah-Chuen (Chairman) Mr. Brian Ah-Chuen Mr. Robert Chung Tung
Audit Committee	
Mr. Robert Chung Tung (Chairman) Mr. Henri Fleurot Mrs. Stephanie Ha Chow	Mr. Robert Chung Tung (Chairman) Mr. Henri Fleurot Mrs. Stephanie Ha Chow Mr. Vipin Mahabirsingh
Risk Management Committee	
Mr. Robert Chung Tung (Chairman) Professor Donald Ah-Chuen Mr. Philippe Chan Kin Mr. Vipin Mahabirsingh	Mr. Vipin Mahabirsingh (Chairman) Professor Donald Ah-Chuen Mr. Robert Chung Tung Mr. Henri Fleurot
Conduct Review Committee	
Mr. Dick Li Wan Po (Chairman) Mr. Philippe Chan Kin Mrs. Stephanie Ha Chow	Mr. Dick Li Wan Po (Chairman) Mr. Robert Chung Tung Mrs. Stephanie Ha Chow
Corporate Governance Committee	
Mr. Philippe Chan Kin (Chairman) Professor Donald Ah-Chuen Mr. Robert Chung Tung Mr. Vipin Mahabirsingh	Hon. Y.K.J. Yeung Sik Yuen (Chairman) * Mr. Dean Ah-Chuen Professor Donald Ah-Chuen Me. Danielle Low Kwan Sang *
Nominations and Remuneration Committee	
Mr. Philippe Chan Kin (Chairman) Professor Donald Ah-Chuen Mr. Robert Chung Tung	Hon. Y.K.J. Yeung Sik Yuen (Chairman) * Mr. Dean Ah-Chuen Professor Donald Ah-Chuen Mr. Robert Chung Tung Me. Danielle Low Kwan Sang *

** The effective date was 20.11.2014, date at which BoM approval was received in respect of the appointment of Hon. Y.K.J Yeung Sik Yuen as Director and Chairman of the Board and Me. Danielle Low Kwan Sang as Director of the Board.*

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

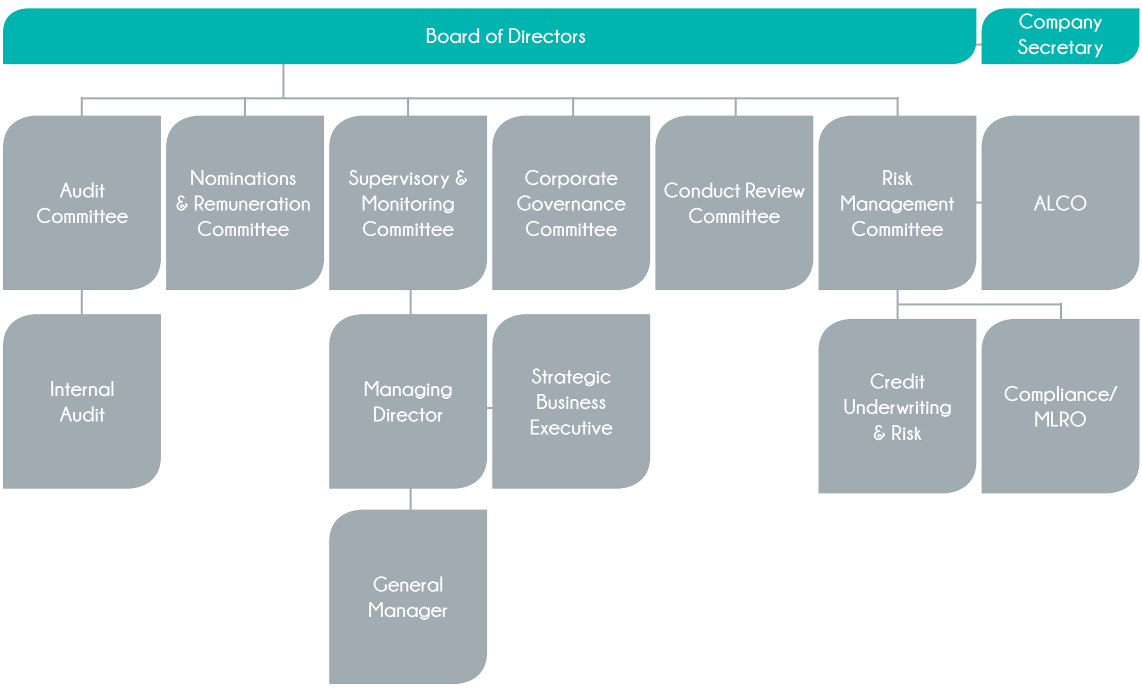
The Board of Directors of ABC Banking Corporation Ltd (the "bank") is fully committed to attaining and sustaining the highest standards of corporate governance with the objective of enhancing shareholders' value whilst having regard to stakeholders at large. It believes that good governance is not only 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 the 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 who have been entrusted with the necessary powers to direct and supervise the management of the business and the 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 the same are communicated to all relevant staff. Senior management is also responsible for the design and monitoring of the control system, ensuring that there exists an adequate segregation of duties, prevalence of dual control in all areas where required and ensuring that situations of conflict of interest are avoided. They are also responsible for providing the Board with timely, relevant and complete information on the affairs of the bank in order to effectively discharge the Board's responsibilities.

The governance framework and committee structure is illustrated below:



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The bank's constitution states 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.

Messrs. Philippe Chan Kin and Georges Ng Wong Hing, who had not offered themselves for re-election, ceased to be directors of the bank at the conclusion of the last annual meeting of shareholders on 14th November 2014. Upon the recommendations of the Nominations and Remuneration Committee through the Board of Directors, the shareholders appointed Me. Danielle Low Kwan Sang and Hon. Bernard Yeung Sik Yuen as directors of the bank at the same annual meeting of shareholders. Such appointments became effective on 20th November 2014 upon approval of the Bank of Mauritius. The Board has also appointed Hon. Bernard Yeung Sik Yuen as Chairman of the Board on that date.

The Board presently comprises 10 members as follows, and their profiles can be viewed on pages 30-33:

Directors	Category
Hon. Bernard Yeung Sik Yuen	Independent Chairman
Professor Donald Ah-Chuen	Executive (Managing Director)
Mr. Brian Ah-Chuen	Executive (Strategic Business Executive)
Mr. Dean Ah-Chuen	Non-Executive
Mr. Robert Chung Tung	Independent
Mr. Henri Fleurot	Independent
Mrs. Stephanie Ha Chow	Independent
Mr. Dick Li Wan Po	Independent
Me. Danielle Low Kwan Sang	Independent
Mr. Vipin Mahabirsingh	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 and Remuneration Committee and the Corporate Governance Committee. The terms of reference and composition 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. David Brian Ah-Chuen
- Mr. Robert Chung Tung

The General Manager is in attendance at weekly held SMC meetings.

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 reports 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 implement and maintain 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 ensuring that management is taking appropriate corrective actions in a timely manner to address and control weaknesses and identified areas of non-compliance
- 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. Henri Fleurot
- Mrs. Stephanie Ha Chow
- Mr. Vipin Mahabirsingh

The Head of Internal Audit and Head of Finance are in attendance at all Committee meetings and the external auditor is 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. Vipin Mahabirsingh (Chairman)
- Professor Donald Ah-Chuen
- Mr. Robert Chung Tung
- Mr. Henri Fleurot

CORPORATE GOVERNANCE REPORT

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. Robert Chung Tung
- Mrs. 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:

- Hon. Bernard Yeung Sik Yuen (Chairman)
- Mr. Dean Ah-Chuen
- Professor Donald Ah-Chuen
- Mr. Robert Chung Tung
- Me. Danielle Low Kwan Sang

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:

- Hon. Bernard Yeung Sik Yuen (Chairman)
- Mr. Dean Ah-Chuen
- Professor Donald Ah-Chuen
- Me. Danielle Low Kwan Sang

DIRECTORS – ORIENTATION, FIT AND PROPER & EVALUATION AND ACCESS TO INFORMATION AND ADVICE

A director induction programme was run in January 2015 for the 2 newly appointed directors. The new directors received a comprehensive induction pack and the orientation programme was run by the Senior Management team and the Chairman of the Audit Committee, assisted by the Company Secretary.

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 includes 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 impede on its effectiveness. The fit and proper criteria of Board members are also reviewed periodically to ensure that the 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 they consider necessary to carry out their duties.

BOARD & COMMITTEE MEETINGS

Board meetings are held at least on a quarterly basis with the 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 the 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 the Company Secretary, together with management reports and necessary other relevant papers are circulated in advance to the directors to enable them to make focused and informed deliberations at meetings.

The minutes of proceedings of all the meetings are recorded by the Company Secretary and after approval at the next meeting are 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.

CORPORATE GOVERNANCE REPORT

BOARD AND COMMITTEE ATTENDANCE DURING THE FINANCIAL YEAR ENDED 30th JUNE 2015

	Board	SMC	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Nominations and Remuneration Committee
AH-CHUEN Brian	7	44	-	-	-	-	-
AH-CHUEN Donald	7	39	-	6	-	5	3
AH-CHUEN Dean	7	-	-	-	-	2^	1^
CHAN KIN Philippe *	3	-	-	3	2	3	2
CHUNG TUNG Robert	7	46	6	6	2^	3¬	2
FLEUROT Henri	7	-	6	3^	-	-	-
HA CHOW Stephanie	6	-	4	-	4	-	-
LOW KWAN SANG Danielle **	3	-	-	-	-	1	0
LI WAN PO Dick	4	-	-	-	4	-	-
MAHABIRSINGH Vipin	7	-	2^	6	-	3¬	-
NG WONG HING Georges *	0	-	-	-	-	-	-
YEUNG SIK YUEN Bernard **	3	-	-	-	-	2	1
Total Number of Meetings	7	48	6	6	4	5	3

** Ceased to be director of the bank at the conclusion of the last Annual Meeting of Shareholders on 14.11.2014. Appointment in sub-committees (as applicable) ceased as of same date.*

*** Appointed as director of the bank at the last Annual Meeting of Shareholders on 14.11.2014. Such appointment took effect as of 20.11.2014, the date at which BoM approval was received. Appointments in sub-committees (as applicable) are also effective as of the same date.*

^ Appointment as committee member on 15.11.2014

¬ Member until 14.11.2014

DIRECTORS' INTERESTS AND DEALINGS IN SHARES

The following table shows the interests of the directors in the share capital of ABC Banking Corporation Ltd as at 30th June 2015.

Directors	Direct holding	Indirect holding
AH-CHUEN Brian	0.360 %	0.074 %
AH-CHUEN Donald	2.178 %	4.374 %
AH-CHUEN Dean	0.250 %	1.633 %
CHAN KIN Philippe *	NIL	NIL
CHUNG TUNG Robert	0.587 %	0.011 %
FLEUROT Henri	NIL	NIL
HA CHOW Stephanie	NIL	NIL
LOW KWAN SANG Danielle **	NIL	NIL
LI WAN PO Dick	NIL	NIL
MAHABIRSINGH Vipin	NIL	NIL
NG WONG HING Georges *	NIL	NIL
YEUNG SIK YUEN Bernard **	NIL	NIL

DIRECTORS' INTERESTS AND DEALINGS IN SHARES (Cont'd)

The following table gives details of directors' dealings in shares of the bank for the financial year ended 30th June 2015. All the shares acquired as per the table below were through a rights issue of shares made by the bank in November 2014.

Directors	No. of Shares Acquired	No. of Shares Sold
AH-CHUEN Brian	43,224	0
AH-CHUEN Donald	379,600	0
AH-CHUEN Dean	30,012	0
CHAN KIN Philippe *	0	0
CHUNG TUNG Robert	80,000	0
FLEUROT Henri	0	0
HA CHOW Stephanie	0	0
LOW KWAN SANG Danielle **	0	0
LI WAN PO Dick	0	0
MAHABIRSINGH Vipin	0	0
NG WONG HING Georges *	0	0
YEUNG SIK YUEN Bernard**	0	0

** Until 14.11.2014* *** As from 20.11.2014*

DIRECTORS' REMUNERATION

During the financial year ended 30th June 2015, the executive and non-executive directors received emoluments amounting to MUR 5,630,000 (2014: MUR 3,917,508) and MUR 1,058,500 (2014: MUR 984,500) respectively. Remuneration of directors has been disclosed on an aggregate basis due to the commercial sensitivity of the information.

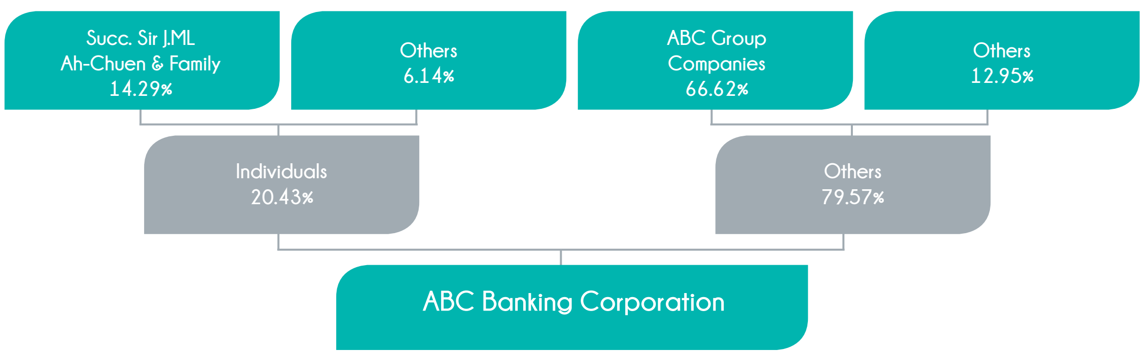
DIRECTORS' SERVICE CONTRACT

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



CORPORATE GOVERNANCE REPORT

COMMON DIRECTORS

	ABCAT	ABCCR	ABCCW	ABCMar	ABCM	ATL	CW	FML	GHL	MIL	TIL	USL
AH-CHUEN Donald	●	●	●	●	●	●	●	●	●	●	●	●
AH-CHUEN Dean	●	○	●	●	●	○	○	●	○	●	○	○
AH-CHUEN Brian	●	○	●	○	●	○	●	●	○	●	○	○
CHUNG TUNG Robert							●	●				

● *- Director* ○ *- Alternate Director*

ABCAT - ABC Autotech Ltd
ABCCR - ABC Car Rental Limited
ABCCW - ABC Coach Works Limited
ABCMar - ABC Marketing Ltd
ABCM - ABC Motors Company Limited
ATL - Aladdin Tours Ltd
CW - Chue Wing & Company Limited
FML - Fleetleader (Mauritius) Ltd
GHL - Good Harvest Limited
MIL - Meijiang Investments Ltd
TIL - Team Investment Limited
USL - Union Shipping Limited

LIST OF SHAREHOLDERS HOLDING MORE THAN 5% IN THE BANK

ABC Car Rental Limited
ABC Motors Company Limited
Chue Wing & Company Limited
Dynasty Partners Ltd
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.

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 2014/2015	
Financial year end	30th June 2015
Annual Meeting	November 2015
Financial Year 2015/2016	
Unaudited quarterly reports	Within 45 days from the quarters ending September 2015, December 2015 and March 2016
Financial year end	30th June 2016
Annual Report & Results 2016	Within 90 days from end of June 2016
Annual Meeting	November 2016

RELATED PARTY TRANSACTIONS

Related Party Transactions are monitored by the Conduct Review Committee in accordance with the Bank of Mauritius guidelines. The Committee meets at least on a quarterly basis and matters reviewed by the same are reported to the Board of Directors.

For related party transactions, please refer to Page 67 of the Annual Report. Exposure to major related parties are given on Pages 125-126 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 with 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 60. 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 75 of the Management Discussion Analysis.

CORPORATE GOVERNANCE 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 and to 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 on a *Going Green Initiative*. 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, this initiative has been taken on and papers are now being accessed electronically.

Since its inception in 2010, the bank has been decentralised to three different locations: Raffles Tower, Ebène, ABC Centre, Port Louis and Place D'Armes. The bank's new head office at the WEAL HOUSE, Place D'Armes now allows for the centralization of the activities of the bank whilst saving on natural resources and energy.

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 in the workplace.

STATEMENT OF REMUNERATION PHILOSOPHY

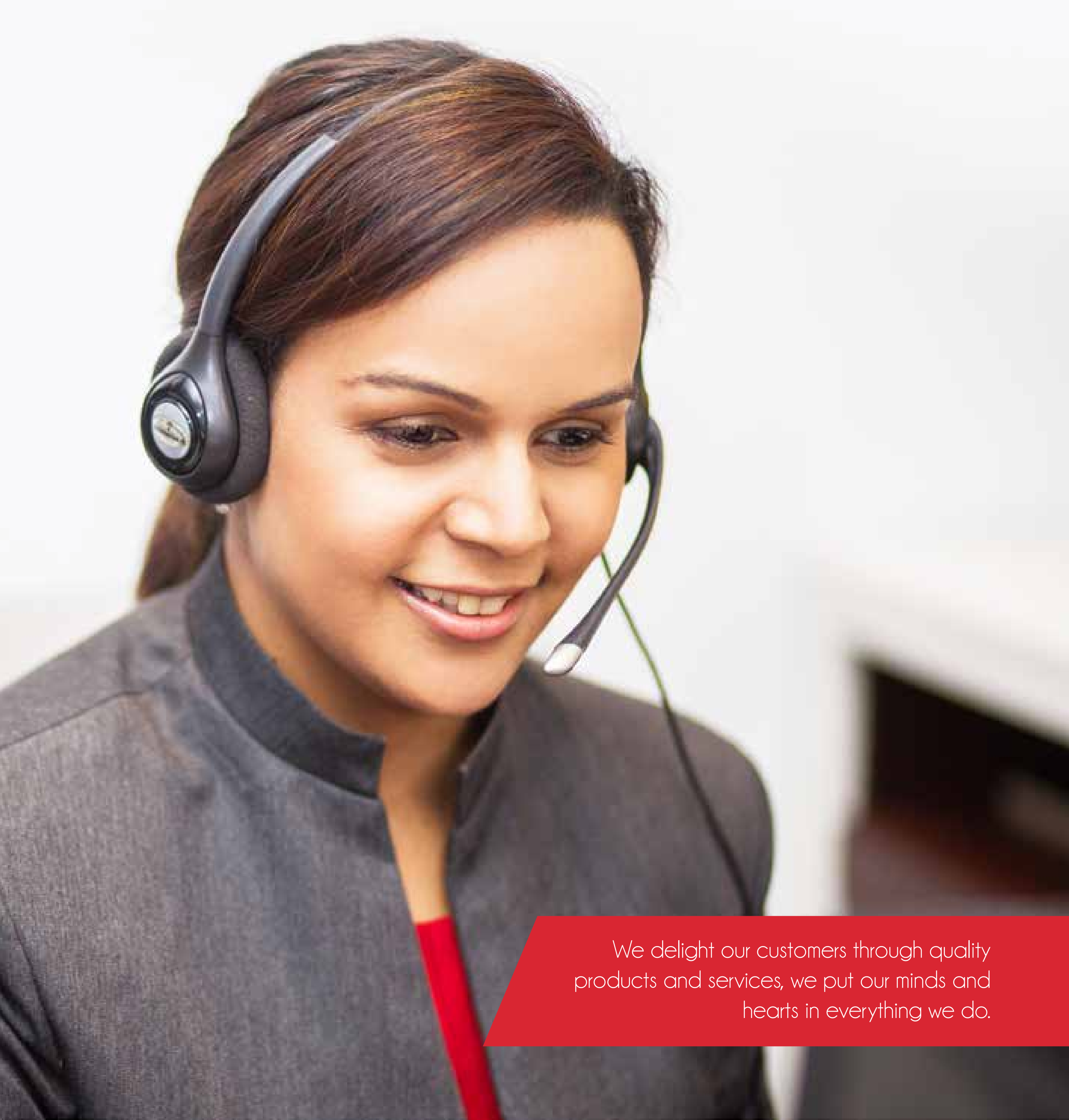
The bank's remuneration philosophy is geared towards encouraging optimal performance on the part of everyone within the organization by rewarding efforts and merits as fairly as possible.

With regard to the directors, including the executive directors, their total 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 any difference in its remuneration criteria for those executive 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, in the cost of living, role responsibilities and general market conditions.

Customer Care



We delight our customers through quality products and services, we put our minds and hearts in everything we do.

CORPORATE SOCIAL RESPONSIBILITY

Since 2013, the Corporate Social Responsibility programme of ABC Banking Corporation has been implemented under the aegis of the Sir Jean Etienne Moilin Ah-Chuen Foundation (referred to as "the Foundation"), ABC Group's entity for all social and philanthropic projects.

Named after the founder of the ABC Group, the Foundation is a non-profit entity that regroups funds allocated for CSR projects of all companies of the Group under one common programme. For 2015, three areas of intervention were identified by the Foundation, namely health & sports, community empowerment and education.

The Foundation disbursed over MUR 1.8 million during 2014-15, which was used to provide support to NGOs and the community. As for previous years, the Management of ABC Banking Corporation has been supported in its CSR activities by the full involvement of its staff.

HEALTH & SPORTS

Sports encourages social integration and helps the development of values that are essential to society. In this context, the Foundation sponsored the 2015 national intercollege football tournament, in collaboration with the Ministry of Youth and Sports and the Mauritius Secondary Schools Sports Association, with the objective of promoting sports activities among young Mauritians.

With the objective of promoting Health and Sports, the Foundation has sponsored, amongst others, the Mauritius Diabetes Foundation for the purchase of outdoor gym equipment in a bid to promote physical activities as a treatment for diabetes, and the Muscular Dystrophy Association by financing the purchase of a specialised wheelchair for a patient suffering from severe spine deformity.

The Foundation is committed to the welfare of employees of the ABC Group. For the second year, a Health Week was organised in March 2015 to raise awareness on the different non-communicable diseases that affect the Mauritian population, while promoting a healthy lifestyle among employees of the Group.

Staff benefited from screening for cancer, cholesterol, diabetes, and also health checkups and sight tests. For the first time in the Group, a laughing therapy session was organized and blood donation was also part of the program.

Talks on health matters and free gym sessions were also available to all the staff. A Healthy Cocktail, which aimed at encouraging healthy eating, was organised to close the event. The Health Week was organised with the support of the Ministry of Health and Quality of Life, OpenMind, Link to Life, Lizié dans la main, the Blood Donors Association and the Komiko Troupe.

A post-event survey revealed a satisfaction level exceeding 70% for employees who participated in the Health Week.

EDUCATION

Education is one of the fundamental factors of social and economical integration. During the past year, the Foundation has offered 14 scholarships to youngsters from needy families to help them pursue their studies at universities and technical colleges. Support was also given to College Technique St Gabriel, with the objective of offering access to professional courses to needy children, and to TIPA to help the NGO foster citizenship and cultural values in underprivileged children, for example through different art workshops, amongst other activities.

COMMUNITY EMPOWERMENT

The participation of the company in the empowerment and social development of the local communities is one of the priorities of the Foundation.

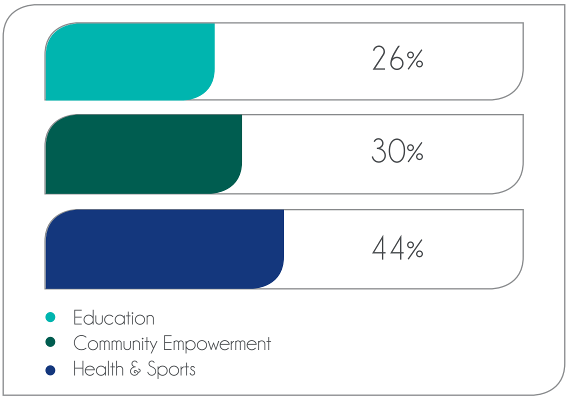
Under this area of intervention, the Foundation also sponsored the Mouvement d'Aide à la Maternité, which provides childcare courses to young mothers in distress.

Sir J.Moilin Ah-Chuen Foundation

Over the past year, the Foundation provided support to the night shelter for homeless people in Roche Bois and to Etoile d'Esperance, a rehabilitation centre which caters for the treatment and rehabilitation of women with alcohol addiction, amongst others. A Christmas Day was also organized in collaboration with the different staff welfare committees of the Group, which included gift distribution and a show, for around one hundred needy children from the region of Roches Bois.

The Staff Welfare Committee of ABC Banking also visited the "Centre D'Eveil" of Caritas at Pailles & Cassis for the music day 2015. The Staff offered musical instruments and organised several activities during the day to bring a smile to the children.

CSR DISBURSEMENTS FYE JUNE 2015



Like last financial year, the Foundation intends to further strengthen its contribution in the field of education through the scholarship scheme and donations to NGOs while putting employees at the centre of its CSR actions for 2016.

DIRECTORS' PROFILES

Hon. Yeung Kam John (Bernard) Yeung Sik Yuen, G.O.S.K
Independent Chairman

Hon. Bernard Yeung Sik Yuen was appointed Judge of the Supreme Court in 1989 and Senior Puisne Judge in 1995. In June 2007, he was appointed as Chief Justice of Mauritius and retired from that position on 31st December 2013. He is the holder of the Honorary Freedom of the City of Port Louis and also that of the City of Curepipe. He is a Honorary Bencher of two Inns of Court, the Middle Temple and the Lincoln's Inn.

Hon. Bernard served from 1998 to 2002 on the Sub-Commission for the Promotion and Protection of Human Rights at the Office of the High Commissioner for Human Rights of the United Nations (OHCHR) in Geneva. Since 2007, he has served as a Commissioner on the African Commission on Human and Peoples' Rights and he has also served on the United Nations Committee on the Elimination of Racial Discrimination (CERD) since June 2013.

Hon. Bernard was awarded the Gusi Peace Prize by the Gusi Peace Prize Foundation in 2012 and was also awarded the International Jurists Award in 2013.

Professor Donald Ah-Chuen holds an M.B.A (University of Strathclyde, UK). He is also a Fellow of the Institute of Chartered Accountants (England & Wales) and Fellow of the Institute of Chartered Accountants (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 (SEM) and a former president of the Mauritius Chamber of Commerce and Industry. He is also a director of ABC Motors Company Limited and P.O.L.I.C.Y Limited, listed on the DEM and SEM respectively.

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 the 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, a company listed on the DEM, Chue Wing & Company Limited and is also a Fellow member of the Mauritius Institute of Directors.

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

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 the IT Department of the Westpac Banking Corporation, Australia, Mr. Ah-Chuen is currently the Executive Director of ABC Motors Company Limited, a company listed on the DEM, 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. 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 to the BAT Group Head Office in the UK and thereby promoted to 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. Chung Tung is a director in ABC Capital Markets Ltd and Prime Ebony Fund Ltd and is also the Chairman of ABC Professional & Secretarial Services Ltd.

Mr. Robert Chung Tung
Independent Director

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 Barclays Bank PLC in 1960 and 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.

DIRECTORS' PROFILES

Mrs. Stephanie Ha Chow
Independent Director

Mrs. 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 the private sector and international public sector agencies, namely the European Commission and the United Nations. Since 2010, she has been a Manager of the family business, Ah Koye Ha Chow & Co. Ltd.

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 the Dian Fossey Gorilla Fund in the UK. Hereafter, Mr. Li Wan Po worked in the department of audit at De Chazal Du Mee.

Mr. Li Wan Po was the President of the Mauritius Chinese Chamber of Commerce in 2006 and the Treasurer of the Association of Mauritian Manufacturers between 2009 and 2013. He is currently a director of Food Canners Ltd.

Mr. Dick Li Wan Po
Independent Director

Me. Danielle Low Kwan Sang is holder of a Master's degree in Law, (specialization in business law) from Aix – Marseille III University, France.

After her Tertiary Studies in France, she returned to Mauritius to undertake a three year term of training in Notary Practice, following which she qualified as a Notary and was awarded the Chamber of Notaries prize for the 1987 Notaries' Examinations organized by the Council of Legal Education of Mauritius. In 1988 she was commissioned and began practicing as a Notary.

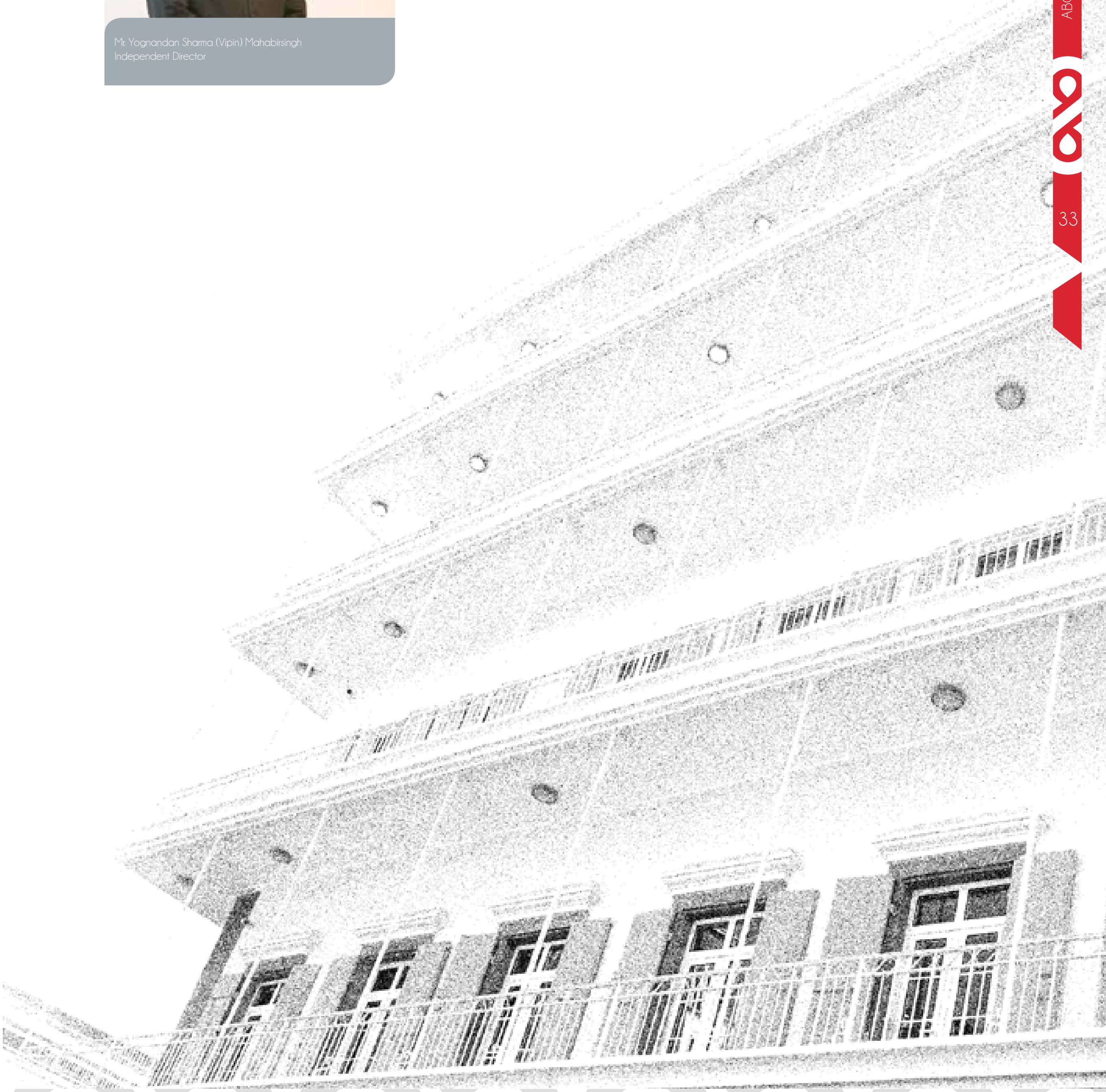
Me. Danielle Low was elected Reporter (1989), Secretary (1990 – 1991) and Chairperson (2006 – 2007) of the then Chamber of Notaries of Mauritius, now she has been with the Association of Notaries of Mauritius since 2008. She is the Notary of many of the leading companies from both the private and public sectors of Mauritius and of international corporations and is deeply involved in the application of civil and commercial laws. She has also been closely associated with the legal setup of many innovative projects and has collaborated with eminent jurists, both local and international.

Me. Danielle Low is currently the Secretary and Director of the "SOS Children's Villages (Mauritius)", a company formed to promote the alleviation of poverty and the well-being of children and families in distress.

Me. Marie Danielle Low Kwan Sang
Independent Director

Mr. Yognandan Sharma (Vipin) Mahabirsingh
Independent Director

Mr. Vipin Mahabirsingh holds a Bachelor in Technology First Class Hons in Electronic Engineering from the University of Mauritius, an M. Phil in Microelectronic Eng from the University of Cambridge and an MBA with distinction from Heriot-Watt University Edinburgh. He has been the Managing Director of the Central Depository & Settlement Co. Ltd (CDS) since 2005. He is also a Director of River Court Administrators Ltd and a Fellow member of Mauritius Institute of Directors (MIoD).



Passion

Passionate about what we do, we strive to achieve excellence and value creation, and uphold equity and fairness.

CORPORATE GOVERNANCE REPORT

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
Mrs. M. Veronique Lim Hoye Yee	Credit Underwriting & Risk
Mr. Kushal Bajnathsingh	International Banking
Mrs. M. A. Christine K.L. Ng Cheong Hin	Internal Audit
Mr. Abdullah Nurmahomed	Treasury

• Mr. Yashodaren Umanee - General Manager

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

With over 30 years' experience in the banking industry, he joined ABC Banking Corporation Ltd in 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 has also been a Corporate Director for the last 6 months in Barclays Seychelles.

• Mr. Piang Cheong Chin - Finance

Mr. Piang Cheong Chin, also known as 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 in March 2012 initially as a Finance Consultant and was subsequently appointed Head of Finance. He previously worked as a Finance Manager in the Investment and Treasury Department of RBS Insurance, UK. Prior to that, he spent four years in the Finance Department of Barclays in central London.

• Mrs. Marie Veronique Lim Hoye Yee – Credit Underwriting & Risk

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 the SBM Group, of which 11 years were within State Bank of Mauritius Ltd (SBM) where she held various senior management positions - Head of Credit Administration, Head of the Credit Underwriting Division, Head of the Intensive Care Team and Research Department and Head of the Risk Management Division. She was also a member of the Board of Directors of several subsidiaries within the SBM Group.

• Mr. Kushal Bajnathsingh – International Banking

Mr. Kushal Bajnathsingh is a holder of a post-graduation degree in Business Administration from Wales University in the UK.

Prior to joining ABC Banking Corporation Ltd in August 2011, he was a Relationship Manager at AfrAsia Bank in the Global Business department. He worked for more than 6 years within Barclays Bank Mauritius as Manager and Head of Department in the International Banking Division. In addition, he was assigned several overseas duties in Barclays Bank Ghana, Barclays Bank Seychelles and Banque de Kigali in Rwanda. In 2008, he was awarded the Change Champion for Overall of Barclays Bank in Mauritius.

PROFILE OF MANAGEMENT TEAM (Cont'd)

• Mrs. M.A. 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).

Prior to joining ABC Banking Corporation Ltd in April 2012, 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. 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 (SBM) 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 3 years at HSBC Mauritius as a member of the Credit Support Staff.

Approved by the Board of Directors on 31st August 2015 and signed on its behalf by:

Hon. Y.K.J Yeung Sik Yuen, G.O.S.K.
Chairman
Corporate Governance Committee

ABC Professional & Secretarial Services Ltd
Company Secretary
Per Kareen Ng, ACIS

MANAGEMENT TEAM

Mr. Kushal Bajnathsingh
Head of International Banking

Mrs. Christine Ng
Head of Internal Audit

Mr. Yashod Umanee
General Manager

Mrs. Veronique Lim
Head of Credit Underwriting & Risk

Mr. Nick Chin
Head of Finance

Mr. Abdullah Nurmahomed
Head of Treasury

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

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

Name of PIE: ABC Banking Corporation Ltd

Reporting Period: 30th June 2015

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: 31st August 2015

Hon. Y.K.J Yeung Sik Yuen, G.O.S.K.
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 30th June 2015 were as follows:

Hon. Bernard Yeung Sik Yuen, G.O.S.K.
Professor Donald Ah-Chuen, G.O.S.K.
Mr. Brian Ah-Chuen
Mr. Dean Ah-Chuen
Mr. Robert Chung Tung
Mr. Henri Fleurot
Mrs. Stephanie Ha Chow
Mr. Dick Li Wan Po
Me. Danielle Low Kwan Sang
Mr. Vipin Mahabirsingh

Messrs. Philippe Chan Kin and Georges Ng Wong Hing ceased to be directors of the bank as of 14th November 2014.

Directors' interests in shares of the bank are set out on Pages 22-23 of the annual report. No directors have any service contract with the bank.

DIRECTORS' EMOLUMENTS

During the financial year ended 30th June 2015, the executive and non-executive directors received emoluments amounting to MUR 5,630,000 (2014: MUR 3,917,508) and MUR 1,058,500 (2014: MUR 984,500) respectively.

DONATIONS

Donations made during the year were as follows:

	2015 MUR	2014 MUR
Donations	18,485	22,026
Political Donations	300,000	-
	318,485	22,026

AUDITORS

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

	2015 MUR	2014 MUR
Audit Services	700,000	640,000
Other Services*	180,000	20,000
	880,000	660,000

*Other services pertain to the review of tax computation.
For 2015, the figure includes services for Internal Control Review.

Approved by the Board of Directors on 31st August 2015 and signed on its behalf by:

Hon. Y.K.J Yeung Sik Yuen, G.O.S.K.
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 30th June 2015, 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
31st August 2015

Kareen Ng, ACIS
Company Secretary

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 30th June 2015.

Approved by the Board of Directors on 31st August 2015 and signed on its behalf by

Hon. Y.K.J Yeung Sik Yuen, G.O.S.K.
Chairman

Robert Chung Tung
Chairman - Audit Committee

CREATIVITY & INNOVATION

With an entrepreneur spirit, we constantly seek for new opportunities whilst constantly applying ourselves to create and innovate.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE OPERATING ENVIRONMENT

The Global Context

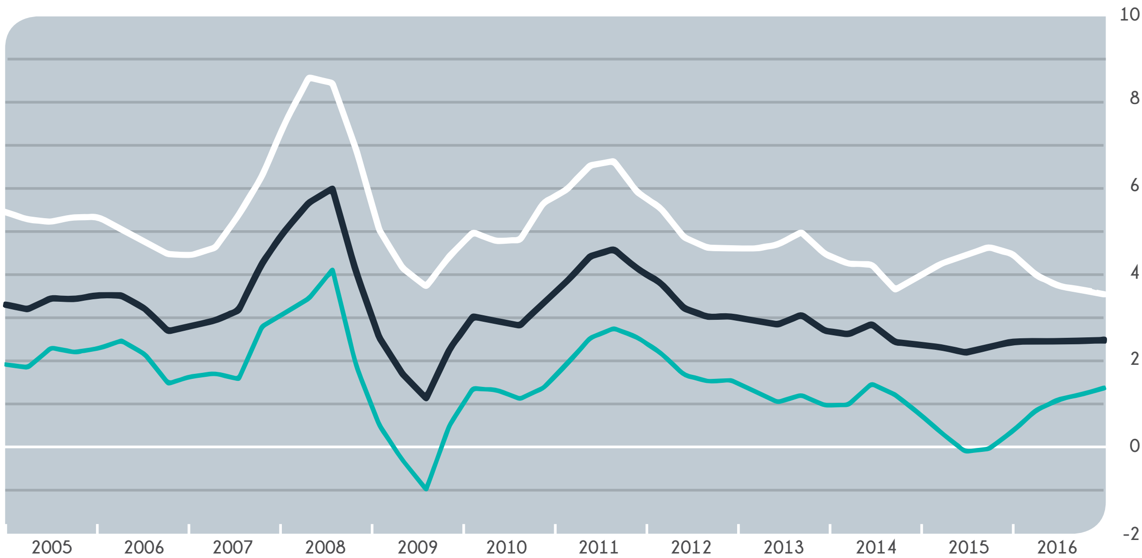
The global economy posted a modest growth rate of 3.4% in 2014 as a result of improving economic conditions in advanced countries and amidst a slowdown in emerging markets and developing nations. In spite of their decelerating growth, developing economies and emerging markets contributed towards 75% of the overall global growth in 2014.

The United States of America witnessed a higher than expected growth rate of 4% annualized in the last three quarters of 2014. The main driver was consumption which expanded as a result of steady job creation and income growth, lower oil prices and improved consumer confidence. Conversely, Japan has retrograded with growth closing on zero owing to falling levels of consumption and dropping residential investment.

The Eurozone, as expected, showed weak signs of activity. Recovery cyphers were felt as from the last quarter of 2014 and in early 2015 with rising levels of consumption backed by falling oil prices and rising net exports. Investment growth in China witnessed a decline in the second half year of 2014 mirroring the contraction in the real estate cluster.

Headline inflation in advanced countries experienced a downward pattern against the backdrop of falling oil prices. The same trend was observed in developing economies and emerging markets whereby lower energy and commodity prices had propelled the inflation rate downwards. The inflation level is expected to fall in 2015 in both advanced economies and most emerging markets and developing countries mirroring primarily the impact of decreasing oil prices.

Global Aggregates: Headline Inflation



Source: World Economic Outlook, April 2015

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE OPERATING ENVIRONMENT (Cont'd)

The Global Context (Cont'd)

The global economy is expected to grow at a rate of 3.3% in 2015 as a result of a gradual pickup in economic activity in advanced countries coupled with a slowdown in emerging markets and developing economies. However, growth is projected to strengthen to 3.8% in 2016.

Advanced economies are forecast to grow at 2.1% and 2.4% in 2015 and 2016 respectively. Recovery in the Eurozone is gradually occurring with reviving domestic demand and rising inflation. Whilst projections have been revised upwards for several euro area economies, the same cannot be extended to Greece which is getting more and more characterised by unpredictable and unfolding developments. The Japanese economy should progress modestly in 2015 as a result of lethargic consumption levels.

Growth in emerging markets and developing economies is expected to contract from 4.6% in 2014 to 4.2% in 2015 against the backdrop of falling commodity prices and tighter external financial conditions relative to economic anguish, geopolitical instability, amongst others. However, the growth rate is expected to rise to 4.7% in 2016 as a result of improving economic conditions in a number of distraught countries including Russia and some economies in the Middle East and North Africa.

REVIEW OF THE ECONOMIC PERFORMANCE OF THE MAURITIAN ECONOMY

In spite of the global slowdown in recent years, Mauritius has shown economic resilience with a consistent achievement of annual growth rates of more than 3%. The country achieved a real GDP growth of 3.2% in 2014 and it is expected that the rate will rise to 3.5% in 2015. The main drivers of economic growth were notably the Information and Technology cluster and the Financial and Insurance sector which expanded by 6.8% and 5.4% respectively. However, this growth was partially offset by a substandard performance of the construction sector which contracted by 9.4%.

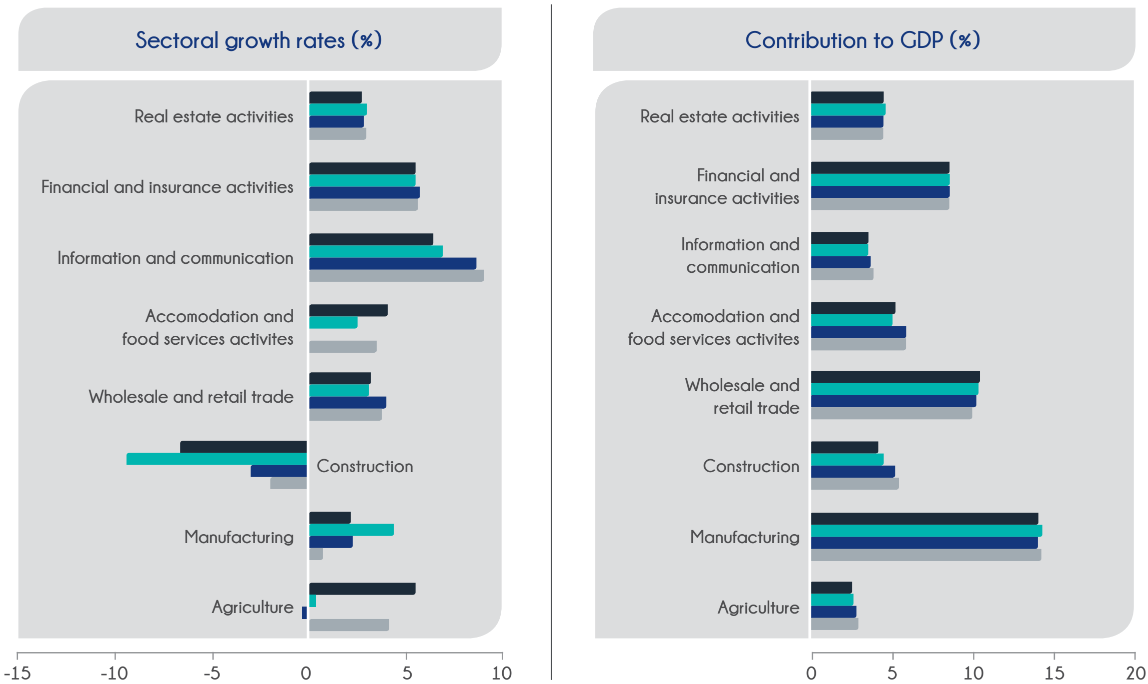
The tertiary sector preserves its position as a key pillar of the economy, more specifically the tourism, financial intermediation and ICT segments. Tourism-related activities including accommodation and food services have greatly benefitted from the pick-up in tourism in 2014. As a matter of fact, the country welcomed approximately 1.04 million tourists in 2014 representing a 4.6% year-on-year increase. During the period under review, the number of European tourists rose by 4.3% while Asian ones grew by 19.5% mostly spurred by an expansion in the number of Chinese tourists.

Financial intermediation, more specifically banking, continues to underpin economic growth in Mauritius. It would not be an overstatement to put forward that this cluster acted as a valuable and dependable support in the advent of the Eurozone austerity adversely impacting on our local tourism-oriented industries. In its endeavour to establish itself as a financial hub for the Indian Ocean, Mauritius has developed a well-regulated and adequately capitalized sector, with a favourable tax regime attracting capital flows from all corners of the globe. In this quest, in 2014, Mauritius replaced Singapore as the number one source of Foreign Direct Investment into India. In fact, during the first six months of 2014, India experienced a flow of USD 4.19 billion as Foreign Direct Investment from Mauritius in comparison with the USD 2.41 billion emanating from Singapore.

The manufacturing cluster on its side expanded at a higher pace of 4.5% in 2014 in contrast to the modest growth rate of 2.1% posted over the last half-decade. This growth was mainly boosted by a reviving textile sector which progressed by 3.3% in 2014 compared to the 2.6% growth rate registered in 2013. Owing to the contraction in expenditure on commercial and residential buildings, the construction sector witnessed negative growth. However, this sector is expected to pick up from 2015 with the roll-out of several major infrastructure projects.

REVIEW OF THE ECONOMIC PERFORMANCE OF THE MAURITIAN ECONOMY (Cont'd)

The table below depicts the sectoral growth rates and their contribution toward Gross Domestic Product over the last four years:



Source: Mauritius Chamber of Commerce and Industry

The Bank of Mauritius has adopted an accommodative monetary policy stance whereby it is continuing monetary policy easing to come to grips with the local economic slowdown and lingering global uncertainties. Since June 2013, the repo rate has been maintained at 4.65%. The inflation rate fell to 2.6% in 2014 in comparison to the 3.6% prevailing in December 2013, owing to declining food and energy prices.

OUTLOOK 2015

Economic headway seems to be improving, though at a moderate and uneven pace. The relatively positive start to the year 2015 was hampered by a series of geo-political and financial shocks in the local economy notably with political scandals and the collapse of one of the largest conglomerates of the island including a commercial bank which had to be bailed out by the Mauritian government.

The main challenges that need to be addressed are notably enhancing the overall infrastructural system, resolving the scarcity of skilled human resources and the full reform of public companies and parastatal organizations to render them operationally more efficient and effective.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENT REVIEW

Domestic Banking

In spite of challenging economic conditions and tight competition from industry peers, Domestic Banking which comprises Corporate, SME and Retail sub-clusters achieved a good performance for the year under review and remains the primary income driver of the bank with a contribution of 34% towards total gross revenue registered over the 12 months ended 30th June 2015. With a systematic focus on fast and quality service coupled with efficient operational processes, the bank has succeeded in not only achieving its targets for the year but has exceeded them. The overall loans and advances portfolio has expanded by 16% 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 into new business opportunities and encouraging existing clients to utilise more of our products and services.

Covering mostly large clients, Corporate Banking has positioned itself well during the year under review. The performance of the Corporate Banking Division has exceeded expectations with the lending portfolio recording a 10% over-achievement against set targets. 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.

In a bid to provide Small and Medium Enterprises [SMEs] with continuous support, every business customer is allocated a dedicated Relationship Manager at no cost. We firmly believe in the concept of personalized service with counselling and advice through our dedicated SME Team. Our Relationship Managers are always on hand to assist small companies and entrepreneurs who come to us because we are a relatively new bank and also because we are not a big bank which could focus more on big customers and may not be too concerned with their specific problems. Our bank continuously participates in the SME financing scheme launched by the government in the SME sector and is in line with the financing quota set by the Central Bank of Mauritius.

Customer satisfaction is at the heart of our priorities and as such, we have devoted resources towards recruiting and retaining professional staff to ensure the quality of service delivered to our clients. Strong emphasis is also laid on closeness and proximity and our customers benefit from a warm welcome at our branch in an easy, confidential and professional manner. We also focus on competitive banking facilities with convenience and accessibility and we do guarantee quick assessment of clients' requests.

During FY14/15, the bank continued to put emphasis on marketing initiatives via different media including e-mails, radio, 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 maintaining the growth momentum; the bank has invested in training sessions in customer care for front liners and back office staff in order to upgrade their knowledge, skills and abilities.

With the recent announcement of several projects in the construction sector and government initiatives in the tourism sector, it is expected that there will be scope for more expansion. Opportunities coupled with our solid and strengthening capital base, our lending portfolio is well positioned to grow further. The focus of FY15/16 will be to further strengthen our assets base and the optimisation of our current portfolio. The bank will build on its growth momentum by prospecting intensively into the sectors that are driving the Mauritian economy.

International Banking

The International Banking Department continues to be one of the key income pillars of the bank with a contribution of around 18% to the total revenue registered for the year under review. The department's performance has exceeded the objectives set at the start of the year by 13% and it continued its business expansion by widening and diversifying its market-related initiatives, resulting in a sustained increase in the balances of Segment B deposits. The accolade of Best Bank for International Banking Services in 2014 and 2015 by Global Banking and Finance Review bears testimony to the department's consistent growth over the last financial year.

Our 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 Europe, the Middle East and Asia. 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. Further opportunities are also being explored which will lead to enhanced regional presence and business expansion for the division.

Treasury Operations

During the year under review, the Treasury Department embarked on a strategic restructuring to further enrich its product offering and enhance service delivery. In that optic, dedicated desks were created and the team was reinforced to cater for the expected increase in customer expectations and product sophistication. Some new initiatives deployed included a more aggressive sales program, training to refine technical and soft skills, streamlined processes to generate higher levels of efficiency, introduction of new income generating lines and offerings and the implementation of new tools and roll-out of technologies in the dealing room.

The restructuring program and strategies put forward reaped an overall impressive performance for the department. Income from foreign exchange transactions grew by 58% to reach MUR 57 million, out of which 37% originated from the domestic market. Nevertheless, the latter sector remains challenging with tighter margins and stiff competition coupled with an unprecedented volatility in foreign exchange rates. The fixed income and money market desk also generously contributed in generating additional income. Interest from placements and investments grew by 30% to MUR 241 million and other trading income further improved performance.

Control and supervision being an important aspect of trading activities, the treasury middle office was further consolidated. Along with the treasury back office, they remain important support functions for front office operations. Looking ahead, the local banking sector remains challenging and in the midst of a subdued international context. The ambition for FY15/16 and beyond is to consolidate the business structure developed in FY14/15 and build on it by exploiting new business opportunities. The department is confident of achieving new summits in the years to come.

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 e-business activities was approximately MUR 31 million [FY13/14: MUR 17 million]. In November 2014, in our constant quest to improve our product offering, our bank decided to replace its magnetic stripe cards with a new card that contains an embedded chip to better safeguard against fraud. Chip technology provides greater security for all transactions including ATM cash withdrawals, online transactions as well as payments at point-of-sale terminals. Additionally, we have introduced the MasterCard SecureCode in collaboration with MasterCard International in order to improve clients' banking experience. The MasterCard SecureCode provides clients with an additional layer of security and protects cardholders against unauthorised usage when they shop online at participating merchants.

Channels

In December 2014, the bank moved its operations to the prestigious WEAL HOUSE which is strategically located in the heart of the nation's financial capital at Place d' Armes, Port Louis. In line with our vision to offer our customers an environment which is up to their expectations, our new branch and head office have been fully redesigned. The new layout has been reviewed in such a way to accommodate the needs of all customers notably in terms of types of transactions being undertaken, services on offer and hours of business. The bank's new headquarters has enabled it to give a new dimension to its welcome and service to its valued clients. With its Main Branch and Head Office now housed under one roof, customers not only have a modern and spacious banking environment but this move has also smoothened and quickened internal processes to ensure superior services to our clients.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SEGMENT REVIEW (Cont'd)

Channels (Cont'd)

In its spirit of innovation, our bank has invested massively in state-of-the art technology to put reliable and sophisticated electronic delivery channels at the disposal of our clients so that they can conveniently bank from anywhere on a 24/7 basis. These channels include an Internet banking platform allowing them to conduct their banking operations in a climate of confidentiality, trust and privacy, a MasterCard Debit Chip Card enabled for online purchases and secured by the MasterCard Secure Code.

Looking ahead, our bank will pursue its commitment in enhancing the quality and bolstering the reach of its delivery channels, thus paving the way for a more enriching customer experience. In that vein, the bank's Internet Banking platform is currently being revamped whereby the functionalities will be widened. Additionally, our website will shortly be comprehensively overhauled to provide segmented information and a seamless browsing experience.

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, in order to draw advantage from the specialist expertise of key personnel and enhanced operational efficiency. Various Business Units namely Human Resources, Credit Underwriting, Credit Administration, Information Technology, Finance, Operations, Product Development and Marketing are continuously providing support to the Revenue Centres of the bank. Serving the interests of internal and external customers is at the heart of the bank's priority. As such, established policies and procedures are continuously 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.

Human Resource Management

The bank is conscious that its human resources lie at the very foundation of its achievements. We are thus aiming at capitalising on the skills and talents of our pool of employees to help us deliver an impeccable and personalised service to our clients and thus differentiate our offering on the market. With the appointment of a new HR Manager, we are now shifting gear in terms of human resource management, notably with the establishment of a proper HR organisation structure. In the forthcoming year, we plan to roll out a number of HR platforms and adopt several best practice systems, procedures and methods which will serve in attracting, training, motivating and retaining talent in the bank.

Product Development and Marketing

The Product Development and Marketing Business Unit has been reinforced to enhance the brand image of the bank, improve internal communication and assist the bank in the execution of its strategic objectives. The unit is actively involved in sponsorship and branding activities. Working in tandem with the different lines as well as relevant support units, the Product Development and Marketing team comes up with innovative banking products and services that will meet the exigencies of our customers. The department has also been active, along with the respective business lines, in the organisation of networking events for clients.

FINANCIAL REVIEW

Cautionary Note: The analysis of the bank's financial information should be read in conjunction with the audited financial statements for the year ended 30th June 2015 presented on pages 84 to 136.The financial information given is based on the period under review and may not necessarily reflect the financial results and operating conditions of the bank going forward. Readers are also advised to refer to the disclaimer on page 138 relating to forward-looking statements.

Highlights

ABC Banking Corporation Ltd continues to build its momentum against the backdrop of its medium and long term stratagems by recording a profit after tax of MUR 68 million compared to the MUR 15 million registered in FY13/14. This performance which represents a commendable growth of 350% over that of the last financial year has been attained in a challenging and highly competitive operating environment characterised by excess liquidity and weak credit demand on the local market. This set of results is indeed very encouraging and bears testimony to the disciplined execution of the bank's strategy to capitalise on its core income pillars.

Amidst a difficult economic environment, the bank recorded a Return on Equity of 11.2%, way beyond the projected rate of 3.9%. With the leap in profits, Earnings per Share shot from MUR 0.50 at 30th June 2014 to MUR 1.60 at the end of June 2015, reflecting improved value creation for the shareholders. The consolidation of the bank's capital with an injection of MUR 150 million in November 2014 has certainly enabled the bank to increase its assets base in line with its strategic intent. The bank's capital adequacy level sat comfortably at 12.9% at the closure of books at 30th June 2015 and remains well above the minimum recommended level set at 10% by the Bank of Mauritius.

The prime focus for FY15/16 would be the consolidation of the bank's footprint on the domestic front and to tap into new business opportunities locally and abroad.

Key Performance Indicators

OPERATING PROFIT 2015: MUR 146m 2014: MUR 81m	+82%
TOTAL OPERATING INCOME 2015: MUR 321m 2014: MUR 205m	+57%
DEPOSITS 2015: MUR 11bn 2014: MUR 8bn	+36%
LOANS AND ADVANCES 2015: MUR 3bn 2014: MUR 2.6bn	+16%
TOTAL EQUITY 2015: MUR 608m 2014: MUR 390m	+56%
TOTAL ASSETS 2015: MUR 12bn 2014: MUR 9bn	+37%

MANAGEMENT DISCUSSION AND ANALYSIS

Performance against Objectives

Area of performance	Objectives for FY 2014/15	Actual for FY 2014/15	Objectives for FY 2015/16
Net Interest Income	Net Interest Income to rise around 15%, with a continuous growth in loans and advances portfolios, and a tightening of margins with aggressive competition.	Net Interest Income of the bank improved exceptionally by 53% driven by the increase in loans and advances to both customers and banks and government securities.	Target to increase Net Interest Income by around 15% with emphasis on the expansion of the loans and advances portfolio.
Non-Interest Expenses	Non-interest expenses expected to increase around 15%, driven by staff expenses and planned growth.	FY14/15 saw an expansion of 20% in the staff workforce and exceptional costs associated with the move to WEAL HOUSE. Total expenses were up by 41%.	In line with increase in business and investment in information technology, non-interest expenses expected to increase by around 15%.
Productivity (Non-interest expense as a % of the sum of Other income and Net interest income before impairment)	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.	The cost to income ratio dropped to 54% for FY14/15.	Aim to improve further and drop the cost to income ratio below 50%.

Performance against Objectives (Cont'd)

Area of performance	Objectives for FY 2014/15	Actual for FY 2014/15	Objectives for FY 2015/16
Return on Equity (Net profit/Equity)	To keep ROE at least at same level in view of the surrounding economic condition and high competition on the local market	Following a good performance during FY14/15, ROE for the year ended at 11%.	To build on the current momentum and keep the ROE above 10% on the back of the timid economic recovery.
Return on Average Total Assets	Target to increase the ROA to 0.3%	Return on average total assets was 0.6%	Target to increase the ROA to 0.7%
Portfolio Quality (Specific provision as a % of average Loans and Advances to customers)	Sustained focus to bring down the NPL ratios	The NPL ratio was down to 5.4% (FY13/14: 11.7%) on the back of a drop in impaired loans. The provision percentage was at 3.3% for the year.	Continue on the rigorous assessment and monitoring of facilities to ensure lower level of non-performing assets.
Deposit from Customers	To build on the recent trend and encourage more savings and increase foreign currency book. We expect deposit to grow around by 15%.	Total deposit portfolio increased by 36% year on year driven by exceptional increase in savings and other deposits.	Aim to grow the total deposit base by 20%.
Loans and Other Advances Portfolio	To keep on growing our loans and advances portfolio and aim for a net increase of 30% year on year.	The loans and advances portfolio increased by 16% amid a lacklustre economic recovery.	To keep on growing our loans and advances portfolio and target an increase of 30%.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Results

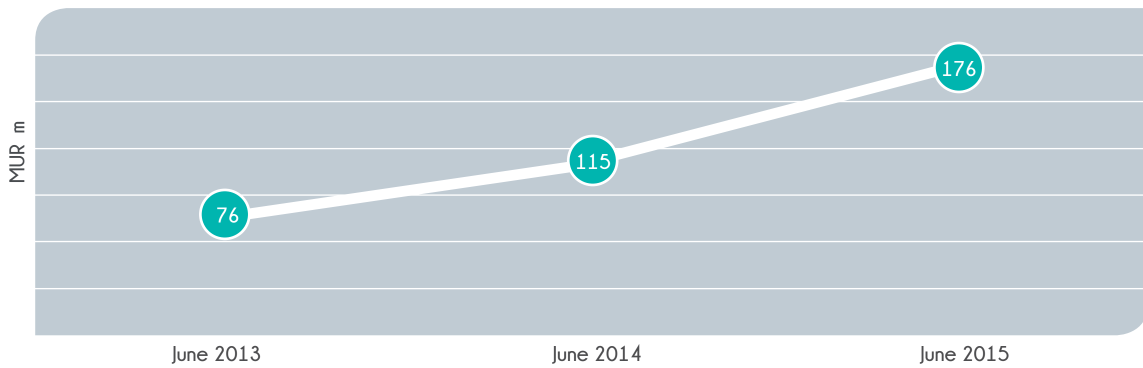
REVENUE GROWTH

Operating Income

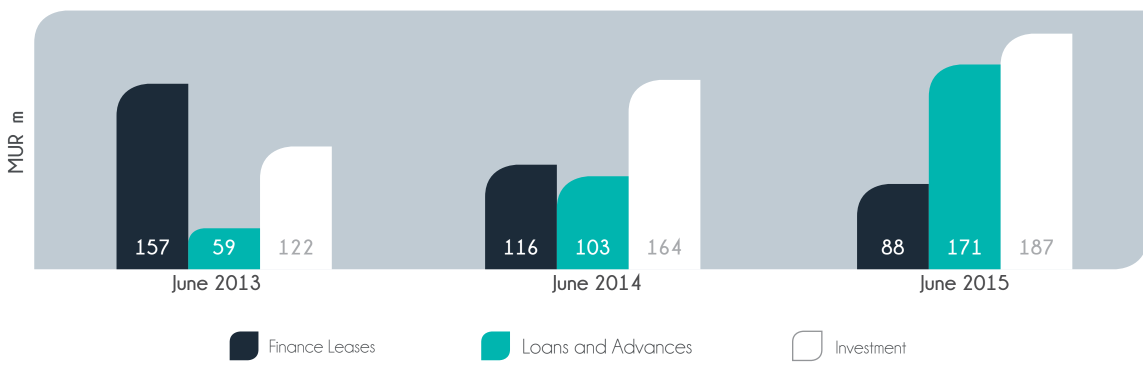
The bank's overall operating income for the year ended 30th June 2015 stood at MUR 321 million in comparison to the MUR 205 million recorded in the 12 months ended 30th June 2014. The main drivers of revenues remain by far Net Interest Income and Non-Interest Income. The contribution of Net Interest Income towards total operating income approximated 55% [FY13/14: 56%].

Net-Interest Income

In spite of the declining interest environment, Interest Income continues to be the main source of revenue for the bank. On an overall basis, Interest Income of MUR 447 million [FY13/14: MUR 384 million] and Interest Expense of MUR 271 million [FY13/14: MUR 269 million] were recorded. Net Interest Income posted a satisfactory growth of 53% to reach MUR 176 million for the financial year 2015 (FY13/14: MUR 115 million), mainly driven by an expansion in the loans and advances portfolio coupled with better spreads and an efficient management of liquidity whereby excess funds were channelled to gilt-edged securities, sovereign and corporate bonds yielding attractive medium-term returns. The liability mix withstood a further improvement with average lower cost demand and savings deposits increasing by 88% in comparison to the balance of 30th June 2014. Additionally, term deposits at higher cost were not renewed upon maturity.

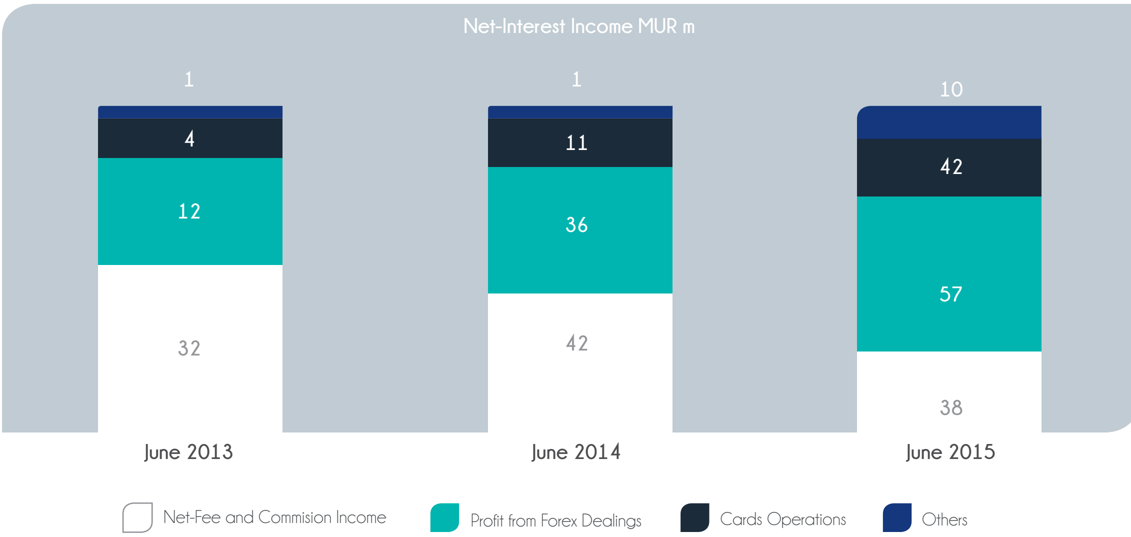


The chart below depicts the contribution per asset type towards the achievement of Total Interest Income:



Net-Interest Income

Non-Interest Income was up by 62% to reach MUR 146 million [FY13/14: MUR 90 million] contributed mainly by exchange profits, card operations and net fee-based income. An exceptional performance in forex dealings coupled with an expansion in card related activities have led to a several-fold increase in these lines of activities in comparison to last financial year's performance.



COST CONTROL

The last 12 months ended 30th June 2015 have been characterised by continuous investment in logistics, human resources, technology, advertising and capacity building 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 41% year on year to reach MUR 175 million [FY13/14: MUR 124 million] in FY14/15. The main component of Non- Interest Expenses is still Personnel Expenses which have grown by 36%. This increase is attributable to new recruits in reinforcement and support of business expansion, a review of the remuneration package for existing employees in line with the bank's strategy to attract and retain talent, performance related bonuses and capacity building including training and HR development.

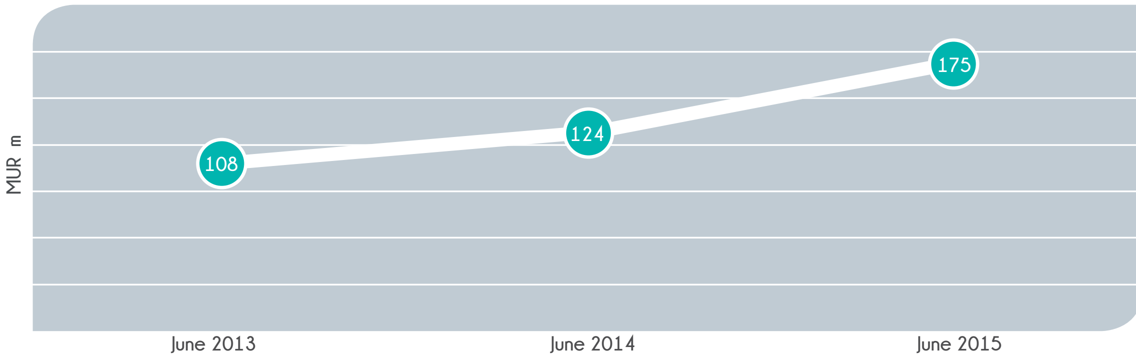
Other expenses increased by 49% largely as a result of the opening of our new head office and branch at WEAL HOUSE and growing business volumes. While the bank made efforts to maintain costs within budget in certain operational areas, additional expenses were incurred in strategic areas such as premises, marketing and business development and promotions with a view to providing a new dimension in our service to customers.

In spite of the increase in expenditure by 41%, the bank was able to bring down its cost to income ratio to 54% in contrast to the 61% of FY13/14.

MANAGEMENT DISCUSSION AND ANALYSIS

COST CONTROL (Cont'd)

The bank's non-interest expenditure pattern over the last three financial years is pictured below:

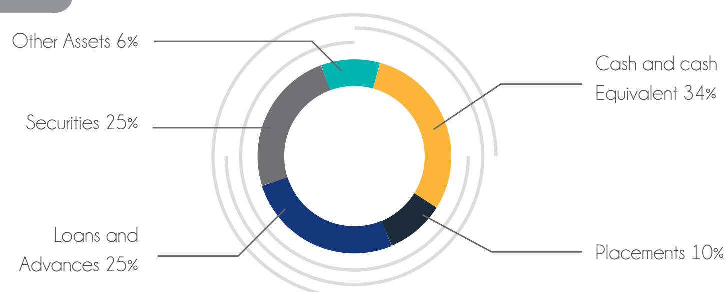


ASSETS

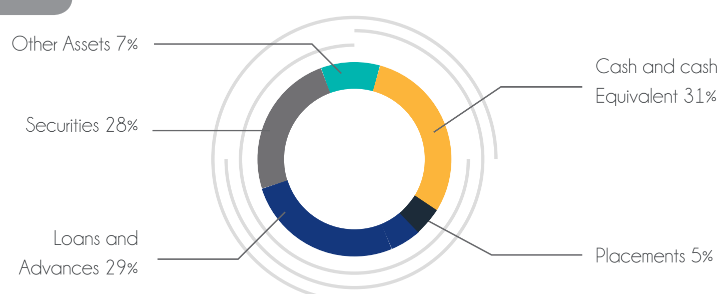
Assets Mix

The bank's total assets expanded by 37% from MUR 9 billion at 30th June 2014 to attain the MUR 12 billion landmark on 30th June 2015, fired mainly by a material increase in Cash and Cash Equivalents and Placements with banks abroad. Noticeable growth of 19% and 16% was registered in the Investment and Loans and Advances portfolios respectively. 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 2015 and 30th June 2014 respectively with clear efforts to reduce risks through diversification:

Assets Mix 2015



Assets Mix 2014



Investment Securities

The bank's investment portfolio comprising mostly fixed interest securities stood at MUR 3 billion [FY13/14: MUR 2.5 billion] representing a year on year expansion of 19% over last year. As a result of excessive liquidity and limited lending opportunities on the market, the bank has adopted a policy whereby idle funds are being channelled to gilt-edged securities, sovereign and corporate bonds yielding attractive medium-term rates. Investment in securities represents 27% of the bank's overall deposit portfolio thereby creating a comfortable situation in the advent of a liquidity crisis.

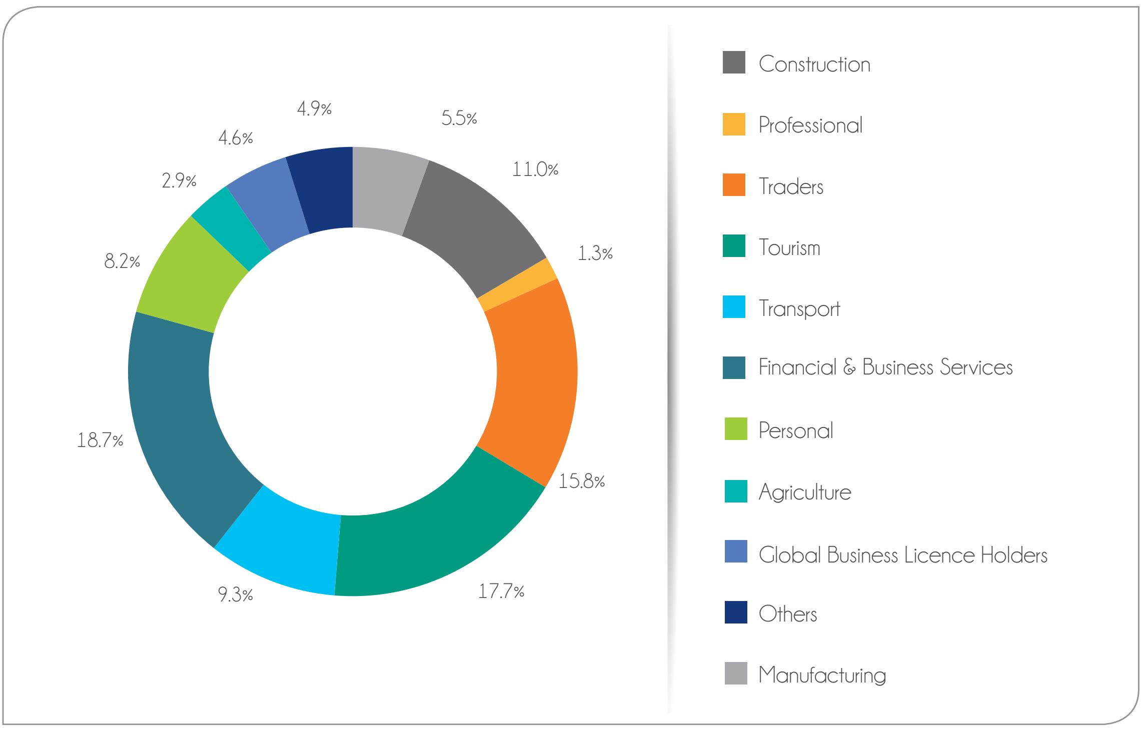
Cash and Cash Equivalents

Cash in hand and balances with Central Bank and other financial institutions stood at MUR 5.5 billion at 30th June 2015 [FY13/14: MUR 3.2 billion].

Credit Exposure

Despite the difficult operating environment and heightened competition including the non-bank financial institutions, the bank pursued its strategy for sectoral diversification which resulted in the loans and advances portfolio progressing year-on-year. Advances grew modestly by 16% to MUR 3 billion at 30th June 2015. This increase was largely sustained by our ability to consolidate and expand our existing business segments.

In line with prudential regulation and cognisant of the importance of sectoral 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.



MANAGEMENT DISCUSSION AND ANALYSIS

ASSETS (Cont'd)

Provisioning and Asset Quality

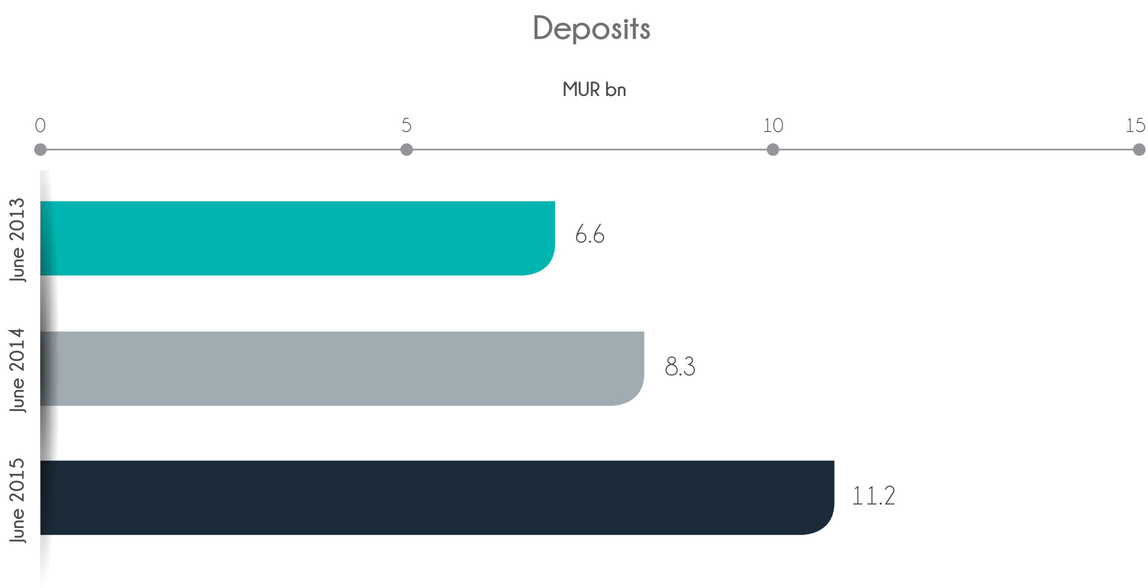
During the year under review, the bank has been focusing on two fronts notably; a rigorous control and credit assessment and a strengthening of the internal risk management and disbursement procedures. Efforts are being continuously geared towards recovery to continuously improve the portfolio quality and mix. On a par with this, the ratio of non-performing accounts to gross loans and advances dropped from 11.7% to 5.4% at closure of books; with the uncovered portion shielded by a suitable level of collateral.

A net provision of MUR 72 million [FY13/14: MUR 63 million] has been made for credit impairment and write offs during the financial year ended 30th June 2015. The bank is confident that it has now adequately addressed its legacy of non performing facilities. With the reinforcement of risk procedures and continuous recovery efforts, the NPL ratio will certainly fall back to a lower level, paving the way for a healthier portfolio.

FUNDING

Deposits

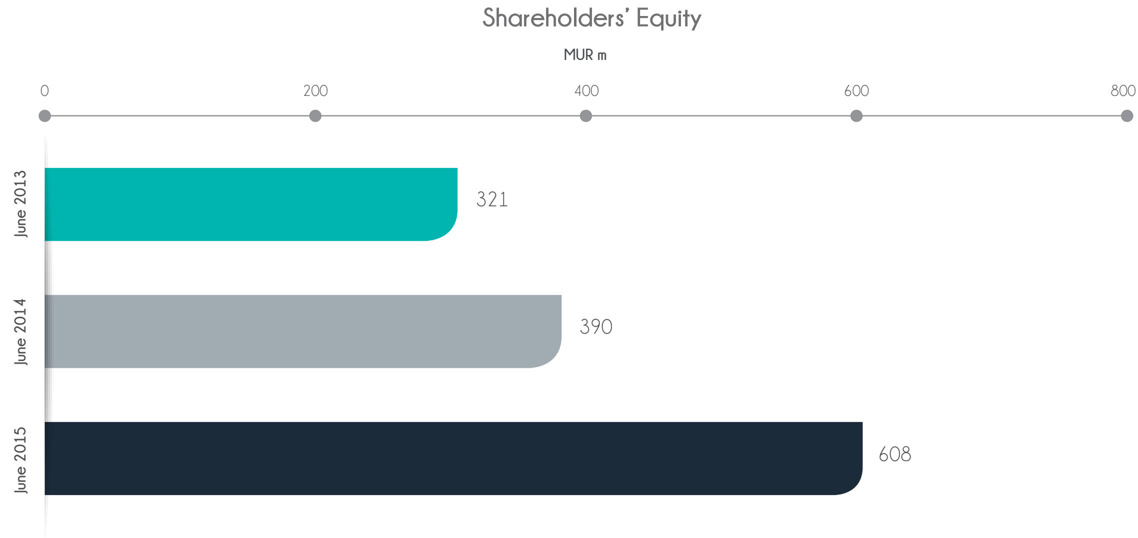
During the twelve months ended 30th June 2015, the aggregate deposit base grew by 36% to reach MUR 11.2 billion [FY13/14: MUR 8.3 billion]. This upward swing was mostly driven by an expansion in low cost foreign currency denominated deposits and the bank's constant efforts to mobilise savings in an environment characterised by excess liquidity. At close of the year in June 2015, term deposits accounted for only 23% of the bank's overall deposit portfolio [FY13/14: 41.7%] as deposits at higher cost were not renewed upon maturity. 53% of total deposits were denominated in foreign currencies at the end of June 2015 [FY13/14: 42.5%].



Capital Resources

The bank remains well capitalised with a share capital and reserves of MUR 608 million [FY13/14: MUR 390 million]. During the year under review, the shareholders strong support to the bank continued with an injection of MUR 150 million as additional capital. The year-on-year increase of 56% registered in Shareholders' Equity has also been fueled by the 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 12.9% which is well above the regulatory requirement of 10%.

The prime focus of FY15/16 would be to maintain buffers adequate enough to support the bank's expansion strategy and to comply with new Basel III capital requirements. Further information about the bank's capital adequacy requirements can be found in the Risk Management Report, more particularly on pages 75 to 79.



RISK REPORT

1. FY2015 Highlights

• Significant reduction in impairment

NPL level maintained its downtrend during the year with NPL ratio declining to 5.4% as at 30th June 2015 from 11.7% as at 30th June 2014. The decrease is attributable to the high drop of 47% in Non-Performing Loans from MUR 319.4 million as at 30th June 2014 to MUR 169.3 million as at 30th June 2015. Gross loans and advances rose by 14.3% from MUR 2,735.8 million as at 30th June 2014 to MUR 3,126.0 million as at 30th June 2015. Total provision increased from 38.9% as at June 2014 to 61.1% as at June 2015.

• Investment in bonds

As at the end of June 2015, investment in FCY fixed income securities amounted to the equivalent of MUR 188.7 million from the equivalent of MUR 139.4 million as at end of June 2014. Of this, 3.3% represented country risk in Nigeria and 27.9% represented country risk in Kenya. The total investments in local Government Bonds went up from MUR 1,991.4 million as at 30th June 2014 to MUR 2,591.2 million as at 30th June 2015. Investment in treasury bills amounted to MUR 137.4 million as at 30th June 2015 whereas a year ago, the investment in treasury notes was MUR 332 million.

• Funding Mix and Loan to deposit ratio

Deposits soared by 35.7% from MUR 8,258.2 million as at 30th June 2014 to MUR 11,210.1 million as at 30th June 2015, largely on the back of the 76% surge in FCY call and current account deposits. The latter made up 53% of the total deposits as at 30th June 2015 from 40.9% as at 30th June 2014. With the increase in FCY call deposits, placements with banks also went up. Risk weighted claims on banks increased from MUR 1,219.5 million as at 30th June 2014 to MUR 2,463.2 million as at 30th June 2015.

Funding concentration decreased over the year.

• Capital management

The aim of the bank is to optimize the capital usage by providing support to the growth of the business areas and hence better returns to the shareholders, while maintaining a solid capital foundation to cover the risks inherent to the bank's activities. During FY2015, the bank continued to strengthen its capital position. The increase in the bank's share capital via a rights issue during the quarter ended December 2014 boosted the Capital Adequacy Headroom. On 28 November 2014, the bank proceeded with a rights issue of 12 million shares totaling MUR 150 million (inclusive of share premium).

In June 2015, the bank issued 138,180 Floating Rate Cumulative Redeemable Preference Shares for a total amount of MUR 138.18 million.

Tier 1 Capital ratio came to 8.6% as at 30th June 2015 from 7.7% as at 30th June 2014. Capital Adequacy Ratio (CAR) amounted to 12.9% as at end of June 2015 from 11.2% as at June 2014. The ratios are above the minimum regulatory level of 7.5% (Tier 1 CAR) and 10% (CAR) respectively. The bank ensures that capital levels exceed the minimum capital requirements at all times.

• Initiatives materialized by the Compliance function

As from June 2015, the bank has been using a software, SAFEWATCH Filtering solution, to scrutinize all wire transfers. It is a globally recognized watch list solution which provides a robust sanctions screening solution and enables realtime blocking of potential violations. This service will enhance compliance with the AML/CFT framework.

During the year, the bank has also put in place procedures to comply with FATCA requirements.

2. Risk Governance Structure

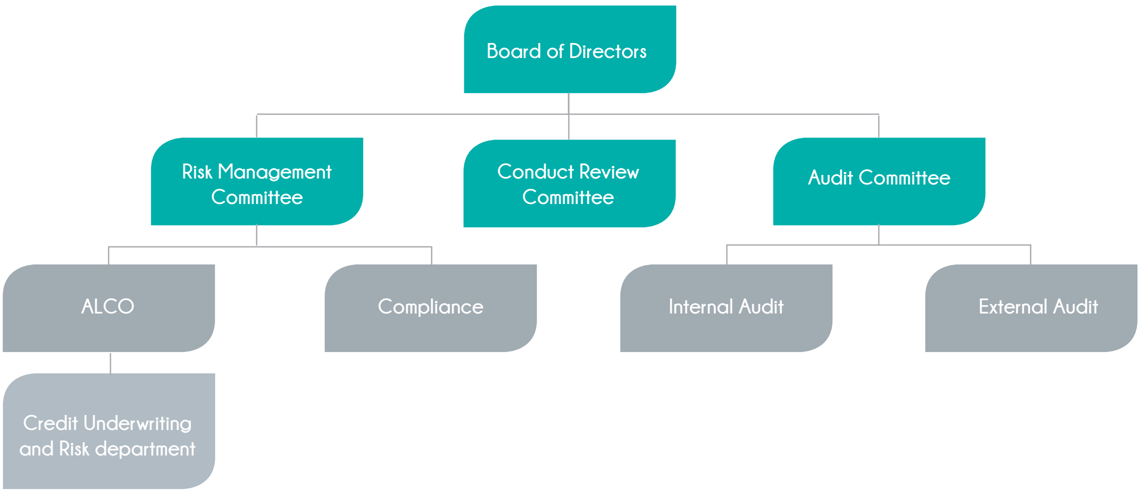
The risk management process comprises of the following steps:

2. Risk Governance Structure (Cont'd)

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.

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 domestic and international client bases.

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

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
- Reviewing the ICAAP document and recommending the same to the Board
- Ensuring the effectiveness of procedures and compliance with the Bank of Mauritius Guidelines

RISK REPORT

3.3 Conduct Review Committee

The responsibilities of the Conduct Review Committee include the following:

- Ensuring that management establishes policies and procedures to comply with the requirements of the Guideline on Related Party Transactions
- Reviewing and approving credit exposures to related parties.
- Ensuring that market terms and conditions are applied to all related party transactions.

3.4 Assets and Liabilities Committee (ALCO)

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

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

Other employees 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

- Analyzing 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 the 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 processes 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 the desired level of risk coverage, expected balance sheet growth, future sources and applications of fund, acquisitions, new products and services, market image and 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 launches, 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.

3.5 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 the 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 the scope of internal audit, the annual audit plan and significant matters reported by the Internal Audit department

3.6 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 the Risk Management Committee on matters relating to credit, market and operational risks.
• Presenting the ICAAP to the Bank of Mauritius and addressing queries.

4. Risk Management Tools

Effective risk management includes the following tools which are integrated in the bank's processes.

5. Risks

Through its normal operations, the bank is exposed to a number of risks as specified below.

PRIMARY RISK DRIVERS

RISK REPORT

6. Credit Risk

Credit risk is the risk of financial loss resulting from failure of the parties, with whom the bank has contracted, to meet their obligations (both on and off balance sheet).

6.1 Credit Risk Management Approach

The Credit Underwriting and Risk Function is segregated from the origination and sales function. The Credit Granting and Approval Authority is in compliance with the delegation of authority as set out in the Credit Policies.

The independence of the Credit Underwriting and 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 customer/group limits, concentration limits to control and avoid undue concentrations within countries and industry sectors.
- Consistent assessment of credit worthiness of counterparties and clients.
- Active use of credit mitigation tools.
- Dual sign off and approval.
- Escalation to the next level of approval authority for non-standard lending.
- 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.

6.2 Credit Policies

The credit policies set the standards on credit origination and credit risk assessment, concentration risk, credit risk mitigation, credit monitoring, collection and recovery. In addition, it incorporates the delegated powers of approval authorities, as approved by the Board Risk Management Committee. Approval authorities are tiered based on the 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 to ensure that the policies reflect the risk appetite of the bank accordingly.

6.3 Credit Risk Profile

The bank actively monitors country exposures, exposures to single borrowers/groups of closely related customers, industry and concentrations.

6.3.1 Sovereign Risk

Sovereign Risk is a type of credit risk specific to government debt. Total investments in local Government Bonds and treasury bills amounted to MUR 2,728.6 million as at 30th June 2015. This represents 52% of the MUR deposits from customers.

6.3.2 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.

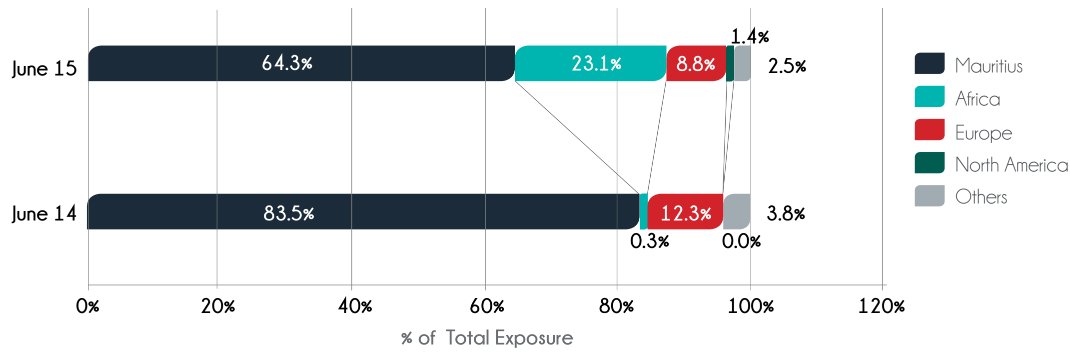
6.3.2 Country Risk (Cont'd)

With the expansion in the International Banking line of business, the bank has granted loans to entities/invested 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.

The following chart shows the distribution of exposure by country.

Country Risk Exposure



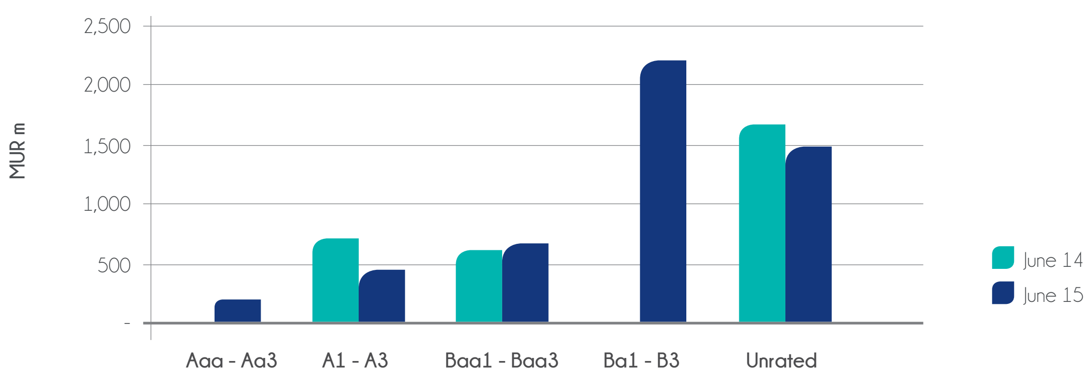
It can be noted that domestic exposure still predominates with 64.3%. The increase in exposure to Africa was mainly on account of increased placements with banks on that continent.

6.3.3 Bank Risk

Surplus funds are invested in treasury bills/bonds or placed with other banks. Moody's, Standard and Poor's and /or Fitch ratings are used to assess the counterparty risk related to financial institutions. Limits on banks are 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 the return on the placement.

Exposures to banks by rating are reflected below.

Bank Risk by Rating



During the year, exposure to unrated banks decreased with placements being shifted to rated banks.

RISK REPORT

6.3.4 Concentration Risk

Concentration Risk refers to a bank's loss potential through uneven distribution of dependencies on specific risk drivers. Different concentration dimensions are assessed including business sectors or geographical regions/countries, products, exposures to single counterparties or groups of related counterparties.

Besides various internal and regulatory limits monitored by the Risk team, the bank also applies the HHI (Herfindahl-Hirschman Index) to analyze the concentration to credit risk sectors and clients. Limits have been set for banks, sectors, group and single exposures.

Sector Concentration

Private Sector

	Exposure (out bal)* June-14						Exposure (out bal)* June-15					
	Segment A		Segment B		TOTAL		Segment A		Segment B		TOTAL	
SECTOR	(MUR m)**	% of Total Exposure	(MUR m Equiv.)	% of Total Exposure	(MUR m Equiv.)	% of Total Exposure	(MUR m)**	% of Total Exposure	(MUR m Equiv.)	% of Total Exposure	(MUR m Equiv.)	% of Total Exposure
Agriculture and Fishing	197.4	7.4%	112.0	53.1%	309.4	10.7%	91.1	3.1%			91.1	2.7%
Manufacturing	150.0	5.6%			150.0	5.2%	181.5	6.3%			181.5	5.4%
Tourism	284.2	10.6%			284.2	9.9%	554.7	19.1%			554.7	16.4%
Transport	365.5	13.7%			365.5	12.7%	292.1	10.1%	6.3	1.3%	298.5	8.8%
Construction	198.6	7.4%			198.6	6.9%	343.5	11.8%			343.5	10.1%
of which Commercial, Residential and Land Parcelling	*78.5*	*2.9%*			*78.5*	*2.7%*	*201.1*	*6.9%*			*201.1*	*5.9%*
Traders	488.5	18.3%			488.5	16.9%	504.7	17.4%			504.7	14.9%
ICT	23.1	0.9%			23.1	0.8%	30.9	1.1%			30.9	0.9%
Financial & Business Services	540.3	20.2%	88.9	42.2%	629.2	21.8%	488.6	16.8%	199.0	40.8%	687.7	20.3%
Global Business Licence Holders (GBL1)									274.4	56.2%	274.4	8.1%
Infrastructure	5.7	0.2%			5.7	0.2%	2.1	0.1%			2.1	0.1%
Professional	9.8	0.4%			9.8	0.3%	42.0	1.4%			42.0	1.2%
Health Development	1.2	0.0%			1.2	0.0%	0.6	0.0%			0.6	0.0%
Education	3.3	0.1%			3.3	0.1%	3.2	0.1%			3.2	0.1%
Media entertainment	15.2	0.6%			15.2	0.5%	9.4	0.3%			9.4	0.3%
Other services	149.8	5.6%			149.8	5.2%	101.8	3.5%	8.4	1.7%	110.2	3.3%
Personal	241.4	9.0%	9.9	4.7%	251.3	8.7%	255.4	8.8%			255.4	7.5%
Total	2,674.1	100.0%	210.8	100.0%	2,884.9	100%	2,901.5	100.0%	488.2	100.0%	3389.7	100%

* Exposure includes investments in corporate bonds, non fund base exposure
** Includes FCY loans in MUR equivalent

Table 1: Sector-wise distribution

Our aims are to diversify our loan and advances portfolio by sector and to continue to monitor sectors that warrant closer attention. Financial and Business Services remained the largest sector to which the bank is exposed followed by Tourism. 61.7% of the total exposure was concentrated in 4 top sectors (Financial and Business Services, Tourism, Traders and Construction) as at 30 June 2015 from 55.5% in those four sectors as at 30th June 2014. All sectors are within the respective internal prudential limits approved by the Board. Exposure to the Commercial, Residential and Land parceling sectors is well within the regulatory limit of 12.5% (as from 01 July 2015). Exposures to the Tourism and Personal sectors are within the regulatory limits of 24% and 12.5% respectively (as from 01 Jul 2015).

Cross border exposure remained selective. Exposures to Segment B represented 14.4% of the total as at 30th June 2015 from 7.3% as at 30th June 2014.

6.3.5 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 the impairment charge.

The bank is in compliance with the Bank of Mauritius Guidelines 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 Guidelines.

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

Group of Closely related Customers	Net Exposure as at 30.06.2015 (MUR m)	% of bank's Capital Base
1	221.9	26.7
2	195.3	23.5
3	186.2	22.4
4	161.1	19.4
5	157.2	18.9
6	140.4	16.9
7	129.9	15.6
Total	**1,192.0**	**143.4**

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

As at 30th June 2015, the total amount of loans granted by the bank to the single largest borrower and top 10 single customers accounted for 19% and 125.9% of the bank's capital base. As at 30th June 2015, 7 groups of closely related customers had group exposures exceeding 15% of the bank's Capital Base with net exposures of MUR 1,192 million compared with 12 groups as at 30th June 2014 (net exposure aggregating MUR 1,301.9 million). The aggregate of the exposures are within the regulatory limit of 400% of the bank's capital base effective from 01 Jan 2015 until Aug 2015.

6.3.6 Related Party Transactions

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

As at 30th June 2015, the bank's exposure to related parties was well within the regulatory limits. The bank's exposures to non-exempt related parties aggregated to MUR 221.9 million, representing 39.7% of Tier 1 Capital from MUR 164.4 million as at June 2014. The same was within the regulatory limit set by the Bank of Mauritius. The top 6 exposures to related parties aggregated MUR 169.6 million as at 30th June 2015 as detailed below from MUR 142.7 million as at 30th June 2014.

Top 6 exposures to non-exempt related parties	Exposure as at 30.06.2015 (MUR m)	% of bank's Tier 1 Capital
1	46.6	8.3
2	38.1	6.8
3	34.9	6.2
4	18.2	3.3
5	17.8	3.2
6	14.0	2.5
Total	**169.6**	**30.3**

Table 3 : Top 6 Exposures to non-exempt related parties

None of the facilities granted to related parties was impaired. The facilities granted to related parties are approved by the Conduct Review Committee.

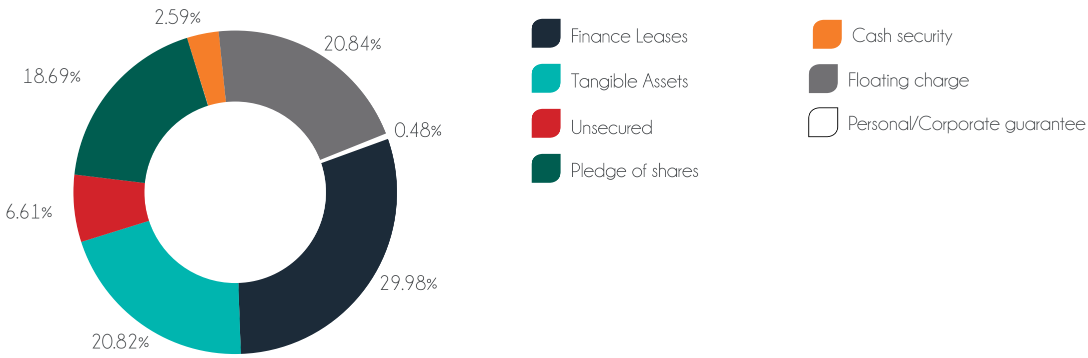
RISK REPORT

6.4 Credit Risk Mitigation

Potential Credit Losses are mitigated by the use of collateral and other guarantees where feasible. The extent of risk mitigation provided by collateral depends on the amount of charges, type and quality of collateral taken. 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. Obtaining collateral does not replace a rigorous assessment of the borrowers' ability to meet their obligations, but beyond a certain risk threshold, it is an essential component. For Corporate deals, legal opinions are sought and documentation is reviewed by the legal advisor where required.

The breakdown of loans and advances by security types is given below.

Collateral cover - June 15



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

6.5 Account Monitoring and Recovery

Credit granted and borrowers are monitored on an ongoing basis. Restructuring of facilities is undertaken on a case by case basis, taking into account the repayment capacity of the borrower. During FY2015, seven loans and advances with an aggregate amount equivalent of MUR 5.8 million were restructured.

Key Indicators of Credit Quality

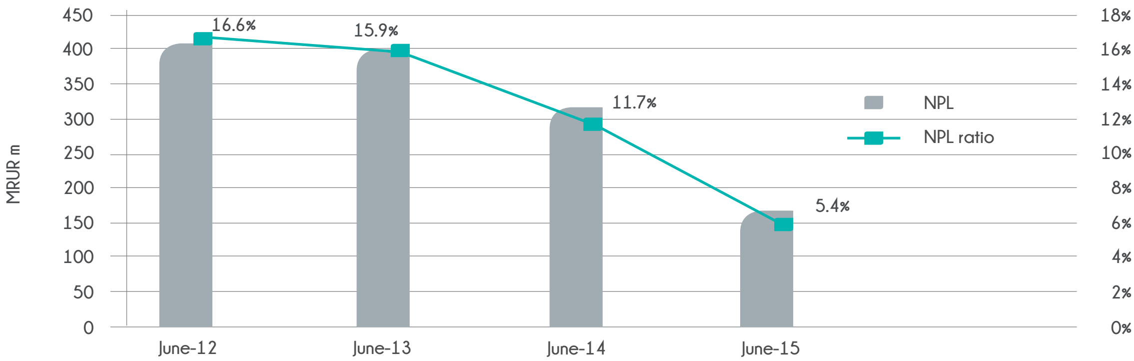
Ratio	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015
Non Performing Loans/Gross loans and advances	15.9%	11.7%	5.4%
Total Provision/Non Performing Loans	20.4%	38.9%	61.1%
Specific Provision/Non Performing Loans	17.7%	35.7%	53.5%

Table 4: Key Indicators of asset quality

The year was characterized by ongoing improvement to the portfolio quality. NPLs as a percentage of gross advances dropped to 5.4% as at 30th June 2015 from 11.7% as at 30th June 2014. Specific Provision amounted to 53.5% of the non performing advances as at June 2015 from 35.7% as at 30th June 2014.

6.5 Account Monitoring and Recovery (Cont'd)

Non-Performing Loans



The performance of the Recovery team is reviewed on a monthly basis by Supervisory Monitoring Committee. The focus is on bringing down further the impairment level and ensuring prompt recovery of assets.

7. 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 is undertaken to ensure that market risk is captured, reported and effectively managed.

7.1 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 as well as a failure to meet liquidity regulatory requirements.

7.1.1 Liquidity Risk Management

The bank manages liquidity risk in accordance with the Guidelines 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.

Short-term funding is managed through daily and weekly mismatch checks, to ensure that the expected cash flow requirements can be met. These requirements include the replacement of funding as it matures and the funding of customer loans. Funding, liquidity, and foreign exchange exposures in the banking book are managed centrally by the Treasury department.

The bank's liquidity management and monitoring 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 funding 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 by the Board's Risk Management Committee.

RISK REPORT

7.1.2 Funding Risk

Funding risk refers to the risk that a bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

The primary funding sources are from deposits from retail and corporate clients, comprising of savings, call deposits and term deposits. Our funding strategy is to diversify the funding base while ensuring access to alternate funding sources to be able to meet unexpected demands. Total deposits increased to MUR 11,210.1 million as at 30th June 2015 from MUR 8,258.2 million as at 30th June 2014. Of this, 46.8% (57.5% as at 30th June 2014) accounted for MUR deposits and 53.2% (42.5% as at 30th June 2014) for FCY deposits. The percentage of FCY deposits to total deposits continued to go up.

32% of deposits were consumer deposits as at 30 June 2015 (33% as at 30 June 2014). Although savings accounts and call deposits are repayable on demand, these are considered to be fairly stable. Furthermore, a high proportion of corporate deposits are considered to be stable sources of funding.

7.1.3 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 12.9% as at June 2015 from 6.4% as at June 2014.

7.1.4 Contingent Liquidity Risk

Committed credit facilities, whilst drawn in periods 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.

7.2 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 potentially 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 re-pricing 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 2015, currencies accounting for 5% or more of total assets included MUR, EUR, USD, GBP. The up to 3 months column includes assets and liabilities bearing floating rates of interest that do not re-price at set dates, but re-price whenever the underlying interest rate changes.

Repricing Gap - BANK
As at 30 June 2015

	Up to 3 months MUR m	3-6 months MUR m	6-12 months MUR m	1-2 years MUR m	2-5 years MUR m	Over 5 years MUR m	Non interest sensitive MUR m
Assets	5,020.1	399.0	668.8	488.8	625.2	2,382.9	2,849.8
Liabilities	3,172.5	204.4	845.1	438.7	722.9	138.2	6,201.4
On Balance sheet interest rate repricing gap	1,847.6	194.6	(176.3)	50.1	(97.7)	2,244.7	(3,351.6)
Cumulative repricing gap	1,847.6	2,042.2	1,865.8	1,916.0	1,818.3	4,063.0	711.4

Repricing Gap - BANK
As at 30 June 2014

	Up to 3 months MUR m	3-6 months MUR m	6-12 months MUR m	1-2 years MUR m	2-5 years MUR m	Over 5 years MUR m	Non interest sensitive MUR m
Assets	3,008.50	152.6	401.4	610.2	640.8	1,932.90	2,410.90
Liabilities	2,403.40	213.6	1,307.80	435.2	639.9	-	3,643.40
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

7.2 Interest Rate Risk (Cont'd)

Repricing Gap - MUR
As at 30 June 2015

	Up to 3 months MUR m	3-6 months MUR m	6-12 months MUR m	1-2 years MUR m	2-5 years MUR m	Over 5 years MUR m	Non interest sensitive MUR m
Assets	1,286.5	132.1	406.3	488.8	409.2	2,253.1	1,492.9
Liabilities	3,159.0	203.3	836.9	438.7	722.9	138.2	259.7
On Balance sheet interest rate repricing gap	(1,872.5)	(71.2)	(430.6)	50.1	(313.7)	2,114.9	1,233.2
Cumulative repricing gap	(1,872.5)	(1,943.7)	(2,374.3)	(2,324.2)	(2,637.9)	(523.0)	710.2

Repricing Gap - EUR
As at 30 June 2015

	Up to 3 months MUR m	3-6 months MUR m	6-12 months MUR m	1-2 years MUR m	2-5 years MUR m	Over 5 years MUR m	Non interest sensitive MUR m
Assets	2,192.0	-	157.2	-	157.2	-	606.2
Liabilities	2.0	-	7.9	-	-	-	3,098.8
On Balance sheet interest rate repricing gap	2,190.1	-	149.3	-	157.2	-	(2,492.5)
Cumulative repricing gap	2,190.1	2,190.1	2,339.4	2,339.4	2,496.5	2,496.5	4.0

Repricing Gap - USD
As at 30 June 2015

	Up to 3 months MUR m	3-6 months MUR m	6-12 months MUR m	1-2 years MUR m	2-5 years MUR m	Over 5 years MUR m	Non interest sensitive MUR m
Assets	1,260.4	2,10.6	105.3	-	58.9	129.9	249.4
Liabilities	7.9	-	0.3	-	-	-	2,011.5
On Balance sheet interest rate repricing gap	1,252.5	210.6	105.0	-	58.9	129.9	(1,762.0)
Cumulative repricing gap	1,252.5	1,463.1	1,568.1	1,568.1	1,627.0	1,756.8	(5.2)

Repricing Gap - GBP
As at 30 June 2015

	Up to 3 months MUR m	3-6 months MUR m	6-12 months MUR m	1-2 years MUR m	2-5 years MUR m	Over 5 years MUR m	Non interest sensitive MUR m
Assets	276.0	55.2	-	-	-	-	289.3
Liabilities	-	-	-	-	-	-	618.8
On Balance sheet interest rate repricing gap	276.0	55.2	-	-	-	-	(329.5)
Cumulative repricing gap	276.0	331.2	331.2	331.2	331.2	331.2	1.7

Tables 5 : Re-pricing gap

The risk department tracks and reviews the gap analysis to recommend strategies to reduce the re-pricing mismatches and to manage the interest rate risk. ALCO meetings are held on a quarterly basis.

Interest Rate Sensitivity Analysis

Management of interest rate risk is measured from an earnings perspective. An 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

7.2 Interest Rate Risk (Cont'd)

Analysis of a 50 basis points movement up and down on interest earning assets and interest bearing liabilities has been carried out for respective currencies as below.

Currency	Change in Basis Points	Sensitivity of Profit or Loss and Equity MUR m
EUR	+50	+10.5
	-50	-10.5
USD	+50	+6.7
	-50	-6.7
GBP	+50	+1.5
	-50	-1.5
MUR	+50	-9.2
	-50	+9.2
	+100	-18.4
	-100	+18.4

The table indicates that a 100 basis points decrease in interest rate for MUR will have a positive impact of MUR 18.4 million on our profit and loss and vice versa in the event of an increase. In the above estimations, the positive impact of re-pricing maturing high cost term deposits at more favorable rates, which will contribute positively to the bottom line has not been taken into account. In order to reduce the interest rate risk on MUR, the bank's aim is to grow the floating rate assets in line with the growth in floating rate deposits.

7.3 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 daily overall foreign exchange limit is 15% of the bank's Tier 1 capital.

7.4 Price Risk

Price risk refers to the risk arising from fluctuations in the market value of trading and non-trading positions, resulting in losses in the value of the portfolios. The bank is exposed to risks associated to both locally and internationally quoted securities. Investment in securities as at 30 June 2015 aggregated MUR 3.0 billion. Of this, 91% was held to maturity, implying low risks regarding fluctuations in the market value.

7.5 Value at Risk (VaR)

Another market risk measure used within the bank is Value at Risk (VaR). VaR is used to determine the potential loss from adverse currency movements under normal conditions. VaR is based on a historical observation period of 12 months, 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 was MUR 40,441 as at 30 June 2015 from MUR 54,511 as at 30 June 2014.

8. 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.

8.1 Key types of Operational Risk

- Processing Risk
- People Risk
- Legal Risk
- Compliance Risk including risks of money laundering
- Technological Risk

8.2 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 a 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
v) Procedures implemented and maintained to comply with the increasingly complex anti-money laundering and anti-terrorism laws and regulations.

9. Information Technology Risk

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

10. 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, failure to react to unexpected external events which can impact on the business.

The strategic planning process includes the development of a three year strategic plan, which is reviewed annually during the budgetary process to ensure that the strategic initiatives are on track or need to be amended. To mitigate the risk, performance against strategic plans, budgets or projects are monitored.

RISK REPORT

11. Reputational Risk

Reputational Risk refers to the risk of loss arising from the adverse perception of the image of the bank by customers, counterparties or stakeholders. This risk is interrelated to other risks such as strategic risk, fraud and regulatory risk.

Presently, the bank has a minimal Reputational Risk Profile. The operational systems and controls put in place also help to mitigate this risk. Reputational risks are also mitigated by the use of standardized industry documentation and by seeking the appropriate legal advice. Complaints are tracked and tackled promptly. The bank is of the view that the Operational risk capital charge encompasses potential reputational issues.

12. Pension Obligation Risk

Pension Obligation Risk is the risk that a firm's obligations towards an employee pension scheme may increase because of a deterioration in the scheme position.

The bank launched its pension scheme, effective as of July 2014.The pension plan is a Defined Contribution Pension Plan (DC). The pension scheme administrator is Feber Associates. The investment manager is ABC Capital Markets Ltd.

Under a DC Pension Plan, the bank will pay fixed contributions or contribute based on the contribution of the employee. Pension plan benefits at retirement are determined by the contribution paid into the plan and the investment returns generated by these assets overtime.

There will be little risk borne by the bank under the Defined Contribution Pension Plan.

13. Compliance and Anti Money Laundering

The compliance function ensures that the bank continuously complies with the existing and emerging regulations impacting on operations. The bank recognizes 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. The Compliance function through the Money Laundering Reporting Officer is also empowered to report any suspicious transactions to the Financial Intelligence Unit (FIU).

To ensure consistent management of compliance risk, compliance function provides advice on regulatory issues and works closely with business and operational units. The Compliance Manager/MLRO monitors compliance risks by ensuring that the bank complies with all the relevant banking and anti-money laundering laws and guidelines issued by regulatory bodies. The compliance function has put in place a sound compliance-risk management framework which helps to identify the risks and propose measures to mitigate the compliance issues which may arise at the bank.

As from June 2015, the bank has been using a software SAFEWATCH Filtering solution to scrutinize all wire transfers. The SAFEWATCH Filtering solution is a globally recognized watch list solution which provides a robust sanctions screening solution and enables real-time blocking of potential violations. Its highly sophisticated screening engine ensures rapid identification of potential risks which would allow our bank to mitigate financial crime risks in a timely manner. It is further believed that this service will enhance compliance with AML/CFT framework.

During the year, the bank has also put in place the procedures to comply with FATCA requirements.

To monitor money laundering issues, processes are in place for prompt validation of suspicious reporting to the MLRO. Where necessary, the MLRO investigates the internal suspicious transactions reported. To avoid any issues relating to AML/CFT, the bank has put in place adequate KYC procedures to verify the true identity of our customers before opening an account or accepting any deposit. The bank puts a lot of emphasis on adopting a sound KYC mechanism as this provides a basis for identifying, limiting and controlling risk exposures in assets and liabilities.

14. 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 Plan which is approved by the Audit Committee at the beginning of each financial year.

The Internal Audit function provides an independent view on the bank's governance, risk assessment and management and control processes to management and the Audit Committee. The Internal Audit team has unrestricted access to the bank's records and to its management team and employees. The internal audit process includes an in-depth review of the bank's procedures by identifying and testing key controls for design and operating effectiveness through sample-based testing. At the end of the fieldwork, audit findings are risk rated in terms of high, moderate and low based on their probability of occurrence, possible level of impact on the bank and discussed with the departmental Head and/ or Manager during a closing meeting. Following this meeting and after an assessment of the additional explanations and further evidence gathered if any, the audit findings and recommendations are compiled into the draft audit report and sent to the relevant departmental Head and/ or Manager and the General Manager for their comments. The final audit report includes the management action plan and timing for implementation and is circulated to the Audit Committee, Managing Director, Strategic Business Executive, General Manager and relevant departmental Head and/ or Manager.

Key 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;
- Providing feedback to management in the setting up of new policies and procedures, internal projects and other bank initiatives as deemed relevant;
- Carrying out adhoc investigations/ reviews as approved by the Audit Committee;
- Assessing the means for safeguarding assets and verifying the existence of such assets;
- Evaluating the reliability and integrity of financial information.

During the period of 1 July 2014 to 30 June 2015, a total of 28 internal audit reports were issued, representing a 91% completion rate of the Annual Plan. Over the same period, Internal Audit verified the implementation status of its past recommendations and completed its follow-up review on external auditor's recommendations. Recurring activities conducted throughout the year comprised of cash counts at branches, stock counts of repossessed assets, visits to the bank's external archiving site, review of IT Vulnerability Assessment (VA) results from the bank's internal VA engine and attending Disaster Recovery testing exercises. Key audits carried out during the year include the review of dormant accounts, testing of transactions done through the dealing platform by the Treasury Department and reviewing the bank's adherence to the BOM Guidelines on Related Party Transactions.

15. Capital Adequacy and Management

The aim of the bank is to maintain an adequate capital base to support the development of business and to meet regulatory capital requirements.

In FY2015, the bank increased the share capital by MUR 150 million through the issue of 12 million new ordinary shares. This resulted in a rise in Tier 1 capital. On 25 June 2015, the bank issued 138,180 Floating Rate Cumulative Redeemable Preference Shares for a total consideration of MUR 138.18 million. The latter entailed an increase in the capital base.

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 set the minimum Capital Adequacy Ratio at 10%.

Risk Weighted Assets

Risk Weighted Assets are worked out by applying risk weights from prescribed risk parameters. The bank has adopted the Standardized Approach to Credit and Market risks and the Basic Indicator Approach to Operational Risks.

Under the Standardized Approach to Credit Risks, the bank has applied risk weights in line with the Guideline on Standardized Approach to Credit Risk. For credit risk weighted exposures, both on and off balance sheet credit exposures are taken into account.

RISK REPORT

15. Capital Adequacy and Management (Cont'd)

Risk Weighted Assets (Cont'd)

For regulatory purposes, the bank has adopted the Standardized Measurement Approach for market risk capital charge. The bank complies with the Guidelines 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%.

The Tier 1 and the Eligible Capital Adequacy Ratios are provided below:

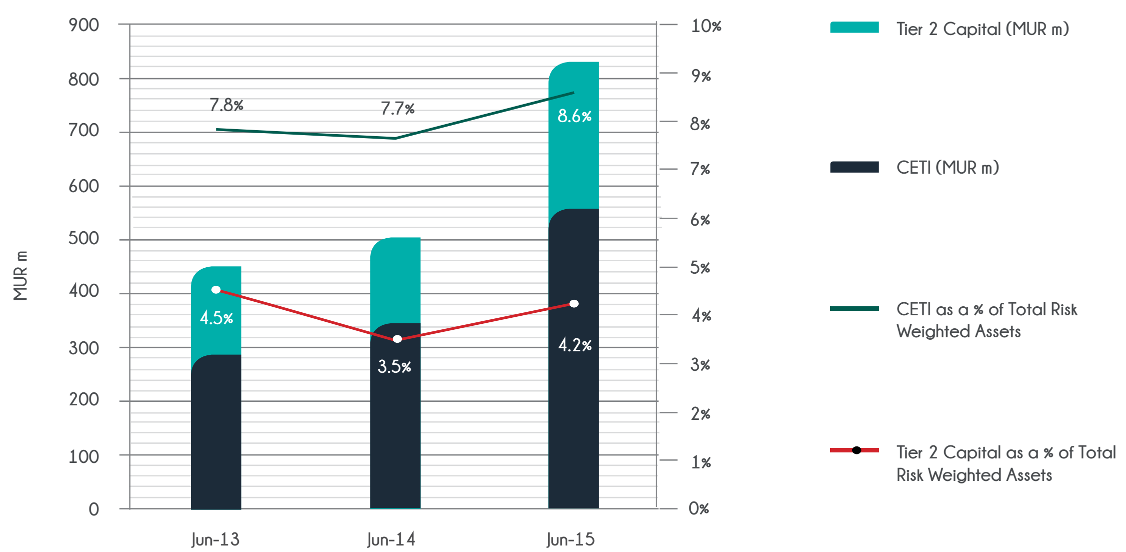
Capital Base	As at 30 June 2013 MUR m	As at 30 June 2014 MUR m	As at 30 June 2015 MUR m
Tier 1 Capital	287.6	346.4	558.5
Tier 2 Capital	164.8	157.3	272.9
Total Capital Base	**452.4**	**503.7**	**831.4**
Total Risk Weighted Assets	**3,666.5**	**4,512.9**	**6,464.6**
CET1 Capital Ratio	7.8%	7.7%	8.6%
Tier 1 Capital Ratio	7.8%	7.7%	8.6%
Capital Adequacy Ratio	12.3%	11.2%	12.9%
Buffers			**MUR m**
Tier 1 Buffer			73.7
Total Capital Buffer			184.9

Table 6: Capital Ratios

At least 7.5% of risk weighted assets need to be covered by Tier 1, increasing to 8% as from January 2016. Tier 1 capital ratio and Capital Adequacy Ratio were within the regulatory limits as at the end of June 2015.

As at 30 June 2015, the headroom of capital amounted to MUR 184.9 million when compared with regulatory capital requirement from MUR 52.4 million as at 30 June 2014. This is on the back of the issue of preference shares.

Capital Ratios



Monitoring

Capital is managed and stress analyses are conducted as part of the 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 and 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 determine the capital buffer above the minimum regulatory levels

Three year forecasts of the bank's capital position are produced annually to inform the Board on the capital strategy of the bank.

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

RISK REPORT

	June-15 MUR m	restated June-14 MUR m	restated June-13 MUR m
Common Equity Tier 1 capital : instruments and reserves			
Ordinary share capital	476.7	356.7	304.9
Share premium	30.0	-	-
Retained Earnings	49.8	2.4	(6.1)
Accumulated other comprehensive income and other disclosed reserves	26.1	14.9	11.8
Common Equity Tier 1 capital before regulatory adjustments	**582.7**	**374.0**	**310.6**
Other intangible assets	(12.1)	(13.7)	(15.2)
Deferred tax assets	(12.1)	(13.9)	(7.9)
Total regulatory adjustments to Common Equity Tier 1 capital	**(24.2)**	**(27.6)**	**(23.1)**
Common Equity Tier 1 capital (CET 1) and Tier 1 capital	**558.5**	**346.4**	**287.6**
Tier 2 capital : instruments and provisions			
Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital	234.7	132.3	143.5
Provisions or loan-loss reserves	38.2	25.0	21.3
Tier 2 Capital before regulatory adjustments	**272.9**	**157.3**	**164.8**
Total Capital (Capital Base)	**831.4**	**503.7**	**452.4**
Risk Weighted Assets			
Total on-balance sheet risk-weighted credit exposures	6,050.2	4,270.4	3,488.0
Total non-market-related off-balance sheet risk-weighted credit exposures	83.2	16.4	14.8
Risk weighted assets for operational risk	327.1	216.4	160.4
Aggregate net open foreign exchange position	4.1	9.7	3.3
Total Risk Weighted Assets	**6,464.6**	**4,512.9**	**3,666.5**
CET 1 capital ratio	8.6%	7.7%	7.8%
Tier 1 capital ratio	8.6%	7.7%	7.8%
Capital Adequacy Ratio (%)	**12.9%**	**11.2%**	**12.3%**

The bank has maintained the Tier 1 capital ratio and the Capital Adequacy Ratio above the limits set by the Bank of Mauritius. The bank ensures that capital levels at all times exceed the minimum capital requirements.

Risk Weighted Assets

	June 2015				June 2014		June 2013
	Amount MUR m	Weight %	Weighted assets MUR m	Weighted assets % of total	Weighted assets MUR m	Weighted assets % of total	Weighted assets MUR m
Risk Weighted of On-Balance Sheet assets							
Cash items	8.4	0-20	-		-		-
Claims on sovereigns	2,728.6	0-100	-		27.4	0.6	-
Claims on central banks	1,079.7	0-100	61.7	1.0	69.6	1.6	0.1
Claims on banks	4,842.4	20-100	2,463.2	40.7	1,219.5	28.6	875.6
Claims on corporates	1,717.0	100	1,694.8	28.0	1,781.8	41.7	1,819.8
Claims on regulatory retail	498.2	75	355.3	5.9	224.2	5.3	323.3
Claims secured by residential property and commercial estate	506.1	35-125	517.8	8.6	319.3	7.5	19.1
Past due claims	67.4	50-150	85.2	1.4	122.7	2.9	184.7
Others	872.3	100	872.3	14.4	506.0	11.8	265.4
Total On Balance Sheet	12,320.0		6,050.2	100.0	4,270.4	100.0	3,488.0

As at 30 June 2015, the % share of claims on banks increased to 40.7% from 28.6% as at June 2014. The claims on banks went up on account of higher placements.

Risk weighted of Off-Balance Sheet assets

	June 2015					June 2014	June 2013
	Amount MUR m	Credit conversion factor %	Credit Equivalent amount MUR m	Weight %	Weight Amount MUR m	Weight Amount MUR m	Weight Amount MUR m
Trade related contingencies	22.7	20	4.5	100	4.5	0.9	-
Outstanding commitments	393.1	20	78.6	100	78.6	15.6	14.8
Total off Balance Sheet					83.2	16.4	14.8

	June-15 MUR m	June-14 MUR m	June-13 MUR m
Average gross income for last 3 years	218.1	144.3	106.9
Capital Charge	32.7	21.6	16.0
Risk weighted assets for operational risk	327.1	216.4	160.4

Breakdown of On Balance Sheet Risk Weighted Assets

	June 2014				June 2015			
	On balance Sheet Items (MUR m)	% of Total	RWA (MUR m)	% of Total	On balance Sheet Items (MUR m)	% of Total	RWA (MUR m)	% of Total
< 100% Risk Weight	6,302.7	69.9%	1,551.1	36.3%	8,383.3	68.0%	2,083.5	34.4%
100% Risk Weight	2,643.3	29.3%	2,614.7	61.2%	3,774.3	30.6%	3,752.1	62.0%
> 100% Risk Weight	69.7	0.8%	104.6	2.4%	162.3	1.3%	214.6	3.5%
	9,015.7	100%	4,270.4	100%	12,320.0	100%	6,050.2	100%

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 auditor, Deloitte, has 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.

Hon. Y.K.J Yeung Sik Yuen, G.O.S.K.
Chairman

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

Robert Chung Tung
Chairman of Audit Committee

31 August 2015

Respect and Integrity

We respect our history, culture and traditions, our country and our planet, our ancestors and our elders. We are honest with ourselves and to others.

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 84 to 136 which comprise the statement of financial position as at 30th June 2015 and the statement of profit and 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.

Opinion

In our opinion, the financial statements on pages 84 to 136 give a true and fair view of the financial position of the Bank as at 30th June 2015 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 disclosures is consistent with the requirements of the Code.

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

Deloitte
Chartered Accountants
31 August 2015

Jacques de C. Du Mée, ACA
Licensed by FRC

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	2015 Rs	2014 Rs	2013 Restated Rs
ASSETS				
Cash and cash equivalents	6	**4,209,338,745**	2,805,820,364	1,180,200,869
Loans to and placements with banks	7	**1,293,205,330**	410,357,000	985,271,614
Loans and advances to customers	8	**3,022,540,573**	2,611,531,008	2,440,553,848
Investment securities	9	**3,023,798,745**	2,549,821,997	2,166,577,625
Property, plant and equipment	10	**222,920,721**	140,519,789	119,585,273
Intangible assets	11	**12,081,248**	13,669,563	15,185,060
Deferred tax assets	12	**12,104,927**	13,891,899	7,879,126
Current tax assets		**-**	-	3,920,166
Other assets	13	**535,203,124**	487,445,589	399,328,701
Total assets		**12,331,193,413**	**9,033,057,209**	**7,318,502,282**
LIABILITIES				
Deposits from customers	14	**11,210,088,967**	8,258,162,243	6,593,970,793
Other borrowed funds	15	**-**	1,180,207	50,378,328
Current tax liabilities		**1,006,333**	7,511,567	-
Other liabilities	17	**191,430,021**	194,052,836	171,233,815
Preference shares	18	**320,726,882**	182,407,187	182,407,187
Total liabilities		**11,723,252,203**	**8,643,314,040**	**6,997,990,123**
Shareholders' Equity				
Stated capital	19	**506,699,200**	356,699,200	304,871,110
Retained earnings/(Accumulated losses)		**49,836,305**	2,360,009	(6,095,409)
Other reserves	20	**51,405,705**	30,683,960	21,736,458
Capital and reserves		**607,941,210**	**389,743,169**	**320,512,159**
Total equity and liabilities		**12,331,193,413**	**9,033,057,209**	**7,318,502,282**

These financial statements have been approved and authorised for issue by the Board of Directors on 31 August 2015

Hon. Y.K.J Yeung Sik Yuen, G.O.S.K.
Chairman

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

Robert Chung Tung
Chairman of Audit Committee

The Notes set out on pages 88 to 136 form part of these financial statements.
Auditors' report on pages 82 and 83.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Rs	2014 Rs	2013 Restated Rs
Interest income		**446,569,983**	383,602,068	338,143,578
Interest expense		**(270,914,123)**	(268,857,872)	(262,576,399)
Net interest income	21	**175,655,860**	114,744,196	75,567,179
Fee and commission income		**56,878,127**	47,542,671	34,063,579
Fee and commission expense		**(19,315,322)**	(5,796,650)	(1,819,185)
Net fee and commission income	22	**37,562,805**	41,746,021	32,244,394
Dividend income		**114,715**	705,255	592,620
Other trading income	23	**98,505,914**	45,902,100	15,131,445
Other income	24	**9,618,825**	1,624,157	4,446,239
		108,239,454	48,231,512	20,170,304
Operating income		**321,458,119**	204,721,729	127,981,877
Personnel expenses	26	**(87,798,992)**	(64,694,724)	(52,947,195)
Depreciation and amortisation	10,11	**(15,450,885)**	(11,263,285)	(8,420,701)
Other expenses	27	**(71,534,668)**	(48,063,214)	(46,470,984)
Non interest expense		**(174,784,545)**	(124,021,223)	(107,838,880)
Operating profit before impairment		**146,673,574**	80,700,506	20,142,997
Allowance for credit impairment on financial assets	25	**(71,569,014)**	(62,550,915)	(12,427,111)
Operating profit before tax		**75,104,560**	18,149,591	7,715,886
Tax expense	16	**(6,884,342)**	(3,005,747)	(1,789,680)
Profit for the year		**68,220,218**	15,143,844	5,926,206
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss:				
Fair value realised on disposal of available-for-sale financial assets		(83,468)	-	(3,936,792)
Gain on remeasuring available-for-sale financial assets	9(a)	**61,291**	2,259,076	419,575
Other comprehensive (loss)/income for the year		**(22,177)**	2,259,076	(3,517,217)
Total comprehensive income		**68,198,041**	17,402,920	2,408,989
Earnings per share				
Basic	28	**1.60**	0.47	0.23

The Notes set out on pages 88 to 136 form part of these financial statements.
Auditors' report on pages 82 and 83.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Stated Capital	Retained earnings/ (Accumulated losses)	Statutory Reserve	General Banking Reserve	Investment Revaluation Reserve	Total
		Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2012-as previously reported		234,516,240	(5,875,610)	10,960,152	-	3,042,264	242,643,046
Adjustment		-	(900,927)	-	6,006,181	-	5,105,254
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 income/(loss) for the year		**-**	**5,926,206**	**-**	**-**	**(3,517,217)**	**2,408,989**
Rights Issue		70,354,870	-	-	-	-	70,354,870
Transfer to general banking reserve		-	(4,356,147)	-	4,356,147	-	-
Transfer to statutory reserve		-	(888,931)	888,931	-	-	-
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	9(a)	-	-	-	-	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 statutory reserve			(2,271,577)	2,271,577			-
Transfer to general banking reserve		-	(4,416,849)	-	4,416,849	-	-
At 30 June 2014		**356,699,200**	**2,360,009**	**14,120,660**	**14,779,177**	**1,784,123**	**389,743,169**
At 1 July 2014		**356,699,200**	**2,360,009**	**14,120,660**	**14,779,177**	**1,784,123**	**389,743,169**
Profit for the year		-	68,220,218	-	-	-	68,220,218
Other comprehensive loss		-	-	-	-	(22,177)	(22,177)
Total comprehensive income/(loss) for the year		**-**	**68,220,218**	**-**	**-**	**(22,177)**	**68,198,041**
Issue of shares		150,000,000	-	-	-	-	150,000,000
Transfer to general banking reserve		-	(10,510,889)	-	10,510,889	-	-
Transfer to statutory reserve		-	(10,233,033)	10,233,033	-	-	-
At 30 June 2015		**506,699,200**	**49,836,305**	**24,353,693**	**25,290,066**	**1,761,946**	**607,941,210**

The Notes set out on pages 88 to 136 form part of these financial statements.
Auditors' report on pages 82 and 83.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Rs	2014 Rs	2013 Restated Rs
Cash flows from operating activities				
Profit before taxation		75,104,560	18,149,591	7,715,886
Adjustments for:				
Depreciation	10	12,717,336	8,683,428	5,964,852
Amortisation	11	2,733,549	2,579,857	2,455,849
Provision for credit impairment	25	71,569,014	62,550,915	12,427,111
Employee benefit liability	17	(101,845)	136,533	520,785
Net interest income	21	(175,655,860)	(114,744,196)	(75,567,179)
Exchange difference		(15,257,206)	-	-
Loss/(profit) on disposal of property, plant and equipment	27,24	1,674,236	(170,023)	(121,739)
Profit on disposal of investment securities	24	(9,581,619)	-	(4,034,621)
Loss on winding up of subsidiary	27	-	-	2,663,022
		(36,797,835)	(22,813,895)	(47,976,034)
Changes in operating assets and liabilities				
Increase in loans and advances to customers		(490,004,698)	(231,107,509)	(79,606,497)
Increase in other assets		(22,164,663)	(80,380,624)	(42,544,323)
(Increase)/decrease in loans to and placements with banks		(882,848,330)	574,914,614	(864,678,864)
Increase in deposits from customers		2,951,926,724	1,664,191,450	2,656,575,704
Increase/(decrease) in other liabilities		1,425,825	42,058,678	(23,729,999)
		1,521,537,023	1,946,862,714	1,598,039,987
Interest received		428,403,231	373,445,236	315,605,634
Interest paid		(260,281,832)	(274,448,669)	(219,375,613)
Income tax(paid)/ refund		(12,256,602)	2,413,213	-
Net cash generated from operating activities		1,677,401,820	2,048,272,494	1,694,270,008
Cash flows from investing activities				
Purchase of investment securities		(889,749,687)	(798,516,854)	(1,126,104,060)
Proceeds from sale and redemption of investment securities		440,589,586	417,531,560	219,801,237
Purchase of property, plant and equipment	10	(98,647,582)	(31,234,895)	(95,238,776)
Purchase of intangible assets	11	(1,145,234)	(1,064,360)	(2,310,873)
Proceeds from sale of property, plant and equipment		1,855,078	1,786,974	121,739
Net cash inflow on winding up of subsidiary		-	-	336,978
Net cash used in investing activities		(547,097,839)	(411,497,575)	(1,003,393,755)
Cash flows from financing activities				
Proceeds of debt securities issued and other borrowed funds	15	-	-	50,000,000
Repayment of debt securities issued and other borrowed funds		(114,062)	(50,264,266)	(251,404)
Proceeds from issue of preference shares	18	138,180,000	-	-
Proceeds from issue of shares	19	150,000,000	51,828,090	70,354,870
Interest paid on preference shares	18	(13,785,393)	(13,785,393)	(13,785,393)
Net cash generated from/(used in) financing activities		274,280,545	(12,221,569)	106,318,073
Net increase in cash and cash equivalents		1,404,584,526	1,624,553,350	797,194,326
Net cash and cash equivalents at beginning of year		2,804,754,219	1,180,200,869	383,006,543
Net cash and cash equivalents at end of year	6	4,209,338,745	2,804,754,219	1,180,200,869

The Notes set out on pages 88 to 136 form part of these financial statements.
Auditors' report on pages 82 and 83.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 30th June 2015 were authorised for issue in accordance with a resolution of the Directors on 31st August 2015.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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) Foreign currency translation

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.

(b) 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.

2. ACCOUNTING POLICIES (Cont'd)

2.3 Summary of significant accounting policies (cont'd)

(b) Finance leases (cont'd)

(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.

(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) Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Financial liabilities are classified as 'other financial liabilities'.
Other financial liabilities are subsequently measured at amortised cost using the effective interest methods.

(iv) 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 profit or loss. The losses arising from impairment of such investments are recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. ACCOUNTING POLICIES (Cont'd)

2.3 Summary of significant accounting policies (cont'd)

(c) Financial instruments - initial recognition and subsequent measurement (cont'd)

(v) 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 profit or loss. The losses arising from impairment are recognised in profit or loss.

(vi) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

(vii) 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 'Investment 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 under 'Dividend income' in the statement of profit and loss when the right of the payment has been established. The losses arising from impairment of such investments are recognised profit or loss 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.

(viii) Deposits from customers and other borrowed funds

After initial measurement, deposits from 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.

(ix) 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 method.

The corresponding dividends on those shares are charged to profit or loss as interest expense.

(x) 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 any 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) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(f) 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.

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.

(g) 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.

2. ACCOUNTING POLICIES (Cont'd)

2.3 Summary of significant accounting policies (cont'd)

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

(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 profit or loss . 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 profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If loans and advances 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 profit or loss.

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 profit or loss.

2. ACCOUNTING POLICIES (Cont'd)

2.3 Summary of significant accounting policies (cont'd)

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

(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 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 profit or loss - is removed from equity through other comprehensive income and recognised in profit or loss . Impairment losses on equity investments are not reversed through profit or loss ; 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.

(h) 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.

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.

2. ACCOUNTING POLICIES (Cont'd)

2.3 Summary of significant accounting policies (cont'd)

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

(ii) Other operating income (cont'd)

Dividend income

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

(i) 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.

(j) 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:

• 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 profit or loss in the year the asset is derecognised.

(k) 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 profit or loss 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.

2. ACCOUNTING POLICIES (Cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) 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.

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.

(m) 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.

Defined contributions plans
Payments to defined contributions plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(n) Provisions

Provisions are recognised when 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.

(o) 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (Cont'd)

2.3 Summary of significant accounting policies (cont'd)

(o) Taxes (cont'd)

(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.

(p) 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.

(q) 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

(r) 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.

(s) 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. ACCOUNTING POLICIES (Cont'd)

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

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 2014.

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

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

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

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

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for novations of derivatives

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)

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 1 Presentation & Financial statements - Amendments resulting from the disclosure initiative (effective 1 January 2016)

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 - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)

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 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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. ACCOUNTING POLICIES (Cont'd)

2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (cont'd)

IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014, Annual Improvements to IFRSs (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 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.

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 profit or loss . 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.

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.

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	2015 Rs	2014 Rs	2013 Rs
Cash and cash equivalents	**4,209,338,745**	2,805,820,364	1,180,200,869
Loans to and placements with banks	**1,293,205,330**	410,357,000	985,271,614
Investment securities	**3,023,798,745**	2,549,821,997	2,166,577,625
Loans and advances to customers	**3,126,021,882**	2,735,801,421	2,522,604,860
Other assets	**106,001,510**	81,610,438	88,449,703
Total credit risk exposure	**11,758,366,212**	8,583,411,220	6,943,104,671

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		
	2015 Rs	2014 Rs	2013 Rs
Manufacturing	**171,026,132**	150,016,168	162,516,203
Construction	**343,461,998**	198,594,824	197,643,629
Professional	**41,953,806**	9,802,023	6,885,486
Traders	**494,004,325**	486,294,192	506,492,686
Tourism	**554,376,506**	283,681,245	179,408,568
Transport	**291,384,718**	364,764,996	396,242,368
Financial and Business services	**585,351,633**	599,211,904	379,996,998
Personal	**254,832,922**	250,718,036	320,807,443
Agriculture	**91,128,338**	197,377,106	190,933,519
Global Business Licence Holders	**144,511,031**	-	-
Others	**153,990,473**	195,340,927	181,677,960
	3,126,021,882	2,735,801,421	2,522,604,860

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (cont'd)

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

	Gross maximum exposure		
	2015 Rs	2014 Rs	Restated 2013 Rs
Manufacturing	**5,258,784**	5,087,342	3,237,030
Construction	**19,369,392**	17,203,437	16,953,779
Professional	**86,456**	42,288	7,910
Traders	**11,566,299**	7,879,953	7,426,638
Tourism	**22,207,068**	24,537,796	14,208,986
Transport	**12,055,156**	29,823,405	15,937,118
Financial and Business services	**682,735**	715,037	367,098
Personal	**27,086,045**	17,585,216	9,048,693
Agriculture	**313,807**	248,214	242,411
Others	**4,855,567**	21,147,725	14,621,349
	103,481,309	124,270,413	82,051,012

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

	2015		2014		2013	
	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	**4,209,338,745**	-	2,805,820,364	-	1,180,200,869	-
Loans to and placements with banks	**1,293,205,330**	-	410,357,000	-	985,271,614	-
Investment-unquoted equity instruments	**2,270,000**	-	2,470,000	-	1,270,000	-
Investments - available-for-sale	**74,173,466**	-	81,845,357	-	3,488,475	-
Investments - held to maturity	**2,755,763,915**	-	2,465,506,640	-	2,161,819,150	-
Loan and advances to customers	**2,413,628,543**	712,393,339	2,038,117,938	697,683,483	2,101,148,999	421,455,861
Other assets	**106,001,510**	-	81,610,438	-	88,449,703	-
	10,854,381,509	712,393,339	7,885,727,737	697,683,483	6,521,648,810	421,455,861

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.

4. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk (cont'd)

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.

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	2015 %	2014 %	2013 %
Average during the period	**30**	21	25
Highest	**38**	34	32
Lowest	**26**	16	19

Analysis of financial liabilities by remaining contractual maturities

The table 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial liabilities by remaining contractual maturities (cont'd)

Financial Liabilities 2015	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
Deposits from customers	9,081,716,306	1,100,153,690	1,028,218,971	-	-	11,210,088,967
Other liabilities	34,305,099	24,587,185	33,352,232	-	96,489,466	188,733,982
Preference shares	-	3,740,882	178,806,000	138,180,000	-	320,726,882
Total undiscounted financial liabilities	**9,116,021,405**	**1,128,481,757**	**1,240,377,203**	**138,180,000**	**96,489,466**	**11,719,549,831**

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
Deposits from 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	-	95,716,729	191,254,041
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**	**-**	**95,716,729**	**8,633,003,678**

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
Deposits from 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	-	53,872,262	168,785,764
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**	**-**	**53,872,262**	**6,995,542,072**

(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		
	2015 Rs	2014 Rs	2013 Rs
Increase in basis point - 50 bp	**(8,432,151)**	(5,823,033)	(6,170,120)
Decrease in basis point - 50 bp	**8,432,151**	5,823,033	6,170,120

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.

4. FINANCIAL RISK MANAGEMENT (Cont'd)

(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 2015) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Change in price %	Effect on equity 2015 Rs	Effect on equity 2014 Rs	Effect on equity 2013 Rs
+10	**7,417,347**	8,184,536	348,848

(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 2015 amounted to Rs 40,441 (30 June 2014: Rs 54,511 ,30 June 2013 :Rs 34,536)

The bank monetary assets and liabilities as at 30 June 2015 is:

	EUR Rs	GBP Rs	USD Rs	Others Rs	Total Rs
Cash and cash equivalents	2,027,412,550	494,420,614	849,171,630	213,323,986	3,584,328,780
Loans to and placements with banks	546,131,000	110,400,000	631,800,000	4,874,330	1,293,205,330
Loans and advances to customers	488,188,211	-	307,521,763	-	795,709,974
Investment securities	-	-	188,759,025	-	188,759,025
Other assets	40,470,819	16,896,557	52,974,870	65,167	110,407,413
	3,102,202,580	**621,717,171**	**2,030,227,288**	**218,263,483**	**5,972,410,522**
Deposits from customers	3,090,266,552	618,786,581	2,014,367,129	217,413,261	5,940,833,523
Other liabilities	8,688,473	2,444,875	4,239,632	923,914	16,296,894
	3,098,955,025	**621,231,456**	**2,018,606,761**	**218,337,175**	**5,957,130,417**
Net position	**3,247,555**	**485,715**	**11,620,527**	**(73,692)**	**15,280,105**

(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 2015

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 19 . 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 2015 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

	2015 **Rs**	2014 Rs	2013 Rs
Cash in hand	**7,208,327**	15,264,945	5,361,198
Foreign currency notes and coins	**1,180,324**	1,129,166	644,972
Unrestricted balances with Central Bank	**651,760,055**	313,924,802	155,318,512
Balances with local banks	**28,095,813**	16,333,820	7,042,037
Balances with banks abroad	**1,213,417,726**	1,091,676,881	985,325,736
Interbank loans and placements-Local banks	**362,546,500**	1,367,490,750	26,508,414
Interbank loans and placements-Foreign banks	**1,945,130,000**	-	-
	4,209,338,745	2,805,820,364	1,180,200,869

Loans to and placements with banks with an original maturity of less than 3 months are included in cash and cash equivalents.

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:

	2015 **Rs**	2014 Rs	2013 Rs
Balances with banks	**4,209,338,745**	2,805,820,364	1,180,200,869
Bank overdrafts (Note 15)	**-**	(1,066,145)	-
Cash and cash equivalents	**4,209,338,745**	2,804,754,219	1,180,200,869

7. LOANS TO AND PLACEMENTS WITH BANKS

	2015 Rs	2014 Rs	2013 Rs
In Mauritius	545,965,330	348,677,000	776,452,738
Outside Mauritius	747,240,000	61,680,000	208,818,876
	1,293,205,330	410,357,000	985,271,614

The interest rates vary from 0.05% to 4.25% (2014: from 0.05% to 3.80%; 2013: from 0.1% to 4.0%)
The maturity analysis of Loans to and placements with banks is disclosed in Note 30.

8. LOANS AND ADVANCES TO CUSTOMERS

	2015 Rs	2014 Rs	Restated 2013 Rs
Retail:			
Investment in finance leases	348,371,364	410,869,641	527,760,701
Rental income receivable	28,722,625	51,191,265	61,324,119
Loans	150,433,267	79,654,733	46,799,843
Others	29,185,296	1,899,899	1,913,106
Corporate:			
Investment in finance leases	565,918,754	702,222,662	788,366,465
Rental income receivable	51,210,961	88,839,478	107,586,496
Loans	1,182,254,193	1,146,753,946	809,625,417
Others	769,925,422	254,369,797	179,228,713
	3,126,021,882	2,735,801,421	2,522,604,860
Less allowance for specific impairment	(90,530,057)	(114,032,593)	(71,111,343)
Less allowance for collective impairment	(12,951,252)	(10,237,820)	(10,939,669)
	3,022,540,573	2,611,531,008	2,440,553,848

(a) Remaining term to maturity

Finance lease receivables Gross investment in finance leases:	2015 Rs	2014 Rs	2013 Rs
Up to 3 months	185,269,899	266,041,082	419,060,981
Over 3 months and up to 6 months	98,000,878	117,960,248	146,218,817
Over 6 months and up to 12 months	176,154,049	211,409,989	262,647,263
Over 1 year and up to 5 years	578,991,172	687,028,684	830,627,187
Over 5 years	22,282,696	13,188,879	12,972,984
	1,060,698,694	1,295,628,882	1,671,527,232
Unearned future finance income on finance leases	(66,474,990)	(42,505,836)	(186,489,451)
Net investment in finance leases	994,223,704	1,253,123,046	1,485,037,781

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

	2015 Rs	2014 Rs	2013 Rs
Current			
- Not later than 1 year	468,759,578	638,387,885	731,812,560
Non current			
- Later than 1 year and not later than 5 years	505,412,808	602,784,152	741,311,411
- Later than 5 years	20,051,318	11,951,009	11,913,810
	994,223,704	1,253,123,046	1,485,037,781

Generally, the lease period is for five years (weighted average interest rate of 9 %).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8. LOANS AND ADVANCES TO CUSTOMERS (Cont'd)

(a) Remaining term to maturity (cont'd)

Loans and others	2015 Rs	2014 Rs	2013 Rs
Up to 3 months	732,718,291	753,326,887	757,381,354
Over 3 months and up to 6 months	239,797,876	75,685,415	155,951,685
Over 6 months and up to 12 months	377,196,548	125,306,875	26,465,676
Over 1 year and up to 5 years	591,678,966	369,198,735	57,550,683
Over 5 years	190,406,497	159,160,463	40,217,681
	2,131,798,178	1,482,678,375	1,037,567,079

(b) Credit concentration of risk by industry sectors

	2015 Rs	2014 Rs	2013 Rs
Sectorial concentration of loans and advances			
Manufacturing	171,026,132	150,016,168	162,516,203
Construction	343,461,998	198,594,824	197,643,629
Professional	41,953,806	9,802,023	6,885,486
Traders	494,004,325	486,294,192	506,492,686
Tourism	554,376,506	283,681,245	179,408,568
Transport	291,384,718	364,764,996	396,242,368
Financial and Business services	585,351,633	599,211,904	379,996,998
Personal	254,832,922	250,718,036	320,807,443
Agriculture	91,128,338	197,377,106	190,933,519
Global Business Licence Holders	144,511,031	-	-
Others	153,990,473	195,340,927	181,677,960
	3,126,021,882	2,735,801,421	2,522,604,860

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:

	2015 Rs	2014 Rs	2013 Rs
Agriculture	-	297,733,749	178,270,884
Construction	-	49,467,977	50,097,149
Financial and Business Services	289,678,462	537,129,821	281,060,928
Information, Communication & Technology	1,265,294	2,897,582	2,073,930
Infrastructure	363,100	569,927	760,902
Manufacturing	40,463,542	45,082,712	44,619,423
Tourism	351,469,075	114,586,491	13,207,150
Traders	142,813,063	176,742,413	157,886,404
Transport	79,942,081	63,491,583	48,148,275
Global Business Licence Holders	140,400,000	-	-
Others	14,471,022	14,200,000	1,445,659
	1,060,865,639	1,301,902,255	777,570,704

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 2012	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	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
At 1 July 2014	114,032,593	10,237,820	124,270,413
Provision for credit impairment for the year	50,035,045	2,713,432	52,748,477
Provision released	(4,696,431)	-	(4,696,431)
Written off	(68,841,150)	-	(68,841,150)
At 30 June 2015	90,530,057	12,951,252	103,481,309

(d) Allowance for credit impairment by industry sectors.

	2015					2014	Restated 2013
	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	171,026,132	22,264,573	4,281,252	977,532	5,258,784	5,087,342	3,237,030
Construction	343,461,998	20,875,250	18,764,774	604,618	19,369,392	17,203,437	16,953,779
Professional	41,953,806	302,273	-	86,456	86,456	42,288	7,910
Traders	494,004,325	27,541,536	8,636,070	2,930,229	11,566,299	7,879,953	7,426,638
Tourism	554,376,506	23,982,375	21,559,250	647,818	22,207,068	24,537,796	14,208,986
Transport	291,384,718	24,393,120	8,923,590	3,131,566	12,055,156	29,823,405	15,937,118
Financial and Business services	585,351,633	1,484,278	191,559	491,176	682,735	715,037	367,098
Personal	254,832,922	36,774,002	24,533,331	2,552,714	27,086,045	17,585,216	9,048,693
Agriculture	91,128,338	401,720	76,208	237,599	313,807	248,214	242,411
Global Business Licence Holders	144,511,031	-	-	-	-	-	-
Others	153,990,473	11,317,844	3,564,023	1,291,544	4,855,567	21,147,725	14,621,349
Total	3,126,021,882	169,336,971	90,530,057	12,951,252	103,481,309	124,270,413	82,051,012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9. INVESTMENT SECURITIES

		2015 Rs	2014 Rs	2013 Rs
Unquoted equity instruments		**2,270,000**	2,470,000	1,270,000
Available-for-sale investments	9(a)	**74,173,466**	81,845,357	3,488,475
Loans and receivables	9(b)	**191,591,364**	-	-
Held to maturity investment securities	9(c)	**2,755,763,915**	2,465,506,640	2,161,819,150
		3,023,798,745	2,549,821,997	2,166,577,625

(a) Available-for-sale investments	2015	2014	2013
Quoted securities	74,173,466	81,845,357	3,488,475

Quoted securities	2015	2014	2013
At 1 July,	81,845,357	3,488,475	10,716,100
Additions	19,678,091	76,097,806	-
Disposals	(27,411,273)	-	(7,647,200)
Unrealised fair value adjustments	61,291	2,259,076	419,575
At 30 June,	74,173,466	81,845,357	3,488,475

(b) Loans and receivables	2015	2014	2013
At 1 July,	-	-	-
Additions	191,591,364	-	-
At 30 June,	191,591,364	-	-

Remaining term to maturity

	Up to 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	2015 Total	2014 Total	2013 Total
BOM Bonds and Notes	-	-	34,884,850	34,884,850	-	-
Treasury Bills	49,865,000	87,519,314	-	137,384,314	-	-
Government Bonds and Notes	-	-	19,322,200	19,322,200	-	-
	49,865,000	87,519,314	54,207,050	191,591,364		

(c) Held to maturity investment securities	2015 Rs	2014 Rs	2013 Rs
(i) BOM Bonds and Notes	**60,103,800**	60,103,800	29,945,400
Treasury Bills	**-**	-	387,586,160
Treasury Notes	**-**	332,013,750	256,880,000
Government Bonds and Notes	**2,476,901,090**	1,931,353,090	1,487,407,590
Corporate bonds	**218,759,025**	142,036,000	-
	2,755,763,915	2,465,506,640	2,161,819,150

9. INVESTMENT SECURITIES (Cont'd)

(c) Held to maturity investment securities (cont'd)

(ii) Remaining term to maturity	Up to 3 months Rs	3 to 12 months Rs	1 to 5 years Rs	Over 5 years Rs	2015 Rs	2014 Rs	2013 Rs
BOM Bonds and Notes	-	-	60,103,800	-	**60,103,800**	60,103,800	29,945,400
Treasury Bills	-	-	-	-	**-**	-	387,586,160
Treasury Notes	-	-	-	-	**-**	332,013,750	256,880,000
Government Bonds and Notes	-	-	258,467,840	2,218,433,250	**2,476,901,090**	1,931,353,090	1,487,407,590
Corporate bonds	-	-	58,889,025	159,870,000	**218,759,025**	142,036,000	-
	-	-	377,460,665	2,378,303,250	**2,755,763,915**	2,465,506,640	2,161,819,150

(d) 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).

	Level 1 Rs	Level 2 Rs	Level 3 Rs	2015 Rs	2014 Rs	2013 Rs
Available-for-sale investment securities	74,173,466	-	-	**74,173,466**	81,845,357	3,488,475

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

10. 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 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	-	-	18,735,750	91,606	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	19,149,244	30,699,099	9,215,695	13,207,951	165,196,769
At 1 July 2014	34,846,792	58,077,988	19,149,244	30,699,099	9,215,695	13,207,951	165,196,769
Additions	-	-	83,552,925	8,955,376	3,639,281	2,500,000	98,647,582
Disposals	-	-	(413,494)	(2,912,091)	-	(6,183,709)	(9,509,294)
At 30 June 2015	**34,846,792**	**58,077,988**	**102,288,675**	**36,742,384**	**12,854,976**	**9,524,242**	**254,335,057**
DEPRECIATION							
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
At 1 July 2014	-	1,742,340	336,564	11,516,036	6,496,599	4,585,441	24,676,980
Charge for the year	-	1,161,560	3,805,914	3,595,158	1,604,697	2,550,007	12,717,336
Disposals	-	-	(169,036)	(1,764,498)	-	(4,046,446)	(5,979,980)
At 30 June 2015	**-**	**2,903,900**	**3,973,442**	**13,346,696**	**8,101,296**	**3,089,002**	**31,414,336**
NET BOOK VALUE							
At 30 June 2015	**34,846,792**	**55,174,088**	**98,315,233**	**23,395,688**	**4,753,680**	**6,435,240**	**222,920,721**
At 30 June 2014	34,846,792	56,335,648	18,812,680	19,183,063	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

11. INTANGIBLE ASSETS

COMPUTER SOFTWARE	2015	2014	2013
COST	Rs	Rs	Rs
At 1 July,	23,191,158	22,126,798	19,815,925
Additions	1,145,234	1,064,360	2,310,873
At 30 June,	24,336,392	23,191,158	22,126,798
AMORTISATION			
At 1 July,	9,521,595	6,941,738	4,485,889
Amortisation	2,733,549	2,579,857	2,455,849
At 30 June,	12,255,144	9,521,595	6,941,738
NET BOOK VALUE			
At 30 June,	12,081,248	13,669,563	15,185,060

12. DEFERRED TAX ASSETS

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

	Rs
At 1 July 2012	7,739,899
Accelerated tax depreciation	(846,241)
Impairment allowance	907,350
Retirement benefit obligations	78,118
At 30 June 2013	7,879,126
At 1 July 2013	7,879,126
Accelerated tax depreciation	(340,617)
Impairment allowance	6,332,910
Retirement benefit obligations	20,480
At 30 June 2014	13,891,899
At 1 July 2014	13,891,899
Accelerated tax depreciation	(550,414)
Impairment allowance	(1,221,281)
Retirement benefit obligations	(15,277)
At 30 June 2015	12,104,927

12. DEFERRED TAX ASSETS (Cont'd)

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

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2015	2014	2013	**2015**	2014	2013
	Rs	Rs	Rs	**Rs**	Rs	Rs
Deferred tax liability						
Accelerated tax depreciation	**(5,680,881)**	(5,130,467)	(4,789,850)	**(550,414)**	(340,617)	(846,241)
Deferred income tax asset						
Impairment allowance	**17,419,281**	18,640,562	12,307,652	**(1,221,281)**	6,332,910	907,350
Retirement benefit obligations	**366,527**	381,804	361,324	**(15,277)**	20,480	78,118
	17,785,808	19,022,366	12,668,976	**(1,236,558)**	6,353,390	985,468
Deferred tax income/(expense) (Note 16)				**(1,786,972)**	6,012,773	139,227
Deferred tax assets net	**12,104,927**	13,891,899	7,879,126			

13. OTHER ASSETS

	2015 Rs	2014 Rs	2013 Rs
Mandatory balances with Central Bank	**427,899,684**	401,159,111	309,723,047
Receivables from related parties	**552,860**	548,517	2,345,500
Non banking assets acquired in satisfaction of debts	**10,425,196**	11,790,341	13,924,332
Interest receivable	**88,427,610**	64,862,147	59,483,247
Other receivables	**7,897,774**	9,085,473	13,852,575
	535,203,124	487,445,589	399,328,701

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.

14. DEPOSITS FROM CUSTOMERS

	2015 Rs	2014 Rs	2013 Rs
Retail customers			
Savings deposits	**2,226,238,948**	1,130,618,717	643,765,958
Other deposits	**377,152,607**	305,625,686	65,853,064
Time deposits with remaining term to maturity:			
Up to 3 months	**122,347,027**	162,539,132	206,995,683
Over 3 months and up to 6 months	**85,294,864**	104,753,845	105,197,900
Over 6 months and up to 12 months	**193,023,690**	426,768,139	371,456,867
Over 1 year and up to 5 years	**604,614,113**	622,718,808	764,429,362
Corporate customers			
Savings deposits	**360,782,315**	243,413,642	499,700,558
Other deposits	**5,628,115,924**	3,132,622,151	1,876,683,498
Term deposits with remaining term to maturity:			
Up to 3 months	**367,079,486**	614,879,466	446,900,840
Over 3 months and up to 6 months	**118,520,000**	109,869,941	437,475,540
Over 6 months and up to 12 months	**703,315,136**	1,118,876,611	928,752,854
Over 1 year and up to 5 years	**423,604,857**	285,476,105	246,758,669
	11,210,088,967	8,258,162,243	6,593,970,793

Deposits bear interest rates ranging from 3.40% to 14.0% per annum (2014: 3.40% to 14.0%, 2013: 3.65% to 16.5%).

15. OTHER BORROWED FUNDS

	2015 Rs	2014 Rs	2013 Rs
Bank overdraft (Note (a) & Note 6)	-	1,066,145	-
Other Loan (Note (b))	-	114,062	378,328
Interbank borrowings	-	-	50,000,000
	-	1,180,207	50,378,328

(a) The bank overdrawn balance is secured
(b) Other loan is unsecured.
The loan has been repaid since Nov 2014.

16. TAX EXPENSE

Income tax is calculated at the rate of 15% (2014 and 2013: 15%) on the profit for the year.
The components of income tax expense for the years ended 30 June are:

	2015 Rs	2014 Rs	2013 Rs
Current income tax	**5,454,300**	9,018,520	2,521,773
Overprovision in previous years	**(356,930)**	-	(592,866)
Relating to origination and reversal of temporary differences (Note 12)	**1,786,972**	(6,012,773)	(139,227)
Tax expense	**6,884,342**	3,005,747	1,789,680

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. TAX EXPENSE (Cont'd)

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:

	2015 Rs	2014 Rs	Restated 2013 Rs
Profit before tax	**75,104,560**	18,149,591	7,715,886
At statutory income tax rate of 15% (2014 and 2013: 15%)	**11,265,684**	2,722,439	1,157,383
Non-deductible expenses	**2,376,361**	2,642,770	3,578,163
Exempt income	**1,424,450**	(131,292)	(724,187)
Tax loss utilised	**-**	-	(1,628,813)
Special levy	**1,615,693**	3,308,207	-
Income tax overprovision for the previous year	**(356,930)**	-	(592,866)
Tax credit	**(9,440,916)**	(5,536,377)	-
Tax expense	**6,884,342**	3,005,747	1,789,680

17. OTHER LIABILITIES

	2015 Rs	2014 Rs	2013 Rs
Interest payable on deposits	**92,244,515**	95,537,312	114,913,502
Other payables	**99,185,506**	98,515,524	56,320,313
	191,430,021	194,052,836	171,233,815

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.

	2015 Rs	2014 Rs	2013 Rs
At 1 July,	**2,545,359**	2,408,826	1,888,041
Charge for the year	**(101,845)**	136,533	520,785
At 30 June,	**2,443,514**	2,545,359	2,408,826

Defined contributions plans

The bank operates defined contributions plans for all its employees as from 1st July 2014. The assets of the plans are held separately from the bank under the control of ABC Group Pension Fund. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total expenses recognised in profit or loss of Rs 1,639,628 represents contributions payable to the plan by the bank.

18. PREFERENCE SHARES

	2015 Rs	2014 Rs	2013 Rs
At 1 July,	**182,407,187**	182,407,187	182,407,187
Issue of shares	**138,180,000**	-	-
Interest accrued	**13,925,088**	13,785,393	13,785,393
Dividend paid	**(13,785,393)**	(13,785,393)	(13,785,393)
At 30 June,	**320,726,882**	182,407,187	182,407,187

On 18 March 2011, the bank issued 7.5% cumulative redeemable preference shares amounting to 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 six years. While the shares carry no voting rights, except 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.

On 25 June 2015, the bank issued Floating Rate (Repo+1.5%) cumulative redeemable preference shares with a maturity of six years for a total consideration of Rs 138,180,000.

19. STATED CAPITAL

	2015 Rs	2014 Rs	2013 Rs
Issued and fully paid capital (Ordinary shares of Rs 10 each)	**476,699,200**	356,699,200	304,871,110
Share premium	**30,000,000**	-	-
	506,699,200	356,699,200	304,871,110

	2015 Rs	2014 Rs	2013 Rs
Issued and fully paid			
At 1 July	**356,699,200**	304,871,110	234,516,240
New issue	**150,000,000**	51,828,090	70,354,870
At 30 June,	**506,699,200**	356,699,200	304,871,110

	2015 Rs	2014 Rs	2013 Rs
Number of shares			
At 1 July	**35,669,920**	30,487,111	23,451,624
New issue	**12,000,000**	5,182,809	7,035,487
At 30 June,	**47,669,920**	35,669,920	30,487,111

19. STATED CAPITAL (Cont'd)

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.

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.

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 right 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 right issue was on 17 March 2014 and same was made in two equal calls.

On 28 November 2014, the bank issued 12,000,000 Ordinary Shares at Rs.12.50 per share for a total consideration of Rs 150,000,000. The new ordinary shares rank pari passu with the existing ordinary shares in the capital of the bank.

20. OTHER RESERVES

	2015 Rs	2014 Rs	2013 Rs
Investment revaluation	**1,761,946**	1,784,123	(474,953)
Statutory reserve	**24,353,693**	14,120,660	11,849,083
General banking reserve	**25,290,066**	14,779,177	10,362,328
	51,405,705	30,683,960	21,736,458

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.

	2015 Rs	2014 Rs	2013 Rs
Investment revaluation reserve			
At 1 July,	**1,784,123**	(474,953)	3,042,264
Net gain/(loss) on available-for-sale financial investments	**(22,177)**	2,259,076	(3,517,217)
At 30 June,	**1,761,946**	1,784,123	(474,953)

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

21. NET INTEREST INCOME

	2015 Rs	2014 Rs	2013 Rs
Interest income			
Finance leases	79,638,966	101,023,431	143,028,189
Bank balances	-	-	9,663
Interest on late payment	8,764,722	15,250,185	14,323,458
Loans and advances to customers	116,439,511	81,818,997	53,909,223
Loans to and placements with banks	54,817,661	21,138,725	5,288,017
Investment securities	186,909,123	164,370,730	121,585,028
	446,569,983	383,602,068	338,143,578
Interest expense			
Deposits from customers	256,418,258	254,345,078	248,692,684
Preference shares (Note 18)	13,925,088	13,785,393	13,785,393
Borrowed funds	570,777	727,401	98,322
	270,914,123	268,857,872	262,576,399
Net interest income	175,655,860	114,744,196	75,567,179

22. NET FEE AND COMMISSION INCOME

	2015 Rs	2014 Rs	2013 Rs
Fee and commission income			
Processing fees	8,254,545	4,361,904	3,401,150
International banking	28,444,581	33,330,148	19,877,573
Interbank transaction fees	8,202,707	1,129,421	851,282
Others	11,976,294	8,721,198	9,933,574
	56,878,127	47,542,671	34,063,579
Fee and commission expense			
Card and related fees	14,339,955	5,700,918	1,675,781
Interbank transaction fees	4,975,367	95,732	143,404
	19,315,322	5,796,650	1,819,185
Net fee and commission income	37,562,805	41,746,021	32,244,394

23. OTHER TRADING INCOME

	2015 Rs	2014 Rs	2013 Rs
Foreign exchange gain	56,992,513	35,709,156	11,561,656
Income on card transactions	41,513,401	10,192,944	3,569,789
	98,505,914	45,902,100	15,131,445

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24. OTHER INCOME

	2015 Rs	2014 Rs	2013 Rs
Profit on disposal - property, plant and equipment	-	170,023	121,739
Profit on disposal of investment securities	9,581,619	-	4,034,621
Others	37,206	1,454,134	289,879
	9,618,825	1,624,157	4,446,239

25. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2015 Rs	2014 Rs	Restated 2013 Rs
Loans and advances to customers	71,569,014	62,550,915	12,427,111
Provision for credit impairment	52,748,477	52,551,231	20,145,939
Provision released	(4,696,431)	(7,107,785)	(8,252,453)
Bad debts recovered	(3,508,924)	(857,039)	(1,923,621)
Bad debts written off for which no provision was made	27,025,892	17,964,508	6,813,393
Transfer to reserve	-	-	(4,356,147)
	71,569,014	62,550,915	12,427,111

26. PERSONNEL EXPENSES

	2015 Rs	2014 Rs	2013 Rs
Wages and salaries	75,382,804	57,206,491	46,248,666
Employees benefit liability	(101,845)	136,533	520,785
Others	12,518,033	7,351,700	6,177,744
	87,798,992	64,694,724	52,947,195

27. OTHER EXPENSES

	2015 Rs	2014 Rs	2013 Rs
Motor vehicle expenses and insurance	5,156,702	7,172,210	6,223,321
Rental of office	3,157,375	4,854,071	4,929,503
Advertising	3,940,540	1,193,650	1,325,393
Information technology costs	7,856,045	6,131,275	6,130,183
Licences	2,676,577	1,660,196	1,199,364
Loss on disposal of property ,plant and equipment	1,674,236	-	-
Loss on winding up of subsidiary	-	-	2,663,022
Communication costs	7,329,672	6,584,648	6,193,741
Legal and professional fees	14,071,460	5,294,658	4,593,014
Maintenance costs	7,431,790	2,161,971	2,282,471
Others	18,240,271	13,010,535	10,930,972
	71,534,668	48,063,214	46,470,984

28. EARNINGS PER SHARE

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

	2015	2014	Restated 2013
Profit	**68,220,218**	15,143,844	2,223,481
Restated profit	**68,220,218**	15,143,844	5,926,206
Weighted average number of ordinary shares	**42,738,413**	32,475,038	26,187,432
Earnings per share			
As previously reported	1.60	0.47	0.08
Effect of restatement	-	-	0.15
As restated	1.60	0.47	0.23
Basic earnings per share (Rs)	1.60	0.47	0.08
Restated basic earnings per share (Rs)	1.60	0.47	0.23

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.

		2015					
		Classification of carrying amount					Fair value
	Notes	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	Total	Total
Financial assets							
Cash and cash equivalents	6	4,209,338,745	-	-	-	**4,209,338,745**	4,209,338,745
Loans to and placements with banks	7	1,293,205,330	-	-	-	**1,293,205,330**	1,293,205,330
Investment securities	9	191,591,364	76,443,466	2,755,763,915	-	**3,023,798,745**	3,023,798,745
Loans and advances to customers	8	3,022,540,573	-	-	-	**3,022,540,573**	3,022,540,573
Other assets		533,901,194	-	-	-	**533,901,194**	533,901,194
		9,250,577,206	76,443,466	2,755,763,915	-	12,082,784,587	12,082,784,587
Financial liabilities							
Deposits from customers	14	-	-	-	11,210,088,967	**11,210,088,967**	11,210,088,967
Other liabilities		-	-	-	188,733,982	**188,733,982**	188,733,982
Preference shares	18	-	-	-	320,726,882	**320,726,882**	320,726,882
		-	-	-	11,719,549,831	**11,719,549,831**	11,719,549,831
		9,250,577,206	76,443,466	2,755,763,915	(11,719,549,831)	363,234,756	363,234,756

29. CATEGORIES OF FINANCIAL INSTRUMENTS (Cont'd)

		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		482,769,549	-	-	-	482,769,549	482,769,549
		6,310,477,921	84,315,357	2,465,506,640	-	8,860,299,918	8,860,299,918
Financial liabilities							
Deposits from customers	14	-	-	-	8,258,162,243	8,258,162,243	8,258,162,243
Borrowed funds	15	-	-	-	1,180,207	1,180,207	1,180,207
Other liabilities		-	-	-	191,254,041	191,254,041	191,254,041
Preference shares	18	-	-	-	182,407,187	182,407,187	182,407,187
		-	-	-	8,633,003,678	8,633,003,678	8,633,003,678
		6,310,477,921	84,315,357	2,465,506,640	(8,633,003,678)	227,296,240	227,296,240

		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		398,172,750	-	-	-	398,172,750	398,172,750
		5,004,199,081	4,758,475	2,161,819,150	-	7,170,776,706	7,170,776,706
Financial liabilities							
Deposits from customers	14	-	-	-	6,593,970,793	6,593,970,793	6,593,970,793
Borrowed funds	15	-	-	-	50,378,328	50,378,328	50,378,328
Other liabilities		-	-	-	168,785,764	168,785,764	168,785,764
Preference shares	18	-	-	-	182,407,187	182,407,187	182,407,187
		-	-	-	6,995,542,072	6,995,542,072	6,995,542,072
		5,004,199,081	4,758,475	2,161,819,150	(6,995,542,072)	175,234,634	175,234,634

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	**2015**	9	74,173,466	-	-	74,173,466
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

		2015						
		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
Assets	Notes	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	6	4,209,338,745	-	4,209,338,745	-	-	-	**4,209,338,745**
Loans to and placements with banks	7	677,430,130	615,775,200	1,293,205,330	-	-	-	**1,293,205,330**
Investment securities	9,10	49,865,000	87,519,314	137,384,314	431,667,715	2,429,057,214	25,689,502	**3,023,798,745**
Loans and advances to customers	8	814,761,938	835,249,206	1,650,011,144	1,143,888,861	141,090,793	191,031,084	**3,126,021,882**
Intangible assets	11	-	-	-	-	-	12,081,248	**12,081,248**
Property, plant and equipment	10	-	-	-	-	-	222,920,721	**222,920,721**
Deferred tax assets	12	-	-	-	-	-	12,104,927	**12,104,927**
Other assets	13	59,706,931	134,211,775	193,918,706	233,980,978	-	107,303,440	**535,203,124**
Total		**5,811,102,744**	**1,672,755,495**	**7,483,858,239**	**1,809,537,554**	**2,570,148,007**	**571,130,922**	**12,434,674,722**
Less allowances for credit impairment								**(103,481,309)**
								12,331,193,413
Liabilities								
Deposits from customers	14	9,081,716,306	1,100,153,690	10,181,869,996	1,028,218,971	-	-	**11,210,088,967**
Current tax liabilities		-	1,006,333	1,006,333	-	-	-	**1,006,333**
Other liabilities	17	34,305,099	24,587,185	58,892,284	33,352,232	-	99,185,505	**191,430,021**
Preference shares	18	-	3,740,882	3,740,882	178,806,000	138,180,000	-	**320,726,882**
Total		**9,116,021,405**	**1,129,488,090**	**10,245,509,495**	**1,240,377,203**	**138,180,000**	**99,185,505**	**11,723,252,203**
Net liquidity gap		**(3,304,918,661)**	**543,267,405**	**(2,761,651,256)**	**569,160,351**	**2,431,968,007**	**471,945,417**	**711,422,519**
Less allowances for credit impairment								**(103,481,309)**
								607,941,210

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Cont'd)

		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
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets	Notes							
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	319,270,842	2,735,801,421
Intangible assets	11	-	-	-	-	-	13,669,563	13,669,563
Property, plant and equipment	10	-	-	-	-	-	140,519,789	140,519,789
Deferred tax assets	12	-	-	-	-	-	13,891,899	13,891,899
Other assets	13	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	657,953,928	9,157,327,622
Less allowances for credit impairment								(124,270,413)
								9,033,057,209
Liabilities								
Deposits from customers	14	5,589,698,794	1,760,268,536	7,349,967,330	908,194,913	-	-	8,258,162,243
Borrowed funds	15	1,134,298	45,909	1,180,207	-	-	-	1,180,207
Current tax liabilities		-	7,511,567	7,511,567	-	-	-	7,511,567
Other liabilities	17	43,380,563	29,736,116	73,116,679	22,420,633	-	98,515,524	194,052,836
Preference shares	18		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	559,438,404	514,013,582
Less allowances for credit impairment								(124,270,413)
								389,743,169

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Cont'd)

2013(Restated)

Assets	Notes	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
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
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	401,456,860	2,522,604,860
Intangible assets	11	-	-	-	-	-	15,185,060	15,185,060
Property, plant and equipment	10	-	-	-	-	-	119,585,273	119,585,273
Deferred tax assets	12	-	-	-	-	-	7,879,126	7,879,126
Current tax assets		-	-	-	-	-	3,920,166	3,920,166
Other assets	13	-	-	-	-	-	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	952,113,661	7,400,553,294
Less allowances for credit impairment								(82,051,012)
								7,318,502,282
Liabilities								
Deposits from customers	14	3,739,899,601	1,842,883,161	5,582,782,762	1,011,188,031	-	-	6,593,970,793
Borrowed funds	15	50,064,836	199,430	50,264,266	114,062	-	-	50,378,328
Other liabilities	17	46,897,206	53,278,465	100,175,671	14,737,831	-	56,320,313	171,233,815
Preference shares	18	-	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	895,793,348	402,563,171
Less allowances for credit impairment								(82,051,012)
								320,512,159

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 Rs	Deposits at year end Rs	Interest payable for the year Rs	Amount owed by related party Rs	Other expenses Rs
Directors and key management personnel	2015	1,395,000	4,849,948	251,096	46,786,049	2,356,561		-
	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	-	-
Corporate shareholders with significant influence	2015	86,577,597	77,228,683	5,946,219	11,381,592	2,877		2,095,344
	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
Enterprises that have a number of directors in common	2015	25,174,840	108,394,952	8,845,969	25,379,590	443,972	552,860	7,646,637
	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
Enterprises under common control	2015	-	-	-	-	-	-	-
	2014	-	3,765,664	355,215	-	-	-	-
	2013	-	-	-	-	-	-	-
Total	2015	113,147,437	190,473,583	15,043,284	83,547,231	2,803,410	552,860	9,741,981
	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

31. RELATED PARTY DISCLOSURES (Cont'd)

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 2015, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2014 & 2013: 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 19.

b. **Compensation of key management personnel**

	2015 Rs	2014 Rs	2013 Rs
Short term employee benefits	**6,688,500**	4,902,008	3,536,573

c. The bank's top six exposures to related parties amount to Rs 169,596,512 (2014: Rs 142,691,890 and 2013: Rs 109,722,800). These were 30.4% of Tier 1 Capital.

None of these facilities were non performing. (2014 and 2013: Nil)

32. CONTINGENT LIABILITIES

(a) Instruments	2015 Rs	2014 Rs	2013 Rs
Guarantees on account of customers	**12,355,088**	6,043,848	4,984,573
Letter of credit and other obligations on account of customers	**10,309,221**	-	-
(b) Commitments	**393,088,529**	2,700,000	5,286,932
Undrawn credit facilities	**415,752,838**	8,743,848	10,271,505

33. CAPITAL COMMITMENTS

	2015 Rs	2014 Rs	2013 Rs
Contracted but not yet incurred	-	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:

	2015 Rs	2014 Rs	2013 Rs
Government of Mauritius bonds,notes and bills	360,000,000	240,000,000	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.

	Previously 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 expenses			
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)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36. SEGMENTAL REPORTING

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.

Statement of financial position		2015			2014			Restated 2013		
	Notes	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
ASSETS										
Cash and cash equivalents	36(a)	4,209,338,745	1,049,610,695	3,159,728,050	2,805,820,364	1,714,143,483	1,091,676,881	1,180,200,869	194,875,133	985,325,736
Loans to and placements with banks	36(b)	1,293,205,330	545,965,330	747,240,000	410,357,000	348,677,000	61,680,000	985,271,614	776,452,738	208,818,876
Loans and advances to customers	36(c)	3,022,540,573	2,723,127,866	299,412,707	2,611,531,008	2,512,695,415	98,835,593	2,440,553,848	2,440,553,848	-
Investment securities		3,023,798,745	2,835,039,720	188,759,025	2,549,821,997	2,549,821,997	-	2,166,577,625	2,166,577,625	-
Investment in subsidiary		-	-	-	-	-	-	-	-	-
Property, plant and equipment		222,920,721	222,920,721	-	140,519,789	140,519,789	-	119,585,273	119,585,273	-
Intangible assets		12,081,248	12,081,248	-	13,669,563	13,669,563	-	15,185,060	15,185,060	-
Deferred tax assets		12,104,927	12,104,927	-	13,891,899	13,891,899	-	7,879,126	7,879,126	-
Current tax assets		-	-	-	-	-	-	3,920,166	3,920,166	-
Other assets		535,203,124	535,203,124	-	487,445,589	487,445,589	-	399,328,701	399,328,701	-
Total assets		12,331,193,413	7,936,053,631	4,395,139,782	9,033,057,209	7,780,864,735	1,252,192,474	7,318,502,282	6,124,357,670	1,194,144,612
LIABILITIES										
Deposits from customers	36(d)	11,210,088,967	5,625,941,404	5,584,147,563	8,258,162,243	4,755,187,163	3,502,975,080	6,593,970,793	4,688,496,956	1,905,473,837
Other borrowed funds		-	-	-	1,180,207	1,180,207	-	50,378,328	50,378,328	-
Current tax liabilities		1,006,333	1,006,333	-	7,511,567	7,511,567	-	-	-	-
Other liabilities		191,430,021	191,430,021	-	194,052,836	194,052,836	-	171,233,815	171,233,815	-
Preference shares		320,726,882	320,726,882	-	182,407,187	182,407,187	-	182,407,187	182,407,187	-
Total liabilities		11,723,252,203	6,139,104,640	5,584,147,563	8,643,314,040	5,140,338,960	3,502,975,080	6,997,990,123	5,092,516,286	1,905,473,837
Shareholders' Equity										
Stated capital		506,699,200	506,699,200	-	356,699,200	356,699,200	-	304,871,110	304,871,110	-
Retained earnings / (Accumulated losses)		49,836,305	49,836,305	-	2,360,009	2,360,009	-	(6,095,409)	(6,095,409)	-
Other reserves		51,405,705	51,405,705	-	30,683,960	30,683,960	-	21,736,458	21,736,458	-
Capital and reserves		607,941,210	607,941,210	-	389,743,169	389,743,169	-	320,512,159	320,512,159	-
Total equity and liabilities		12,331,193,413	6,747,045,850	5,584,147,563	9,033,057,209	5,530,082,129	3,502,975,080	7,318,502,282	5,413,028,445	1,905,473,837

36. SEGMENTAL REPORTING (Cont'd)

Statement of profit or loss and other comprehensive income	Notes	2015 Bank Rs	2015 Segment A Rs	2015 Segment B Rs	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
Interest income		446,569,983	397,845,359	48,724,624	383,602,068	377,165,935	6,436,133	338,143,578	337,278,192	865,386
Interest expense		(270,914,123)	(258,365,363)	(12,548,760)	(268,857,872)	(255,580,790)	(13,277,082)	(262,576,399)	(262,576,399)	-
Net interest income	36(d)	175,655,860	139,479,996	36,175,864	114,744,196	121,585,145	(6,840,949)	75,567,179	74,701,793	865,386
Fee and commission income		56,878,127	28,172,433	28,705,694	47,542,671	14,212,523	33,330,148	34,063,579	34,063,579	-
Fee and commission expense		(19,315,322)	(1,931,532)	(17,383,790)	(5,796,650)	(2,604,136)	(3,192,514)	(1,819,185)	(1,819,185)	-
Net fee and commission income		37,562,805	26,240,901	11,321,904	41,746,021	11,608,387	30,137,634	32,244,394	32,244,394	-
Dividend income		114,715	114,715	-	705,255	705,255	-	592,620	592,620	-
Other trading income		98,505,914	25,207,659	73,298,255	45,902,100	15,328,930	30,573,170	15,131,445	15,131,445	-
Other Income		9,618,825	6,118,040	3,500,785	1,624,157	1,007,366	616,791	4,446,239	4,446,239	-
		108,239,454	31,440,414	76,799,040	48,231,512	17,041,551	31,189,961	20,170,304	20,170,304	-
		321,458,119	197,161,311	124,296,808	204,721,729	150,235,083	54,486,646	127,981,877	127,116,491	865,386
Personnel expenses		(87,798,992)	(67,335,421)	(20,463,571)	(64,694,724)	(61,071,822)	(3,622,902)	(52,947,195)	(52,947,195)	-
Depreciation and amortisation		(15,450,885)	(11,588,164)	(3,862,721)	(11,263,285)	(10,343,833)	(919,452)	(8,420,701)	(8,420,701)	-
Other expenses		(71,534,668)	(55,104,806)	(16,429,862)	(48,063,214)	(44,390,499)	(3,672,715)	(46,470,984)	(46,470,984)	-
Non interest expense		(174,784,545)	(134,028,391)	(40,756,154)	(124,021,223)	(115,806,154)	(8,215,069)	(107,838,880)	(107,838,880)	-
Operating profit before impairment		146,673,574	63,132,920	83,540,654	80,700,506	34,428,929	46,271,577	20,142,997	19,277,611	865,386
Allowance for credit impairment on financial assets		(71,569,014)	(71,569,014)	-	(62,550,915)	(61,540,597)	(1,010,318)	(12,427,111)	(12,427,111)	-
Operating profit/(loss) before tax		75,104,560	(8,436,094)	83,540,654	18,149,591	(27,111,668)	45,261,259	7,715,886	6,850,500	865,386
Tax expense		(6,884,342)	(3,285,262)	(3,599,080)	(3,005,747)	(1,171,457)	(1,834,290)	(1,789,680)	(1,789,680)	-
Profit/(loss) for the year		68,220,218	(11,721,356)	79,941,574	15,143,844	(28,283,125)	43,426,969	5,926,206	5,060,820	865,386
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		(83,468)	(83,468)	-	-	-	-	(3,936,792)	(3,936,792)	-
Gain/(loss) on remeasuring available-for-sale financial assets		61,291	61,291	-	2,259,076	2,259,076	-	419,575	419,575	-
Other comprehensive income / (loss) for the year		(22,177)	(22,177)	-	2,259,076	2,259,076	-	(3,517,217)	(3,517,217)	-
Total comprehensive income / (loss)		68,198,041	(11,743,533)	79,941,574	17,402,920	(26,024,049)	43,426,969	2,408,989	1,543,603	865,386

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36. SEGMENTAL REPORTING (Cont'd)

(a) Cash and cash equivalents

	2015			2014			2013		
	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	**7,208,327**	7,208,327	-	**15,264,945**	15,264,945	-	**5,361,198**	5,361,198	-
Foreign Currency notes and coins	**1,180,324**	-	1,180,324	**1,129,166**	1,129,166	-	**644,972**	644,972	-
Unrestricted balances with Central Bank	**651,760,055**	651,760,055	-	**313,924,802**	313,924,802	-	**155,318,512**	155,318,512	-
Balances with local banks	**28,095,813**	28,095,813	-	**16,333,820**	16,333,820	-	**7,042,037**	7,042,037	-
Balances with banks abroad	**1,213,417,726**	-	1,213,417,726	**1,091,676,881**	-	1,091,676,881	**985,325,736**	-	985,325,736
Interbank loans	**2,307,676,500**	362,546,500	1,945,130,000	**1,367,490,750**	1,367,490,750	-	**26,508,414**	26,508,414	-
	4,209,338,745	1,049,610,695	3,159,728,050	**2,805,820,364**	1,714,143,483	1,091,676,881	**1,180,200,869**	194,875,133	985,325,736

	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	**4,209,338,745**	1,049,610,695	3,159,728,050	**2,805,820,364**	1,714,143,483	1,091,676,881	**1,180,200,869**	194,875,133	985,325,736
Bank overdrafts (Note 15)	**-**	-	-	**(1,066,145)**	(1,066,145)	-	**-**	-	-
Cash and cash equivalents	**4,209,338,745**	1,049,610,695	3,159,728,050	**2,804,754,219**	1,713,077,338	1,091,676,881	**1,180,200,869**	194,875,133	985,325,736

36. SEGMENTAL REPORTING (Cont'd)

(b) Loans to and placements with banks

	2015			2014			2013		
	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	545,965,330	545,965,330	-	348,677,000	348,677,000	-	776,452,738	776,452,738	-
Outside Mauritius	747,240,000	-	747,240,000	61,680,000	-	61,680,000	208,818,876	-	208,818,876
	1,293,205,330	545,965,330	747,240,000	**410,357,000**	348,677,000	61,680,000	**985,271,614**	776,452,738	208,818,876
Maturity									
Up to 3 months	677,430,130	318,050,130	359,380,000	116,954,000	116,954,000	-	21,387,877	5,720,853	15,667,024
Over 3 months and up to 6 months	353,315,200	157,715,200	195,600,000	60,560,000	60,560,000	-	57,100,574	57,100,574	-
Over 6 months and up to 12 months	262,460,000	70,200,000	192,260,000	232,843,000	171,163,000	61,680,000	906,783,163	713,631,311	193,151,852
	1,293,205,330	545,965,330	747,240,000	**410,357,000**	348,677,000	61,680,000	**985,271,614**	776,452,738	208,818,876

(c) Loans and advances to customers

	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
Retail:									
Investment in finance leases	348,371,364	348,371,364	-	410,869,641	410,869,641	-	527,760,701	527,760,701	-
Rental income receivable	28,722,625	28,722,625	-	51,191,265	51,191,265	-	61,324,119	61,324,119	-
Loans	150,433,267	141,998,300	8,434,967	79,654,733	19,094,733	60,560,000	46,799,843	46,799,843	-
Others	29,185,296	29,185,296	-	1,899,899	1,899,899	-	1,913,106	1,913,106	-
Corporate:									
Investment in finance leases	565,918,754	565,918,754	-	702,222,662	702,222,662	-	788,366,465	788,366,465	-
Rental income receivable	51,210,961	51,210,961	-	88,839,478	88,839,478	-	107,586,496	107,586,496	-
Loans	1,182,254,193	1,182,254,193	-	1,146,753,946	1,136,837,052	9,916,894	809,625,417	809,625,417	-
Others	769,925,422	478,947,682	290,977,740	254,369,797	226,011,098	28,358,699	179,228,713	179,228,713	-
	3,126,021,882	2,826,609,175	299,412,707	**2,735,801,421**	2,636,965,828	98,835,593	**2,522,604,860**	2,522,604,860	-
Less allowance for specific impairment	(90,530,057)	(90,530,057)	-	(114,032,593)	(114,032,593)	-	(71,111,343)	(71,111,343)	-
Less allowance for collective impairment	(12,951,252)	(12,951,252)	-	(10,237,820)	(10,237,820)	-	(10,939,669)	(10,939,669)	-
	3,022,540,573	2,723,127,866	299,412,707	**2,611,531,008**	2,512,695,415	98,835,593	**2,440,553,848**	2,440,553,848	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36. SEGMENTAL REPORTING (Cont'd)

(d) Deposits from customers

	2015			2014			2013		
	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	2,226,238,948	2,132,392,703	93,846,245	1,130,618,717	1,080,318,561	50,300,156	643,765,958	633,266,835	10,499,123
Other deposits	377,152,607	15,391,890	361,760,717	305,625,686	4,269,639	301,356,047	65,853,064	4,345,941	61,507,123
Time deposits with remaining term to maturity:	-	-	-	-	-	-	-	-	-
Up to 3 months	122,347,027	111,789,527	10,557,500	162,539,132	139,198,976	23,340,156	206,995,683	199,473,995	7,521,688
Over 3 months and up to 6 months	85,294,864	79,294,864	6,000,000	104,753,845	93,631,796	11,122,049	105,197,900	99,290,400	5,907,500
Over 6 months and up to 12 months	193,023,690	184,389,149	8,634,541	426,768,139	361,729,415	65,038,724	371,456,867	347,456,993	23,999,874
Over 1 year and up to 5 years	604,614,113	592,862,898	11,751,215	622,718,808	607,479,959	15,238,849	764,429,362	676,317,687	88,111,675
Corporate customers									
Savings deposits	360,782,315	360,782,315	-	243,413,642	243,413,642	-	499,700,558	499,700,558	-
Other deposits	5,628,115,924	547,394,840	5,080,721,084	3,132,622,151	221,493,920	2,911,128,231	1,876,683,498	229,076,358	1,647,607,140
Term deposits with remaining term to maturity:				-	-		-	-	
Up to 3 months	367,079,486	363,903,226	3,176,260	614,879,466	510,929,136	103,950,330	446,900,840	428,437,132	18,463,708
Over 3 months and up to 6 months	118,520,000	118,520,000	-	109,869,941	98,069,403	11,800,538	437,475,540	407,672,750	29,802,790
Over 6 months and up to 12 months	703,315,136	703,315,136	-	1,118,876,611	1,116,876,611	2,000,000	928,752,854	916,699,638	12,053,216
Over 1 year and up to 5 years	423,604,857	415,904,857	7,700,000	285,476,105	277,776,105	7,700,000	246,758,669	246,758,669	-
	11,210,088,967	5,625,941,404	5,584,147,563	8,258,162,243	4,755,187,163	3,502,975,080	6,593,970,793	4,688,496,956	1,905,473,837

36. SEGMENTAL REPORTING (Cont'd)

(e) Net interest income

	2015			2014			2013		
	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	**79,638,966**	79,638,966	-	**101,023,431**	100,980,087	43,344	**143,028,189**	143,028,189	-
Bank balances	**-**	-	-	**-**	-	-	**9,663**	9,663	-
Interest on late payment	**8,764,722**	8,764,722	-	**15,250,185**	15,250,185	-	**14,323,458**	14,323,458	-
Other advances to customers	**116,439,511**	109,901,090	6,538,421	**81,818,997**	80,897,763	921,234	**53,909,223**	53,909,223	-
Loans to and placements with banks	**54,817,661**	24,130,242	30,687,419	**21,138,725**	18,690,763	2,447,962	**5,288,017**	4,422,631	865,386
Investment securities	**186,909,123**	175,410,339	11,498,784	**164,370,730**	161,347,137	3,023,593	**121,585,028**	121,585,028	-
	446,569,983	397,845,359	48,724,624	**383,602,068**	377,165,935	6,436,133	**338,143,578**	337,278,192	865,386
Interest expense									
Deposit from customers	**256,418,258**	243,869,498	12,548,760	**254,345,078**	241,067,996	13,277,082	**248,692,684**	248,692,684	-
Preference shares	**13,925,088**	13,925,088	-	**13,785,393**	13,785,393	-	**13,785,393**	13,785,393	-
Borrowed funds	**570,777**	570,777	-	**727,401**	727,401	-	**98,322**	98,322	-
	270,914,123	258,365,363	12,548,760	**268,857,872**	255,580,790	13,277,082	**262,576,399**	262,576,399	-
Net interest income	**175,655,860**	139,479,996	36,175,864	**114,744,196**	121,585,145	(6,840,949)	**75,567,179**	74,701,793	865,386

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36. SEGMENTAL REPORTING (Cont'd)

(f) Net fee and commission income

	2015			2014			2013		
	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	8,254,545	8,154,193	100,352	4,361,904	4,361,904	-	3,401,150	3,401,150	-
International banking	28,444,581	-	28,444,581	33,330,148	-	33,330,148	19,877,573	19,877,573	-
Interbank transaction fees	8,202,707	8,202,707	-	1,129,421	1,129,421	-	851,282	851,282	-
Others	11,976,294	11,815,533	160,761	8,721,198	8,721,198	-	9,933,574	9,933,574	-
	56,878,127	28,172,433	28,705,694	47,542,671	14,212,523	33,330,148	34,063,579	34,063,579	-
Fee and commission expense									
Card and related fees	14,339,955	1,433,995	12,905,960	5,700,918	2,508,404	3,192,514	1,675,781	1,675,781	
Interbank transaction fees	4,975,367	497,537	4,477,830	95,732	95,732	-	143,404	143,404	-
	19,315,322	1,931,532	17,383,790	5,796,650	2,604,136	3,192,514	1,819,185	1,819,185	-
Net fee and commission income	**37,562,805**	26,240,901	11,321,904	**41,746,021**	11,608,387	30,137,634	32,244,394	32,244,394	-

(g) Other Trading Income

	2015			2014			2013		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Foreign exchange gain	56,992,513	21,056,319	35,936,194	35,709,156	10,844,035	24,865,121	11,561,656	11,561,656	-
Income on card transactions	41,513,401	4,151,340	37,362,061	10,192,944	4,484,895	5,708,049	3,569,789	3,569,789	-
	98,505,914	25,207,659	73,298,255	**45,902,100**	15,328,930	30,573,170	**15,131,445**	15,131,445	-

36. SEGMENTAL REPORTING (Cont'd)

(h) Other Income

	2015			2014			2013		
	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs	Bank Rs	Segment A Rs	Segment B Rs
Profit on disposal of property, plant and equipment	-	-	-	170,023	170,023	-	121,739	121,739	-
Profit on disposal of shares	9,581,619	6,080,834	3,500,785	-	-	-	4,034,621	4,034,621	-
Others	37,206	37,206		1,454,134	837,343	616,791	289,879	289,879	-
	9,618,825	6,118,040	3,500,785	**1,624,157**	1,007,366	616,791	**4,446,239**	4,446,239	-

(i) Provision for credit impairment on financial assets

	2015			2014			2013		
	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))	**71,569,014**	71,569,014	-	**62,550,915**	61,540,597	1,010,318	**12,427,111**	12,427,111	-

(j) Personnel expenses

	2015			2014			2013		
	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	75,382,804	57,813,111	17,569,693	57,206,491	54,082,877	3,123,614	46,248,666	46,248,666	-
Employees benefit liability	(101,845)	(78,108)	(23,737)	136,533	136,533	-	520,785	520,785	-
Others	12,518,033	9,600,418	2,917,615	7,351,700	6,852,412	499,288	6,177,744	6,177,744	-
	87,798,992	67,335,421	20,463,571	**64,694,724**	61,071,822	3,622,902	**52,947,195**	52,947,195	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36. SEGMENTAL REPORTING (Cont'd)

(k) Other expenses

	2015			2014			2013		
	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	**5,156,702**	3,867,526	1,289,176	**7,172,210**	6,586,724	585,486	**6,223,321**	6,223,321	-
Rental of office	**3,157,375**	2,368,031	789,344	**4,854,071**	4,457,821	396,250	**4,929,503**	4,929,503	-
Advertising	**3,940,540**	2,955,405	985,135	**1,193,650**	1,096,209	97,441	**1,325,393**	1,325,393	-
Information technology costs	**7,856,045**	5,892,034	1,964,011	**6,131,275**	5,630,763	500,512	**6,130,183**	6,130,183	-
Licences	**2,676,577**	2,007,433	669,144	**1,660,196**	1,524,670	135,526	**1,199,364**	1,199,364	-
Loss on disposal of property,plant and equipment	**1,674,236**	1,674,236	-	**-**	-	-	**-**	-	-
Loss on winding up of subsidiary	**-**	-	-	**-**	-	-	**2,663,022**	2,663,022	-
Communication costs	**7,329,672**	5,497,254	1,832,418	**6,584,648**	6,047,126	537,522	**6,193,741**	6,193,741	-
Legal and professional fees	**14,071,460**	10,553,595	3,517,865	**5,294,658**	4,862,442	432,216	**4,593,014**	4,593,014	-
Maintenance costs	**7,431,790**	5,573,842	1,857,948	**2,161,971**	1,985,484	176,487	**2,282,471**	2,282,471	-
Others	**18,240,271**	14,715,450	3,524,821	**13,010,535**	12,199,260	811,275	**10,930,972**	10,930,972	-
	71,534,668	55,104,806	16,429,862	**48,063,214**	44,390,499	3,672,715	**46,470,984**	46,470,984	-

37. PROPOSED DIVIDENDS

By a board resolution on 31 August 2015, a dividend of Rs 8,103,886.40 (Rs 0.17 per share)has been declared.

NOTES

Cautionary Note:

This report contains several forward-looking statements with respect to the financial position and business strategy of ABC Banking Corporation Ltd. By their very nature, forward-looking statements are based on a number of assumptions and management's current views; thus subject to inherent risks and uncertainties. Hence, there is a significant risk that the statements contained herein may not prove to be accurate.

Readers of this report are thus cautioned not to place undue reliance on the forward-looking statements as numerous factors could cause future results and actions to differ materially from the declarations of future expectations expressed herein. A number of factors ranging from the evolution of the economic and political landscape to technological headway, regulatory developments, interest rate and currency value fluctuations and management actions, level of competition in the local and global industry are bound to influence the future outcomes that relate to forward-looking statements.

ABC Banking Corporation Ltd does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

ABC BANKING CORPORATION
count on us

WEAL HOUSE, Duke of Edinburgh Avenue, Place d'Armes, 11328, Port Louis, Mauritius
Tel: (230) 206 8000 | Fax: (230) 208 0088
www.abcbanking.mu