ABC BANKING CORPORATION
count on us

STANDING
OUT IN A GROWING FINANCIAL HUB

ANNUAL REPORT
2016

OUR VISION

To be the preferred and trusted bank
in our stakeholders' quest for success and value creation.

OUR 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 our shareholders and all stakeholders' trust in us.

OUR VALUES

Respect and Integrity
We greatly respect and value 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 and act selectively on new opportunities within the framework of risk management whilst constantly applying ourselves to create and innovate.

Customer Care
We delight our customers through quality products and services and we put our minds and hearts to give full satisfaction to our customers.

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

AN AWARD WINNING BANK

2015 & 2016

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.

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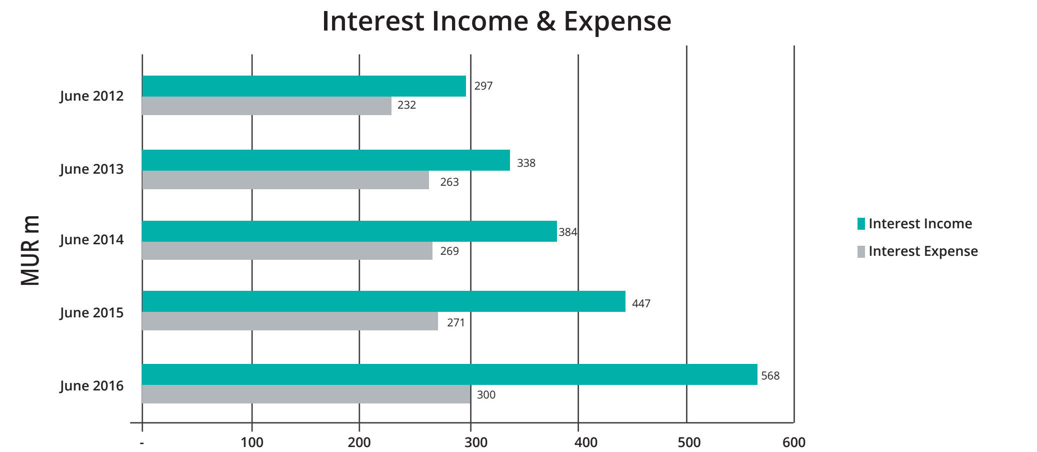
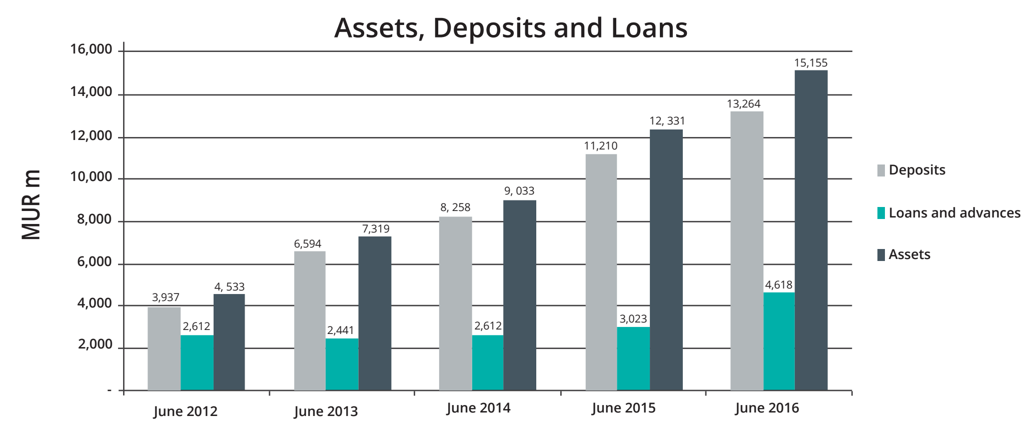
FINANCIAL HIGHLIGHTS

Income Statement (MUR 'm)	Bank 2016	Bank 2015	Bank 2014
Net Interest Income	268.0	175.7	114.7
Operating Income	434.5	321.5	204.7
Profit before impairment	246.5	146.7	80.7
Profit before tax	202.0	75.1	18.1
Profit after tax	176.5	68.2	15.1
Statements of Financial Position (MUR 'm)			
Total assets	15,155.3	12,331.2	9,033.1
Net loans and advances portfolio	4,618.4	3,022.5	2,611.5
Total deposit	13,264.0	11,210.1	8,258.2
Shareholders' fund	1205.7	607.9	389.7
Tier 1 Capital	1,134.9	558.5	346.4
Total net capital	1,262.9	693.2	503.7
Risk- weighted assets	8,587.0	6,464.6	4,512.9
Performance Ratios (%)			
Return on average total assets*	1.3	0.6	0.2
Return on equity*	14.6	11.2	3.9
Non-interest income to operating income	38.3	45.4	44.0
Loans and advances to deposit ratio	35.9	27.9	33.1
Cost to income ratio	43.3	54.4	60.6
Capital Adequacy Ratios (%)			
Capital & Reserves/Total assets	8.0	4.9	4.3
Capital adequacy ratio	14.7	10.7	11.2
Tier 1 ratio	13.2	8.6	7.7
Investor Data			
Earnings per share (MUR)**	3.5	1.6	0.5

** based on profit after tax*

*** based on average number of shares*





DIRECTORS' REPORT

The Directors of ABC Banking Corporation Ltd (hereinafter referred to as "ABC Banking" or "the bank") are pleased to present the Annual Report for the financial year ended 30 June 2016. In spite of a very timid economic recovery on the international arena, echoing onto the local economy, the bank nevertheless ended the year with an outstanding performance and with much optimism for the future.

After five and a half years of operation, the bank has established its foothold within the industry and has developed its own niche of clients. Our customer base has continued to follow an ascending trend both on the deposit and lending side, proof of the investor confidence and trust bestowed upon the bank. Overall, the bank has achieved a decent growth across its three main pillars of Corporate and SME ("Small & Medium Enterprise") banking, International banking and Treasury operations. True to its mission, the bank has been an active participant in the social and economic development of the country with its continued support for Corporates and SMEs and the incentives to encourage savings through its attractive interest rates.

ANOTHER MILESTONE

On 18 January 2016, the bank achieved yet another milestone in its endeavour to become a partner of choice for its clients, by becoming the third bank to be listed on the Stock Exchange of Mauritius ("SEM") through the Development and Enterprise Market ("DEM"). The listing on the DEM was in line with the diversification and growth strategy of the bank which thus opened its ordinary share capital to the public at large. Indeed, the admission of ABC Banking Corporation Ltd on the DEM is the first stepping stone in the bank's public capital raising plan which makes provision for the bank to strengthen further its current capital base in order to support its rapid and significant expansion strategy. Through this new venture, the bank intends to fully exploit growth opportunities on both existing and new markets with the aim to create sustainable development and significant value for all its stakeholders. We also believe that this listing will strengthen the bank's visibility both locally and internationally.

THE YEAR UNDER REVIEW AND RESULTS

Starting the year after a good prior year performance was always going to be a challenging feat, particularly in an economic environment characterised by high liquidity, timid growth and mounting competition within a small domestic economy. Nonetheless, the banking team was determined to maintain the momentum built over the preceding years and therefore aimed to again perform well, if not better. We are pleased to announce that for the third year in a row, the bank saw its net interest income shoot up by more than 50% to reach MUR 268 million (2015: MUR 176 million). Our gross operating income increased to MUR 434 million, achieving a significant 35% growth over the preceding year. Although the bank increased its workforce and invested in improving its infrastructure during the year, in parallel much effort was dedicated towards cost control and efficiency, bringing down our cost to income ratio by 10% to reach 43% for the year (2015: 54%).

Laying out a solid financial foundation is at the heart of a successful expansion strategy. The bank, with the unwavering support of its shareholders, increased its share capital during the year with a rights issue in October 2015 generating MUR 129 million followed by another rights issue exercise in June 2016 which raised a further MUR 305 million. The important capital injections have allowed the bank to apply its planned strategy and in fact has been one of the key ingredients in helping the team to achieve above its target results for the year. They have provided the additional platform to sustain growth initiatives and will act as the backbone for the bank to act swiftly on new opportunities that crop up in the coming years.

On the deposit side, we have experienced a very encouraging growth of 18% year on year, with our total deposit base reaching MUR 13.3 billion at the end of June 2016. Our savings products now represent nearly 30% of the total deposit portfolio. Similarly, we have noted an expansion of our total assets by 23% over preceding year to finish at MUR 15.2 billion for the year while our loans and advances portfolio amounted to MUR 4.8 billion (2015: MUR 3.1 billion). Riding on the path of progress and prosperity as provided in our 2015 Financial Report, the bank has achieved an impressive net profit before tax of MUR 202 million for the financial year 2015/16.

SOUND RISK MANAGEMENT

The bank continues to lay emphasis on credit risk management and ensures that its lending book is properly diversified, while maintaining rigorous standards in the assessment of risks. During the year, there has been further improvement in credit quality and reduction in impairment level. Non-performing loan ratio dropped from 5.4% at the beginning of the financial year to 2.6% as at 30 June 2016, on the back of an increasing loans and advances portfolio and continuous drop in non-performing assets, is the result of a good team effort in recovery management and risk assessment.

FUTURE OUTLOOK

The first rights issue since the bank's admission in January 2016 proved to be a success whereby all shares made available were fully subscribed in June. This bodes well for the new financial year with a strong foundation for further development and provides a massive encouragement to the team at ABC Banking Corporation Ltd to tackle the great challenges ahead and surpass expectations.

ACKNOWLEDGEMENT

Achieving the excellent result for 2015/16 would have been impossible without the trust, confidence and support of all our stakeholders. The Board wishes therefore to place on record its high appreciation for the unflinching support demonstrated by all those who have, in a way or another, contributed towards the financial success of the bank. The Board also wishes to express its high appreciation to the management and staff for their persistent effort, hard work and loyalty to the bank during the past year. Above all, we look forward to the continuous commitment and collaboration of all our stakeholders which we firmly believe 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. On a final note, we wish to extend our warm thanks to the Bank of Mauritius for having, as always, provided us with their valuable advice and guidance.

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

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

16 September 2016

Headquartered at its prestigious WEAL HOUSE, strategically located in the heart of the nation's capital at Place d'Armes, Port Louis, ABC Banking today stands stable, pro-active and optimistic, as one of the star performers of the ABC Group, a well-diversified Mauritian conglomerate featuring among the Top 100 business organisations of the Indian Ocean.

The bank, known for its attractive broad palette of traditional and innovative products and services, and its excellent rapport with customers has, within its five and a half years of operations, become a hallmark of quality and effectiveness in the highly competitive financial sector of Mauritius.

Managed and operated by a highly motivated, committed, and effective team of experienced professionals and competent staff, the bank is organized on three main pillars being:

- Domestic
- International Banking
- Treasury

As a result of its rapid growth and development, its successful performance and steady progress, ABC Banking has been receiving prestigious trophies during the past three years. In 2014, the bank obtained the "Best Private Bank in Mauritius" award in the category of offshore services, for the second consecutive year from Euromoney Magazine. It also won in 2014 and 2015 the prize of "Best Bank for International Banking Services Mauritius" awarded by Global Banking & Finance Review. A third distinction has come from Capital Finance International last year and again in 2016, in recognition of the bank as one of Africa's top performing financial services providers, with the award of "Best International Bank Indian Ocean".

In January 2016, ABC Banking opened its shareholding to the public and was listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius (SEM), thus marking another milestone in the course of its exciting and eventful journey. Through this new vehicle for capital raising, the bank fully intends to exploit growth opportunities on both existing and new markets with the aim to achieve continuous sustainable development and create greater value for all its stakeholders.

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BRN: C07018920

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

External Auditors
Deloitte
7th Floor Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201

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 – AS AT 30 JUNE 2016

Chairperson
Hon. Yeung Kam John (Bernard) Yeung Sik Yuen, *G.O.S.K.*

Managing Director
Prof. 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
Mr. Lakshmana (Kris) Lutchmenarraidoo (as from 28 April 2016)
Mr. Yognandan Sharma (Vipin) Mahabirsingh (until 9 December 2015)

COMMITTEES OF THE BOARD

Composition as at 30 June 2016

Supervisory & Monitoring Committee
Prof. Donald Ah-Chuen (Chairperson)
Mr. Brian Ah-Chuen
Mr. Robert Chung Tung

Audit Committee
Mr. Robert Chung Tung (Chairperson)
Mr. Henri Fleurot
Mrs. Stephanie Ha Chow
Mr. Lakshmana Lutchmenarradoo

Risk Management Committee
Mr. Dick Li Wan Po (Chairperson)
Prof. Donald Ah-Chuen
Mr. Henri Fleurot
Mr. Lakshmana Lutchmenarraidoo

Conduct Review Committee
Mrs. Stephanie Ha Chow (Chairperson)
Mr. Dick Li Wan Po
Mr. Lakshmana Lutchmenarraidoo

Corporate Governance Committee
Hon. Bernard Yeung Sik Yuen (Chairperson)
Prof. Donald Ah-Chuen
Me. Danielle Low Kwan Sang
Mr. Patrick Andrew Dean Ah-Chuen

Nominations and Remuneration Committee
Hon. Bernard Yeung Sik Yuen (Chairperson)
Prof. Donald Ah-Chuen
Me. Danielle Low Kwan Sang
Mr. Robert Chung Tung
Mr. Patrick Andrew Dean Ah-Chuen

COMPANY SECRETARY & SHARE REGISTRY

ABC Professional & Secretarial Services Ltd, represented by Mrs. Kareen Ng, ACIS (until 31 December 2015), Ms. Melanie Ng, ACIS (as from 1 January 2016 up to 31 January 2016) & Mr. Mahesh Ittoo, ACIS (as from 01 February 2016).

The Company Secretary acts as Secretary to the Board and all Board committees.

CORPORATE GOVERNANCE FRAMEWORK

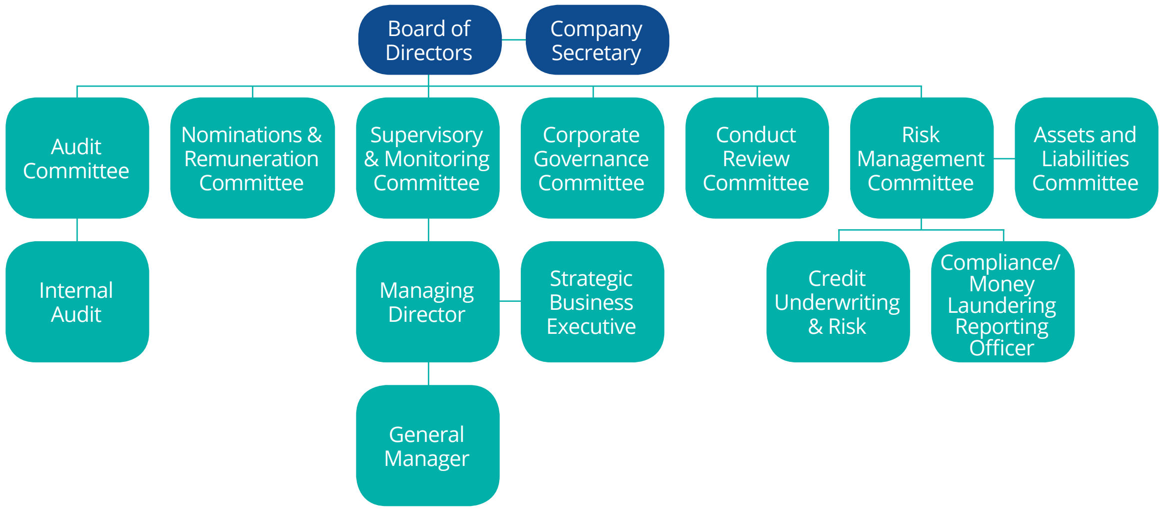
The Board of Directors of ABC Banking Corporation Ltd is fully committed to attaining and sustaining the highest standards of corporate governance with the objective of enhancing shareholders' value whilst having regard to stakeholders at large. It believes that good governance is not only concerned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

The directors continuously review the implications of corporate governance best practices and are of opinion that the bank complies with the provisions of the National 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 affairs of the bank in an ethical and responsible manner in line with the Guidelines of the Bank of Mauritius and the National Code of Corporate Governance. 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 the Senior Management Team.

The Senior Management Team comprises of the Managing Director, the Strategic Business Executive and the General Manager. The departmental heads and the managers have been delegated the task of implementing the strategies and policies approved by the Board and ensuring that same are communicated to all relevant staff. They are also responsible for the design and monitoring of the control systems, ensuring that there exists an adequate segregation of duties, with prevalence of dual control in all areas where required. Finally, the Board is provided with timely, relevant and complete information on the affairs of the bank in order to enable it to periodically review the performance of the bank and to make appropriate decisions for its future course of action and development.

The governance framework and committee structure as at 30 June 2016 is illustrated below:



BOARD OF DIRECTORS

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

The Board was comprised of a maximum of 10 members at any time during the financial year ended 30 June 2016 as follows, and their profiles can be viewed on pages 23 - 25:

Directors	Category
Hon. Bernard Yeung Sik Yuen	Independent Chairperson
Prof. Donald Ah-Chuen	Executive (Managing Director)
Mr. Brian Ah-Chuen	Executive (Strategic Business Executive)
Mr. Robert Chung Tung	Independent (Term of office expired on 30 June 2016)
Mr. Patrick Andrew Dean Ah-Chuen	Non – Executive (Term of office expired on 30 June 2016)
Mr. Henri Fleurot	Independent
Mrs. Stephanie Ha Chow	Independent
Mr. Dick Li Wan Po	Independent
Me. Danielle Low Kwan Sang	Independent
Mr. Lakshmana (Kris) Lutchmenarraidoo	Independent (As from 28 April 2016)
Mr. Vipin Mahabirsingh	Independent (Resigned as Board Director on 9 December 2015)

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 by 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 & 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:

- submitting to the Board the development strategy of the bank
- delegating authority to the Managing Director for the day-to-day operations of the bank and supervising and monitoring the management of the bank
- liaising with all Board committees as required
- setting out the corporate values and principal policies, including the credit policy, in respect of the conduct of the business
- reporting to the Board on the progress of the operations of the bank

Members of the SMC:

- Prof. Donald Ah-Chuen (Chairperson)
- Mr. Brian Ah-Chuen
- Mr. Robert Chung Tung (Until 30 June 2016)

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 implements and maintains appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures
- reviewing such transactions as could adversely affect the sound financial condition of the bank
- reviewing and approving the audit scope and frequency
- receiving audit reports and ensure that management is taking appropriate corrective actions in a timely manner to address 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:

- Mr. Robert Chung Tung (Chairperson and Member until 30 June 2016)
- Mr. Henri Fleurot
- Mrs. Stephanie Ha Chow
- Mr. Vipin Mahabirsingh (Until 9 December 2015, date of resignation as Board Director)
- Mr. Lakshmana Lutchmenarraidoo (As from 28 April 2016)

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 Assets and Liabilities Committee ("ALCO") reports

Members of the Risk Management Committee:

- Mr. Dick Li Wan Po (Member as from 28 October 2015 and Chairperson as from 28 December 2015)
- Prof. Donald Ah-Chuen
- Mr. Henri Fleurot
- Mr. Lakshmana Lutchmenarraidoo (As from 28 April 2016)
- Mr. Vipin Mahabirsingh (Chairperson and Member until 9 December 2015, date of resignation as Board Director)
- Mr. Robert Chung Tung (Until 28 April 2016)

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:

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

Members of the Conduct Review Committee:

- Mrs. Stephanie Ha Chow (Chairperson as from 29 February 2016)
- Mr. Dick Li Wan Po (Ceased to be chairperson as from 29 February 2016)
- Mr. Robert Chung Tung (Until 30 June 2016)

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:

- Hon. Bernard Yeung Sik Yuen (Chairperson)
- Me. Danielle Low Kwan Sang
- Prof. Donald Ah-Chuen
- Mr. Robert Chung Tung (Until 30 June 2016)
- Mr. Patrick Andrew Dean Ah-Chuen (Until 30 June 2016)

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 National Code of Corporate Governance.

Members of the Corporate Governance Committee:

- Hon. Bernard Yeung Sik Yuen (Chairperson)
- Me. Danielle Low Kwan Sang
- Prof. Donald Ah-Chuen
- Mr. Patrick Andrew Dean Ah-Chuen (Until 30 June 2016)

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

In line with the National Code of Corporate Governance and Bank of Mauritius 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 for the provision of guidance to the directors as to their duties, responsibilities and powers.

All directors also have access to senior executives to obtain information on any item to be discussed at Board or Board Committee meetings or any other relevant area they deem appropriate. The Board and its 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 and meetings are scheduled so as to maximize 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. 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 Chairperson in conjunction with the Managing Director, as appropriate, and the Company Secretary, together with management reports and other relevant papers are circularised in advance to the directors to enable them to make focused and informed deliberations at meetings.

The minutes of proceedings of all meetings are recorded by the Company Secretary and 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' chairpersons also report on each committee meeting held. It is to be highlighted that, to maintain high ethical standards, Board members do not participate in matters in which they have an interest. Any such interest is declared by the concerned director to the Board and entered in the Register of Directors' Interests.

BOARD AND COMMITTEE ATTENDANCE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Board Meeting	Supervisory & Monitoring Committee	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Nominations & Remuneration Committee
AH-CHUEN David Brian	4	42	-	-	-	-	-
AH-CHUEN Donald	5	39	-	6	-	4	5
AH-CHUEN Patrick Andrew Dean[1]	3	-	-	-	-	2	4
CHUNG TUNG Robert Hai Ping[2]	5	41	9	3	3	-	4
FLEUROT Marie Jacques Henri	5	-	8	6	-	-	-
HA CHOW Stephanie[3]	5	-	8	-	4	-	-
LI WAN PO Dick[4]	3	-	-	3	4	-	-
LOW KWAN SANG Marie Danielle	3	-	-	-	-	4	4
LUTCHMENARRAIDOO Lakshmana[5]	1	-	1	1	-	-	-
MAHABIRSINGH Vipin[6]	2	-	5	3	-	-	-
YEUNG SIK YUEN Yeung Kam John	5	-	-	-	-	4	5
Total Number of Meetings	5	44	9	6	4	4	5

Note 1: Mr. Patrick Andrew Dean Ah-Chuen's term of office as director of the bank expired on 30 June 2016 and his membership of the Corporate Governance and Nominations & Remuneration Committees therefore lapsed as of same date.

Note 2: Mr. Robert Chung Tung ceased to be a member of the Risk Management Committee as from 28 October 2015. His term of office as director of the bank expired on 30 June 2016 and his Chairmanship of the Audit Committee and membership of the Nominations & Remuneration Committee, Conduct Review Committee, and Supervisory & Monitoring Committee therefore lapsed as of same date.

Note 3: Mrs. Stephanie Ha Chow was appointed as Chairperson of the Conduct Review Committee on 29 February 2016.

Note 4: Mr. Dick Li Wan Po was appointed as member and Chairperson of the Risk Management Committee on 28 October 2015 & 28 December 2015 respectively and ceased to be the Chairperson of the Conduct Review Committee as from 29 February 2016.

Note 5: Mr. Lakshmana Lutchmenarraidoo was appointed as director of the bank and as member of the Audit and Risk Management Committees on 28 April 2016, date on which the Bank of Mauritius' approval was obtained.

Note 6: Mr. Vipin Mahabirsingh resigned as a Board Director of the bank on 9 December 2015 and his Chairmanship of the Risk Management Committee and membership of the Audit Committee lapsed as of same date. His resignation was offered in view of the possible perception of conflict of interest as managing director of a subsidiary of the Stock Exchange of Mauritius ("SEM") following the bank's application to SEM for admission to the Development and Enterprise Market ("DEM"). We salute Mr. Mahabirsingh for his exemplary stand and impeccable integrity and we also thank him for the valuable contribution given during his tenure of office.

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 30 June 2016 together with the directors' dealings in shares during the financial year ended 30 June 2016. The shares acquired and disposed of were through transactions on the Development and Enterprise Market of the Stock Exchange of Mauritius Ltd and by way of subscription in respect of two rights issues of 9,533,984 and 3,242,160 shares effected on 23 October 2015 and 10 June 2016 respectively.

Directors	No. of shares acquired	No. of shares sold	Direct holding	Indirect holding
AH-CHUEN Brian	103,023	-	0.36%	0.04%
AH-CHUEN Donald	363,663	187,161	1.59%	3.68%
AH-CHUEN Dean	71,532	-	0.25%	1.29%
CHUNG TUNG Robert	320,000	-	0.79%	0.00%
FLEUROT Henri	-	-	NIL	NIL
HA CHOW Stephanie	107,166	-	0.01%	0.00%
LI WAN PO Dick	-	-	NIL	NIL
LOW KWAN SANG Danielle	-	-	NIL	NIL
LUTCHMENARRAIDOO Lakshmana	-	-	NIL	NIL
YEUNG SIK YUEN Bernard	-	-	NIL	NIL

DIRECTORS' REMUNERATION

During the financial year ended 30 June 2016, the executive directors have received remuneration and benefits, including all bonuses and commissions, of MUR 8,860,000 (2015: MUR 5,630,000).

With respect to the financial year ended 30 June 2016, the non-executive directors received emoluments amounting to MUR 1,855,500 (2015: MUR 1,058,500) respectively. Remuneration of directors has been disclosed on an aggregate basis due to the commercial sensitivity of the information.

DIRECTORS' SERVICE CONTRACT

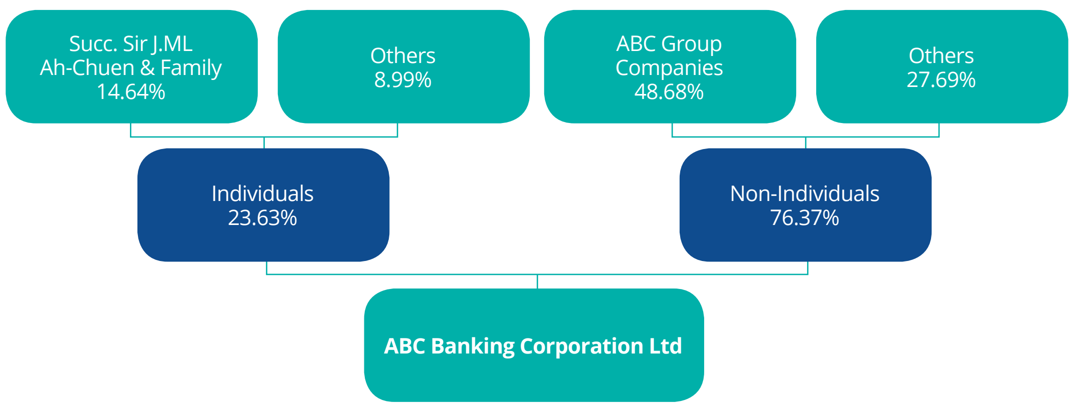
There were no service contracts between the bank and its directors during the financial year under review.

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

As at 30 June 2016, the shareholding structure of the bank was as follows:



As of 18 January 2016, all of the issued 57,203,904 ordinary shares of the bank were admitted on the Development and Enterprise Market of the Stock Exchange of Mauritius. The 19,067,968 ordinary shares of the bank, issued on 10 June 2016 pursuant to the rights issue, were also admitted on the Development and Enterprise Market of the Stock Exchange of Mauritius on 20 June 2016.

Common Directors

As at 30 June 2016, common directors were as follows:

Directors	ABCCR	ABCM	CW	GHL	USL
AH-CHUEN Brian	○	●	●	○	○
AH-CHUEN Donald	●	●	●	●	●
AH-CHUEN Dean	●	●	○	○	○

○ *Alternate Director*

● *Director*

ABCCR - ABC Car Rental Limited
ABCM - ABC MOTORS COMPANY LIMITED
CW - Chue Wing & Company Limited
GHL - Good Harvest 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

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 10.4 : No business may be transacted at a meeting of Directors if a quorum is not present.

The quorum necessary for the transaction of business of the Directors shall be as follows:

Five Directors when the Board shall consist of Six, Seven, Eight or Nine Members;

Six Directors when the Board shall consist of more than Nine Members.

A Director interested is to be counted in a quorum notwithstanding his interest.

Paragraph 10.5(2)	:	The Chairperson 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 Chairperson of a shareholders' meeting is entitled to a casting vote.
Paragraph 6.4.1	:	Subject to the Act, this Constitution and the terms of issue of any existing Shares, the Board may issue Shares (and rights or options to acquire Shares, including Redeemable Shares) of any Class to any person and in such numbers as the Board may think fit.
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 2015/2016

Financial year end	30 June 2016
Annual Meeting	November 2016

Financial Year 2016/2017

Unaudited quarterly reports	Within 45 days from the quarters ending September 2016, December 2016 and March 2017
Financial year end	30 June 2017
Annual Report & Results 2017	Within 90 days from end of June 2017
Annual Meeting	November 2017

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 latter are reported to the Board of Directors.

For related party transactions, please refer to Page 71 of the Annual Report. Exposure to major related parties are given on Page 118 Note 32 to the Financial Statements.

RISK MANAGEMENT AND INTERNAL AUDIT

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

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

The risk management framework, including policies and systems in place, is meant 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 62. 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 are considered at all Audit Committee meetings and the Head of Internal Audit has ready and regular access to the Chairperson of the Audit Committee. The systems in place are geared towards the implementation, maintenance and monitoring of the internal controls and the processes by which the Board derives assurance that the internal audit systems are effective.

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. This 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 Board papers are now being accessed electronically.

At its inception in 2010 the bank was decentralized in three different locations: Raffles Tower (now Standard Chartered Tower), Ebène, ABC Centre, Military Road and at Place d'Armes, Port Louis. Since December 2014, the bank's new Head Office and main branch at the WEAL HOUSE, Place d'Armes now allows for the centralization of all the activities of the bank thus saving on precious time and transportation costs whilst facilitating staff co-ordination and the holding of management meetings, both of which have greatly improved efficiency and speeding customer service.

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 considers individuals for employment or promotion on merit and according to their skills, abilities and experience and strives for equal treatment and respect of all employees at the workplace.

STATEMENT OF REMUNERATION PHILOSOPHY

The bank's remuneration philosophy is geared towards encouraging optimal performance on the part of everyone within the organization by rewarding efforts and merits promptly and 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 a special annual performance bonus based on the successful 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 managers 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 thus assessed for the payment of a special annual performance bonus in addition to the Statutory "13th Month" payment.

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

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

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

Since the establishment of the ABC Foundation, four areas of intervention were identified, namely education, health & sports, community empowerment and environment. The Foundation disbursed over MUR 2.2 million during year 2015-16, which was used to provide support to NGOs and the community. As for previous years, the implementation of the CSR programme has been supported by the involvement of ABC staff through the Staff Welfare Committees.

EDUCATION

Education is one of the fundamental factors of social and economic integration. During the past year, the Foundation, through its Graduate Scholarship Scheme, has offered 16 scholarships to youngsters from deprived background to help them pursue their studies at the University of Mauritius, University of Technology and Université des Mascareignes.

Recognising the importance of the vocational and technical education in skills development and social integration, scholarships were also granted to students attending the Collège Technique St Gabriel.

COMMUNITY EMPOWERMENT

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

Under this area of intervention, the Foundation sponsored the Love Bridge Project, a community and humanitarian programme that has for main objective poverty alleviation through empowerment and support of vulnerable families.

Over the past year, the Foundation also provided support to Atelier Mo'Zar, a music school that aims to help children fight against poverty and exclusion by developing their talent for music, and to Mouvement pour le Progrès de Roches Bois, an NGO that caters for school drop-outs, amongst others.

A Christmas Day was also organized in collaboration with the different Staff Welfare Committees of the Group, which included a gift distribution for around one hundred and fifty needy children from the region of Roches Bois/Camp Yoloff.

HEALTH & SPORTS

Sports encourage social integration and help the development of values that are essential to society. In this context, the Foundation offered its support to the Trust Fund For Excellence in Sports and to Club Maurice for its participation in the Indian Ocean Island Games 2015, in a bid to support high level Mauritian athletes.

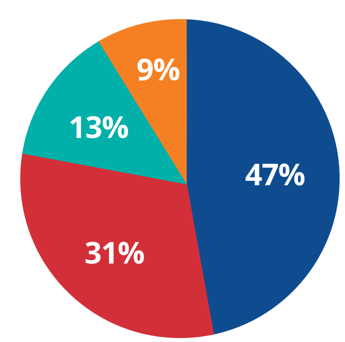
For the past years, ABC Group, through the Foundation, has been partnering with associations involved in the welfare of people with disabilities and people suffering from illnesses. This year, the Foundation has supported the Centre Joie de Vivre for the promotion of education among disabled children and Breast Cancer Care for the treatment and psychological support of breast cancer patients.

For the third consecutive year, the Foundation, committed to the welfare of employees of the Group, has organised a Health Week in June 2016. The Health Week was organised to promote a healthy lifestyle among the employees. Staff benefitted from breast cancer screening, first aid trainings, talks on nutrition and free gym sessions. The Health Week was organised in collaboration with the Staff Welfare Committees, Breast Cancer Care, Red Cross, Blood Donors Association and the Komiko Troupe.

ENVIRONMENT

ABC Group is aware of its environmental impact as a consequence of its economic activities and has at the outset of the Foundation chosen the protection of the environment as one of its priorities. This year again, the Foundation has partnered with the Mauritius Wildlife Foundation for a reforestation project.

For the coming year, the Foundation's actions will be mainly centered around the Scholarship Scheme and Community Empowerment by encouraging employees' engagement in the CSR endeavours.



CSR Fund Allocation

Community Empowerment | Education | Health & Sport | Environment

NEW ABC BANKING'S

HEADQUARTER

OFFICIALLY INAUGURATED IN 2015 AT WEAL HOUSE, PORT LOUIS

PROFILE OF DIRECTORS

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

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 31 December 2013. He is the holder of the Honorary Freedom of the City of Port Louis and also that of the Municipality 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 of the African Commission on Human and Peoples' Rights and he is also serving 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, G.O.S.K. – Managing Director

Professor Donald Ah-Chuen holds an M.B.A (University of Strathclyde, UK). He is also a Fellow Member of the Institute of Chartered Accountants (England & Wales) and similar of the Institute of Chartered Accountants (Australia). In addition, he 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 Order 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 the Vice-Chairperson of the Stock Exchange of Mauritius Ltd (SEM). 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. He is a former Board Director of the Development Bank of Mauritius and the Bank of Mauritius. His other previous responsibilities include the Presidency of the Mauritius Chamber of Commerce & Industry, the Chairmanship of the Tertiary Education Commission of Mauritius, the Pro-Vice Chancellor of the University of Mauritius and the Chairmanship of the Mauritius Broadcasting Corporation.

Mr. David Brian Ah-Chuen – Strategic Business Executive

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

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

Mr. Robert Chung Tung – Independent Director

Mr. Robert Chung Tung has a vast experience in the accounting, financial management, manufacturing and distribution sectors. He worked with British American Tobacco (Mauritius) PLC for 33 years and was seconded to the BAT Group Head Office in the UK and thereby promoted as Finance Manager & Deputy General Manager until his retirement. He was formerly President of the Chinese Chamber of Commerce, a Council Member of the Mauritius Chamber of Commerce & Industry and Honorary Treasurer of the Mauritius Gymkhana Club. Mr. 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. 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 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. Marie Jacques Henri Fleurot – Independent Director

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

Mrs. Stephanie Ha Chow – Independent Director

Mrs. Stephanie Ha Chow is a Fellow member of the Institute of Chartered Accountants (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 specializing in accounting and auditing for both 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 – Independent Director

Mr. Dick Li Wan Po is a Fellow member of the Association of Chartered Certified Accountants and holds a BSc Hons in Business Administration and Computer Science, Queens University, Belfast, UK. He worked as an accountant for the Dian Fossey Gorilla Fund in UK. Hereafter, Mr. Li Wan Po worked in the department of audit at De Chazal Du Mée (Representatives of Arthur Andersen Worldwide Organisation in Mauritius).

He is currently the Assistant Managing Director of Food Canners Ltd, Chief Operations Officer of Jacques Li Wan Po Marketing Ltd and Emco Ltd. Mr. Li Wan Po was the President of the Mauritius Chinese Chamber of Commerce in 2006 and a council member of the Mauritius Chamber of Commerce and Industry. He was also the Treasurer of the Association of Mauritian Manufacturers between 2009 and 2013.

Me. Marie Danielle Low Kwan Sang - 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 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.

Mr. Lakshmana (Kris) Lutchmenarraidoo - Independent Director

Mr. Lakshmana (Kris) Lutchmenarraidoo holds a Banking Diploma from Finafrica Institute and has worked for the State Bank of Mauritius between 1973 and 1986, for which he has been the Assistant General Manager between 1982 and 1986. He then joined the Mauritius Leasing Company in 1987 as General Manager before being appointed as Managing Director of same in 1997, and President of the Financial Services arm of the British American Group from 1999 to 2002. Mr. Lutchmenarraidoo was then appointed as the Executive Chairman of The Mauritius Post Ltd in 2002 and thereafter as Chief Executive Officer of the Mauritius Post and Cooperative Bank Ltd in May 2003 until September 2005. For the following 2 years, he was the General Manager of Mauritours Ltd which he left to join La Prudence (Mauricienne) Assurances Ltée in September 2007 as General Manager of the general insurance department. He was appointed to the board of the insurance company on 28 May 2010.

Following the merger between Mauritius Union Assurance Cy. Ltd and La Prudence Mauricienne Assurance Ltee in 2010, he was appointed Group Chief Executive Officer of The Mauritius Union Assurance Cy. Ltd effective 01 January 2011, and held this position till 31 December 2014.

He was appointed as Group Managing Director of Phoenix of East Africa Assurance Company Limited in July 2014 until May 2016.

Mr. Lutchmenarraidoo is currently a Director of The Mauritius Union Assurance Cy. Ltd, the Chairman of Phoenix of Tanzania Assurance Company Limited and a Board Member of Phoenix of East Africa Assurance Company Limited, Phoenix of Uganda Assurance Company Limited and Phoenix of Rwanda Assurance Company Limited.

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 the Mauritius Institute of Directors (MIoD).

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

Management Team	
Mr. Piang Cheong Chin (Nick)	Finance
Mrs. M. Veronique Lim Hoye Yee (Until 2 September 2016)	Credit Underwriting & Risk
Mr. Kushal Bajnathsingh	International Banking
Mrs. M. A. Christine K.L. Ng Cheong Hin	Internal Audit
Mr. Abdullah Nurmahomed	Treasury
Mrs. Natasha Jade Wong Chung Ki	Corporate Banking & SME

MR. YASHODAREN UMANEE - GENERAL MANAGER

Mr. Yashodaren Umanee is a banker with over 30 years' of experience. He worked for the Barclays Bank PLC as International Banking Division Director and has also been the Corporate Director in Barclays Seychelles for the last 9 months prior to joining ABC Banking. In July 2011, Mr. Umanee joined ABC Banking as the Head of Banking – Domestic & International and was promoted to the post of General Manager in January 2012. He holds an MBA from Heriot Watt University. He is also an associate of the Chartered Institute of Bankers (ACIB).

MR. PIANG CHEONG CHIN (NICK) - HEAD OF FINANCE

Mr. Nick Chin has more than 9 years of experience acquired on the local & international market. He started his career in the Finance Department of Barclays Capital in Central London. Prior to joining ABC Banking, he was working as Finance Manager in the Investment and Treasury Department of RBS Insurance, UK. Mr. Chin joined ABC Banking in March 2012, initially as a Finance Consultant and was subsequently appointed Head of Finance. He holds a BSc. First Class Honours in Actuarial Science as well as a MSc. in Applied Statistics (Oxon). He is also a member of the Institute of Chartered Accountants (England & Wales).

MRS. MARIE VERONIQUE LIM HOYE YEE – CREDIT UNDERWRITING & RISK

Mrs. Veronique Lim has 18 years of banking experience. Before joining ABC Banking in August 2012, she worked for 14 years within the SBM Group of which 11 years within the 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.

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

After more than 4 years of valuable service, Mrs. Veronique Lim has decided to leave the bank for a new challenge in another financial institution, with effect 2 September 2016.

MRS. M. A. CHRISTINE K.L. NG CHEONG HIN – HEAD OF INTERNAL AUDIT

Mrs. Christine Ng gained extensive experience in auditing whilst working in the Consulting Division of Ernst & Young Ltd (Mauritius) for 4 years and in the Risk Advisory Division for more than 7 years. She also had the opportunity to work in 9 African countries and 1 Pacific country on short-term European Union (EU) assignments. She was seconded to Ernst & Young Ltd in Johannesburg for 6 months during 2006/2007. Mrs. Ng Cheong Hin joined ABC Banking Corporation Ltd in April 2012 as Head of Internal Audit. She holds a BSc. (Hons.) in Management Sciences from the University of Warwick (UK) & a MSc. in Human Resource Studies from the University of Mauritius. In addition, she is a Certified Internal Auditor (CIA) from the Institute of Internal Auditors (USA).

MR. KUSHAL BAJNATHSINGH – HEAD OF INTERNATIONAL BANKING

Mr. Kushal Bajnathsingh brings over 15 years of experience in the Global Business and International Banking field to his role of Head of International Banking. Prior to joining ABC Banking in August 2011, he was Relationship Manager at AfrAsia Bank in the Global Business department. He also worked for more than 6 years at Barclays Bank Mauritius as Manager and Head of Department in the International Banking Division. He was assigned several overseas duties in Barclays Bank Ghana, Barclays Bank Seychelles and Banque de Kigali in Rwanda. In 2008, he was even awarded change champion for overall of Barclays Bank in Mauritius. Mr. Bajnathsingh is a holder of a post-graduation in Business Administration from Wales University in UK.

MR. ABDULLAH NURMAHOMED – HEAD OF TREASURY

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

MRS. NATASHA JADE WONG CHUNG KI – HEAD OF CORPORATE BANKING

Mrs. Natasha Jade Wong Chung Ki was Executive Director for over 10 years at the Mauritian Eagle Leasing (a member of the IBL Group). She also held office at DTOS Ltd Management Company and Deloitte. Mrs. Wong Chung Ki joined ABC Banking Corporation Ltd in 2015. She is a Chartered Accountant, holder of an ACCA and also holds an MBA in Finance from the University of Leicester, UK. She is also a member of MIPA and MIOD.

Approved by the Board of Directors on 16 September 2016 and signed on its behalf by:

Me. Danielle Low Kwan Sang,
Chairperson
Corporate Governance Committee

ABC Professional & Secretarial Services Ltd
Company Secretary
Per Mahesh Ittoo, *ACIS MCSI*

STRATEGICALLY LOCATED IN THE

HEART

OF THE COUNTRY'S FINANCIAL CENTRE

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

Name of PIE: ABC Banking Corporation Ltd

Reporting Period: 30 June 2016

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: 16 September 2016

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

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

(pursuant to section 221 of the Companies Act 2001)

PRINCIPAL ACTIVITY

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

DIRECTORS & INTERESTS

The directors of the bank as at 30 June 2016 were as follows:
Hon. Yeung Kam John (Bernard) Yeung Sik Yuen, G.O.S.K.
Professor Donald Ah-Chuen, G.O.S.K.
Mr. David Brian Ah-Chuen
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
Mr. Lakshmana Lutchmenarraidoo

Mr. Yognandan Sharma Mahabirsingh resigned as director of the bank as of 9 December 2015, and respective tenures of Messrs. Patrick Andrew Dean Ah-Chuen and Robert Chung Tung as directors of the bank as per Section 8 of the Bank of Mauritius Guideline on Corporate Governance have expired on 30 June 2016. Mr. Lakshmana Lutchmenarraidoo was appointed as director of the bank on 28 April 2016.

Directors' interests in shares of the bank are set out on Page 21 of the annual report. No directors have any service contract with the bank.

DIRECTORS' EMOLUMENTS

During the financial year ended 30 June 2016, the executive and non-executive directors received emoluments amounting to MUR 8,860,000 (2015: MUR 5,630,000) and MUR 1,855,500 (2015: MUR 1,058,500) respectively.

DONATIONS

Donations made during the year were as follows:

	2016 MUR	2015 MUR
Donations	59,807	18,485
Political Donations	0	300,000
	59,807	318,485

AUDITORS

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

	2016 MUR	2015 MUR
Audit Services	1,200,000	700,000
Other Services*	30,000	180,000
	1,230,000	880,000

*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 16 September 2016 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

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, in respect of the financial year ended 30 June 2016, 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 Mahesh Ittoo, *ACIS MCSI*
16 September 2016

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 Mauritius 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 National 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 for the year ended 30 June 2016.

Approved by the Board of Directors on 16 September 2016 and signed on its behalf by

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

Stephanie Ha Chow
Chairperson of Audit Committee

LISTED ON THE
DEM OF THE
STOCK
EXCHANGE
OF MAURITIUS SINCE
JANUARY 2016

REVIEW OF THE OPERATING ENVIRONMENT

The Global Context

The global economy grew by 2.4% in 2015, 0.2% lower than 2014. The growth of advanced nations was 1.8%, with only the United States posting a healthy 2.4% whereas Japan and the European Union remained below average. The sluggish growth in developed nations negatively impacted on capital and trade flows. On the other hand, emerging markets and developing economies posted a 3.4% growth figure, mainly affected by low commodity prices, as exporters were hit by low income from commodity exports and thin capital flows. This was partly offset by the resilience of commodity importing countries. Rising geopolitical uncertainties added to the substantial downside risks that world economies faced.

The United States posted a resilient economic performance leading to the Federal Reserve of the US to raise its benchmark rate by 0.25% in December 2015. Its major data monitors, namely inflation and employment were near their long-term targets. This was a first rate hike in almost a decade.

The Eurozone witnessed further turbulence after Britain voted to exit the common block in what was an unexpected outcome. This added to the already weak economic performance of the European Union, which grew by only 1.6% in 2015. Both the European Central Bank and the Bank of England continued their easing program in a bid to support their economies. In Asia, a stronger Yen negatively impacted on Japan's growth as deflation continued to plague the nation.

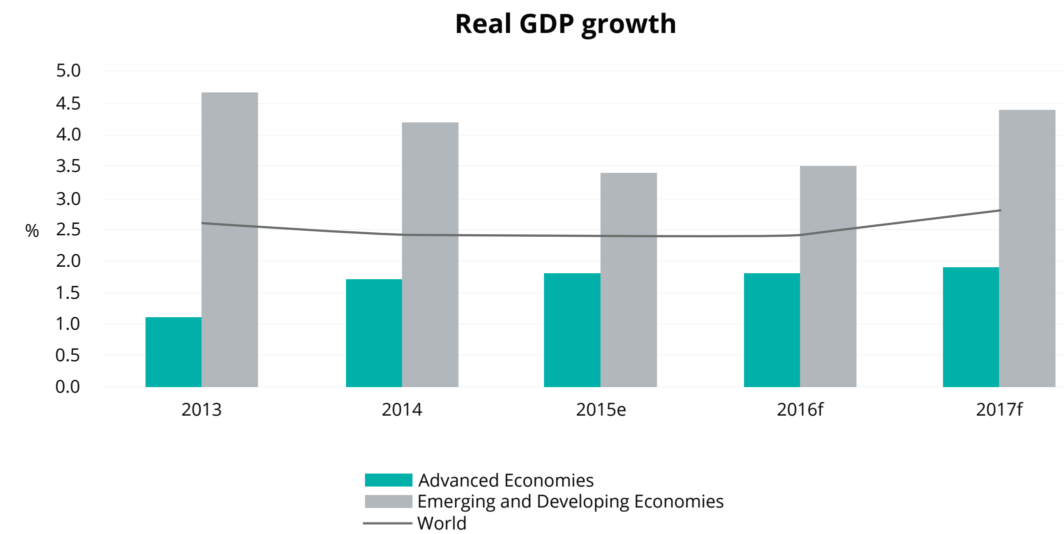
Inflation in most developed countries remained at the lower end of the spectrum as low commodity prices persisted. Restrained demand and consumption in other emerging markets meant that inflation on a global scale remained low. Since actual and expected inflation is below policy objectives, this has limited scope for further interest rate cuts in a bid to boost economies. Major economies like the European Union, England and Japan have already embarked on ultra-loose monetary policies, with negative rates in some cases while the United States will most probably delay its rate normalization process.

Global economic growth is now expected to level off in 2016 at 2.4% instead of improving on 2015 figures. Weak manufacturing, trade and capital movements are expected to outplay the benefits of lower oil and other commodity prices in developed and often importing nations.

The fallback to developing and emerging nations will be similar although to a lesser extent, as weak manufacturing and consumption dynamics coupled with political and security concerns are expected to limit growth.

A gradual pick up in global growth to 2.8% is projected in 2017, mainly on the back of emerging and developing markets resilience as commodity prices improve and the latter economies adapt to the new realities. However, overall growth expectations remain subject to significant downside risks.

The Global Context (Cont'd)



e= estimate; f= forecast

Source : World Bank/ Global Economic Prospects June 2016

REVIEW OF THE ECONOMIC PERFORMANCE OF THE MAURITIAN ECONOMY

The Mauritian economy grew at 3.1% in 2015, lower than expectations and was mainly impacted by weaker manufacturing, public administration and construction sectors. A buoyant services sector mitigated the downtrend, with the tourism sector doubling its contribution at 9.3% following an open air access policy and targeted promotional campaigns. The ICT and Financial Services sectors also posted decent growth at 6.9% and 5.2% respectively. Overall household consumption grew by 2.7 % in 2015, while a tame investment and exports growth proved a drag on the overall economy.

Unemployment marginally rose to 7.9% in 2015 as compared to 7.8% in 2014, mostly prominent among women and the youth. Following measures announced in the National Budget presented by the government, unemployment is expected to fall, albeit marginally, as jobs are created in the SME segments. However, new job creations will remain low skilled and weakly remunerated whilst skills mismatch are persistent for higher skilled positions.

Headline inflation remained low at 1.3% in December 2015 comparatively to 3.2 % in December 2014 on the back of subdued global and local demand and persistent low commodity prices. The inflation outlook for 2016 is slightly higher at 2.3 % on the assumption that commodity prices will pick up from recent lows and on improving demand fundamentals.

Following subdued economic activities and peripheral challenges, the Bank of Mauritius cut its benchmark rate twice during the period ended June 2016 in a bid to boost the economy with the repo rate now standing at 4%. Low yields globally and now locally have negatively impacted on banks as returns on investments are slimmer. The local banking sector remains nevertheless robust with adequate capital buffers and a sector with mostly profitable businesses. We noted a fall in foreign assets as compared to a rise in domestic assets across the banking sector. Indeed, advances to the private sector registered a growth in 2015 compared to 2014 and this trend is expected to continue in 2016 as the economy picks up. The domestic market was still plagued by excess liquidity as banks increased their holdings of government securities by 28%.

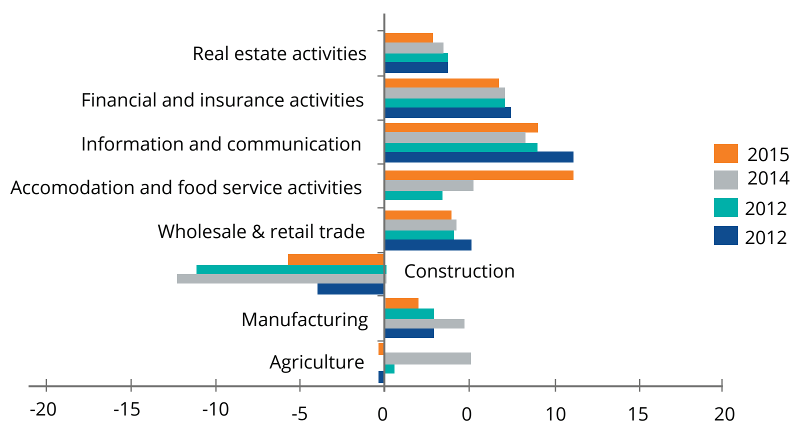
REVIEW OF THE ECONOMIC PERFORMANCE OF THE MAURITIAN ECONOMY (CONT"D)

OUTLOOK 2016

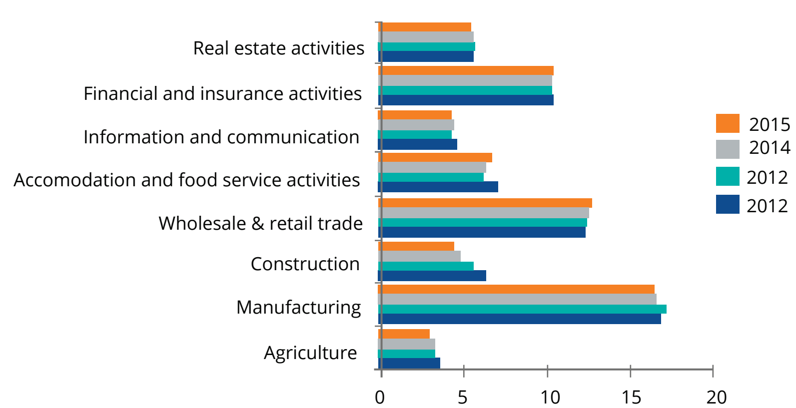
Going forward the Mauritian economy is projected to grow by 3.8% in 2016 conditional on the implementation of several measures/projects such as smart cities and investment in infrastructure projects such as the metro express. However, substantial downside risks still loom as global fundamentals remain fragile and uneven. Other factors including monetary and fiscal policies, global business, consumer sentiments and commodity prices remain important determinants of the future growth path of the domestic economy.

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

Sectoral growth rates (%)



Contribution to GDP (%)



Source : Mauritius Chamber of Commerce and Industry

BUSINESS SEGMENT REVIEW

Domestic Banking

During the year under review, Domestic Banking which comprises of Corporate, SME and Retail sub-clusters has achieved a good performance despite difficult market conditions affecting the demand for loans and advances in several business sectors on the local front. In line with its customer centric strategies in place and backed by its dedicated team of experienced staff, growth in the bank's loan portfolio has been encouraging with an increase of 52% noted for the year ended 30 June 2016, compared to previous year. Domestic Banking remains one of the main income drivers of the bank.

On the Corporate Banking side, much emphasis was laid on field presence and with continuous effort in tapping into the various business sectors, the bank aims to nurture and explore further business with its existing customers and develop relationship with new ones. Qualified and experienced staff will not hesitate to go the extra mile to provide clients with a highly personalised, tailor-made and seamless banking experience.

SME banking remains an interesting sector with much potential, more so given the government's focus and belief that the sector will be the catalyst to a more dynamic economy. The bank 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 Bank of Mauritius.

For FY 2015/16, growth in the Retail Banking cluster has shown some signs of encouragement. Retail Banking remains however challenging due to stagnant economic environment and fierce competition driving down the margins. Nevertheless, with the commitment of the Retail team to provide quality service and through its comprehensive suite of innovative and traditional products, the bank has been able to tap a fair share of business and has the potential to explore more.

The bank's priority for 2016/2017 remains offering tailor-made facilities, fast and quality service from a welcoming and dedicated team. Supported by a strengthened capital base, our lending portfolio is well positioned to grow further. The bank is optimistic in maintaining growth momentum by pursuing its strategic objectives and aims to further develop its existing market as well as exploring new opportunities.

International Banking

The International Banking department continues to grow and still remains one of the key income pillars of the bank, with the latter contributing to around 18% to the total revenue for the year under review. During the year, the bank sustained its growth momentum in foreign currency deposits, registering a year on year increase of 10%.

Our dedicated International Banking team continues to provide a very high level of service to sophisticated high net worth individuals and international clientele by offering accounts in all major currencies and providing a fully transactional internet banking platform to facilitate international wire transfers.

Being a local player in Mauritius, we aim to be a class above the rest and provide an exceptional customer experience in a simple and effective manner. We understand that all customers are different in unique ways, which is why, regardless of the size of the business or aspirations, we treat every client as unique and special. Therefore, we continue to deliver products and services for our clients' benefit with an aim to develop an effective long-term relationship.

This is the perfect time for the bank to establish itself in the local market by conducting business to the highest standards and to ensure that the customers' banking needs are always satisfied.

Treasury operations

The Treasury department consolidated its baseline and delivered an improved performance during the year under review: both the volume of transactions and profitability expanded. Leveraging on an efficient service and speed of delivery, the department was able to increase its portfolio of clients, including those in the Top 100 Mauritian Corporates list. Profits derived from foreign exchange transactions increased by 15% year on year to reach MUR 65 million. The palette of products and dealing activities expanded in line with the department's ambition to contribute even more to the profitability of the bank. This exceptional performance was the result of a restructuring process that kicked off in 2014 and further refined in successive years to 2016.

The domestic banking sector witnessed difficult times with ramifications locally as well as internationally. Competition remains taut for a restrained market share. Despite the ever challenging environment, the domestic share of income was satisfactory. However, with unprecedented global macro events both impacting volume and margins, there is a need to constantly remain alert but also stand ready to exploit new opportunities. The international context remains puzzling with monetary expansion in most developed economies and low commodity prices impacting emerging markets. Risk management is of utmost importance for sustainability in this business.

Looking ahead, the bank is embarking on several projects that will further boost its treasury dealing capabilities and also the related control and risk management functions. Continued emphasis will be laid on training and development to enhance knowledge and generate innovative ideas. Together with the right tools and technologies, experienced dealers and right strategies, the department is confident to reach another level in the future.

e-Business

The bank's e-Business 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 50 million [FY14/15: MUR 31 million].

Cards business has once again been another pillar in the bank's success this year. Since the migration to chip cards and availability of internet transactions on e-banking, our customers have now several means of payments to settle their bills securely. Proximity to customers is one of our priority and in that respect, we have a 24/7 helpdesk dealing with queries, suggestions and any other feedback. Also to mitigate risks of fraud, we have implemented a fraud monitoring software to protect our clients.

More so, the bank is reaching out to other well-known card associations in order to provide to its clientele a wider choice in terms of card products on the market.

On the e-Banking side, more than 42% of our customers are now using our internet banking facility with improved services for local and overseas payments. We are striving to encourage our customers to use this service which is far more secure than the traditional one, thus reducing risks of fraudulent payments.

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 expertise of key personnel and enhanced operational efficiency.

Support Business Units (Cont'd)

Various Business Units namely Human Resources, Credit Underwriting, Credit Administration, Information Technology, Finance, Operations, Product Development & Marketing continuously provide 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 Human Resources (HR) department provides support to the staff of ABC Banking in ways that embrace the bank's mission & values and tradition of excellence. Our organisational success depends on the high level of skills and professionalism of our people. Committed to cultivating a superior and differentiated service-oriented culture, we seek to provide benefits to employees that promote health, wellness, and a sound work life balance. Through employee orientation and professional development, we foster the values of inclusiveness and long term employee engagement. Over the past year, the department has focused on continuous improvement to increase efficiency, while improving services to our employees and streamlining administration. In the forthcoming year, emphasis will be laid on the HR strategic direction as well as on the concept design of core HR processes such as Talent Management.

Product Development and Marketing

Working closely with the different business lines as well as support units, the Product Development & Marketing department has been continuously striving to reinforce the brand image of the bank through planned marketing activities, regular and continuous Public Relations efforts, well-structured internal communications and ongoing networking with clients through regular events organised. An integrated marketing approach was adopted throughout the year and every opportunity, both locally and internationally, was seized to enhance proximity with clients through various road shows and marketing presence.

In a view to further enhance proximity with clients and provide them with a seamless browsing experience, the bank's website was revamped during the year. The new website is now more attractive, user-friendly and responsive. In order to cater for the bank's growing and diverse client base, the website was made available in three languages – English, French and Chinese.

Furthermore, with a view to contribute more effectively towards accelerating the social and economic progress of Mauritius through the development of its people in the field of higher education and training, the bank's educational loan product was enhanced considerably. It was made more accessible and affordable to students and their supporting parents, notably through significant reduction in the interest rate and with attractive repayment options inclusive of a generous moratorium.

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 30 June 2016 presented on pages 90 to 93. 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 140 relating to forward-looking statements.

Highlights

The timid global economic growth experienced over the period 2015 and 2016 has had a direct impact on the local front, translating into very challenging conditions faced by ABC Banking. Amidst the downward trend of demand for loans, excess liquidity experienced in the sector and the continuously tough competitive environment, the bank has navigated through those choppy waters with a resilient and positive attitude. The result of our effort has been quite satisfactory with a net profit after tax of MUR 176 million recorded for the period under review.

In line with the bank's mission of creating value for its stakeholders, the bank's Return on Equity has improved to 14.6% from 11.2% in FY14/15 and the Earnings per Share increased to MUR 3.5, representing more than twice the amount of the FY14/15. The continued trust of our shareholders has been key to the bank's growth with a capital injection of MUR 129 million back in October 2015, and MUR 305 million, most recently in June 2016, through two rights issues. The strengthening of the bank's capital, together with a growing deposit base, supported the institution's growth strategy, with the latter reaching a total asset base of MUR 15 billion as at 30 June 2016. The bank's Tier 1 and Capital Adequacy ratio sat comfortably at 13.2% and 14.7% respectively and remained above the minimum regulatory requirements.

On the 18th of January 2016, the bank went public and was listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius (SEM), marking another milestone in the history of the bank. The goal of the bank for FY2016/17 is to further broaden its horizon internationally and to consolidate its base locally and be recognised as another competitor on the market.

Key perfomance indicators

OPERATING PROFIT 2016: MUR 246m 2015: MUR 147m	+68%
DEPOSITS 2016: MUR 13bn 2015: MUR 11bn	+18%
TOTAL OPERATING INCOME 2016: MUR 434m 2015: MUR 321m	+35%
LOANS AND ADVANCES 2016: MUR 5bn 2015: MUR 3bn	+52%
TOTAL EQUITY 2016: MUR 1206m 2015: MUR 608m	+98%
TOTAL ASSETS 2016: MUR 15bn 2015: MUR 12bn	+23%

PERFORMANCE AGAINST OBJECTIVES

Area of performance	Objectives for FY 2015/16	Actual for FY 2015/16	Objectives for FY 2016/17
Net Interest Income	Target to increase Net Interest Income by around 15% with emphasis on the expansion of the loans and advances portfolio.	Net Interest Income of the bank rose exceptionally by 53% driven by the increase in loans and advances to both customers and banks and government securities.	Net Interest Income to increase by around 15% with further expansion of the loans and advances portfolio.
Non-Interest Expenses	In line with increase in business and investment in information and technology, non-interest expenses expected to increase by around 15%.	Non-Interest Expense increased by 8% following close cost monitoring.	Target to keep expenses increase to around 15%.

PERFORMANCE AGAINST OBJECTIVES (CONT'D)

Area of performance	Objectives for FY 2015/16	Actual for FY 2015/16	Objectives for FY 2016/17
Productivity (Non-interest expense as a % of the sum of Other income and Net interest income before impairment)	Aim to improve further and drop the cost to income ratio below 50%.	Satisfactory performance with cost to income ratio limited at 43%.	Aim to keep the cost to income ratio below 45%.
Return on Equity (Net profit/Equity)	To build on the current momentum and keep the ROE above 10% on the back of the timid economic recovery.	ROE for the year ended stood at 15% in line with increase in profit.	To keep ROE around same level in view of slow economic restart and a highly competitive local market.
Return on Average Total Assets	Target to increase the ROA to 0.7%	Return on average total assets stood at 1.3%	Aim to keep ROA around similar level.
Portfolio Quality	Continue on the rigorous assessment and monitoring of facilities to ensure lower level of non-performing assets.	The NPL ratio was down to 2.6% from 5.4% on the back of a drop in impaired loans and growing loan portfolio.	Keep NPL ratio to similar level.
Deposit from Customers	Aim to grow the total deposit base by 20%.	Total deposit portfolio increased by 18% notably due to increase in savings and other deposits.	Maintain existing customer base and aim to expand deposit base by 15%.
Loans and other Advances portfolio	To keep on growing our loans and advances portfolio and target an increase of 30%.	The loans and advances portfolio rose by 52% amid a lacklustre economic recovery.	Expand the loans and advances portfolio by around 15%.

Analysis of Results

REVENUE GROWTH

Operating Income

Total Operating Income stood at MUR 434 million for the year ended 30 June 2016 compared to MUR 321 million for the previous year, representing an increase of 35%. 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 62% (FY14/15:55%).

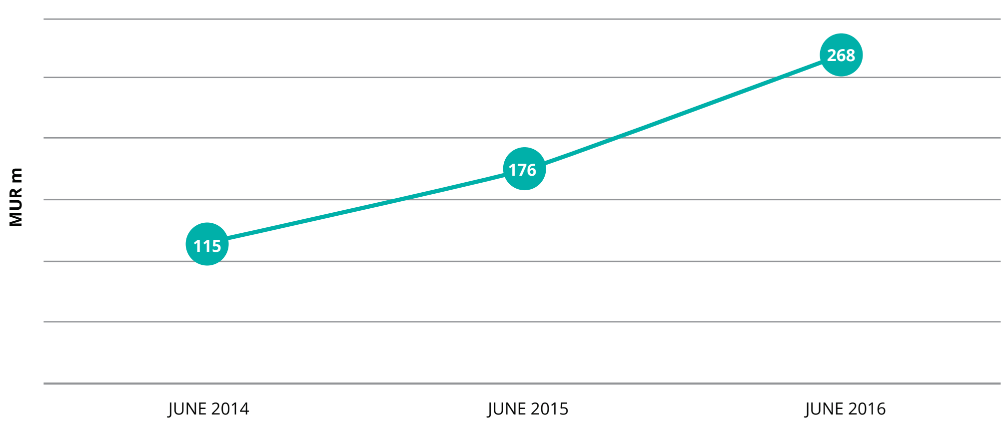
Net Interest Income

Despite a volatile global economic environment coupled with low interest rate, Interest Income continues to be the main source of revenue for the bank. Interest Income was up by 27% to reach MUR 568 million (FY14/15: MUR 447 million) whereas Interest Expense increased by 11% to MUR 300 million (FY14/15: 271 million). Net Interest Income posted a satisfactory growth of 53% ending at MUR 268 million for the year under review (FY14/15: 176 million), mainly driven by an expansion in loans and advances portfolio and an efficient management of liquidity, whereby excess funds were channelled to gilt-edged securities and sovereign and short term to medium term placements. On the liability side, the increase in savings deposits and the diminishing higher interest-bearing term deposits have positively impacted on the cost of funding.

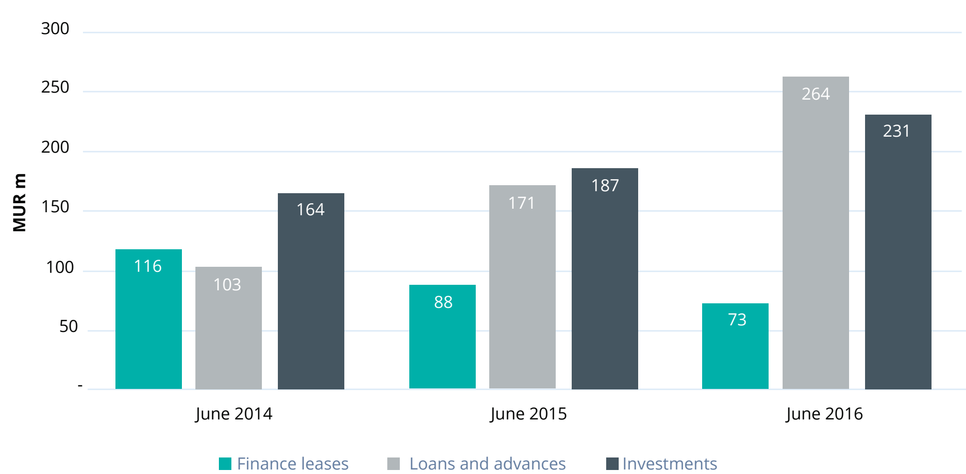
Net Interest Income (Cont'd)

The chart below shows the yearly progress of Net Interest Income over the last 3 years:

Net Interest Income



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



Non-Interest Income

Non-Interest Income grew year on year by 14% to MUR 166 million (FY14/15: MUR 146 million) due to exchange profits, card operations and net fee-based income. During the year, card-related activities and forex dealings have continued to expand, resulting in an exceptional performance.

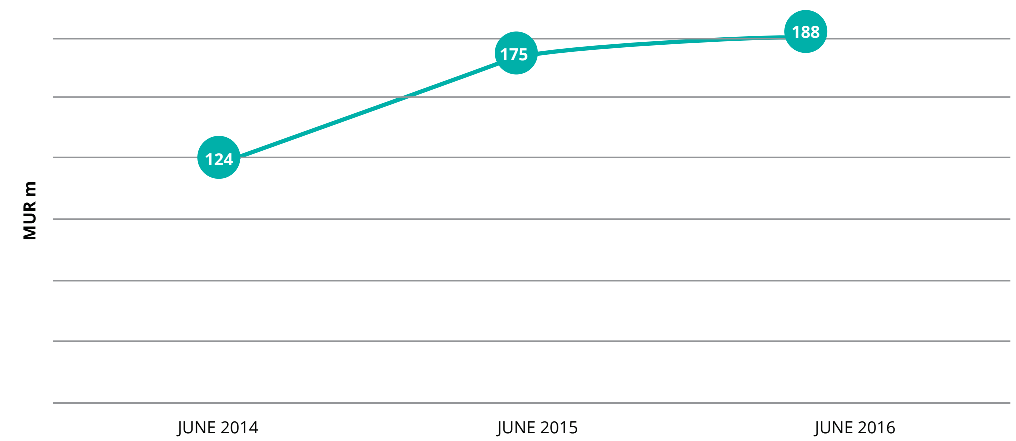
COST CONTROL

The bank has maintained a well-managed cost control strategy without affecting the delivery and quality of its services to its clients. The operating expenses showed a yearly increase of 8% to MUR 188 million as at 30 June 2016 (FY14/15: MUR 175 million). The bank in parallel continues to invest in logistic, human resources, information technology, advertising, public relations and capacity building to achieve its growth strategy. The main component of Non-Interest Expenses is still Personnel Expenses, which have grown by 15%, mainly attributable to recruitment of experienced staff. Other expenses experienced only a marginal rise as compared to prior year.

Commensurate with a dynamic approach to cost efficiency whilst simultaneously aiming to improve return, the bank has managed to bring down its cost to income ratio to 43% (FY 14/15: 54%).

The bank's non-interest expenditure pattern for the last 3 years is pictured below:

Non-Interest Expenditure



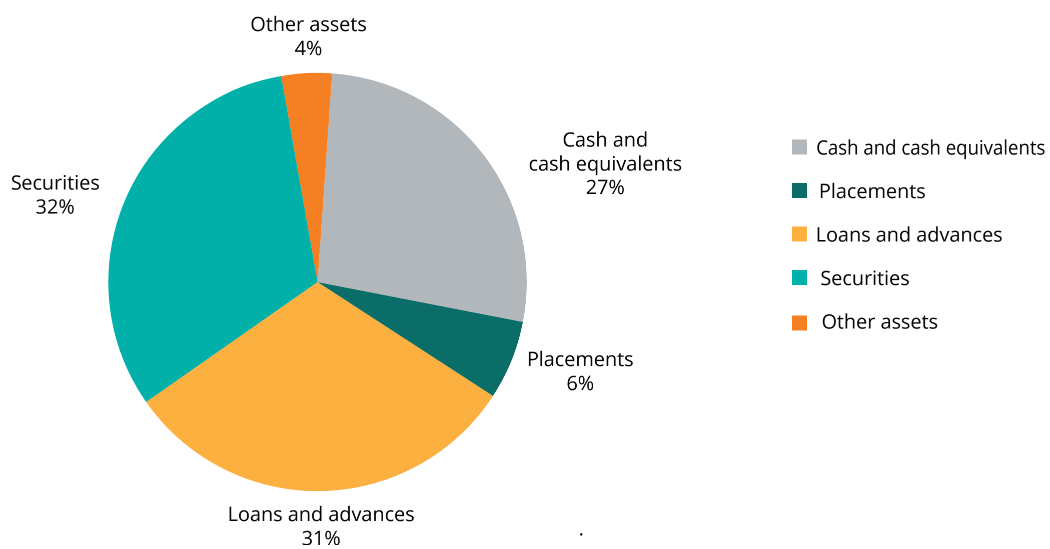
ASSETS

Assets mix

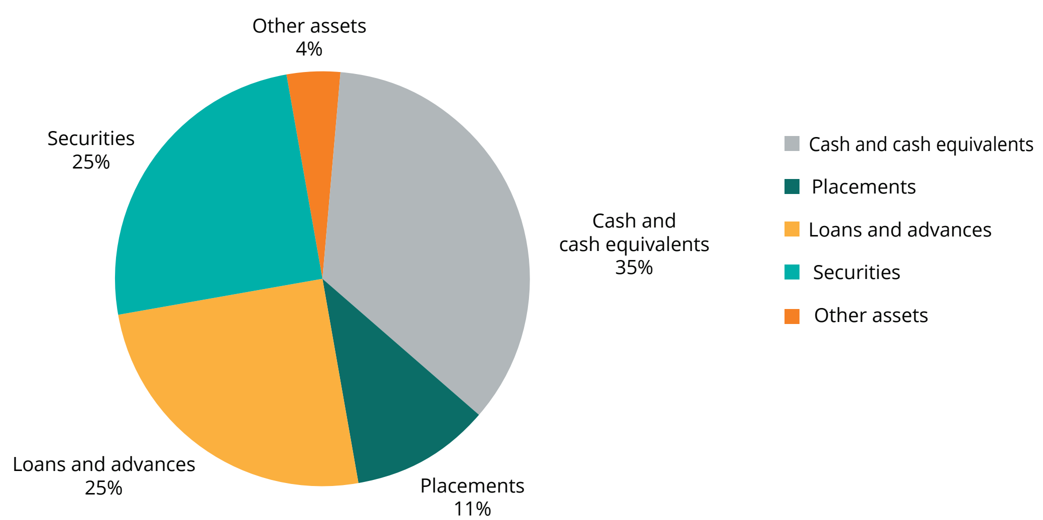
The bank's total assets expanded by 23% from MUR 12 billion at 30 June 2015 to attain the MUR 15 billion landmark on 30 June 2016, fired mainly by an increase in loans and advances to customers and banks, and investment in securities. This has been achieved by the bank's pursuing asset growth whilst 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 30 June 2016 and 30 June 2015 respectively with clear efforts to reduce risks through diversification:

Assets Mix 2016



Assets Mix 2015



Investment in Securities

The bank's investment portfolio, comprising mostly of fixed income securities, stood at MUR 4.7 billion for the year ended 30 June 2016 (FY14/15: MUR 3 billion). The bank has adopted a policy whereby any excess funds are being channelled to gilt-edged securities, and sovereign and corporate bonds yielding attractive medium-term rates. Investment in securities represents 36% of the bank's overall deposit portfolio, thereby creating a comfortable situation in the advent of a liquidity crisis.

Cash and Cash Equivalents

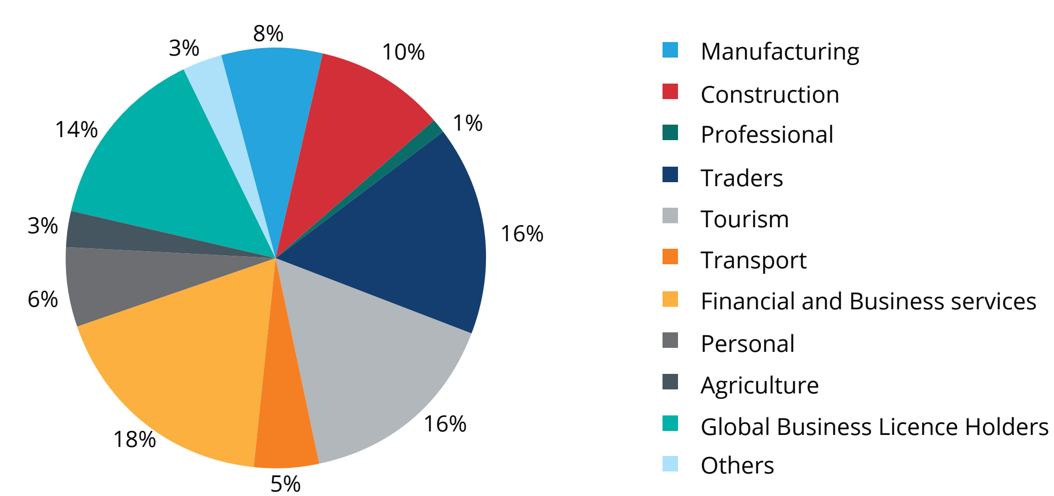
Cash in hand and balances with Central Bank and other Financial Institutions stood at MUR 5 billion at 30 June 2016 (FY14/15: MUR 5.5 billion).

Credit Exposure

Despite the difficult operating environment and heightened competition including the non-bank financial institutions, the loans and advances portfolio grew significantly by 52% to reach MUR 4.8 billion at 30 June 2016. This good performance was largely underpinned by our ability to consolidate and expand our existing business segments and by focusing on our marketing strategy.

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

Credit Exposure by Sector



Provisioning and Asset Quality

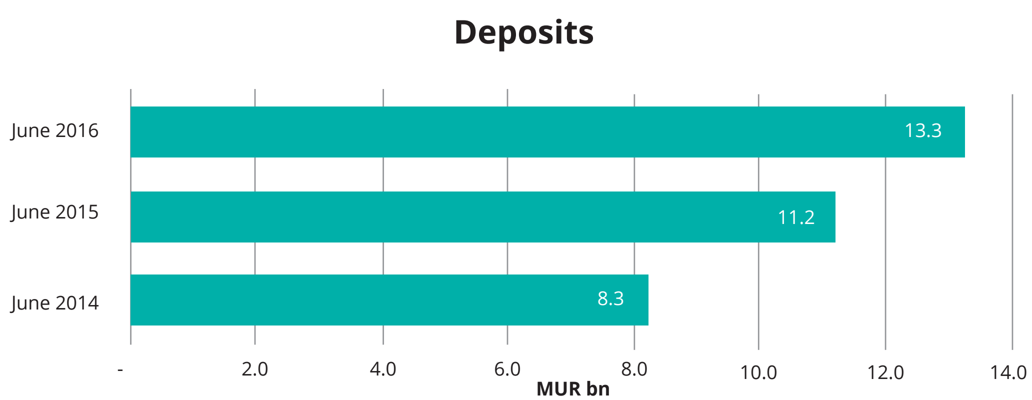
During the year under review, the bank has been focusing on two fronts notably; a rigorous control and credit assessment. Additionally, continuous efforts have been geared towards recovery to improve the portfolio's quality and mix. Tantamount of same, the ratio of non-performing accounts to gross loans and advances continued to drop from 5.4% to 2.6% at closure of books; with the uncovered portion shielded by a suitable level of collateral.

A net provision of MUR 44 million (FY14/15: MUR 72 million) has been made for credit impairment and write offs during the financial year ended 30 June 2016. The significant decrease is mainly due to a stable level of provisioning, the reinforcement of risk procedures and continuous recovery efforts.

FUNDING

Deposits

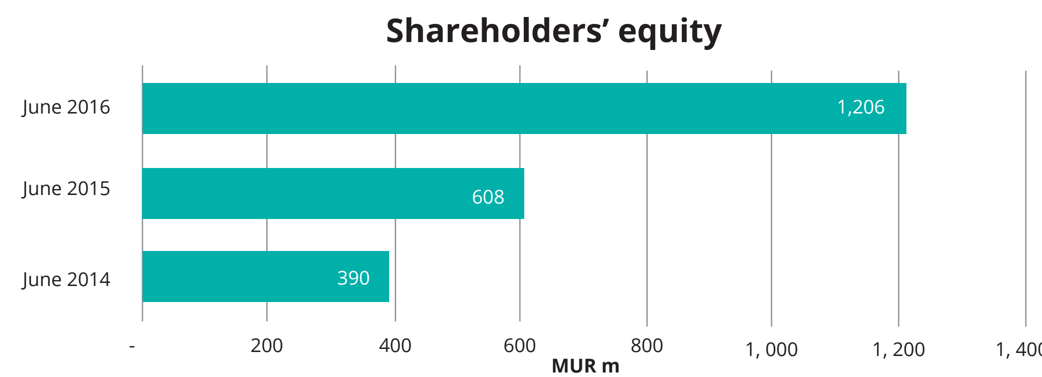
Deposits from customers increased from MUR 11 billion to MUR 13 billion, representing a growth of 18%. This is mostly driven by an expansion in low cost foreign currency denominated deposits and the bank's constant efforts to mobilise more savings in an environment characterised by excess liquidity. At 30 June 2016, time deposits accounted for 21% of the bank's overall deposit portfolio (FY14/15: 23%) as deposits at higher cost were not renewed upon maturity, and a shift was noted towards more savings products. 49% of total deposits were denominated in foreign currencies at 30 June 2016 (FY14/15: 53%).



Capital resources

The bank aims to remain adequately capitalised with a share capital and reserves of MUR 1.2 billion for the year under review and this rise has been fuelled by both the positive growth in retained earnings and a boost in capital injection of MUR 434 million from our trusted shareholders. On an overall basis, the bank has maintained a fairly comfortable level of capitalisation as attested by its risk-weighted capital adequacy ratio of 14.7% and Tier 1 ratio of 13.2%, which is above the regulatory requirement of 10% and 8% respectively.

Going forward, the bank will continue to ensure that adequate capital buffers are kept to effectively support its expansion strategy and to duly comply with new Basel III capital requirements.



HIGHLIGHTS FOR YEAR ENDED JUNE 2016

Further improvement in Asset Quality

The bank saw further improvement in asset quality with lower impairment ratio.

Non-Performing Loans (NPL) ratio slid to 2.6% as at end of June 2016 from 5.4% as at end of June 2015. Non-Performing Loans fell from MUR 169.3 million as at 30 June 2015 to MUR 124.9 million as at 30 June 2016. Gross loans and advances surged by 52.2% from MUR 3,126.0 million as at 30 June 2015 to MUR 4,759.1 million as at 30 June 2016.

Increase in coverage ratios

Specific provision increased from 53.5% as at 30 June 2015 to 90.0% as at 30 June 2016.

Sovereign risk

As at end of June 2016, investment in FCY fixed income securities amounted to equivalent MUR 190.5 million from equivalent MUR 188.7 million as at end of June 2015. Total investments in local Bank of Mauritius and Government Bonds and Notes increased to MUR 3,179.7 million as at June 2016 from MUR 2,591.2 million as at June 2015. The excess liquidity during the year was deployed in treasury bills, which amounted to MUR 1,080.4 million as at end of June 2016 from MUR 137.4 million as at end of June 2015.

Country risk

The percentage of exposure to Africa increased from 23.1% of total as at 30 June 2015 to 25% of total as at 30 June 2016. The exposure to Africa is to a large extent due to placements in banks in Africa.

Bank risk

Risk weighted claims on banks increased from MUR 2,463.2 million as at 30 June 2015 to MUR 2,574.5 million as at 30 June 2016. In terms of bank risk, there was a shift in exposure from unrated banks to rated banks.

Sector concentration

67.6% of total exposures was concentrated in 4 sectors, namely, Tourism, Global Licence Holders, Traders and Financial & Business Services. While exposures to Segment B doubled to MUR 1,034.2 million as at June 2016, cross border exposure remained selective. Exposure to Segment B represented 19.6% of total as at 30 June 2016 from 14.4% of total as at 30 June 2015.

Funding mix and Loan to deposit ratio

Deposits continued to expand during the year, increasing to MUR 13,263.9 million as at 30 June 2016 from MUR 11,210.1 million as at 30 June 2015. FCY deposits made up 49% of total deposits from 53% as at June 2015.

Loan to deposit ratio rose to 34.8% as at June 2016 from 26.9% as at June 2015 with the increase in loans and advances book.

Compliance and Regulatory risk

Compliance and regulatory risk has become significant in the heightened regulatory environment in which the bank operates. The compliance manager ensures timely identification and impact assessment of regulatory changes. The bank is in the process of implementing a fully automated Anti-Money Laundering Software which shall be monitored by the Compliance Department. The team shall independently review the transactions and also review the alerts which have been based on agreed parameters. The Anti-Money Laundering Software shall also assist in the investigations of suspicious cases and subsequently appropriate actions shall be taken by the MLRO.

Capital management

During the year, the bank's Common Equity Tier 1 (CET1) capital position continued to build to MUR 1,134.9 million as at June 2016 from MUR 558.5 million as at June 2015, in line with capital building strategy. Tier 1 Capital Adequacy Ratio (Tier 1 CAR) went up from 8.6% as at June 2015 to 13.2% as at June 2016. Capital Adequacy Ratio (CAR) increased from 10.7% as at end of June 2015 to 11.3% as at end of March 2016 and to 14.7% as at end of June 2016. This was largely attributable to the following:

i) On 23 October 2015, the bank proceeded with a rights issue of 9,533,984 shares at MUR 13.50 per share. This increased Tier 1 capital by MUR 128.7 million.

ii) Profit for the first half year ended December 2015 was recognized following the verification by external auditors.

iii) The rights issue of 19,067,968 shares generated a total amount of MUR 305.0 million in June 2016.

The ratios are above the minimum regulatory limits of 8% (Tier 1 CAR) effective as from 1st January 2016 and 10% (CAR) respectively. The bank ensures that capital levels at all times exceed the minimum capital requirements.

It is worth noting that Risk Weighted Assets (on balance sheet) with risk weight exceeding 100% increased from MUR 215 million (4% of Risk Weighted Assets) as at June 2015 to MUR 219 million (3% of Risk Weighted Assets) as at June 2016. Risk Weighted Assets (on balance sheet) with risk weight of 100% rose from MUR 3,752 million (62% of Risk Weighted Assets) as at June 2015 to MUR 5,789 million (73% of Risk Weighted Assets) as at June 2016.

Operational risk

During the financial year, there was no operational risk loss.

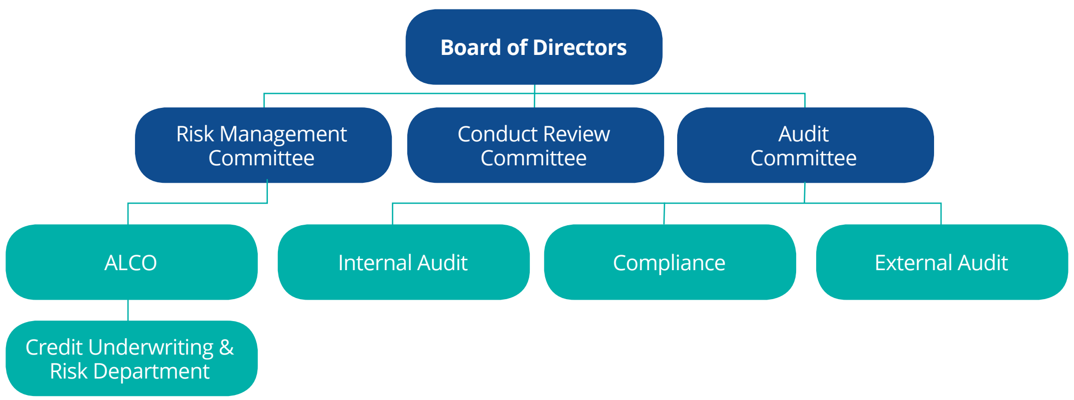
RISK GOVERNANCE STRUCTURE

The risk management process comprises of the following steps:

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

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

RISK GOVERNANCE FRAMEWORK



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.

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 same to the Board
- Ensuring the effectiveness of procedures and compliance with Bank of Mauritius Guidelines.

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.

Assets and Liabilities Committee (ALCO)

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

Managing Director

General Manager

Strategic Business Executive

Head of 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

Assets and Liabilities Committee (ALCO) (Cont'd)

- A comprehensive interest rate risk reporting and interest rate risk management review process
- Effective internal controls.

ALCO is also responsible for:

- Analysing monthly reports of the bank's liquidity exposure and monitoring exposure against the limits
- Reviewing and monitoring interest rate risk and recommending to the Risk Management Committee for approval alterations in the features, terms, rates or prices of the bank's deposit and loan products in order to reduce market risk
- 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 Internal Capital Adequacy Assessment Process (ICAAP)

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

Audit Committee

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

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

Risk Department

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

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

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).

Credit Risk Management Approach

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

The Credit Risk Management process at the bank can be summarized as follows:

- Establishment and use of limits including individual obligor/group limits, concentration limits to control concentrations within countries and industry sectors to avoid any undue concentrations
- 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.

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 line of business and the 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.

Concentration Risk and Credit Risk Profile

Concentration Risk refers to the risk of loss arising from an excessive concentration of exposure to a single borrower/groups of closely related customers, counterparties, industry, geography or collateral.

The approach adopted by the bank relies on reporting of concentration risk along key dimensions, the setting of limits for banks, sectors, group and single exposures and through stress testing. The bank also applies the HHI (Herfindahl-Hirschman Index) to analyse the concentration to credit risk sectors and clients.

Sovereign Risk

Sovereign Risk is a type of credit risk specific to government debt. Total investments in local Government Bonds and treasury bills surged by 56.1% to MUR 4,260.1 million as at 30 June 2016 from MUR 2,728.6 million as at 30 June 2015. This represented 63.4% of MUR deposits as at June 2016 from 52% of MUR deposits as at June 2015.

Country Risk

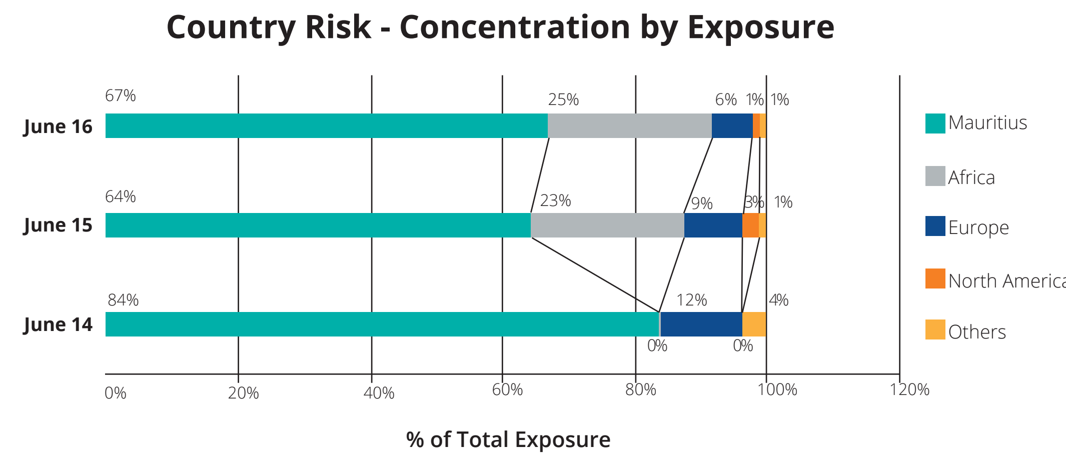
Country risk refers to the risk attributable to events in a specific country. It is the risk of loss associated with lending, pre-settlement, money market and investment transactions in any given country. The occurrence of a country risk event may result in all counterparties in a country to be unable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

With the expansion in International 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.

Country Risk (Cont'd)

The following chart shows the distribution of exposure by country.



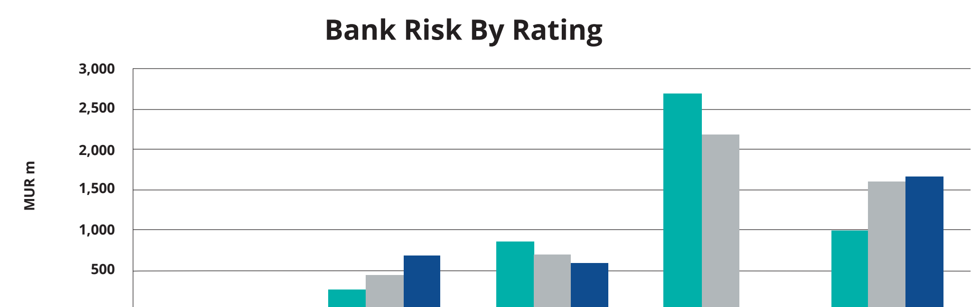
Domestic exposure went up from 64% of total exposure as at June 2015 to 67% as at June 2016 with the increase in loans and advances book.

The percentage of exposure to Africa increased from 23% of total as at 30 June 2015 to 25% of total as at 30 June 2016. The exposure to Africa is to a large extent due to placements in banks in Africa. These placements are well diversified across different countries and banks in Africa, including a multilateral development bank.

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.



	Aaa-Aa3	A1-A3	Baa1-Baa3	Ba1-B3	Unrated
June 16	18	260	861	2,691	1,007
June 15	19	446	700	2,183	1,601
June 14	1	684	596	-	1,659

Bank Risk (Cont'd)

With the increase in the deposits from International Banking clients, we note a rise in the placements with banks. During the year to June 2016, there was a shift in placements from unrated banks to rated banks.

Sector Concentration

Private Sector

SECTOR	Exposure (out bal)* June 2015						Exposure (out bal)* June 2016					
	Segment A		Segment B		Total		Segment A		Segment B		Total	
	(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	91.1	3%			91.1	2.7%	160.3	4%			160.3	3.0%
Manufacturing	181.5	6%			181.5	5.4%	357.9	8%			357.9	6.8%
Tourism	554.7	19%			554.7	16.4%	996.9	23%			996.9	18.9%
Transport	292.1	10%	6.3	1%	298.5	8.8%	256.4	6%	6.2	0.6%	262.6	5.0%
Construction	343.5	12%			343.5	10.1%	483.0	11%			483.0	9.1%
of which Commercial, Residential and Land Parcelling	201.1	7%			201.1	5.9%	244.1	6%			244.1	4.6%
Global Licence Holders			274.4	56%	274.4	8.1%			786.0	76%	786.0	14.9%
Traders	504.7	17%			504.7	14.9%	796.1	19%			796.1	15.1%
ICT	30.9	1%			30.9	0.9%	25.2	1%			25.2	0.5%
Financial & Business Services	488.6	17%	199.0	41%	687.7	20.3%	756.5	18%	234.7	22.7%	991.2	18.8%
Infrastructure	2.1	0%			2.1	0.1%	0.8	0%			0.8	0.0%
Professional	42.0	1%			42.0	1.2%	41.7	1%			41.7	0.8%
Health Development	0.6	0%			0.6	0%	0.1	0%			0.1	0.0%
Education	3.2	0%			3.2	0.1%	3.8	0%			3.8	0.1%
Media entertainment	9.4	0%			9.4	0.3%	8.8	0%			8.8	0.2%
Other services	101.8	4%	8.4	2%	110.2	3.3%	89.6	2%	7.2	0.7%	96.8	1.8%
Personal	255.4	9%			255.4	7.5%	267.4	6%	0.1	0%	267.5	5.1%
TOTAL	**2,901.5**	**100%**	**488.2**	**100%**	**3,389.7**	**100%**	**4,244.3**	**100%**	**1,034.2**	**100%**	**5,278.5**	**100%**

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

** Includes FCY loans in MUR equivalent

Table 1: Sector-wise distribution

Over the year, exposure to the Tourism and Financial and Business Services sectors surged by 79.7% and 44% respectively. The Tourism sector remained the sector with the highest exposure. 67.6% of total exposures was concentrated in 4 sectors, namely, Tourism, Global Licence Holders, Traders and Financial & Business Services.

All sectors are within the respective internal prudential limits approved by the Board. Exposure to the Commercial, Residential and Land parcelling segment is well within the regulatory limit of 12.5% (as from 01 Jul 2015). Exposures to the Tourism and Personal segments are within the regulatory limits of 22.5% (as from 01 Jul 2016) and 12.5% respectively (as from 01 Jul 2015).

While exposures to Segment B doubled to MUR 1,034.2 million as at June 2016, cross border exposure remained selective. Exposures to Segment B represented 19.6% of total as at 30 June 2016 from 14.4% of total as at 30 June 2015.

Credit Concentration Risk for large exposures

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

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

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

Group of Closely related Customers	Net Exposure as at 30.06.2016 (MUR m)	% of Bank's Capital Base
1	464.7	36.8%
2	347.3	27.5%
3	344.4	27.3%
4	332.8	26.4%
5	230.6	18.3%
6	215.7	17.1%
7	208.7	16.5%
8	200.0	15.8%
9	195.3	15.5%
Total	**2,539.4**	**201.1%**

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

As at 30 June 2016, 9 groups of closely related customers had group exposures exceeding 15% of the bank's capital base from 7 groups with net exposures of MUR 1,192 million as at 30 June 2015. The aggregate of the exposures is within the regulatory limit of 800% of bank's capital base.

Related Party Transactions

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions. As at 30 June 2016, 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 344.4 million (30.3% of Tier 1 Capital) from MUR 221.9 million as at June 2015. Same was within the regulatory limit set by the Bank of Mauritius. The top 6 exposures to related parties aggregated MUR 280 million (24.7% of Tier 1 Capital) as at 30 June 2016 from MUR 169.6 million as at 30 June 2015.

Related Party Transactions (Cont'd)

Top 6 exposures to non-exempt related parties	Exposure as at 30.06.2016 (MUR m)	% of Tier 1
1	86.7	7.6%
2	81.9	7.2%
3	44.0	3.9%
4	32.6	2.9%
5	18.2	1.6%
6	16.6	1.5%
Total	**280.0**	**24.7%**

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

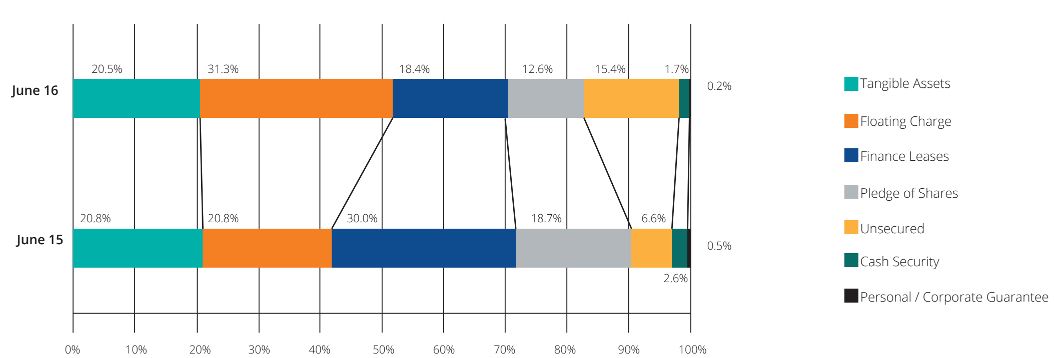
None of the facilities granted to related parties was impaired. The facilities granted to related parties are approved by the Conduct Review Committee.

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 borrower's ability to meet its obligations, but beyond a certain risk threshold, it is an important 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



Credit Risk Mitigation (Cont'd)

51.8% of exposure was secured against fixed/floating charges as at June 2016 from 41.6% as at June 2015. The proportion of unsecured facilities increased to 15.4% as at June 2016 from 6.6% as at June 2015. However, it is worth noting that these pertain mainly to Corporate Money Market lines. These facilities are granted on short term basis to mitigate the risks and rolled over depending on the liquidity position of the bank.

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.

For the full financial year 2016, facilities for 6 clients with aggregate exposure of MUR 195.6 million were restructured. Of these, 2 clients with exposure of MUR 4.8 million were Non Performing.

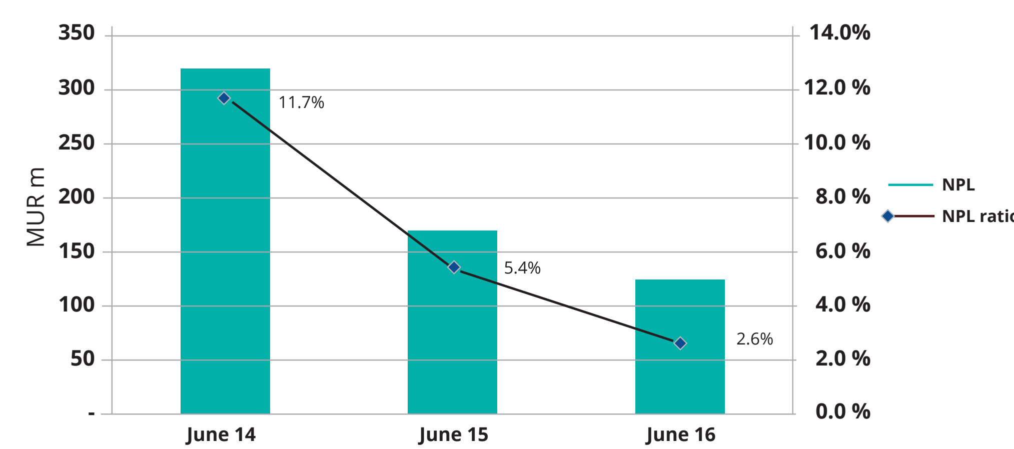
Key Indicators of Credit Quality

Ratio	As at 30 June 2014	As at 30 June 2015	As at 30 June 2016
Non Performing Loans (NPLs)/Gross loans and advances	11.7%	5.4%	2.6%
Specific Provision/Non Performing Loans	35.7%	53.5%	90%

Table 4: Key Indicators of asset quality

NPLs as a percentage of gross advances declined further to 2.6% as at 30 June 2016 from 5.4% as at 30 June 2015. Specific Provision increased to 90.0% as at 30 June 2016 from 53.5% as at 30 June 2015.

Non - Performing Loans



The performance of the Recovery team is reviewed on a monthly basis by management and on a quarterly basis by Supervisory Monitoring Committee. The focus is to ensure prompt recovery of assets.

MARKET RISK MANAGEMENT

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

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

Liquidity Risk

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

Liquidity Risk Management

The bank manages liquidity risk in accordance with the Guideline on Liquidity Risk Management and within the risk appetite and tolerance of the bank for liquidity risk. The market risk policy of the bank sets out the framework within which the liquidity of the bank is managed and monitored. Funding, liquidity, and foreign exchange exposures in the banking book are managed centrally by the Treasury department.

Liquidity Risk Management	Contingency Liquidity Risk Management
• Manage intra-day liquidity positions • Monitor Interbank Outstanding Balances • Monitor daily cash flow requirements • Manage short term/long term cash flows • Manage daily foreign currency liquidity • Identify and manage structural liquidity mismatches • Preserve a diversified funding base • Monitoring of the ratios against limits set	• Monitor and manage early warning liquidity indicators • Maintain contingency funding plans

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

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. Total deposits went up to MUR 13,263.9 million as at 30 June 2016 from MUR 11,210.1 million as at 30 June 2015. Of this, 50.6% accounted for MUR deposits and 49.4% for FCY deposits.

37.8% of deposits were consumer deposits as at 30 June 2016 (35.3% as at 31 March 2016). Although savings accounts and call deposits are repayable on demand, these are considered to be fairly stable sources of funding at the bank.

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) decreased from 12.9% as at 30 June 2015 to 6.2% as at 30 June 2016.

Contingent Liquidity Risk

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

Interest Rate Risk

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

The tables below provide an analysis of the interest rate risk exposure for the bank. As at 30 June 2016, currencies accounting for 5% or more of total assets or liabilities included MUR, EUR, and USD. The up to 3 months column includes assets and liabilities bearing floating rates of interest that do not reprice at set dates, but reprice whenever the underlying interest rate changes.

Interest Rate Risk (Cont'd)

Repricing Gap – BANK
As at June 2016

	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	8,792.0	727.9	724.6	406.1	1,453.2	1,996.9	1,195.4
Liabilities	4,521.3	157.2	1,032.0	556.1	826.6	-	6,856.2
On Balance sheet interest rate repricing gap	4,270.7	570.7	(307.4)	(150.1)	626.5	1,996.9	(5,660.8)
Cumulative repricing gap	4,270.7	4,841.4	4,533.9	4,383.9	5,010.4	7,007.3	1,346.5

As at 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 – MUR
As at 30 June 2016

	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	3,073.4	452.7	460.7	399.9	1,400.1	1,865.7	1,103.7
Liabilities	4,512.2	156.1	1,024.1	556.1	826.6	-	325.0
On Balance sheet interest rate repricing gap	(1,438.8)	296.6	(563.4)	(156.3)	573.5	1,865.7	778.7
Cumulative repricing gap	(1,438.8)	(1,142.2)	(1,705.6)	(1,861.9)	(1,288.4)	577.3	1,356.0

Repricing Gap – EUR
As at 30 June 2016

	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	2,957.7	118.1	157.5	-	-	-	13.4
Liabilities	-	-	7.9	-	-	-	2,827.8
On Balance sheet interest rate repricing gap	2,957.7	118.1	149.6	0.0	0.0	0.0	(2,814.5)
Cumulative repricing gap	2,957.7	3,075.8	3,225.5	3,225.5	3,225.5	3,225.5	411.0

Repricing Gap – USD
As at 30 June 2016

	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	2,034.2	141.8	106.4	6.2	53.1	131.2	61.0
Liabilities	8.0	-	-	-	-	-	2,884.3
On Balance sheet interest rate repricing gap	2,026.2	141.8	106.4	6.2	53.1	131.2	(2,823.2)
Cumulative repricing gap	2,026.2	2,168.0	2,274.4	2,280.6	2,333.7	2,464.9	(358.4)

Tables 5 : Repricing gap

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

Interest Rate Sensitivity Analysis

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

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

Currency	Change in Basis Points	Sensitivity of Profit or Loss and Equity MUR m
EUR	+50	+14.9
	-50	-14.9
USD	+50	+10.3
	-50	-10.3
GBP	+50	+2.8
	-50	-2.8
MUR	+50	-6.9
	-50	+6.9
	+100	-13.9
	-100	+13.9

The table indicates that a 100 basis points decrease in interest rate for MUR will have a positive impact of MUR 13.9 million (MUR 18.4 million as at June 2015) 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 favourable rates, which will contribute positively to the bottomline 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.

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.

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 aggregated MUR 4,762.8 million as at 30 June 2016 from MUR 3,023.8 million as at 30 June 2015.

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 historical observation period of 12 months and using a one day holding period and a confidence interval of 99%. VaR is calculated based on exposure at close of business. There is the risk that intraday trading and exposures may vary from close of day level, but given that the volume is low, the risk is mitigated. VaR was MUR 47,429 as at 30 June 2016 from MUR 40,441 as at 30 June 2015.

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.

Key types of Operational Risk

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

Management of Operational Risk

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

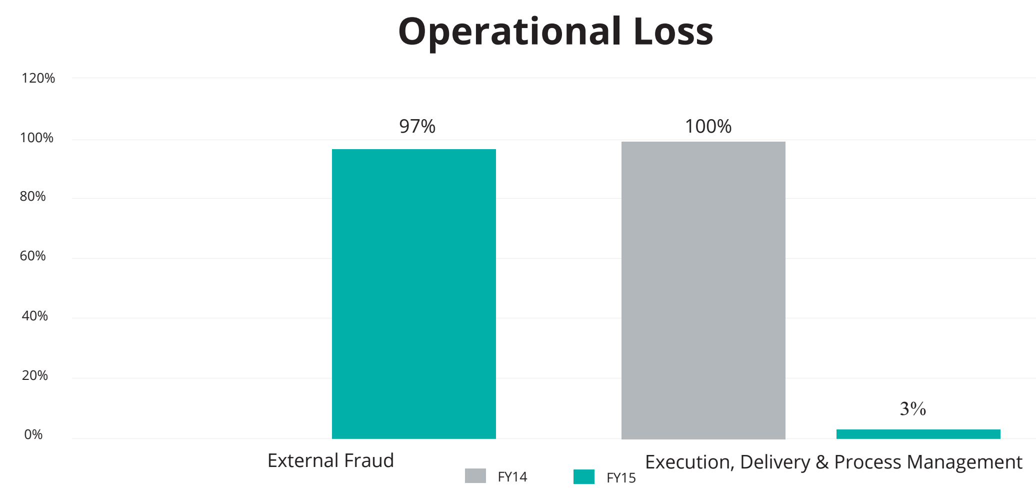
- Reporting by Business units of the specific operational risks inherent in their business activities on both regular and event-driven basis
- Key Risk Indicators have been developed, where appropriate to act as early warning signals for risk of potential losses. The Key Risk Indicators are reported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

- Complaints tracking and prompt resolution of issues
- Capital management
- Risk transfer via Insurance
- Disaster recovery and business continuity plans
- Procedures implemented and maintained to comply with the increasingly complex laws and regulations.

There was no operational loss for the year ended June 2016. The chart below sets out the evolution of the operational risk event over the last 3 years.



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 on IT matters and resolution. IT KRIs, including system downtime, incidents, Virus detection are tracked, monitored and reported quarterly to the Risk Management Committee.

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.

REPUTATIONAL RISK

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

Presently, the bank has minimal Reputational Risk Profile given that its activities are predominantly vanilla in nature. 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.

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 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.

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.

Regular training is provided to ensure employees are kept informed of regulatory obligations and changes. The Compliance function through the Money Laundering Reporting Officer (MLRO) is also empowered to report any suspicious transactions to the Financial Intelligence Unit (FIU).

COMPLIANCE AND ANTI MONEY LAUNDERING (CONT'D)

To ensure consistent management of compliance risk, the 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 scrutinise all the 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.

The bank is in the process of implementing a fully automated Anti-Money Laundering Software which shall be monitored by the Compliance Department. The team shall independently review the transactions and also review the alerts which have been based on agreed parameters. The Anti Money Laundering Software shall also assist in the investigations of suspicious cases and subsequently appropriate actions shall be taken by the MLRO.

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.

Internal Audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an entity's operations. It helps an entity accomplish its objectives by bringing a continuing, systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Source: Mauritius Audit Committee Forum, Position Paper 2 - May 2015).

To accomplish its duties, the Internal Audit team has unrestricted access to the bank's records and employees. Its process includes an in-depth review of the bank's policies and procedures through the identification and testing of key controls for design and operating effectiveness. At the end of each fieldwork, audit findings are risk rated in terms of high, moderate and low based on a risk assessment criteria matrix. All audit findings are discussed with the departmental Head and/ or Manager during a closing meeting. Following this meeting and after an assessment of additional explanations and evidence if any, the draft audit report is prepared and sent to the relevant departmental Head and/ or Manager and the General Manager for 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.

INTERNAL AUDIT (CONT'D)

Key responsibilities of the Internal Audit function include the following:

- Evaluating departmental adherence to the bank's defined policies and procedures and legal and regulatory requirements
- Providing feedback to management e.g. in the setting up of new policies and procedures and internal projects
- Carrying out adhoc investigations and reviews as requested by management and approved by the Audit Committee
- Assessing the means for safeguarding assets and verifying the existence of the bank's assets including cash and stock counts and site visits
- Evaluating the reliability and integrity of financial information and
- Acting as a facilitator with the bank's external auditors.

For the year ended 30 June 2016, Internal Audit successfully completed all the audits set as per its approved Annual Plan, with the exception of one audit which has been carried forward to the next year's Annual Plan. Key departments reviewed over the last financial year include the following: International Banking, Corporate Banking and SME, Retail Banking, Operations, Treasury Middle Office, IT and Compliance.

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.

Regulatory capital adequacy is measured through the Capital Adequacy Ratio (CAR). This ratio measures the capital supply relative to capital demand as measured by Risk Weighted Assets. As from 01 January 2016, the minimum regulatory Tier 1 CAR is 8% and CAR is 10%.

Risk Weighted Assets

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

Under the Standardised Approach to Credit Risks, the bank has applied risk weights in line with the Guideline on Standardised Approach to Credit Risk.

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

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

Capital Ratios

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

Capital Ratios (%)	As at June 2014	As at June 2015 Restated	As at June 2016
	MUR m	**MUR m**	**MUR m**
Capital Base			
Tier 1 Capital	346.4	558.5	1,134.9
Tier 2 Capital	157.3	134.8	128.0
Total Capital Base	**503.7**	**693.2**	**1,262.9**
Total Risk Weighted Assets	**4,512.9**	**6,464.6**	**8,587.0**
CET1 CAR	7.7%	8.6%	13.2%
Tier 1 CAR	7.7%	8.6%	13.2%
CAR	11.2%	10.7%	14.7%
Buffers			**MUR m**
Tier 1 Buffer			447.9
Total Capital Buffer			404.2

Table 6: Capital Ratios

At least 8% of risk weighted assets needs to be covered by Tier 1 as from 01 January 2016. Tier 1 CAR and CAR were within the regulatory limits as at end of June 2016.

As at 30 June 2016, the headroom of capital amounted to MUR 404.2 million when compared with regulatory capital requirement.

Capital Ratios (Cont'd)

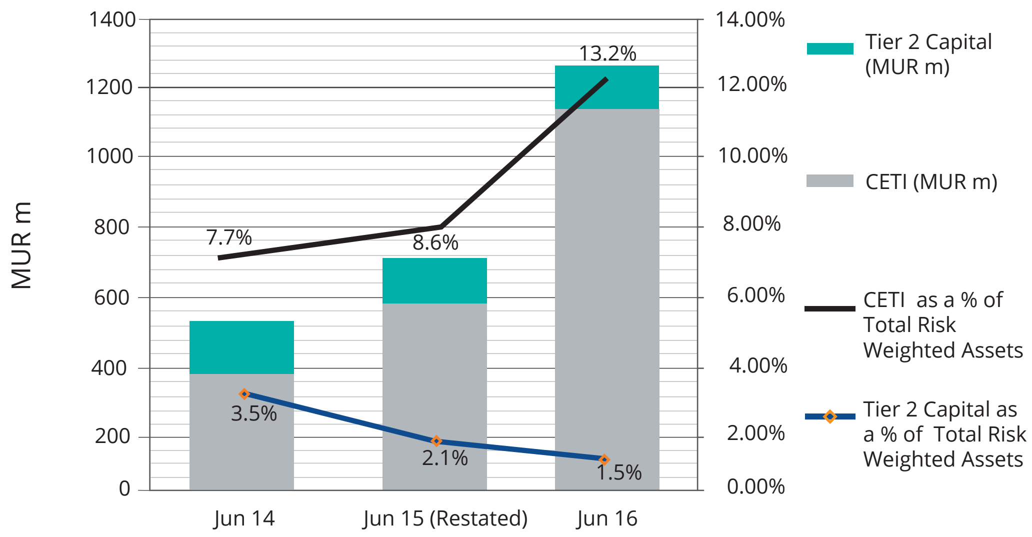


Table 7: Tier 1 Capital & Tier 2 Capital

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.

Monitoring (Cont'd)

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

	Jun-16 MUR m	Jun-15 MUR m Restated	Jun-14 MUR m
Common Equity Tier 1 capital: instruments and reserves			
Ordinary share capital	762.7	476.7	356.7
Share premium	177.8	30.0	-
Retained Earnings	178.5	49.8	2.4
Accumulated other comprehensive income and other disclosed reserves	47.4	26.1	14.9
Common Equity Tier 1 capital before regulatory adjustments	**1,166.4**	**582.7**	**374.0**
Other intangible assets	(9.7)	(12.1)	(13.7)
Deferred tax assets	(21.8)	(12.1)	(13.9)
Total regulatory adjustments to Common Equity Tier 1 capital	**(31.5)**	**(24.2)**	**(27.6)**
Common Equity Tier 1 capital (CET 1) and Tier 1 capital	**1,134.9**	**558.5**	**346.4**
Tier 2 capital : instruments and provisions			
Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital	60.8	96.5	132.3
Provisions or loan-loss reserves	67.2	38.2	25.0
Tier 2 Capital before regulatory adjustments	**128.0**	**134.8**	**157.3**
Total Capital (Capital Base)	**1,262.9**	**693.2**	**503.7**
Risk Weighted Assets			
Total on-balance sheet risk-weighted credit exposures	7,961.2	6,050.2	4,270.4
Total non-market related off-balance sheet risk-weighted credit exposures	138.4	83.2	16.4
Risk-weighted assets for operational risk	480.3	327.1	216.4
Aggregate net open foreign exchange position	7.1	4.1	9.7
Total risk weighted assets	**8,587.0**	**6,464.6**	**4,512.9**
CET 1 capital ratio	13.2%	8.6%	7.7%
Tier 1 capital ratio	13.2%	8.6%	7.7%
Total capital ratio (%)	14.7%	10.7%	11.2%

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.

Monitoring (Cont'd)

Risk weighted of On-Balance Sheet assets	Jun-16			Jun-15	Jun-14
	Amount Rs 000	Weight %	Weighted assets Rs 000	Weighted assets Rs 000	Weighted assets Rs 000
Cash items	12,781	0-20	-	-	-
Claims on sovereigns	4,260,107	0-100	-	-	27,411
Claims on central banks	694,729	0-100	38,271	61,667	69,554
Claims on banks	4,700,918	20-100	2,574,528	2,463,157	1,219,485
Claims on corporates	1,679,313	100	1,669,516	1,694,777	1,781,766
Claims on regulatory retail	432,264	75	290,066	355,327	224,246
Claims secured by residential property and commercial estate	2,314,073	35-125	2,331,768	517,842	319,296
Past due claims	11,785	50-150	11,342	85,166	122.670
Others	1,045,664	100	1,045,664	872,284	505,969
Total On Balance Sheet	**15,151,633**		**7,961,155**	**6,050,221**	**4,270,397**

Risk weighted of Off-Balance Sheet assets	Jun-16					Jun-15	Jun-14
	Amount Rs 000	Credit conversion factor %	Credit Equivalent amount MUR m	Weight %	Weighted amount MUR m	Weighted amount MUR m	Weighted amount MUR m
Trade related contigencies	16,691	20	3,338	100	3,338	4,533	868
Outstanding commitments	675,454	20	135,091	100	135,091	78,618	15,574
Total Off Balance Sheet					**138,429**	**83,151**	**16,442**

Risk weighted Assets for Operational risk	Jun-16	Jun-15	Jun-14
	Rs 000	Rs 000	Rs 000
Average gross income for last 3 years	320,220	218,054	144,286
Capital Charge	48,033	32,708	21,643
Risk weighted assets for operational risk	480,331	327,081	216,429

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 programmes 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

Stephanie Ha Chow
Chairperson
Audit Committee

16 September 2016

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 90 to 139 which comprise the statement of financial position as at 30 June 2016 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 90 to 139 give a true and fair view of the financial position of the Bank as at 30 June 2016 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 Accoutants
16 September 2016

L.L.K Ah Hee, FCCA
Licenced by FRC

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	2016 Rs	2015 Rs	2014 Rs
ASSETS				
Cash and cash equivalents	6	**3,964,100,418**	4,209,338,745	2,805,820,364
Loans to and placements with banks	7	**969,392,050**	1,293,205,330	410,357,000
Loans and advances to customers	8	**4,618,384,205**	3,022,540,573	2,611,531,008
Investment securities	9	**4,762,813,460**	3,023,798,745	2,549,821,997
Property, plant and equipment	10	**222,202,278**	222,920,721	140,519,789
Intangible assets	11	**9,716,195**	12,081,248	13,669,563
Deferred tax assets	12	**21,796,869**	12,104,927	13,891,899
Other assets	13	**586,862,482**	535,203,124	487,445,589
Total assets		**15,155,267,957**	12,331,193,413	9,033,057,209
LIABILITIES				
Deposits from customers	14	**13,263,979,580**	11,210,088,967	8,258,162,243
Other borrowed funds	15	**140,000,000**	-	1,180,207
Current tax liabilities		**32,541,835**	1,006,333	7,511,567
Other liabilities	17	**192,244,250**	191,430,021	194,052,836
Preference shares	18	**320,758,971**	320,726,882	182,407,187
Total liabilities		**13,949,524,636**	11,723,252,203	8,643,314,040
Shareholder's Equity				
Stated capital	19	**940,495,472**	506,699,200	356,699,200
Retained earnings		**178,491,090**	49,836,305	2,360,009
Other reserves	20	**86,756,759**	51,405,705	30,683,960
Capital and reserves		**1,205,743,321**	607,941,210	389,743,169
Total equity and liabilities		**15,155,267,957**	12,331,193,413	9,033,057,209

These financial statements have been approved and authorised for issue by the Board of Directors on 16 September 2016.

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

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

Stephanie Ha Chow
Chairperson of Audit Committee

The notes set out on pg 94 to 139 form part of these financial statements.
Auditors' report on pg 88 and 89.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 Rs	2015 Rs	2014 Rs
Interest income		**568,364,546**	446,569,983	383,602,068
Interest expense		**(300,366,712)**	(270,914,123)	(268,857,872)
Net interest income	21	**267,997,834**	175,655,860	114,744,196
Fee and commission income		**62,287,855**	56,878,127	47,542,671
Fee and commission expense		**(27,486,119)**	(19,315,322)	(5,796,650)
Net fee and commission income	22	**34,801,736**	37,562,805	41,746,021
Dividend income		**1,036,164**	114,715	705,255
Other trading income	23	**130,136,225**	98,505,914	45,902,100
Other income	24	**509,697**	9,618,825	1,624,157
		131,682,086	108,239,454	48,231,512
Operating income		**434,481,656**	321,458,119	204,721,729
Personnel expenses	26	**(100,909,341)**	(87,798,992)	(64,694,724)
Depreciation and amortisation	10,11	**(16,846,870)**	(15,450,885)	(11,263,285)
Other expenses	27	**(70,250,415)**	(71,534,668)	(48,063,214)
Non interest expense		**(188,006,626)**	(174,784,545)	(124,021,223)
Operating profit before impairment		**246,475,030**	146,673,574	80,700,506
Allowance for credit impairment on financial assets	25	**(44,492,851)**	(71,569,014)	(62,550,915)
Operating profit before tax		**201,982,179**	75,104,560	18,149,591
Tax expense	16	**(25,529,284)**	(6,884,342)	(3,005,747)
Profit for the year		**176,452,895**	68,220,218	15,143,844
Other comprehensive (loss)/income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of retirement pension net of deferred tax		**852,957**	-	-
Items that may be reclassified subsequently to profit or loss:				
Fair value realised on disposal of available-for-sale financial assets		**(389,784)**	(83,468)	-
(Loss)/gain on remeasuring available-for-sale financial assets	9(a)	**(4,806,342)**	61,291	2,259,076
		(5,196,126)	(22,177)	2,259,076
Other comprehensive (loss)/income for the year		**(4,343,169)**	(22,177)	2,259,076
Total comprehensive income		**172,109,726**	68,198,041	17,402,920
Earnings per share				
Basic	28	**3.46**	1.60	0.47

The notes set out on pg 94 to 139 form part of these financial statements.
Auditors' report on pg 88 and 89.

	Notes	Stated capital Rs	Retained earnings/ (Accumulated losses) Rs	Statutory reserve Rs	General banking reserve Rs	Investment revaluation reserve Rs	Total Rs
At 1 July 2013		**304,871,110**	**(6,095,409)**	**11,849,083**	**10,362,328**	**(474,953)**	**320,512,159**
Profit for the year		-	15,143,844	-	-	-	15,143,844
Other comprehensive income		-	-	-	-	2,259,076	2,259,076
Total comprehensive income for the year		**-**	**15,143,844**	**-**	**-**	**2,259,076**	**17,402,920**
Right Issue	19	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	19	150,000,000	-	-	-	-	150,000,000
Transfer to statutory reserve		-	(10,233,033)	10,233,033	-	-	-
Transfer to general banking reserve		-	(10,510,889)	-	10,510,889	-	-
At 30 June 2015		**506,699,200**	**49,836,305**	**24,353,693**	**25,290,066**	**1,761,946**	**607,941,210**
At 1 July 2015		**506,699,200**	**49,836,305**	**24,353,693**	**25,290,066**	**1,761,946**	**607,941,210**
Profit for the year		-	176,452,895	-	-	-	176,452,895
Other comprehensive income/(loss)		-	852,957	-	-	(5,196,126)	(4,343,169)
Total comprehensive income/(loss) for the year		**-**	**177,305,852**	**-**	**-**	**(5,196,126)**	**172,109,726**
Issue of shares	19	433,796,272	-	-	-	-	433,796,272
Transfer to statutory reserve		-	(26,467,934)	26,467,934	-	-	-
Transfer to general banking reserve		-	(14,079,246)	-	14,079,246	-	-
Equity dividends	29	-	(8,103,887)	-	-	-	(8,103,887)
At 30 June 2016		**940,495,472**	**178,491,090**	**50,821,627**	**39,369,312**	**(3,434,180)**	**1,205,743,321**

The notes set out on pg 94 to 139 form part of these financial statements.
Auditors' report on pg 88 and 89.

	Notes	2016 Rs	2015 Rs	2014 Rs
Cash flows from operating activities				
Profit before taxation		**201,982,179**	75,104,560	18,149,591
Adjustments for:				
Depreciation	10	**13,961,195**	12,717,336	8,683,428
Amortisation	11	**2,885,675**	2,733,549	2,579,857
Provision for credit impairment	25	**44,492,851**	71,569,014	62,550,915
Employee benefit liability	36	**601,233**	(101,845)	136,533
Exchange difference		**(1,885,138)**	(15,257,206)	-
Loss/(profit) on disposal of property, plant and equipment	27,24	**1,084,139**	1,674,236	(170,023)
Profit on disposal of investment securities	24	**(373,500)**	(9,581,619)	-
		262,748,634	138,858,025	91,930,301
Net changes in operating assets and liabilities				
Increase in loans and advances to customers		**(1,640,336,483)**	(482,578,581)	(233,528,075)
Increase in other assets		**(51,659,358)**	(47,757,531)	(88,116,890)
Decrease/(increase) in loans to and placements with banks		**323,813,280**	(882,848,330)	574,914,614
Increase in deposits from customers		**2,053,890,613**	2,951,926,724	1,664,191,450
Increase/(decrease) in other liabilities		**1,231,163**	(1,727,278)	22,682,488
		949,687,849	1,675,873,029	2,032,073,888
Income tax(paid)/ refund		**(3,818,844)**	(12,256,602)	2,413,213
Net cash generated from operating activities		**945,869,005**	1,663,616,427	2,034,487,101
Cash flows from investing activities				
Purchase of investment securities		**(2,871,430,254)**	(889,749,687)	(798,516,854)
Proceeds from sale and redemption of investment securities		**1,129,478,051**	440,589,586	417,531,560
Purchase of property, plant and equipment	10	**(15,921,768)**	(98,647,582)	(31,234,895)
Purchase of intangible assets	11	**(520,622)**	(1,145,234)	(1,064,360)
Proceeds from sale of property, plant and equipment		**1,594,876**	1,855,078	1,786,974
Net cash used in investing activities		**(1,756,799,717)**	(547,097,839)	(411,497,575)
Cash flows from financing activities				
Proceeds of debt securities issued and other borrowed funds	15	**140,000,000**	-	-
Repayment of debt securities issued and other borrowed funds		**-**	(114,062)	(50,264,266)
Proceeds from issue of preference shares	18	**-**	138,180,000	-
Proceeds from issue of shares	19	**433,796,272**	150,000,000	51,828,090
Dividend paid	29	**(8,103,887)**	-	-
Net cash generated from financing activities		**565,692,385**	288,065,938	1,563,824
Net (decrease)/ increase in cash and cash equivalents		**(245,238,327)**	1,404,584,526	1,624,553,350
Net cash and cash equivalents at beginning of year		**4,209,338,745**	2,804,754,219	1,180,200,869
Net cash and cash equivalents at end of year	6	**3,964,100,418**	4,209,338,745	2,804,754,219

The notes set out on pg 94 to 139 form part of these financial statements.
Auditors' report on pg 88 and 89.

1. CORPORATE INFORMATION

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

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

The financial statements for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 16th September 2016.

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) Leases

Finance leases

(i) Initial recognition

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

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

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

2.3 Summary of significant accounting policies (cont'd)

(b) 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 entity 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 subsequently measured at amortised cost using the effective interest methods.

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.

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.

(iv) Financial assets

Financial assets are classified into the following specific categories:- held to maturity investments, available- for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recogntion.

2.3 Summary of significant accounting policies (cont'd)

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

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.

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.

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.

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 or loss when the right of the payment has been established. The losses arising from impairment of such investments are recognised in 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.

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.

2.3 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.

2.3 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.

2.3 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

Fee and commission income

Fees and commisions are generally recognised on an accrual basis when the service has been provided.

Dividend income

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

2.3 Summary of significant accounting policies (cont'd)

(i) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash in 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.

(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.

2.3 Summary of significant accounting policies (cont'd)

(m) Post-employment benefits

Retirement gratuities

Post-employment benefits relate to retirement gratuities payable under the Employment Rights Act 2008 and provided for. The obligations arising under this item are determined by actuarial valuation carried out every year.

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.

(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.

2.3 Summary of significant accounting policies (cont'd)

(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.

2.4 Application of new and revised international financial reporting standards (IFRSs)

In the current year, there has been no 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 the bank's operations and effective for accounting period beginning on or after 1 July 2015.

Relevant new and revised Standards in issue but 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 of Financial Statements - Amendments resulting from the disclosure initiative (effective 1 January 2016)

IAS 7 Statements of Cash flows - Amendments as result of the disclosure initiative (effective 1 January 2017)

IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses (1 January 2017)

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)

2.4 Application of new and revised international financial reporting standards (IFRSs) (cont'd)

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)

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)

IFRS 15 Revenue from Contracts with Customers - Amendments to defer the effective date to 1 January 2018 (effective 1 January 2018)

IFRS 16 Leases - Original issue (effective 1 January 2019)

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 loans and advances 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 loans and advances, 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.

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.

BANK	Gross maximum exposure 2016 Rs	2015 Rs	2014 Rs
Cash and cash equivalents	**3,964,100,418**	4,209,338,745	2,805,820,364
Loans to and placements with banks	**969,392,050**	1,293,205,330	410,357,000
Investment securities	**4,762,813,460**	3,023,798,745	2,549,821,997
Loans and advances to customers	**4,759,134,461**	3,126,021,882	2,735,801,421
Other assets	**110,343,739**	106,001,510	81,610,438
Total credit risk exposure	**14,565,784,128**	11,758,366,212	8,583,411,220

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	Gross maximum exposure 2016 Rs	2015 Rs	2014 Rs
Manufacturing	**356,354,638**	171,026,132	150,016,168
Construction	**482,019,641**	343,461,998	198,594,824
Professional	**41,704,345**	41,953,806	9,802,023
Traders	**782,964,617**	494,004,325	486,294,192
Tourism	**766,536,696**	554,376,506	283,681,245
Transport	**255,443,088**	291,384,718	364,764,996
Financial and Business services	**858,470,086**	585,351,633	599,211,904
Personal	**267,426,378**	254,832,922	250,718,036
Agriculture	**160,279,445**	91,128,338	197,377,106
Global Business Licence Holders	**654,814,898**	144,511,031	-
Others	**133,120,629**	153,990,473	195,340,927
	4,759,134,461	3,126,021,882	2,735,801,421

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

	2016 Rs	2015 Rs	2014 Rs
Manufacturing	**16,351,723**	5,258,784	5,087,342
Construction	**23,218,653**	19,369,392	17,203,437
Professional	**176,554**	86,456	42,288
Traders	**14,617,352**	11,566,299	7,879,953
Tourism	**26,051,090**	22,207,068	24,537,796
Transport	**16,747,032**	12,055,156	29,823,405
Financial and Business services	**1,998,632**	682,735	715,037
Personal	**32,440,134**	27,086,045	17,585,216
Agriculture	**633,520**	313,807	248,214
Global Business Licence Holders	**2,626,059**	-	-
Others	**5,889,507**	4,855,567	21,147,725
	140,750,256	103,481,309	124,270,413

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.

For loans, 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.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Credit quality per class of financial assets

	2016		2015		2014	
	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	**3,964,100,418**	**-**	4,209,338,745	-	2,805,820,364	-
Loans to and placements with banks	**969,392,050**	**-**	1,293,205,330	-	410,357,000	-
Investment-unquoted equity instruments	**2,270,000**	**-**	2,270,000	-	2,470,000	-
Investments - available-for-sale	**79,954,784**	**-**	74,173,466	-	81,845,357	-
Investments - loans and receivables	**1,723,102,074**	**-**	191,591,364	-	-	-
Investments - held to maturity	**2,957,486,602**	**-**	2,755,763,915	-	2,465,506,640	-
Loans and advances to customers	**3,814,532,059**	**944,602,402**	2,413,628,543	712,393,339	2,038,117,938	697,683,483
Other assets	**110,343,739**	**-**	106,001,510	-	81,610,438	-
	13,621,181,726	**944,602,402**	11,045,972,873	712,393,339	7,885,727,737	697,683,483

	2016	2015	2014
The credit quality of loans and advances to customers is analysed as:			
Past due but not impaired	**820,464,275**	544,192,787	380,134,628
Impaired	**124,138,127**	168,200,552	317,548,855
	944,602,402	712,393,339	697,683,483

Impairment assessment

The main considerations for the impairment assessment of the bank's loans and advances portfolio include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The bank determines the allowances appropriate for each individually significant loan and 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.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

The bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The bank also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. The ratio during the period was as follows:

	2016 %	2015 %	2014 %
Average during the period	**35**	30	21
Highest	**42**	38	34
Lowest	**38**	26	16

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the bank's financial liabilities at end of period 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.

Non-derivative financial liabilities

	Less than 3 months Rs	**3 to 12 months Rs**	**1 to 3 years Rs**	**Over 3 years Rs**	**No specific maturity Rs**	**Total Rs**
2016						
Deposits from customers	10,964,732,926	1,135,414,180	1,004,002,672	159,829,802	-	13,263,979,580
Borrowed funds	140,000,000	-	-	-	-	140,000,000
Other liabilities	28,441,590	63,644,083	36,721,479	880,014	60,454,581	190,141,747
Preference shares	-	57,597,971	124,981,000	138,180,000	-	320,758,971
Total undiscounted financial liabilities	**11,133,174,516**	**1,256,656,234**	**1,165,705,151**	**298,889,816**	**60,454,581**	**13,914,880,298**
2015						
Deposits from customers	9,081,716,306	1,100,153,690	704,111,238	324,107,733	-	11,210,088,967
Other liabilities	34,305,099	24,587,185	28,404,741	4,947,491	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	911,321,979	467,235,224	96,489,466	11,719,549,831
2014						
Deposits from customers	5,589,698,794	1,755,478,112	238,309,386	674,675,951	-	8,258,162,243
Borrowed funds	1,134,298	45,909	-	-	-	1,180,207
Other liabilities	43,380,563	29,736,116	17,046,631	5,374,002	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	1,788,861,324	434,162,017	680,049,953	95,716,729	8,633,003,678

(d) Market risk

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

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 2016.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

	Sensitivity of net interest income		
	2016	2015	2014
	Rs	Rs	Rs
Increase in basis point - 50 bp	**(9,099,190)**	(8,432,151)	(5,823,033)
Decrease in basis point - 50 bp	**9,099,190**	8,432,151	5,823,033

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.

(ii) 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 2016) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Change in price	Effect on equity		
	2016	2015	2014
%	**Rs**	Rs	Rs
+10	**7,995,478**	7,417,347	8,184,536

(iii) 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 2016 amounted to Rs 47,429 (30 June 2015: Rs 40,441, 30 June 2014: Rs 54,511)

The bank monetary assets and liabilities as at 30 June 2016 is:

	EUR	GBP	USD	Others	Total
	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	1,764,831,884	500,399,444	1,388,311,769	145,094,842	**3,798,637,939**
Loans to and placements with banks	472,440,000	109,204,000	354,500,000	1,133,050	**937,277,050**
Loans and advances to customers	911,930,593	-	534,332,836	-	**1,446,263,429**
Investment securities	-	-	190,481,713	-	**190,481,713**
Other assets	17,246,174	5,373,648	40,808,358	17,782	**63,445,962**
	3,166,448,651	**614,977,092**	**2,508,434,676**	**146,245,674**	**6,436,106,093**
Deposits from customers	2,747,168,035	675,094,102	2,854,342,084	146,317,353	**6,422,921,574**
Other liabilities	7,020,431	1,685,194	2,705,058	432,545	**11,843,228**
	2,754,188,466	**676,779,296**	**2,857,047,142**	**146,749,898**	**6,434,764,802**
Net position	**412,260,185**	**(61,802,204)**	**(348,612,466)**	**(504,224)**	**1,341,291**

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) 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 is 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.

(f) 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.

(g) Categories of financial instruments

The categories of financial instruments are disclosed in Note 30 to the financial statements.

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.

		Note	Quoted market price	Valuation techniques - market observable inputs	Valuation techniques - non-market observable inputs	Total
			Rs	Rs	Rs	Rs
Financial assets						
Financial investments - available-for-sale	**2016**	9	79,954,784	-	-	**79,954,784**
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

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

5. CAPITAL RISK MANAGEMENT (CONT'D)

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 2016 and at that date, the bank has complied with the regulatory requirement for both share capital and reserves. The bank manages its capital with the aim of maximising the return to the shareholders and other stakeholders.

6. CASH AND CASH EQUIVALENTS

	2016 Rs	2015 Rs	2014 Rs
Cash in hand	**11,168,368**	7,208,327	15,264,945
Foreign currency notes and coins	**1,612,485**	1,180,324	1,129,166
Unrestricted balances with Central Bank	**187,679,011**	651,760,055	313,924,802
Balances with local banks	**15,807,492**	28,095,813	16,333,820
Balances with banks abroad	**439,983,562**	1,213,417,726	1,091,676,881
Interbank loans and placements-Local banks	**143,117,500**	362,546,500	1,367,490,750
Interbank loans and placements-Foreign banks	**3,164,732,000**	1,945,130,000	-
	3,964,100,418	4,209,338,745	2,805,820,364

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 :

	2016 Rs	2015 Rs	2014 Rs
Balances with banks	**3,964,100,418**	4,209,338,745	2,805,820,364
Bank overdrafts (Note 15)	**-**	-	(1,066,145)
Cash and cash equivalents	**3,964,100,418**	4,209,338,745	2,804,754,219

7. LOANS TO AND PLACEMENTS WITH BANKS

	2016 Rs	2015 Rs	2014 Rs
Central Bank	**32,115,000**	-	-
Banks in Mauritius	**1,133,050**	545,965,330	348,677,000
Banks outside Mauritius	**936,144,000**	747,240,000	61,680,000
	969,392,050	1,293,205,330	410,357,000

The interest rates vary from 1.2% to 3.7% (2015: from 0.05% to 4.25%; 2014: from 0.05% to 3.80%).
The maturity analysis of loans to and placements with banks is disclosed in Note 31.

8. LOANS AND ADVANCES TO CUSTOMERS

	2016 Rs	2015 Rs	2014 Rs
Retail:			
Investment in finance leases	**339,555,834**	348,371,364	410,869,641
Rental income receivable	**21,883,078**	28,722,625	51,191,265
Loans	**171,601,902**	150,433,267	79,654,733
Others	**15,357,359**	29,185,296	1,899,899
Corporate:			
Investment in finance leases	**529,967,450**	565,918,754	702,222,662
Rental income receivable	**37,616,854**	51,210,961	88,839,478
Loans	**2,501,248,609**	1,182,254,193	1,146,753,946
Others	**1,141,903,375**	769,925,422	254,369,797
	4,759,134,461	3,126,021,882	2,735,801,421
Less allowance for specific impairment	**(112,872,043)**	(90,530,057)	(114,032,593)
Less allowance for collective impairment	**(27,878,213)**	(12,951,252)	(10,237,820)
	4,618,384,205	3,022,540,573	2,611,531,008

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

(a) Remaining term to maturity

Finance lease receivables

	2016 Rs	2015 Rs	2014 Rs
Gross investment in finance leases:			
Up to 3 months	**150,419,269**	185,269,899	266,041,082
Over 3 months and up to 6 months	**87,388,956**	98,000,878	117,960,248
Over 6 months and up to 12 months	**146,457,828**	176,154,049	211,409,989
Over 1 year and up to 5 years	**569,790,871**	578,991,172	687,028,684
Over 5 years	**41,375,569**	22,282,696	13,188,879
	995,432,493	1,060,698,694	1,295,628,882
Unearned future finance income on finance leases	**(66,409,277)**	(66,474,990)	(42,505,836)
Net investment in finance leases	**929,023,216**	994,223,704	1,253,123,046

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

	2016 Rs	2015 Rs	2014 Rs
Current			
- Not later than 1 year	**400,948,519**	468,759,578	638,387,885
Non current			
- Later than 1 year and not later than 5 years	**490,913,952**	505,412,808	602,784,152
- Later than 5 years	**37,160,745**	20,051,318	11,951,009
	929,023,216	994,223,704	1,253,123,046

Generally, the lease period is for five years (weighted average interest rate of 8.6%).

	2016 Rs	2015 Rs	2014 Rs
Loans and others			
Up to 3 months	**1,502,067,034**	732,718,291	753,326,887
Over 3 months and up to 6 months	**520,708,786**	239,797,876	75,685,415
Over 6 months and up to 12 months	**680,213,934**	377,196,548	125,306,875
Over 1 year and up to 5 years	**913,824,569**	591,678,966	369,198,735
Over 5 years	**213,296,922**	190,406,497	159,160,463
	3,830,111,245	2,131,798,178	1,482,678,375

(b) Credit concentration of risk by industry sectors

	2016 Rs	2015 Rs	2014 Rs
Sectorial concentration of loans and advances			
Manufacturing	**356,354,638**	171,026,132	150,016,168
Construction	**482,019,641**	343,461,998	198,594,824
Professional	**41,704,345**	41,953,806	9,802,023
Traders	**782,964,617**	494,004,325	486,294,192
Tourism	**766,536,696**	554,376,506	283,681,245
Transport	**255,443,088**	291,384,718	364,764,996
Financial and Business services	**858,470,086**	585,351,633	599,211,904
Personal	**267,426,378**	254,832,922	250,718,036
Agriculture	**160,279,445**	91,128,338	197,377,106
Global Business Licence Holders	**654,814,898**	144,511,031	-
Others	**133,120,629**	153,990,473	195,340,927
	4,759,134,461	3,126,021,882	2,735,801,421

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

(b) Credit concentration of risk by industry sectors

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:

	2016	2015	2014
	Rs	Rs	Rs
Agriculture	**-**	-	297,733,749
Construction	**58,327,802**	-	49,467,977
Financial and Business services	**374,489,098**	289,678,462	537,129,821
Information, Communication & Technology	**-**	1,265,294	2,897,582
Infrastructure	**-**	363,100	569,927
Manufacturing	**209,652,526**	40,463,542	45,082,712
Tourism	**714,445,827**	351,469,075	114,586,491
Traders	**357,016,174**	142,813,063	176,742,413
Transport	**80,498,013**	79,942,081	63,491,583
Global Business Licence Holders	**502,347,337**	140,400,000	-
Others	**14,296,974**	14,471,022	14,200,000
	2,311,073,751	1,060,865,639	1,301,902,255

(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	Collective impairment	Total
	Rs	Rs	Rs
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
At 1 July 2015	90,530,057	12,951,252	103,481,309
Provision for credit impairment for the year	31,869,291	14,926,961	46,796,252
Provision released	(2,358,423)	-	(2,358,423)
Written off	(7,168,882)	-	(7,168,882)
At 30 June 2016	**112,872,043**	**27,878,213**	**140,750,256**

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

(d) Allowance for credit impairment by industry sectors

	2016					2015	2014
	Gross amount of loans	**Non performing loans**	**Specific allowance for credit impairment**	**Portfolio allowance for credit impairment**	**Total allowances for credit impairment**	Total allowances for credit impairment	Total allowances for credit impairment
	Rs	**Rs**	**Rs**	**Rs**	**Rs**	Rs	Rs
Manufacturing	356,354,638	14,919,997	14,570,691	1,781,032	16,351,723	5,258,784	5,087,342
Construction	482,019,641	19,289,546	19,232,488	3,986,165	23,218,653	19,369,392	17,203,437
Professional	41,704,345	149,117	-	176,554	176,554	86,456	42,288
Traders	782,964,617	14,407,674	9,836,176	4,781,176	14,617,352	11,566,299	7,879,953
Tourism	766,536,696	22,796,304	22,679,954	3,371,136	26,051,090	22,207,068	24,537,796
Transport	255,443,088	16,218,370	13,542,573	3,204,459	16,747,032	12,055,156	29,823,405
Financial and Business services	858,470,086	240,541	221,934	1,776,698	1,998,632	682,735	715,037
Personal	267,426,378	30,343,085	28,314,474	4,125,660	32,440,134	27,086,045	17,585,216
Agriculture	160,279,445	251,147	223,799	409,721	633,520	313,807	248,214
Global Business Licence Holders	654,814,898	-	-	2,626,059	2,626,059	-	-
Others	133,120,629	6,310,678	4,249,954	1,639,553	5,889,517	4,855,567	21,147,725
Total	4,759,134,461	124,926,459	112,872,043	27,878,213	140,750,256	103,481,309	124,270,413

9. INVESTMENT SECURITIES

		2016 Rs	2015 Rs	2014 Rs
Unquoted equity instruments		**2,270,000**	2,270,000	2,470,000
Available-for-sale investments	9(a)	**79,954,784**	74,173,466	81,845,357
Loans and receivables	9(b)	**1,723,102,074**	191,591,364	-
Held to maturity investment securities	9(c)	**2,957,486,602**	2,755,763,915	2,465,506,640
		4,762,813,460	3,023,798,745	2,549,821,997

(a) Available-for-sale investments

	2016 Rs	2015 Rs	2014 Rs
Quoted securities	**79,954,784**	74,173,466	81,845,357

Quoted securities

	2016 Rs	2015 Rs	2014 Rs
At 1 July,	**74,173,466**	81,845,357	3,488,475
Additions	**12,757,660**	19,678,091	76,097,806
Disposals	**(2,170,000)**	(27,411,273)	-
Unrealised fair value adjustments	**(4,806,342)**	61,291	2,259,076
At end of period	**79,954,784**	74,173,466	81,845,357

(b) Loans and receivables

	2016 Rs	2015 Rs	2014 Rs
At 1 July	**191,591,364**	-	-
Additions	**2,658,672,594**	191,591,364	-
Disposals	**(1,127,161,884)**	-	-
At end of period	**1,723,102,074**	191,591,364	-

Remaining term to maturity

	Up to 3 months Rs	3-12 months Rs	1 to 3 years Rs	Over 3 years Rs	2016 Total Rs	2015 Total Rs	2014 Total Rs
BOM securities	24,807,250	-	208,323,472	188,696,550	**421,827,272**	34,884,850	-
Treasury bills	606,149,493	449,447,012	-	-	**1,055,596,505**	137,384,314	-
Government bonds and notes	50,337,097	-	175,297,900	20,043,300	**245,678,297**	19,322,200	-
	681,293,840	449,447,012	383,621,372	208,739,850	**1,723,102,074**	191,591,364	-

9. INVESTMENT SECURITIES (CONT'D)

(c) Held to maturity investment securities

	2016 Rs	2015 Rs	2014 Rs
(i) BOM securities	**60,103,800**	60,103,800	60,103,800
Treasury notes	**-**	-	332,013,750
Government bonds and notes	**2,476,901,090**	2,476,901,090	1,931,353,090
Corporate bonds	**420,481,712**	218,759,025	142,036,000
	2,957,486,602	2,755,763,915	2,465,506,640

(ii) Remaining term to maturity

	Up to 3 months Rs	3-12 months Rs	1 to 3 years Rs	Over 3 years Rs	2016 Total Rs	2015 Total Rs	2014 Total Rs
BOM securities	-	-	60,103,800	-	**60,103,800**	60,103,800	60,103,800
Treasury notes	-	-	-	-	**-**	-	332,013,750
Government bonds and notes	202,439,000	56,028,840	-	2,218,433,250	**2,476,901,090**	2,476,901,090	1,931,353,090
Corporate bonds	-	-	59,316,712	361,165,000	**420,481,712**	218,759,025	142,036,000
	202,439,000	56,028,840	119,420,512	2,579,598,250	**2,957,486,602**	2,755,763,915	2,465,506,640

(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).

Available-for-sale investment securities	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
2016	79,954,784	-	-	79,954,784
2015	74,173,466	-	-	74,173,466
2014	81,845,357	-	-	81,845,357

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land Rs	Buildings Rs	Improvement to building Rs	Other Fixed Assets Rs	Computer Equipment Rs	Motor Vehicles Rs	Total Rs
COST							
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
At 1 July 2015	34,846,792	58,077,988	102,288,675	36,742,384	12,854,976	9,524,242	254,335,057
Additions	-	-	3,665,383	926,261	10,100,124	1,230,000	15,921,768
Disposals	-	-	-	(428,190)	(317,113)	(4,166,770)	(4,912,073)
At 30 June 2016	**34,846,792**	**58,077,988**	**105,954,058**	**37,240,455**	**22,637,987**	**6,587,472**	**265,344,752**
DEPRECIATION							
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
At 1 July 2015	-	2,903,900	3,973,442	13,346,696	8,101,296	3,089,002	31,414,336
Charge for the year	-	1,161,560	5,221,341	3,594,179	2,689,356	1,294,759	13,961,195
Disposals	-	-	-	(71,708)	(305,077)	(1,856,272)	(2,233,057)
At 30 June 2016	**-**	**4,065,460**	**9,194,783**	**16,869,167**	**0,485,575**	**2,527,489**	**43,142,474**
NET BOOK VALUE							
At 30 June 2016	**34,846,792**	**54,012,528**	**96,759,275**	**20,371,288**	**12,152,412**	**4,059,983**	**222,202,278**
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

11. INTANGIBLE ASSETS

COMPUTER SOFTWARE

COST	2016 Rs	2015 Rs	2014 Rs
At 1 July	**24,336,392**	23,191,158	22,126,798
Additions	**520,622**	1,145,234	1,064,360
At 30 June	**24,857,014**	24,336,392	23,191,158
AMORTISATION			
At 1 July	**12,255,144**	9,521,595	6,941,738
Amortisation	**2,885,675**	2,733,549	2,579,857
At 30 June	**15,140,819**	12,255,144	9,521,595
NET BOOK VALUE			
At 30 June	**9,716,195**	12,081,248	13,669,563

NOTES TO THE FINANCIAL STATEMENTS
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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 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
At 1 July 2015	12,104,927
Accelerated tax depreciation	259,763
Impairment allowance	9,520,785
Retirement benefit obligations	(88,606)
At 30 June 2016	**21,796,869**

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2016 Rs	2015 Rs	2014 Rs	**2016 Rs**	2015 Rs	2014 Rs
Deferred tax liability						
Accelerated tax depreciation	**(5,421,118)**	(5,680,881)	(5,130,467)	**259,763**	(550,414)	(340,617)
Deferred income tax asset						
Impairment allowance	**26,940,066**	17,419,281	18,640,562	**9,520,785**	(1,221,281)	6,332,910
Retirement benefit obligations	**411,041**	366,527	381,804	**44,514**	(15,277)	20,480
	27,351,107	17,785,808	19,022,366	**9,565,299**	(1,236,558)	6,353,390
Deferred tax income/ (expense) (Note 16)				**9,825,062**	(1,786,972)	6,012,773
Deferred tax through other comprehensive income						
Retirement benefit obligations	**(133,120)**	-	-			
Deferred tax assets net	**21,796,869**	**12,104,927**	**13,891,899**			

13. OTHER ASSETS

	2016 Rs	2015 Rs	2014 Rs
Mandatory balances with Central Bank	**474,934,834**	427,899,684	401,159,111
Receivables from related parties	**-**	552,860	548,517
Non banking assets acquired in satisfaction of debts	**2,317,666**	10,425,196	11,790,341
Interest receivable	**99,154,345**	88,427,610	64,862,147
Other receivables	**10,455,637**	7,897,774	9,085,473
	586,862,482	535,203,124	487,445,589

Maturity analysis of other assets is disclosed in Note 31.
For terms and conditions relating to the related party receivables, refer to Note 32.
Other receivables are non interest bearing and are generally on 30-90 days' term.

14. DEPOSITS FROM CUSTOMERS

	2016 Rs	2015 Rs	2014 Rs
Retail customers			
Savings deposits	**3,385,730,382**	2,226,238,948	1,130,618,717
Other deposits	**470,428,665**	377,152,607	305,625,686
Time deposits with remaining term to maturity:			
Up to 3 months	**106,962,119**	122,347,027	162,539,132
Over 3 months and up to 6 months	**83,993,529**	85,294,864	104,753,845
Over 6 months and up to 12 months	**263,232,226**	193,023,690	426,768,139
Over 1 year and up to 5 years	**705,657,775**	604,614,113	622,718,808
Corporate customers			
Savings deposits	**424,991,392**	360,782,315	243,413,642
Other deposits	**6,157,188,778**	5,628,115,924	3,132,622,151
Term deposits with remaining term to maturity:			
Up to 3 months	**419,431,589**	367,079,486	614,879,466
Over 3 months and up to 6 months	**73,247,000**	118,520,000	109,869,941
Over 6 months and up to 12 months	**714,941,425**	703,315,136	1,118,876,611
Over 1 year and up to 5 years	**458,174,700**	423,604,857	285,476,105
	13,263,979,580	11,210,088,967	8,258,162,243

Saving and time deposits bear interest rates ranging from 3.15% to 7.7% per annum (2015: 3.40% to 14.0%, 2014: 3.40% to 14.0%).

15. OTHER BORROWED FUNDS

	2016 Rs	2015 Rs	2014 Rs
Bank overdraft (Note (a) & Note 6)	**-**	-	1,066,145
Other loan (Note (b))	**-**	-	114,062
Interbank borrowings (Note (c))	**140,000,000**	-	-
	140,000,000	-	1,180,207

(a) The bank overdrawn balance is unsecured
(b) Other loan was unsecured and was repaid in Nov 2014
(c) The interbank borrowing is unsecured, bearing interest rate from 1.65 % to 1.7 % and was repaid in July 2016.

16. TAX EXPENSE

Income tax is calculated at the rate of 15% (2015 and 2014: 15%) on the profit for the year.

The components of income tax expense for the years ended 30 June are:

	2016 Rs	2015 Rs	2014 Rs
Current income tax	**35,774,038**	5,454,300	9,018,520
Overprovision in previous years	**(419,692)**	(356,930)	-
Deferred tax			
Relating to origination and reversal of temporary differences (Note 12)	**(9,825,062)**	1,786,972	(6,012,773)
Tax expense	**25,529,284**	6,884,342	3,005,747

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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:

	2016 Rs	2015 Rs	2014 Rs
Profit before tax	**201,982,179**	75,104,560	18,149,591
At statutory income tax rate of 15% (2015 and 2014: 15%)	**30,297,327**	11,265,684	2,722,439
Non-deductible expenses	**4,887,086**	5,225,261	2,642,770
Exempt income	**(206,606)**	(1,424,450)	(131,292)
CSR	**2,753,288**	-	-
Special levy	**12,206,612**	1,615,693	3,308,207
Income tax overprovision for the previous year	**(419,692)**	(356,930)	-
Tax credit	**(18,849,879)**	(9,440,916)	(5,536,377)
Deferred tax rate differential arising on CSR and levy	**(5,138,852)**	-	-
Tax expense	**25,529,284**	6,884,342	3,005,747

17. OTHER LIABILITIES

	2016 Rs	2015 Rs	2014 Rs
Interest payable on deposits	**104,882,958**	92,244,515	95,537,312
Other payables	**87,361,292**	99,185,506	98,515,524
	192,244,250	191,430,021	194,052,836

Maturity analysis of other liabilities is disclosed in Note 31.

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

Refer to Note 36 for the note on retirement benefit obligation.

18. PREFERENCE SHARES

	2016 Rs	2015 Rs	2014 Rs
At 1 July	**320,726,882**	182,407,187	182,407,187
Issue of shares	**-**	138,180,000	-
Interest accrued	**22,122,101**	13,925,088	13,785,393
Dividend paid	**(22,090,012)**	(13,785,393)	(13,785,393)
At 30 June	**320,758,971**	320,726,882	182,407,187

Refer to Note 31 for the maturity analysis of the preference shares.

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

18. PREFERENCE SHARES (CONT'D)

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 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

	2016 Rs	2015 Rs	2014 Rs
Issued and fully paid capital (Ordinary shares of Rs 10 each)	**762,718,720**	476,699,200	356,699,200
Share premium	**177,776,752**	30,000,000	-
	940,495,472	506,699,200	356,699,200

	2016	2015	2014
Issued and fully paid	**Rs**	Rs	Rs
At 1 July	**506,699,200**	356,699,200	304,871,110
New issue	**433,796,272**	150,000,000	51,828,090
At 30 June	**940,495,472**	506,699,200	356,699,200
Number of shares			
At 1 July	**47,669,920**	35,669,920	30,487,111
New issue	**28,601,952**	12,000,000	5,182,809
At 30 June	**76,271,872**	47,669,920	35,669,920

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

On 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.

On 23 October 2015, the bank issued 9,533,984 Ordinary Shares at Rs 13.50 per share for a total consideration of Rs 128,708,784. The new ordinary shares rank pari passu with the existing ordinary shares in the capital of the bank.

On 10 June 2016, the bank issued 19,067,968 Ordinary Shares of par value of Rs 10.00 each of the bank at a price of Rs 16.00 per share for a total consideration of Rs 305,087,488. The new ordinary shares of par value of Rs 10.00 each of the bank rank pari passu with the existing ordinary shares in the capital of the bank.

20. OTHER RESERVES

	2016 Rs	2015 Rs	2014 Rs
Investment revaluation	**(3,434,180)**	1,761,946	1,784,123
Statutory reserve	**50,821,627**	24,353,693	14,120,660
General banking reserve	**39,369,312**	25,290,066	14,779,177
	86,756,759	51,405,705	30,683,960

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 unforeseeable risks. It also includes provision made to meet other minimum regulatory provision requirements.

Investment revaluation reserve

	2016 Rs	2015 Rs	2014 Rs
At 1 July	**1,761,946**	1,784,123	(474,953)
Net (loss)/gain on available-for-sale financial investments	**(5,196,126)**	(22,177)	2,259,076
At 30 June	**(3,434,180)**	1,761,946	1,784,123

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

21. NET INTEREST INCOME

	2016 Rs	2015 Rs	2014 Rs
Interest income			
Finance leases	**69,585,579**	79,638,966	101,023,431
Interest on late payment	**3,849,121**	8,764,722	15,250,185
Loans and advances to customers	**180,939,502**	116,439,511	81,818,997
Loans to and placements with banks	**82,757,868**	54,817,661	21,138,725
Investment securities	**231,232,476**	186,909,123	164,370,730
	568,364,546	446,569,983	383,602,068
Interest expense			
Deposits from customers	**277,955,314**	256,418,258	254,345,078
Preference shares (Note 18)	**22,122,101**	13,925,088	13,785,393
Borrowed funds	**289,297**	570,777	727,401
	300,366,712	270,914,123	268,857,872
Net interest income	**267,997,834**	175,655,860	114,744,196

22. NET FEE AND COMMISSION INCOME

	2016 Rs	2015 Rs	2014 Rs
Fee and commission income			
Processing fees	**8,731,515**	8,254,545	4,361,904
International banking	**30,106,976**	28,444,581	33,330,148
Interbank transaction fees	**8,908,546**	8,202,707	1,129,421
Others	**14,540,818**	11,976,294	8,721,198
	62,287,855	56,878,127	47,542,671
Fee and commission expense			
Card and related fees	**21,093,139**	14,339,955	5,700,918
Interbank transaction fees	**6,392,980**	4,975,367	95,732
	27,486,119	19,315,322	5,796,650
Net fee and commission income	**34,801,736**	37,562,805	41,746,021

23. OTHER TRADING INCOME

	2016 Rs	2015 Rs	2014 Rs
Foreign exchange gain	**65,420,427**	56,992,513	35,709,156
Foreign exchange on card transaction	**64,715,798**	41,513,401	10,192,944
	130,136,225	98,505,914	45,902,100

24. OTHER INCOME

	2016 Rs	2015 Rs	2014 Rs
Profit on disposal - property, plant and equipment	**-**	-	170,023
Profit on disposal of investment securities	**373,500**	9,581,619	-
Others	**136,197**	37,206	1,454,134
	509,697	9,618,825	1,624,157

25. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2016 Rs	2015 Rs	2014 Rs
Loans and advances to customers	**44,492,851**	71,569,014	62,550,915
Provision for credit impairment	**46,796,252**	52,748,477	52,551,231
Provision released	**(2,358,423)**	(4,696,431)	(7,107,785)
Bad debts recovered	**(3,306,037)**	(3,508,924)	(857,039)
Bad debts written off for which no provision was made	**3,361,059**	27,025,892	17,964,508
	44,492,851	71,569,014	62,550,915

26. PERSONNEL EXPENSES

	2016 Rs	2015 Rs	2014 Rs
Wages and salaries	**82,936,383**	75,382,804	57,206,491
Employees benefit liability	**601,233**	(101,845)	136,533
Others	**17,371,725**	12,518,033	7,351,700
	100,909,341	87,798,992	64,694,724

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27. OTHER EXPENSES

	2016 Rs	2015 Rs	2014 Rs
Motor vehicle expenses and insurance	**4,719,073**	5,156,702	7,172,210
Rental of office	**603,015**	3,157,375	4,854,071
Advertising and marketing	**4,251,090**	3,940,540	1,193,650
Information technology costs	**20,220,960**	7,856,045	6,131,275
Licences	**2,862,837**	2,676,577	1,660,196
Loss on disposal of property, plant and equipment	**1,084,139**	1,674,236	-
Communication costs	**7,693,831**	7,329,672	6,584,648
Legal and professional fees	**9,631,601**	14,071,460	5,294,658
Maintenance costs	**3,437,274**	7,431,790	2,161,971
Others	**15,746,595**	18,240,271	13,010,535
	70,250,415	71,534,668	48,063,214

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 during the year.

	2016	2015	2014
Profit (Rs)	**176,452,895**	68,220,218	15,143,844
Weighted average number of ordinary shares	**50,952,111**	42,738,413	32,475,038
Basic earnings per share (Rs)	**3.46**	1.60	0.47

29. DIVIDENDS

A dividend of Rs 8,103,886 (Rs 0.17 per share) has been paid in October 2015.

By a board resolution on 16 September 2016, a dividend of Rs 41,186,811 (Rs 0.54 per share) has been declared.

30. 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.

		2016					
		Classification of carrying amount					Fair value
	Notes	Loans and receivables Rs	Available-for-sale Rs	Held to maturity Rs	Liabilities at amortised cost Rs	Total Rs	Total Rs
Financial assets							
Cash and cash equivalents	6	3,964,100,418	-	-	-	3,964,100,418	3,964,100,418
Loans to and placements with banks	7	969,392,050	-	-	-	969,392,050	969,392,050
Investment securities	9	1,723,102,074	82,224,784	2,957,486,602	-	4,762,813,460	4,762,813,460
Loans and advances to customers	8	4,618,384,205	-	-	-	4,618,384,205	4 ,618,384,205
Other assets		110,343,739	-	-	-	110,343,739	110,343,739
		11,385,322,486	82,224,784	2,957,486,602	-	14,425,033,872	14,425,033,872
Financial liabilities							
Deposits from customers	14	-	-	-	13,263,979,580	13,263,979,580	13,263,979,580
Borrowed funds	15	-	-	-	140,000,000	140,000,000	140,000,000
Other liabilities		-	-	-	190,141,747	190,141,747	190,141,747
Preference shares	18	-	-	-	320,758,971	320,758,971	320,758,971
		-	-	-	13,914,880,298	13,914,880,298	13,914,880,298

30. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

		2015					
		Classification of carrying amount					Fair value
	Notes	Loans and receivables Rs	Available-for-sale Rs	Held to maturity Rs	Liabilities at amortised cost Rs	Total Rs	Total Rs
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		106,001,510	-	-	-	106,001,510	106,001,510
		8,822,677,522	76,443,466	2,755,763,915	-	11,654,884,903	11,654,884,903
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

30. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

		2014					
		Classification of carrying amount					Fair value
		Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	Total	Total
	Notes	Rs	Rs	Rs	Rs	Rs	Rs
Financial assets							
Cash and cash equivalents	6	2,805,820,364	-	-	-	2,805,820,364	2,805,820,364
Loans to and placements with banks	7	410,357,000	-	-	-	410,357,000	410,357,000
Investment securities	9	-	84,315,357	2,465,506,640	-	2,549,821,997	2,549,821,997
Loans and advances to customers	8	2,611,531,008	-	-	-	2,611,531,008	2,611,531,008
Other assets		81,610,438	-	-	-	81,610,438	81,610,438
		5,909,318,810	84,315,357	2,465,506,640	-	8,459,140,807	8,459,140,807
Financial liabilities							
Deposits from customers	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

31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

		2016						
		Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
	Notes	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and cash equivalents	6	3,964,100,418	-	3,964,100,418	-	-	-	3,964,100,418
Loans to and placements with banks	7	398,160,000	571,232,050	969,392,050	-	-	-	969,392,050
Investment securities	9	883,732,840	505,475,852	1,389,208,692	503,041,884	2,788,338,100	82,224,784	4,762,813,460
Loans and advances to customers	8	1,570,642,073	1,393,055,891	2,963,697,964	837,101,369	834,197,002	124,138,126	4,759,134,461
Intangible assets	11	-	-	-	-	-	9,716,195	9,716,195
Property, plant and equipment	10	-	-	-	-	-	222,202,278	222,202,278
Deferred tax assets	12	-	-	-	-	-	21,796,869	21,796,869
Other assets	13	184,640,338	304,817,141	489,457,479	27,376,067	57,255,632	12,773,304	586,862,482
Total		7,001,275,669	2,774,580,934	9,775,856,603	1,663,464,320	3,679,790,734	472,851,556	15,296,018,213
Less allowances for credit impairment								(140,750,256)
								15,155,267,957
Liabilities								
Deposits from customers	14	10,964,732,926	1,135,414,180	12,100,147,106	1,004,002,672	159,829,802	-	13,263,979,580
Borrowed funds	15	140,000,000	-	140,000,000	-	-	-	140,000,000
Current tax liabilities		-	32,541,835	32,541,835	-	-	-	32,541,835
Other liabilities	17	28,485,423	63,644,083	92,129,506	36,721,479	880,014	62,513,251	192,244,250
Preference shares	18	-	57,597,971	57,597,971	124,981,000	138,180,000	-	320,758,971
Total		11,133,218,349	1,289,198,069	12,422,416,418	1,165,705,151	298,889,816	62,513,251	13,949,524,636
Net liquidity gap		(4,131,942,680)	1,485.382,865	(2,646,559,815)	497,759,169	3,380,900,918	410,338,305	1,346,493,577
Less allowances for credit impairment								(140,750,256)
								1,205,743,321

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

	Notes	2015						
		Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
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	763,868,130	529,337,200	1,293,205,330	-	-	-	1,293,205,330
Investment securities	9	49,865,000	87,519,314	137,384,314	359,107,290	2,501,617,639	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	163,921,325	168,200,552	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	85,897,106	148,083,872	107,303,440	535,203,124
Total		5,897,540,744	1,586,317,495	7,483,858,239	1,588,893,257	2,813,622,836	548,300,390	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		(3,218,480,661)	456,829,405	(2,761,651,256)	348,516,054	2,675,442,836	449,114,885	711,422,519
Less allowances for credit impairment								(103,481,309)
								607,941,210

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

	Notes	2014						
		Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 3 years	Over 3 years	No specific maturity	Total
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Assets								
Cash and cash equivalents	6	2,805,820,364	-	2,805,820,364	-	-	-	2,805,820,364
Loans to and placements with banks	7	116,954,000	293,403,000	410,357,000	-	-	-	410,357,000
Investment securities	9	-	-	-	590,481,590	1,875,025,050	84,315,357	2,549,821,997
Loans and advances to customers	8	841,562,722	456,304,869	1,297,867,591	643,149,994	475,512,995	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	89,466,670	11,576,423	86,286,478	487,445,589
Total		3,846,249,380	967,911,592	4,814,160,972	1,323,098,254	2,362,114,468	657,953,928	9,157,327,022
Less allowances for credit impairment								(124,270,413)
								9,033,057,209
Liabilities								
Deposits from customers	14	5,589,698,794	1,755,478,112	7,345,176,906	238,309,386	674,675,951	-	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	17,046,631	5,374,002	98,515,524	194,052,836
Preference shares	18	-	3,601,187	3,601,187	53,825,000	124,981,000	-	182,407,187
Total		5,634,213,655	1,796,372,891	7,430,586,546	309,181,017	805,030,953	98,515,524	8,643,314,040
Net liquidity gap		(1,787,964,275)	(828,461,299)	(2,616,425,574)	1,013,917,237	1,557,083,515	559,438,404	514,013,582
Less allowances for credit impairment								(124,270,413)
								389,743,169

32. 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	**2016**	**-**	**12,365,602**	**515,413**	**65,372,699**	**1,254,323**	**-**	**212,800**
	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	-	-
Corporate shareholders with significant influence	**2016**	**247,826,121**	**174,945,595**	**10,744,602**	**-**	**2,790**	**-**	**3,737,702**
	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
Enterprises that have a number of directors in common	**2016**	**20,771,940**	**103,388,328**	**8,635,683**	**26,644,924**	**222,471**	**-**	**7,216,675**
	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
Enterprises under common control	**2016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2015	-	-	-	-	-	-	-
	2014	-	3,765,664	355,215	-	-	-	-
Total	**2016**	**268,598,061**	**290,699,525**	**19,895,698**	**92,017,623**	**1,479,584**	**-**	**11,167,177**
	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

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 2016, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2015 & 2014: 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**

	2016 Rs	2015 Rs	2014 Rs
Short term employee benefits	**10,715,500**	6,688,500	4,902,008

(c) The bank's top six exposures to related parties amount to Rs 279,951,476 (30 June 2015: Rs 169,596,512 and 30 June 2014: Rs 142,691,890). These were 24.7% of Tier 1 Capital. None of these facilities were non-performing (2015 and 2014: Nil).

33. CONTINGENT LIABILITIES

	2016 Rs	2015 Rs	2014 Rs
(a) Instruments			
Guarantees on account of customers	**10,051,719**	12,355,088	6,043,848
Letter of credit and other obligations on account of customers	**6,639,134**	10,309,221	-
(b) Commitments			
Undrawn credit facilities	**675,453,569**	393,088,529	2,700,000
	692,144,422	415,752,838	8,743,848

34. CAPITAL COMMITMENTS

	2016 Rs	2015 Rs	2014 Rs
Contracted but not yet incurred	**-**	-	84,060,876

35. PLEDGED ASSETS

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

	2016 Rs	2015 Rs	2014 Rs
Government of Mauritius bonds, notes and bills	**360,000,000**	360,000,000	240,000,000

36. RETIREMENT BENEFIT OBLIGATION

The retirement benefit obligation relates to the entity's obligation in respect of its Retirement Gratuities. The figures are based on the report dated 5 September 2016 submitted by Feber Associates Limited for the period ended 30 June 2016. No actuarial valuation was performed for the year ended 30 June 2015 and 30 June 2014. As from 1 July 2014, the bank operates a defined contribution plans for all its employees. 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 2,853,900 (30 June 2015: Rs 1,639,628) represents contributions payable to the plan by the bank.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016 Rs	2015 Rs	2014 Rs
Normal retirement age	65	65	65
Discount rate	7.00%	6.50%	6.50%
Expected rate of return on plan assets	0.00%	0.00%	0.00%
Future salary increases	5.00%	6.50%	6.50%
Annual proportion of employees leaving service	5% up to age 40, decreasing to 0% at 45 & nil thereafter	-	-
Actuarial table for employee mortality	PMA92_PFA92	-	-

36. RETIREMENT BENEFIT OBLIGATION (CONT'D)

Amounts recognised in the statement of profit or loss in respect of these defined benefit plans are as follows:

	2016 Rs	2015 Rs	2014 Rs
Current service cost	**421,171**	(101,845)	136,533
Net interest cost	**180,062**	-	-
Net cost for the year recognised in profit and loss	**601,233**	(101,845)	136,533

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2016 Rs	2015 Rs	2014 Rs
Present value of funded defined benefit obligation and liability recognised in the statement of financial position	**2,058,670**	2,443,514	2,545,359

Movements in the present value of the defined benefit obligation in the current year is as follows:

	2016 Rs	2015 Rs	2014 Rs
Opening defined benefit obligation	**2,443,514**	2,545,359	2,408,826
Current service cost	**421,171**	(101,845)	136,533
Interest cost	**180,062**	-	-
Net actuarial gain recognised in other comprehensive income	**(986,077)**	-	-
Present value of obligation at end of year	**2,058,670**	2,443,514	2,545,359

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and longetivity rates. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period, while holding all other assumptions constant.

Sensitivity

Effect on present value of obligations:

1% increase in discount rate	1,360,180
1% decrease in discount rate	3,072,786
1% increase in salary increase assumption	2,864,619
1% decrease in salary increase assumption	1,476,154
Effect of changing longetivity - rate up	2,008,961
Effect of changing longetivity - rate down	2,105,980

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the asssumptions may be correlated.

37. 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 than 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

		2016			2015			2014		
	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	37(a)	**3,964,100,418**	357,772,371	3,606,328,047	4,209,338,745	1,049,610,695	3,159,728,050	2,805,820,364	1,714,143,483	1,091,676,881
Loans to and placements with banks	37(b)	**969,392,050**	33,248,050	936,144,000	1,293,205,330	545,965,330	747,240,000	410,357,000	348,677,000	61,680,000
Loans and advances to customers	37(c)	**4,618,384,205**	3,774,768,960	843,615,245	3,022,540,573	2,723,127,866	299,412,707	2,611,531,008	2,512,695,415	98,835,593
Investment securities		**4,762,813,460**	4,574,054,435	188,759,025	3,023,798,745	2,835,039,720	188,759,025	2,549,821,997	2,549,821,997	-
Property, plant and equipment		**222,202,278**	166,651,708	55,550,570	222,920,721	167,190,541	55,730,180	140,519,789	129,048,786	11,471,003
Intangible assets		**9,716,195**	9,716,195	-	12,081,248	12,081,248	-	13,669,563	13,669,563	-
Deferred tax assets		**21,796,869**	21,796,869	-	12,104,927	12,104,927	-	13,891,899	13,891,899	-
Other assets		**586,862,482**	586,862,482	-	535,203,124	535,203,124	-	487,445,589	487,445,589	-
Total assets		**15,155,267,957**	**9,524,871,070**	**5,630,396,887**	12,331,193,413	7,880,323,451	4,450,869,962	9,033,057,209	7,769,393,732	1,263,663,477
LIABILITIES										
Deposits from customers	37(d)	**13,263,979,580**	7,772,457,866	5,491,521,714	11,210,088,967	5,625,941,404	5,584,147,563	8,258,162,243	4,755,187,163	3,502,975,080
Other borrowed funds		**140,000,000**	140,000,000	-	-	-	-	1,180,207	1,180,207	-
Current tax liabilities		**32,541,835**	32,541,835	-	1,006,333	1,006,333	-	7,511,567	7,511,567	-
Other liabilities		**192,244,250**	192,244,250	-	191,430,021	191,430,021	-	194,052,836	194,052,836	-
Preference shares		**320,758,971**	320,758,971	-	320,726,882	320,726,882	-	182,407,187	182,407,187	-
Total liabilities		**13,949,524,636**	**8,458,002,922**	**5,491,521,714**	11,723,252,203	6,139,104,640	5,584,147,563	8,643,314,040	5,140,338,960	3,502,975,080
Shareholders' Equity										
Stated capital		**940,495,472**	940,495,472	-	506,699,200	506,699,200	-	356,699,200	356,699,200	-
Retained earnings		**178,491,090**	178,491,090	-	49,836,305	49,836,305	-	2,360,009	2,360,009	-
Other reserves		**86,756,759**	86,756,759	-	51,405,705	51,405,705	-	30,683,960	30,683,960	-
Capital and reserves		**1,205 ,743,321**	**1,205,743,321**	**-**	607,941,210	607,941,210	-	389,743,169	389,743,169	-
Total equity and liabilities		**15,155,267,957**	**9,663,746,243**	**5,491,521,714**	12,331,193,413	6,747,045,850	5,584,147,563	9,033,057,209	5,530,082,129	3,502,975,080

37. SEGMENTAL REPORTING (CONT'D)

Statement of profit or loss and other comprehensive income

	Notes	2016 Bank Rs	2016 Segment A Rs	2016 Segment B Rs	2015 Bank Rs	2015 Segment A Rs	2015 Segment B Rs	2014 Bank Rs	2014 Segment A Rs	2014 Segment B Rs
Interest income		**568,364,546**	457,118,945	111,245,601	446,569,983	397,845,359	48,724,624	383,602,068	377,165,935	6,436,133
Interest expense		**(300,366,712)**	(292,259,513)	(8,107,199)	(270,914,123)	(258,365,363)	(12,548,760)	(268,857,872)	(255,580,790)	(13,277,082)
Net interest income	37(e)	**267,997,834**	164,859,431	103,138,403	175,655,860	139,479,996	36,175,864	114,744,196	121,585,145	(6,840,949)
Fee and commission income		**62,287,855**	32,007,110	30,280,745	56,878,127	28,172,433	28,705,694	47,542,671	14,212,523	33,330,148
Fee and commission expense		**(27,486,119)**	(2,748,612)	(24,737,507)	(19,315,322)	(1,931,532)	(17,383,790)	(5,796,650)	(2,604,136)	(3,192,514)
Net fee and commission income		**34,801,736**	29,258,498	5,543,238	37,562,805	26,240,901	11,321,904	41,746,021	11,608,387	30,137,634
Dividend income		**1,036,164**	1,036,164	-	114,715	114,715	-	705,255	705,255	-
Other trading income	37(g)	**130,136,225**	35,575,213	94,561,012	98,505,914	25,207,659	73,298,255	45,902,100	15,328,930	30,573,170
Other Income	37(h)	**509,697**	509,697	-	9,618,825	6,118,040	3,500,785	1,624,157	1,007,366	616,791
		131,682,086	37,121,074	94,561,012	108,239,454	31,440,414	76,799,040	48,231,512	17,041,551	31,189,961
		434,481,656	231,239,003	203,242,653	321,458,119	197,161,311	124,296,808	204,721,729	150,235,083	54,486,646
Personnel expenses	37(j)	**(100,909,341)**	(75,682,006)	(25,227,335)	(87,798,992)	(67,335,421)	(20,463,571)	(64,694,724)	(61,071,822)	(3,622,902)
Depreciation and amortisation		**(16,846,870)**	(12,635,152)	(4,211,718)	(15,450,885)	(11,588,164)	(3,862,721)	(11,263,285)	(10,343,833)	(919,452)
Other expenses	37(k)	**(70,250,415)**	(53,083,948)	(17,166,467)	(71,534,668)	(55,104,806)	(16,429,862)	(48,063,214)	(44,390,499)	(3,672,715)
Non interest expense		**(188,006,626)**	(141,401,106)	(46,605,520)	(174,784,545)	(134,028,391)	(40,756,154)	(124,021,223)	(115,806,154)	(8,215,069)
Operating profit before impairment		**246,475,030**	89,837,897	156,637,133	146,673,574	63,132,920	83,540,654	80,700,506	34,428,929	46,271,577
Allowance for credit impairment on financial assets	37(i)	**(44,492,851)**	(41,583,589)	(2,909,262)	(71,569,014)	(71,569,014)	-	(62,550,915)	(61,540,597)	(1,010,318)
Operating profit/(loss) before tax		**201,982,179**	**48,254,308**	**153,727,871**	75,104,560	(8,436,094)	83,540,654	18,149,591	(27,111,668)	45,261,259
Tax expense		**(25,529,284)**	(20,520,361)	(5,008,923)	(6,884,342)	(3,285,262)	(3,599,080)	(3,005,747)	(1,171,457)	(1,834,290)
Profit/(loss) for the year		**176,452,895**	**27,733,947**	**148,718,948**	68,220,218	(11,721,356)	79,941,574	15,143,844	(28,283,125)	43,426,969
Other comprehensive (loss)/income										
Items that will not be reclassified subsequently to profit or loss:										
Remeasurement of retirement pension net of deferred tax		**852,957**	**852,957**	-	-	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss:										
Fair value realised on disposal of available-for-sale financial assets		**(389,784)**	(389,784)	-	(83,468)	(83,468)	-	-	-	-
(Loss)/gain on remeasuring available-for-sale financial assets		**(4,806,342)**	(4,806,342)	-	61,291	61,291	-	2,259,076	2,259,076	-
Other comprehensive (loss)/ income for the year		**(4,343,169)**	**(4,343,169)**	**-**	(22,177)	(22,177)	-	2,259,076	2,259,076	-
Total comprehensive income/ (loss)		**172.109,726**	**23,390,778**	**148,718,948**	68,198,041	(11,743,533)	79,941,574	17,402,920	(26,024,049)	43,426,969

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

37. SEGMENTAL REPORTING (CONT'D)

	2016 Bank Rs	2016 Segment A Rs	2016 Segment B Rs	2015 Bank Rs	2015 Segment A Rs	2015 Segment B Rs	2014 Bank Rs	2014 Segment A Rs	2014 Segment B Rs
(a) *Cash and cash equivalents*									
Cash in hand	**11,168,368**	11,168,368	-	7,208,327	7,208,327	-	15,264,945	15,264,945	-
Foreign currency notes and coins	**1,612,485**	-	1,612,485	1,180,324	-	1,180,324	1,129,166	1,129,166	-
Unrestricted balances with Central Banks	**187,679,011**	187,679,011	-	651,760,055	651,760,055	-	313,924,802	313,924,802	-
Balances with local banks	**15,807,492**	15,807,492	-	28,095,813	28,095,813	-	16,333,820	16,333,820	-
Balances with banks abroad	**439,983,562**	-	439,983,562	1,213,417,726	-	1,213,417,726	1,091,676,881	-	1,091,676,881
Interbank loans	**3,307,849,500**	143,117,500	3,164,732,000	2,307,676,500	362,546,500	1,945,130,000	1,367,490,750	1,367,490,750	-
	3,964,100,418	**357,772,371**	**3,606,328,047**	4,209,338,745	1,049,610,695	3,159,728,050	2,805,820,364	1,714,143,483	1,091,676,881
Balances with banks	**3,964,100,418**	357,772,371	3,606,328,047	4,209,338,745	1,049,610,695	3,159,728,050	2,805,820,364	1,714,143,483	1,091,676,881
Bank overdrafts (Note 15)	**-**	-	-	-	-	-	(1,066,145)	(1,066,145)	-
Cash and cash equivalents	**3,964,100,418**	**357,772,371**	**3,606,328,047**	4,209,338,745	1,049,610,695	3,159,728,050	2,804,754,219	1,713,077,338	1,091,676,881
(b) *Loans to and placements with banks*									
Central Bank	**32,115,000**	32,115,000	-	-	-	-	-	-	-
In Mauritius	**1,133,050**	1,133,050	-	545,965,330	545,965,330	-	348,677,000	348,677,000	-
Outside Mauritius	**936,144,000**	-	936,144,000	747,240,000	-	747,240,000	61,680,000	-	61,680,000
	969,392,050	**33,248,050**	**936,144,000**	1,293,205,330	545,965,330	747,240,000	410,357,000	348,677,000	61,680,000
Maturity									
Up to 3 months	**398,160,000**	-	398,160,000	677,430,130	318,050,130	359,380,000	116,954,000	116,954,000	-
Over 3 months and up to 6 months	**275,287,050**	1,133,050	274,154,000	353,315,200	157,715,200	195,600,000	60,560,000	60,560,000	-
Over 6 months and up to 12 months	**295,945,000**	32,115,000	263,830,000	262,460,000	70,200,000	192,260,000	232,843,000	171,163,000	61,680,000
	969,392,050	**33,248,050**	**936,144,000**	1,293,205,330	545,965,330	747,240,000	410,357,000	348,677,000	61,680,000

37.SEGMENTAL REPORTING (CONT'D)

	2016			2015			2014		
	Bank	**Segment A**	**Segment B**	Bank	Segment A	Segment B	Bank	Segment A	Segment B
	Rs	**Rs**	**Rs**	Rs	Rs	Rs	Rs	Rs	Rs
(c) *Loans and advances to customers*									
Investment in finance leases	**339,555,834**	339,555,834	-	348,371,364	348,371,364	-	410,869,641	410,869,641	-
Rental income receivable	**21,883,078**	21,883,078	-	28,722,625	28,722,625	-	51,191,265	51,191,265	-
Loans	**171,601,902**	164,432,180	7,169,722	150,433,267	141,998,300	8,434,967	79,654,733	19,094,733	60,560,000
Others	**15,357,359**	15,357,359	-	29,185,296	29,185,296	-	1,899,899	1,899,899	-
Corporate:									
Investment in finance leases	**529,967,450**	529,967,450	-	565,918,754	565,918,754	-	702,222,662	702,222,662	-
Rental income receivable	**37,616,854**	37,616,854	-	51,210,961	51,210,961	-	88,839,478	88,839,478	-
Loans	**2,501,248,609**	1,987,907,722	513,340,887	1,182,254,193	1,182,254,193	-	1,146,753,946	1,136,837,052	9,916,894
Others	**1,141,903,375**	818,798,739	323,104,636	769,925,422	478,947,682	290,977,740	254,369,797	226,011,098	28,358,699
	4,759,134,461	**3,915,519,216**	**843,615,245**	3,126,021,882	2,826,609,175	299,412,707	2,735,801,421	2,636,965,828	98,835,593
Less allowance for specific impairment	**(112,872,043)**	(112,872,043)	-	(90,530,057)	(90,530,057)	-	(114,032,593)	(114,032,593)	-
Less allowance for collective impairment	**(27,878,213)**	(27,878,213)	-	(12,951,252)	(12,951,252)	-	(10,237,820)	(10,237,820)	-
	4,618,384,205	**3,774,768,960**	**843,615,245**	3,022,540,573	2,723,127,866	299,412,707	2,611,531,008	2,512,695,415	98,835,593
(d) *Deposits from customers*									
Retail customers									
Savings deposits	**3,385,730,382**	3,227,946,406	157,783,976	2,226,238,948	2,132,392,703	93,846,245	1,130,618,717	1,080,318,561	50,300,156
Other deposits	**470,428,665**	149,099,446	321,329,219	377,152,607	15,391,890	361,760,717	305,625,686	4,269,639	301,356,047
Time deposits with remaining term to maturity:									
Up to 3 months	**106,962,119**	104,682,119	2,280,000	122,347,027	111,789,527	10,557,500	162,539,132	139,198,976	23,340,156
Over 3 months and up to 6 months	**83,993,529**	83,637,313	356,215	85,294,864	79,294,864	6,000,000	104,753,845	93,631,796	11,122,049
Over 6 months and up to 12 months	**263,232,226**	246,812,660	16,419,566	193,023,690	184,389,149	8,634,541	426,768,139	361,729,415	65,038,724
Over 1 year and up to 5 years	**705,657,775**	686,742,775	18,915,000	604,614,113	592,862,898	11,751,215	622,718,808	607,479,959	15,238,849
Corporate customers									
Savings deposits	**424,991,392**	424,991,392	-	360,782,315	360,782,315	-	243,413,642	243,413,642	-
Other deposits	**6,157,188,778**	1,191,638,850	4,965,549,928	5,628,115,924	547,394,840	5,080,721,084	3,132,622,151	221,493,920	2,911,128,231
Term deposits with remaining term to maturity:									
Up to 3 months	**419,431,589**	418,243,779	1,187,810	367,079,486	363,903,226	3,176,260	614,879,466	510,929,136	103,950,330
Over 3 months and up to 6 months	**73,247,000**	73,247,000	-	118,520,000	118,520,000	-	109,869,941	98,069,403	11,800,538
Over 6 months and up to 12 months	**714,941,425**	714,941,425	-	703,315,136	703,315,136	-	1,118,876,611	1,116,876,611	2,000,000
Over 1 year and up to 5 years	**458,174,700**	450,474,700	7,700,000	423,604,857	415,904,857	7,700,000	285,476,105	277,776,105	7,700,000
	13,263,979,580	**7,772,457,865**	**5,491,521,714**	11,210,088,967	5,625,941,404	5,584,147,563	8,258,162,243	4,755,187,163	3,502,975,080

37. SEGMENTAL REPORTING (CONT'D)

	2016			2015			2014		
	Bank	**Segment A**	**Segment B**	Bank	Segment A	Segment B	Bank	Segment A	Segment B
	Rs	**Rs**	**Rs**	Rs	Rs	Rs	Rs	Rs	Rs
(e) *Net interest income*									
Interest income									
Finance leases	**69,585,579**	69,585,579	-	79,638,966	79,638,966	-	101,023,431	100,980,087	43,344
Interest on late payment	**3,849,121**	3,849,121	-	8,764,722	8,764,722	-	15,250,185	15,250,185	-
Other advances to customers	**180,939,502**	156,343,089	24,596,413	116,439,511	109,901,090	6,538,421	81,818,997	80,897,763	921,234
Loans to and placements with banks	**82,757,868**	8,899,934	73,857,934	54,817,661	24,130,242	30,687,419	21,138,725	18,690,763	2,447,962
Investment securities	**231,232,476**	218,441,221	12,791,255	186,909,123	175,410,339	11,498,784	164,370,730	161,347,137	3,023,593
	568,364,546	**457,118,945**	**111,245,601**	446,569,983	397,845,359	48,724,624	383,602,068	377,165,935	6,436,133
Interest expense									
Deposit from customers	**277,955,314**	269,848,115	8,107,199	256,418,258	243,869,498	12,548,760	254,345,078	241,067,996	13,277,082
Preference shares	**22,122,101**	22,122,101	-	13,925,088	13,925,088	-	13,785,393	13,785,393	-
Borrowed funds	**289,297**	289,297	-	570,777	570,777	-	727,401	727,401	-
	300,366,712	292,259,513	8,107,199	270,914,123	258,365,363	12,548,760	268,857,872	255,580,790	13,277,082
Net interest income	**267,997,834**	**164,859,431**	**103,138,403**	175,655,860	139,479,996	36,175,864	114,744,196	121,585,145	(6,840,949)
(f) *Net fee and commission income*									
Fee and commission income									
Processing fees	**8,731,515**	8,731,515	-	8,254,545	8,154,193	100,352	4,361,904	4,361,904	-
International banking	**30,106,976**	-	30,106,976	28,444,581	-	28,444,581	33,330,148	-	33,330,148
Interbank transaction fees	**8,908,546**	8,908,546	-	8,202,707	8,202,707	-	1,129,421	1,129,421	-
Others	**14,540,818**	14,367,049	173,769	11,976,294	11,815,533	160,761	8,721,198	8,721,198	-
	62,287,855	**32,007,110**	**30,280,745**	56,878,127	28,172,433	28,705,694	47,542,671	14,212,523	33,330,148
Fee and commission expense									
Card and related fees	**21,093,139**	2,109,314	18,983,825	14,339,955	1,433,995	12,905,960	5,700,918	2,508,404	3,192,514
Interbank transaction fees	**6,392,980**	639,298	5,753,682	4,975,367	497,537	4,477,830	95,732	95,732	-
	27,486,119	2,748,612	24,737,507	19,315,322	1,931,532	17,383,790	5,796,650	2,604,136	3,192,514
Net fee and commission income	**34,801,736**	**29,258,498**	**5,543,238**	37,562,805	26,240,901	11,321,904	41,746,021	11,608,387	30,137,634

37. SEGMENTAL REPORTING (CONT'D)

	2016 Bank Rs	2016 Segment A Rs	2016 Segment B Rs	2015 Bank Rs	2015 Segment A Rs	2015 Segment B Rs	2014 Bank Rs	2014 Segment A Rs	2014 Segment B Rs
(g) *Other trading income*									
Foreign exchange gain	**65,420,427**	29,103,633	36,316,794	56,992,513	21,056,319	35,936,194	35,709,156	10,844,035	24,865,121
Income on card transactions	**64,715,798**	6,471,580	58,244,218	41,513,401	4,151,340	37,362,061	10,192,944	4,484,895	5,708,049
	130,136,225	**35,575,213**	**94,561,012**	98,505,914	25,207,659	73,298,255	45,902,100	15,328,930	30,573,170
(h) *Other income*									
Profit on disposal of property, plant and equipment	**-**	-	-	-	-	-	170,023	170,023	-
Profit on disposal of shares	**373,500**	373,500	-	9,581,619	6,080,834	3,500,785	-	-	-
Others	**136,197**	136,197	-	37,206	37,206	-	1,454,134	837,343	616,791
	509,697	**509,697**	**-**	9,618,825	6,118,040	3,500,785	1,624,157	1,007,366	616,791
(i) *Provision for credit impairment on financial assets*									
Loans and advances to customers (Note 8(c))	**44,492,851**	**41,583,589**	**2,909,262**	71,569,014	71,569,014	-	62,550,915	61,540,597	1,010,318
(j) *Personnel expenses*									
Wages and salaries	**82,936,383**	62,202,287	20,734,096	75,382,804	57,813,111	17,569,693	57,206,491	54,082,877	3,123,614
Employees benefit liability	**601,233**	450,925	150,308	(101,845)	(78,108)	(23,737)	136,533	136,533	-
Others	**17,371,725**	13,028,794	4,342,931	12,518,033	9,600,418	2,917,615	7,351,700	6,852,412	499,288
	100,909,341	**75,682,006**	**25,227,335**	87,798,992	67,335,421	20,463,571	64,694,724	61,071,822	3,622,902
(k) *Other expenses*									
Motor vehicle expenses and insurance	**4,719,073**	3,539,305	1,179,768	5,156,702	3,867,526	1,289,176	7,172,210	6,586,724	585,486
Rental of office	**603,015**	452,261	150,754	3,157,375	2,368,031	789,344	4,854,071	4,457,821	396,250
Advertising	**4,251,090**	3,188,318	1,062,773	3,940,540	2,955,405	985,135	1,193,650	1,096,209	97,441
Information technology costs	**20,220,960**	15,165,720	5,055,240	7,856,045	5,892,034	1,964,011	6,131,275	5,630,763	500,512
Licences	**2,862,837**	2,147,128	715,709	2,676,577	2,007,433	669,144	1,660,196	1,524,670	135,526
Loss on disposal of property, plant and equipment	**1,084,139**	813,104	271,035	1,674,236	1,674,236	-	-	-	-
Communication costs	**7,693,831**	5,770,373	1,923,458	7,329,672	5,497,254	1,832,418	6,584,648	6,047,126	537,522
Legal and professional fees	**9,631,601**	7,223,701	2,407,900	14,071,460	10,553,595	3,517,865	5,294,658	4,862,442	432,216
Maintenance costs	**3,437,274**	2,577,956	859,319	7,431,790	5,573,842	1,857,948	2,161,971	1,985,484	176,487
Others	**15,746,595**	12,206,083	3,540,512	18,240,271	14,715,450	3,524,821	13,010,535	12,199,260	811,275
	70,250,415	**53,083,948**	**17,166,467**	71,534,668	55,104,806	16,429,862	48,063,214	44,390,499	3,672,715

38. OPERATING SEGMENTS

Below segments are reported to the Supervisory and Monitoring Committee for the purpose of decision making.

2016	Total Rs	Net interest income Rs	Net fee and commission income Rs	Trading income and others Rs
Operating income	434,481,656	267,997,834	34,801,736	131,682,086
Non-interest expense	(188,006,626)			
Allowance for credit impairment on financial assets	(44,492,851)			
Tax expense	(25,529,284)			
Profit for the year	**176,452,895**			
Segment assets	13,757,593,560	13,757,593,560		
Unallocated assets	1,397,674,397			
Total assets	**15,155,267,957**			
Segment liabilities	13,829,621,509	13,829,621,509		
Unallocated liabilities	119,903,127			
Total liabilities	**13,949,524,636**			

2015	Total Rs	Net interest income Rs	Net fee and commission income Rs	Trading income and others Rs
Operating income	321,458,119	175,655,860	37,562,805	108,239,454
Non-interest expense	(174,784,545)			
Allowance for credit impairment on financial assets	(71,569,014)			
Tax expense	(6,884,342)			
Profit for the year	**68,220,218**			
Segment assets	9,735,648,758	9,735,648,758		
Unallocated assets	2,595,544,655			
Total assets	**12,331,193,413**			
Segment liabilities	11,623,060,364	11,623,060,364		
Unallocated liabilities	100,191,839			
Total liabilities	**11,723,252,203**			

2014	Total Rs	Net interest income Rs	Net fee and commission income Rs	Trading income and others Rs
Operating income	204,721,729	114,744,196	41,746,021	48,231,512
Non-interest expense	(124,021,223)			
Allowance for credit impairment on financial assets	(62,550,915)			
Tax expense	(3,005,747)			
Profit for the year	**15,143,844**			
Segment assets	7,004,062,902	7,004,062,902		
Unallocated assets	2,028,994,307			
Total assets	**9,033,057,209**			
Segment liabilities	8,537,286,949	8,537,286,949		
Unallocated liabilities	106,027,091			
Total liabilities	**8,643,314,040**			

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, 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.

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