ABC BANKING CORPORATION

The first Mauritian bank to set up office in China

Annual Report 2017

2015, 2016 & 2017

‘Best International Bank Indian Ocean’
Capital Finance International (CFI.co) Award

2016

‘Fastest Growing Banking Brand Mauritius’
Global Brands Magazine Award

2014 & 2015

‘Best Bank for International Banking Services Mauritius’
Global Banking & Finance Review Award

2013 & 2014

‘Best Private Bank for Offshore Services’
Euromoney Award

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.

CONTENTS

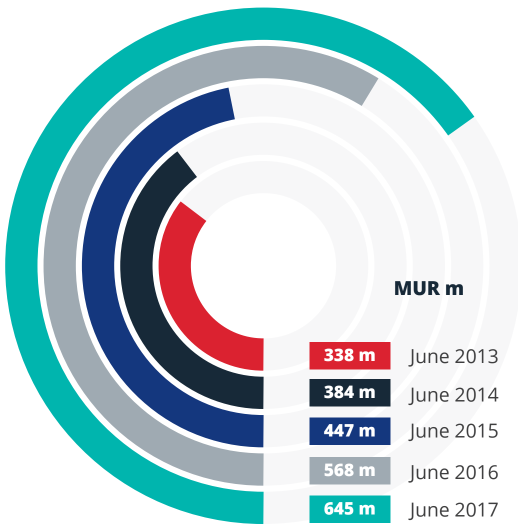
FINANCIAL HIGHLIGHTS

Income Statement (MUR 'm)	Bank 2017	Bank 2016 Restated	Bank 2015 Restated
Net Interest Income	**336.0**	268.0	175.7
Operating Income	**493.0**	435.6	322.9
Profit before impairment	**273.3**	247.6	148.1
Profit before tax	**250.3**	186.2	64.2
Profit after tax	**208.5**	161.6	58.5
Statements of Financial Position (MUR 'm)			
Total assets	**15,751.8**	15,124.4	12,309.6
Net loans and advances portfolio	**5,095.7**	4,594.5	3,009.4
Total deposit	**13,803.1**	13,368.9	11,302.3
Shareholders' fund	**1,340.3**	1,173.5	585.8
Tier 1 Capital	**1,309.4**	1,136.8	557.7
Total net capital	**1,415.0**	1,264.7	694.3
Risk- weighted assets	**9,180.6**	8,590.3	6,466.1
Performance Ratios (%)			
Return on average total assets*	**1.3**	1.1	0.5
Return on equity*	**15.6**	13.8	10.0
Non-interest income to operating income	**31.8**	38.5	45.6
Loans and advances to deposit ratio	**38.0**	35.7	27.8
Cost to income ratio	**44.6**	43.2	54.1
Capital Adequacy Ratios (%)			
Capital & Reserves/Total assets	**8.5**	7.8	4.8
Capital adequacy ratio	**15.4**	14.7	10.7
Tier 1 ratio	**14.3**	13.2	8.6
Investor Data			
Earnings per share (MUR)**	**2.7**	2.9	1.4

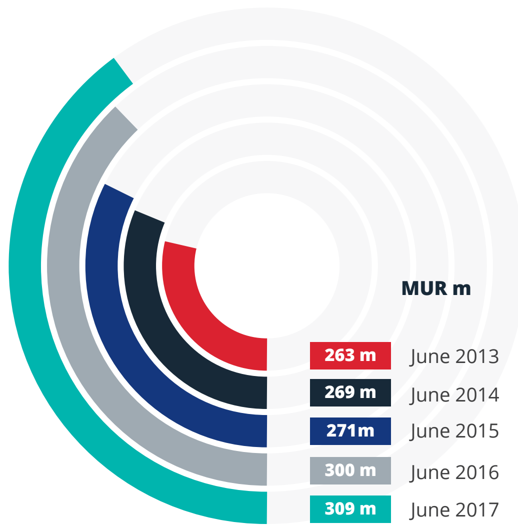
* based on profit after tax

** based on average number of shares

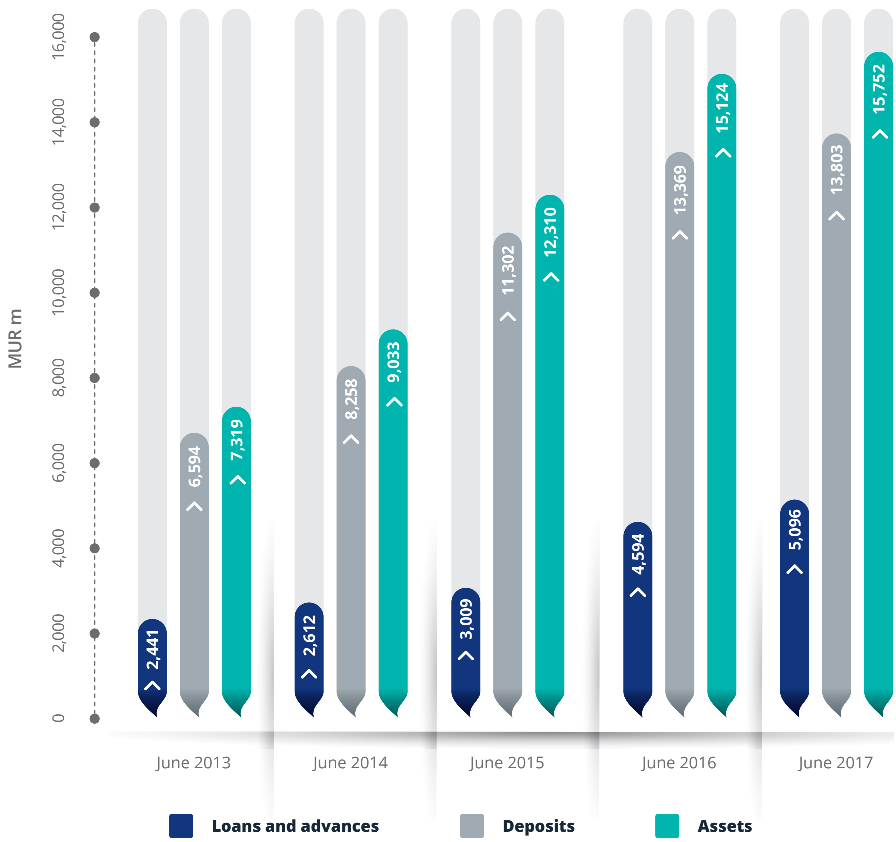
Interest Income



Interest Expense



Loans, Deposits and Assets



DIRECTORS' REPORT

The Directors of ABC Banking Corporation Ltd ("the bank") are pleased to present the Annual Report for the financial year ended 30 June 2017.

With the continuing lacklustre economic growth that has underpinned the global scene since a decade already, 2016/2017 proved to be another year of challenges. Much uncertainty remained on the international front characterised by the drop in commodity prices, expected protectionism vis-a-vis global trade, a rise in geopolitical tensions and the Brexit/Europe conundrum. The above cross-border scenery has significantly impacted on the Mauritian economy which has thus continued to experience a business climate where national economic expansion through investment by the private sector remained subdued.

Despite facing these strong headwinds, the bank was able to steer steadfast along its strategic path with resilience and was rewarded with a substantial improvement in its results for 2016/2017. With the Corporate and SME Banking and Treasury operations leading the way, the bank is currently strengthening its other pillars with a view to accelerating growth in its lending activities and capitalising on available opportunities.

A major concrete development is the acquisition in March 2017 of the Plantation House building situated next to WEAL HOUSE at Place d'Armes, and also of the adjacent ex-Merven Building at Royal Street which was for many years the headquarters of the Mauritius Chamber of Commerce and Industry. Four years after the purchase of WEAL HOUSE, ABC Banking Corporation Ltd has thus consolidated its physical location in the heart of the country's financial hub, which will enable it to provide the space requirements for its current and future developmental needs and at the same time enhance the architectural renovation of this historical site of the capital.

Footprint abroad and innovation

Following an in-depth process of due diligence by the Hong Kong Monetary Authority, ABC Banking Corporation Ltd successfully obtained approval for opening a Representative Office in Hong Kong. The bank thus opened its Representative Office there in February 2017 in its quest to further develop its International Banking operations. We are proud to be the first local bank to have such a footprint in Hong Kong, and we stand ready to face the challenges as well as to seize the opportunities that lay ahead of us. Indeed, Mauritius has over the years built solid cultural and commercial ties with both Asia and Africa relying on its strategic geographical position, especially in the context of the 21st Century Maritime Silk Road advent. The evolution of the Mauritian International Financial Centre in a jurisdiction that combats Money Laundering, Fraud and Terrorism is becoming more and more a reality, clearly supported by several crucial factors such as security and political stability, the rule of law, low tax regime, no exchange control, a well-regulated stock exchange, banking and financial sector, and a strong and resilient banking industry. Mauritius provides therefore an ideal platform for unlocking capital in Asia and the rest of the world for investment in Africa, with ABC Banking Corporation Ltd as one of the partners of choice for potential investors.

True to our capacity to innovate and provide our clients with the best banking services, we have also launched the top class UnionPay Diamond Card, a first in the African region, in March 2017, offering a range of exclusive privileges to High Net Worth Individuals. Through these new endeavours, our bank intends to expand its worldwide network in order to generate revenue growth for its stakeholders by providing quality individual and corporate banking services in selective markets with high potential for new business.

The year under review and results

With the continuous trust and support of our shareholders, our bank started the financial year on the back of an important share capital injection at the end of the previous financial year aimed at sustaining growth and new opportunities. Despite the country's slow economic pick-up and high liquidity environment experienced throughout the financial year, our banking team remained determined and focused on achieving another year of significant performance and much effort was therefore geared to meet the target set. We are therefore pleased to report a continued increase in the bank's gross operating income, moving it to MUR 493 million as at 30 June 2017, driven by a good yearly progress of 25% in its Net Interest Income. On the cost side, the bank expanded its workforce and continued to invest in its infrastructure and new ventures, instrumental in its growth strategy. However, the bank was diligent and cautious in allocating resources and ensured that the cost to income ratio at 45% was kept close to that of the preceding year, which was 43%.

As at the end of June 2017, the bank's total deposit base grew to MUR 13.8 billion. There was a satisfactory increase of 18% during the year in the bank's MUR deposits. We must point out that this result has been achieved in spite of the closing of accounts by some of our foreign currency depositors from overseas, a direct consequence of the advent of the Common Reporting Standard and of Brexit uncertainty. On the other hand, the bank's total assets closed at MUR 15.8 billion for the year with our loans and advances portfolio reaching MUR 5.3 billion, equivalent to a 11% increase on prior year. Our bank ended the financial year 2016/2017 successfully with a profit before tax of MUR 250 million, representing a steady improvement of 34.4% over the result of the preceding year.

Risk based approach

Today, the continuously changing business landscape calls for more emphasis and greater rigour on risk based approach to managing a successful financial institution. Regulatory compliance, strong internal controls and calculated risks characterise the environment in which all banks operate. As a result, ABC Banking Corporation Ltd is committed to ensuring that its lending book and investments are well selected and diversified, while always maintaining rigorous standards in the assessment of risks. During the year under review, non-performing loan ratio dropped from 2.6% to 1.7% as at 30 June 2017, achieved by a good increase in the loan and advances portfolio coupled with a significant drop in non-performing assets, a commendable outcome of the combined effort and teamwork prevalent within the bank's work ethics.

Looking forward

Over the short to medium term at least, the bank is likely to be facing a challenging operating environment as the delicate global recovery rate is being impacted by several dynamics and developments across the world. As already indicated, the bank is looking forward to develop new relationships with Africa on one part and Asia on the other part. With Mauritius as the ideal bridge between the two continents, it is quite an exciting period for everyone at the bank. ABC Banking Corporation Ltd will strive to strengthen its position within its current business segments and will look to develop further its International and Private Banking services.

Acknowledgement

Without the trust and support of our stakeholders, it would have been very difficult to achieve the good results of 2016/2017. We would therefore like to express our sincere thanks to all our customers for choosing us as their partner of choice and to our shareholders for believing in our ability to deliver added value on their investment. We would also like to extend our appreciation to all members of the Board and its various Committees for their invaluable expertise and experience in helping the bank to meet its set objectives. We are immensely grateful to the management and staff for their relentless effort, hard work, dedication and continued loyalty. Finally, we wish to convey our thanks to the Bank of Mauritius for their valuable advice and kind guidance throughout the year.

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

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

26 September 2017

CORPORATE PROFILE

Incepted since 2010 as a full-fledged commercial bank, ABC Banking Corporation Ltd 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.

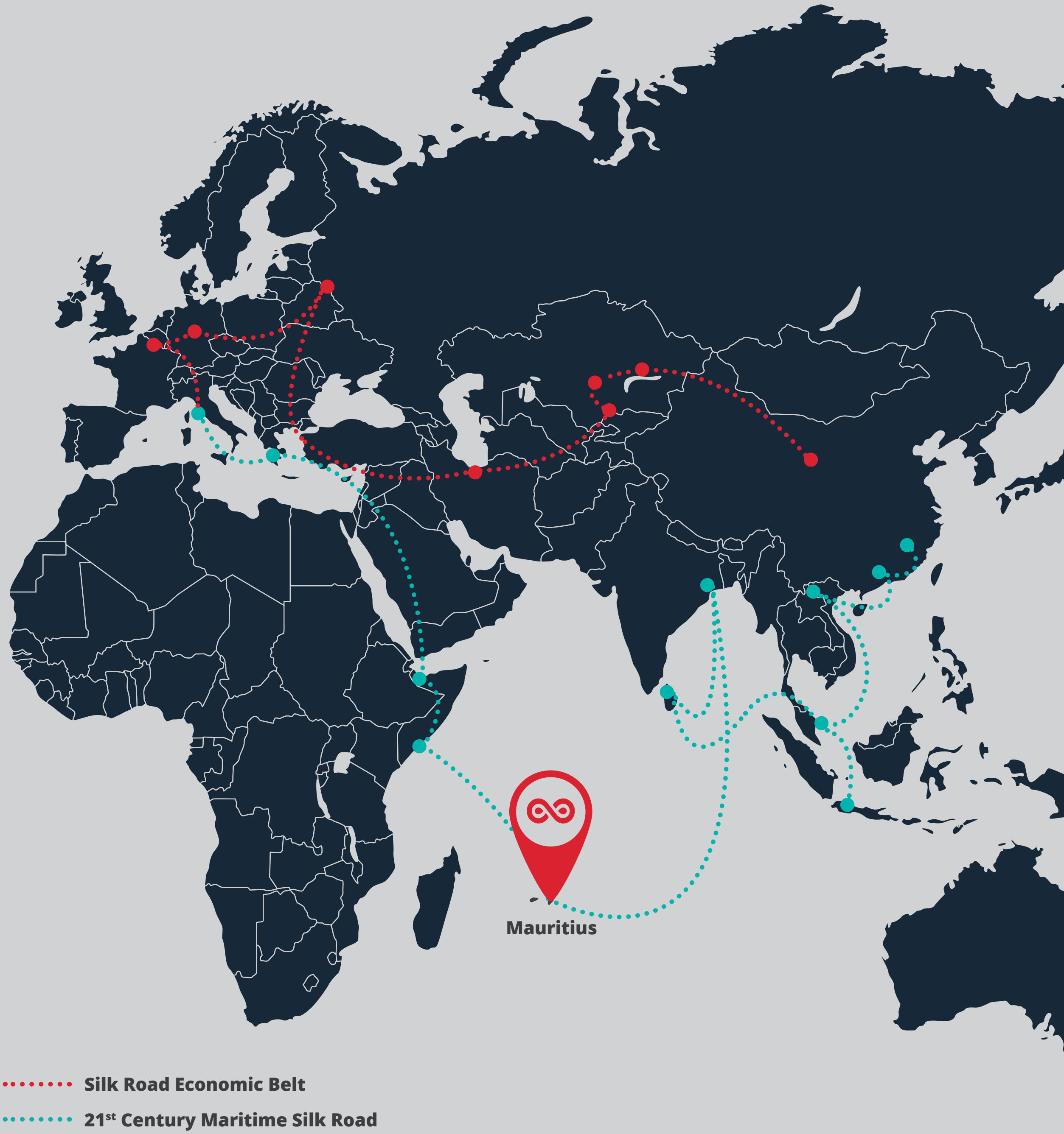
The bank, known for its attractive broad palette of traditional and innovative products and services, and its excellent rapport with customers, has become a hallmark of quality and effectiveness in the highly competitive financial sector of Mauritius.

Managed and operated by a highly motivated, committed, and effective team of experienced professionals and competent staff, the bank is organised around four main pillars being: Domestic Banking, Private Banking, International Banking and Treasury.

As a result of its rapid growth and development, its successful performance and steady progress, ABC Banking Corporation Ltd has been receiving prestigious trophies during the past 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. Three distinctions came successively in 2015, 2016 and 2017 from Capital Finance International recognising the bank as one of Africa's top performing financial services providers with the award of "Best International Bank Indian Ocean". ABC Banking Corporation Ltd also won the "Fastest Growing Banking Brand, Mauritius" for the year 2016 by the Global Brands Magazine.

A major milestone was achieved in January 2016 when ABC Banking Corporation Ltd opened its shareholding to the public and was listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius (SEM).

In February 2017, ABC Banking Corporation Ltd achieved another step of its long-term expansion with the opening of its representative office in Hong Kong. This major achievement, seeking to connect Asia to Africa, is not only for ABC Banking Corporation Ltd but for the Mauritian banking sector at large. In fact, ABC Banking Corporation Ltd is the first Mauritian bank to land in China.



ABC BANKING CORPORATION

Making the 21st century maritime silk road a reality

CORPORATE INFORMATION

Registered Office, Head Office & Main Branch

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

External Auditors

Ernst & Young
9th Floor, NexTeracom Tower I
Cybercity, Ebene
Mauritius

Legal Services

Me. Dev Erriah
Me. Jean Christophe Oh-San Bellepeau
Me. Georgy Ng Wong Hing
Me. Michael King Fat
Me. Ghanshyam Bhanji Soni
Me. Yash Balgobin
Me. Didier Dodin
Me. Roobesh Ramanjooloo
Me. Sheffick Sookia

Main Correspondent Banks

Abu Dhabi Commercial Bank
Bank of China (Shanghai RMB Trading Unit)
Crown Agents Bank Limited
Mizuho Corporation Bank Ltd
National Australia Bank Limited
Societe Generale, Paris
Standard Chartered Bank, Germany
Standard Bank of South Africa Limited
Standard Chartered Bank, London
Standard Chartered Bank, New York
Yes Bank Limited

Board of Directors – as at 30 June 2017

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 Marie Jacques Henri Fleurot
Mrs Stephanie Ha Chow
Mr Dick Li Wan Po
Me. Marie Danielle Low Kwan Sang
Mr Sydney Ah Yoong (Appointed on 13 September 2016)
Mr John Sun Yue Chu (Appointed on 01 December 2016)
Mr Lakshmana (Kris) Lutchmenarraidoo (Resigned on 16 September 2016)

Committees of the Board

Composition as at 30 June 2017

Supervisory & Monitoring Committee

Prof. Donald Ah-Chuen (Chairperson)
Mr Brian Ah-Chuen
Mr Sydney Ah Yoong (Member as from 13 September 2016)

Audit Committee

Mr Sydney Ah Yoong (Chairperson and member as from 13 September 2016)
Mr Henri Fleurot
Mrs Stephanie Ha Chow

Risk Management Committee

Mr Dick Li Wan Po (Chairperson)
Prof. Donald Ah-Chuen
Mr Henri Fleurot
Mr John Sun Yue Chu (Member as from 20 January 2017)

Conduct Review Committee

Mrs Stephanie Ha Chow (Chairperson)
Mr Dick Li Wan Po
Mr Henri Fleurot (Member as from 16 December 2016)

Corporate Governance Committee

Me. Danielle Low Kwan Sang (Chairperson as from 15 July 2016)
Hon. Bernard Yeung Sik Yuen
Prof. Donald Ah-Chuen

Nominations and Remuneration Committee

Me. Danielle Low Kwan Sang (Chairperson)
Hon. Bernard Yeung Sik Yuen
Prof. Donald Ah-Chuen

Company Secretary & Share Registry

ABC Professional & Secretarial Services Ltd, represented by Mr Mahesh Ittoo, *ACIS.*

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Framework

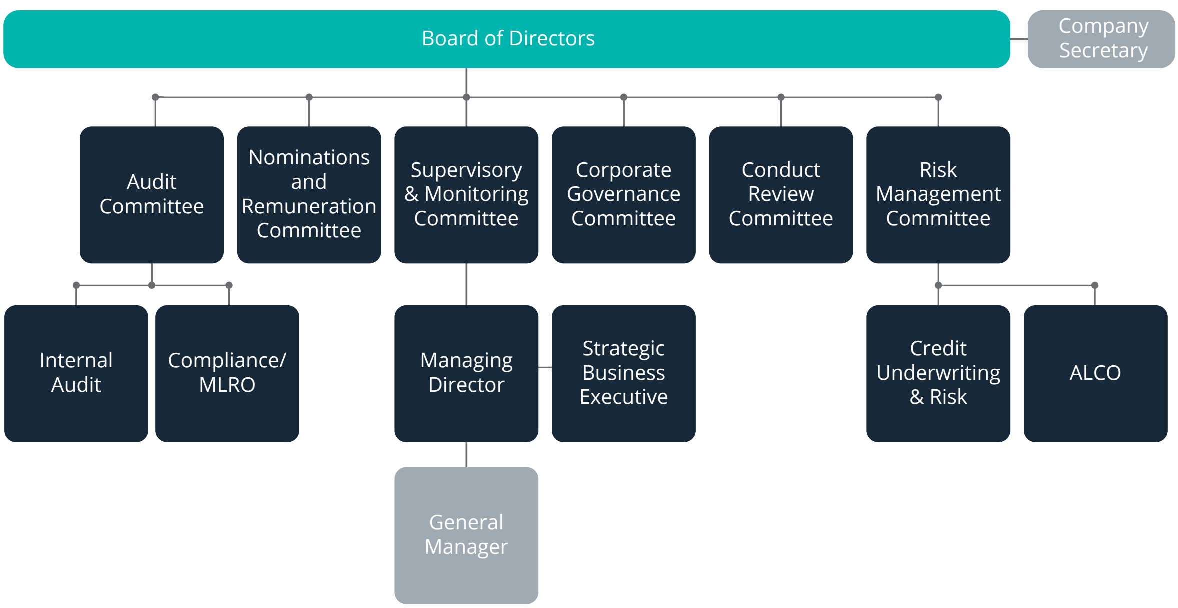
The Board of Directors of ABC Banking Corporation Ltd is fully committed to attaining and sustaining the highest standards of corporate governance with the objective of enhancing shareholders' value whilst having regard to stakeholders at large. It believes that good governance is not only concerned 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 unitary 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 realising 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 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 2017 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 9 members at any time during the financial year ended 30 June 2017 as follows, and their profiles can be viewed on pages 26-30:

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 John Chu	Non-Executive (Appointed on 01 December 2016)
Mr Sydney Ah Yoong	Independent (Appointed on 13 September 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 (Resigned on 16 September 2016)

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 and business plans and budgets

CORPORATE GOVERNANCE REPORT (CONT'D)

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 summarised below.

Supervisory & Monitoring Committee

The Supervisory & Monitoring Committee ("SMC") has been delegated the responsibility of implementing and realising 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 Sydney Ah Yoong
  (Member as from 13 September 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 Sydney Ah Yoong (Chairperson and member as from 13 September 2016)
- Mr Henri Fleurot
- Mrs Stephanie Ha Chow (Acting Chairperson between 1 July 2016 to 12 September 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
- Prof. Donald Ah-Chuen
- Mr Henri Fleurot
- Mr John Sun Yue Chu (Member as from 16 December 2016)

The Head of Credit Underwriting & Risk is in attendance at all Committee meetings.

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)
- Mr Dick Li Wan Po
- Mr Henri Fleurot (Member as from 16 December 2016)

The Head of Credit Underwriting & Risk is in attendance at all Committee meetings.

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:

- Me. Danielle Low Kwan Sang
  (Chairperson as from 15 July 2016)
- Hon. Bernard Yeung Sik Yuen
- Prof. Donald Ah-Chuen

Corporate Governance Committee

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

Members of the Corporate Governance Committee:

- Me. Danielle Low Kwan Sang
  (Chairperson as from 15 July 2016)
- Hon. Bernard Yeung Sik Yuen
- Prof. Donald Ah-Chuen

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

In line with the National Code of Corporate Governance, the Bank of Mauritius Guideline on Corporate Governance and the Bank of Mauritius Guidance on Fit and Proper person, the Board has established a mechanism to evaluate the performance of the Board, its committees and its members. 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.

The Nominations and Remuneration Committee was delegated the responsibility of conducting periodic reviews of the above process to ensure that same be always in line with the applicable legislations and regulations.

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 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 maximise attendance. Urgent decisions of the Board are exceptionally taken by way of resolutions in writing, agreed and signed by all the directors. A list of any such written resolutions passed in between any two 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 they 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 2017

	Board Meeting	SMC	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Nominations and Remunerations Committee
AH-CHUEN David Brian	5	45	-	-	-	-	-
AH-CHUEN Donald	5	37	-	4	-	4	4
AH YOONG Sydney (member as from 13 Sep 2016)	3	32	4	-	-	-	-
CHU John Sun Yue (member as from 01 Dec 2016)	1	-	-	1	-	-	-
FLEUROT Marie Jacques Henri	5	-	4	4	2	-	-
HA CHOW Stephanie	4	-	5	-	4	-	-
LI WAN PO Dick	5	-	-	4	4	-	-
LOW KWAN SANG Marie Danielle	3	-	-	-	-	4	4
LUTCHMENARRAIDOO Lakshmana (member until 16 Sep 2016)	2	-	-	1	1	-	-
YEUNG SIK YUEN Bernard (Chairman)	5	-	-	-	-	4	4
Total Number of Meetings	**5**	**47**	**5**	**4**	**4**	**4**	**4**

Board & Committee Meetings (Cont'd)

Note 1: Mr Sydney Ah Yoong was appointed as a director on 13 September 2016, date the approval of the Bank of Mauritius was received. He was appointed as member of the SMC and Chairman of the Audit Committee as from same date.

Note 2: Mr John Sun Yue Chu was appointed as a director on 1 December 2016, date the approval of the Bank of Mauritius was received. He was appointed member of the Risk Management Committee on 20 January 2017.

Note 3: Mrs Stephanie Ha Chow was Acting Chairperson of the Audit Committee from 30 June 2016 to 12 September 2016, following the retirement of the previous Audit Committee Chairman on 30 June 2016.

Note 4: Mr Lakshmana (Kris) Lutchmenarraidoo ceased to be a member of the Audit Committee on 14 July 2016. He resigned as director on 16 September 2016 and his memberships in the Risk Management Committee and Conduct Review Committee ceased as of same date.

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 2017 together with the directors' dealings in shares during the financial year ended 30 June 2017.

Directors	No. of shares acquired	No. of shares sold	Direct holding	Indirect holding
AH-CHUEN Brian	-	-	0.36%	0.04%
AH-CHUEN Donald	-	5,700	1.59%	3.68%
AH YOONG Sydney	-	-	NIL	NIL
CHU John	-	-	1.34%	0.00%
FLEUROT Henri	-	-	NIL	NIL
HA CHOW Stephanie	-	-	0.14%	0.00%
LI WAN PO Dick	-	-	NIL	NIL
LOW KWAN SANG Danielle	-	-	NIL	NIL
YEUNG SIK YUEN Bernard	-	-	NIL	NIL

Directors' Remuneration

During the financial year ended 30 June 2017, the executive directors have received remuneration and benefits, including all bonuses and commissions, of MUR 15,040,000 (2016: MUR 8,860,000).

With respect to the financial year ended 30 June 2017, the non-executive directors received emoluments amounting to MUR 1,535,500 (2016: MUR 1,855,500) 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.

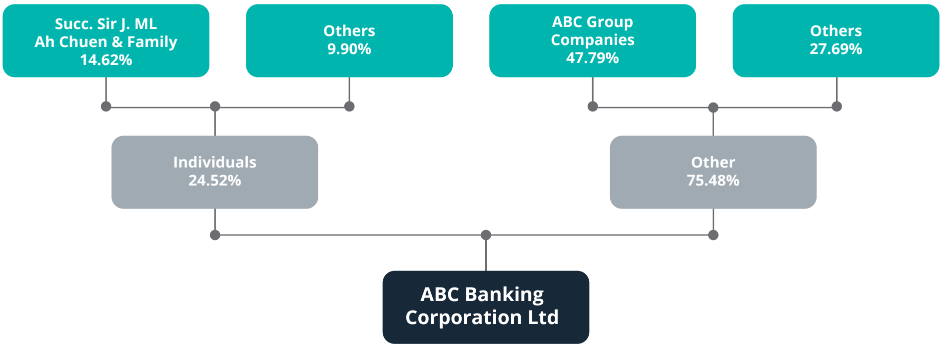
Directors and Officers Liability Insurance

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

CORPORATE GOVERNANCE REPORT (CONT'D)

Group Structure and Common Directors

As at 30 June 2017, the shareholding structure of the bank was as follows:



As of 30 June 2017, the bank had 76,271,872 ordinary shares in issue and was listed on the Development & Enterprise Market of the Stock Exchange of Mauritius.

Common Directors

As at 30 June 2017, common directors with shareholders were as follows:

	ABCCR	ABCM	CW	GHL	USL
AH-CHUEN Brian	○	●	●	○	○
AH-CHUEN Donald	●	●	●	●	●
CHU John Sun Yue	●			●	

●	- Director	CW	- Chue Wing & Company Limited
○	- Alternate Director	GHL	- Good Harvest Limited
ABCCR	- ABC Car Rental Limited	USL	- Union Shipping Limited
ABCM	- ABC MOTORS COMPANY LIMITED		

List of Shareholders holding more than 5% in the bank

ABC Car Rental Limited
ABC MOTORS COMPANY LIMITED
Chue Wing & Company Limited

Share Option Plans

The bank has no share option plan.

Breakdown of shareholders

No. of shares	No. of shareholders
1 – 999	69
1,000 – 9,999	82
10,000 – 19,999	13
20,000 – 49,999	32
50,000 – 99,999	20
100,000 – 499,999	47
500,000 – 999,999	7
1,000,000 – 4,999,999	13
Above 5,000,000	3

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 bank 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 bank and transfers and other documents relating to or affecting the title to any shares shall be registered with the bank without payment of any fee.

CORPORATE GOVERNANCE REPORT (CONT'D)

Shareholders' Diary

Financial Year 2016/2017

Financial year end	30 June 2017
Annual Meeting	15 November 2017

Financial Year 2017/2018

Unaudited quarterly reports	Within 45 days from the quarters ending September 2017, December 2017 and March 2018
Financial year end	30 June 2018
Annual Report & Results 2018	Within 90 days from end of June 2018
Annual Meeting	16 November 2018 (Tentative)

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 62 of the Annual Report. Exposure to major related parties are given on Page 139 Note 37 to the Financial Statements.

Risk Management and Internal Audit

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

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

The risk management framework, including policies and systems in place to ensure a systematic and continuous identification and evaluation of risks and actions to terminate, transfer, accept or mitigate each risk to achieve a prudential balance between the risks and potential returns to shareholders is explained in the Risk Report section as from Page 52. 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. Since 2016, the bank is encouraging its shareholders to opt for electronic communication with the bank to enhance efficiency and further reduce the bank's carbon footprint.

At its inception in 2010, the bank was decentralised 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 centralisation 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. Such aspects were also taken into account when considering the expansion of the bank, hence the decision to acquire the Plantation House building situated next to WEAL HOUSE at Place d'Armes, and also the latter's adjacent ex-Merven Building at Royal Street.

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

As an equal opportunity employer, ABC Banking Corporation Ltd 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 organisation 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

Since 2013, the Corporate Social Responsibility programme of the bank is implemented under the aegis of the Sir Jean Etienne Moilin Ah-Chuen Foundation (referred to as "the Foundation"), ABC Group's apex body for social and charitable projects.

Named after the founder of ABC Group, the Foundation is a not-for-profit entity that implements the CSR projects of companies of the Group under one common programme.

Since its establishment, the Foundation intervenes in three areas of intervention, namely Community Empowerment, Education and Health & Sports. For 2016, in line with its commitment towards its social partners, the Foundation has disbursed MUR 3 million, which was primarily used to support NGOs and the community.

Community Empowerment

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

In this vein, the Foundation spearheaded the implementation of Caritas Ile Maurice's School Feeding Project, a programme that consists in providing breakfast and lunch to needy students of Emmanuel Anquetil Government School.

Like every year since the establishment of the Foundation, a Christmas Day was organised with the active participation of employees of the Group in December 2016. The event included a gift distribution for more than one hundred and twenty needy children from the region of Roche Bois, Batterie Cassée and Camp Yoloff.

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

Other NGOs that benefitted from the Foundation's support include Atelier Mo'Zar, a music school that aims to help children fight against poverty and exclusion by developing their talent for music, Mouvement pour le Progrès de Roche Bois, an NGO that caters for school drop-outs, and SAFIRE, which aims for the social integration of street kids in the region of Roche Bois.

Education

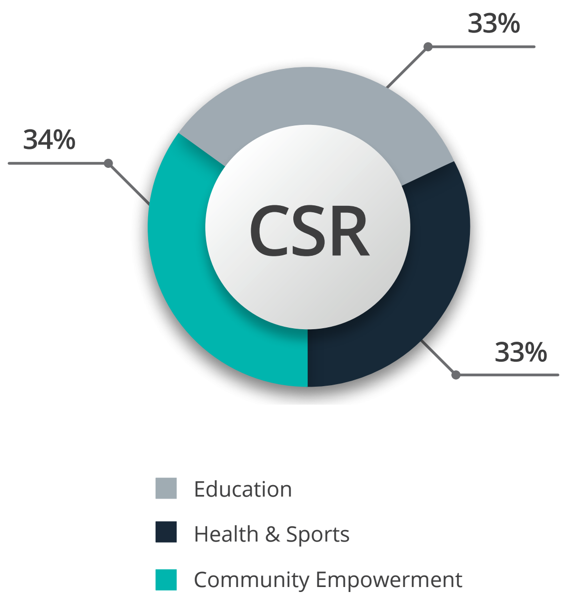
Education is one of the fundamental factors of social and economical integration. During the past year, the Foundation has offered scholarships to youngsters from needy families to help them pursue their studies in universities. Support was also given to College Technique St Gabriel with the objective of offering access to professional courses to needy children, and to Terrain for Interactive Pedagogy Through Arts (TIPA) for its interactive pedagogy programme in ZEP schools.

Health & Sports

Sports encourage social integration and help the development of values that are essential to the society. In this context, the Foundation contributed towards the Trust Fund For Excellence in Sports and Club Maurice.

In line with its objective of promoting the social integration of people with disabilities, the Foundation has supported, amongst others, the Global Rainbow Foundation through the provision of transport services to disabled people, and APSA for its awareness campaigns on the prevention of diabetes.

CSR Fund Allocation



Unlocking capital flows to Africa through cultural and business links between Mauritius and China

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 31st December 2013. He is the holder of the Honorary Freedom of the City of Port Louis and also that of the City of Curepipe. He is a Honorary Bencher of two Inns of Court, the Middle Temple and the Lincoln's Inn.

Hon. Bernard served from 1998 to 2002 on the Sub-Commission for the Promotion and Protection of Human Rights at the Office of the High Commissioner for Human Rights of the United Nations (OHCHR) in Geneva. Since 2007, he is serving 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 a Fellow of the Institute of Chartered Accountants (England & Wales) and a Fellow of the Institute of Chartered Accountants of Australia and also 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 and Industry and the Chairmanship of the Tertiary Education Commission of Mauritius. He was also Pro-Vice Chancellor of the University of Mauritius and Chairman 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 the Chinese Chamber of Commerce (2006-2007) and Board Member of the Mauritius Chamber of Commerce & Industry (2006-2007). He is a Non-Executive Director of ABC Motors Company Limited, which is listed on the Development & Enterprise Market of the Stock Exchange of Mauritius. He is also a Fellow Member of the Mauritius Institute of Directors.

Mr John Sun Yue Chu
(Director as from 1 December 2016)

Mr John Chu (born Jean Ah-Chuen) comes from a strong international accounting and finance background, having previously worked in London, Zambia and Hong Kong for Deloitte and PwC before setting up his own consultancy business.

During the period from 1992-2002, Mr John Chu served as Group Finance Director of ABC Group. For a number of years, he also served as an Independent Director of Morgan Stanley India Investment Fund Inc. and India Magnum Fund Ltd., both domiciled in Mauritius. Mr John Chu is also a director of ABC Capital Ltd. and ABC Coach Works Ltd.

Mr John Chu holds a Bachelor Degree in Economics from King's College, University of Durham (UK) and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr John Chu was also a member of the Lions Club and the Chinese Chamber of Commerce in Mauritius.

Mr Sydney Ah Yoong
(Director as from 13 September 2016)

Mr Sydney Ah Yoong is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) since 1987. He has worked at Deloitte for more than 38 years and retired as a partner in December 2012. He is currently also an Independent Director of P.O.L.I.C.Y Limited, a company listed on the Official Market of the Stock Exchange of Mauritius.

PROFILE OF DIRECTORS (CONT'D)

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 The Barclays Bank PLC and joined The Union Commercial Bank Madagascar (now MCB Madagascar). He was appointed Director-General in 2002 until his retirement in 2004.

Mr Dick Li Wan Po
Independent Director

Mr Dick Li Wan Po is the Deputy Managing Director of Food Canners Ltd, and the Chief Operations Officer of Jacques Li Wan Po Marketing Ltd and Emco Ltd. Mr Li Wan Po has more than 15 years of experience in commerce and industry.

He is a Fellow Member of the Association of Chartered Certified Accountants and holds a BSc Hons in Business Administration and Computer Science from Queens University, Belfast, UK. He is also a Fellow of the Mauritius Institute of Directors (MIoD).

He worked as an accountant for the Dian Fossey Gorilla Fund in UK. Thereafter, Mr Li Wan Po worked in the department of audit at De Chazal Du Mée (representatives of Arthur Andersen Worldwide Organisation in Mauritius). 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 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 a holder of a Master's degree in Law, (specialisation 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 organised by the Council of Legal Education of Mauritius. In 1988, she was commissioned and began practicing as a Notary.

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

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

Mrs Stephanie Ha Chow
Independent Director

Mrs Stephanie Ha Chow is a Fellow Member of the Institute of Chartered Accountants (England and Wales) and holds a BSc in Computer Science with Management from King's College, University of London. She has worked for over ten years in London specialising in accounting and auditing for both private sector and international public sector agencies, namely the European Commission and the United Nations. She is currently a Manager at Ah Koye Ha Chow & Co. Ltd.

PROFILE OF DIRECTORS (CONT'D)

Mr Lakshmana (Kris) Lutchmenarraidoo
Independent Director

Mr Lakshmana (Kris) Lutchmenarraidoo is an experienced professional having spent about 40 years in the banking and financial services industries. During his career, he has held senior positions in important organisations such as the State Bank of Mauritius, the Mauritius Post and Coorperative Bank Ltd, La Prudence (Mauricienne) Assurances Ltée and the Mauritius Union Assurance Cy Ltd.

Mr Lutchmenarraidoo has been an Independent Director of the bank until 16th September 2016.

PROFILE OF MANAGEMENT TEAM

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

Management Team	
Mr Piang Cheong Chin (Nick)	Finance
Mr Abdool Wahab Khadaroo (As from October 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
Mrs Laura Li Shen Pin	Debt Administration and Recovery
Mrs Gowree Dussoruth (Until 27 August 2017)	Compliance and MLRO
Mrs M. Veronique Lim Hoye Yee (Until 2 September 2016)	Credit Underwriting & Risk

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 Corporation Ltd. In July 2011, Mr Umanee joined ABC Banking Corporation Ltd as the Head of Banking – Domestic and 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 10 years of experience acquired on the local & international market. Mr Chin joined ABC Banking Corporation Ltd in March 2012, initially as a Finance Consultant and was subsequently appointed Head of Finance. He started his career in the Finance Department of Barclays Capital in Central London. Prior to joining ABC Banking Corporation Ltd, he was working as Finance Manager in the Investment and Treasury Department of RBS Insurance, UK. 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).

PROFILE OF MANAGEMENT TEAM (CONT'D)

Mr Abdool Wahab Khadaroo
Head of Credit Underwriting & Risk

Mr Abdool Wahab Khadaroo has more than 20 years of experience in the financial services industry. Before joining ABC Banking Corporation Ltd in October 2016 as Head of Credit Underwriting & Risk, he worked for 13 years in different departments (Corporate Credit Risk, Offshore Banking, Internal Audit) across Barclays Bank Mauritius Ltd and acquired international exposure with ABSA Bank South Africa, within the Corporate & Investment Banking space, where he was seconded for duty in 2016. He won the Gold Medal in 2016 for "Net Interest Income performance across Southern Africa countries". Mr Khadaroo also had 6 years exposure in external audit with Deloitte & PwC. He is a Fellow Member of Chartered Accountant (FCCA).

Mrs M. A. Christine K.L. Ng Cheong Hin
Head of Internal Audit

Mrs Christine Ng has more than 15 years of experience acquired on the local & international market. Mrs Ng joined ABC Banking Corporation Ltd in April 2012 initially as Consultant and was thereafter appointed as Head of Internal Audit in June 2012. She gained extensive experience in internal audit and consulting whilst working with Ernst & Young for eleven years. She was the Team Leader on local audit assignments and also had the opportunity to work in a number of African countries, as part of short-term European Union institutional assessments and financial audits. During her tenure with EY, she was also seconded to the EY Johannesburg office for 6 months in 2006/ 2007. She holds a BSc. (Hons.) in Management Sciences from the University of Warwick (UK) and a MSc. in Human Resource Studies from the University of Mauritius. She is a Certified Internal Auditor (CIA) from the Institute of Internal Auditors (USA) and a member of the Institute of Internal Auditors in Mauritius. Since 2016, she also forms part of the Audit Committee Forum (ACF), a forum which was set up by KPMG and the Mauritius Institute of Directors, and which provides guidance notes on a number of topics to Audit Committees through the issue of its Position Papers.

Mr Kushal Bajnathsingh
Head of International Banking

Mr Kushal Bajnathsingh has over 15 years of experience in the Global Business and International Banking field. Prior to joining ABC Banking Corporation Ltd 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 awarded the title of Change Champion for the overall of Barclays Bank in Mauritius. Mr Bajnathsingh is a holder of a post-graduation in Business Administration from Wales University in UK.

Mrs Laura Li Shen Pin
Head of Debt Administration & Recovery

Mrs Laura Li Shen Pin has more than 10 years of experience in the banking sector. She previously held the post of Accountant at the MCB Group for 7 years where she acquired significant experience in the finance department. Mrs Li Shen Pin joined ABC Banking Corporation Ltd in July 2011 as Accountant and was appointed as Senior Recovery Manager in February 2014. She was promoted to Head of Debt Administration & Recovery in June 2016. Mrs Li Shen Pin is a Fellow Member of the Association of Chartered Certified Accountants (ACCA).

Mrs Natasha Jade Wong Chung Ki
Head of Corporate Banking

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

PROFILE OF MANAGEMENT TEAM (CONT'D)

Mr Abdullah Nurmahomed
Head of Treasury

Mr Abdullah Nurmahomed has 8 years of experience in Treasury sales. Prior to joining ABC Banking Corporation Ltd, 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 Corporation Ltd 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 Gowree Dusoruth
Head of Compliance and MLRO / Complaint Officer

Mrs Gowree Dusoruth has more than 13 years of experience in the banking sector. She joined ABC Banking Corporation Ltd in July 2014 as Compliance Manager and MLRO. Mrs Gowree Dusoruth previously worked as Area Manager at Bramer Banking Corporation and her duties and responsibilities involved overseeing the operations aspect of 20 branches. Mrs Dusoruth held managerial positions for the last 9 years and she has been extensively exposed to the compliance and audit framework. She was promoted as Head of Compliance and MLRO at ABC Banking Corporation Ltd in January 2017. Mrs Dusoruth is currently completing her CAMS Certification. After more than 3 years of valuable service, Mrs Gowree Dusoruth has decided to leave ABC Banking Corporation Ltd, with effect Friday 25th August 2017.

Mrs Marie Veronique Lim Hoye Yee
Credit Underwriting & Risk

Mrs Veronique Lim has 18 years of banking experience. Before joining ABC Banking Corporation Ltd 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 2nd September 2016.

Approved by the Board of Directors on 26 September 2017 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*

STATEMENT OF COMPLIANCE

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

Name of PIE: ABC Banking Corporation Ltd

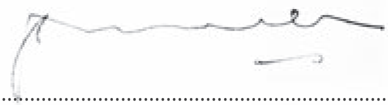
Reporting Period: 30 June 2017

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: 26 September 2017

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



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

OTHER STATUTORY DISCLOSURES

(Pursuant to section 221 of the Companies Act 2001)

Principal Activity

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

Directors & Interests

The directors of the bank as at 30 June 2017 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 Marie Jacques Henri Fleurot
Mrs Stephanie Ha Chow
Mr Dick Li Wan Po
Me. Marie Danielle Low Kwan Sang
Mr Sydney Ah Yoong
Mr John Sun Yue Chu

Directors' interests in shares of the bank are set out on Page 19 of the annual report. No directors have any service contract with the bank.

Directors' Emoluments

During the financial year ended 30 June 2017, the executive and non-executive directors received emoluments amounting to MUR 15,040,000 (2016: MUR 8,860,000) and MUR 1,538,500 (2016: MUR 1,855,500) respectively.

Donations

Donations made during the year were as follows:

	2017 MUR	2016 MUR
Donations	44,533	59,807
Political Donations	0	0
	44,533	59,807

Auditors

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

	2017 MUR	2016 MUR
Audit Services*	888,000	1,200,000
Other Services	50,000	30,000
	938,000	1,230,000

Approved by the Board of Directors on 26 September 2017 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

** Audit services for 2016 included a half yearly audit as well as the statutory audit.*

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 2017, 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

26 September 2017

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 2017.

Approved by the Board of Directors on 26 September 2017 and signed on its behalf by

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

Mr Sydney Ah Yoong
Chairman
Audit Committee

MANAGEMENT DISCUSSION AND ANALYSIS

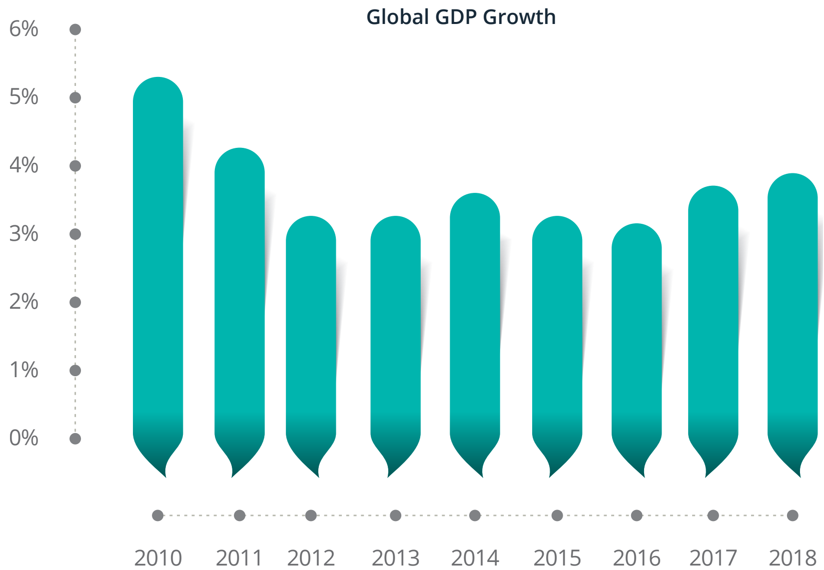
Review of the Operating Environment

The Global Context

At 3.0%, 2016 global GDP growth was at its lowest for some years and unchanged from 2015. The loss of momentum of emerging economies, usually the main drivers of improved performance, resulted in a subdued growth figure. Low confidence amid political and policy uncertainties and volatile financial markets, coupled with a timid recovery in commodity prices were the main factors behind the sluggish performance. Advanced economies, although benefitting from lower commodity prices and accommodative monetary policies, failed to counter balance the trend. Emerging economies were also impacted by financial instabilities, a direct result of high debt levels and vulnerabilities to capital outflows.

The United States grew by 1.6%, its weakest showing during the last five years and down from 2.6% in 2015. The presidential election added its share of uncertainties as proposed policy measures and actions were taken with pessimism by market players. The Federal Reserve continued its rate normalization process as it neared its inflation and unemployment targets.

The Euro area grew by 1.7% in 2016 as the economic zone registered modest growth in challenging times. Exceptional weak world trade, terror risks, and concerns in emerging economies all weighed on the common zone performance. The UK's economic performance will largely rely on the outcomes of its negotiations to exit the European Union. The pound sterling has already been battered and trades near a decade low.



Source: OECD June 2017 Economic Outlook database

Going forward, positive signs start to emerge as trade and investment picks up, on the back of demand mainly from Asia and Europe. A slight recovery in commodity prices will help exporting states, and rising demand for high-tech goods will help other developed nations. The United States is expected to outperform its peers as its economy is projected to grow by 2.1% in 2017 and a further 2.4% in 2018 on the back of fiscal policy support and better labour markets. The Euro area is expected to grow by 1.80% both in 2017 and 2018 as employment improves, led by domestic demand, fiscal and structural measures in some member states. After a promising performance in 2017, recording a growth of 1.40%, Japan will experience challenges to maintain the momentum, projecting to report only 1.0% GDP growth in 2018. Emerging economies are expected to outperform their developed peers, India being tipped to be the top performer.

However, significant downside risks remain mainly on the back of monetary policy divergence and other policy mismatches across major countries. Global GDP is expected to improve marginally to 3.5% in 2017.

ABC BANKING CORPORATION

The first bank to launch UnionPay Diamond VIP card in Africa

The Local Context

A marginal improvement in private capital investment provided support to the domestic economy, which recorded a 3.6% growth in 2016, a slight improvement when compared to 2015 (3.4%). However, external demand fell and limited the upside potential. The higher value-added services sector, ICT and financial services, continue to weigh positively on GDP, posting 6.3% and 5.6% growth respectively. This was levelled down by contraction in the construction (-5.4%) and agricultural sectors (-2.4%). The repo rate remained unchanged at 4.0% following a 40 basis points cut in July 2016 as inflation slightly picked up during the year under review. Higher commodity prices coupled with a higher energy bill (mainly oil) contributed to higher inflation.

Due to its favorable economic, political and legal climate, the country continues to enjoy its preferred destination status for capital flows from Europe and Asia into Africa. Strong FDI remains an important ingredient to growth. During the last budget speech, the government laid emphasis on higher value-added products and services to successfully exit the middle-income trap. Emphasis was also laid on supporting the export sector. A blueprint was commissioned for the global business sector following the review of the country's DTAA treaty with India. All these measures, if materialised, will boost business sentiment and contribute to GDP growth.

Excess liquidity continues to affect the Domestic Banking sector. Yields remain low and real interest rates are negative. The monetary policy transmission mechanism is broken and we eagerly await the new monetary policy framework. This situation remains a cause for concern for financial institutions, especially banks, as return on investments remain low. With the introduction of the new Primary Dealer and Market Maker framework, activity on the secondary markets picked up, albeit some fine-tuning remains to be done to make the new system work effectively. The foreign exchange market also witnessed substantial excesses of foreign currencies, which led to the appreciation of the local currency.

Outlook 2017

The economy is expected to grow by 3.7% in 2017. This forecast assumes that many of the main points announced in the last budget actually materialises, namely the major infrastructure projects like smart cities and the Metro Express. The unemployment rate might as a result fall towards 7.7% in 2017. However, if we look at historical statistics on budget announcements versus realisation, significant downside risks remain. Despite some sporadic hikes following revision in oil prices and fiscal measures, yearly inflation is expected to remain at relatively low level of 1.5% for 2017.

Business Segment Review

Domestic Banking

The financial year 2016/2017 has been very challenging for the Domestic Banking department. Faced with persistent excess liquidity and coupled with sluggish economic conditions, demand for loans and advances was affected quite significantly. Competition remains fierce within such a small domestic market which inevitably adds pressure on our margins. Despite these tough market conditions, we succeeded in growing the lending book to reach MUR 5.3 billion, representing a growth of 11% from last year.

Year on year, we manage to successfully onboard new corporate clients whilst also developing further business with our existing loyal clients. Their loyalty is the result of our rapid and personalised service offered by our dedicated staff. Such consideration is also extended to our SME clients whose contribution to the local economy is undeniable. This is why we are also supportive of this sector and participate yearly in the SME Financing Scheme to meet the financing quota set by the Central Bank.

Retail Banking has also been challenging. A new experienced manager in charge of the department has been recruited this year and together with enhanced as well as innovative products, the bank is well positioned to develop further business on the retail side.

With our well-defined strategies in place and our qualified personnel, we remain positive to maintain the growth for our loans and advances and acquire more market share over the years.

International Banking

The International Banking department remains one of the key pillars of the bank. Building on its sustained growth achieved relentlessly over the past years, the department reached a highly satisfactory performance during the financial year 2016/2017.

Leveraging on the expertise and know-how of our dedicated team, the International Banking department ensured once again that a high-quality service is provided to sophisticated High Net Worth Individuals and international clientele.

In line with this objective, accounts are offered in all major currencies and a fully transactional Internet Banking platform to facilitate International Wire transfers has been successfully set up. With customers' interests as a top priority, we offer MUR denominated Mastercard debit card and more recently ABC Banking Corporation Ltd launched the UnionPay Classic and Diamond debit cards, the latter offering exclusive benefits to members.

As one of the few full-fledged local banks in Mauritius, we aim at developing and implementing highly competitive standards backed with a flawless customer care service. Because we reckon that all of our customers are unique and have different needs, we also provide tailor-made services to each and every one of them. In this way, we both nurture and enhance our valuable relationships with our clients by proposing customised banking products.

Being a fast-growing banking institution with a vast array of products and services, we intend to strengthen our position on the local market by elevating our standards and ensuring that our customers' banking needs are fully satisfied. On the international level, in 2017, ABC Banking Corporation Ltd reached a milestone through the opening of a representative office in Hong Kong. Today, our vision is to become the ideal platform connecting Asia to Africa by emphasising on our forte which remains our highly skilled and multi-talented staff.

In the years to come, the International Banking department will continue to support the bank's objective of increasing its market share and to set a footprint internationally. For this reason, we will ensure that we onboard quality clients who will bring more flourished business to our offshore cluster.

Treasury operations

Building on the excellent results of the previous financial year, the department further expanded its customer base and volume of business during the year under review. Domestic FX income witnessed a 32% growth on the back of a larger portfolio of customers, thereby increasing the bank's share of the domestic market.

However, competition remains fierce on the local front and as the operating environment witnessed important ramifications, namely with the introduction of the new Market Maker system, the department had to reengineer itself to exploit new market opportunities and remain competitive. On the international front, despite increased volatility and downside risks, our foreign exchange operations still managed to deliver a commendable performance.

Challenging domestic debt market conditions, coupled with the introduction of the new primary dealer framework, and persistent excess liquidity negatively impacted on investment interest income. We, however, successfully revamped our business model to exploit alternative avenues and adapt to new market conditions. New sources of income were unlocked, which further added to our bottom-line. Our overall contribution to baseline profitability remains satisfactory.

Looking ahead, excellent customer service and the right mix of product offerings remain our main drive to acquire more business. We plan to leverage on our new Hong Kong representative office and Private Banking offerings to further boost our bottom-line performance.

e-Business

During the year under review, the e-Business team significantly improved the online banking experience offered to local and international customers in line with the requirements of an increasingly digitalised sector.

The bank has efficiently strengthened its e-banking service offerings, as a result of which there has been an increase in the number of internet banking users. Likewise, the number of internet transactions has increased, mainly due to online payments through ABC Banking Corporation's cards. During this period, it has also been noted that most of the offshore clients have moved to electronic transfers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

In order to provide a fully secured facility to the continuous shift to online services, the bank ensures that its security parameters are constantly improved. In this respect, an e-notification system has been implemented. Accordingly, customers receive an email after each card transaction, thereby enhancing security for our debit card users.

Human Resources

Ensuring effective development of existing staff and fostering new talents are the priorities of the Human Resources (HR) department. During the year under review, the bank once again achieved sustainable growth through the continuous co-operation and dedication of its human resource.

In this effort, the HR department plays a key role in supporting all business units in finding the right fit for their respective teams and to promote a working environment which is conducive to employees achieving their personal and professional objectives in line with the bank's mission and vision.

ABC Banking Corporation Ltd aims to attract, develop and retain the most capable employees and is an Equal Opportunity Employer. In a broader sense, we believe that driving a culture of employee engagement will eventually lead to high customer-centric performance on their part, and thus representing a competitive advantage for the bank.

For this reason, we provide continuous training to our staff by using a combination of on-the-job and off-the-job training whilst ensuring that all employees fully comply with the requisites of the industry. Furthermore, our Heads and Managers follow rigorous leadership courses and workshops as well as participate in regular team building exercises. Additionally, in order to nurture a proper work life balance, ABC Banking Corporation Ltd places a lot of importance on employees' well-being and health. The bank has established a Staff Welfare Committee to encourage the participation of staff in social, leisure and community welfare activities.

Product Development and Marketing

This department supports the bank's business units through the implementation of effective marketing and communication initiatives.

In 2016/2017, retail products, namely housing and educational loans as well as leasing have been revamped and proposed at highly competitive rates with attractive features. The bank actively promoted these products at various fairs and roadshows which are part its annual marketing and communication activities, thereby enhancing its brand visibility and customer proximity.

In February 2017, the bank marked a significant step in its ambition of connecting Africa to Asia: it became the first Mauritian bank to open a representative office in the Chinese territory following approval by the Hong Kong Monetary Authority. The bank's website and communication materials were made available in both English and Mandarin to this new client segment.

In addition, in March 2017, through its partnership with UnionPay International, ABC Banking Corporation Ltd introduced the UnionPay Diamond and Classic debit cards, underlining its commitment of offering new products to its clients. Simultaneously, the bank becomes the first banking institution in Africa to offer the UnionPay Diamond debit card which gives access to numerous privileges and benefits.

With a view to consolidating our relationships with our loyal clients, informative social gatherings are organised on a regular basis all year round.

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 2017 presented on pages 82 to 156. 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 158 relating to forward-looking statements.

Highlights

Following the various world events that occurred during 2016, the global economy's growth was below expected results during the first half of this financial year. Cyclical recovery was noted as from April 2017 and expectation is towards a pickup of the global economy with forecasted increase in growth rate in numerous advanced and emerging economies during the year 2017 compared to the year 2016. With the momentum in favour of global recovery, countries will need to implement adequate policies and take appropriate actions in order to capitalise on the current growth trend. On the domestic front, excess liquidity has remained a concern, sending yields to new lows. These developments impacted on our overall investment income but a growing loan book helped in making up for the shortfall. Overall, the bank improved its Net Interest Income which positively contributed to our bottom-line, with a profit before tax of MUR 250 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 15.6% from 13.8% in FY2015/2016. Earnings per Share stands at MUR 2.73 as at year end. Operating in an environment characterised by weak demand for credit, persistent excess liquidity and fierce competition, the bank experienced a modest increase in its total asset base to MUR 15.8 billion for the year ended 30 June 2017. The bank's Tier 1 and Capital Adequacy ratio have increased to 14.3% and 15.4% respectively, with both ratios sitting comfortably above the minimum regulatory requirement.

The financial year 2016/2017 has been a year of remarkable achievements for the bank with both geographical expansion and product development. It has demonstrated its solid standing in the banking sector by establishing a representative office in Hong Kong which will open up new markets and opportunities in an ever growing and high potential geographical region.

In March 2017, the bank acquired The Plantation House and Ex-Merven Building, marking another major milestone in the bank's development strategy. Situated next to WEAL HOUSE, these landmarks will accommodate the ever-growing activities, IT infrastructure and human capital of the bank.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Performance against objectives

Area of performance	Objectives for FY 2016/2017	Actual for FY 2016/2017	Objectives for FY 2017/2018
Net Interest Income	Net Interest Income to increase by around 15% with further expansion of the loans and advances portfolio	Net Interest Income of the bank rose by 25% driven by the increase in loans and advances to customers	Net Interest Income to increase by around 15% with further expansion and diversification of the loans and advances portfolio and growth in investment securities and placement with Banks
Non-Interest Expenses	Target to keep expenses increase to below 15%	Non-interest expenses increased by 17%	In line with the bank's expansion strategy and the full operation of its Hong Kong representative office office, the bank expects to further invest in both technology and human resource to cope with the business requirements. Non-interest expenses are expected to increase by around 15%
Productivity (Non-interest expenses as a % of the sum of Other income and Net interest income before impairment)	Aim to keep the cost to income ratio below 45%	Following close monitoring, cost to income ratio stood at 45%	Aim to keep the cost to income ratio around same level
Return on Equity (Net profit/Equity)	To keep ROE around 10% in view of slow economic restart and a highly competitive local market	ROE for the year ended stood at 16% in line with substantial increase in profit	To keep ROE around same level while increasing the loans and advances portfolio and the bank's capital base
Return on Average Total Assets	Aim to keep ROA around 1.3%	Return on average total assets stood at 1.3%	Aim to keep ROA around same level
Portfolio Quality	Keep NPL ratio to similar level at 2.6%	The NPL ratio decreased from 2.6% to 1.7% as at 30 June 2017	Aim to keep NPL ratio to below 2% through close monitoring of clients' repayments
Deposits from Customers	Maintain existing customer base and aim to expand deposit base by 15%	Total deposit portfolio increased by 3% with a shift of clients behaviour favouring Term deposits over Current/Call deposits	Deposit base to increase by around 15% following full operations of Hong Kong representative office
Loans and other Advances portfolio	Expand the loans and advances portfolio by around 15%	The loans and advances portfolio rose by 11% 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 493 million for the year ended 30 June 2017 compared to MUR 436 million for the previous year, representing an increase of 13.2%. The main drivers of revenues remain by far Net Interest Income which increased by 25.4% while Net fees and commission income experienced a drop of 11.4%, following the advent of CRS and the Brexit conundrum. The contribution of Net Interest Income towards total operating income approximated 68.2% (FY2015/2016: 61.5%).

Net Interest Income

Interest Income remained the main income driver of the bank with interest generated of MUR 645 million compared to last year's MUR 568 million (+13.5%). Corresponding Interest Expense has increased by 2.9% from MUR 300 million to MUR 309 million, resulting in a Net Interest Income of MUR 336 million for the year under review compared to last year's MUR 268 million (+ 25.4%). Despite the general excess liquidity in Mauritius, the bank managed to increase its loans and advances by 10.9% coupled with a shift of portfolio towards loans products while the remaining funds were re-invested in short to medium term investments and placements. The improvement in Net Income was further accentuated with lower cost of fund due to the bank's deposits' timid progress of 3.2% and to the decrease of Repo Rate during the year (from 4.4% on July 2015 to 4% on July 2016).

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

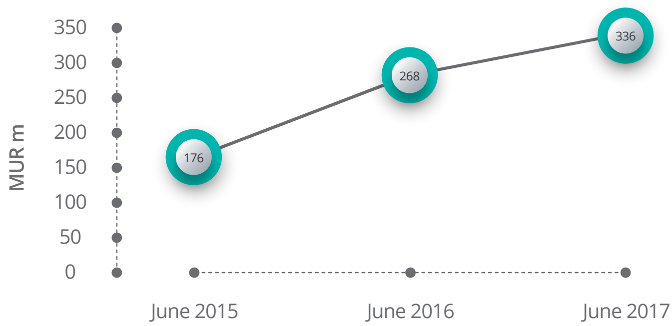


Figure 1: Net Interest Income

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

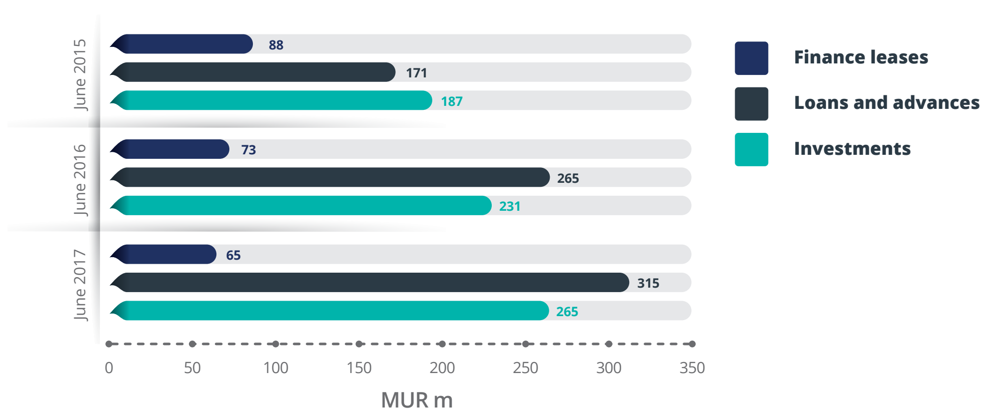


Figure 2: Contribution per asset type towards the achievement of Total Interest Income

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Analysis of Results (Cont'd)

Revenue Growth (Cont'd)

Non-Interest Income

Non-Interest Income witnessed a decrease of 6.4% on year to year standing at MUR 157 million (FY2015/2016: MUR 168 million) due to a number of factors including Brexit effect, legislation being tightened, both at the local and international levels and unfavourable exchange rate compared to FY2015/2016. The bank continues to explore new income streams to further expand its Non-Interest Income sources with key focus on low-risk products.

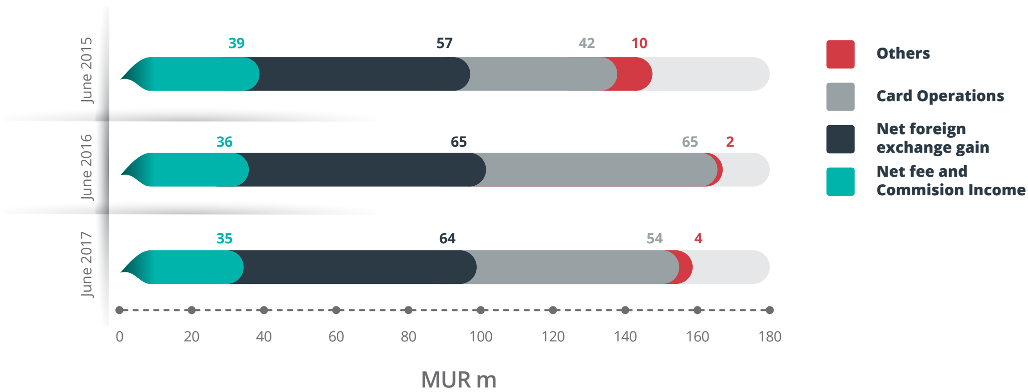


Figure 3: Non-Interest Income

Cost Control

The bank has undergone significant growth over the past few years. With the aim to achieving further progress in the competitive banking sector, the bank has continued to invest in human resources and infrastructure to achieve its long-term goals. Management is ensuring that proper safeguards and strict controls are being adhered to monitor the bank's prudential development and to improve its cost efficiency. The operating expenses, inclusive of the establishment costs of the Hong Kong representative office, increased by 16.9% to reach MUR 220 million as at end of June 2017 (FY2015/2016: MUR 188 million). Personnel expenses remain the main component of Non-Interest Expenses, having increased by 26.1% (MUR 127 million compared to FY2015/2016 of MUR 101 million) which is mainly attributable to the recruitment of experienced and talented staff.

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

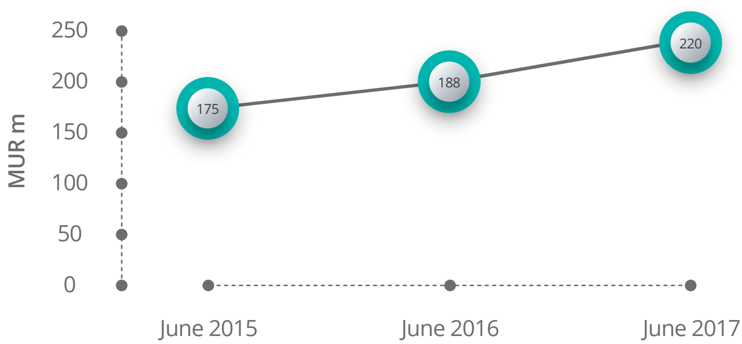


Figure 4: Non-Interest Expenditure

Assets

Assets Mix

Albeit the persisting difficult operating climate both on the domestic and international environment, the bank's total assets grew to MUR 15.8 billion as at 30 June 2017, improving by 4.1% while retaining the desired assets' risk return profile.

The following charts depict the bank's assets mix as at 30 June 2017 and 30 June 2016 respectively with clear efforts to reduce risks through diversification:

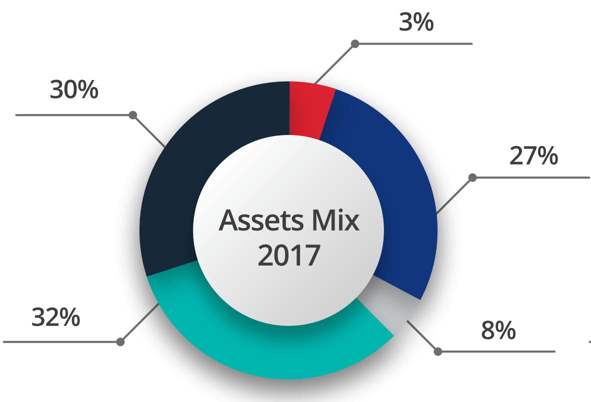


Figure 5: Assets Mix 2017

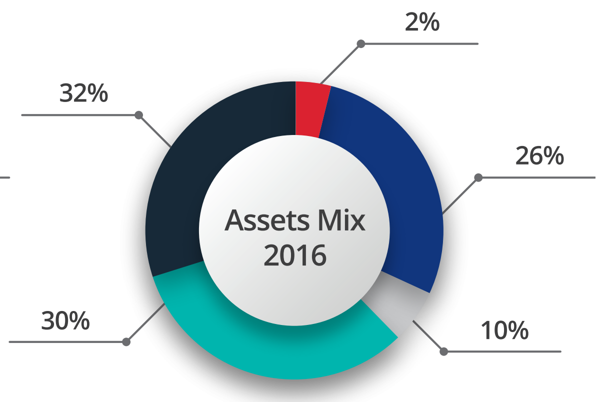


Figure 6: Assets Mix 2016

Other assets | **Cash and cash equivalents** | **Due from banks**

Loans and advances to customers | **Investment securities**

Investment in Securities

The bank further diversified its fixed income portfolio of holdings by adding more corporate issues, both participating in the primary market and also actively trading in the secondary markets. The bank also dynamically managed its sovereign holdings to optimise return and minimise interest rate risks. The fixed income securities market witnessed increased activity and deeper markets following the introduction of the new Primary Dealer framework. Our holdings allow us to showcase a comfortable liquidity buffer. The bank's investment portfolio stood at MUR 4.7 billion for the year ended 30 June 2017 (FY2015/2016: MUR 4.8 billion) with the slight decrease in investment in securities being reinvested in short-term placements with reputable financial institutions.

Cash and Cash Equivalents

Cash in hand and balances with Central Bank and other Financial Institutions stood at MUR 4.3 billion as at 30 June 2017 which represents an increase of MUR 0.3 billion compared to the previous financial year reporting date (FY 2015/2016: MUR 4.0 billion).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Assets (Cont'd)

Credit Exposure

The bank's loans and advances portfolio progressed by a notable 10.9% despite the tough economic conditions. As at 30 June 2017, the bank's book value stood at MUR 5.3 billion compared MUR 4.8 billion last year. The bank aims to improve its credit risk by diversifying its portfolio in different sectors. Compared to last year, the bank has been reallocating its exposure across different sectors of the Mauritian economy to match the current industry's trend and its associated risk.

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.

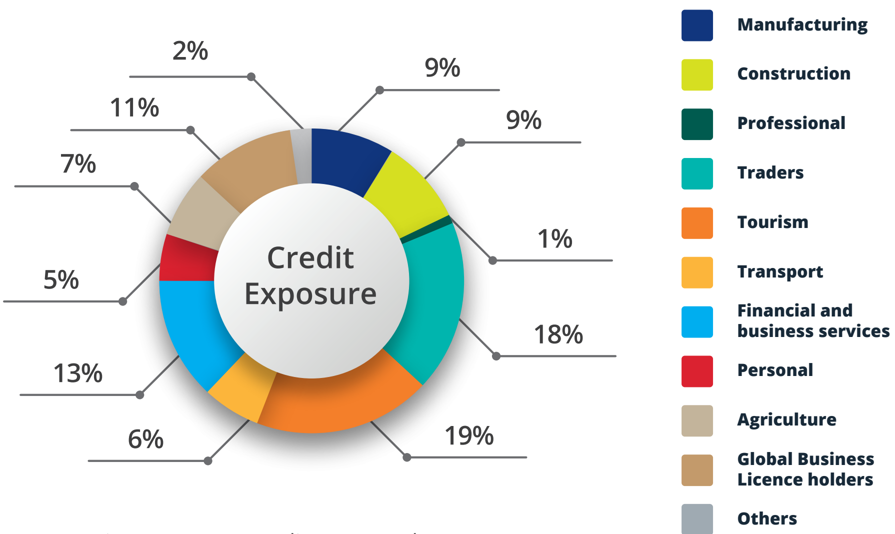


Figure 7: Gross Credit Exposure by sector

Provisioning and Asset Quality

The bank's recovery process has much improved over the past years with current year results showing a stable non-performing loan ratio of 1.7% compared to last year's 2.6%. The bank is ensuring that proper processes and policies are maintained to prevent a loan from becoming overdue and subsequently non-performing. Coupled with adequate credit underwriting procedures, the bank is aiming to capture creditworthy clients and mitigate any unwanted losses by covering its position with suitable level of collateral.

A net provision of MUR 23 million (FY2015/2016: MUR 61 million) has been made for credit impairment and write-offs during the financial year ended 30 June 2017. The bank is reviewing and monitoring closely its potential and current clients to ensure protection of its stakeholders from losses.

Funding

Deposits

Total deposits which is the principal source of funding for the bank grew by 3% during the year under review in the midst of persisting excess liquidity in the local market. The bank experienced an increase in its rupee deposit whereas a decrease was noted in its foreign currency balances. The bank maintained its efforts started in previous years to reduce the cost of funds by concentrating more on low cost deposits and improving on the net interest spread both in local and foreign currencies.

As at 30 June 2017, time deposits accounted for 27% of the bank's overall deposit portfolio (FY2015/2016: 21%). 42% of total deposits were denominated in foreign currencies at end of June 2017 (FY2015/2016: 49%).

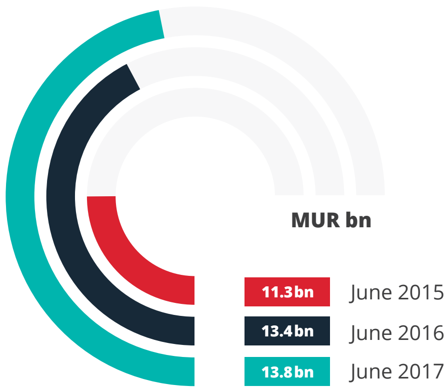


Figure 8: Deposits

Capital Resources

The bank currently has a comfortable cushion in terms of capital adequacy with ratio of 15.4% compared to regulatory requirement of 10%. As at 30 June 2017, shareholders' equity was MUR 1.3 billion representing an increase of 14.2% over FY2015/2016. The improving shareholders' equity indicates the bank's willingness to create long-term value over short-term profit. Together with the aim to keep its capital adequacy within required standards, the bank will strive to maximise its profitability and will ensure that enough capital is available to seize investment opportunities which may arise.

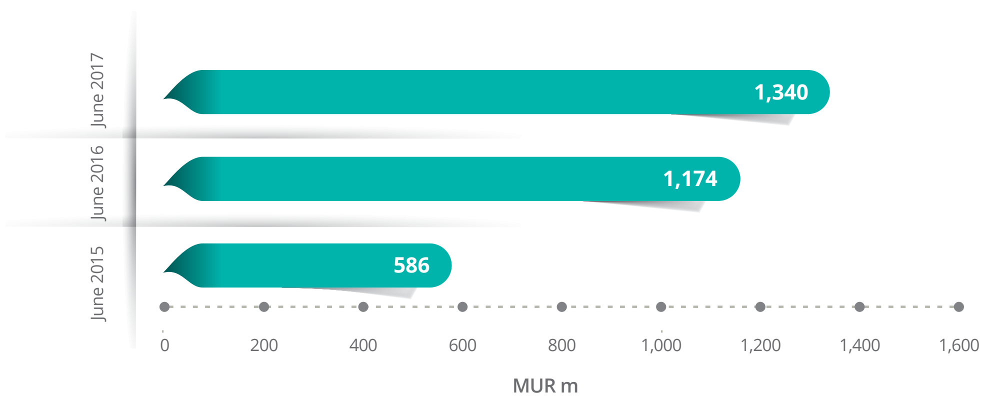


Figure 9: Shareholders' Equity

RISK REPORT

The bank faces the following key risks:

Risk	Definition	Selective Risk Management Metrics	Page Number
Credit risk	Risk of default of a customer	Limit on concentrations (individual and sector)	58
Sovereign risk	Risk of default of a government entity	Limit on country exposure	59
Country risk	Risk of loss resulting from the action of a country affects the affairs of the bank	Limit on country exposure	59
Bank risk	Risk of default of a bank	Limit on bank exposure	60
Market risk	Risk of loss arising from potential changes in the market variables such as interest rates, foreign exchange rates, implied market volatility and prices of real assets	EAR VAR Limit on foreign exchange open position	64
Liquidity risk	Risk of not having the funds to meet immediate needs	Liquidity ratios Limit on liquidity gaps	65
Other core risks			
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	Key risk indicators	69
Reputation risk	Risk of loss arising in the damage in the reputation of the bank	Key risk indicators	70
Compliance risk	Risk of failure to adhere to relevant laws, regulations and guidelines issued by the Bank of Mauritius	Follow up to ensure timely compliance with regulator	70

ABC BANKING CORPORATION

ABC Banking Corporation's representative office, Room 1608, 16/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong

RISK REPORT (CONT'D)

1. Highlights for Year ended June 2017

- **Further improvement in Asset Quality**

The bank saw further improvement in asset quality with lower impairment ratio. Non-Performing Loans (NPL) ratio slid to 1.7% as at end of June 2017 from 2.6% as at end of June 2016. Non-Performing Loans further fell from MUR 124.9 million as at 30 June 2016 to MUR 89.1 million as at 30 June 2017.

An increase of 10.1% noted in gross loans and advances from MUR 4,770.4 million as at 30 June 2016 to MUR 5,250.7 million as at 30 June 2017.

- **Increase in coverage ratios**

Specific provision as a percentage of NPL increased from 90.4% as at 30 June 2016 to 93.0% as at 30 June 2017 based on non-performing loan book.

- **Sovereign risk**

As at end of June 2017, investment in foreign currency fixed income securities totalled to equivalent MUR 283.7 million from equivalent MUR 192.7 million as at end of June 2016.

An increase of 6.5% is noted in total investments in local Bank of Mauritius and Government Bonds and Notes whereby, exposure rose from MUR 3,242.1 million as at June 2016 to MUR 3,450.7 million as at June 2017. Investment in treasury bills decreased from MUR 1,087.9 million as at June 2016 to MUR 347.2 million as at June 2017.

- **Country Risk**

Exposure to Africa decreased from 25% of total as at 30 June 2016 to 14% of total as at 30 June 2017. The decrease was due to a reduction in placements in banks in Africa.

- **Bank risk**

Risk weighted claims on banks decreased from MUR 2,588.8 million as at June 2016 to MUR 1,965.9 million as at June 2017. In terms of bank risk, we note a shift in exposure from rated banks to unrated banks over the year. It is worth noting that the term to maturity of most placements in rated and unrated banks is less than three months.

- **Sector concentration**

61.3% of total exposures was concentrated in 4 sectors, namely, Tourism, Financial & Business Services, Traders and Global License Holders as at June 2017. Main increase in exposure noted for Tourism sector and Traders over the year. While exposures to Segment B decreased from MUR 1,034.2 million as at June 2016 to MUR 1,001.4 million as at June 2017, cross border exposure remained selective. Exposure to segment B represented 16.2% of total exposure as at 30 June 2017 from 19.6% of total exposure as at June 2016.

**Figures are excluding accrued interest.*

- **Funding Mix and Loan to deposit ratio**

Deposits continued to expand during the year, increasing to MUR 13,803.1 million as at 30 June 2017 from MUR 13,368.9 million as at 30 June 2016. FCY deposits made up 42% of total deposits from 49% as at June 2016.

Net Loan to deposit ratio rose to 36.9% as at June 2017 from 34.4% as at June 2016 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 head of compliance ensures timely identification and impact assessment of regulatory changes. The bank has put in place three fully automated Anti-Money Laundering Software – Oracle Financial Services Analytical Applications (OFSAA), the SWIFT Sanctions Screening and the Hotscan Risk Screening Solution which are being used by the Compliance Department in its daily monitoring process. This has led to an improved effectiveness in controls and help build a compliance culture that is driven by strategy, focused on added business value and embedded in the bank's governance, planning and operations.

The compliance team independently reviews all banking transactions by clients of the bank on a daily basis, based on agreed parameters. The alerts generated are then analysed and dealt with by the team who ensures that there has been a proper documentation and control over all identified alerts as per Policy and Procedures. OFSAA also assists in the investigation of suspicious transactions and helps the MLRO in his investigative processes.

- **Capital management**

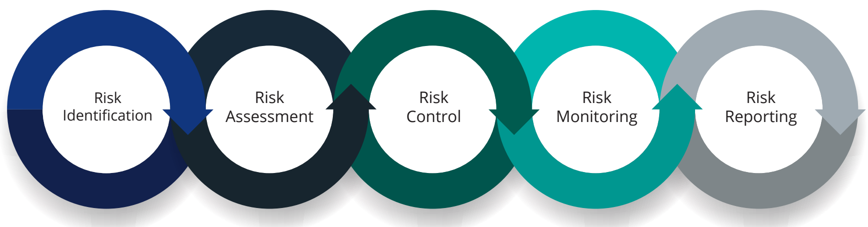
During the year, the bank's Common Equity Tier 1 (CET1) capital position increased to MUR 1,309.4 million as at June 2017 from MUR 1,136.8 million as at June 2016. Tier 1 Capital Adequacy Ratio (Tier 1 CAR) rose from 13.2% as at June 2016 to 14.3% as at June 2017 further to an increase in both Tier 1 capital and risk weighted assets from MUR 8.6 billion as at June 2016 to MUR 9.2 billion as at June 2017. Capital Adequacy Ratio (CAR) stood at 15.4% as at June 2017.

The ratios are above the minimum regulatory limits of 8.625% (Tier 1 CAR) effective as from 1st January 2017 and 10.625% (CAR) respectively. The ratios are also above the minimum regulatory limit of 9.25% (Tier 1 CAR) and 11.25% (CAR) including Tier 1 buffer as per Basel III, effective as from 1st January 2018. 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% decreased from MUR 219 million (3% of Risk Weighted Assets) as at June 2016 to MUR 87 million (1% of Risk Weighted Assets) as at June 2017. Risk Weighted Assets (on balance sheet) with risk weight of 100% rose from MUR 5,792.2 million (73% of Risk Weighted Assets) as at June 2016 to MUR 6,376.1 million (77% of Risk Weighted Assets) as at June 2017.

2. Risk Governance Structure

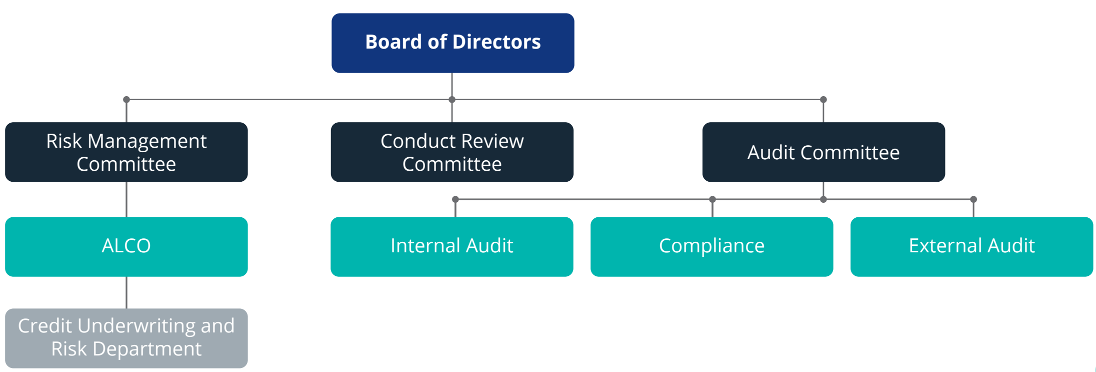
The risk management process comprises of the following steps:



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.

3. Risk Governance Framework



RISK REPORT (CONT'D)

3. Risk Governance Framework (Cont'd)

3.1 Board Oversight and Management of Risks and Internal Control

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

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

The Board is principally responsible for:

- Establishing risk appetite and tolerance
- Approving risk management policies
- Overseeing policy compliance and effectiveness of the risk systems, controls and policies to meet the requirements of regulations.

3.2 Risk Management Committee

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

Responsibilities include:

- Determining risk tolerance and appetite
- Reviewing and assessing the integrity of the risk control systems
- Reviewing policies and ensuring risk policies and strategies are effectively managed
- Monitoring exposures against limits set
- Reviewing the ICAAP document and recommending same to the Board
- Ensuring the effectiveness of procedures and compliance with Bank of Mauritius Guidelines.

3.3 Conduct Review Committee

The responsibilities of the Conduct Review Committee include the following:

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

3.4 Assets and Liabilities Committee (ALCO)

The ALCO comprises 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.

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

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

ALCO is responsible for maintaining:

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

ALCO is also responsible for:

- Analysing monthly reports of the bank's liquidity exposure and monitoring exposure against the limits.
- Reviewing and monitoring interest rate risk and recommending 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.

3. Risk Governance Framework (Cont'd)

3.5 Audit Committee

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

- Approving the appointment and remuneration of External Auditors
- Reviewing the scope of external audit and significant matters reported by External Auditors
- Reviewing Bank of Mauritius inspection findings and ensuring that remedial actions have been taken by senior management and management.

3.6 Risk Department

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

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

4. 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).

4.1 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 summarised 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 recognise credit impairment
- Reporting to Board Risk Management Committee on risk matters.

4.2 Credit Policies

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

4.3 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.

4.3.1 Sovereign Risk

Sovereign Risk is a type of credit risk specific to government debt.

An increase of 6.5% is noted in total investments in local Bank of Mauritius and Government Bonds and Notes whereby, exposure rose from MUR 3,242.1 million as at June 2016 to MUR 3,450.7 million as at June 2017. Investment in treasury bills decreased from MUR 1,087.9 million as at June 2016 to MUR 347.2 million as at June 2017.

4.3.2 Country Risk

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

With the expansion in International 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.

Domestic exposure increased to 71% as at June 2017.

Exposure to Africa decreased from 25% of total as at 30 June 2016 to 14% of total as at 30 June 2017. The decrease was due to a reduction in placements to African Banks.

The following figure shows the distribution of exposure by country.

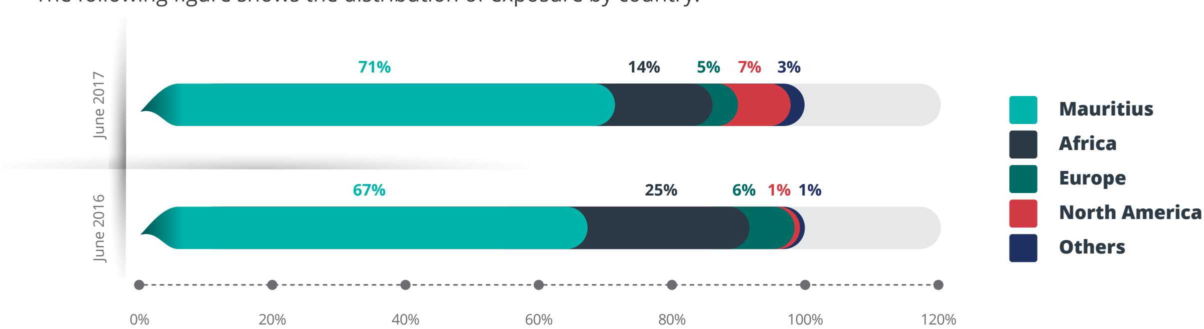


Figure 10: Country Risk Exposure

4. Credit Risk (Cont'd)

4.3.3 Bank Risk

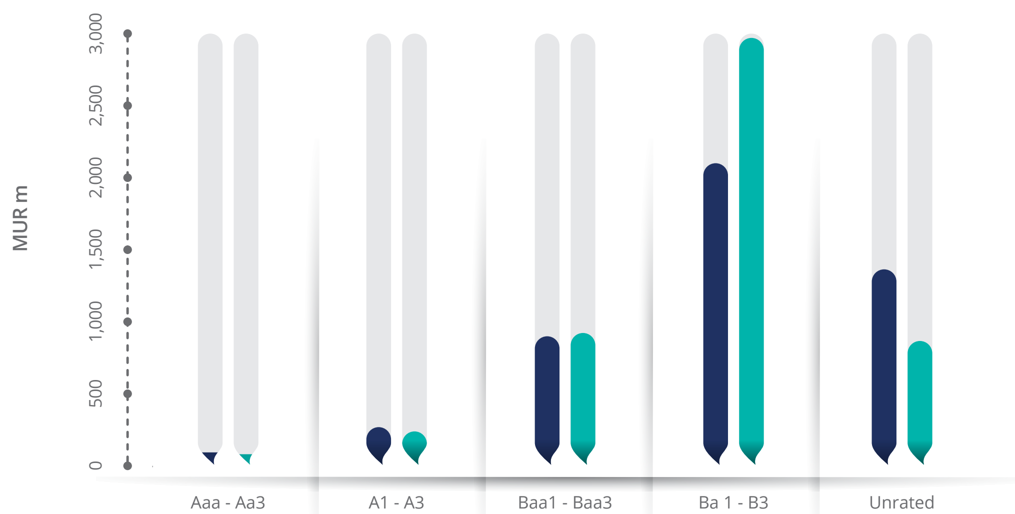
Bank risk is the risk of loss arising from default or changes in circumstances of a bank or a banking industry.

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.

During the year to June 2017, there was a shift in placements from rated banks to unrated banks.

Exposures to banks by rating are reflected below.

Bank Risk
Classification by Credit Rating



	Aaa - Aa3	A1 - A3	Baa1 - Baa3	Ba 1 - B3	Unrated
June 2017	19	154	850	2,080	1,388
June 2016	18	141	856	2,991	846

Figure 11: Bank Risk Exposure

4.3.4 Sector Concentration

Over the year, exposure to the Agriculture and Fishing sector surged by MUR 461 million as at June 2017. The Tourism sector became the sector with the highest exposure at 20.0%. 61.3% of total exposures was concentrated in 4 sectors, namely, Tourism, Financial & Business Services, Traders and Global Licence Holders. All sectors are within the respective internal prudential limits approved by the Board.

While exposures to Segment B decreased from MUR 1,034.2 million as at June 2016 to MUR 1,001.4 million as at June 2017, cross border exposure remained selective. Exposure to segment B represented 16.2% of total as at 30 June 2017 from 19.6% of total as at June 2016.

4.3.4 Sector Concentration

Sector	Exposure (out bal)* June 16 Segment A (MUR m)**	Segment A % of Total Exposure	Segment B (MUR m Equiv.)	Segment B % of Total Exposure	TOTAL (MUR m Equiv.)	TOTAL % of Total Exposure	Exposure (out bal)* June 17 Segment A (MUR m)**	Segment A % of Total Exposure	Segment B (MUR m Equiv.)	Segment B % of Total Exposure	TOTAL (MUR m Equiv.)	TOTAL % of Total Exposure
Agriculture and Fishing	160.3	4%	-	-	160.3	3.0%	621.27	12%	-	0.0%	621.3	10.1%
Manufacturing	357.9	8%	-	-	357.9	6.8%	482.83	9%	-	0.0%	482.8	7.8%
Tourism	996.9	23%	-	-	996.9	18.9%	1,013.17	20%	231.8	23.1%	1,245.0	20.2%
Transport	256.4	6%	6.2	0.6%	262.6	4.97%	290.08	6%	1.9	0.2%	292.0	4.7%
Construction	483.0	11%	-	-	483.0	9.1%	576.35	11%	-	0.0%	576.3	9.3%
of which Commercial, Residential and Land Parcelling	244.1	6%	-	-	244.1	4.6%	317.56	6%	-	0.0%	317.6	5.1%
Global Licence Holders			786.0	76.0%	786.0	14.9%	-	0%	678.9	67.8%	678.9	11.0%
Traders	796.1	19%	-	-	796.1	15.1%	945.66	18%	-	0.0%	945.7	15.3%
ICT	25.2	1%	-	-	25.2	0.48%	21.29	0%	-	0.0%	21.3	0.34%
Financial & Business Services	756.5	18%	234.7	22.7%	991.2	18.8%	860.22	17%	51.8	5.2%	912.0	14.8%
Infrastructure	0.8	0%	-	-	0.8	0.02%	0.19	0%	-	0.0%	0.2	0.0%
Professional	41.7	1%	-	-	41.7	0.8%	8.20	0%	31.1	3.1%	39.3	0.6%
Health Development	0.1	0%	-	-	0.1	0.002%	0.04	0%	-	0.0%	0.0	0.0%
Education	3.8	0%	-	-	3.8	0.07%	3.15	0%	-	0.0%	3.1	0.05%
Media entertainment	8.8	0%	-	-	8.8	0.17%	7.22	0%	-	0.0%	7.2	0.12%
Other services	89.6	2%	7.2	0.7%	96.8	1.8%	77.35	1%	5.9	0.6%	83.2	1.3%
Personal	267.4	6%	0.1	0.0%	267.5	5.1%	263.53	5%	-	0.0%	263.5	4.3%
Total	**4,244.5**	**100.0%**	**1,034.2**	**100.0%**	**5,278.7**	**100%**	**5,170.5**	**100.0%**	**1,001.4**	**100.0%**	**6,172.0**	**100%**

Table 1: Sector-wise distribution

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

** Includes FCY loans in MUR equivalent

Note: Figures are excluding accrued interest.

4.3.5 Credit Concentration Risk for large exposures

The bank is exposed to the credit risk of large single/group counter parties. 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 (single and group) exceeding 15% of capital base after netting off deposits.

4. Credit Risk (Cont'd)

4.3 Concentration Risk and Credit Risk Profile (Cont'd)

4.3.5 Credit Concentration Risk for large exposures (Cont'd)

As at 30 June 2017, 7 groups of related customers and 2 single customers had exposures exceeding 15% of the bank's capital base. The aggregate of the exposures for group of closely related customers is within the regulatory limit of 800% of bank's capital base.

Large Exposure (Single & Group)	Net Exposure as at 30.06.17 (MUR m)	% of Bank's Capital Base
1	464.3	32.8%
2	449.3	31.7%
3	372.2	26.3%
4	367.6	26.0%
5	315.1	22.3%
6	286.4	20.2%
7	259.6	18.3%
8	245.0	17.3%
9	221.5	15.7%
Total	2,981.0	210.7%

Table 2: Credit Concentration - Closely Related Customers

4.3.6 Related Party Transactions

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions. As at 30 June 2017, the bank's exposure to related parties was well within the regulatory limits. The bank's exposure to Category 1 and Category 2 for related parties aggregated to MUR 472.7 million (36.1% of Tier 1 Capital) from MUR 368.7 million (32.4% of Tier 1 Capital) as at June 2016.

Same was within the regulatory limit set by the Bank of Mauritius. The top 6 exposures to related parties aggregated MUR 374.9 million (28.6% of Tier 1 Capital) as at 30 June 2017 from MUR 280 million (24.6% of Tier 1 Capital) as at 30 June 2016.

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

Top 6 Exposure to related parties	Exposure as at 30.06.2017 (MUR m)	% of Tier 1
1	133.5	10.2%
2	105.7	8.1%
3	56.0	4.3%
4	32.8	2.5%
5	29.6	2.3%
6	17.2	1.3%
Total	374.9	28.6%

Table 3: Top 6 Exposures to related parties

4. Credit Risk (Cont'd)

4.4 Credit Risk Mitigation

Potential Credit Losses are mitigated by the use of collateral and other guarantees where feasible. The extent of risk mitigation provided by collateral depends on the amount of charges, type and quality of collateral taken. Policies and guidelines are in place regarding the types of collateral acceptable to the bank, their strengths as credit risk mitigation and the valuation frequencies. Physical collateral are insured against all risks. Obtaining collateral does not replace a rigorous assessment of the 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.

57.2% of exposure was secured against tangible assets as at June 2017 from 51.8% as at June 2016. The proportion of unsecured facilities increased to 18.3% as at June 2017 from 15.4 % as at June 2016. 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.

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

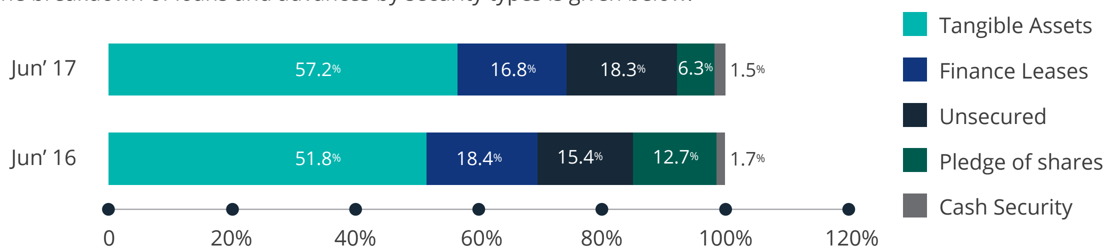


Figure 12: Loan and Advances by security Type

The new Watchlist process recently implemented is designed to identify early warning signs for customers demonstrating ground of concerns regarding their financial health and credit profile, in order to allow corrective actions to be taken by the bank at an early stage to ensure successful turnaround and reduced risk of credit loss. Customers exhibiting warning signs shall be downgraded and categorised as Watch list. This policy is applicable to all Corporate & SME customers.

4.5 Account Monitoring and Recovery

Credit granted and borrowers are monitored on an ongoing basis. Restructuring of facilities is undertaken on a case by case basis, taking into account the repayment capacity of the borrower.

Key Indicators of Credit Quality

NPLs as a percentage of gross loans and advances declined further to 1.7% as at 30 June 2017 from 2.6% as at 30 June 2016. Specific Provision increased to 93.0% as at 30 June 2017 from 90.4% as at 30 June 2016.

Ratio	As at 30 June 2015	As at 30 June 2016	As at 30 June 2017
Non-Performing Loans (NPLs)/Gross loans and advances	5.4%	2.6%	1.7%
Specific Provision/Non-Performing Loans	53.5%	90.4%	93.0%

Table 4: Key Indicators of asset quality

4. Credit Risk (Cont'd)

4.5 Account Monitoring and Recovery (Cont'd)

Figure 13 : 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.

5. 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.

The primary tools used by the bank to assess market risks are:

Gap analysis

Liquidity gap analysis is the difference between a bank's assets and a bank's liabilities, caused by said assets and liabilities not sharing the same properties. This gap can be positive or negative, depending on if the bank has more assets than liabilities or vice versa. For banks, the liquidity gap can change over the course of the day as deposits and withdrawals are made. This means that the liquidity gap is more of a quick snapshot of a firm's risk, rather than a figure that can be worked over for a long period of time. To compare periods of time, banks calculate the marginal gap, which is the difference between gaps of different periods.

Value at Risk (VaR)

VaR is a statistical risk measure used to estimate the potential loss from adverse market moves in a normal market environment. The bank has a single VaR framework used as a basis for calculating Risk Management VaR.

The framework is employed across the bank using historical simulation based on data for the previous 24 months. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. The bank believes the use of Risk Management VaR provides a stable measure of VaR that is closely aligned to risk management decisions made by the lines of business, and provides the appropriate information needed to respond to risk events.

Earnings-at-risk (EAR)

The bank evaluates its structural interest rate risk exposure through earnings-at-risk, which measures the extent to which changes in interest rates will affect the bank's net interest income and certain interest rate-sensitive fees.

5.1 Liquidity Risk

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

5.1.1 Liquidity Risk Management

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

5.1.2 Funding Risk

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

The primary funding sources are from deposits from retail and corporate clients, comprising of savings, call deposits and term deposits. Total deposits went up to MUR 13,803.1 million as at 30 June 2017 from MUR 13,368.9 million as at 30 June 2016. Of this, 57% accounted for MUR deposits and 43% for FCY deposits.

44.7% of deposits were consumer deposits as at 30 June 2017 (35.3% as at 30 June 2016). Although savings accounts and call deposits are repayable on demand, these are considered to be fairly stable sources of funding at the bank.

5. Market Risk Management (Cont'd)

5.1 Liquidity Risk (Cont'd)

5.1.3 Liquid Asset Ratio

The Liquid Asset Ratio measures the extent to which assets can be readily converted into cash or cash substitutes to meet financial commitments. The Liquid Asset Ratio (MUR) increased slightly from 6.2% as at 30 June 2016 to 6.7% as at 30 June 2017.

5.1.4 Contingent Liquidity Risk

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

5.1.5 Liquidity Contingency Plan (LCP)

The bank's Liquidity Contingency Plan (LCP) is maintained by Treasury and reviewed on a monthly basis by ALCO or upon any significant events. The LCP identifies the various sources of funding available to the bank and the related costs in both a normal situation and stressed situation.

5.2 Interest Rate Risk

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

The tables below provide an analysis of the interest rate risk exposure for the bank. As at 30 June 2017, 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.

Repricing Gap - BANK

As at June 2017

	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	8,854.8	624.6	594.5	456.2	1,760.8	1,861.9	1,762.6
Liabilities	4,696.1	543.0	1,002.9	736.4	1,305.9	-	6,127.4
On Balance sheet interest rate repricing gap	4,158.7	81.6	(408.5)	(280.2)	454.9	1,861.9	(4,364.8)
Cumulative repricing gap	4,158.7	4,240.3	3,831.9	3,551.7	4,006.6	5,868.5	1,503.7

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	1,203.9
Liabilities	4,521.3	157.2	1,032.0	556.1	826.6	-	6,857.6
On Balance sheet interest rate repricing gap	4,270.7	570.7	(307.4)	(150.1)	626.5	1,996.9	(5,653.7)
Cumulative repricing gap	4,270.7	4,841.4	4,533.9	4,383.9	5,010.4	7,007.3	1,353.6

Repricing Gap - MUR

As at June 2017

	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	3,674.1	347.8	488.8	404.3	1,602.4	1,733.9	1,641.5
Liabilities	4,653.7	453.4	993.9	736.4	1,305.5	-	435.0
On Balance sheet interest rate repricing gap	(979.6)	(105.6)	(505.2)	(332.0)	297.0	1,733.9	1,206.6
Cumulative repricing gap	(979.6)	(1,085.2)	(1,590.4)	(1,922.4)	(1,625.4)	108.4	1,315.0

Repricing Gap - EUR

As at June 2017

	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	2,831.0	-	-	-	158.4	-	7
Liabilities	-	-	7.9	-	-	-	2,114
On Balance sheet interest rate repricing gap	2,831.0	-	(7.9)	-	158.4	-	(2,107.5)
Cumulative repricing gap	2,831.0	2,831.0	2,823.1	2,823.1	2,981.4	2,981.4	874.0

Repricing Gap - USD

As at June 2017

	Up to 3 months MUR m	3-6 months MUR m	6-12 months MUR m	1-2 years MUR m	2-5 years MUR m	Over 5 years MUR m	Non interest sensitive MUR m
Assets	1,979.1	276.8	105.7	51.8	-	128.0	81
Liabilities	42.4	-	-	-	0.4	-	2,886
On Balance sheet interest rate repricing gap	1,936.7	276.8	105.7	51.8	(0.4)	128.0	(2,804.4)
Cumulative repricing gap	1,936.7	2,213.5	2,319.2	2,371.0	2,370.6	2,498.6	(305.8)

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 monthly 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.

5. Market Risk Management (Cont'd)

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

The table indicates that a 100 basis points decrease in interest rate for MUR will have a positive impact of MUR 10.6 million (MUR 13.9 million as at June 2016) 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.

Currency	Change in Basis Points	Sensitivity of Profit or Loss and Equity MUR m
EUR	+50	+13.5
	-50	-13.5
USD	+50	+10.2
	-50	-10.2
GBP	+50	+0.9
	-50	-0.9
MUR	+50	-5.3
	-50	+5.3
	+100	-10.6
	-100	+10.6

5.3 Foreign Exchange Risk

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

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

5.4 Price Risk

Price risk refers to the risk arising from fluctuations in the market value of trading and non-trading positions, resulting in losses in the value of the portfolios. The bank is exposed to risks associated to both locally and internationally quoted securities. Investment in securities aggregated MUR 4,715.9 million as at 30 June 2017 compared to MUR 4,831.8 million as at 30 June 2016.

5.5 Value at Risk (VaR)

Another market risk measure used within the bank is Value at Risk (VaR). VaR is used to determine the potential loss from adverse currency movements under normal conditions. VaR is based on 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 178,303/- as at 30 June 2017 as compared to MUR 47,429/- as at 30 June 2016.

6. 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.

6.1 Key types of Operational Risk

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

6.2 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.

7. 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.

8. Strategic Risk

Strategic Risk refers to the risk to earnings and/or capital arising from adverse effects of business decisions, failure to meet the business development targets, improper implementation of business decisions/projects, failure to react to unexpected external events which can impact on the business.

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

RISK REPORT (CONT'D)

9. Reputational Risk

Reputational Risk refers to the risk of loss arising from the adverse perception of the image of the bank by customers, counterparties and 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 standardised 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.

10. 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.

11. 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 recognises its responsibility to conduct business in accordance with the relevant laws and regulations. The bank is subject to supervisory governance and seeks to abide to the highest standard in terms of compliance practices.

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).

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 recognised 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.

12. 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.

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.

Key departments which were audited over the last financial year include Compliance, Credit Administration, Finance, Treasury, Recovery and IT Departments. In line with its Annual Plan, the Internal Audit department also undertook recurring assignments throughout the year. These include, but are not limited to, the following : cash counts at Branch, stock counts of repossessed assets, visits at the bank's external archives site, follow-up of Bank of Mauritius and External Auditors' past recommendations and follow-up of IT Vulnerability Assessment Results (generated from Qualys software) with IT department.

Over the last financial year, the internal audit structure was also reviewed to better cater for the growing activities of the bank. Three new staff comprising of one Internal Auditor and two Internal Audit Assistants were recruited to bring support to the existing team. Moving forward, the Internal Audit department contemplates the implementation of a data analytics tool to facilitate the process of data extraction and analysis from the core banking system.

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 2017, the minimum regulatory Tier 1 CAR is 8.625% and CAR including capital conservation buffer is 10.625%.

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

At least 8.625% of risk weighted assets needs to be covered by Tier 1 as from 01 January 2017. Tier 1 CAR and CAR were within the regulatory limits as at end of June 2017.

Capital Ratios

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

Capital Ratios (%)	As at June 2015 Restated	As at June 2016 Restated	As at June 2017
Capital Base	**MUR m**	**MUR m**	**MUR m**
Tier 1 Capital	557.7	1,136.8	1,309.4
Tier 2 Capital	136.6	128.0	105.6
Total Capital Base	**694.3**	**1,264.7**	**1,415.0**
Total Risk Weighted Assets	**6,466.1**	**8,590.3**	**9,180.6**
CET1 CAR	8.6%	13.2%	14.3%
Tier 1 CAR	8.6%	13.2%	14.3%
CAR	10.7%	14.7%	15.4%

Buffers	MUR m
Tier 1 Buffer	575.0
Total Capital Buffer	497.0

Table 6: Capital Ratios

As at 30 June 2017, the headroom of capital amounted to MUR 497.0 million when compared with regulatory capital requirement.

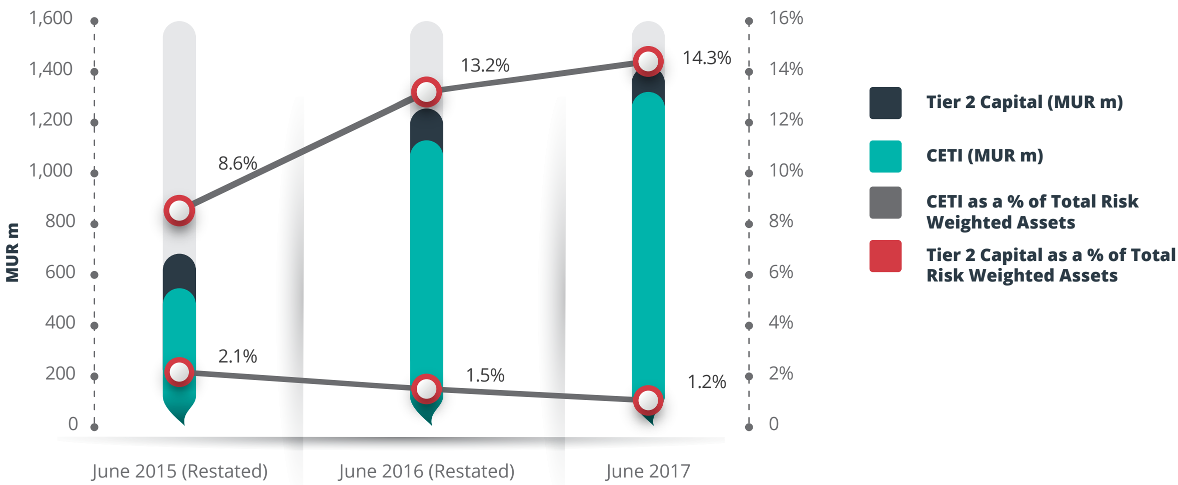


Figure 14: Fluctuations in components of Capital Base

Monitoring

Capital is managed and stress analyses are conducted as part of the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP report serves the following main purposes:

1. It documents and informs the Board of Directors as to how the bank conducts its risk assessment and the measures put in place to mitigate those risks
2. It sets out a forward looking capital planning and forecasting of capital requirements
3. It sets out a stress testing framework to determine the capital buffer above the minimum regulatory levels.

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

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

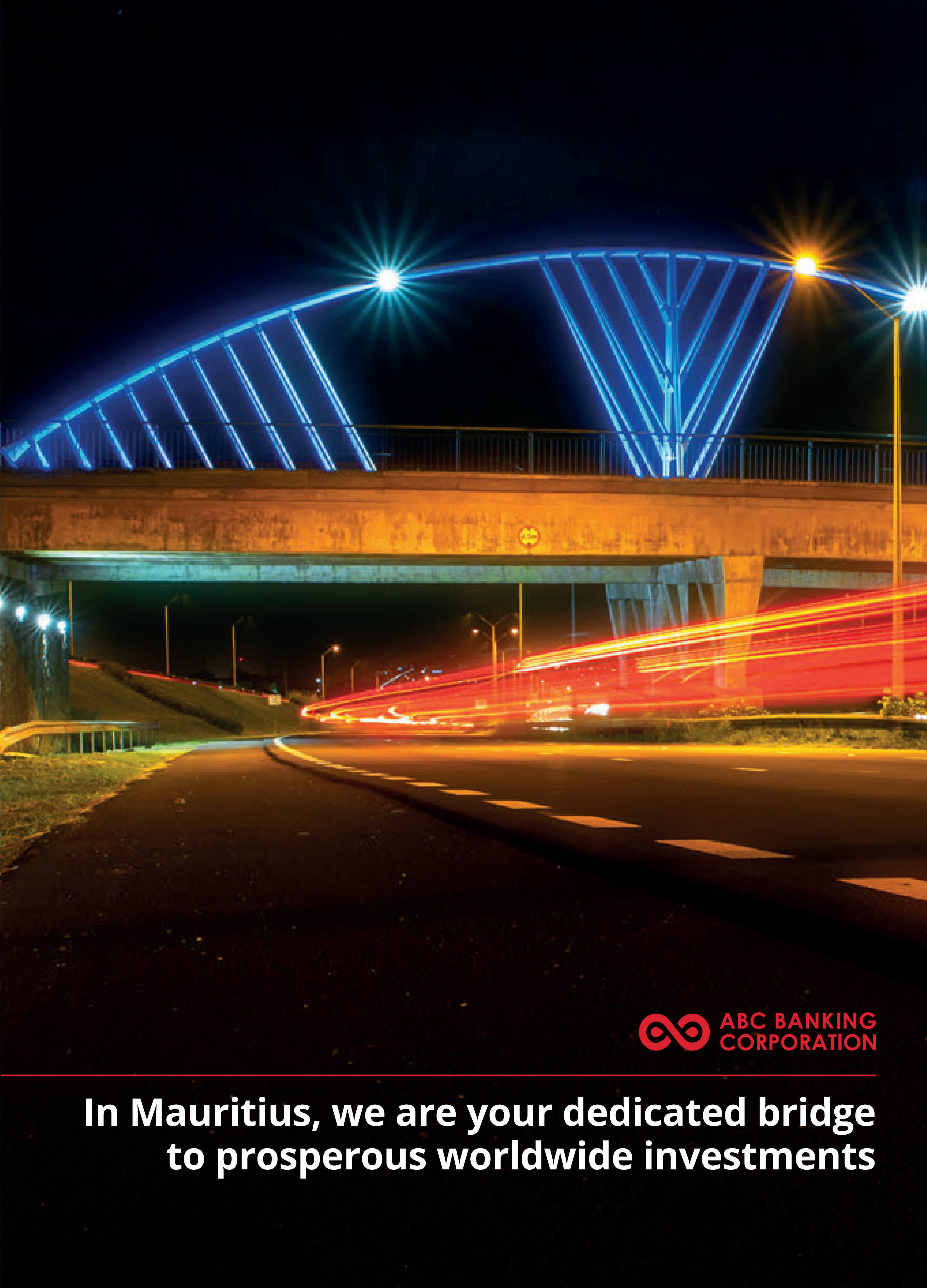
	Audited	Restated	
	Jun-17	Jun-16	Jun-15
Common Equity Tier 1 capital: instruments and reserves			
Ordinary shares capital	762.7	762.7	476.7
Share premium	177.8	177.8	30.0
Retained earnings	322.0	186.5	56.3
Accumulated other comprehensive income and other disclosed reserves	77.8	46.6	22.8
Common Equity Tier 1 capital before regulatory adjustments	**1,340.3**	**1,173.5**	**585.8**
Common Equity Tier 1 capital: regulatory adjustments			
Other intangible assets	(6.8)	(9.7)	(12.1)
Deferred tax assets	(24.0)	(27.0)	(16.1)
Total regulatory adjustments to Common Equity Tier 1 capital	(30.8)	(36.8)	(28.2)
Common Equity Tier 1 capital (CET1) and Tier 1 capital	**1,309.4**	**1,136.8**	**557.7**
Tier 1 capital (T1 = CET1 + AT1)	**1,309.4**	**1,136.8**	**557.7**
Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital	25.0	60.8	96.5
Provisions or loan-loss reserves	80.6	67.2	40.1
Tier 2 capital before regulatory adjustments	**105.6**	**128.0**	**136.6**
Tier 2 capital (T2)	105.6	128.0	136.6
Total Capital (capital base)	**1,415.0**	**1,264.7**	**694.3**
Risk Weighted Assets			
Total on-balance sheet risk-weighted credit exposures	8,318.1	7,964.4	6,051.7
Total non-market-related off-balance sheet risk-weighted credit exposures	215.7	138.4	83.2
Risk weighted assets for operational risk	625.7	480.3	327.1
Aggregate net open foreign exchange position	21.2	7.1	4.1
Total risk weighted assets	**9,180.6**	**8,590.3**	**6,466.1**
Capital ratios (as a percentage of risk weighted assets)			
CET1 capital ratio	14.3%	13.2%	8.6%
Tier 1 capital ratio	14.3%	13.2%	8.6%
Total capital ratio	15.4%	14.7%	10.7%

Risk Weighted Assets (Cont'd)

Risk wieghted of Off-Balance Sheet assets	Audited Jun-17 Amount MUR m	Weight %	Weighted amount MUR m	Restated Jun-16 Weighted amount MUR m	Jun-15 Weighted amount MUR m
Cash items	5.3	0-20	-	-	-
Claims on sovereigns	3,258.6	0-100	-	-	-
Claims on central banks	1,675.7	0-100	49.2	38.3	61.7
Claims on banks	4,359.0	20-100	1,965.9	2,588.8	2,484.1
Claims on corporates	4,474.3	100	4,401.6	1,684.9	1,706.9
Claims on regulatory retail	274.5	75	205.9	290.1	355.3
Claims secured by residential property and commercial estate	360.6	35-125	369.3	2,331.8	517.8
Past due claims	6.2	50-150	7.1	11.3	85.2
Others	1,319.1	100	1,319.1	1,019.3	840.7
Total On-Balance Sheet	**15,733.4**		**8,318.1**	**7,964.4**	**6,051.7**

Risk wieghted of Off-Balance Sheet assets	Audited Jun-17 Amount MUR m	Credit conversion factor %	Credit equivalent amount MUR m	Weight %	Weighted amount MUR m	Restated Jun-16 Weighted amount MUR m	Jun-15 Weighted amount MUR m
Trade related contingencies	10.8	20%	10.8	100	2.2	3.3	4.5
Outstanding commitments	1,067.5	20%	1,067.5	100	213.5	135.1	78.6
Total Off Balance Sheet	**1,078.3**		**1,078.3**		**215.7**	**139.0**	**139.0**

Risk weighted Assets for Operational risk	Audited Jun-17 MUR m	Restated Jun-16 MUR m	Jun-15 MUR m
Average gross income for last 3 years	417.2	320.2	218.1
Capital Charge	62.6	48.0	32.7
Risk weighted assets for operational risk	**625.7**	**480.3**	**327.1**


ABC BANKING CORPORATION
In Mauritius, we are your dedicated bridge to prosperous worldwide investments

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, Ernst & Young, 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

Mr Sydney Ah Yoong
Chairperson
Audit Committee

26 September 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of ABC Banking Corporation Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ABC Banking Corporation Ltd (the "bank") set out on pages 82 to 156 which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Bank as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, Banking Act 2004 and Financial Report Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances The bank has loans and advances portfolio of MUR 5,096m as at 30 June 2017. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment (MUR 155m). This provision is accounted for if, at the reporting date, there is objective evidence, for example the existence of payment arrears, that not all the contractually agreed cash flows will be collected. Failure to promptly recognise objective evidence of the risk of uncollectability and/or errors in the provisioning can result in incorrect valuation of the loans and advances portfolio in the financial statements. Refer to Note 5 for accounting policy on loans and advances and allowance for credit impairment. Given the relative size of loans and advances of the bank (32% of total assets), we identified the valuation of loans and advances as a key audit matter.	We assessed and tested the design and operating effectiveness of the controls over specific and collective impairment calculations including the quality of underlying data and systems. Collective impairment allowances are calculated based on the guidelines imposed by the Bank of Mauritius. Such guidelines require the bank to make portfolio provisions of not less than 1% on unimpaired loans and advances. The Bank of Mauritius also imposes additional macro-prudential provisioning of up to 1% on exposures to certain specific sectors of the economy. As this basis represents a departure from IAS 39, the bank also determines what the collective impairment would have been under the standard using the incurred loss model and evaluates the impact of the departure. We reviewed the portfolio provisioning under both bases and assessed the impact of the difference on the overall presentation of the financial statements.

To the Members of ABC Banking Corporation Ltd (Cont'd)

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances (Cont'd)	In particular, we re-performed the calculations of collective impairment under both methods. For collective impairment under IAS 39, we assessed the appropriateness of the model used including the inputs and assumptions. In respect of the provisioning as per the Guidelines of the Bank of Mauritius, we assessed the appropriateness of the calculation made by management and the identification of loans to be included within the calculation. Please refer to Note 41 of the financial statements for more details on this matter. For specific impairment, judgement is required to determine when an impairment event has occurred and then to estimate the expected future cash flows discounted at the original effective interest rate of the loans and advances. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. Therefore, we also assessed the independence and the qualification of those appraisers. Areas of focus included the net investment in finance lease and the loans to retail and corporates in Mauritius. We ensured that all loans with objective evidence of impairment have been properly identified by management by: • Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 90 days are included in the specific impairment analysis; • Reviewing the minutes of the Supervisory Monitoring Committee and Risk Management Committee; • Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline. For loans showing an indication of impairment, we independently assessed the appropriateness of provisioning methodologies and policies, and formed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows.

To the Members of ABC Banking Corporation Ltd (Cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Other Information

The directors are responsible for the other information. The other information comprises the Management Discussion and Analysis and the Statement of Management's Responsibility for Financial Reporting as required by the Companies Act 2001, the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Members of ABC Banking Corporation Ltd (Cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

This report is made solely for the bank's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the bank's members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the bank other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

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

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

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with 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.

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 whether the disclosure is consistent with the requirement of the Code.

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

....

ERNST & YOUNG

Ebene Mauritius

Date: 27 September 2017

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Andre Lai Wan Loong, A.C.A.

Licensed by FRC

FINANCIAL STATEMENTS

Statement of Financial Position as at 30 June 2017

	Notes	2017 MUR	2016 Restated MUR	2015 Restated MUR
ASSETS				
Cash and cash equivalents	9	**4,317,358,970**	3,966,067,879	4,210,012,660
Due from banks	10	**1,183,314,188**	1,456,600,322	1,741,282,524
Derivative financial instruments	11	**4,407,594**	4,478,577	140,379
Loans and advances to customers	12	**5,095,744,575**	4,594,454,589	3,009,403,872
Investment securities	13	**4,716,445,587**	4,832,329,437	3,077,401,503
Other assets	14	**31,223,839**	11,537,022	20,262,326
Property and equipment	15	**372,510,402**	222,202,278	222,920,721
Intangible assets	16	**6,819,610**	9,716,195	12,081,248
Deferred tax assets	17	**24,025,071**	27,044,221	16,090,417
Total assets		**15,751,849,836**	15,124,430,520	12,309,595,650
LIABILITIES				
Due to banks	18	**-**	140,006,397	-
Derivative financial instruments	11	**16,531,096**	692,898	116,810
Deposits from customers	19	**13,803,065,697**	13,368,862,538	11,302,333,482
Preference shares	20	**265,749,768**	320,758,971	320,726,882
Current tax liabilities		**23,175,879**	33,230,172	1,387,050
Other liabilities	22	**303,047,345**	87,354,895	99,185,507
Total liabilities		**14,411,569,785**	13,950,905,871	11,723,749,731
Shareholders' Equity				
Issued capital	23	**940,495,472**	940,495,472	506,699,200
Retained earnings		**322,022,542**	186,460,977	56,345,374
Other reserves	24	**77,762,037**	46,568,200	22,801,345
Capital and reserves		**1,340,280,051**	1,173,524,649	585,845,919
Total liabilities and equity		**15,751,849,836**	15,124,430,520	12,309,595,650

These financial statements have been approved and authorised for issue by the Board of Directors on 26 September 2017.

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

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

Mr. Sydney Ah Yoong
Chairperson of Audit Committee

The notes set out on pages 86 to 156 form part of these financial statements.
Auditor's report on pages 77 to 81.

Statement of Profit or Loss and other comprehensive income for the year ended 30 June 2017

	Notes	2017 MUR	2016 Restated MUR	2015 Restated MUR
Interest income		**645,237,899**	568,364,546	446,569,983
Interest expense		**(309,205,620)**	(300,366,712)	(270,914,123)
Net interest income	25	**336,032,279**	267,997,834	175,655,860
Fee and commission income		**112,992,592**	128,142,987	99,801,592
Fee and commission expense		**(23,853,484)**	(27,486,119)	(19,315,322)
Net fee and commission income	26	**89,139,108**	100,656,868	80,486,270
Net trading income	27	**63,830,549**	65,420,427	56,992,513
Other operating income	28	**4,005,926**	1,545,861	9,733,540
Total other income		**67,836,475**	66,966,288	66,726,053
Operating income		**493,007,862**	435,620,990	322,868,183
Personnel expenses	30	**(127,203,015)**	(100,909,341)	(87,798,992)
Depreciation and amortisation	15, 16	**(19,358,710)**	(16,846,870)	(15,450,885)
Other operating expenses	31	**(73,175,640)**	(70,250,415)	(71,534,668)
Non interest expenses		**(219,737,365)**	(188,006,626)	(174,784,545)
Operating profit before impairment		**273,270,497**	247,614,364	148,083,638
Allowance for credit impairment on financial assets	29	**(22,952,713)**	(61,431,636)	(83,899,965)
Operating profit before tax		**250,317,784**	186,182,728	64,183,673
Income tax expense	21	**(41,809,819)**	(24,575,042)	(5,650,585)
Profit for the year		**208,507,965**	161,607,686	58,533,088
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of retirement pension, net of deferred tax	40	**(483,394)**	852,957	-
Items that may be reclassified subsequently to profit or loss, net of tax				
Fair value realised on disposal of available-for-sale financial assets		**-**	(389,784)	(83,468)
(Loss)/gain arising during the year	13(a)	**(82,358)**	(84,514)	61,291
		(82,358)	(474,298)	(22,177)
Other comprehensive (loss)/income for the year		**(565,752)**	378,659	(22,177)
Total comprehensive income		**207,942,213**	161,986,345	58,510,911
Earnings per share				
Basic and diluted	32	**2.73**	2.92	1.37

The notes set out on pages 86 to 156 form part of these financial statements.
Auditor's report on pages 77 to 81.

FINANCIAL STATEMENTS (CONT'D)

Statement of changes in equity for the year ended 30 June 2017

	Notes	Issued capital MUR	Retained earnings MUR	Statutory reserve MUR	General Banking reserve MUR	Investment revaluation reserve MUR	Total MUR
At 1 July 2014 - as previously reported		**356,699,200**	**2,360,009**	**14,120,660**	**14,779,177**	**1,784,123**	**389,743,169**
Restatement	41	-	4,232,240	(1,861,224)	(14,779,177)	-	(12,408,161)
As restated		356,699,200	6,592,249	12,259,436	-	1,784,123	377,335,008
Profit for the year - as previously reported		-	68,220,218	-	-	-	68,220,218
Restatement	41	-	(9,687,130)	-	-	-	(9,687,130)
Profit for the year - as restated		-	58,533,088	-	-	-	58,533,088
Other comprehensive loss		-	-	-	-	(22,177)	(22,177)
Total comprehensive income for the year		**-**	**58,533,088**	**-**	**-**	**(22,177)**	**58,510,911**
Right issue	23	150,000,000	-	-	-	-	150,000,000
Transfer to statutory reserve - as previously reported		-	(10,233,033)	10,233,033	-	-	-
Restatement	41	-	1,453,070	(1,453,070)	-	-	-
Transfer to statutory reserve - as restated		-	(8,779,963)	8,779,963	-	-	-
Transfer to general banking reserve - as previously reported		-	(10,510,889)	-	10,510,889	-	-
Restatement	41	-	10,510,889	-	(10,510,889)	-	-
Transfer to general banking reserve - as restated		-	-	-	-	-	-
At 30 June 2015 - as restated		**506,699,200**	**56,345,374**	**21,039,399**	**-**	**1,761,946**	**585,845,919**
At 1 July 2015 - as previously reported		**506,699,200**	**49,836,305**	**24,353,693**	**25,290,066**	**1,761,946**	**607,941,210**
Restatement	41	-	6,509,069	(3,314,294)	(25,290,066)	-	(22,095,291)
As restated		506,699,200	56,345,374	21,039,399	-	1,761,946	585,845,919
Profit for the year - as previously reported		-	176,452,895	-	-	-	176,452,895
Restatement	41	-	(14,845,209)	-	-	4,721,828	(10,123,381)
Profit for the year - as restated		-	161,607,686	-	-	4,721,828	166,329,514
Other comprehensive income/(loss)		-	852,957	-	-	(5,196,126)	(4,343,169)
Total comprehensive income/(loss) for the year		**-**	**162,460,643**	**-**	**-**	**(474,298)**	**161,986,345**
Issue of shares	23	433,796,272	-	-	-	-	433,796,272
Transfer to statutory reserve - as previously reported		-	(26,467,934)	26,467,934	-	-	-
Restatement		-	2,226,781	(2,226,781)	-	-	-
Transfer to statutory reserve - as restated		-	(24,241,153)	24,241,153	-	-	-
Transfer to general banking reserve		-	(14,079,246)	-	14,079,246	-	-
Restatement		-	14,079,246	-	(14,079,246)	-	-
Transfer to general banking reserve - as restated	41	-	-	-	-	-	-
Equity dividends	33	-	(8,103,887)	-	-	-	(8,103,887)
At 30 June 2016 - as restated		**940,495,472**	**186,460,977**	**45,280,552**	**-**	**1,287,648**	**1,173,524,649**
At 1 July 2016 - as previously reported		**940,495,472**	**178,491,090**	**50,821,627**	**39,369,312**	**(3,434,180)**	**1,205,743,321**
Restatement	41	**-**	**7,969,887**	**(5,541,075)**	**(39,369,312)**	**4,721,828**	**(32,218,672)**
As restated		**940,495,472**	**186,460,977**	**45,280,552**	**-**	**1,287,648**	**1,173,524,649**
Profit for the year		**-**	**208,507,965**	**-**	**-**	**-**	**208,507,965**
Other comprehensive loss		**-**	**(483,394)**	**-**	**-**	**(82,358)**	**(565,752)**
Total comprehensive income/(loss) for the year		**-**	**208,024,571**	**-**	**-**	**(82,358)**	**207,942,213**
Transfer to statutory reserve		**-**	**(31,276,195)**	**31,276,195**	**-**	**-**	**-**
Equity dividends	33	**-**	**(41,186,811)**	**-**	**-**	**-**	**(41,186,811)**
At 30 June 2017		**940,495,472**	**322,022,542**	**76,556,747**	**-**	**1,205,290**	**1,340,280,051**

The notes set out on pages 86 to 156 form part of these financial statements.
Auditor's report on pages 77 to 81.

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 MUR	2016 Restated MUR	2015 Restated MUR
Cash flows from operating activities				
Profit before taxation		**250,317,784**	186,182,728	64,183,673
Adjustments for:				
Depreciation	15	**16,447,176**	13,961,195	12,717,336
Amortisation	16	**2,911,534**	2,885,675	2,733,549
Provision for credit impairment	29	**22,952,713**	61,431,636	83,899,965
Employee benefit costs	40	**778,507**	601,233	(101,845)
Exchange difference		**41,911,287**	65,043,015	(94,920,113)
(Profit)/loss on disposal of property and equipment	28, 31	**(338,001)**	1,084,139	1,674,236
Profit on disposal of investment securities	28	**(2,452,927)**	(373,500)	(9,581,619)
		332,528,073	330,816,121	60,605,182
Net changes in operating assets and liabilities				
Increase in loans and advances to customers		**(513,910,440)**	(1,639,444,097)	(487,963,838)
(Increase)/decrease in other assets		**(19,686,817)**	8,725,304	1,162,005
Decrease/(increase) in derivative financial instruments		**15,909,181**	(3,762,110)	(23,569)
Decrease/(increase) in due from banks		**273,286,134**	284,682,202	(926,646,597)
Increase in deposits from customers		**434,203,159**	2,066,529,056	2,948,633,927
Increase/(decrease) in other liabilities		**213,170,903**	(11,413,679)	1,565,521
		735,500,193	1,036,132,797	1,597,332,631
Income tax paid		**(48,769,519)**	(3,818,844)	(12,256,602)
Net cash generated from operating activities		**686,730,674**	1,032,313,953	1,585,076,029
Cash flows from investing activities				
Purchase of investment securities		**(8,603,643,280)**	(2,889,659,902)	(892,067,986)
Proceeds from sale and redemption of investment securities		**8,706,474,179**	1,129,478,051	440,589,586
Purchase of property and equipment	15	**(167,135,874)**	(15,921,768)	(98,647,582)
Purchase of intangible assets	16	**(14,949)**	(520,622)	(1,145,234)
Proceeds from sale of property and equipment		**718,575**	1,594,877	1,855,078
Net cash used in investing activities		**(63,601,349)**	(1,775,029,364)	(549,416,138)
Cash flows from financing activities				
Proceeds from debt securities issued and due to banks	18	**-**	140,006,397	-
Repayment of debt securities issued and due to banks	18	**(140,006,397)**	-	(114,062)
Proceeds from issue of preference shares	20	**-**	-	138,180,000
Proceeds from issue of ordinary shares	23	**-**	433,796,272	150,000,000
Redemption of preference shares	20	**(53,825,000)**	-	-
Dividend paid	33	**(41,186,811)**	(8,103,887)	-
Net cash (used in)/generated from financing activities		**(235,018,208)**	565,698,782	288,065,938
Net increase/(decrease) in cash and cash equivalents		**388,111,117**	(177,016,629)	1,323,725,829
Net foreign exchange difference		**(36,820,026)**	(66,928,152)	79,662,907
Net cash and cash equivalents at beginning of year		**3,966,067,879**	4,210,012,660	2,806,623,924
Net cash and cash equivalents at end of year	9	**4,317,358,970**	3,966,067,879	4,210,012,660
Operational cashflows from interest and dividends				
Interest paid		**329,185,394**	287,696,180	274,067,225
Interest received		**659,937,021**	568,981,305	430,430,636
Dividend received		**1,176,385**	1,036,164	114,715

The notes set out on pages 86 to 156 form part of these financial statements.
Auditor's report on pages 77 to 81.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 2017 were authorised for issue in accordance with a resolution of the Directors on 26 September 2017.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, financial assets held for trading and financial assets designated at fair value through profit or loss (FVPL), all of which have been measured at fair value. The financial statements are presented in Mauritian Rupees (MUR) which is the bank's functional and presentation currency and all values are rounded to the nearest rupee, except otherwise stated.

3. STATEMENT OF COMPLIANCE

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

4. PRESENTATION OF FINANCIAL STATEMENTS

The bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 36.

Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the bank and/or its counterparties

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences are taken to the profit or loss.

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

5.2 Finance Leases

5.2.1 Initial recognition

Assets held under a finance lease are recognised in the statement of financial position and are presented as an asset 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.

5.2.2 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.

5.3 Financial instruments - initial recognition and subsequent measurement

5.3.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customer and balances due to customers, are initially recognised on the trade date, i.e., the date that the bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The bank recognises due to customer balances when funds reach the bank.

5.3.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention when acquiring them. All financial instruments are measured initially at their fair value plus transaction cost, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

5.3.3 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (aka the 'underlying').

b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

c) It is settled at a future date.

The bank enters into derivative transactions with various counterparties. These include forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 Financial instruments - initial recognition and subsequent measurement (Cont'd)

5.3.4 Financial assets or financial liabilities held for trading

The bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

5.3.5 The effective interest rate method

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. The accounting policies for the EIR method vary by instruments and are further explained in the respective accounting policies.

5.3.6 Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique with the variables including only data from observable markets, the bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

5.3.7 Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in market conditions.

The bank has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in OCI in the available-for-sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of profit or loss, in other operating income. 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. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR which takes into account any discount/premium and qualifying transaction costs that are an integral part of the instrument's yield. Dividends earned whilst holding available-for-sale financial investments are recognised in the statement of profit or loss as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the statement of profit or loss in 'impairment losses on financial investments' and removed from the available-for- sale reserve. Where the equity instrument does not have a quoted price in an active market and whose fair value cannot be reliably measured, such unquoted equity instrument is measured at cost less impairment.

5.3.8 Held-to-maturity financial investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities that 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 EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in interest and similar income in the statement of profit or loss. The losses arising from impairment of such investments are recognised in the statement of profit or loss within allowances for credit impairment on financial asset.

If the bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

5.3.9 Due from banks and loans and advances

Balances due from banks and loans and advances include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the near term and those that the bank, upon initial recognition, designates as at FVPL
- Those that the bank, upon initial recognition, designates as available-for-sale
- Those for which the bank may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, amounts due from banks and loans and advances are subsequently measured at amortised cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked as a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the statement of profit or loss.

5.3.10 Debt issued and other borrowed funds

Financial instruments issued by the bank that are not held for trading or designated at FVPL, are classified as liabilities under debt issued and other borrowed funds, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 Financial instruments - initial recognition and subsequent measurement (Cont'd)

5.3.11 Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon initial recognition when one of the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would other- wise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

or

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

or

- The financial instrument contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at FVPL. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument, while dividend income is recorded in other operating income when the right to the payment has been established.

5.4 Derecognition of financial assets and financial liabilities

5.4.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The bank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.
The bank has transferred the asset if, and only if, either:

- The bank has transferred its contractual rights to receive cash flows from the asset

or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions when the bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- the bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates
- the bank cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows

- the bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The bank has transferred substantially all the risks and rewards of the asset

or

- The bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

In relation to the above, the bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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 of 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 it. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the bank's continuing involvement is the amount of the transferred asset that the bank may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

The bank also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the statement of profit or loss.

5.4.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Determination of fair value

The bank measures financial instruments at fair value at each reporting date.

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

• In the principal market for the asset or liability, or

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

The principal or the most advantageous market must be accessible to by the bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

• Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

5.6 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 have 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; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

5.6.1 Financial assets carried at amortised cost

The bank's impairment methodology for assets carried at amortised costs comprises:

A. Specific impairment losses for individually significant or specifically identified exposures
B. Collective impairment for exposures on which there is no objective evidence of impairment

A. Specific impairment losses for individually significant or specifically identified exposures

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

It is the bank's policy to regularly monitor its loan portfolio. A specific assessment is made on an individual basis for loans that are 90 days past due. Impairment indicators include: internal rating of the borrower indicating default or near-default, the borrower requesting emergency funding from the bank; the borrower having past due liabilities to creditors or employees; a material decrease in the underlying collateral value where the sale of the financed asset is required to repay the loan; a material decrease in the borrower's turnover or the loss of a major customer; a material decrease in estimated future cash flows; any material facility at the debtor level falling beyond 90 past due; a covenant breach not waived by the bank; the debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection and/or debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties. 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 allowance for credit impairment on financial assets in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans and advances together with the associated allowances 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 (but only up to the extent of the carrying amount had the impairment not been recognised) by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'allowance for credit impairment on financial asset'.

The present value of the estimated future cash flows is discounted by the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6 Impairment of financial assets (Cont'd)

5.6.1 Financial assets carried at amortised cost (Cont'd)

B. Collective impairment

For the purpose of a collective evaluation of impairment, financial assets are grouped into smaller homogenous portfolios (i.e., a group of individually insignificant loans and advances in groups of assets) based on key characteristics that are relevant to the estimation of future cash flows.

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 on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, 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.

5.6.2 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 is impaired.

In the case of debt instruments classified as available-for-sale, the bank assesses individually whether there is objective evidence of impairment such as:

Observable data regarding a decline in estimated future cash-flows and or a decline in underlying collateral (in the case of asset backed securities when the bank expects to recover the outstanding from the sale of the underlying assets) impacting the bank's ability to recover all cash flows.

The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of interest and similar income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence includes:

• A 'significant' or 'prolonged' decline in the fair value of the investment below its cost and/or
• Other information about the issuer that may negatively affect an equity issuer's performance

The bank treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from equity and recognised in impairment losses on financial investments in the statement of profit or loss. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

5.6.3 Forborne loans

The bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The bank considers a loan forborne when such concessions or modifications are provided due to the borrower's present or expected financial difficulties and the bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, significant arrears for 90 days or more in a three-month period, or concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the bank's policy to monitor forborne loans to ensure that future payments continue to be likely to occur and that the bank is not expecting to incur a loss if it were to discount future cash flows using the original EIR. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired forborne asset until it is collected or written off.

5.6.4 Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the bank's quarterly reporting schedule. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the bank uses active market data for valuing financial assets held as collateral Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as housing price indices and other independent sources.

5.6.5 Collateral repossessed

The bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value or fair value less cost to sell for non-financial assets at the repossession date in line with the bank's policy.

5.7 Recognition of income and expenses

Revenue is recognised to the extent that it is possible 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.

5.7.1 Interest income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at FVPL, interest income or expense is recorded using the effective interest rate.

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.

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for measuring the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7 Recognition of income and expenses (Cont'd)

5.7.2 Fee and commission income

Fee income forming an integral part of the corresponding financial instrument

Fees that the bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

5.7.3 Dividend income

Revenue is recognised when the bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

5.8 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.

5.9 Property and equipment

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

• Buildings	50 years
• Improvement to buildings	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 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.

5.10 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 a period of three to ten years.

5.11 Impairment of non-financial assets

The bank assesses at each reporting date, 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.

5.12 Financial guarantees

In the ordinary course of business, the bank gives financial guarantees, consisting of letters of credit and financial guarantees. Financial guarantees are initially recognised within 'Other liabilities' at fair value. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in profit or loss in 'Allowance for credit impairment'. The premium received is recognised in profit or loss in 'Fees and commission income' on a straight line basis over the life of the guarantee.

5.13 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

The bank operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the bank by the employees and is recorded as an expense under personnel expenses.

5.14 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.

5.15 Taxes

5.15.1 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.

5.15.2 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.15 Taxes (Cont'd)

5.15.2 Deferred tax (Cont'd)

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 reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the statement of profit or loss except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and which are charged or credited to OCI.

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.

5.15.3 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.

5.16 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.

5.17 Segmental reporting

The financial statements have been prepared in line with the requirements of the Bank of Mauritius Guideline on Public Disclosure of Information and Guideline on segmental reporting under a Single Banking License Regime which require the bank to disclose information on two reportable segments, namely Segment A and Segment B.

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.

5.18 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.

5.19 Application of New and Revised International Financial Reporting Standards (IFRS)

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 2017.

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:

IFRS 15	Revenue from Contracts with Customers (effective date 1 Jan 2018)
IFRS 9	Financial Instruments (effective date 1 Jan 2018)
IFRS 2	Classification and Measurement of Share- based Payment Transactions - Amendments to IFRS 2 (effective date 1 Jan 2018)
	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (effective date 1 Jan 2018)
	Transfers of Investment Property (Amendments to IAS 40) (effective date 1 Jan 2018)
FRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration (effective date 1 Jan 2018)
AIP IFRS 1	First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective date 1 Jan 2018)
AIP IAS 28	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice (effective date 1 Jan 2018)
IFRS 16	Leases (effective date 1 Jan 2019)
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments (effective date 1 Jan 2019)
IFRS 17	Insurance Contracts (effective date 1 Jan 2021)
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

Except for IFRS 9, 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. The bank's "IFRS 9 implementation" consultants are currently carrying out a gap analysis together with an impact assessment of the Expected Credit Loss on the bank's capital.

6. 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:

6.1 Going concern

The bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

6. USE OF ESTIMATES AND JUDGEMENTS (CONT'D)

6.2 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see note 5.5.

6.3 Effective interest rate (EIR) method

The bank's EIR methodology, as explained in note 5.3.5, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the country's base rate and other fee income/expense that are integral parts of the instrument.

6.4 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.

6.5 Impairment of available-for-sale investments

The bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired as explained in note 5.6.2.

This assessment, including estimated future cash flows and other inputs in to the discounted cash flow model and in the case of equity instruments, the interpretation of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the bank evaluates, among other factors, historical share price movements, and the duration and extent to which the fair value of an investment is less than its cost.

7. 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 the bank as an entity is accountable for its risk exposures. The bank is exposed to credit risk, interest rate risk, liquidity risk and market risk. It is also subject to operating risks.

The bank manages its risk exposure through its Risk department which develops methodologies to identify, measure, mitigate and monitor the major risks. The Risk department reports to the Risk Management Committee and ultimately to the Board in a structured manner on credit, market and operational risk matters. 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 recognises that the bank encounters risk in every aspect of its business and ensures that the necessary structures, processes and methods for identifying, measuring and monitoring such risks are in place as advocated by Basel norms and relevant laws and regulations. The Risk Management Committee plays an active role in ensuring that risk-taking activities remain within the boundaries of the appetite approved by the Board. The committee receives regular reports and recommendations following work done by the Risk function, the Supervisory and Monitoring Committee, the Asset and Liability Committee. Through its Chairperson, the committee reports to the Board in a timely manner on all risk issues that could have an impact on the operations and/or reputation of the bank.

Board of Directors

The Board of Directors as well as the bank's senior management are 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.

(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.

	Maximum exposure to credit risk		
	2017 MUR	**2016 MUR**	**2015 MUR**
Cash and cash equivalents	**4,312,103,904**	3,953,287,026	4,201,624,009
Due from banks	**1,183,314,188**	1,456,600,322	1,741,282,524
Derivative financial instruments	**4,407,594**	4,478,577	140,379
Loans and advances to customers	**5,095,744,575**	4,594,454,589	3,009,403,872
Investment securities	**4,688,200,461**	4,800,190,925	3,051,712,001
Other assets	**28,642,236**	9,953,113	18,960,396
Total credit risk exposure	**15,312,412,958**	14,818,964,552	12,023,123,181

The table below shows the sectorial split by industry sector of the bank's financial assets:

	2017 MUR	**2016 MUR**	**2015 MUR**
Manufacturing	**461,821,375**	338,723,290	166,004,990
Construction	**548,687,262**	455,415,105	321,746,991
Professional	**39,769,983**	41,963,193	42,270,395
Traders	**920,851,595**	765,158,434	480,990,891
Tourism	**1,228,326,383**	733,065,907	526,009,601
Transport	**279,894,191**	245,189,874	287,431,942
Financial and Business services	**4,979,390,591**	5,709,773,482	5,029,093,907
Personal	**233,807,037**	235,850,144	227,892,621
Agriculture	**617,279,649**	357,486,216	90,433,066
Global Business Licence Holders	**675,200,119**	781,478,428	273,262,003
Government	**5,213,490,555**	5,025,872,103	4,415,253,180
Others	**113,894,218**	128,988,376	162,733,595
	15,312,412,958	14,818,964,552	12,023,123,182

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

The table below shows the sectorial split by industry sector of financial guarantees and other commitments:

	2017 MUR	2016 MUR	2015 MUR
Manufacturing	**124,176,351**	38,750,735	165,062,242
Construction	**145,941,403**	13,985,666	25,925,737
Professional	**-**	-	-
Traders	**235,266,602**	188,509,234	79,413,464
Tourism	**117,703,561**	318,228,830	40,112,400
Transport	**32,036,638**	25,075,835	17,044,540
Financial and Business services	**304,374,028**	13,816,262	5,533,464
Personal	**15,964,337**	15,035,785	10,206,804
Agriculture	**30,000,000**	-	-
Global Business Licence Holders	**34,903,202**	66,786,540	69,446,260
Others	**37,889,518**	11,955,535	3,007,927
	1,078,255,640	692,144,422	415,752,838

Credit quality by class of financial assets

The bank assesses each credit facility request on its own merits by analyzing the credit history of the potential client, the latter's cash flow history, future projections of the business or income capacity of the individual, the availability and type of collateral that will secure the facility, the repayment capacity of the business or individual and the character of the individual. The bank will also consider individual factors that would represent strengths in favour of or weaknesses against the approval of credit facilities.

	Neither past due nor impaired MUR	Past due but not impaired MUR	Individually impaired MUR	Total MUR
2017				
Cash and cash equivalents	**4,312,103,904**	**-**	**-**	**4,312,103,904**
Due from banks	**1,183,314,188**	**-**	**-**	**1,183,314,188**
Derivative financial instruments	**4,407,594**	**-**	**-**	**4,407,594**
Loans and advances to customers	**5,086,125,375**	**3,376,750**	**6,242,450**	**5,095,744,575**
Investment securities	**4,686,201,297**	**-**	**1,999,164**	**4,688,200,461**
Other assets	**28,642,236**	**-**	**-**	**28,642,236**
	15,300,794,594	**3,376,750**	**8,241,614**	**15,312,412,958**
2016				
Cash and cash equivalents	3,953,287,026	-	-	3,953,287,026
Due from banks	1,456,600,322	-	-	1,456,600,322
Derivative financial instruments	4,478,577	-	-	4,478,577
Loans and advances to customers	4,476,911,252	109,855,851	7,687,486	4,594,454,589
Investment securities	4,800,190,925	-	-	4,800,190,925
Other assets	9,953,113	-	-	9,953,113
	14,701,421,215	109,855,851	7,687,486	14,818,964,552
2015				
Cash and cash equivalents	4,201,624,009	-	-	4,201,624,009
Due from banks	1,741,282,524	-	-	1,741,282,524
Derivative financial instruments	140,379	-	-	140,379
Loans and advances to customers	2,924,046,284	40,436,681	44,920,907	3,009,403,872
Investment securities	3,051,712,001	-	-	3,051,712,001
Other assets	18,960,396	-	-	18,960,396
	11,937,765,593	40,436,681	44,920,907	12,023,123,181

Ageing analysis of past due but not impaired loans by class of financial assets

	Amount in arrears				
	Less than 30 days MUR	31 to 60 days MUR	61 to 90 days MUR	More than 90 days MUR	Total MUR
2017					
Loans and advances to customers					
Loans and overdrafts					
Retail	**1,574,148**	**16,623**	**-**	**2,932**	**1,593,703**
Corporate	**153,509**	**154,710**	**79,272**	**979**	**388,470**
	1,727,657	**171,333**	**79,272**	**3,911**	**1,982,173**
Investment in finance leases					
Retail	**184,874**	**268,264**	**46,984**	**14,341**	**514,463**
Corporate	**570,515**	**55,133**	**240,735**	**13,731**	**880,114**
	755,389	**323,397**	**287,719**	**28,072**	**1,394,577**
	2,483,046	**494,730**	**366,991**	**31,983**	**3,376,750**
2016					
Loans and advances to customers					
Loans and overdrafts					
Retail	12,290	5,809	-	326	18,425
Corporate	106,977,501	98,996	153,885	-	107,230,382
	106,989,791	104,805	153,885	326	107,248,807
Investment in finance leases					
Retail	440,714	601,209	169,925	13,738	1,225,586
Corporate	576,721	366,840	390,830	47,067	1,381,458
	1,017,435	968,049	560,755	60,805	2,607,044
	108,007,226	1,072,854	714,640	61,131	109,855,851
2015					
Loans and advances to customers					
Loans and overdrafts					
Retail	12,525	110,343	7,783	-	130,651
Corporate	30,900,250	19,011	218,721	-	31,137,982
	30,912,775	129,354	226,504	-	31,268,633
Investment in finance leases					
Retail	989,762	908,882	1,181,701	427,963	3,508,308
Corporate	2,441,951	1,037,443	1,164,472	1,015,874	5,659,740
	3,431,713	1,946,325	2,346,173	1,443,837	9,168,048
	34,344,488	2,075,679	2,572,677	1,443,837	40,436,681

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	2017 MUR	2016 MUR	2015 MUR
Instruments			
Financial guarantees	**10,780,105**	10,051,719	12,355,088
Letters of credit and other obligations on account of customers	**-**	6,639,134	10,309,221
Commitments			
Undrawn credit facilities	**1,067,475,535**	675,453,569	393,088,529
	1,078,255,640	692,144,422	415,752,838

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.

Impairment assessment

It is the bank's policy to regularly monitor its loan portfolio.

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.

Furthermore the bank assesses at each reporting date, whether there is any objective evidence that 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 have 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; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The bank's impairment methodology for assets carried at amortised cost comprises of individual impairment losses and collective impairment.

Individually assessed allowances

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

For the purpose of collective evaluation of impairment,financial assets are grouped based on their credit risk characteristic. Future cashflows on a group of financial assets that are collectively evaluated are estimated on the basis of historical loss experience. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based.

(c) Liquidty Risk

Liquidity risk is the risk that the bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows.

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

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

	2017 %	2016 %	2015 %
Average during the year	**31**	35	30
Highest	**40**	42	38
Lowest	**37**	38	26

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidty Risk (Cont'd)

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 discounted contractual 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.

Maturity analysis of financial liabilities

	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Over 3 years MUR
2017						
Derivative financial instruments	-	**14,803,458**	**1,727,638**	-	-	**16,531,096**
Deposits from customers	-	**10,350,588,198**	**1,463,759,080**	**1,211,401,204**	**777,317,215**	**13,803,065,697**
Other liabilities	**264,752,923**	**3,058,750**	**26,651,914**	-	-	**294,463,587**
Preference shares	-	-	**127,569,768**	-	**138,180,000**	**265,749,768**
Total financial liabilities	**264,752,923**	**10,368,450,406**	**1,619,708,400**	**1,211,401,204**	**915,497,215**	**14,379,810,148**
Contingent liabilities and commitments	-	**898,461,856**	**178,616,527**	**1,177,257**	-	**1,078,255,640**
2016						
Due to banks	-	140,006,397	-	-	-	140,006,397
Derivative financial instruments	-	692,898	-	-	-	692,898
Deposits from customers	-	10,997,681,711	1,169,746,860	788,019,791	413,414,176	13,368,862,538
Other liabilities	60,454,581	944,775	23,853,036	-	-	85,252,392
Preference shares	-	-	57,597,971	124,981,000	138,180,000	320,758,971
Total financial liabilities	60,454,581	11,139,325,781	1,251,197,867	913,000,791	551,594,176	13,915,573,196
Contingent liabilities and commitments	793,848	609,129,929	71,134,214	11,086,431	-	692,144,422
2015						
Derivative financial instruments	-	116,810	-	-	-	116,810
Deposits from customers	-	9,115,970,828	1,124,791,453	732,515,978	329,055,224	11,302,333,483
Other liabilities	96,489,466	-	-	-	-	96,489,466
Preference shares	-	-	3,740,882	178,806,000	138,180,000	320,726,882
Total financial liabilities	96,489,466	9,116,087,638	1,128,532,335	911,321,978	467,235,224	11,719,666,641
Contingent liabilities and commitments	1,343,848	327,420,574	86,988,416	-	-	415,752,838

(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 as at 30 June.

	Impact of change in interest rate on profit or loss		
	Assets	**Liabilities**	**Increase / (decrease) in profit**
	MUR	**MUR**	**MUR**
2017			
Increase in basis point - 50 bp	**11,112,618**	**(21,623,049)**	**(10,510,431)**
Decrease in basis point - 50 bp	**(11,112,618)**	**21,623,049**	**10,510,431**
2016			
Increase in basis point - 50 bp	10,870,056	(19,969,246)	(9,099,190)
Decrease in basis point - 50 bp	(10,870,056)	19,969,246	9,099,190
2015			
Increase in basis point - 50 bp	5,231,410	(13,663,561)	(8,432,151)
Decrease in basis point - 50 bp	(5,231,410)	13,663,561	8,432,151

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

		Effect on equity		
	Change in price %	**2017 MUR**	2016 MUR	2015 MUR
Available-for-sale	**+10**	**7,805,265**	7,995,478	7,417,347
Available-for-sale	**-10**	**(7,805,265)**	(7,995,478)	(7,417,347)

(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 uses foreign exchange forward contracts to manage foreign exchange risk and 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.

7. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Market Risk (Cont'd)

(iii) Foreign exchange risk (Cont'd)

Value at Risk ('VaR') is a statistical risk measure used to estimate the potential loss from adverse market moves in a normal market environment. The bank has a single VaR framework used as a basis for calculating Risk Management VaR.

The framework is employed across the bank using historical simulation based on data for the previous 12 months. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. The bank believes the use of Risk Management VaR provides a stable measure of VaR that is closely aligned to risk management decisions made by the lines of business, and provides the appropriate information needed to respond to risk events.

The VaR that the bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR as at 30 June 2017 amounted to MUR 178,303 (2016: MUR 47,429, 2015: MUR 40,411)

The bank's monetary assets and liabilities as at 30 June is as follows:

	EUR MUR	GBP MUR	USD MUR	Others MUR	Total MUR
2017					
Cash and cash equivalents	**2,048,354,885**	**212,680,702**	**1,400,647,747**	**123,924,708**	**3,785,608,042**
Due from banks	**2,519,190**	**63,001,163**	**603,183,905**	**-**	**668,704,258**
Derivative financial instruments	**165**	**4,359,455**	**15,223**	**32,751**	**4,407,594**
Loans and advances to customers	**753,849,992**	**-**	**403,513,972**	**-**	**1,157,363,964**
Investment securities	**99,680,977**	**-**	**188,188,497**	**-**	**287,869,474**
Other assets	**-**	**-**	**16,435,000**	**531,972**	**16,966,972**
	2,904,405,209	**280,041,320**	**2,611,984,344**	**124,489,431**	**5,920,920,304**
Derivative financial instruments	**13,854,458**	**45,021**	**2,608,194**	**23,343**	**16,531,016**
Deposits from customers	**2,012,272,825**	**669,037,634**	**2,886,461,680**	**113,652,152**	**5,681,424,291**
Other liabilities	**96,218,920**	**6,045,722**	**84,163,457**	**17,292,507**	**203,720,606**
	2,122,346,203	**675,128,377**	**2,973,233,331**	**130,968,002**	**5,901,675,913**
Net position	**782,059,006**	**(395,087,057)**	**(361,248,987)**	**(6,478,571)**	**19,244,391**
2016					
Cash and cash equivalents	1,764,831,884	500,399,444	1,388,311,769	145,094,842	3,798,637,939
Due from banks	486,976,436	114,577,648	389,667,068	1,150,832	992,371,984
Derivative financial instruments	3,390,406		1,053,437	34,734	4,478,577
Loans and advances to customers	914,640,330	-	535,976,966	-	1,450,617,296
Investment securities	-	-	192,706,372	-	192,706,372
Other assets	-	-	1,772,500	-	1,772,500
	3,169,839,056	614,977,092	2,509,488,112	146,280,408	6,440,584,668
Derivative financial instruments	613,529	10,327		69,042	692,898
Deposits from customers	2,747,174,487	675,094,102	2,854,477,787	146,324,081	6,423,070,457
Other liabilities	7,013,979	1,685,194	2,569,355	425,818	11,694,346
	2,754,801,995	676,789,623	2,857,047,142	146,818,941	6,435,457,701
Net position	415,037,061	(61,812,531)	(347,559,030)	(538,533)	5,126,967

	EUR MUR	GBP MUR	USD MUR	Others MUR	Total MUR
2015					
Cash and cash equivalents	2,027,412,550	494,420,614	849,171,630	213,323,986	3,584,328,780
Due from banks	585,122,701	127,296,557	676,957,115	4,939,497	1,394,315,870
Derivative financial instruments	56,746	5,183	78,019	431	140,379
Loans and advances to customers	489,667,329	-	311,404,922	-	801,072,251
Investment securities	-	-	190,938,621	-	190,938,621
Other assets	-	-	1,755,000	-	1,755,000
	3,102,259,326	621,722,354	2,030,305,307	218,263,914	5,972,550,901
Derivative financial instruments	80,195		34,439	2,176	116,810
Deposits from customers	3,090,282,462	618,786,581	2,014,502,056	217,433,051	5,941,004,150
Other liabilities	8,672,563	2,444,875	4,104,705	904,124	16,126,267
	3,099,035,220	621,231,456	2,018,641,200	218,339,351	5,957,247,227
Net position	3,224,106	490,898	11,664,107	(75,437)	15,303,674

(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 those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

8. CAPITAL 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.

The capital structure of the bank consists of issued capital, reserves and retained earnings. Note on stated capital is disclosed in Note 23. 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 2017 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.

The bank capital adequacy ratio is analysed as follows:

	2017 **%**	2016 %	2015 %
CET1 capital ratio	**14.3**	**13.2**	**8.6**
Tier 1 capital ratio	**14.3**	**13.2**	**8.6**
Total capital ratio	**15.4**	**14.7**	**10.7**

Minimum capital adequacy ratios under the Guideline on Scope of Application of Basel III and Eligible Capital:

	2017 **%**	2016 %	2015 %
CET1 capital ratio	**6.5**	**6.5**	**6.5**
CET1 capital ratio plus Capital Conservation Buffer	**7.125**	**6.5**	**6.5**
Tier 1 capital ratio	**8.0**	**8.0**	**7.5**
Total capital ratio	**10.0**	**10.0**	**10.0**
Total capital ratio plus Capital Conservation Buffer	**10.625**	**10.0**	**10.0**

9. CASH AND CASH EQUIVALENTS

	2017 **MUR**	2016 MUR	2015 MUR
Cash in hand	**5,255,066**	12,780,853	8,388,651
Unrestricted balances with Central Bank	**556,935,303**	187,679,011	651,760,055
Balances with banks	**1,526,144,576**	455,791,054	1,241,513,539
Loans to and placements with banks	**2,229,024,025**	3,309,816,961	2,308,350,415
	4,317,358,970	3,966,067,879	4,210,012,660

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

	2016 MUR	2015 MUR
As previously reported	3,964,100,418	4,209,338,745
Restatement (Note 41)	1,967,461	673,915
As restated	3,966,067,879	4,210,012,660

10. DUE FROM BANKS

	2017 MUR	2016 MUR	2015 MUR
Banks outside Mauritius	**324,647,656**	948,349,003	758,810,686
Banks in Mauritius	**279,174,425**	1,148,538	554,572,154
Deposits with the Central Bank	**28,984,402**	32,167,947	-
Restricted balances with the Central Bank	**550,507,705**	474,934,834	427,899,684
	1,183,314,188	1,456,600,322	1,741,282,524

Restricted balances with the Central Bank represent the mandatory reserve deposits and are not available for use in the bank's day-to-day operations.

	2016 MUR	2015 MUR
As previously reported	969,392,050	1,293,205,330
Restatement (Note 41)	487,208,272	448,077,194
As restated	1,456,600,322	1,741,282,524

11. DERIVATIVE FINANCIAL INSTRUMENTS

The bank enters into derivatives for the optimal deployment of its liability base in foreign currencies and for liquidity risk management.The bank may also take positions with the expectation of profiting from favourable movements in rates.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument.

The notional amounts indicate the volume of transactions oustanding at the year end and are not indicative of either the market or credit risk.

	MUR	MUR	MUR
30 June 2017			
	Notional amount	**Assets**	**Liabilities**
Foreign exchange contracts	**787,864,985**	**4,407,594**	**16,531,096**
30 June 2016			
	Notional amount	Assets	Liabilities
Foreign exchange contracts	424,863,592	4,478,577	692,898
30 June 2015			
	Notional amount	Assets	Liabilities
Foreign exchange contracts	41,404,638	140,379	116,810

	Assets		Liabilities	
	2016 MUR	2015 MUR	2016 MUR	2015 MUR
As previously reported	-	-	-	-
Restatement (Note 41)	4,478,577	140,379	692,898	116,810
As restated	4,478,577	140,379	692,898	116,810

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the underlying asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the bank.

As at 30 June, the bank has exposures in the following types of derivatives.

Foreign exchange forward contract

A forward exchange forward contract is a derivative instrument used to manage foreign exchange risks. It is an agreement between two counterparties to convert one currency into another at a later date, but at a rate agreed earlier on the deal date.

Foreign exchange swap

A foreign exchange swap is the simultaneous buying and selling of an identical amount of one currency for another but with two different value dates. One value date is a spot and the other one is a forward date.

The following table shows an analysis of derivative financial instruments by level of the fair value hierarchy:

	2017 MUR	2016 MUR	2015 MUR
Level 1	**-**	-	-
Level 2	**4,407,594**	4,478,577	140,379
Level 3	**-**	-	-
	4,407,594	4,478,577	140,379

12. LOANS AND ADVANCES TO CUSTOMERS

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Loans and overdrafts			
Retail	**196,303,606**	188,164,723	180,892,166
Corporate	**4,169,756,527**	3,650,862,892	1,960,735,941
	4,366,060,133	3,839,027,615	2,141,628,107
Less: Allowance for impairment losses (Note 12(c))	**(68,446,788)**	(60,146,544)	(28,573,824)
	4,297,613,345	3,778,881,071	2,113,054,283
Investment in finance leases			
Retail	**344,441,698**	362,477,297	378,079,771
Corporate	**540,201,825**	568,890,528	618,467,369
	884,643,523	931,367,825	996,547,140
Less: Allowance for impairment losses (Note 12(c))	**(86,512,293)**	(115,794,307)	(100,197,551)
	798,131,230	815,573,518	896,349,589
Net loans and advances to customers	**5,095,744,575**	4,594,454,589	3,009,403,872

(a) Investment in finance leases

	2017 MUR	2016 MUR	2015 MUR
Gross investment in finance leases:			
Up to 3 months	**121,119,598**	152,763,878	187,593,335
Over 3 months and up to 6 months	**73,870,071**	87,388,956	98,000,878
Over 6 months and up to 12 months	**138,771,539**	146,457,828	176,154,049
Over 1 year and up to 5 years	**584,948,086**	569,790,871	578,991,172
Over 5 years	**37,732,620**	41,375,569	22,282,696
	956,441,914	997,777,102	1,063,022,130
Allocation of unearned finance income	**(71,798,391)**	(66,409,277)	(66,474,990)
Present value of minimum lease payments	**884,643,523**	931,367,825	996,547,140
Analysed as follows:			
Current			
- Not later than 1 year	**317,223,284**	403,293,128	471,083,014
Non current			
- Later than 1 year and not later than 5 years	**530,004,324**	490,913,952	505,412,808
- Later than 5 years	**37,415,915**	37,160,745	20,051,318
	884,643,523	931,367,825	996,547,140

(b) Credit concentration of risk by industry sectors

	2017 MUR	2016 MUR	2015 MUR
Sectorial concentration of loans and advances (gross of impairment)			
Manufacturing	**481,291,085**	357,232,515	172,008,530
Construction	**492,224,306**	482,292,458	345,289,092
Professional	**39,423,252**	42,415,711	42,705,782
Traders	**940,423,281**	784,106,780	494,957,287
Tourism	**1,012,235,004**	767,852,608	555,461,596
Transport	**289,511,427**	255,953,155	291,946,560
Financial and business services	**693,942,006**	861,865,426	589,995,084
Personal	**264,127,830**	268,227,789	255,521,784
Agriculture	**370,793,457**	160,517,096	91,435,124
Global Business Licence holders	**552,383,130**	656,514,756	144,511,031
Others	**114,348,878**	133,417,146	154,343,377
	5,250,703,656	4,770,395,440	3,138,175,247
Analysed as follows:			
Loans and overdrafts	**4,366,060,133**	3,839,027,615	2,141,628,107
Investment in finance leases	**884,643,523**	931,367,825	996,547,140
	5,250,703,656	4,770,395,440	3,138,175,247

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

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

(b) Credit concentration of risk by industry sectors (Cont'd)

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:

	2017 MUR	2016 MUR	2015 MUR
Agriculture	**286,445,704**	-	-
Construction	**154,917,141**	57,879,655	-
Financial and business services	**386,195,278**	219,150,114	290,327,644
Information, Communication & Technology	**-**	-	1,270,800
Infrastructure	**-**	-	363,329
Manufacturing	**83,599,892**	13,816,234	40,575,264
Tourism	**721,801,009**	563,095,089	352,141,323
Traders	**507,435,134**	353,934,649	142,891,754
Transport	**114,007,857**	79,977,645	79,966,047
Global Business Licence holders	**208,182,246**	288,237,397	140,400,000
Others	**13,858,884**	14,298,228	14,473,011
	2,476,443,145	1,590,389,011	1,062,409,172

(c) Impairment allowance for loans and advances

The following is a reconciliation of the individual and collective allowances for impairment losses on loans and advances to customers:

	Individual impairment MUR	**Collective impairment MUR**	**Total MUR**
At 1 July 2014 - as previously reported	114,032,593	10,237,820	124,270,413
Restatement (Note 41)	-	14,779,177	14,779,177
As restated	114,032,593	25,016,997	139,049,590
Allowance for credit impairment for the year - as previously reported	50,035,045	2,713,432	52,748,477
Restatement (Note 41)	-	10,510,889	10,510,889
Allowance for credit impairment for the year - as restated	50,035,045	13,224,321	63,259,366
Provision released (Note 29)	(4,696,431)	-	(4,696,431)
Written off	(68,841,150)	-	(68,841,150)
At 30 June 2015 - as restated	90,530,057	38,241,318	128,771,375
At 1 July 2015 - as previously reported	90,530,057	12,951,252	103,481,309
Restatement (Note 41)	-	25,290,066	25,290,066
At 1 July 2015 - as restated	90,530,057	38,241,318	128,771,375
Allowance for credit impairment for the year - as previously reported	31,869,291	14,926,961	46,796,252
Restatement (Note 41)	-	9,900,529	9,900,529
Allowance for credit impairment for the year - as restated	31,869,291	24,827,490	56,696,781
Provision released (Note 29)	(2,358,423)	-	(2,358,423)
Written off	(7,168,882)	-	(7,168,882)
At 30 June 2016 - as restated	112,872,043	63,068,808	175,940,851
At 1 July 2016 - as previously reported	**112,872,043**	**27,878,213**	**140,750,256**
Restatement (Note 41)	**-**	**35,190,596**	**35,190,596**
At 1 July 2016 - as restated	**112,872,043**	**63,068,808**	**175,940,851**
Allowance for credit impairment for the year (Note 29)	**7,374,072**	**9,062,583**	**16,436,655**
Provision released (Note 29)	**(2,005,529)**	**-**	**(2,005,529)**
Written off	**(35,412,896)**	**-**	**(35,412,896)**
At 30 June 2017	**82,827,690**	**72,131,391**	**154,959,081**

Impairment allowance as at 30 June is analysed as follows:

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Loans and overdrafts	**68,446,788**	60,146,544	28,573,824
Investment in finance leases	**86,512,293**	115,794,307	100,197,551
	154,959,081	175,940,851	128,771,375

Allowance for credit impairment for the year

	2016 MUR	2015 MUR
-As previously stated	140,750,256	103,481,309
-Restatement (Note 41)	35,190,595	25,290,066
-As restated	175,940,851	128,771,375

(d) Allowance for credit impairment by industry sectors

	2017					2016	2015
	Gross amount of loans	Non performing loans	Individual impairment	Collective impairment	Total impairment	Total impairment	Total impairment
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Manufacturing	**481,291,085**	**14,513,257**	**14,345,929**	**5,590,747**	**19,936,676**	18,678,985	6,105,904
Construction	**492,224,306**	**22,027,554**	**20,237,715**	**8,382,683**	**28,620,398**	27,082,951	23,633,478
Professional	**39,423,252**	**-**	**-**	**466,950**	**466,950**	483,830	454,032
Traders	**940,423,281**	**11,182,086**	**9,081,491**	**11,968,756**	**21,050,247**	19,506,156	14,294,924
Tourism	**1,012,235,004**	**426,424**	**426,425**	**17,379,495**	**17,805,920**	34,980,889	29,532,376
Transport	**289,511,427**	**8,373,873**	**8,354,012**	**4,538,092**	**12,892,104**	17,477,681	12,659,013
Financial and business services	**693,942,006**	**94,395**	**94,395**	**7,385,879**	**7,480,274**	10,048,893	6,283,162
Personal	**264,127,830**	**27,040,128**	**26,673,246**	**5,146,945**	**31,820,191**	32,903,239	27,866,483
Agriculture	**370,793,457**	**251,147**	**251,147**	**3,752,303**	**4,003,450**	1,917,984	1,066,403
Global Business Licence holders	**552,383,130**	**-**	**-**	**5,527,024**	**5,527,024**	6,565,148	1,445,110
Others	**114,348,878**	**5,161,273**	**3,363,330**	**1,992,517**	**5,355,847**	6,295,095	5,430,490
Total	**5,250,703,656**	**89,070,137**	**82,827,690**	**72,131,391**	**154,959,081**	175,940,851	128,771,375

(e) Loans and advances (gross of impairment)

	2016 MUR	2015 MUR
As previously reported	4,759,134,461	3,126,021,882
Restatement (Note 41)	11,260,979	12,153,365
As restated	4,770,395,440	3,138,175,247

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

13. INVESTMENT SECURITIES

		2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Available-for-sale investments	13(a)	**78,440,348**	80,371,343	74,606,383
Loans and receivables	13(b)	**3,942,060,703**	4,491,537,005	2,941,602,644
Held to maturity investment securities	13(c)	**546,065,910**	258,151,089	58,922,476
Financial assets held for trading	13(d)	**149,878,626**	-	-
Unquoted equity instruments		**-**	2,270,000	2,270,000
		4,716,445,587	4,832,329,437	3,077,401,503

	2016 MUR	2015 MUR
Investment securities gross of impairment as previously reported	4,762,813,460	3,023,798,745
Restatement (Note 41)	73,652,467	55,422,820
Investment securities gross of impairment as restated	4,836,465,927	3,079,221,565
Restatement (Note 41)	(4,136,490)	(1,820,062)
As restated	4,832,329,437	3,077,401,503

(a) Available-for-sale financial investments

Quoted securities

	2017 MUR	2016 MUR	2015 MUR
Corporate shares and debts	**78,440,348**	80,371,343	74,606,383

(b) Loans and receivables

Quoted securities

		2017 MUR	2016 MUR	2015 MUR
(i)	Bank of Mauritius bonds and notes	**539,267,608**	462,271,177	95,856,278
	Bank of Mauritius treasury bills	**-**	24,902,724	-
	Government of Mauritius treasury bills	**197,357,729**	1,062,970,658	137,432,113
	Government of Mauritius bonds and notes	**2,911,384,756**	2,779,797,214	2,547,732,897
	Corporate bonds	**297,020,818**	163,195,088	161,877,760
		3,945,030,911	4,493,136,861	2,942,899,048
	Less collective impairment	**(2,970,208)**	(1,599,856)	(1,296,404)
		3,942,060,703	4,491,537,005	2,941,602,644

(ii) Analysed as follows:

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2017 Total MUR	2016 Total MUR	2015 Total MUR
Bank of Mauritius bonds and notes	**35,233,480**	**245,701,678**	**258,332,450**	**-**	**539,267,608**	462,271,177	95,856,278
Government of Mauritius treasury bills	**143,025,403**	**54,332,326**	**-**	**-**	**197,357,729**	1,087,873,382	137,432,113
Government of Mauritius bonds and notes	**182,055,084**	**138,460,866**	**220,149,556**	**2,370,719,250**	**2,911,384,756**	2,779,797,214	2,547,732,897
Corporate bonds	**2,455,942**	**525,920**	**-**	**291,068,748**	**294,050,610**	161,595,232	160,581,356
	362,769,909	**439,020,790**	**478,482,006**	**2,661,787,998**	**3,942,060,703**	4,491,537,005	2,941,602,644

(iii) Impairment allowances on loans and receivables

	Individual impairment MUR	Collective impairment MUR	Total MUR
At 1 July 2014 - as previously reported	-	-	-
Restatement (Note 41)	-	1,296,404	1,296,404
At 30 June 2015 - as restated	-	1,296,404	1,296,404
At 30 June 2015 - as previously reported	-	-	-
Restatement (Note 41)	-	1,296,404	1,296,404
At 30 June 2015 - as restated	-	1,296,404	1,296,404
At 1 July 2015 - as restated	-	1,296,404	1,296,404
Restatement (Note 41)	-	303,452	303,452
At 30 June 2016 - as restated	-	1,599,856	1,599,856
At 1 July 2016 - as previously reported	-	-	-
Restatement (Note 41)	**-**	**1,599,856**	**1,599,856**
At 1 July 2016 - as restated	**-**	**1,599,856**	**1,599,856**
Allowance for credit impairment for the year	**-**	**1,370,352**	**1,370,352**
At 30 June 2017	**-**	**2,970,208**	**2,970,208**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

13. INVESTMENT SECURITIES (CONT'D)

(c) Held to maturity investment securities

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
(i) Corporate bonds	**555,744,675**	260,687,723	59,446,134
Less individual impairment loss	**(4,183,140)**	-	-
Less collective impairment	**(5,495,625)**	(2,536,634)	(523,658)
	546,065,910	258,151,089	58,922,476

(ii) Analysed as follows:

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2017 Total MUR	2016 Total MUR	2015 Total MUR
Corporate bonds	**325,473**	**5,402,991**	**51,303,929**	**489,033,517**	**546,065,910**	419,746,322	221,323,894

(iii) Impairment allowances on held to maturity investment securities

	Individual impairment MUR	Collective impairment MUR	Total MUR
At 1 July 2014 - as previously reported	-	-	-
Restatement (Note 41)	-	523,658	523,658
At 30 June 2015 - as restated	-	523,658	523,658
At 30 June 2015 - as previously reported	-	-	-
Restatement (Note 41)	-	523,658	523,658
At 30 June 2015 - as restated	-	523,658	523,658
At 1 July 2015 - as restated	-	523,658	523,658
Restatement (Note 41)	-	2,012,976	2,012,976
At 30 June 2016 - as restated	-	2,536,634	2,536,634
At 1 July 2016 - as previously reported	-	-	-
Restatement (Note 41)	**-**	**2,536,634**	**2,536,634**
At 1 July 2016 - as restated	**-**	**2,536,634**	**2,536,634**
Allowance for credit impairment for the year	**4,183,140**	**2,958,991**	**7,142,131**
At 30 June 2017	**4,183,140**	**5,495,625**	**9,678,765**

(d) Financial assets held for trading

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2017 Total MUR	2016 Total MUR	2015 Total MUR
Government of Mauritius treasury bills	**149,878,626**	**-**	**-**	**-**	**149,878,626**	-	-

(e) 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 MUR	Level 2 MUR	Level 3 MUR	Total MUR
2017	**78,440,348**	**-**	**-**	**78,440,348**
2016	80,371,343	-	-	80,371,343
2015	74,606,383	-	-	74,606,383

Held for trading investment securities

	Level 1 MUR	Level 2 MUR	Level 3 MUR	Total MUR
2017	**-**	**149,878,626**	**-**	**149,878,626**
2016	-	-	-	-
2015	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

14. OTHER ASSETS

	2017 MUR	2016 MUR	2015 MUR
Deposits	**18,601,352**	2,016,265	1,896,900
Non banking assets acquired in satisfaction of debts	**2,071,710**	2,317,666	10,425,196
Receivables from related parties	**-**	-	552,860
Other receivables	**10,550,777**	7,203,091	7,387,370
	31,223,839	11,537,022	20,262,326

Non banking assets acquired in satisfaction of debts relate to repossessed assets.
Other receivables comprises mainly prepaid expenses.

	2016 MUR	2015 MUR
As previously reported	586,862,482	535,203,124
Restatement (Note 41)	2,549,398	1,410,064
Other reclassifications	(577,874,858)	(516,350,862)
As restated	11,537,022	20,262,326

Other reclassifications relate to reclassification of Restricted balances with the Central Bank to Due from banks (Note 10), Interest receivable to respective financial assets notes (Notes 9, 10, 12, 13), and Derivative financial instruments to their respective note (Note 11).

15. PROPERTY AND EQUIPMENT

	Freehold land	Buildings	Improvement to buildings	Computer equipment	Motor vehicles	Other fixed assets	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Cost							
At 1 July 2014	34,846,792	58,077,988	19,149,244	9,215,695	13,207,951	30,699,099	165,196,769
Additions	-	-	83,552,925	3,639,281	2,500,000	8,955,376	98,647,582
Disposals	-	-	(413,494)	-	(6,183,709)	(2,912,091)	(9,509,294)
At 30 June 2015	34,846,792	58,077,988	102,288,675	12,854,976	9,524,242	36,742,384	254,335,057
At 1 July 2015	34,846,792	58,077,988	102,288,675	12,854,976	9,524,242	36,742,384	254,335,057
Additions	-	-	3,665,383	10,100,124	1,230,000	926,261	15,921,768
Disposals	-	-	-	(317,113)	(4,166,770)	(428,190)	(4,912,073)
At 30 June 2016	34,846,792	58,077,988	105,954,058	22,637,987	6,587,472	37,240,455	265,344,752
At 1 July 2016	**34,846,792**	**58,077,988**	**105,954,058**	**22,637,987**	**6,587,472**	**37,240,455**	**265,344,752**
Additions	**88,589,066**	**69,794,246**	**-**	**6,700,966**	**850,000**	**1,201,596**	**167,135,874**
Disposals	**-**	**-**	**-**	**-**	**(2,042,471)**	**-**	**(2,042,471)**
At 30 June 2017	**123,435,858**	**127,872,234**	**105,954,058**	**29,338,953**	**5,395,001**	**38,442,051**	**430,438,155**
Depreciation							
At 1 July 2014	-	1,742,340	336,564	6,496,599	4,585,441	11,516,036	24,676,980
Charge for the year	-	1,161,560	3,805,914	1,604,697	2,550,007	3,595,158	12,717,336
Disposals	-	-	(169,036)	-	(4,046,446)	(1,764,498)	(5,979,980)
At 30 June 2015	-	2,903,900	3,973,442	8,101,296	3,089,002	13,346,696	31,414,336
At 1 July 2015	-	2,903,900	3,973,442	8,101,296	3,089,002	13,346,696	31,414,336
Charge for the year	-	1,161,560	5,221,341	2,689,356	1,294,759	3,594,179	13,961,195
Disposals	-	-	-	(305,077)	(1,856,272)	(71,708)	(2,233,057)
At 30 June 2016	-	4,065,460	9,194,783	10,485,575	2,527,489	16,869,167	43,142,474
At 1 July 2016	**-**	**4,065,460**	**9,194,783**	**10,485,575**	**2,527,489**	**16,869,167**	**43,142,474**
Charge for the year	**-**	**1,510,531**	**5,297,703**	**4,787,686**	**1,184,661**	**3,666,595**	**16,447,176**
Disposals	-	-	-	-	(1,661,897)	-	(1,661,897)
At 30 June 2017	**-**	**5,575,991**	**14,492,486**	**15,273,261**	**2,050,253**	**20,535,762**	**57,927,753**
Net Book Value							
At 30 June 2017	**123,435,858**	**122,296,243**	**91,461,572**	**14,065,692**	**3,344,748**	**17,906,289**	**372,510,402**
At 30 June 2016	34,846,792	54,012,528	96,759,275	12,152,412	4,059,983	20,371,288	222,202,278
At 30 June 2015	34,846,792	55,174,088	98,315,233	4,753,680	6,435,240	23,395,688	222,920,721

Other fixed assets consist of office furniture, office equipment, fixtures and fittings and security and vault.

There is no restriction on title or asset pledged as securities for liabilities at reporting date (2016 and 2015: nil).

16. INTANGIBLE ASSETS

Computer Software

	2017 MUR	2016 MUR	2015 MUR
COST			
At 1 July	**24,857,014**	24,336,392	23,191,158
Additions	**14,949**	520,622	1,145,234
At 30 June	**24,871,963**	24,857,014	24,336,392
AMORTISATION			
At 1 July	**15,140,819**	12,255,144	9,521,595
Charge for the year	**2,911,534**	2,885,675	2,733,549
At 30 June	**18,052,353**	15,140,819	12,255,144
NET BOOK VALUE			
At 30 June	**6,819,610**	9,716,195	12,081,248

17. DEFERRED TAX ASSETS

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

	MUR
As at 1 July 2014 - as previously reported	13,891,899
Restatement (Note 41)	2,371,016
As restated	16,262,915
Accelerated tax depreciation	(550,414)
Impairment allowance	(1,221,281)
Retirement benefit obligations	(15,277)
Adjustment on provision for credit impairment	1,614,474
As at 30 June 2015 (restated)	16,090,417
As at 1 July 2015 - as previously reported	12,104,927
Restatement (Note 41)	3,985,490
As restated	16,090,417
Accelerated tax depreciation	259,763
Impairment allowance	9,520,785
Retirement benefit obligations	(88,606)
Adjustment on provision for credit impairment	1,261,862
As at 30 June 2016 (restated)	27,044,221
As at 1 July 2016 - as previously reported	**21,796,869**
Restatement (Note 41)	**5,247,352**
As at 1 July 2016 (restated)	**27,044,221**
Accelerated tax depreciation	**(373,734)**
Impairment allowance	**(2,825,957)**
Retirement benefit obligations	**180,541**
As at 30 June 2017	**24,025,071**

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2017 MUR	2016 MUR	2015 MUR	**2017 MUR**	2016 MUR	2015 MUR
Impairment allowance	**29,361,461**	32,187,418	21,404,771	**(2,825,957)**	10,782,647	393,193
Retirement benefit obligations	**458,462**	277,921	366,527	**180,541**	(88,606)	(15,277)
Accelerated tax depreciation	**(5,794,852)**	(5,421,118)	(5,680,881)	**(373,734)**	259,763	(550,414)
	24,025,071	27,044,221	16,090,417	**(3,019,150)**	10,953,804	(172,498)

Movement of deferred tax to profit or loss and other comprehensive income analysed as follows:

	2017 MUR	2016 MUR	2015 MUR
Profit or loss (Note 21)	**(3,094,593)**	11,086,924	(172,498)
Other comprehensive income	**75,443**	(133,120)	-
	(3,019,150)	10,953,804	(172,498)

18. DUE TO BANKS

	2017 MUR	2016 MUR	2015 MUR
Interbank borrowings	**-**	140,006,397	-

The interbank borrowing was unsecured, bore interest rate in the range of 1.65% p.a to 1.7% p.a and was repaid in July 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

19. DEPOSITS FROM CUSTOMERS

	2017 MUR	2016 MUR	2015 MUR
Retail customers			
Savings accounts	**3,771,193,347**	3,385,730,382	2,226,238,948
Current accounts	**466,979,523**	470,428,665	377,152,607
Term deposits with remaining term to maturity:			
Up to 3 months	**188,313,833**	120,483,177	139,235,690
Over 3 months and up to 6 months	**105,790,767**	89,483,176	86,921,904
Over 6 months and up to 12 months	**306,878,975**	276,148,580	198,969,739
Over 1 year and up to 5 years	**1,333,352,492**	719,450,425	622,304,266
Corporate customers			
Savings accounts	**371,550,751**	424,991,392	360,782,315
Current accounts	**5,393,754,469**	6,157,289,450	5,628,166,501
Term deposits with remaining term to maturity:			
Up to 3 months	**158,796,275**	438,859,316	384,445,344
Over 3 months and up to 6 months	**449,763,298**	72,906,160	127,571,679
Over 6 months and up to 12 months	**601,326,040**	731,108,273	711,277,553
Over 1 year and up to 5 years	**655,365,927**	481,983,542	439,266,936
	13,803,065,697	13,368,862,538	11,302,333,482

20. PREFERENCE SHARES

	2017 MUR	2016 MUR	2015 MUR
At 1 July	**320,758,971**	320,726,882	182,407,187
Issue of shares	**-**	-	138,180,000
Shares redeemed at maturity	**(53,825,000)**	-	-
Interest accrued	**20,238,947**	22,122,101	13,925,088
Dividend paid	**(21,423,150)**	(22,090,012)	(13,785,393)
At 30 June	**265,749,768**	320,758,971	320,726,882

On 18 March 2011, the bank issued 7.5% cumulative redeemable preference shares amounting to MUR 53,825,000 and were redeemed on 17 March 2017. These shares carry no voting rights and confer preferential rights to distributions of capital and income over ordinary shares.

On 2 April 2012, the bank issued 7.8% cumulative redeemable preference shares amounting to MUR 124,981,000 with 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 the 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 cumulative redeemable preference shares at floating rate (Repo+1.5%) with a maturity of six years for a total consideration of MUR 138,180,000.

21. INCOME TAX EXPENSE

Income tax is calculated at the rate of 15% (2016 and 2015: 15%) on the profit for the year.

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

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Current income tax	**38,559,307**	35,774,038	5,454,300
Prior year adjustment	**-**	307,620	380,717
Under/(overprovision) in previous years	**155,919**	(419,692)	(356,930)
Deferred tax			
-Relating to origination and reversal of temporary differences (Note 17)	**3,094,593**	(11,086,924)	172,498
Income tax expense	**41,809,819**	24,575,042	5,650,585

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:

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Accounting profit before tax	**250,317,784**	186,182,728	64,183,673
At statutory income tax rate of 15% (2016 and 2015: 15%)	**37,547,668**	27,927,409	9,627,551
Non-deductible expenses	**15,263,915**	6,302,762	5,629,637
Exempt income	**(1,514,386)**	(206,606)	(1,424,450)
Corporate social responsibility	**2,607,406**	2,753,288	-
Special levy	**13,462,997**	12,206,612	1,615,693
Income tax under/(over)provision for the previous year	**155,919**	(419,692)	(356,930)
Withholding tax	**385,884**	-	-
Deemed credit on segment B profits	**(17,179,075)**	(18,849,879)	(9,440,916)
Deferred tax rate differential arising on corporate social responsibility and special levy	**(8,920,509)**	(5,138,852)	-
Tax expense	**41,809,819**	24,575,042	5,650,585

Non-deductible expenses consist mainly of provision for impairment and depreciation.

22. OTHER LIABILITIES

	2017 MUR	2016 MUR	2015 MUR
Unallocated receipts	**196,748,425**	1,108,131	3,260,481
Employee benefit liability (Note 40)	**3,396,014**	2,058,670	2,443,514
Other payables	**102,902,906**	84,188,094	93,481,512
	303,047,345	87,354,895	99,185,507

Refer to Note 40 for more details on employee benefit liability.

Other payables include provision for expenses, bankers' cheques payable, accrued staff related costs, advance fee income and VAT payable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

23. ISSUED CAPITAL

	2017 MUR	2016 MUR	2015 MUR
Ordinary shares of MUR 10 each			
Issued and fully paid capital	**762,718,720**	762,718,720	476,699,200
Share premium	**177,776,752**	177,776,752	30,000,000
At 30 June	**940,495,472**	940,495,472	506,699,200

	2017 MUR	2016 MUR	2015 MUR
Issued and fully paid			
At 1 July	**940,495,472**	506,699,200	356,699,200
New issue	**-**	433,796,272	150,000,000
At 30 June	**940,495,472**	940,495,472	506,699,200
Number of shares			
At 1 July	**76,271,872**	47,669,920	35,669,920
New issue	**-**	28,601,952	12,000,000
	76,271,872	76,271,872	47,669,920

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 28 November 2014, the bank issued 12,000,000 Ordinary Shares at MUR 12.50 per share for a total consideration of MUR 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 of par value of MUR 10.00 each of the bank at a price of MUR 13.50 per share for a total consideration of MUR 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 MUR 10.00 each of the bank at a price of MUR 16.00 per share for a total consideration of MUR 305,087,488. The new ordinary shares of par value of MUR 10.00 each of the bank rank pari passu with the existing ordinary shares in the capital of the bank.

24. OTHER RESERVES

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Available-for-sale reserve	**1,205,290**	1,287,648	1,761,946
Statutory reserve	**76,556,747**	45,280,552	21,039,399
	77,762,037	46,568,200	22,801,345

Available-for-sale reserve

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
At 1 July as previously stated	**1,287,648**	1,761,946	1,784,123
Net loss on available-for-sale financial investments	**(82,358)**	(5,196,126)	(22,177)
Fair value adjustment to profit or loss	**-**	4,721,828	-
At 30 June as restated	**1,205,290**	1,287,648	1,761,946

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

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.

	MUR
At 1 July 2014 - as previously reported	14,120,660
Restatement (Note 41)	(1,861,224)
At 1 July 2014 - as restated	12,259,436
Transfer to statutory reserve	10,233,033
Restatement (Note 41)	(1,453,070)
At 30 June 2015 - as restated	21,039,399
At 1 July 2015 - as previously reported	24,353,693
Restatement (Note 41)	(3,314,294)
At 1 July 2015 - as restated	21,039,399
Transfer to statutory reserve	26,467,934
Restatement (Note 41)	(2,226,781)
At 30 June 2016 - as restated	45,280,552
At 1 July 2016 - as previously reported	**50,821,627**
Restatement (Note 41)	**(5,541,075)**
At 1 July 2016 - as restated	**45,280,552**
Transfer to statutory reserve	**31,276,195**
At 30 June 2017	**76,556,747**

FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

25. NET INTEREST INCOME

	2017 MUR	2016 MUR	2015 MUR
Interest income			
Finance leases	**65,129,580**	72,525,210	88,389,588
Loans and advances to customers (excluding finance leases)	**229,903,554**	181,848,992	116,453,611
Loans to and placements with banks	**85,049,230**	82,757,868	54,817,661
Investment securities	**265,155,535**	231,232,476	186,909,123
	645,237,899	568,364,546	446,569,983
Interest expense			
Deposits from customers	**288,717,476**	277,955,314	256,418,258
Preference shares	**20,238,947**	22,122,101	13,925,088
Borrowed funds	**249,197**	289,297	570,777
	309,205,620	300,366,712	270,914,123
Net interest income	**336,032,279**	267,997,834	175,655,860

26. NET FEE AND COMMISSION INCOME

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Fee and commission income			
Card and related fee income	**60,940,790**	71,597,790	45,280,166
Processing fees	**6,319,307**	8,731,515	8,254,545
International banking	**25,127,571**	30,106,976	28,444,581
Interbank transaction fees	**9,080,598**	8,908,546	8,202,707
Others	**11,524,326**	8,798,160	9,619,593
	112,992,592	128,142,987	99,801,592
Fee and commission expense			
Card and related fee expense	**17,739,830**	21,093,139	14,339,955
Interbank transaction fees	**6,113,654**	6,392,980	4,975,367
	23,853,484	27,486,119	19,315,322
Net fee and commission income	**89,139,108**	100,656,868	80,486,270

27. NET TRADING INCOME

	2017 MUR	2016 MUR	2015 MUR
Net foreign exchange gain	**63,830,549**	65,420,427	56,992,513

28. OTHER OPERATING INCOME

	2017 MUR	2016 MUR	2015 MUR
Profit on disposal of investment securities	**2,452,927**	373,500	9,581,619
Dividend income	**1,176,385**	1,036,164	114,715
Profit on disposal of property and equipment	**338,001**	-	-
Others	**38,613**	136,197	37,206
	4,005,926	1,545,861	9,733,540

29. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2017 MUR	Restated 2016 MUR	Restated 2015 MUR
Loans and advances to customers	**12,620,454**	54,393,380	82,079,903
Investment in securities	**10,332,259**	7,038,256	1,820,062
	22,952,713	61,431,636	83,899,965
Loans and advances to customers			
Provision for credit impairment (Note 12(c))	**16,436,655**	56,696,781	63,259,366
Provision released (Note 12(c))	**(2,005,529)**	(2,358,423)	(4,696,431)
Bad debts recovered	**(2,552,634)**	(3,306,037)	(3,508,924)
Bad debts written off for which no provision was made	**741,962**	3,361,059	27,025,892
	12,620,454	54,393,380	82,079,903
Investment in securities			
Individual impairment loss - held to maturity securities	**4,183,140**	-	-
Impairment loss - available-for-sale investments	**1,819,776**	4,721,828	-
Collective impairment - loan and receivables	**1,370,352**	303,452	1,296,404
Collective impairment - held to maturity investments	**2,958,991**	2,012,976	523,658
	10,332,259	7,038,256	1,820,062

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

30. PERSONNEL EXPENSES

	2017 MUR	2016 MUR	2015 MUR
Wages and salaries	**104,246,916**	82,936,383	75,382,804
Employees benefit costs (Note 40)	**778,507**	601,233	(101,845)
Others	**22,177,592**	17,371,725	12,518,033
	127,203,015	100,909,341	87,798,992

Others consist of medical benefits, training and other allowances.

31. OTHER OPERATING EXPENSES

	2017 MUR	2016 MUR	2015 MUR
Motor vehicle expenses and insurance	**4,411,087**	4,719,073	5,156,702
Rental of office	**547,860**	603,015	3,157,375
Advertising and marketing	**6,164,193**	4,251,090	3,940,540
Information technology costs	**14,805,926**	20,220,960	7,856,045
Licences	**3,354,514**	2,862,837	2,676,577
Loss on disposal of property and equipment	**-**	1,084,139	1,674,236
Communication costs	**8,333,469**	7,693,831	7,329,672
Legal and professional fees	**8,914,915**	9,631,601	14,071,460
Maintenance costs	**3,599,652**	3,437,274	7,431,790
Others	**23,044,024**	15,746,595	18,240,271
	73,175,640	70,250,415	71,534,668

Others consist of postage and stationary, utilities, security, overseas travelling, subscription and other operating costs.

32. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders of the bank by the weighted average number of ordinary shares during the year.

	2017 MUR	2016 MUR	2015 MUR
Net Profit	**208,507,965**	161,607,686	58,533,088
Weighted average number of ordinary shares	**76,271,872**	55,328,366	42,738,413
Earnings per share			
As previously reported	**2.73**	3.46	1.60
Effect of restatement	**-**	(0.54)	(0.23)
Basic and diluted earnings per share - as restated	**2.73**	2.92	1.37

33. DIVIDENDS PAID AND PROPOSED

	2017 MUR	2016 MUR	2015 MUR
Declared and paid during the year			
Final dividend for 2016: MUR 0.54 per share (2015: MUR 0.17 per share)	**41,186,811**	8,103,887	-
Proposed for approval at Annual General Meeting (not recognised as a liability as at 30 June 2017)			
Dividends on ordinary shares:			
Final dividend for 2017: MUR 0.64 per share (2016: MUR 0.54 per share, 2015: MUR 0.17 per share)	**48,813,998**	41,186,811	8,103,887

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the statement of financial position

(i) Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

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

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

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

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

	Level 1 MUR	Level 2 MUR	Level 3 MUR	Total MUR
Available-for-sale investment securities Corporate shares and debts				
2017	**78,440,348**	**-**	**-**	**78,440,348**
2016	80,371,343	-	-	80,371,343
2015	74,606,383	-	-	74,606,383
Held for trading investment securities Government of Mauritius treasury bills				
2017	**-**	**149,878,626**	**-**	**149,878,626**
2016	-	-	-	-
2015	-	-	-	-
Derivatives - Foreign exchange contracts				
2017	**-**	**4,407,594**	**-**	**4,407,594**
2016	-	4,478,577	-	4,478,577
2015	-	140,379	-	140,379
Financial liabilities Derivatives - Foreign exchange contracts				
2017	**-**	**16,531,096**	**-**	**16,531,096**
2016	-	692,898	-	692,898
2015	-	116,810	-	116,810

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value measurements recognised in the statement of financial position (Cont'd)

(ii) Valuation techniques

Available-for-sale investment securities
Corporate shares and debts

Corporate shares and debts are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1.

Held for trading investment securities
Government of Mauritius treasury bills

Those investments are valued based on the market yield of similar instruments as made publicly available by the local regulator and are classified as Level 2.

Derivatives

Derivatives include foreign exchange contracts and foreign exchange swaps. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points. The bank classifies foreign exchange forward contracts and swaps as Level 2.

Transfers between hierarchy

There was no transfer between fair value hierarchy during the year under review.

(iii) Valuation methodologies

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amount approximates their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Loans and advances to customers

The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. As a result, loans and advances fall under Level 3 of the fair value hierarchy.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. As a result, these fixed rate financial instruments fall under Level 2 of the fair value hierarchy.

35. 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.

		2017						
		Classification of carrying amount						Fair Value
		Fair value through profit and loss	Loans and receivables	Available-for-sale	Held to maturity	Liabilities at amortised cost	Total	Total
	Notes	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets								
Cash and cash equivalents	9	-	4,317,358,970	-	-	-	4,317,358,970	4,317,358,970
Due from banks	10	-	1,183,314,188	-	-	-	1,183,314,188	1,183,314,188
Derivative financial instruments	11	4,407,594	-	-	-	-	4,407,594	4,407,594
Loans and advances to customers	12	-	5,095,744,575	-	-	-	5,095,744,575	5,066,348,249
Investment securities	13	149,878,626	3,942,060,703	78,440,348	546,065,910	-	4,716,445,587	4,716,445,587
Other assets		-	28,642,236	-	-	-	28,642,236	28,642,236
		154,286,220	14,567,120,672	78,440,348	546,065,910	-	15,345,913,150	15,316,516,824
Financial liabilities								
Derivative financial instruments	11	16,531,096	-	-	-	-	16,531,096	16,531,096
Deposits from customers	19	-	-	-	-	13,803,065,697	13,803,065,697	13,786,269,491
Preference shares	20	-	-	-	-	265,749,768	265,749,768	265,749,768
Other liabilities		-	-	-	-	294,463,587	294,463,587	294,463,587
		16,531,096	-	-	-	14,363,279,052	14,379,810,148	14,363,013,942

35. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

		2016						
		Classification of carrying amount						Fair Value
	Notes	Fair value through profit and loss MUR	Loans and receivables MUR	Available-for-sale MUR	Held to maturity MUR	Liabilities at amortised cost MUR	Total MUR	Total MUR
Financial assets								
Cash and cash equivalents	9	-	3,966,067,879	-	-	-	3,966,067,879	3,966,067,879
Due from banks	10	-	1,456,600,322	-	-	-	1,456,600,322	1,456,600,322
Derivative financial instruments	11	4,478,577	-	-	-	-	4,478,577	4,478,577
Loans and advances to customers	12	-	4,594,454,589	-	-	-	4,594,454,589	4,594,454,589
Investment securities	13	-	4,491,537,005	82,641,343	258,151,089	-	4,832,329,437	4,832,329,437
Other assets		-	9,953,113	-	-	-	9,953,113	9,953,113
		4,478,577	14,518,612,908	82,641,343	258,151,089	-	14,863,883,917	14,863,883,917
Financial liabilities								
Due to banks	18	-	-	-	-	140,006,397	140,006,397	140,006,397
Derivative financial instruments	11	692,898	-	-	-	-	692,898	692,898
Deposits from customers	19	-	-	-	-	13,368,862,538	13,368,862,538	13,368,862,538
Preference shares	20	-	-	-	-	320,758,971	320,758,971	320,758,971
Other liabilities		-	-	-	-	85,252,392	85,252,392	85,252,392
		692,898	-	-	-	13,914,880,298	13,915,573,196	13,915,573,196

35. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

		2015						
		Classification of carrying amount						Fair Value
	Notes	Fair value through profit and loss MUR	Loans and receivables MUR	Available-for-sale MUR	Held to maturity MUR	Liabilities at amortised cost MUR	Total MUR	Total MUR
Financial assets								
Cash and cash equivalents	9	-	4,210,012,660	-	-	-	4,210,012,660	4,210,012,660
Due from banks	10	-	1,741,282,524	-	-	-	1,741,282,524	1,741,282,524
Derivative financial instruments	11	140,379	-	-	-	-	140,379	140,379
Loans and advances to customers	12	-	3,009,403,872	-	-	-	3,009,403,872	3,009,403,872
Investment securities	13	-	2,941,602,644	76,876,383	58,922,476	-	3,077,401,503	3,077,401,503
Other assets		-	18,960,396	-	-	-	18,960,396	18,960,396
		140,379	11,921,262,096	76,876,383	58,922,476	-	12,057,201,334	12,057,201,334
Financial liabilities								
Derivative financial instruments	11	116,810	-	-	-	-	116,810	116,810
Deposits from customers	19	-	-	-	-	11,302,333,482	11,302,333,482	11,302,333,482
Preference shares	20	-	-	-	-	320,726,882	320,726,882	320,726,882
Other liabilities		-	-	-	-	96,489,467	96,489,467	96,489,467
		116,810	-	-	-	11,719,549,831	11,719,666,641	11,719,666,641

36. 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.

		2017							
	Notes	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	4,317,358,970	-	4,317,358,970	-	-	-	4,317,358,970
Due from banks	10	-	322,739,238	711,052,116	1,033,791,354	46,799,153	102,723,681	149,522,834	1,183,314,188
Derivative financial instruments	11	-	4,108,762	298,832	4,407,594	-	-	-	4,407,594
Loans and advances to customers	12	106,192,824	1,557,190,466	1,510,630,156	3,067,820,622	840,802,404	1,235,887,806	2,076,690,210	5,250,703,656
Investment securities	13	206,961,570	515,863,821	449,999,800	965,863,621	529,785,935	3,022,801,515	3,552,587,450	4,725,412,641
Other assets	14	31,223,839	-	-	-	-	-	-	31,223,839
Property and equipment	15	372,510,402	-	-	-	-	-	-	372,510,402
Intangible assets	16	6,819,610	-	-	-	-	-	-	6,819,610
Deferred tax assets	17	24,025,071	-	-	-	-	-	-	24,025,071
Total		747,733,316	6,717,261,257	2,671,980,904	9,389,242,161	1,417,387,492	4,361,413,002	5,778,800,494	15,915,775,971
Less allowance for credit impairment									(163,926,135)
									15,751,849,836
Liabilities									
Derivative financial instruments	11	-	14,803,458	1,727,638	16,531,096	-	-	-	16,531,096
Deposits from customers	19	-	10,350,588,198	1,463,759,080	11,814,347,278	1,211,401,204	777,317,215	1,988,718,419	13,803,065,697
Preference shares	20	-	-	127,569,768	127,569,768	-	138,180,000	138,180,000	265,749,768
Current tax liabilities		-	-	23,175,879	23,175,879	-	-	-	23,175,879
Other liabilities	22	269,785,596	3,213,821	26,651,914	29,865,735	-	3,396,014	3,396,014	303,047,345
Total		269,785,596	10,368,605,477	1,642,884,279	12,011,489,756	1,211,401,204	918,893,229	2,130,294,433	14,411,569,785
Net liquidity gap		477,947,720	(3,651,344,220)	1,029,096,625	(2,622,247,595)	205,986,288	3,442,519,773	3,648,506,061	1,504,206,186
Less allowance for credit impairment									(163,926,135)
									1,340,280,051
Contingent liabilities and commitments	38								
Contingent liabilities									
Financial guarantees		-	5,931,782	3,671,066	9,602,848	1,177,257	-	1,177,257	10,780,105
Letter of credit and other obligations on account of customers		-	-	-	-	-	-	-	-
		-	5,931,782	3,671,066	9,602,848	1,177,257	-	1,177,257	10,780,105
Commitments									
Undrawn credit facilities		-	892,530,074	174,945,461	1,067,475,535	-	-	-	1,067,475,535
		-	898,461,856	178,616,527	1,077,078,383	1,177,257	-	1,177,257	1,078,255,640

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

		2016							
	Notes	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	3,966,067,879	-	3,966,067,879	-	-	-	3,966,067,879
Due from banks	10	-	505,589,927	866,378,696	1,371,968,623	27,376,067	57,255,632	84,631,699	1,456,600,322
Derivative financial instruments	11	-	4,478,577	-	4,478,577	-	-	-	4,478,577
Loans and advances to customers	12	124,138,126	1,581,903,051	1,393,055,892	2,974,958,943	837,101,369	834,197,002	1,671,298,371	4,770,395,440
Investment securities	13	82,641,343	989,207,026	411,388,737	1,400,595,763	641,064,418	2,712,164,403	3,353,228,821	4,836,465,927
Other assets	14	11,537,022	-	-	-	-	-	-	11,537,022
Property and equipment	15	222,202,278	-	-	-	-	-	-	222,202,278
Intangible assets	16	9,716,195	-	-	-	-	-	-	9,716,195
Deferred tax assets	17	27,044,221	-	-	-	-	-	-	27,044,221
Total		477,279,185	7,047,246,460	2,670,823,325	9,718,069,785	1,505,541,854	3,603,617,037	5,109,158,891	15,304,507,861
Less allowance for credit impairment									(180,077,341)
									15,124,430,520
Liabilities									
Due to banks	18	-	140,006,397	-	140,006,397	-	-	-	140,006,397
Derivative financial instruments	11	-	692,898	-	692,898	-	-	-	692,898
Deposits from customers	19	-	10,997,681,711	1,169,746,860	12,167,428,571	788,019,791	413,414,176	1,201,433,967	13,368,862,538
Preference shares	20	-	-	57,597,971	57,597,971	124,981,000	138,180,000	263,161,000	320,758,971
Current tax liabilities		-	-	33,230,172	33,230,172	-	-	-	33,230,172
Other liabilities	22	60,454,582	988,608	23,853,035	24,841,643	-	2,058,670	2,058,670	87,354,895
Total		60,454,582	11,139,369,614	1,284,428,038	12,423,797,652	913,000,791	553,652,846	1,466,653,637	13,950,905,871
Net liquidity gap		416,824,603	(4,092,123,154)	1,386,395,287	(2,705,727,867)	592,541,063	3,049,964,191	3,642,505,254	1,353,601,990
Less allowance for credit impairment									(180,077,341)
									1,173,524,649
Contingent liabilities and commitments	38								
Contingent liabilities									
Financial guarantees		793,848	5,915,000	2,232,835	8,147,835	1,110,036	-	1,110,036	10,051,719
Letter of credit and other obligations on account of customers		-	6,639,134	-	6,639,134	-	-	-	6,639,134
		793,848	12,554,134	2,232,835	14,786,969	1,110,036	-	1,110,036	16,690,853
Commitments									
Undrawn credit facilities		-	596,575,795	68,901,379	665,477,174	9,976,395	-	9,976,395	675,453,569
		793,848	609,129,929	71,134,214	680,264,143	11,086,431	-	11,086,431	692,144,422

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

		2015							
	Notes	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	4,210,012,660	-	4,210,012,660	-	-	-	4,210,012,660
Due from banks	10	-	836,038,386	671,263,160	1,507,301,546	85,897,106	148,083,872	233,980,978	1,741,282,524
Derivative financial instruments	11	-	140,379	-	140,379	-	-	-	140,379
Loans and advances to customers	12	168,200,552	826,915,303	835,249,206	1,662,164,509	1,143,888,861	163,921,325	1,307,810,186	3,138,175,247
Investment securities	13	76,876,384	79,751,133	57,680,980	137,432,113	495,072,046	2,369,841,022	2,864,913,068	3,079,221,565
Other assets	14	20,262,326	-	-	-	-	-	-	20,262,326
Property and equipment	15	222,920,721	-	-	-	-	-	-	222,920,721
Intangible assets	16	12,081,248	-	-	-	-	-	-	12,081,248
Deferred tax assets	17	16,090,417	-	-	-	-	-	-	16,090,417
Total		516,431,648	5,952,857,861	1,564,193,346	7,517,051,207	1,724,858,013	2,681,846,219	4,406,704,232	12,440,187,087
Less allowance for credit impairment									(130,591,437)
									12,309,595,650
Liabilities									
Derivative financial instruments	11	-	116,810	-	116,810	-	-	-	116,810
Deposits from customers	19	-	9,115,970,828	1,124,791,452	10,240,762,280	732,515,978	329,055,224	1,061,571,202	11,302,333,482
Preference shares	20	76,690,362	252,525	19,799,106	20,051,631	-	2,443,514	2,443,514	99,185,507
Current tax liabilities		-	-	1,387,050	1,387,050	-	-	-	1,387,050
Other liabilities	22	-	-	3,740,882	3,740,882	178,806,000	138,180,000	316,986,000	320,726,882
Total		76,690,362	9,116,340,163	1,149,718,490	10,266,058,653	911,321,978	469,678,738	1,381,000,716	11,723,749,731
Net liquidity gap		439,741,286	(3,163,482,302)	414,474,856	(2,749,007,446)	813,536,035	2,212,167,481	3,025,703,516	716,437,356
Less allowance for credit impairment									(130,591,437)
									585,845,919
Contingent liabilities and commitments	38								
Contingent liabilities									
Financial guarantees		1,343,848	10,300,000	711,240	11,011,240	-	-	-	12,355,088
Letter of credit and other obligations on account of customers		-	10,309,221	-	10,309,221	-	-	-	10,309,221
		1,343,848	20,609,221	711,240	21,320,461	-	-	-	22,664,309
Commitments									
Undrawn credit facilities		-	306,811,353	86,277,176	393,088,529	-	-	-	393,088,529
		1,343,848	327,420,574	86,988,416	414,408,990	-	-	-	415,752,838

37. 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	Outstanding amount at year end	Interest receivable for the year	Deposits at year end	Interest payable for the year	Amount owed by related party	Other expenses
		MUR	MUR	MUR	MUR	MUR	MUR	MUR
Directors and key management personnel	**2017**	**981,000**	**5,705,447**	**577,413**	**124,649,450**	**4,304,797**	**-**	**2,785,393**
	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	-	-
Corporate shareholders with significant influence	**2017**	**184,355,990**	**241,077,457**	**12,516,453**	**6,332**	**68**	**-**	**1,834,595**
	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
Enterprises that have a number of directors in common	**2017**	**38,897,000**	**105,098,456**	**6,620,792**	**11,750,534**	**10,221**	**-**	**5,496,096**
	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
Total	**2017**	**224,233,990**	**351,881,360**	**19,714,658**	**136,406,316**	**4,315,086**	**-**	**10,116,084**
	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

Terms and conditions of transactions with related parties.

The above mentioned outstanding balances arose from the ordinary course of business. Credit facilities are secured except for short term money market lines and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2017, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2016 and 2015: 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 23.

(b) Compensation of key management personnel

	2017 MUR	2016 MUR	2015 MUR
Short-term employee benefits	**16,578,500**	10,715,500	6,688,500

(c) The bank's top six exposures to related parties amount to MUR 344,861,393 (30 June 2016: MUR 279,951,476 and 30 June 2015: MUR 169,596,512). These represent 26.3% of Tier 1 Capital. None of these facilities were non-performing (2016 and 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

38. CONTINGENT LIABILITIES

	2017 MUR	2016 MUR	2015 MUR
(a) Instruments			
Financial guarantees	**10,780,105**	10,051,719	12,355,088
Letter of credit and other obligations on account of customers	**-**	6,639,134	10,309,221
(b) Commitments			
Undrawn credit facilities	**1,067,475,535**	675,453,569	393,088,529
	1,078,255,640	692,144,422	415,752,838

39. PLEDGED ASSETS

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

	2017 MUR	2016 MUR	2015 MUR
Government of Mauritius bonds, notes and bills	**385,000,000**	360,000,000	360,000,000

40. RETIREMENT BENEFIT OBLIGATION

(a) Defined contribution plan

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 MUR 3,787,508 (2016: MUR 2,853,900; 2015: MUR 1,639,628) represents contributions payable to the plan by the bank.

(b) Gratuity on retirement

The bank is required to pay gratuity in accordance with Section 49 of the Employment Rights Act 2008. The bank has engaged Feber Associates to calculate the obligations arising out of the gratuities payable. For members of the bank's defined contribution, the obligation relates for the residual retirement gratuity and as a result 5 times the annual pension, relating to the employer's share of contributions, is offset from the retirement gratuity.

The following table summarises the components of net benefit expense recognised in the statement of profit or loss and the unfunded status and amounts recognised in the statement of financial position.

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

	2017 MUR	2016 MUR	2015 MUR
Present value of funded defined contribution obligation			
and liability recognised in the statement of financial position (Note 22)	**3,396,014**	2,058,670	2,443,514

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

	2017 MUR	2016 MUR	2015 MUR
Current service cost	**634,400**	421,171	(101,845)
Net interest cost	**144,107**	180,062	-
Net cost for the year recognised in profit and loss	**778,507**	601,233	(101,845)
Remeasurement recognised in other comprehensive income	**558,837**	(986,077)	-
Net cost for the year	**1,337,344**	(384,844)	(101,845)

Changes in the present value of the obligation

	2017 MUR	2016 MUR	2015 MUR
Present value of obligation at start of period	**2,058,670**	2,443,514	2,443,514
Restatement	**-**	(123,782)	-
Interest cost	**144,107**	544,953	-
Current service cost	**634,400**	180,062	-
Expected obligation at end of period	**2,837,177**	3,044,747	2,443,514
Present value of obligation at end of period	**3,396,014**	2,058,670	2,443,514
Remeasurement recognised in other comprehensive income at end of period - (loss)/gain	**(558,837)**	986,077	-
Deferred tax	**75,443**	(133,120)	-
Retirement pension net of deferred tax	**(483,394)**	852,957	-

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

	2017 MUR	2016 MUR	2015 MUR
Normal retirement age	**65**	65	65
Discount rate	**6.50%**	7.00%	6.50%
Expected rate of return on plan assets	**0.00%**	0.00%	0.00%
Future salary increases	**5.00%**	5.00%	6.50%
Annual proportion of employees leaving service	**5% up to age 40, decreasing to 0% at 45 & nil thereafter**	5% up to age 40, decreasing to 0% at 45 & nil thereafter	
Actuarial table for employee mortality	**PMA92_PFA92**	PMA92_PFA92	

40. RETIREMENT BENEFIT OBLIGATION (CONT'D)

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

	2017 MUR	2016 MUR	2015 MUR
Opening defined contribution obligation	**2,058,670**	2,443,514	2,545,359
Current service cost	**634,400**	421,171	(101,845)
Interest cost	**144,107**	180,062	-
Net actuarial gain recognised in other comprehensive income	**558,837**	(986,077)	-
Present value of obligation at end of year	**3,396,014**	2,058,670	2,443,514

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.

	2017 MUR	2016 MUR
Sensitivity		
Effect on present value of obligations:		
1% increase in discount rate	**2,281,849**	1,360,180
1% decrease in discount rate	**5,109,084**	3,072,786
1% increase in salary increase assumption	**4,787,587**	2,864,619
1% decrease in salary increase assumption	**2,461,315**	1,476,154
Effect of changing longetivity - one year up	**3,304,541**	2,008,961
Effect of changing longetivity - one year down	**3,487,330**	2,105,980

The sensitivity analysis presented above may not be representative of the actual change in the defined contribution 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.

41. PRIOR YEAR RESTATEMENTS

The board of directors has identified the following adjustments which the board does not consider as material. However, these adjustments have been applied retrospectively in analogy to 'IAS 8 Accounting policies, changes in accounting estimates and errors' in order to achieve improved disclosures.

(a) Collective impairment allowance

Under the Guideline on Credit Impairment Measurement and Income Recognition of the Bank of Mauritius (the "Guideline"), banks in Mauritius are required to make a provision for credit losses of not less than 1% on their unimpaired loans and advances. In addition to that, as from 2014, the Bank of Mauritius also imposed an additional macro-prudential provisioning on exposures to certain specific sectors of the economy.

In the prior years, the bank was recording its collective allowances for credit losses based on its historical loss rate and was making an appropriation of reserves for the shortfall in regulatory provision by transferring such amounts from retained earnings to a general banking reserve.

In order to address the increased credit risk that the bank faces with the continued growth of its lending book, and because the bank does not have a history of significant write-off since incorporation, the board of directors has decided to apply the minimum credit loss provision as prescribed by the Guideline and to record any changes to that provision in profit or loss. The board believes that this rate best reflects the credit risk faced by the bank. As a result, the bank has reclassified the amount set aside in the general banking reserve to the collective allowance for impairment losses.

The bank has accordingly restated its prior years' financial statements to reflect these reclassifications.

The effect on the comparative information is disclosed below:

Statement of profit or loss

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Allowance for credit impairment on financial assets:		
Reclassification of collective impairment charge - Loans and advances to customers	9,900,529	10,510,889
Collective impairment charge - Investment securities - Loans and receivables	303,452	1,296,404
Collective impairment charge - Investment securities - Held to maturity investment securities	2,012,976	523,658
Increase	12,216,957	12,330,951

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Profit before income tax:		
Collective impairment charge - Loans and advances to customers	(9,900,529)	(10,510,889)
Collective impairment charge - Investment securities - Loans and receivables	(303,452)	(1,296,404)
Collective impairment charge - Investment securities - Held to maturity investment securities	(2,012,976)	(523,658)
Decrease	(12,216,957)	(12,330,951)

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Income tax expense:		
Reclassification of collective impairment charge	(1,261,862)	(1,614,474)
Decrease	(1,261,862)	(1,614,474)

Statement of financial position

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Allowance for impairment losses:			
Loans and advances to customers			
Reclassification of collective impairment charge	35,190,595	25,290,066	14,779,177
Increase	35,190,595	25,290,066	14,779,177
Investment securities			
Collective impairment charge - Loans and receivables	1,599,856	1,296,404	-
Collective impairment charge - Held to maturity investment securities	2,536,634	523,658	-
Increase	4,136,490	1,820,062	-

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Deferred tax asset:			
As previously stated	21,796,869	12,104,927	13,891,899
Deferred tax asset on collective impairment	5,247,352	3,985,490	2,371,016
As restated	27,044,221	16,090,417	16,262,915

41. PRIOR YEAR RESTATEMENTS (CONT'D)

(a) Collective impairment allowance (Cont'd)

Statement of financial position (Cont'd)

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on General banking reserve:			
As previously stated	39,369,312	25,290,066	14,779,177
Reclassification of collective impairment charge to retained earnings	(39,369,312)	(25,290,066)	(14,779,177)
As restated	-	-	-

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Statutory reserve:			
As previously stated	50,821,627	24,353,693	14,120,660
Effect of restatement in profit or loss	(5,111,960)	(3,468,696)	(1,861,224)
As restated	45,709,667	20,884,997	12,259,436

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Retained earnings:			
Reclassification of collective impairment charge from general banking reserve	39,369,312	25,290,066	14,779,177
Collective impairment charge	(39,327,085)	(27,110,128)	(14,779,177)
Deferred tax asset on collective impairment charge	5,247,352	3,985,490	2,371,016
Transfer from statutory reserve	5,111,960	3,468,696	1,861,224
Increase	10,401,539	5,634,124	4,232,240

Summary

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Allowance for credit impairment on financial assets (Statement of profit or loss)	12,216,957	12,330,951	-
Effect on Profit before income tax	(12,216,957)	(12,330,951)	-
Effect on Allowance for credit impairment on financial assets (Statement of financial position) - Loans and advances to customers	35,190,595	25,290,066	14,779,177
Effect on Allowance for credit impairment on financial assets (Statement of financial position) - Investment securities - Loans and receivables	1,599,856	1,296,404	-
Effect on Allowance for credit impairment on financial assets (Statement of financial position) - Investment securities - Held to maturity investment securities	2,536,634	523,658	-
Effect on Deferred tax asset	5,247,352	3,985,490	2,371,016
Effect on General banking reserve	(39,369,312)	(25,290,066)	(14,779,177)
Effect on Statutory reserve	(5,111,960)	(3,468,696)	(1,861,224)
Effect on Retained earnings	10,401,539	5,634,124	4,232,240

(b) Residual value payable at the end of lease period

In prior years, the bank was recognising the residual value receivable on the transfer of the lease asset to the lessor when payment was received. Due to the amount involved, the bank has reassessed that it is reasonably certain, at the inception of the lease, that the residual value will be settled by the lessee for the bank to transfer title of the asset to the lessee.

Accordingly and in line with the bank's accounting policy, the residual value should form part of the minimum lease payment and accounted over the term of the lease. As such, the bank has calculated the income that arises in respect of the residual value and the financial statements have been restated accordingly.

The effect on the comparative information is disclosed below:

Statement of profit or loss

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Fees and commission income:		
Amortisation of residual value fee income	1,139,334	1,410,064
Increase	1,139,334	1,410,064

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Profit before income tax:		
Amortisation of residual value fee income	1,139,334	1,410,064
Increase	1,139,334	1,410,064

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Income tax expense:		
Amortisation of residual value fee income	307,620	380,717
Increase	307,620	380,717

Statement of financial position

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Other assets:		
Amortisation of residual value fee income	2,549,398	1,410,064
Increase	2,549,398	1,410,064

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Statutory reserve:		
Effect of restatement in profit or loss	279,159	154,402

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Current tax liabilities:		
Amortisation of residual value fee income	688,337	380,717
Increase	688,337	380,717

FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

41. PRIOR YEAR RESTATEMENTS (CONT'D)

(b) Residual value payable at the end of lease period (Cont'd)

Statement of financial position (Cont'd)

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Retained earnings:		
Amortisation of residual value fee income	2,549,398	1,410,064
Income tax on amortisation of residual value	(688,337)	(380,717)
Transfer from Statutory reserve	(279,159)	(154,402)
Increase	1,581,902	874,945

Summary

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Fees and commission income	1,139,334	1,410,064
Effect on Profit before income taxw	1,139,334	1,410,064
Effect on Other assets	2,549,398	1,410,064
Effect on Current tax liabilities	688,337	380,717
Effect on Retained earnings	1,581,902	874,945
Effect on Statutory reserve	279,159	154,402

(c) Accounting for impairment of available-for-sale investments

The bank holds certain equity instruments as available-for-sale investments. The fair value of some of those equity investments have declined over a prolonged period of time. As such, the bank has recycled the impairment loss on those available-for-sale investments from 'Other comprehensive income' to profit or loss and the financial statements have been restated accordingly.

The effect on the comparative information is disclosed below:

Statement of profit or loss

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Allowance for credit impairment on financial assets:		
Impairment of available-for-sale investments	4,721,828	-
Increase	4,721,828	-

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Profit before income tax:		
Impairment of available-for-sale investments	(4,721,828)	-
Decrease	(4,721,828)	-

Statement of financial position

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Statutory reserve:		
As previously stated	-	-
Effect of restatement in profit or loss	(708,274)	-
Decrease	(708,274)	-

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Retained earnings:		
Reclassification of impairment of available-for-sale investments to Allowance for impairment on financial assets in profit or loss	(4,721,828)	-
Transfer from Statutory reserve	708,274	-
Decrease	(4,013,554)	-

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Investment revaluation reserve:		
As previously stated	(3,434,180)	1,761,946
Reclassification of impairment of available-for-sale investments to Allowance for impairment on financial assets in profit or loss	4,721,828	-
As restated	1,287,648	1,761,946

Summary

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Allowance for credit impairment on financial assets (Statement of profit or loss)	4,721,828	-
Effect on Profit before income tax	(4,721,828)	-
Effect on Allowance for credit impairment on financial assets (balance sheet) - Investment securities	4,721,828	-
Effect on Retained earnings	(4,013,554)	-
Effect on Investment revaluation reserve	4,721,828	-
Effect on Statutory reserve	(708,274)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

41. PRIOR YEAR RESTATEMENTS (CONT'D)

(d) Effect of prior year adjustments (a), (b) and (c) on the Statement of Profit or Loss and Statement of Financial Position

Statement of profit or loss

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Fees and commission income:		
As previously stated	62,287,855	56,878,127
Amortisation of residual value fee income	1,139,334	1,410,064
Other reclassifications *	64,715,798	41,513,401
As restated	128,142,987	99,801,592

** Other reclassifications represent reclassification of Card and related fee income from Net trading income.*

To be consistent with current year's presentation, Card and related fee income and its comparatives are now disclosed under 'Fees and commission income' instead of 'Net trading income'.

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Allowance for credit impairment on financial assets (Statement of profit or loss):		
As previously stated	44,492,851	71,569,014
Reclassification of collective impairment charge	12,216,957	12,330,951
Impairment of available-for-sale investments	4,721,828	-
As restated	61,431,636	83,899,965

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Profit before income tax:		
As previously stated	201,982,179	75,104,560
Amortisation of residual value fee income	1,139,334	1,410,064
Reclassification of collective impairment charge	(12,216,957)	(12,330,951)
Impairment of available-for-sale investments	(4,721,828)	-
As restated	186,182,728	64,183,673

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Income tax expense:		
As previously stated	(25,529,284)	(6,884,342)
Collective impairment charge	1,261,862	1,614,474
Amortisation of residual value	(307,620)	(380,717)
As restated	(24,575,042)	(5,650,585)

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Profit for the year:		
As previously stated	176,452,895	68,220,218
Reclassification of collective impairment charge	(12,216,957)	(12,330,951)
Amortisation of residual value fee income	1,139,334	1,410,064
Impairment of available-for-sale investments	(4,721,828)	-
Deferred tax reversal on collective impairment charge	1,261,862	1,614,474
Tax charge on amortisation of residual value	(307,620)	(380,717)
As restated	161,607,686	58,533,088

Statement of financial position

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Allowance for impairment losses (statement of financial position):			
Loans and advances to customers			
As previously stated	140,750,256	103,481,309	124,270,413
Reclassification of collective impairment charge	35,190,595	25,290,066	14,779,177
As restated	175,940,851	128,771,375	139,049,590

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Investment securities			
As previously stated	-	-	-
Collective impairment provision on investment securities - Loans and receivables	1,599,856	1,296,404	-
Collective impairment provision on investment securities - Held to maturity investment securities	2,536,634	523,658	-
As restated	4,136,490	1,820,062	-

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Other assets			
As previously stated	586,862,482	535,203,124	487,445,589
Other reclassifications *	(577,874,858)	(516,350,862)	-
Amortisation of residual value fee income	2,549,398	1,410,064	-
As restated	11,537,022	20,262,326	487,445,589

** Other reclassifications represent reclassification of Restricted balances with the Central Bank to Due from banks (Note 10), Interest receivable to respective financial assets notes (Notes 9, 10, 12 and 13), and Derivative financial instruments to their respective note (Note 11).*

To be consistent with current year's presentation, the following reclassifications have been made in the comparatives:

- *Interest previously accrued in 'Other assets' has been accounted as part of the carrying amount of the corresponding financial assets in order to reflect the amortised cost balance of those corresponding financial assets.*
- *Restricted balances with the Central Bank are now disclosed under 'Due from banks' instead of 'Other assets' as this better reflects the nature of the balances.*
- *Derivative financial instruments are now disclosed on the face of the statement of financial position instead of under 'Other assets'.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONT'D)

41. PRIOR YEAR RESTATEMENTS (CONT'D)

(d) Effect of prior year adjustments (a), (b) and (c) on the Statement of Profit or Loss and Statement of Financial Position (Cont'd)

Statement of financial position (Cont'd)

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Deferred tax asset:			
As previously stated	21,796,869	12,104,927	13,891,899
Deferred tax asset on collective impairment	5,247,352	3,985,490	2,371,016
As restated	27,044,221	16,090,417	16,262,915

	30-Jun-16 MUR	30-Jun-15 MUR
Effect on Current tax liabilities:		
As previously stated	32,541,835	1,006,333
Income tax on amortisation of residual value	688,337	380,717
As restated	33,230,172	1,387,050

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Retained earnings:			
As previously stated	178,491,090	49,836,305	2,360,009
Reclassification of collective impairment charge from general banking reserve	39,369,312	25,290,066	14,779,177
Collective impairment charge	(39,327,085)	(27,110,128)	(14,779,177)
Transfer from statutory reserve	5,541,075	3,314,294	1,861,224
Deferred tax asset on collective impairment charge	5,247,352	3,985,490	2,371,016
Tax charge on amortisation of residual value	(688,337)	(380,717)	-
Amortisation of residual value fee income	2,549,398	1,410,064	-
Reclassification of impairment of available-for-sale investments to Allowance for impairment on financial assets in profit or loss	(4,721,828)	-	-
As restated	186,460,977	56,345,374	6,592,249

	30-Jun-16 MUR	30-Jun-15 MUR	1-Jul-14 MUR
Effect on Other reserves:			
As previously stated	86,756,759	51,405,705	30,683,960
General banking reserve			
Transfer to retained earnings	(39,369,312)	(25,290,066)	(14,779,177)
Statutory reserve			
Effect of restatement in profit or loss	(5,541,075)	(3,314,294)	(1,861,224)
Investment revaluation reserve			
Reclassification of impairment of available-for-sale investments to Allowance for impairment on financial assets in profit or loss	4,721,828	-	-
As restated	46,568,200	22,801,345	14,043,559

42. EVENT AFTER REPORTING DATE

There have been no events subsequent to the reporting date which require adjustment of or disclosure in the financial statements or notes thereto.

43. SEGMENTAL REPORTING

For management purpose, the bank is organised into one main operating segment, which is the conduct of its banking activities. All significant operating decisions are based upon analysis of the bank as one segment. The financial result from this segment are equivalent to the financial statements of the bank as a whole.

In line with the Guideline on Segmental Reporting under a Single Banking Licence Regime and Guideline on Public Disclosure of Information as issued by the Bank of Mauritius,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.

Segment B liabilities will normally arise from deposits, borrowings and funds deposited by non-residents and global business companies.

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

		2017			2016 Restated			2015 Restated		
	Notes	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR
ASSETS										
Cash and cash equivalents	43(a)	**4,317,358,970**	**652,487,889**	**3,664,871,081**	3,966,067,879	358,610,871	3,607,457,008	4,210,012,660	1,049,613,614	3,160,399,046
Due from banks	43(b)	**1,183,314,188**	**858,666,532**	**324,647,656**	1,456,600,322	520,456,322	936,144,000	1,741,282,524	994,042,524	747,240,000
Derivative financial instruments		**4,407,594**	**496,485**	**3,911,109**	4,478,577	7,866	4,470,711	140,379	46,269	94,110
Loans and advances to customers	43(c)	**5,095,744,575**	**4,273,453,278**	**822,291,297**	4,594,454,589	3,750,839,344	843,615,245	3,009,403,872	2,709,991,165	299,412,707
Investment securities		**4,716,445,587**	**4,532,440,230**	**184,005,357**	4,832,329,437	4,639,623,065	192,706,372	3,077,401,503	2,886,462,883	190,938,620
Other assets		**31,223,839**	**31,223,839**	**-**	11,537,022	11,537,022	-	20,262,326	20,262,326	-
Property and equipment		**372,510,402**	**279,382,801**	**93,127,601**	222,202,278	166,651,708	55,550,570	222,920,721	167,190,541	55,730,180
Intangible assets		**6,819,610**	**6,819,610**	**-**	9,716,195	9,716,195	-	12,081,248	12,081,248	-
Deferred tax assets		**24,025,071**	**24,025,071**	**-**	27,044,221	27,044,221	-	16,090,417	16,090,417	-
Total assets		**15,751,849,836**	**10,658,995,735**	**5,092,854,101**	15,124,430,520	9,484,486,614	5,639,943,906	12,309,595,650	7,855,780,987	4,453,814,663
LIABILITIES										
Due to banks		**-**	**-**	**-**	140,006,397	140,006,397	-	-	-	-
Derivative financial instruments		**16,531,096**	**1,058,890**	**15,472,206**	692,898	317,018	375,880	116,810	74,771	42,039
Deposits from customers	43(d)	**13,803,065,697**	**8,740,050,415**	**5,063,015,282**	13,368,862,538	7,876,378,410	5,492,484,128	11,302,333,482	5,717,501,457	5,584,832,025
Preference shares		**265,749,768**	**265,749,768**	**-**	320,758,971	320,758,971	-	320,726,882	320,726,882	-
Current tax liabilities		**23,175,879**	**23,175,879**	**-**	33,230,172	33,230,172	-	1,387,050	1,387,050	-
Other liabilities		**303,047,345**	**303,047,345**	**-**	87,354,895	87,354,895	-	99,185,507	99,185,507	-
Total liabilities		**14,411,569,785**	**9,333,082,297**	**5,078,487,488**	13,950,905,871	8,458,045,863	5,492,860,008	11,723,749,731	6,138,875,667	5,584,874,064
SHAREHOLDERS' EQUITY										
Issued capital		**940,495,472**			940,495,472			506,699,200		
Retained earnings		**322,022,542**			186,460,977			56,345,374		
Other reserves		**77,762,037**			46,568,200			22,801,345		
Capital and reserves		**1,340,280,051**			1,173,524,649			585,845,919		
Total liabilities and equity		**15,751,849,836**			15,124,430,520			12,309,595,650		

43. SEGMENTAL REPORTING (CONT'D)

Statement of profit or loss and other comprehensive income

		2017			2016 Restated			2015 Restated		
	Notes	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR
Interest income		**645,237,899**	**517,781,732**	**127,456,167**	568,364,546	457,118,944	111,245,602	446,569,983	397,845,359	48,724,624
Interest expense		**(309,205,620)**	**(301,047,757)**	**(8,157,863)**	(300,366,712)	(292,259,513)	(8,107,199)	(270,914,123)	(258,365,363)	(12,548,760)
Net interest income	43(e)	**336,032,279**	**216,733,975**	**119,298,304**	267,997,834	164,859,431	103,138,403	175,655,860	139,479,996	36,175,864
Fee and commission income		**112,992,592**	**35,951,654**	**77,040,938**	128,142,987	39,618,024	88,524,963	99,801,592	33,733,837	66,067,755
Fee and commission expense		**(23,853,484)**	**(1,192,674)**	**(22,660,810)**	(27,486,119)	(2,748,612)	(24,737,507)	(19,315,322)	(1,931,532)	(17,383,790)
Net fee and commission income		**89,139,108**	**34,758,980**	**54,380,128**	100,656,868	36,869,412	63,787,456	80,486,270	31,802,305	48,683,965
Net trading income	43(g)	**63,830,549**	**38,354,650**	**25,475,899**	65,420,427	29,103,633	36,316,794	56,992,513	21,056,319	35,936,194
Other operating income	43(h)	**4,005,926**	**4,005,926**	**-**	1,545,861	1,545,861	-	9,733,540	9,733,540	-
Total other income		**67,836,475**	**42,360,576**	**25,475,899**	66,966,288	30,649,494	36,316,794	66,726,053	30,789,859	35,936,194
Operating income		**493,007,862**	**293,853,531**	**199,154,331**	435,620,990	232,378,337	203,242,653	322,868,183	202,072,160	120,796,023
Personnel expenses	43(j)	**(127,203,015)**	**(93,970,698)**	**(33,232,317)**	(100,909,341)	(75,682,006)	(25,227,335)	(87,798,992)	(67,335,421)	(20,463,571)
Depreciation and amortisation		**(19,358,710)**	**(14,519,031)**	**(4,839,679)**	(16,846,870)	(12,635,152)	(4,211,718)	(15,450,885)	(11,588,164)	(3,862,721)
Other operating expenses	43(k)	**(73,175,640)**	**(53,815,377)**	**(19,360,263)**	(70,250,415)	(53,083,947)	(17,166,468)	(71,534,668)	(55,104,806)	(16,429,862)
Non interest expenses		**(219,737,365)**	**(162,305,106)**	**(57,432,259)**	(188,006,626)	(141,401,105)	(46,605,521)	(174,784,545)	(134,028,391)	(40,756,154)
Operating profit before impairment		**273,270,497**	**131,548,425**	**141,722,072**	247,614,364	90,977,232	156,637,132	148,083,638	68,043,769	80,039,869
Allowance for credit impairment on financial assets	43(i)	**(22,952,713)**	**(18,769,573)**	**(4,183,140)**	(61,431,636)	(58,522,374)	(2,909,262)	(83,899,965)	(83,899,965)	-
Operating profit/(loss) before tax		**250,317,784**	**112,778,852**	**137,538,932**	186,182,728	32,454,858	153,727,870	64,183,673	(15,856,196)	80,039,869
Income tax expense		**(41,809,819)**	**(35,345,320)**	**(6,464,499)**	(24,575,042)	(19,566,119)	(5,008,923)	(5,650,585)	(2,051,505)	(3,599,080)
Profit/(loss) for the year		**208,507,965**	**77,433,532**	**131,074,433**	161,607,686	12,888,739	148,718,947	58,533,088	(17,907,701)	76,440,789
Other comprehensive (loss)/ income										
Items that will not be reclassified subsequently to profit or loss:										
Remeasurement of retirement pension net of deferred tax		**(483,394)**	**(483,394)**	**-**	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		**(82,358)**	**(82,358)**	**-**	(84,514)	(84,514)	-	61,291	61,291	-
Other comprehensive (loss)/ income for the year		**(565,752)**	**(565,752)**	**-**	378,659	378,659	-	(22,177)	(22,177)	-
Total comprehensive income/(loss)		**207,942,213**	**76,867,780**	**131,074,433**	161,986,345	13,267,398	148,718,947	58,510,911	(17,929,878)	76,440,789

43. SEGMENTAL REPORTING (CONT'D)

	2017			2016			2015		
				Restated			Restated		
	Bank MUR	**Segment A MUR**	**Segment B MUR**	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR
(a) Cash and cash equivalents									
Cash in hand	**5,255,066**	**4,652,459**	**602,607**	12,780,853	11,168,368	1,612,485	8,388,651	7,208,327	1,180,324
Unrestricted balances with Central Bank	**556,935,303**	**556,935,303**	**-**	187,679,011	187,679,011	-	651,760,055	651,760,055	-
Balances with banks	**1,526,144,576**	**21,326,736**	**1,504,817,840**	455,791,054	15,807,492	439,983,562	1,241,513,539	28,095,813	1,213,417,726
Loans to and placements with banks	**2,229,024,025**	**69,573,391**	**2,159,450,634**	3,309,816,961	143,955,999	3,165,860,962	2,308,350,415	362,549,420	1,945,800,995
	4,317,358,970	**652,487,889**	**3,664,871,081**	3,966,067,879	358,610,870	3,607,457,009	4,210,012,660	1,049,613,615	3,160,399,045
(b) Due from banks									
Banks outside Mauritius	**324,647,656**	**-**	**324,647,656**	948,349,003	-	948,349,003	758,810,686	-	758,810,686
Banks in Mauritius	**279,174,425**	**279,174,425**	**-**	1,148,538	1,148,538	-	554,572,154	554,572,154	-
Placements with the Central Bank	**28,984,402**	**28,984,402**	**-**	32,167,947	32,167,947	-	-	-	-
Restricted balances with the Central Bank	**550,507,705**	**550,507,705**	**-**	474,934,834	474,934,834	-	427,899,684	427,899,684	-
	1,183,314,188	**858,666,532**	**324,647,656**	1,456,600,322	508,251,319	948,349,003	1,741,282,524	982,471,838	758,810,686

43. SEGMENTAL REPORTING (CONT'D)

	2017			2016 Restated			2015 Restated		
	Bank MUR	**Segment A MUR**	**Segment B MUR**	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR
(c) Loans and advances to customers									
Loans and overdrafts									
Retail	**196,303,606**	**158,587,180**	**37,716,426**	188,164,723	180,993,209	7,171,514	180,892,166	172,454,977	8,437,189
Corporate	**4,169,756,527**	**3,385,181,656**	**784,574,871**	3,650,862,892	2,812,717,511	838,145,381	1,960,735,941	1,669,287,379	291,448,562
	4,366,060,133	**3,543,768,836**	**822,291,297**	3,839,027,615	2,993,710,720	845,316,895	2,141,628,107	1,841,742,356	299,885,751
Less: Allowance for impairment losses	**(68,446,788)**	**(68,446,788)**	**-**	(60,146,544)	(60,146,544)	-	(28,573,824)	(28,573,824)	-
	4,297,613,345	**3,475,322,048**	**822,291,297**	3,778,881,071	2,933,564,176	845,316,895	2,113,054,283	1,813,168,532	299,885,751
Investment in finance leases									
Retail	**344,441,698**	**344,441,698**	**-**	362,477,297	362,477,297	-	378,079,771	378,079,771	-
Corporate	**540,201,825**	**540,201,825**	**-**	568,890,528	568,890,528	-	618,467,369	618,467,369	-
	884,643,523	**884,643,523**	**-**	931,367,825	931,367,825	-	996,547,140	996,547,140	-
Less: Allowance for impairment losses	**(86,512,293)**	**(86,512,293)**	**-**	(115,794,307)	(115,794,307)	-	(100,197,551)	(100,197,551)	-
	798,131,230	**798,131,230**	**-**	815,573,518	815,573,518	-	896,349,589	896,349,589	-
	5,095,744,575	**4,273,453,278**	**822,291,297**	4,594,454,589	3,749,137,694	845,316,895	3,009,403,872	2,709,518,121	299,885,751
(d) Deposits from customers									
Retail customers									
Savings deposits	**3,771,193,347**	**3,637,940,707**	**133,252,640**	3,385,730,382	3,227,946,406	157,783,976	2,226,238,948	2,132,392,703	93,846,245
Other deposits	**466,979,523**	**170,012,800**	**296,966,723**	470,428,665	149,099,446	321,329,219	377,152,607	15,391,890	361,760,717
Term deposits with remaining term to maturity:									
Up to 3 months	**188,313,833**	**180,047,112**	**8,266,721**	120,483,177	117,909,430	2,573,747	139,235,690	128,297,589	10,938,101
Over 3 months and up to 6 months	**105,790,767**	**105,029,976**	**760,791**	89,483,176	89,096,756	386,420	86,921,904	80,821,748	6,100,156
Over 6 months and up to 12 months	**306,878,975**	**288,369,574**	**18,509,401**	276,148,580	259,588,488	16,560,092	198,969,739	190,308,451	8,661,288
Over 1 year and up to 5 years	**1,333,352,492**	**1,308,382,113**	**24,970,379**	719,450,425	700,124,709	19,325,716	622,304,266	610,376,092	11,928,174
Corporate customers									
Savings deposits	**371,550,751**	**371,550,751**	**-**	424,991,392	424,991,392	-	360,782,315	360,782,315	-
Other deposits	**5,393,754,469**	**948,341,070**	**4,445,413,399**	6,157,289,450	1,191,739,522	4,965,549,928	5,628,166,501	547,445,417	5,080,721,084
Term deposits with remaining term to maturity:									
Up to 3 months	**158,796,275**	**124,150,939**	**34,645,336**	438,859,316	437,584,286	1,275,030	384,445,344	381,269,084	3,176,260
Over 3 months and up to 6 months	**449,763,298**	**361,323,954**	**88,439,344**	72,906,160	72,906,160	-	127,571,679	127,571,679	-
Over 6 months and up to 12 months	**601,326,040**	**597,235,492**	**4,090,548**	731,108,273	731,108,273	-	711,277,553	711,277,553	-
Over 1 year and up to 5 years	**655,365,927**	**647,665,927**	**7,700,000**	481,983,542	474,283,542	7,700,000	439,266,936	431,566,936	7,700,000
	13,803,065,697	**8,740,050,415**	**5,063,015,282**	13,368,862,538	7,876,378,410	5,492,484,128	11,302,333,482	5,717,501,457	5,584,832,025

43. SEGMENTAL REPORTING (CONT'D)

	2017			2016 Restated			2015 Restated		
	Bank MUR	**Segment A MUR**	**Segment B MUR**	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR
(e) Net interest income									
Interest income									
Finance leases	**65,129,580**	**65,129,580**	**-**	72,525,210	72,525,210	-	88,389,588	88,389,588	-
Loans and advances to customers (excluding finance leases)	**229,903,554**	**190,479,120**	**39,424,434**	181,848,992	157,252,579	24,596,413	116,453,611	109,915,190	6,538,421
Loans to and placements with banks	**85,049,230**	**9,344,873**	**75,704,357**	82,757,868	8,899,934	73,857,934	54,817,661	24,130,242	30,687,419
Investment securities	**265,155,535**	**252,828,159**	**12,327,376**	231,232,476	218,441,221	12,791,255	186,909,123	175,410,339	11,498,784
	645,237,899	**517,781,732**	**127,456,167**	568,364,546	457,118,944	111,245,602	446,569,983	397,845,359	48,724,624
Interest expense									
Deposits from customers	**288,717,476**	**280,559,613**	**8,157,863**	277,955,314	269,848,115	8,107,199	256,418,258	243,869,498	12,548,760
Preference shares	**20,238,947**	**20,238,947**	**-**	22,122,101	22,122,101	-	13,925,088	13,925,088	-
Borrowed funds	**249,197**	**249,197**	**-**	289,297	289,297	-	570,777	570,777	-
	309,205,620	**301,047,757**	**8,157,863**	300,366,712	292,259,513	8,107,199	270,914,123	258,365,363	12,548,760
Net interest income	**336,032,279**	**216,733,975**	**119,298,304**	267,997,834	164,859,431	103,138,403	175,655,860	139,479,996	36,175,864
(f) Net fee and commission income									
Fee and commission income									
Card and related fee income	**60,940,790**	**9,270,164**	**51,670,626**	71,597,790	13,353,572	58,244,218	45,280,166	7,918,105	37,362,061
Processing fees	**6,319,307**	**6,319,307**	**-**	8,731,515	8,731,515	-	8,254,545	8,154,193	100,352
International banking	**25,127,571**	**-**	**25,127,571**	30,106,976	-	30,106,976	28,444,581	-	28,444,581
Interbank transaction fees	**9,080,598**	**9,080,598**	**-**	8,908,546	8,908,546	-	8,202,707	8,202,707	-
Others	**11,524,326**	**11,281,585**	**242,741**	8,798,160	8,624,391	173,769	9,619,593	9,458,832	160,761
	112,992,592	**35,951,654**	**77,040,938**	128,142,987	39,618,024	88,524,963	99,801,592	33,733,837	66,067,755
Fee and commission expense									
Card and related fees	**17,739,830**	**886,992**	**16,852,838**	21,093,139	2,109,314	18,983,825	14,339,955	1,433,995	12,905,960
Interbank transaction fees	**6,113,654**	**305,682**	**5,807,972**	6,392,980	639,298	5,753,682	4,975,367	497,537	4,477,830
	23,853,484	**1,192,674**	**22,660,810**	27,486,119	2,748,612	24,737,507	19,315,322	1,931,532	17,383,790
Net fee and commission income	**89,139,108**	**34,758,980**	**54,380,128**	100,656,868	36,869,412	63,787,456	80,486,270	31,802,305	48,683,965

43. SEGMENTAL REPORTING (CONT'D)

	2017			2016 Restated			2015 Restated		
	Bank MUR	**Segment A MUR**	**Segment B MUR**	Bank MUR	Segment A MUR	Segment B MUR	Bank MUR	Segment A MUR	Segment B MUR
(g) Net Trading Income									
Net foreign exchange gain	**63,830,549**	**38,354,650**	**25,475,899**	65,420,427	29,103,633	36,316,794	56,992,513	21,056,319	35,936,194
(h) Other Operating Income									
Profit on disposal of investment securities	**2,452,927**	**2,452,927**	**-**	373,500	373,500	-	9,581,619	9,581,619	-
Dividend Income	**1,176,385**	**1,176,385**	**-**	1,036,164	1,036,164	-	114,715	114,715	-
Profit on disposal of property and equipment	**338,001**	**338,001**	**-**	-	-	-	-	-	-
Others	**38,613**	**38,613**	**-**	136,197	136,197	-	37,206	37,206	-
	4,005,926	**4,005,926**	**-**	1,545,861	1,545,861	-	9,733,540	9,733,540	-
(i) Allowance for Credit Impairment on Financial Assets									
Loans and advances to customers	**12,620,454**	**12,620,454**	**-**	54,393,380	54,393,380	-	82,079,903	82,079,903	-
Investment in securities	**10,332,259**	**6,149,119**	**4,183,140**	-	-	-	-	-	-
	22,952,713	**18,769,573**	**4,183,140**	54,393,380	54,393,380	-	82,079,903	82,079,903	-
(j) Personnel expenses									
Wages and salaries	**104,246,916**	**76,753,624**	**27,493,292**	82,936,383	62,202,287	20,734,096	75,382,804	57,813,111	17,569,693
Employees benefit costs	**778,507**	**583,880**	**194,627**	601,233	450,925	150,308	(101,845)	(78,108)	(23,737)
Others	**22,177,592**	**16,633,194**	**5,544,398**	17,371,725	13,028,794	4,342,931	12,518,033	9,600,418	2,917,615
	127,203,015	**93,970,698**	**33,232,317**	100,909,341	75,682,006	25,227,335	87,798,992	67,335,421	20,463,571
(k) Other expenses									
Motor vehicle expenses and insurance	**4,411,087**	**3,308,315**	**1,102,772**	4,719,073	3,539,305	1,179,768	5,156,702	3,867,526	1,289,176
Rental of office	**547,860**	**410,895**	**136,965**	603,015	452,261	150,754	3,157,375	2,368,031	789,344
Advertising and Marketing	**6,164,193**	**4,623,145**	**1,541,048**	4,251,090	3,188,317	1,062,773	3,940,540	2,955,405	985,135
Information technology costs	**14,805,926**	**11,104,444**	**3,701,482**	20,220,960	15,165,720	5,055,240	7,856,045	5,892,034	1,964,011
Licences	**3,354,514**	**2,515,885**	**838,629**	2,862,837	2,147,128	715,709	2,676,577	2,007,433	669,144
Loss on disposal of property and equipment	**-**	**-**	**-**	1,084,139	813,104	271,035	1,674,236	1,674,236	-
Communication costs	**8,333,469**	**6,250,102**	**2,083,367**	7,693,831	5,770,373	1,923,458	7,329,672	5,497,254	1,832,418
Legal and professional fees	**8,914,915**	**6,686,186**	**2,228,729**	9,631,601	7,223,701	2,407,900	14,071,460	10,553,595	3,517,865
Maintenance costs	**3,599,652**	**2,699,739**	**899,913**	3,437,274	2,577,955	859,319	7,431,790	5,573,842	1,857,948
Others	**23,044,024**	**16,216,666**	**6,827,358**	15,746,595	12,206,083	3,540,512	18,240,271	14,715,450	3,524,821
	73,175,640	**53,815,377**	**19,360,263**	70,250,415	53,083,947	17,166,468	71,534,668	55,104,806	16,429,862

NOTES

CAUTIONARY NOTE

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

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