

# Spreading our wings



Annual Report 2013



### **Our Vision**

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

### **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 a diverse, yet one team. As such we commit to uphold the shareholders' trust in us.

### **Our Values**

Customer Care

Delighting customers through quality products and services

Innovative

Tailoring services and products to meet changing customer needs

Integrity

Good governance, honesty and respect for values

Teamwork

Service with enthusiasm, speed & drive

Equality & Diversity

Respect and opportunity for all.

#### Disclaimer:

The statements contained in this report may include declarations of future expectations and other forward-looking statements that are based on management's current views and assumptions, which inherently represent an accuracy risk.

Readers are therefore advised not to place undue reliance on the forward-looking statements relating to the Bank's business strategy, plans, objectives and financial positions as a number of factors could cause future results, performance and events to differ materially from those in such statements. Such factors include, but are not limited to, the general evolution of economic, political and industry conditions, interest rate levels, currency exchange rates as well as changes in laws and regulations and the extent of competition and technological factors. 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.



TABLE OF CONTENTS

Financial Highlights	01
Directors' Report	03
Statement of Directors' Responsibilities	06
Corporate Profile	08
Corporate Information	09
Profile of Directors	12
Profile of Management Team	16
Corporate Governance Report	19
Secretary's Certificate	34
Other Statutory Disclosures	35
Management Discussion and Analysis	38
Risk Report	51
Statement of Management's	
Responsibility for Financial Reporting	71
Auditor's Report	73
Financial Statements	75

# Financial Highlights

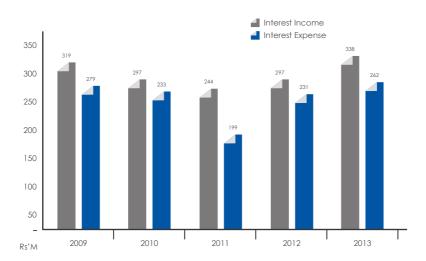
Income Statement (Rs'M)	2013	2012	2011
Net interest income	75.6	65.7	44.7
Net fee and commission income	32.2	21.3	17.1
Other income	20.2	13.1	30.8
Profit before tax	3.4	(14.8)	(21.0)
Profit after tax	2.2	(14.2)	(24.9)
Total Comprehensive income	(1.3)	(15.9)	(23.7)
Statement of Financial Position (Rs'M)			
Total assets	7,310	4,528	3,087
Total loans and advances portfolio	2,430	2,371	1,923
Total deposits	6,594	3,937	2,531
Shareholders' fund	312	243	225
Tier 1 Capital	287	214	196
Total net capital	452	342	288
Risk-weighted assets	3,666	2,687	2,316
Performance Ratios (%)			
Return on average total assets	0.04	(0.4)	(0.9)
- based on profit after tax			
Return on average total assets	(0.02)	(0.4)	(0.8)
- based on total comprehensive income			
Return on equity	0.7	(5.9)	(9.9)
- based on profit after tax			
Return on equity	(0.4)	(6.6)	(9.4)
- based on total comprehensive income			
Non-interest income to operating income	41.0	34.4	51.7
Loans and advances to deposit ratio	38.2	62.3	78.7
Capital Adequacy Ratios (%)			
Capital & Reserves/Total assets	4.3	5.4	7.3
Capital adequacy ratio	12.3	12.7	12.4
Investor Data			
Earnings per share (Rs.)	0.08	(0.64)	(1.24)
Net assets value per share (Rs.)*	11.90	10.88	11.20
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<sup>\*(</sup>calculated on weighted average number of shares for 2013 & 2012)

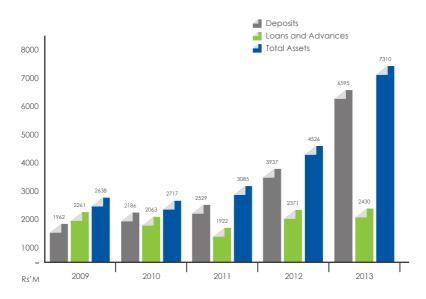
# Financial Highlights



### Interest Income and Expense



### Assets, Deposits and Loans



# Directors' Report

Dear Shareholders,

The Directors of ABC Banking Corporation Ltd (the "Bank") are pleased to present the Annual Report for the financial year ended 30 June 2013. The Bank has just completed a second full year of operations, gaining more customers and reinforcing its place in the banking sector.

The difficult global and local economic climate of reduced demand and touch competition during the two initial years of its establishment have provided quite a challenge for the growth of the Bank. However, with great determination and the loyalty and support of its staff, it has been able to turn the tide and started ascending take an curve, completing the year with a net profit, which though small, marks certainly the attainment of a milestone and is the indicator of a new and promisina trend of success.

# What has made this positive change possible?

The reorganisation of our Human Resources has proven fruitful. Highly qualified and experienced professionals have come on board, setting up more effective teams and new strategy and focusing on action plans, objectives and direction.

ABC Banking Corporation Ltd fully plays its role in the development of the banking sector, collaborating actively with the Mauritius Bankers Association (MBA) and moving forward prudently in line with the regulatory framework of the Bank of Mauritius.

### The vear under review and results

The Bank increased its net interest income from Rs 65.7M to Rs 75.6M representing 15% year on year increase. Besides, the gross operating income amounted to Rs 128M representing an increase of 28% over the preceding year. This result is encouraging given the difficult prevailing economic climate; especially as the banking sector facing so many challenges. Also, to provide the Bank with improved lending capacity, the share capital was increased by Rs 70M during the year.

The continued confidence of our customers and the public in our Bank's reputation, stability, and performance is areatest comfort encouragement. Thus, our total deposit portfolio has continued to increase steadily and stood at Rs 6.59 billion FY 2012/2013, representing a 67% increase vear on year. Moreover, the portfolio of savings accounts has now exceeded the Rs 1 billion mark. It needs to be pointed out that the trend in national savings Mauritius in has been decreasing in the past years and it is most important that the trend is reversed. That is why our Bank came out in December with a Billboard campaign for the mobilisation savings supported by a very attractive Interest Rate plus Personal Accident Insurance Cover.

On the lending side, we have made satisfactory progress and strengthened our presence in the market, at the same time re-organising our department of leasing finance to enable it to take full advantage of the continuing potential in the motor vehicles leasing finance sector.

# Directors' Report



We have not neglected the Small and Medium Enterprises and have continued to participate in the Government Scheme for providing low-rate financing facilities to small entrepreneurs. We have also extended our support to the new Government Scheme for Student Loans for tertiary education which allows for a maximum facility of Rs 100,000 p.a. for three years at a special rate of Interest, with repayment of the loan and capitalised interest starting after the 4th year.

The dream of the Mauritian Family to own its own home is shared by us. We have thus introduced a very special Loan Interest Rate for first-home buyers, which is fixed for the first year in order to alleviate the burden of repayment for the customer during the first 12 months. This facility is also available to enable the acquisition of land for the purpose of home construction.

### **Risk Management**

continuously changing environment calls for prompt changes in policies and procedures to respond to the needs of clients. The Bank is committed to operate within a strong system of internal control to ensure that business is being carried out and risks taken without exposing itself to unacceptable level of potential losses. The risk management measurement approaches will be continuously improved to strengthen control while improving customer service.

### **Customer Oriented Service**

With a target market ranging from individuals to corporations, our Bank has the needs of each individual and organisation at heart and aims at providing them with the highest level of service and attention.

We have re-designed our process for the review and vetting of leasing facility applications and we have streamlined the procedures with a view to minimize the time taken for finalization and disbursement.

In regard to IT development, we have also successfully completed the migration of the customers' lease accounts to our banking Flexcube System thereby facilitating our credit monitoring administration.



#### Future outlook

The Bank is now embarking in its 3rd year of operation and has settled down well as a fully fledged bank in the market. As a result of the continuous improvements in its organisational set-up, especially with a reinforced team of highly qualified and experienced professionals, the Bank looks at the future with great ambition, confidence and encouragement.

This ambition is supported by the existing perspective of the Bank moving next year into its own premises, as it was able to make the acquisition of WEAL HOUSE situated at Place D'Armes in December 2012. This building, which is at the heart of the capital, will be refurbished to become the new Headquarters and main branch of the Bank. It will give greater visibility to our institution in the financial and banking sector of our country. It will regroup all our

Staff for their continuous dedication and hard work during the year and it looks forward to their continued collaboration and support to achieve the Bank's objective of creating and adding value for its customers, its shareholders, and our country's economic development and social progress. We also extend our thanks to

and our staff.

Acknowledgement

advice and guidance. The ABC Banking Corporation has traversed its journey of establishment and consolidation, and is now on the road of progress and prosperity.

the Bank of Mauritius for their valuable

departments in one place, creating

synergies and provide more space and

a better environment for our customers

Board wishes to record

appreciation to the Management and

Philippe Chan Kin, C.B.E. Chairman

19 September 2013

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

Managing Director

## Statement of Directors' Responsibilities



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

In preparing those financial statements, the directors are required to:

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

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

The directors confirm that they have complied with the above requirements in preparing the annual report and financial statements. The acknowledges its responsibility to ensure preparation of the statements in accordance with the International Financial Reportina 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 Company has complied in all material respects with the provisions of the National Code of Corporate Governance (the "Code") for the year ended 30 June 2013.

Approved by the Board of Directors on 19 September 2013 and signed on its behalf by

Philippe Chan Kin, C.B.E. Chairman

Robert Chung Tung Chairman of Audit Committee

# Customer Care

Delighting customers through quality products and services



# Corporate Profile

Originally established in 1997 as a leasing company, ABC Finance & Leasing Ltd changed its name to ABC Banking Corporation Ltd shortly before obtaining its banking licence on 01 June 2010. Six months later, on 09 December 2010, ABC Banking Corporation Ltd started operations as a fully fledged commercial bank at 7, Duke of Edinburgh Avenue, Place D'Armes, Port Louis with a solid base of deposit and leasing portfolio.

Building on a prudential start in a period of global banking and financial crisis, the bank has been focused on setting the right infrastructure to operate in a very competitive and well-regulated environment. This has resulted in the strengthening of core skills through recruitment aualified and staff and experienced the implementation of the core banking systems.

In December 2011, the bank successfully launched its international

Debit MasterCard and Internet Banking services to ensure more service accessibility to its valued clients. During the year 2012, the bank made the acquisition of Weal House strategically located next to Plantation House at Place D'Armes, Port Louis, which will soon become its Head Office and Banking Centre.

ABC Banking Corporation Ltd offers a wide range of products and services including current accounts, savings accounts, term deposits, leasing facilities, housing loans, MML, short and long term loans, import & export loans, bank guarantees and letters of credit.

The bank recognizes the urgent need for mobilising savings in Mauritius, the level of which has fallen drastically in recent years. It has thus been very active in this field as well as in the provision of student loans under the Government Guarantee Scheme for Tertiary Education Course fees.



# Corporate Information



### **Registered Office**

ABC Centre Military Road Port Louis

Tel: (230) 206 8000

Fax: (230) 208 0088/217 1908 www.abcbanking.mu

BRN: C07018920



7 Duke of Edinburgh Ave Place d'Armes Port Louis

Leasing Unit

ABC Centre Suite 3B

3<sup>rd</sup> Floor, Raffles Tower Military Road Port Louis

19 Cybercity

**Back Office** 

Ebène

### **External Auditor**

Deloitte 7<sup>th</sup> Floor, Raffles Tower 19 Cybercity Ebène

### **Legal Services**

Me. Danielle Lagesse, S.A. Me. Georgy Ng Wong Hing Me. Michael Kina Fat

Me. Dev Erriah

Me. Jean Christophe Oh-San Bellepeau

### **Main Correspondent Banks**

Bank of China Commerzbank AG Mizuho Corporate Bank Ltd National Westminster Bank PLC National Australia Bank Limited Société Générale Standard Bank of South Africa Limited Standard Chartered Bank London United Overseas Bank Limited Yes Bank Limited











# Corporate Information



**Managing Director** 

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

### **Board of Directors**

### Chairman

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

### Strategic Business Executive

Mr. Brian Ah-Chuen

#### Members

Mr. Vincent Ah Chuen

Mr. Marc Ah-Chuen

Mr. Robert Chung Tung

Mr. Dean Ah Chuen

Mr. Kee Koun Tin Kiong Fong

Me. Georges Ng Wong Hing, S.A.

Mr. Marie Jacques Henri Fleurot

### Committees of the Board

### **Supervisory & Monitoring Committee**

Professor Donald Ah Chuen (Chairman)

Mr. Vincent Ah Chuen

Mr. Robert Chung Tung

Mr. Brian Ah-Chuen

### **Audit Committee**

Mr. Robert Chung Tung (Chairman)

Mr. Philippe Chan Kin

Mr. Marie Jacques Henri Fleurot

Me. Georges Ng Wong Hing

### Risk Management & Conduct Review Committee

Mr. Robert Chung Tung (Chairman)

Professor Donald Ah Chuen

Mr. Philippe Chan Kin

Mr. Kee Koun Tin Kiong Fong

### Corporate Governance Committee

Mr. Philippe Chan Kin (Chairman)

Professor Donald Ah Chuen

Mr. Vincent Ah Chuen

Mr. Robert Chuna Tuna

Me. Georges Ng Wong Hing

# Corporate Information

### **Nominations & Remuneration Committee**

Mr. Philippe Chan Kin (Chairman) Professor Donald Ah Chuen Mr. Vincent Ah Chuen Mr. Robert Chung Tung Me. Georges Ng Wong Hing

### Company Secretary & Share Registry

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

### **Management Team**

### Senior Management

Professor Donald Ah Chuen
Mr. Brian Ah-Chuen
Mr. Yashodaren Umanee

### **Management Team**

Mr. Nick Chin Koon Siw Mrs. M. Veronique Lim Hoye Yee Mrs. Christine K.L. Ng Cheong Hin Mr. Joel C. Villeneuve Anaudin Mr. Hemraj Rubee Mr. Jimmy Yeung Chak Cheung Managing Director Strategic Business Executive General Manager

Finance
Risk & Credit
Internal Audit
Treasury
Leasing
Retail Banking

# Profile of Directors





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

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

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

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

# Profile of Directors -

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

### Mr. Brian Ah-Chuen – Strategic Business Executive

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

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

### Mr. Vincent Ah Chuen - Non-Executive Director

Mr. Vincent Ah Chuen is a very skilled and experienced entrepreneur and has played a key role in the development and diversification of the ABC Group, whilst having overall responsibility over its shipping division. He is also the Managing Director of ABC Group and is actively involved in various socio-cultural and religious non-profit associations.

Directorship in listed companies, including on the DEM: Mauritius Union Assurance Ltd, P.O.L.I.C.Y Limited, Les Moulins de la Concorde Ltd and ABC Motors Company Limited.

#### Mr. Marc Ah-Chuen - Non-Executive Director

Mr. Marc Ah-Chuen is the Managing Director of Chue Wing & Company Limited and has a vast experience in the food retail industry, including foods import, manufacturing and distribution. He is also a director of ABC Motors Company Limited, company listed on the DEM.

### Mr. Dean Ah Chuen - Non-Executive Director

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

# Profile of Directors



### Mr. Robert Chung Tung - Independent Director

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

### Mr. Kee Koun Tin Kiong Fong - Independent Director

Mr. Kee Koun Tin Kiong Fong is the Managing Director of a family group of companies.

### Me. Georges Ng Wong Hing - Independent Director

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

### Mr. Marie Jacques Henri Fleurot – Independent Director

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

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

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

# Equality and Diversity

Respect and opportunity for all



## Profile of Management Team



### Mr. Yashodaren Umanee - General Manager

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

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

### Mr. Nick Chin Koon Siw - Finance

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

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

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

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

# Mrs. M.A. Christine K.L. Ng Cheong Hin - Internal Audit

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

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

## Profile of Management Team

# Mr. Joel Clement Villeneuve Anaudin - Treasury

Mr. Joel Anaudin holds a Master Degree in Economics with specializations in exposure management in foreign exchange, interest rates & liquidity risks and capital markets.

He has 17 years of experience in treasury sales. He previously worked at Upstage Training and Consultancy as Principal Consultant – FX exposure risk management for a few months before joining ABC Banking Corporation Ltd. He was at Bank One Ltd for approximately 4 years as Head of Treasury and before that, he worked at Ciel Group as Head of Treasury Management Executive and at BNPI – Paribas as a Corporate Sales Trader.

### Mr. Hemraj Rubee - Leasing

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

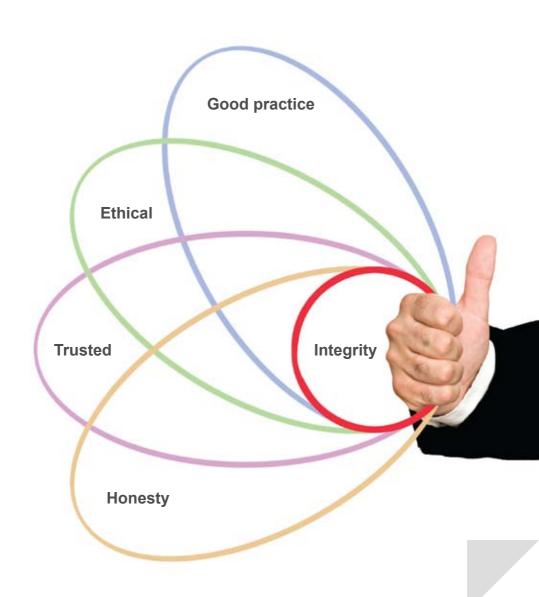
He joined ABC Banking Corporation Ltd as a Leasing Consultant in April 2013 and was subsequently appointed Head of Leasing. Prior to joining ABC Banking Corporation Ltd, he worked as Portfolio Lead-Asset Finance (Leasing) at SBM Ltd for 3 years. He also worked as Manager and Project Manager for 2 years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

# Mr. Jimmy Yeung Chak Cheung – Retail Banking

Mr. Jimmy Yeung joined ABC Banking Corporation Ltd in February 2012. He qualified as an Associate of The Chartered Institute of Bankers in 1989. He has a vast and rich experience in the banking sector and spent 32 years with HSBC in various fields. During his long career with HSBC, he was assigned many tasks of high responsibility such as Branch Manager at the following branches: Port Louis, Lai Min, Quatre Bornes and Mahebourg. He also worked in the Finance Department and spent over 6 years in the Trade Finance Section. Mr. Jimmy was also the Senior Operations Officer of the Global Business Division from 2002 to 2007 and finished his rewarding career with HSBC in 2011 as an executive in the Network Services Centre acting as Assistant Manager Service Delivery (Operations).

# Integrity

Good governance, honesty and respect for values

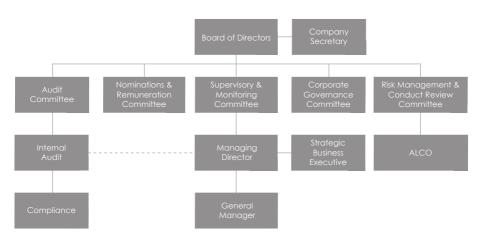


### **Corporate Governance Framework**

The Board of Directors of ABC Banking Corporation Ltd (the "Bank") believes that good governance is not only concerned about complying with the legal and regulatory requirements but also facilitating effective management and control to enable the Bank to uphold and maintain a high level of business ethics and to maximize shareholders' and all stakeholders' value. This is ensured through the safeguarding policies of and procedures and setting the strategy and providing leadership management to ensure accountability to the shareholders.

The Board is committed to adhere to the recommendations of the Code of Corporate Governance and the new Bank of Mauritius Guideline on Corporate Governance which took effect, in the case of ABC Banking Corporation Ltd, as from 09 November 2012.

The corporate governance framework includes a Board of Directors which has been entrusted with the necessary powers for the directing and supervising of the management of the business and affairs of the Bank as per its constitution and to the extent permitted by law. the responsibilities of discharged directly, whilst others are discharged through committees of the Board. While the Board has delegated Supervisory & Monitorina the Committee the responsibility implementing and realizing the policies, strategies and directives of the Bank as out by itself, the day-to-day management and operation of the Bank's business has been delegated to senior management. The governance framework and committee structure is illustrated below:





### **Board of Directors**

The Bank's constitution provides that the Board of Directors shall consist of not less than 6 nor more than 10 directors. The Board is ultimately responsible for the affairs of the Company 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.

Me. Georges Ng Wong Hing, S.A., was appointed on 03 July 2012 as an independent director of ABC Banking Corporation Ltd, upon approval of the Bank of Mauritius, in replacement of late Mr. Voong Siong Chan Lam. Following approval from the Bank of Mauritius, Mr. M.J. Henri Fleurot was appointed as an independent director on 12 December 2012 and Mr. Brian Ah-Chuen was nominated Strategic Business Executive on 03 December 2012 in replacement of Mr. Eric Fung Kin Yoong, who was not re-appointed as director of the Bank by the shareholders at the annual meeting of shareholders held in November 2012.

The Board presently comprises 10 members as follows, and their profiles can be viewed on pages 12 to 14 of the annual report:

### Category

Mr. Philippe Chan Kin Professor Donald Ah Chuen

Mr. Brian Ah-Chuen Mr. Vincent Ah Chuen Mr. Marc Ah-Chuen Mr. Dean Ah Chuen Mr. Robert Chung Tung

Mr. Marie Jacques Henri Fleurot Me. Georges Ng Wong Hing Mr. Kee Koun Tin Kiong Fong Independent Chairman

Executive (Managing Director)

Executive (Strategic Business Executive)

Non-Executive Non-Executive Non-Executive Independent Independent Independent

Independent

The responsibilities of the Board of Directors are set out in its Board Charter which is reviewed at least once a year or as may be required with the introduction of or amendment to laws, regulations and practices. The Board Charter was reviewed by the Board of Directors in September 2012 to be in line with the new Guideline on Corporate Governance issued by the Bank of Mauritius on 02 August 2012. The responsibilities of the Board include, but are not limited to:

- Determining appropriate policies and processes to ensure the integrity of the Bank's risk management practices and internal controls
- Retaining full and effective control over the Bank and be responsible for the

appointment and monitoring of management in its implementation of the Board's approved plans and strategies

- Functioning independently of management and putting in place appropriate structures and procedures to achieve and project its independence
- Ensuring that the Bank's policies and systems are effective enough to achieve a prudential balance between the risks and potential returns to the shareholders
- Giving strategic directions to the Bank
- Approving the Bank's objectives, strategies and business plans and budgets

### **Board Committees**

The Board has set up 5 committees to assist it in the discharge of its duties and responsibilities, namely the Supervisory & Monitoring Committee, the Audit Committee, the Risk Management & Conduct Review Committee, the Nominations & Remuneration Committee and the Corporate Governance Committee. The terms of reference of each committee were reviewed in September 2012 to align with the new Bank of Mauritius Guideline on Corporate Governance. In January 2013, upon the recommendations of the Nominations & Remuneration Committee, the Board reviewed the composition of board sub-committees which comprise only board members. The revised terms of reference and membership 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:

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

### Members of the SMC are:

- Professor Donald Ah Chuen (Chairman)
- Mr. Vincent Ah Chuen
- Mr. Robert Chung Tung
- Mr. Brian Ah-Chuen

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



#### **Audit Committee**

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

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

Members of the Audit Committee are:

- Mr. Robert Chung Tung (Chairman)
- Mr. Philippe Chan Kin
- Me. Georges Ng Wong Hing
- Mr. Marie Jacques Henri Fleurot

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

### Risk Management & Conduct Review Committee

The Risk Management & Conduct Review 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. It is also responsible for monitoring and reviewing related party transactions. The responsibilities of the Risk Management & Conduct Review Committee are defined in its terms of reference, and include, but are not limited to:

- reviewing of the principal risks, formulating and making recommendations to the Board in respect of risk management issues
- reviewing and approving discussions and disclosure of risks
- reviewing the ALCO reports
- ensuring that the Bank is in compliance with the requirements of the Guideline on Related Party Transactions
- reviewing and approving each credit exposure to related parties and ensure that market terms and conditions are applied to all related party transactions

Members of the Risk Management & Conduct Review Committee are:

- Mr. Robert Chung Tung (Chairman)
- Professor Donald Ah Chuen
- Mr. Philippe Chan Kin
- Mr. Kee Koun Tin Kiong Fong

### Nominations & Remuneration Committee

The Nominations & 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 & 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 & Remuneration Committee are:

- Mr. Philippe Chan Kin (Chairman)
- Professor Donald Ah Chuen
- Mr. Vincent Ah Chuen
- Mr. Robert Chung Tung
- Me. Georges Ng Wong Hing

### 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 Company remains effective and complies with prevailing corporate governance principles. The Committee shall be constituted to ensure that the reporting requirements with regard to corporate governance,



whether in the annual report or on an on-going basis, are in accordance with the guidelines set out by the Bank of Mauritius and the Code of Corporate Governance.

Members of the Corporate Governance Committee are:

- Mr. Philippe Chan Kin (Chairman)
- Professor Donald Ah Chuen
- Mr. Vincent Ah Chuen
- Mr. Robert Chung Tung
- Me. Georges Ng Wong Hing

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

On appointment to the Board, new directors receive a comprehensive induction pack and an orientation programme is run by the Chairman of the Board, Managing Director and Chairman of the Audit Committee, assisted by the Company Secretary. Such an event was run in February 2013 for the two newly appointed directors, namely Messrs. Georges Ng Wong Hing and Marie Jacques Henri Fleurot.

During the year under review, the Board has put in place a mechanism to ensure that the fit and proper person criteria of its members are up to date. Such responsibility has been delegated to the Nominations & Remuneration Committee which evaluates such criteria and considers whether there has been any material change that would warrant disqualification of a director on an annual basis.

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

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

In August 2013, the Board developed a mechanism for the annual review of its own performance. The review and evaluation included an assessment of the Board's composition and independence, performance and effectiveness of the Board's responsibilities, maintenance and implementation of the Board's governance,

relationship with management as well as an evaluation of its sub-committees. The Nominations & 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.

### **Board & Committee Meetings**

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

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

The minutes of proceedings of all meetings are recorded by the Company Secretary and tabled at the next meeting for approval, following which they are signed by the relevant Chairman and Company Secretary and entered in the Minutes Book. The minutes of all Committee meetings are tabled at Board meetings for the Board to take note of decisions taken by the Committees. 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 2013

	Board Meeting	SMC	Audit Committee	Risk Management & Conduct Review Committee	Corporate Governance Committee	Nominations & Remuneration Committee
CHAN KIN Philippe	6	•	6	6	4	3
AH CHUEN Donald	7	39	•	5	1	3
AH CHUEN Vincent	8	45	•	•	1	3
AH-CHUEN Marc	7	•	•	•	•	•
CHUNG TUNG Robert	8	45	6	6	4	3
AH CHUEN Dean	6	• _	•	•	•	•
AH-CHUEN Brian	6	32	•	•	•	•
TIN KIONG FONG Kee Koun	8	•	4	6	•	•
NG WONG HING Georges	5	•	3	•	3	2
FLEUROT Marie Jacques Henri*	2	•	2	•	•	•
FUNG KIN YOONG Jean Gilbert Eric	** 1	2	•	•	•	•
Total Number of Meetings	8	51	6	6	4	3

<sup>¬</sup> Appointed as member on 26.09.2012

<sup>\*</sup> Appointed on 12.12.2012

<sup>\*\*</sup> Until 09.11.2012

<sup>\*\*\*</sup> Note: Committee compositions were reviewed on 26.09.2012 and 28.01.2013

### **Directors' Interests and Dealings in Shares**

The following table gives the interests of the directors in the share capital of ABC Banking Corporation Ltd and dealings in shares during the year. All the shares acquired by the directors were by way of subscription in respect of rights issues of shares made by the Bank in November 2012 and May 2013.

Director	No. of Shares Acquired	No. of Shares Sold	Direct Shareholding	Indirect Shareholding
CHAN KIN Philippe	-	-	0.00%	1.02%
AH CHUEN Donald	135,736	-	1.73%	5.19%
AH CHUEN Vincent	73,409	-	1.04%	8.88%
AH-CHUEN Marc	82,635	-	1.05%	7.73%
CHUNG TUNG Robert	51,578	-	0.42%	0.00%
AH CHUEN Dean	20,441	-	0.29%	1.85%
AH-CHUEN Brian	45,960	-	0.28%	0.06%
TIN KIONG FONG Kee Koun	-	-	0.17%	0.00%
NG WONG HING Georges	-	-	0.00%	0.00%
FLEUROT Marie Jacques Henri	-	-	0.00%	0.00%

### **Directors' Remuneration**

During the financial year ended 30 June 2013, the executive and non-executive directors received emoluments amounting to Rs.2,332,573 (2012: Rs.2,275,000) and Rs.1,204,000 (2012: Rs.1,100,000) respectively. Remuneration of directors has not been disclosed on an individual basis due to the commercial sensitivity of the information.

### **Directors' Service Contract**

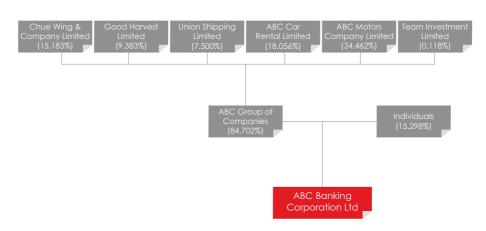
There were no service contracts between the Bank and its directors during the year.

### **Directors and Officers Liability Insurance**

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



### **Group Structure and Common Directors**



Common Directors						
	CW	GHL	USL	ABCCR	ABCM	II
AH CHUEN Donald	•	•	•	•	•	•
AH CHUEN Vincent	•	•	•	•	•	•
AH-CHUEN Marc	•	•	•	•	•	•
AH CHUEN Dean	0	0	0	0	•	0
AH-CHUEN Brian	•	0	0	0	•	0
TIN KIONG FONG Kee Koun	_	-	-	-	0	-

- Director

- Alternate Director

CW - Chue Wing & Company Limited

GHL - Good Harvest Limited
USL - Union Shipping Limited
ABCCR - ABC Car Rental Limited
ABCM - ABC Motors Company Limited
TI - Team Investment Limited

### List of Shareholders holding more than 5% in the Bank

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

### **Share Option Plans**

The Bank has no share option plan.

### Shareholders' Agreement

The Bank is not aware of any shareholders' agreement.

### **Management Agreement**

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

### **Dividend Policy**

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

#### Material Clauses of the Constitution

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

Paragraph 8(b): The Board of Directors shall consist of not less than six (6) or more

than ten (10) Directors.

Paragraph 10.5(2): The Chairman does not have a casting vote at Board Meetings.

Paragraph 7.4(a): Two members present in person or by proxy and entitled to vote

thereat and holding at least sixty percent (60%) of the stated share capital of the Bank carrying the right to vote shall be a quorum for a shareholders' meeting.

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Paragraph 7.5(g): The Chairman of a shareholders' meeting is entitled to a casting

vote.

Paragraph 6.4.2.1: Shares issued or proposed to be issued by the Company that

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



### Paragraph 6.6.1:

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

### **Shareholders' Diary**

Financial Year 2012/13

Financial year end Annual Meeting

### Financial Year 2013/14

Unaudited quarterly reports

Financial year end Annual Report & Results Annual Meeting 30 June 2013 November 2013

Within 45 days from the quarter ending September, December and March 30 June 2014 Within 90 days from end of June 2014

November 2014

### **Related Party Transactions**

The Risk Management & Conduct Review Committee reviews all related party transactions conducted during the year under review in accordance with the Bank of Mauritius guidelines. The Committee meets at least on a quarterly basis and matters reviewed by same are reported to the Board of Directors.

For related party transactions, please refer to Page 58 of the Annual Report. Exposure to major related parties are given on Page 133 Note 32 to the Financial Statements.

### Risk Management and Internal Audit

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

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

The risk management framework, including policies and systems put 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 51. Identification of key risk areas and internal control systems in place are also addressed.

The internal audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management. Internal Audit reports at all audit committee meetings and the Head of Internal Audit has ready and regular access to the Chairman of the Audit Committee. The systems in place for implementing, maintaining and monitoring of the internal controls and the processes by which the Board derives assurance that the internal audit systems are effective are explained on Page 53 of the Risk Report.

# Ethical Standards and Corporate Value

The Board is committed to the achievement of the bank's success and enhancement of long term shareholder value with the highest standards of integrity and ethics and to safeguard depositors' interests. During the year under review, the Board has approved an anti-fraud policy to encourage employees to 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.

The Bank has in place a Code of Conduct which delineates the guiding principles and business ethics by which the Bank expects its employees to behave and interrelate on a daily basis. It is a written statement clearly revealing the core values that the Bank stands for, and the standard of dealings that the public at large can uncompromisingly expect. The Code is designed to help employees at all levels to understand their responsibilities, carry out their duties with due diligence, honesty and integrity, which are fundamental to the reputation and success of the Bank.

### **Environment, Health and Safety**

Environmental implications are taken into account before operational and strategic decisions are taken. The Bank abides by the Health and Safety policy set out by the Board of Directors and necessary steps, arrangements and systems are put in place to ensure compliance with health and safety legislation.

### Corporate Social Responsibility

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

Named after the founder of the ABC Group, the **Sir Jean Etienne Moilin Ah Chuen Foundation** was created in 2013. Sir Jean Moilin Ah Chuen has been a major figure who represented the interests of the Chinese community in Mauritius. He also founded and was a member of several movements and organisations in Mauritius. To perpetuate his principles,



ABC Group of Companies is actively involved in various social and charitable activities in Mauritius and the foundation regroups all the CSR activities across the ABC businesses.

The Group has invested more than Rs2M in the 2012/13 CSR programme, focusing mainly on four areas: Environment, Education, Sports and Community Empowerment.

#### Environment

Sir J. Moilin Ah Chuen Foundation is committed to environmental protection and conservation of the fauna and flora of Mauritius. Conscious of the impact of development, pollution and global warming on threatened species and wildlife species, the ABC Group has proudly sponsored organisations that specialise in the protection and preservation of the marine and terrestrial environments.

### Education

Educational inequality often exists amongst children from low-income families. Concerned by the fundamental right to education, the foundation grants scholarships to help students in needs. Moreover, the ABC Group has also decided to collaborate with NGOs whose field of activities includes the development of vulnerable children through education, art and culture.

### Sport

The Group recognises and shares the value of sportsmanship: to surpass oneself, team spirit, commitment and fair play. The foundation promotes various sporting activities throughout

the island, increasing accessibility for youngsters from all walks of life and economic background to participate. One of the key aspects to the funding is to help young talents pursue their sporting dreams at a higher level. The qualified athlete Marie Jane Vincent is a testimony of our proud sponsorship.

### Community Empowerment

Committed to the improvement of the livina environment of communities. underprivileged the foundation **NGOs** which sponsors support and empower communities to overcome obstacles. The carefully selected NGOs are dedicated to improving the quality of life of the vulnerable children and adults. Their integration and rehabilitation into the society and their human rights are esential and need to be preserved.

### **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 as fairly as possible.

With regard to the directors, including the executive directors, their remuneration is dealt with by the Nominations & Remuneration Committee and ratified by the Board of Directors. In addition to their monthly salaries, the executive directors are entitled to an annual performance bonus based on the financial results of the Bank as well as on their individual contribution thereto.

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

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

Approved by the Board of Directors on 19 September 2013 and signed on its behalf by:

(12)

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

# 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 2013, all such returns as are required of the company under the Companies Act 2001 in terms of section 166(d).

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

19 September 2013

#### 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 2013 were as follows:

Mr. Philippe Chan Kin

Professor Donald Ah Chuen

Mr. Brian Ah-Chuen

Mr. Vincent Ah Chuen

Mr. Marc Ah-Chuen

Mr. Dean Ah Chuen

Mr. Robert Chung Tung

Mr. Marie Jacques Henri Fleurot

Me. Georges Ng Wong Hing

Mr. Kee Koun Tin Kiong Fong

Mr. Jean Gilbert Eric Fung Kin Yoong ceased to hold office as director of the Company as at 09 November 2012.

Directors' interests in shares of the Company are set out on Page 27. No directors have any service contract with the Company.

#### Directors' Emoluments

During the financial year ended 30 June 2013, the executive and non-executive directors received emoluments amounting to Rs.2,332,573 (2012: Rs.2,275,000) and Rs.1,204,000 (2012: Rs.1,100,000) respectively.

#### **Donations**

Donations made during the year were as follows:

	2013 Rs.	2012 Rs.
Donations	12,250	44,900
Political Donations	-	-
	12,250	44,900

### Other Statutory Disclosures



#### **Auditors**

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

	2013 Rs.	2012 Rs.
Audit Services	600,000	515,000
Other Services	-	150,000
	600,000	665,000

Approved by the Board of Directors on 19 September 2013 and signed on its behalf by:

Philippe Chan Kin, C.B.E. Chairman

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

# Innovative

Tailoring services and products to meet changing customer needs





#### REVIEW OF THE OPERATING ENVIRONMENT

#### The Global Context

The world economy has been growing at a very modest pace with gradually improving economic prospects. Growth in global output is expected to turn around slightly by 3% and 4% in 2013 and 2014 respectively owing to an extended recession in the Euro area coupled with a contraction in the growth rate in various key emerging market economies and a weaker expansion rate of the United States. In fact, the world's economic output witnessed a slight increase from the 2.5% in the second half of 2012 to a mere 2.75% in the first three months of 2013 as depicted below:

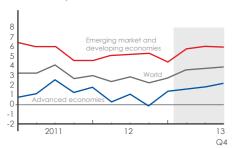


Figure 1. Global GDP Growth (Percent; quarter over quarter, annualized)

Source: World Economic Outlook Update, 9th July 2013

On the other hand, volatility has been on the high side in global financial markets, fuelled by prospective changes in the American policy, introduction of a new policy in Japan and instability in China's banking system. In its World Economic Outlook Update issued in July 2013, the International Monetary Fund has revised down growth prospects across all regions of the globe.

It is forecasted that developing and emerging market economies will attain a growth of 5% in 2013 and 5.5% in 2014. It is expected that the overall annual growth rate for advanced economies will be a mere 1.25% in 2013. The American economy is expected to experience slow-to-moderate growth from 1.75% in 2013 to 2.75% in 2014. Eurozone countries will still remain in recession with a forecast contraction rate of 0.5% in 2013 and towards an optimistic return to growth of just 1% in 2014. The United Kingdom is expected to grow at a modest rate for the remaining months of 2013 with an increase in economic activity for 2014 and a probable return to above-trend rates in 2015.

Chinese The economy currently appears to be vacillating with forecast contraction in economic and credit growth. Contrastingly, the economic policies advocated by the current Prime Minister Japanese have temporarily spurred a boost economic activity but have simultaneously created a more volatile financial environment. However. considerina current political the situation of the country, skepticism is somehow felt for sustainable long-term prevailing economic growth. The economic landscape in India is an indication that both fiscal and monetary policies cannot be maneuvered much to trigger the country's expansion.

Amazingly one of the globe's most promising emerging economies namely Brazil is facing cut-downs in exports

coupled with decreasing private consumption thereby severely compromising its growth. The June 2013 protests have also adversely affected the outlook which remains uncertain. On the other hand, high rates of inflation in Russia have prompted its Central Bank to tighten lending conditions thus curtailing its growth prospects.

Sub-Saharan African countries will be experiencing decelerating growth as some of the largest economies namely Nigeria and South Africa experience a fall in external demand and an upsurge in domestic issues. Owing to difficult political and economic conditions, the Middle East and North Africa will be facing economic deceleration.

# Review of the Economic Performance of the Mauritian Economy

The Mauritian economy has continued to remain vulnerable to the economic landscape of its main trading counterparts despite having initially showed some resilience to challenging context. A Eurozone mired in recession was undoubtedly one of the growth-hindering constraints. The diversification strategy to move from European markets has paid off though since the economy has registered a year on year growth of 3.7% in Quarter 1 2013 compared to the 3.1% recorded in Quarter 1 2012 despite a fall in demand from European countries. The Central Statistical Office, in June 2013, has forecasted Real GDP growth of 3.3% for full year 2013.

#### **Key Sectorial Perspectives**

The financial services sector reaistered commendable a performance in 2012 with record profits of the top two commercial banks. An increase in private sector credit growth has been noted coupled with a relatively sound overall asset quality. The Industry has performed Insurance relatively well in 2012 according to the Financial Services Commission. One of the upcoming challenges would be a potential change in terms of existing Double Taxation Avoidance Agreements. In fact, the Mauritian Double Taxation Avoidance Agreement with India remains by far the most controversial topic. The ideal solution would be to move away from being highly dependent on the DTAA and penetrate the African market for a diversification. much-needed Ιt expected that the financial services sector would achieve a real growth of around 5% in 2013.

After having experienced decelerating growth for the past three years, the Manufacturing Industry has achieved a real growth of 1.5% in 2012. This rate is further expected to increase to 1.8% in 2013 with the opening of the garment market of South Africa to Mauritian exporters and with the emergence of the seafood hub mainly focused on fish processing and exports. 2012 also saw stagnant growth in tourist arrivals. An approximate increase of 1% is expected in tourist arrivals coupled with a rise of about 5% in tourism receipts in 2013. The construction industry has been arowing at a constant rate over the past years courtesy of large scale infrastructural



development called for by the government in connection with the upgrade of the airport terminal and runway, the Road Decongestion Programme, hotel renovation, commercial projects and ongoing IRS.

However, with the recent roll-out of the new airport terminal and completion of private sector driven projects, this sector is bound to decelerate in terms of growth. It is forecasted that this industry will grow by around 2.6% in 2013. The rescuing factor might be a boost in Public Sector Investment Programme spending on drainage systems and associated infrastructure owing to the tragic flooding in March 2013.

months ending 30th June 2013 is 3.6% compared to 5.1% for year ending 30th June 2012. An inflation rate of 3.5% has been recorded in August 2013 and it is expected that the overall inflation rate for the year 2013 will vary between 3.5% to 3.7%. Unemployment rate is expected to increase to 8.3% in 2013 from 8.1% in 2012.

the headline inflation rate for the twelve

#### **Future Outlook**

It is imperative for Mauritius to change its growth strategy starting mainly with a diversification of economic pillars which would in turn spur growth. Exploring new business ventures in Africa would be a strategic move in the light of the persisting recession in the Eurozone. It is recognised by both the Government and the Private Sector that positioning Mauritius as a regional hub and a gateway to Africa would greatly help in the diversification strategy and would undoubtedly contribute in correcting the current account deficit and boostina the economy. Concrete action is already being undertaken in this direction. The cut in repo rate in June 2013 should not only help in alleviating interest burden highly-leveraged entities but should also trigger growth in certain industries. According to Central Statistical Office,

#### **BUSINESS SEGMENT REVIEW**

#### **Domestic Banking**

ABC Banking Corporation Ltd's Retail Division has witnessed a contraction in 2013 due to economic slowdown and increasing competition from other financial institutions. Loans and Advances decreased from Rs 796million in 2012 to Rs 638million in 2013 due to tough competition in leasing sector and tighter screening of credit applications by management. Contrastinaly, greater focus on Corporate Banking cluster has paid off with the latter faring favorably despite the challenging economic landscape prevailing in the country. The corporate lending portfolio recorded a growth of 14% from the Rs 1.66billion in 2012 to the Rs 1.88billion in 2013. The growth registered in the Loans and Advances portfolio has been rendered possible by the ongoing efforts of a dedicated sales team in sourcing new clients and encouraging existing clients to use more of the bank's products and services which have been tailor made to suit their needs. It is worth noting that ABC Banking has fully participated in the SME Financing Scheme launched by the Government in support of Small and Medium Enterprises.

The focal point of this year as well has been our customers. Several initiatives were taken as detailed below to enhance customer interactions via competitive offers, continuous review and improvement of existing products and services, launch of new products and promotional campaigns.

- Free personal accident cover linked to savings account
- Launch of the ABC Educational Loan

which offers competitive rates and long repayment terms to finance students wishing to pursue studies either locally or abroad

- Participation in the Educational Loan Scheme of the Ministry of Finance to assist needy students wishing to undertake higher education
- The acquisition of Weal House strategically located in the banking hub of Port Louis to centralize all the banking activities and to further improve the customer's banking experience with a one-stop shop for all product offerings

Our presence on the market during the year under review has been marked by the following events:

- Publicity campaigns on Billboards across the island
- Consistent participation at motor shows for promotion of the leasing segment
- Mass mailing of brochures to promote the bank's offerings

In its endeavor to improve customer service, the bank has implemented a robust Complaints Management Framework to ensure that all logged complaints are resolved within a reasonable timeframe. Cognizant of the fact that service delivery and proximity are the key ingredients to maintain the growth momentum, our banking team is being constantly trained to deliver a personalised service to our clients.



#### International Banking

Following its inception in 2011, the International Banking cluster has turned out to be one of the most profitable business lines of the bank with a contribution of around 16% to the total revenue registered for the year under review. The dedicated International Banking Team, which is the main point of contact for intermediaries, delivers a relationship proposition that adds value at all levels and acts as the sinale gateway into ABC Banking Corporation Ltd. The bank offers accounts in various currencies and deposits are mainly through Management sourced companies established in Mauritius.

The International Banking department an exceptional customer experience in a simple and effective manner by ensuring that the customers' banking needs are satisfied. differentiates itself through the fast auality-oriented service that is offered to customers and the motto is to exceed customer expectations. During the year under review, the International Banking department has focused on three core areas namely on human capital, targeting specific markets and implementing a systematic internal control framework. Several initiatives been taken to customer-oriented with an acceptable turnaround time and complaints management framework.

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

#### **Treasury Operations**

During the year under review, the Treasury Business Unit achieved a total income of Rs 11.6million, representing a 9% year on year increase. The Treasury Department has fared quite well considering the on-going contracting economic environment and narrowing merchant business activities in the domestic market. This enhanced performance was mainly driven by collective efforts from the bank's various departments to increase business volume along with a much more diversified customer base.

Focus has been on expanding the client base and on providing competitive exchange rates. It would not be an overstatement to put forward that margins continue to be tight owing to prevailing fierce competition and a general contraction of business volumes due to a global economic slowdown.

Looking ahead in 2013-2014, the bank will continue to review its business model in order to better serve customers in this evolving business context. The Treasury Department shall continue its efforts to diversify its sources of income, expand its client base and generate an improved economic value by offering innovative banking products that will allow it to generate additional revenues.

#### Support Business Units

ABC Banking Corporation Limited has adopted a customer-centric business model while drawing advantages from specialist expertise of key personnel and operational enhanced efficiency. Various Business Units namely Human Resources. Credit Risk and Administration, Information Technology, Product Operations, Finance. Development and Marketing actively providing ongoing support to the Revenue Centres of the bank. Conscious of evolving customer Product expectations, the Development and Marketing team is working in close collaboration with the Sales Team in order to come up with innovative banking products services that will meet the exigencies of customers.

Serving the interests of internal and external customers is at the heart of the bank's priority. As such, established policies and procedures are being streamlined with a view to providing a faster and better service to the bank's customers without compromising on the risk aspects. **Enhancements** continuously implemented in technology set up to achieve higher efficiency gains and facilitate decision making based on a better information generation. The bank is investing in its people who are its most valuable asset. In so doing, the bank wants to ensure that the best approach to customer service is adopted to delight the clientele. The Human Resources Department has gained in momentum and is primarily responsible to nurture and build the bank's human capital

whilst simultaneously ensuring that skilled resources are being channeled to the appropriate Business Units.

The eBusiness suite comprises the bank's electronic service delivery channels and encompasses card management, ATM and Internet Banking services. The Internet Banking platform which currently provides clients with real time online access to their accounts is being revamped to support additional features to meet the evolving needs and convenience of customers.



#### FINANCIAL REVIEW

#### Cautionary Note

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

#### **Highlights**

ABC Banking Corporation Ltd has successfully navigated through the tumultuous last two actual financial years of operation to reach a new milestone with a Net Profit after Tax of Rs 2.2million, with total assets reaching Rs 7.3billion as at 30th June 2013. This performance, characterised by a systematic focus on asset quality and consolidation of the client base, is all the more commendable as it has been attained in a highly liquid, competitive and challenging market environment. With the turnaround from loss to profit, Return on Equity (based on Profit after Tax) has moved from a -6.0% as at 30th June 2012 to a positive 0.7% for the year under review. Earnings per Share shot up from the negative Rs 0.64 as at 30th June 2012 to Rs 0.08 for the year owing to improved revenues across most lines of business. The consolidation of the bank's capital with an injection of Rs 70million has certainly enabled the bank to increase its assets base. Concurrently, the bank registered a noticeable growth of 67% in deposits which closed at Rs 6.6billion as at 30th June 2013. The bank's capital adequacy level sat comfortably at 12.3% as at the close of books at 30th June 2013 and remains above the regulatory requirement of 10%.

#### Financial Performance Review

The table below sets out the performance of the bank against its objectives.

Area of	Objectives for FY	Actual FY	Objectives for FY 2013/14
Performance	2012/13	2012/13	
Net Interest Income	With expected slow growth and timid economic recovery, we expect growth of 45%	As a result of difficult economic environment both locally and globally, Net Interest Income increased by 15%. Whereas, Other Income progressed by 52%.  Total Operating Income increased by 28% year on year.	With continuous expected slow recovery, net interest income growth is budgeted to be around 10%

Area of Performance	Objectives for FY 2012/13	Actual FY 2012/13	Objectives for FY 2013/14
Non-Interest Expenses	To focus on tighter cost control and garner more efficiency gains. Overall increase to be limited to 5%	Non-interest expenses increased significantly as the bank continued its investment in qualified staff, IT infrastructure and recovery	As the bank completes its third year of operation, it is expected that operating expenses will stabilise with growth rate of around 10%
Productivity (Non-interest expense as a % of the sum of Other income and Net interest income before impairment)	Cost control and increased efficiency coupled with aggressive marketing of loans and advances to target a cost ratio of less than 70%	Given the rise in operating expenses, the cost to income ratio ended up at 84% for the FY12/13, a slight improvement from previous year	Following the expectation that operating expenses will experience a slower growth, the target is to continue to aim for the 70% mark
Return on Equity (Net profit/Equity)	To yield a positive ROE and target set to 5%	ROE for the year standing at 0.7% as bank showed a change in trend from previous year	Aiming to build on the commendable start and continue the positive trend to 2%
Return on Average Total Assets	In view of challenging economic conditions, ROA to improve marginally to reach 0.15%	Return on average total assets was 0.04%	With the timid recovery expectation globally and locally, ROA target to remain at 0.15%
Portfolio Quality (Specific provision as a % of average Loans and Advances to customers)	The bank will continue its efforts in the recovery of impaired facilities and objective is to bring down impaired facilities by 25%	Following the difficult economic conditions, impaired facilities dropped slightly and specific provision increased resulting in a ratio of 2.8%	Tightening of credit assessment and improved recovery methods to ensure a continuous increase in portfolio quality. Target to reduce the ratio of impaired loans to gross loans towards 10%



Area of Performance	Objectives for FY 2012/13	Actual FY 2012/13	Objectives for FY 2013/14
Deposit from Customers	To increase balances on savings accounts in order to rebalance the deposit portfolio and reduce our cost of fund	Deposit portfolio increased by 67% year on year notably due to significant increase in savings and other deposits	Continued focus to building on the momentum to increase savings and current accounts by 30%
Loans and other Advances portfolio	To expand the loans and advances portfolio by 40%.	The loans and overdrafts portfolio has increased by 73% offset by a drop in the leasing portfolio of 20%. Net total portfolio showed a slight improvement from previous FY	Aim to build back our leasing market share as well as expanding corporate and retail lending by about 30%

#### **ANALYSIS OF RESULTS**

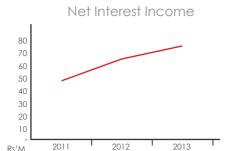
#### Revenue and Cost

#### Total Operating Income

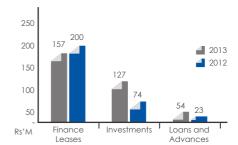
Total Operating Income stood at Rs 128million, depicting a substantial achievement of 28% increase over the last financial year. Net Interest Income represents 59% of Total Operating Income.

#### Net Interest Income

Net Interest Income posted a satisfactory growth of 15% (2012: Rs 66million) to reach Rs 76million for the financial year 2013, mainly fuelled by an expansion in the loans and advances portfolio coupled with better spreads, an efficient management of liquidity, a repricing of high cost fixed deposits and channeling of excess funds to gilt-edged securities yielding attractive medium-term returns. In spite of the expansion of 13% in Interest Expense, Net Interest Margin witnessed a marginal increase owing to a 14% rise in Interest Income. Overall, Interest Income of Rs 338million and Interest Expense of Rs 263million were recorded.



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

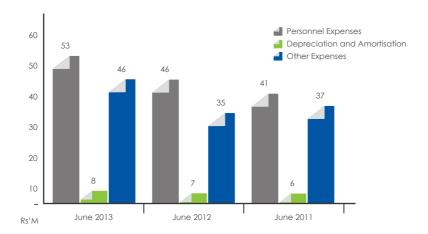


#### Non-Interest Income

Non-Interest Income grew by Rs 18million representing a 52% year on year increase. Non-Interest Income consists of fee-based income, commissions and exchange profits. Contribution came from fees and commission mainly generated by the International Banking cluster coupled with an increase in transactions across all the remaining lines of business. Non-interest income included notably a profit of Rs 4million made on disposal of shares held in Mauritius Union Assurance. Excluding the exceptional item, Non-Interest Income represents 39% of our total income. Treasury profit was up by 10% and Income from eBusiness channels generated an income of Rs 3.6million.



Non-Interest Expenses and Cost Management The bank's non-interest expenditure pattern for the year under review is pictured below:



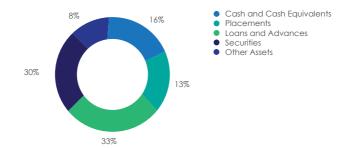
Non-Interest Expense which consists of four main categories of costs namely staff, system, property and other expenses witnessed a year on year increase of 23% to reach Rs 108million in 2013 compared to the Rs 88million registered in 2012. The main component of Non-Interest Expense is still Personnel Expenses which have grown by 14%. This is mainly attributable to further investment in human capital in reinforcement of the existing support and service teams as well as an increase in the remuneration package for existing employees in line with the bank's strategy to attract and retain talent which are becoming increasingly scarce on the labour market.

Property and system costs have been controlled at reasonable levels during the financial year under review. The bank pursued its cost control policy and the benefits are clearly visible in the commendable improvement noted in the cost to income ratio from 88% to 84%.

#### **ASSETS AND LIABILITIES**

#### Assets

Total Assets grew by 61% during the year under review to reach Rs 7.3billion at 30th June 2013, driven mainly by an increase in Investment in Securities, Placements and Cash and Cash Equivalents. The following chart depicts the bank's asset mix as at 30th June 2013 and efforts are being geared to reduce risks through diversification:

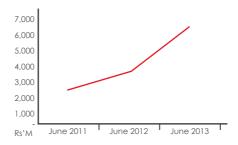


#### Investment in Securities

Investment in gilt-edged securities represents 33% of Total Deposits thereby creating a comfortable situation in the advent of a liquidity crisis. The bank has adopted a policy whereby any excess funds are being channeled to gilt-edged securities yielding attractive medium-term rates. Investment in Securities stood at Rs 2.2billion representing a year on year increase of 72% compared to last year.

#### **Deposits**

A record growth of 67% was noted in the deposit portfolio mirroring the trust that has been conferred by customers to the bank. The bank has in fact continuously attracted deposits from retail, corporate and global business clusters throughout the year by providing competitive interest rates to its customers. Deposits from customers stood at Rs 6,594million as at 30th June 2013:

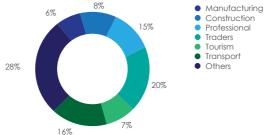




#### Credit Exposure

In spite of the difficult economic and market conditions prevailing, the loans and advances portfolio recorded a timid year-on-year growth of 2.5% to reach Rs 2.43billion up from the Rs 2.37billion of last year. This increase was largely sustained by our ability to strengthen and expand our existing business segments and by our ability to capitalise on new palette of products and services tailor made to suit the business needs and expectations of our clientele.

In line with prudent regulation and cognizant of the importance of sectorial portfolio diversification, the bank has continued in its endeavours to ensure that credit granted is diversified in different sectors to minimise any concentration risks as pictured below:



#### Provisioning and Asset Quality

In 2013, the ratio of non-performing accounts to gross loans and advances as at the close of books stood at 16%, dropping from previous years. The uncovered portion was covered by a suitable level of collateral. The overall provisioning for the bank as at 30th June 2013 was Rs 92.4million which represents a ratio of 23% of non-performing assets. The total provision to gross loans ratio was 4%. The bank is focusing on two fronts notably, a rigorous control and credit assessment and efforts geared towards recovery to continuously improve the portfolio quality and mix.

The overall focus of Risk Management in 2013 was on improving our risk profile in line with our risk strategy, putting emphasis on credit quality, prompt remedial action for recovery and strengthening our capital base. The Risk Management framework was revamped to incorporate the key risk management principles and processes summarised below:

#### Risk **Identification**

#### Risk Measurement

#### Risk Control Monitoring & Migration

#### Risk Reporting Review

#### Process for identifying business level risks

- Implementation of measurement and reporting methodologies. Risk taken needs to be approved within the risk management framework and within delegated powers
- Establishment of control processes, procedures and policies compared to including the setting up of prudential limits and reporting requirements
- · Monitoring the adherence to limits set
- Report on risk exposures limits. concentrations of obligors by sectors
- Report on default rates
- · Report on sensitivity analyses and

Review the risk

profile

- · Assessment of new risk-return
- opportunities Review Risk Management

practices

#### Areas of progress in FY2013

The credit risk function was reinforced during FY2013. Higher credit standards were implemented and detailed credit policies were set. The key credit policies and risk parameters set by the bank during the year cover the following: concentration by clients, groups and sectors, delegated lending authority based on the exposure level and type of facility, revised lending criteria for products and different seaments, acceptable collateral classification of accounts. Emphasis was also placed on greater pro-active management of impaired advances and a better review process of the advances portfolio.

The Assets and Liabilities Committee (ALCO) meets on a quarterly basis to discuss on interest rate risk, liquidity risk, foreign exchange risk and capital

management. More insights are being given to the ALCO to make informed decisions. The Market Risk Policy encompassing the Liquidity Risk Policy, Interest Rate Policy and Exchange Risk Policy was approved by the Board Risk and Conduct Review Committee. Excesses above approved are monitored by the Risk Team and ratified at the Board Risk and Conduct Review Committee.

Key Risk Indicators (KRIs) have been set up for different units. These are being continuously tracked monitor to operational risk and to induce more systematic reportina of incidents This impacting will on business. eventually entail more informed risk decision making, improved risk reporting and greater accountability for risks. The KRIs are reported to the Board Risk and Conduct Review Committee



on a quarterly basis. To better manage technology risk, an IT consultant was recruited during the course of the year to facilitate the resolution of the IT issues. An IT Steering Committee comprising of Senior Management has been set up during the year to discuss the IT matters and track resolution. Complaints and Legal cases are also being tracked and the list is reviewed by the Board Risk and Conduct Review Committee. The bank will be automating the complaint management process to ensure prompt follow-up and resolution and same will be implemented prior to 1st November 2013.

The understanding of risks faced by the bank and the impact on capital allocation has been detailed in the Internal Capital Adequacy Assessment Process (ICAAP) document, approved by the Board and submitted to the Bank of Mauritius. Different sensitivity analyses with the impact on Capital Adequacy Ratio have been reported in the ICAAP document. Monitoring of the Capital Adequacy Ratio is being done on monthly basis by ALCO and on a quarterly basis by Board Risk and Conduct Review Committee. During FY2013, capital base was increased by Rs70.3m to Rs304.9m, through the rights issue of 7m shares, showing the commitment of shareholders.

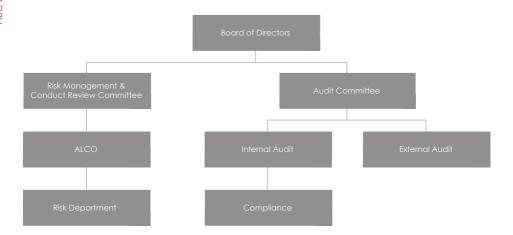
#### Risk management oversight

Risk Governance Structure
The primary objective of our risk management framework is to protect our financial strength and reputation while ensuring that capital is deployed to support business activities. Risk Management is an integral part of business planning process with strong involvement of Senior Management and Board of Directors.

Our risk management structure and organisation structure ensure that risks are monitored and managed within the set limits. The risk framework aims to manage rather than eliminate the risk of failure to achieve the business objectives. It can provide reasonable but not absolute assurance against material misstatement or loss.

We work to continuously improve and strengthen the risk function, which is independent of, but closely interacts with other departments to ensure the appropriate flow of information and controls are in place.

#### Risk Governance Framework



### Board Oversight and Management of Risks and Internal Control

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

The Board is principally responsible for:

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

# Risk Management and Conduct Review Committee

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

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



## Assets and Liabilities Committee (ALCO)

ALCO is responsible for maintaining:

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

#### ALCO is also responsible for

- Analysing monthly reports of the Bank's liquidity exposure and monitoring exposure against the limits
- Reviewing and monitoring interest rate risk and recommending alterations in the features, terms, rates or prices of the Bank's deposit and loan products in order to reduce market risk and recommend same to the Risk Management Committee for approval
- Recommending the selling or purchasing of securities with defined features or terms in order to reduce market risk to the Board or Risk Management Committee for approval
- Monitoring the Bank's use of borrowed funds, as it deems appropriate for the management of risk

#### Role of ALCO as regards ICAAP

- Review and recommend to the Board the capital plan of the bank at annual intervals and lay down capital planning process and responsibilities as well as contingency planning for dealing with deviations and unexpected events like restrictions on business activities
- Develop an internal strategy for maintaining adequate capital, which

reflects desired level of risk coverage, expected balance sheet growth, future sources and application of fund, acquisitions, new products and services, market image, strategic goals

- Review and appraise the capital management, targets and planning of the bank
- Ensure that stress testing and scenario analyses have been carried out to arrive at capital adequacy level
- Ensure that new risks arising out of events like new product launch, new business, changes in concentration, changes quality of portfolio or in overall economic scenario have been properly incorporated in the risk assessment
- Apprise the Board of Directors on the capital adequacy level

#### **Audit Committee**

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

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

#### Risk Department

The Risk Department develops methodologies to identify, measure, mitigate and monitor the major risks. The department reports to the Risk Management and Conduct Review 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 testina
- Risk Reporting to Risk Management and Conduct Review Committee on matters relating to credit, market and operational risks
- Presenting the ICAAP to the Bank of Mauritius and addressing queries

#### **Risk Types**

The risks inherent in the business operations have been grouped under the following major categories:

- Credit Risk
- Market Risk
- Operational Risk

In addition to the above types of risk, there are strategic and reputational risks. Whilst strategic risks are addressed at Board level, a process has been put in place to capture and manage reputational risk. Liquidity risk is managed at Treasury level. Market risk and credit risk are monitored through limits set. For operational risk management, Key Risk Indicators have been set and are being tracked.



#### Centralised Risk Function



- Set policies and frameworks
- Set the Credit Approval discretionary limits
- · Provide risk analysis and reporting

There are different kinds of credit risk, including

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



#### Credit Risk Management Approach

On the Credit Management side, key elements in the underwriting process include:

- Segregation of the risk function from origination and sales function
- Credit approvals are based on delegated credit approval authority of individuals and Committees

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

Effective Credit Risk Management is a structured process to assess, quantify, measure, monitor and manage risk on a consistent basis. The process can be summarized as follows:

- Use of limits including individual obligor/group limits, concentration limits to control concentrations within countries and industry sectors
- Careful assessment of credit risk
- Active use of credit mitigation tools
- Monitoring compliance with limits, policy and guidelines
- Continuous monitoring of advances and Identification of potential risky advances
- Systematic approach to recognize credit impairment
- Reporting to Board Risk Management and Conduct Review Committee on risk matters

#### **Credit Policies**

Credit Policies incorporating the delegated powers of approval authority are approved by the Board Risk Management and Conduct Review Committee. 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.

#### Sovereign Risk Exposure and Bank Risk

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

Sovereign risk is a type of credit risk specific to government debt. As at 30 June 2013, investment in Treasury Bills stood at 8.4% of total Rupee denominated deposits, largely within the limit of 18% set by the Bank of Mauritius. Investment in Treasury notes and BOM Bills amounted to 5.6% and 0.6% of total rupee deposit respectively.

Total investments in Government Bonds aggregated to Rs1,487.4m (32.1% of total rupee deposit) as at 30 June 2013 from Rs1,085.5m as at 30 June 2012 (29.5% of total rupee deposit).

The bank uses Moody's, Standard and Poor's and /or Fitch ratings to assess the counterparty risk related to financial institutions. Limits on banks have been worked

out based on the ratings of the banks and our Tier 1 capital. Where ratings are not available, other parameters are taken into consideration, including the financial strength and reputation of the bank, tenor of exposure and return on the placement.

#### Concentration Risk

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

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

	Exp	osure
	Ju	n-13
PORTFOLIO	(MUR m)	% of Total Exp
Agriculture and Fishing	190.9	7.6%
Manufacturing	162.5	6.4%
Tourism	179.4	7.1%
Transport	396.2	15.7%
Construction	197.6	7.8%
Traders	506.5	20.1%
ICT	25.0	1.0%
Financial & Business Services	380.0	15.1%
Infrastructure	5.5	0.2%
Professional	6.9	0.3%
Other Services	151.1	6.0%
Personal	320.8	12.7%
Total	2,522.6	100%

Table 1: Sector-wise distribution

63.6% of the total exposure was concentrated in 4 top portfolios (Traders, Transport, Financial and Business Services, and Personal) as at 30 June 2013. All portfolios are within the respective internal prudential limits approved by the Board.



#### Exposure to single counterparty or group of related counterparties

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

The table below provides a breakdown of the Bank's top credit exposures (group) after netting off of deposits.

Single Group	Net Exposure as at 30.06.13 (Rs. m)	% of Bank's Capital Base
1	160.0	35.6%
2	152.8	34.0%
3	106.7	23.7%
4	101.5	22.6%
5	96.0	21.4%
6	92.8	20.6%
7	90.0	20.0%
Total	799.8	177.9%

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

It can be noted that there is high concentration in terms of group 1 and group 2. However, the single limits concentration of 25% per customer within those groups has not been exceeded. The bank is aiming to further diversify the client base.

#### **Related Party Transactions**

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

As at 30 June 2013, the Bank's exposure to related parties did not exceed the limits. The Bank's exposures to non-exempt related parties aggregated to Rs129.6m, representing 45.1% of Tier 1 Capital (from Rs115.6m as at 30 June 2012, accounting for 54% of Tier 1 Capital). The top 6 exposures to related parties aggregated Rs109.7m, representing 10.93%, 8.50%, 6.40%, 5.02%, 3.70% and 3.66% of Tier 1 Capital respectively. None of the facilities granted to related parties were impaired.

#### Credit Risk Mitigation

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

Collateral management is laid in Credit Policies where the frequency of valuation of specific collateral types is specified. Physical collateral needs to be insured against all risks.

#### Credit Risk Quality

Key Indicators

Rs'M	As at 30 June 2013	As at 30 June 2012	As at 30 June 2011
Impaired advances	402.2	408.4	499.8
Gross Loans and advances	2,522.6	2,452.9	1,991.7
% NPL	15.9%	16.6%	25.1%

#### Table 3: Key Indicators of asset quality

NPL as a percentage of gross advances has come down to 15.9% as at 30 June 2013. The performance of the Recovery team is reviewed on a weekly basis by the Debt Recovery Committee and on a monthly basis by Supervisory Monitoring Committee. More resources will be deployed in the coming financial year to bring down the impairment level and ensure prompt recovery of assets.

#### Market Risk Management

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

The Assets and Liabilities Committee (ALCO) and the Risk Management and Conduct Review Committee are involved in evaluating, managing and monitoring the market risks of the bank. Limits have been introduced and gap analysis undertaken to ensure that market risk is captured, reported and effectively managed.

#### Liquidity Risk

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



#### Liquidity Risk Management

The Bank manages liquidity risk in accordance with the Guideline on Liquidity Risk Management and within the risk appetite and tolerance of the bank for liquidity risk. The market risk policy of the bank sets out the framework within which the liquidity of the Bank is managed and monitored. Our funding strategy is to maintain a diversified funding base while ensuring access to alternate funding sources to be able to meet unexpected demands.

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

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

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

Limits are reviewed at least annually or more frequently if required to ensure that they remain relevant given market conditions and business strategy. Excesses above limits are ratified at Board Risk Management and Conduct Review Committee.

#### Principal sources of Funding

The principal source of funding remains customer deposits, comprising of savings, call deposits and term deposits. Total deposits increased from Rs3,937.4m as at end of June 2012 to Rs6,593.9m as at end of June 2013. Of this, 70% accounted for MUR deposits and 30% for FCY deposits. With the growth of International Banking (IB) Business, the deposits from IB customers have increased.

The ALCO monitors the movements of assets and liabilities in the balance sheet.

#### 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 amounted to 18.2% as at June 2013 compared with 13.8% as at June 2012. The increase is on account of higher placements with foreign banks following the rise in FCY call deposits.

#### Contingent Liquidity Risk

Contingent Liquidity Risk arises from committed credit facilities, which whilst withdrawn in period of liquidity crises, give rise to contingent liquidity risk. The

liquidity gap will be worked out taking into account committed exposures to assess the risk as part of the stress testing exercise.

#### Interest Rate Risk

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

The tables below provide an analysis of the interest rate risk exposure for the Bank. As at 30 June 2013, currencies accounting for 5% or more of total assets included MUR, USD, EUR and GBP. 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 index changes.

#### Repricing Gap - BANK

As at 30 June 2013	Up to 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 years	2 - 5 years	Over 5 years	Non interest sensitive
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
Assets Liabilities On Balance sheet	2,114.5 2,149.0	258.7 541.4	1,483.2 1,022.2	310.5 574.2	877.3 593.8	1,239.3	1,118.7 2,117.4
interest rate repricing	(34.5)	(282.8)	461.0	(263.8)	283.5	1,239.3	(998.6)
Cummulative repricing gap	(34.5)	(317.3)	143.7	(120.1)	163.4	1,402.8	404.1

#### Repricing Gap - BANK

As at 30 June 2012	Up to 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 years	2 - 5 years	Over 5 years	Non interest sensitive
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
Assets Liabilities On Balance sheet	1,267.7 1,653.0	163.8 241.5	250.6 987.6	438.0 571.8	785.6 539.1	843.9 127.4	852.4 170.7
interest rate repricing	(385.3)	(77.6)	(737.0)	(133.8)	246.5	716.5	681.7
gap Cummulative repricing gap	(385.3)	(462.9)	(1,199.9)	(1,333.7)	(1,087.2)	(370.7)	311.0



# **RC BANKING | Annual Report**

#### Repricing Gap - MUR

As at 30 June 2013	Up to 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 years	2 - 5 years	Over 5 years	Non interest sensitive
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
Assets Liabilities On Balance sheet	1,071.1 2,123.2	201.6 511.6	576.4 1,000.4	310.5 574.2	877.3 593.8	1,239.3	1,116.2 228.3
interest rate repricing gap	(1,052.1)	(310.1)	(424.1)	(263.8)	283.5	1,239.3	887.8
Cummulative repricing gap	(1,052.1)	(1,362.2)	(1,786.3)	(2,050.1)	(1,766.5)	(527.2)	360.6

#### Repricing Gap - USD

As at 30 June 2013	Up to 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 years	2 - 5 years	Over 5 years	Non interest sensitive
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
Assets Liabilities On Balance sheet	299.9	19.4 1.6	298.0 1.2	-	-	-	3.2 581.7
interest rate repricing	299.9	17.8	296.8	0.0	0.0	0.0	(578.5)
Cummulative repricing gap	299.9	317.7	614.5	614.5	614.5	614.5	36.0

#### Repricing Gap - EUR

As at 30 June 2013	Up to 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 years	2 - 5 years	Over 5 years	Non interest sensitive
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
Assets	396.3	14.1	493.9	-	-	-	-
Liabilities On Balance sheet	-	14.1	19.2	-	-	-	866.8
interest rate repricing gap	396.3	0.0	474.7	0.0	0.0	0.0	(866.8)
Cummulative	396.3	396.3	871.0	871.0	871.0	871.0	4.3

#### Repricing Gap - GBP

As at 30 June 2013	Up to 3 Months	3 - 6 Months	6 - 12 Months	1 - 2 years	2 - 5 years	Over 5 years	Non interest sensitive
	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M	Rs'M
Assets Liabilities On Balance sheet	265.5 15.6	23.6 14.2	113.5	-	-	-	369.6
interest rate repricing gap	249.9	9.5	113.5	0.0	0.0	0.0	(369.6)
Cummulative repricing gap	249.9	259.3	372.9	372.9	372.9	372.9	3.2

#### Tables 4: Repricing gap

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

Management of interest rate risk is measured from earnings perspective. Earnings perspective involves analysing the impact of changes in interest rates on reported earnings in the short term. Earnings at Risk is used by the Bank to measure the sensitivity of net interest income over the next 12 months. The bank assesses the impact of various interest rate shocks on net interest income over a static 12 months period assuming a static position.

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



#### Value at Risk (VaR)

VaR is used to determine the potential loss from adverse currency movements under normal conditions. VaR is based on historical observation period of 12 months and using a one day holding period and a confidence interval of 99%. VaR is calculated based on exposure at close of business. There is the risk that intraday trading and exposures may vary from close of day level, but given that the volume is low, the risk is mitigated. VaR as at 30 June 2013 amounted to Rs34,536.

#### Operational Risk Management

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

#### Key types of Operational Risk

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

#### Management of Operational Risk

In FY2013, in order to identify and manage operational risks, the bank has implemented the following:

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

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

To mitigate the impact of some operational risks, the bank uses the following:

- i) Insurance
- ii) Disaster recovery and business continuity plans

In FY2013, there was no operational risk loss. With the compilation of KRIs, the frequency and quantum of operational losses if any are being tracked.

#### Information Technology Risk

IT Risk forms an integral part of operational risk management. An IT Steering Committee comprising of senior executives was set up during the year to discuss on IT matters and resolution. IT KRIs, including system downtime, incidents, Virus detection are tracked, monitored and reported quarterly to the Risk and Conduct Review Committee.

#### Compliance and Anti Money Laundering

Compliance risk is defined as the risk arising from non-adherence to relevant laws, statutory rules and regulations, codes of conduct and good governance standards. Non-compliance may entail fines, reputational damage.

The Compliance Officer is independent from the operational aspects of the Bank. She establishes the necessary AML/ CFT policy at the bank. She is also responsible to review the bank's authorised signatories on a yearly basis, to provide feedback on new business initiatives, products/ services/ systems and is the main point of contact with legal and regulatory institutions.

The Compliance Officer also updates internal blacklist/ caution list, monitors transactions, compiles Suspicious Transactions Reports, if any, to the FIU, provides AML/ CFT training to staff on a regular basis and responds to information requests from legal and regulatory bodies. A significant increase in the number of information requests from regulatory bodies and attachment orders from ICAC was noted in FY 2013.

#### Internal Audit

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

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



Other responsibilities of the Internal Audit function include the following:

- Evaluating the procedures in place against the Bank's established policies and the legal and regulatory framework
- Performing advisory work as deemed appropriate for the bank
- Carrying out special investigations/ reviews as approved by the Audit Committee
- Assessing the means of safeguarding assets and verifying the existence of such assets
- Evaluating the reliability and integrity of financial information

The Internal Audit function, as part of its annual audit plan, also verifies and reports the implementation status of recommendations made by Internal Audit, External Audit and Bank of Mauritius to the Audit Committee.

#### CAPITAL ADEQUACY AND MANAGEMENT

The aim of the bank is to maintain a strong capital base to support the development of our business and to meet regulatory capital requirements. During the financial year 2013, capital was increased by Rs70.3m to Rs304.9m, through the rights issue of 7m shares.

Regulatory capital adequacy is measured through the Capital Adequacy Ratio. This ratio measures the capital supply relative to capital demand as measured by Risk Weighted Assets. The Bank of Mauritius has exercised its discretion in fixing the minimum capital adequacy ratio at 10%, which is above the 8% norm of Basel Committee.

#### Risk Weighted Assets

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

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

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

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 by a beta factor of 15%.

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

Capital Ratios (%)	Jun-13	Jun-12	Jun-11
Capital Base	Rs'M	Rs'M	Rs'M
Tier 1 Capital	287.1	214.1	195.6
Tier 2 Capital	164.8	127.4	91.9
Total Capital Base	<b>451.9</b>	<b>341.5</b>	<b>287.5</b>
Total Risk Weighted Assets	<b>3,666.5</b>	<b>2,686.8</b>	<b>2,315.9</b>
Tier 1 Capital Ratio	7.8%	8.0%	8.4%
Capital Adequacy Ratio	12.3%	12.7%	12.4%

#### **Table 5: Capital Ratios**

The Capital Base was reinforced to support business growth. The Bank Tier 1 Capital amounted to Rs287.1m as at 30 June 2013 (Rs214.1m as at 30 June 2012) and the total capital base came to Rs451.9m as at 30 June 2013 (Rs341.5m as at 30 June 2012).



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

	Jun-13 Rs'M	Jun-12 Rs'M	Jun-11 Rs'M
I: CAPITAL BASE			
Stated capital paid up or assigned capital	304.9	234.5	201.0
Statutory reserve	11.3	11.0	11.0
Other disclosed free reserves	-	-	8.3
Accumulated losses	(4.5)	(5.9)	-
Intangible assets	(15.2)	(15.3)	(15.2)
Deferred taxation	(9.4)	(8.6)	(8.0)
Cara agribal	287.1	215.6	197.1
Core capital 50% of investments in capital of other banks	207.1	(1.5)	(1.5)
and financial institutions	-	(1.5)	(1.5)
TIER 1 Net Core Capital (A)	287.1	214.1	195.6
Supplementary Capital (Tier 2 Capital)			
Portfolio provisions	21.3	20.4	15.6
Reserve on revaluation of securities not held for tradin	g -	1.4	2.1
Term subordinated debt	143.5	107.1	75.6
Supplementary Capital	164.8	128.9	93.4
50% of investments in capital of other banks	-	(1.5)	(1.5)
and financial institutions			
TIER 2 Net supplementary capital (B)	164.8	127.4	91.9
Total Capital Base (A+B)	451.9	341.5	287.5
II: WEIGHTED RISK ASSETS			
Weighted amount of on-balance sheet assets	3.488.0	2.518.2	2.163.0
Weighted amount of off-balance sheet assets	14.8	11.8	11.4
Weighted risk assets for operational risk	160.4	138.1	117.1
Aggregate net open foreign exchange position	3.3	18.9	24.4
Total risk weighted assets	3,666.5	2,686.8	2,315.9
		*	-
Capital Adequacy Ratio	12.3%	12.7%	12.4%

The Bank has maintained the Capital Adequacy Ratio above the limit set by the Bank of Mauritius.

# Risk Weighted Assets

# Risk weighted of On-Balance Sheet assets

Cash items
Claims on sovereigns
Claims on central banks
Claims on banks
Claims on corporates
Claims on regulatory retail
Claims secured by residential property
Past due claims
Others

# Risk weighted of Off-Balance Sheet assets

Outstanding commitments

# Risk weighted Assets for Operational risk

Average gross income for last 3 years Capital charge Risk weighted assets for operational risk

	Jun-2013		Jun-2012	Jun-2011
Amount Rs'M	Weight %	Weighted assets Rs'M	Weighted assets Rs'M	Weighted assets Rs'M
9.0	0 - 20	1	1	1
2,161.8	0 - 100	•	•	1
465.0	0 - 100	0.1	0.1	1
2,004.1	20 - 100	875.6	102.5	140.7
1,819.8	100	1,819.8	1,623.3	1,190.2
431.0	75	323.3	425.2	399.6
25.5	35 - 100	19.1	16.8	1
127.6	50 - 150	184.7	188.2	232.5
265.4	100	265.4	162.0	200.0
7,306.4		3,488.0	2,518.2	2,163.0

Jun-2011	Weighted amount Rs'M	11.4
Jun-2012	Weighted amount Rs'M	11.8
	Weighted amount Rs'M	14.8
ı	Weight	100
Jun-2013	Credit equivalent amount Rs'M	14.8
	Credit conversion factor %	20.0
	Amount Rs'M	74.1

Jun-2011	78.0	11.7	117.1
Jun-2012	100.2	13.8	138.1
Jun-2013 Rs'M	106.9	16.0	160.4

## Risk Report



#### Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP requires banks to identify and assess risks, maintain adequate capital to mitigate these risks and ensure adequate capitalisation on an ongoing basis.

Key Instruments used to ensure adequate capitalisation include:

- a strategic planning process and continuous monitoring process against approved risk and capital targets set
- a frequent risk and capital reporting to management
- stress testing framework

The ICAAP document of the bank is submitted to the Bank of Mauritius for review on an annual basis.

#### Implementation of Basel III

Basel III aims at strengthening the solvency of banks and introducing liquidity requirements. The Bank of Mauritius has issued a draft Guideline on the Scope of Application of Basel III and Eligible Capital. The new capital requirements include minimum capital ratios and changes in the definition of capital. A working group comprising of representatives of the banks and the Bank of Mauritius will be set up to discuss same.

The introduction of new measures relating to leverage and liquidity (Liquidity Coverage Ratio and Net Stable Funding as defined below) has not been included in this draft quideline.

The liquidity ratios related to the Basel III requirements include the following:

- The Liquidity Coverage Ratio (LCR) is to ensure an adequate level of unencumbered, high-quality assets that can be converted into cash to meet liquidity needs over a 30-day time horizon under an acute liquidity stress scenario specified by supervisors.
- The net stable funding (NSF) ratio indicates the relation between available longer-term, stable funding and the required longer-term, stable funding resulting from the liquidity profiles of assets and off balance sheet items.

## Statement of Management's Responsibility for Financial Reporting

The financial statements of the Bank have been prepared by management, who is responsible for their integrity, consistency, objectivity and reliability. 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 judgment 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 that accurate and 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 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 and

Risk Management 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 coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

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

19 September 2013

Philippe Chan Kin, C.B.E. Chairman

Professor Donald Ah Chuen, G.O.S.K. Managing Director Robert Chung Tung Chairman of Audit Committee

## Teamwork

Service with enthusiasm, speed & drive



## Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABC BANKING CORPORATION LTD

This report is made solely to the shareholders of **ABC** Corporation Ltd (the "Bank"), as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

#### Report on the Financial Statements

We have audited the **Financial** Statements of ABC Banking Corporation Ltd ("the Bank") set out on pages 75 to 140 which comprise the statement of financial position as at 30 June 2013 and the statement of profit and loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies explanatory and other information.

## Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial

Reporting Act 2004. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

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

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

## Auditor's Report



reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements on pages 75 to 140 give a true and fair view of the financial position of the Bank as at 30 June 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Standards and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

## Report on other legal and regulatory requirements

#### Mauritius Companies Act 2001

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

information and explanations that we have required.

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

#### Banking Act 2004

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

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

#### The Financial Reporting Act 2004

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

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

Deloitte

**Chartered Accountants** 

September 27, 2013

L. Yeung Sik Yuen, ACA Licensed by FRC

#### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		2013	2012	2011
ASSETS	Notes	Rs	Rs	Rs
Cash and cash equivalents	6	1,180,200,869	383,006,543	640,804,653
Due from financial institutions	-	985,271,614	120,592,750	153.784.482
Loans and advances to custome	7			,,
		2,430,191,520	2,370,947,816	1,922,895,798
Investment securities	9	2,166,577,625	1,259,757,398	73,111,850
Investment in subsidiary	10		3,000,000	3,000,000
Property, plant and equipment	11	119,585,273	30,311,349	25,977,398
Intangible assets	12	15,185,060	15,330,036	15,218,893
Deferred tax assets	13	9,433,475	8,640,826	8,002,756
Current tax assets		3,920,166	5,849,073	5,849,073
Other assets	14	399,328,701	330,666,899	238,254,635
Total assets		7,309,694,303	4,528,102,690	3,086,899,538
LIABILITIES				
Deposits from customers	15	6,593,970,793	3,937,395,089	2,530,619,244
Other borrowed funds	16	50,378,328	629,732	874,955
Other liabilities	18	171,233,815	165,027,636	162,618,917
Preference shares	19	182,407,187	182,407,187	167,745,689
Total liabilities		6,997,990,123	4,285,459,644	2,861,858,805
Shareholders' Equity				
Stated capital	20	304,871,110	234,516,240	201,013,920
(Accumulated losses)	20	001,071,110	201,010,210	201,010,720
/Retained earnings		(3,985,651)	(5,875,610)	8,320,397
Other reserves	21	10,818,721	14,002,416	15,706,416
Capital and reserves		311,704,180	242,643,046	225,040,733
		7,000 (0 ( 0	4.500.100.400	0.004.000.500
Total equity and liabilities		7,309,694,303	4,528,102,690	3,086,899,538

These financial statements have been approved for issue by the Board of Directors on September 19,2013. The notes set out on pages 79 to 140 form part of these financial statements.

Auditors' report on pages 73 and 74.

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

Professor Donald Ah Chuen, G.O.S.K. Managing Director Mr. Robert Chung Tung Chairman of Audit Committee

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012	2011
	Notes	Rs	Rs	Rs
Interest income		338,143,578	297,302,672	244,468,991
Interest expense		(262,576,399)	(231,577,898)	(199,752,243)
Net interest income	22	75,567,179	65,724,774	44,716,748
Fee and commission income		34,063,579	22,905,631	18,374,995
Fee and commission expense		(1,819,185)	(1,591,385)	(1,218,739)
Net fee and commission income	23	32,244,394	21,314,246	17,156,256
Nervee and commission meome	20	02,211,071	21,011,210	17,100,200
Other income	24	20,170,304	13,114,130	30,772,190
		127,981,877	100,153,150	92,645,194
Provision for credit impairment				
on financial assets	25	(16,783,258)	(27,080,069)	(29,821,922)
Personnel expenses	26	(52,947,195)	(46,383,809)	(41,283,275)
Depreciation and amortisation	11,12	(8,420,701)	(6,963,128)	(5,769,097)
Other expenses	27	(46,470,984)	(34,560,221)	(36,794,963)
		(124,622,138)	(114,987,227)	(113,669,257)
Operating profit/(loss) before tax		3,359,739	(14,834,077)	(21,024,063)
Tax (expense)/credit	17	(1,136,258)	638,070	(3,833,952)
Profit/(loss) for the year		2,223,481	(14,196,007)	(24,858,015)
Other Comprehensive (loss)/incom	ne			
Items that may be reclassified subsequently to profit or loss: Fair value realised on disposal of				
available for sale financial assets  Gain/(loss) on remeasuring available	ala	(3,936,792)	-	-
for sale financial assets	9(a)(i)	419,575	(1,704,000)	1,113,700
Other Comprehensive (loss)/incom	ne			
for the year		(3,517,217)	(1,704,000)	1,113,700
Total Comprehensive loss		(1,293,736)	(15,900,007)	(23,744,315)
Earnings/(loss) per share				
Basic	29	0.08	(0.64)	(1.24)

The notes set out on pages 79 to 140 form part of these financial statements. Auditors' report on pages 73 and 74.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Stated Capital	Retained Earnings /(Accumulated Losses)	Statutory Reserve		Investment Revaluation Reserve	Total
	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2010	201,013,920	26,593,621	10,960,152	9,600,000	3,632,564	251,800,257
Loss for the year	-	(24,858,015)	-	-	-	(24,858,015)
Other comprehensive income	-	-	-	-	1,113,700	1,113,700
Total comprehensive (loss)/income						
for the year	_	(24,858,015)	-	-	1,113,700	(23,744,315)
Transfer to statutory reserve	-	9,600,000	-	(9,600,000)	-	-
Dividends	-	(3,015,209)	-	-	-	(3,015,209)
At 30 June 2011	201,013,920	8,320,397	10,960,152	-	4,746,264	225,040,733
At 1 July 2011	201,013,920	8,320,397	10,960,152	-	4,746,264	225,040,733
Loss for the year	-	(14,196,007)	-	-	-	(14,196,007)
Other comprehensive loss	-	-	-	-	(1,704,000)	(1,704,000)
Total comprehensive loss						
for the year		(14,196,007)	-	-	(1,704,000)	(15,900,007)
Rights issue	33,502,320	-	-	-	-	33,502,320
At 30 June 2012	234,516,240	(5,875,610)	10,960,152	-	3,042,264	242,643,046
At 1 July 2012	234,516,240	(5,875,610)	10,960,152	-	3,042,264	242,643,046
Profit for the year	-	2,223,481	-	-	-	2,223,481
Other comprehensive loss	-	-	-	-	(3,517,217)	(3,517,217)
Total comprehensive income/(loss)						
for the year	-	2,223,481	-	-	(3,517,217)	(1,293,736)
Rights issue	70,354,870	-	-	-	-	70,354,870
Transfer to statutory reserve	-	(333,522)	333,522	-	-	-
At 30 June 2013	304,871,110	(3,985,651)	11,293,674	-	(474,953)	311,704,180

The notes set out on pages 79 to 140 form part of these financial statements. Auditors' report on pages 73 and 74.

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#### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012	2011
	Notes	Rs	Rs	Rs
Cash flows from operating activities		0.050.700	(1,400,4077)	(01.00.4.0.40)
Profit/(loss) for the year  Adjustments for:		3,359,739	(14,834,077)	(21,024,063)
Depreciation	11	5.964.852	4,975,822	4,345,473
Amortisation	12	2,455,849	1,987,306	1,423,624
Provision for credit impairment	25	16,783,258	27,080,069	29,821,922
Employee benefit liability	18	520,785	300,000	300,000
Net interest income	22	(75,567,179)	(65,724,774)	(44,716,748)
Profit on disposal of property, plant			, , , ,	, , , ,
and equipment		(121,739)	(195,652)	-
Profit on disposal of shares	24	(4,034,621)	-	-
Loss on winding up of subsidiary	27	2,663,022	-	_
		(47,976,034)	(46,411,306)	(29,849,792)
Changes in operating assets and liabilities				
(Increase)/Decrease in loans and				
advances to customers		(79,606,497)	(489,063,756)	109,726,441
Increase in other assets		(42,544,323)	(92,412,264)	(44,963,873)
Increase in deposits from customers		2,656,575,704	1,406,775,845	344,972,270
(Decrease)/Increase in other liabilities		(23,729,999)	(9,540,050)	31,701,143
		2,,462,718,851	769,348,469	411,586,189
Interest received		315,605,634	315,660,571	250,572,620
Interest paid		(219,375,613)	(204,118,393)	(189,021,067)
Income tax paid  Net cash generated from operating activit	ion		880,890,647	(12,831,020) 460,306,722
Ner cash generaled from operating activit	163	2,000,740,072	000,070,047	400,300,722
Cash flows from investing activities				
Purchase of investment securities		(1,126,104,060)	(1,772,549,987)	(59,421,750)
Proceeds from sale and redemption of		( , ., . , . , . , ,	( ,, , , , , , , , , , , , , , , , , ,	(,
investment securities .		219,801,237	584,200,439	-
Purchase of property,				
plant and equipment	11	(95,238,776)	(9,309,773)	(23,369,498)
Purchase of intangible assets	12	(2,310,873)	(2,098,449)	(16,642,517)
Proceeds from sale of property, plant				
and equipment		121,739	195,652	-
Net cash inflow on winding up of subsidiar	У	336,978	-	-
Net cash used in investing activities		(1,003,393,755)	(1,199,562,118)	(99,433,765)
Cash flows from financing activities				
Proceeds of debt securities issued				
and other borrowed funds	(16c)	50,000,000	-	-
Repayment of debt securities issued				
and other borrowed funds		(251,404)	(239,167)	(25,600,391)
Proceeds from issue of preference shares	19	-	124,981,000	53,825,000
Proceeds from rights issue of shares	20	70,354,870	33,502,320	-
Redemption of preference shares	19	-	(109,100,000)	-
(Increase)/Decrease in Due from		1011170011	00 7/5 500	
financial institutions	28	(864,678,864)	28,765,500	4,944,407
Dividend paid Interest paid on preference shares	20	- (13,785,393)	(17,030,236)	(3,015,209) (12,546,500)
· · ·		(13,763,373)	(17,030,230)	(12,340,300)
Net cash (used in)/generated from financing activities		(758,360,791)	60,879,417	17,607,307
Net Increase/(Decrease) in cash				,,
and cash equivalents		797,194,326	(257,792,054)	378,480,264
Cash and cash equivalents				
at beginning of the year		383,006,543	640,798,597	262,318,333
Cash and cash equivalents	,	1 190 200 9/0	202.007.542	440 700 507
at the end of year	6	1,180,200,869	383,006,543	640,798,597

The notes set out on pages 79 to 140 form part of these financial statements. Auditors' report on pages 73 and 74.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 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 2013 were authorised for issue in accordance with a resolution of the Directors on 19th September 2013.

#### 2. ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

#### 2.2 Statement of compliance

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

#### 2.3 Summary of significant accounting policies

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

#### (a)Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

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

#### (b) Leases

Finance leases

(i) Initial recognition

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013



2.3 Summary of significant accounting policies (cont'd)

(b) Leases (cont'd)

Finance leases (cont'd)

(i) Initial recognition (cont'd)

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

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

#### (ii) Subsequent measurement

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

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

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

(c) Financial instruments - initial recognition and subsequent measurement

#### (i) Date of recognition

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

#### (ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

- 2.3 Summary of significant accounting policies (cont'd)
- c) Financial instruments initial recognition and subsequent measurement (cont'd)
- (ii) Initial recognition of financial instruments (cont'd)

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

#### (iii) Held-to-maturity financial investments

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

#### (iv) Due from financial institutions

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

#### (v) Available-for-sale financial investments

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive income in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss ('Other operating income' or





#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

- c) Financial instruments initial recognition and subsequent measurement (cont'd)
- (v) Available-for-sale financial investments (cont'd)

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

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

#### (vi) Due to customers and other borrowed funds

After initial measurement, due to customers and other borrowed funds are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

#### (vii) Redeemable preference shares

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

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

#### (d) Derecognition of financial assets and financial liabilities

#### (i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and
- either (a) the Bank has transferred substantially all the risks and rewards of the

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

- 2.3 Summary of significant accounting policies (cont'd)
- (d) Derecognition of financial assets and financial liabilities (cont'd)
- (i) Financial assets (cont'd)

asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

#### (ii) Financial liabilities

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

#### (e) Determination of fair value

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

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

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

## 7

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

#### (f) Impairment of financial assets

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

#### (i) Net investment in finance leases

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income (profit or loss). Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Investment in finance leases together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income (profit or loss).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

- (f) Impairment of financial assets (cont'd)
- (i) Net investment in finance leases (cont'd)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan or a net investment in finance lease has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

#### (ii) Held-to-maturity investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income (profit or loss).

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

#### (iii) Available-for-sale financial investments

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

- (f) Impairment of financial assets (cont'd)
- (iii) Available-for-sale financial investments (cont'd)

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss -measured as the difference between the acquisition cost and the current fair value less any impairment loss on that investment previously recognised in the statement of comprehensive income (profit or loss) -is removed from equity through other comprehensive income and recognised in the statement of comprehensive income (profit or loss). Impairment losses on equity investments are not reversed through the statement of comprehensive income (profit or loss); increases in their fair value after impairment are recognised directly in other comprehensive income.

#### (iv) Renegotiated leases

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

#### (g) Recognition of income and expenses

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

#### (i) Interest income and expense

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

- 2.3 Summary of significant accounting policies (cont'd)
- (g) Recognition of income and expenses (cont'd)
- (i) Interest income and expense (cont'd)

interest rate and the change in carrying amount is recorded as interest income or expense.

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

#### (ii) Other operating income

Financial service fees

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

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

#### Dividend income

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

#### (h) Cash and cash equivalents

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

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

#### (i) Property, plant and equipment

Property, plant and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd) (i) Property, plant and equipment (cont'd)

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

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

#### (j) Intangible assets

Intangible assets relate to the value of computer software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. The Bank does not have any intangible asset with indefinite useful life.

Amortisation is calculated using the straight-line method to write down the cost of computer software to its residual value over ten years.

#### (k) Impairment of non-financial assets

The Bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd) (k) Impairment of non-financial assets (cont'd)

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.

## (I) Pensions and other post-employment benefits Retirement gratuities

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

#### (m) Provisions

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

#### (n) Taxes

#### (i) Current tax

Current tax liabilities for the current and prior years are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

#### (ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax credits, to the extent that it is probable that taxable

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

- (n) Taxes (cont'd)
- (ii) Deferred tax (cont'd)

profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (iii) Value Added Tax

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

- where the value added taxes incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables that are stated with the amount of value added tax included.

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

#### (o) Dividends on ordinary shares

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(o) Dividends on ordinary shares (cont'd)

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

#### (p) Related parties

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

#### (a) Segmental reporting

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

Segment B activity relates to the provision of international financial services that give rise to "foreign source income". Such services may be fund based and/or non-fund based.

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

#### (r) Operating lease

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

2.4 Application of new and revised international financial reporting standards (IFRSs) In the current year, the Bank has adopted all of the new and revised standard and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2012.

Standards and interpretations affecting presentation and disclosure reported in the current year

The following new and revised standard and interpretation has been adopted in the current year and has affected the presentation in the financial statements.

IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective 1 July 2012)

The directors anticipate that the adoption of this Standard and Interpretation



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.4 Application of new and revised international financial reporting standards (IFRSs) Standards and interpretations affecting presentation and disclosure reported in the current year (cont'd)

on the above effective dates in future periods will have no material impact on the financial statements of the Bank.

The directors anticipate that the adoption of this Standard and Interpretation on the above effective dates in future periods will have no material impact on the financial statements of the Bank

The Bank has applied the amendments to IAS 1 Presentation of Items of other comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income' (and the "income statement" is renamed as the "statement of profit or loss").

Revised standards applied with no material effect on the financial statements. The following relevant revised Standards have been applied in these financial statements. Their application has not had any material impact on the amounts reported for current and prior years but may affect the accounting for future transactions or arrangements.

- IAS 12 Income Taxes Limited scope amendment (recovery of underlying assets) (effective 1 January 2012)
- IFRS 7 Financial Instruments: Disclosures Amendments enhancing disclosures about transfers of financial assets

Relevant new and revised standards in issue not yet effective

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

- IAS 1 Presentation of Financial Statements Amendments resulting from Annual Improvements 2009-2011 cycle (comparative information) (effective 1 January 2013)
- IAS 16 Property, Plant and Equipment- Amendments resulting from Annual Improvement 2009-2011 cycle (servicing equipment) (effective 1 January 2013)
- IAS 19 Employee Benefits Amended standard resulting from the post-employment benefits and termination benefits projects (effective 1 January 2013)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 2. ACCOUNTING POLICIES (CONT'D)

2.4 Application of new and revised international financial reporting standards (IFRSs) Relevant new and revised standards in issue not yet effective (cont'd)

- IAS 32 Financial Instruments: Presentation Amendments resulting from Annual Improvements 2009-2011 cycle (tax effect of equity distributions) (effective 1 January 2013)
- IAS 32 Financial Instruments: Presentation Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective 1 January 2014)
- IAS 32 Financial Instruments: Presentation Amendments relating to the offsetting of assets and liabilities (effective 1 January 2014)
- IAS 36 Impairment of Assets Amendments arising from Receivable Amount Disclosures for non-financial assets (effective 1 January 2014)
- IAS 39 Financial Instruments Recognition and measurement. Amendments for novations of derivate (effective 1 January 2014)
- IFRS 7 Financial Instruments: Disclosures Amendments about offsetting of financial assets and financial liabilities (effective 1 January 2013)
- IFRS 7 Financial Instruments: Disclosures Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2015)
- IFRS 9 Financial Instruments Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements (effective 1 January 2015)
- IFRS 9 Financial Instruments Classification and measurement of financial assets (effective 1 January 2013)
- IFRS 9 Financial Instruments Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2015)
- IFRS 12 Disclosures of Interests in Other Entities Original issue (effective 1 January 2013)
- IFRS 12 Disclosures of Interests in Other Entities Amendments to transitional guidance (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)

The directors anticipate that the adoption of these Standards and Interpretations on the above effective dates in future periods will have no material impact on the financial statements of the Bank.

#### 3. USE OF ESTIMATES AND JUDGEMENTS

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 3. USE OF ESTIMATES AND JUDGEMENTS (CONT'D)

Impairment losses on investment in finance leases

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

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

#### Unquoted investments

Determining the fair value of an unquoted investment requires an estimate of the value in use of the investment. In considering the value in use, the Directors have made certain estimates and assumptions. The actual results could however differ from these assumptions and estimates.

#### 4. FINANCIAL RISK MANAGEMENT

(a) Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, interest rate risk, liquidity risk and market risk. They are also subject to operating risks.

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

#### Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Introduction (cont'd)

#### **Board of Directors**

The Board of Directors as well as the Bank's senior management is responsible for understanding both the nature and level of risks taken by the institution and how the risk relates to adequate capital levels. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

#### Management

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

#### (b) Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties.

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

#### Gross maximum exposure

	2013	2012	2011	_
	Rs	Rs	Rs	
Cash and cash equivalents	1,180,200,869	383,006,543	640,804,653	
Due from financial institutions	985,271,614	120,592,750	153,784,482	
Investments	2,166,577,625	1,262,757,398	76,111,850	
Loans and advances	2,522,604,860	2,452,956,007	1,991,746,155	
Other assets	89,605,654	65,866,142	65,890,250	
Total credit risk exposure	6,944,260,622	4,285,178,840	2,928,337,390	

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

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

#### Gross maximum exposure

		=	
	2013	2012	2011
	Rs	Rs	Rs
Manufacturing	162,516,203	183,711,416	148,567,956
Construction	197,643,629	272,319,201	206,210,211
Professional	386,882,484	175,609,975	201,018,419
Traders	506,492,686	456,528,099	343,319,029
Tourism	179,408,568	191,360,210	150,828,466
Transport	396,242,368	379,661,285	349,957,936
Others	693,418,922	793,765,821	591,844,138
	2,522,604,860	2,452,956,007	1,991,746,155

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

#### Gross maximum exposure

	2013	2012	2011
	Rs	Rs	Rs
Manufacturing	3,844,899	13,558,978	14,432,877
Construction	17,734,753	15,383,760	7,962,281
Professional	3,810,613	7,990,550	1,838,408
Traders	10,031,254	13,169,154	12,951,398
Tourism	14,726,639	5,431,228	5,174,231
Transport	16,363,705	9,315,888	8,344,324
Others	25,901,477	17,158,633	18,146,838
	92,413,340	82,008,191	68,850,357

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

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

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

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

#### Credit quality per class of financial assets

	20	13	201	12	2011	
	Neither past due nor impaired	Past due or individually impaired	Neither past due nor impaired	Past due or individually impaired	Neither past due nor impaired	Past due or individually impaired
	Rs		Rs	Rs	Rs	Rs
Cash and cash equivalents	1,180,200,869		383,006,543	-	640,804,653	-
Due from financial institutions	985,271,614		120,592,750	-	153,784,482	-
Investment in subsidiary	-		3,000,000	-	3,000,000	-
Financial investments - available-for-sale	4,758,475		11,986,100	-	13,690,100	-
Financial investments - held-to-maturity	2,161,819,150		1,247,771,298	-	59,421,750	-
Loan and advances to customers	2,101,148,999	421,455,861	1,868,609,950	584,346,057	1,134,519,668	857,226,487
Other assets	89,605,654		65,866,142	-	65,890,250	-
	6,522,804,761	421,455,861	3,700,832,783	584,346,057	2,071,110,903	857,226,487

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

#### Impairment assessment

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

#### Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant finance lease on an individual basis. Items considered when determining allowance amounts include an assessment of the counterparty's repayment plan, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

#### Collectively assessed allowances

Allowances are assessed collectively for losses on the loans and advances portfolio where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

The portfolio provision for credit losses in respect of loans and advances is 1% of the exposure of the Bank's loans and advances portfolio, excluding loans and advances individually impaired.

#### (c) Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

and liquidity on a weekly basis. This incorporates an assessment of expected cash flows.

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

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

30 June
Average during the period
Highest
Lowest

<b>2013</b> %	2012 %	2011 %
25	14	22
32	22	37
19	17	11

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity 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 30 June based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

#### Financial liabilities

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
2013	Rs	Rs	Rs	Rs	Rs	Rs
Due to customers	3,739,899,601	1,842,883,161	1,011,188,031	-	-	6,593,970,793
Borrowed funds	50,064,836	199,430	114,062	-	-	50,378,328
Other liabilities	46,897,206	53,278,465	14,737,831	-	53,911,487	168,824,989
Preference shares	-	3,601,187	178,806,000	-	-	182,407,187
Total undiscounted financial liabilities	3,836,861,643	1,899,962,243	1,204,845,924		53,911,487	6,995,581,297
2012						
Due to customers	1,434,940,621	1,321,684,922	1,180,769,546	-	-	3,937,395,089
Borrowed funds	61,680	189,724	378,328	-	-	629,732
Other liabilities	33,363,340	37,471,459	14,627,857	-	77,676,939	163,139,595
Preference shares	-	3,601,187	53,825,000	124,981,000	-	182,407,187
Total undiscounted financial liabilities	1 4/0 0/5 //1	10/00/7000	1.040.400.701	104001000	-77 (71 000	4000 577 400
ilitariciai liabililles	1,468,365,641	1,362,947,292	1,249,600,731	124,981,000	77,676,939	4,283,571,603
2011						
Due to customers	722,720,258	1,182,018,230	625,880,756	-	-	2,530,619,244
Borrowed funds	64,733	180,490	629,732	-	-	874,955
Other liabilities	15,541,793	31,095,926	19,223,468	-	88,769,578	154,630,765
Preference shares	-	113,920,689	-	53,825,000	-	167,745,689
Total undiscounted				E0.005.05	00 710 75	
financial liabilities	738,326,784	1,327,215,335	645,733,956	53,825,000	88,769,578	2,853,870,653

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

#### (d) Interest rate risk

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

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

## Sensitivity of net interest income 2013 2012 2011 Rs Rs Rs Increase in basis point - 50 bp (6,170,120) (3,933,162) (1,456,163) Derease in basis point - 50 bp 6,170,120 3,933,162 1,456,163

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

#### (e) Equity price risk

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

The effect on changes in net assets (as a result of a change in the fair value of equity instruments held as available-for-sale at 30 June 2013) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in equity price %	Effect on equity 2013	Effect on equity 2012	Effect on equity 2011
Markermalees		Rs	Rs	Rs
Stock Exchange of Mauritius	+10	348,848	1,071,610	1,242,010

#### (f) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Operational risk (cont'd)

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

#### (g) Foreign exchange risk

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

#### (h) Significant accounting policies

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

#### (i) Categories of financial instruments

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

#### 5. CAPITAL RISK MANAGEMENT

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the Bank.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 5. CAPITAL RISK MANAGEMENT (CONT'D)

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 stated capital, reserves and retained earnings. Note on stated capital is disclosed in note 20. The Bank has to comply with the Banking Act 2004 in respect of both its stated capital and reserves which is detailed in the notes. For the year ended 30 June 2013 and at that date, the Bank has complied with the regulatory requirement for both share capital and reserves. The Bank manages its capital with the aim of maximising the return to the shareholders and other stakeholders.

#### 6. CASH AND CASH EQUIVALENTS

	2013	2012	2011	
	Rs	Rs	Rs	
Cash in hand	5,361,198	6,002,749	6,724,288	
Foreign currency notes and coins	644,972	876,007	2,099,995	
Unrestricted balances with central bank	155,318,512	20,648,339	321,501,424	
Balances with local banks	7,042,037	14,905,053	42,515,540	
Balances with banks abroad	985,325,736	140,574,395	17,963,406	
Interbank loans	26,508,414	200,000,000	250,000,000	
	1,180,200,869	383,006,543	640,804,653	

The Bank earns interest at fluctuating rates based on daily bank deposit rates.

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following at 30 June:

	2013	2012	2011	
	Rs	Rs	Rs	
Balances with banks	1,180,200,869	383,006,543	640,804,653	
Bank overdrafts (Note 16)	-	-	(6,056)	
Cash and cash equivalents	1,180,200,869	383,006,543	640,798,597	



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 7. DUE FROM FINANCIAL INSTITUTIONS

	2013	2012	2011
	Rs	Rs	Rs
Placements	985,271,614	120,592,750	153,784,482

The interest rates vary from 0.1 % to 4.0 %(2012:from 0.25 % to 4.5%,2011:from 1.94 % to 7.75%) The maturity analysis of amounts due from financial institutions is disclosed in note 31.

#### 8. LOANS AND ADVANCES TO CUSTOMERS

	2013	2012	2011
	Rs	Rs	Rs
Retail:			
Investment in finance leases	527,760,701	680,722,522	705,908,120
Rental income receivable	61,324,119	70,866,422	76,295,006
Loans	46,799,843	42,973,128	9,444,533
Others	1,913,106	1,513,920	304,359
Corporate:			
Investment in finance leases	788,366,465	982,304,702	1,073,888,499
Rental income receivable	107,586,496	118,444,288	108,636,979
Loans	809,625,417	464,120,623	12,472,917
Others	179,228,713	92,010,402	4,795,742
	2,522,604,860	2,452,956,007	1,991,746,155
Less allowance for specific impairment	(71,111,343)	(61,562,563)	(53,211,249)
Less allowance for collective impairment	(21,301,997)	(20,445,628)	(15,639,108)
	2,430,191,520	2,370,947,816	1,922,895,798

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

(a) Remaining term to maturity

#### Finance lease receivables

Gross investment in finance leases:	2013	2012	2011
	Rs	Rs	Rs
Up to 3 months	250,150,366	199,930,868	222,486,573
Over 3 months and up to 6 months	146,218,817	186,618,868	211,235,641
Over 6 months and up to 12 months	262,647,263	338,554,366	383,951,454
Over 1 year and up to 5 years	830,627,187	1,208,066,511	1,287,907,138
Over 5 years	12,972,984	35,318,570	36,000,259
	1,502,616,617	1,968,489,183	2,141,581,065
Unearned future finance income on finance leases	(186,489,451)	(305,461,959)	(361,784,446)
Net investment in			
finance leases	1,316,127,166	1,663,027,224	1,779,796,619
The net investment in finance leases may be analysed as follows:			
Current			
- Not later than 1 year	562,901,945	579,967,581	642,132,527
Non current - Later than 1 year and			
not later than 5 years	741,311,411	1,052,035,986	1,106,371,374
- Later than 5 years	11,913,810	31,023,657	31,292,718
	1,316,127,166	1,663,027,224	1,779,796,619

Generally, the lease period is for five years (average interest rate of 10.3%).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

Loans and others	2013	2012	2011
	Rs	Rs	Rs
Up to 3 months	757,381,354	399,823,176	5,495,175
Over 3 months and up to 6 months	155,951,685	35,047,560	403,108
Over 6 months and up to 12 months	26,465,676	42,208,770	831,029
Over 1 year and up to 5 years	57,550,683	88,755,821	7,362,877
Over 5 years	40,217,681	34,782,746	12,925,362
	1,037,567,079	600,618,073	27,017,551

## (b) Credit concentration of risk by industry sectors Sectorial concentration of loans and advances

	2013	2012	2011
	Rs	Rs	Rs
Manufacturing	148,477,803	159,903,250	126,756,940
Construction	177,952,222	256,160,561	186,985,208
Professional	384,125,509	164,709,664	117,144,914
Traders	485,791,130	430,911,155	316,302,857
Tourism	160,174,172	173,395,450	135,379,620
Others	997,173,409	1,078,086,860	924,244,631
	2,353,694,245	2,263,166,940	1,806,814,170

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 8. 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:

	2013	2012	2011
	Rs	Rs	Rs
Agriculture	178,270,884	69,858,354	-
Construction	50,097,149	75,000,000	48,981,627
Financial and Business Services	281,060,928	19,487,084	-
Information,			
Communication & Technology	2,073,930	187,972	-
Infrastructure	760,902	-	-
Manufacturing	44,619,423	15,370,338	-
Professional		3,821,287	-
Tourism	13,207,150	9,412,222	-
Traders	157,886,404	49,767,411	-
Transport	48,148,275	29,493,889	-
Others	1,445,659	135,000,000	96,914,885
	777,570,704	407,398,557	145,896,512

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

(c) Impairment allowance for loans and advances

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

	Individual impairment	Collective impairment	Total
-	Rs	Rs	Rs
At 1 July 2012	61,562,563	20,445,628	82,008,191
Provision for credit			
impairment for the year	19,289,570	856,369	20,145,939
Provision released	(8,252,453)	-	(8,252,453)
Written off	(1,488,337)	-	(1,488,337)
At 30 June 2013	71,111,343	21,301,997	92,413,340
At 1 July 2011	53,211,249	15,639,108	68,850,357
Provision for credit			
impairment for the year	30,077,178	4,806,520	34,883,698
Provision released	(15,057,262)	-	(15,057,262)
Written off	(6,668,602)	-	(6,668,602)
At 30 June 2012	61,562,563	20,445,628	82,008,191
At 1 July 2010	55,954,636	19,502,633	75,457,269
Provision for credit			
impairment for the year	11,535,014	(3,863,525)	7,671,489
Written off	(14,278,401)	-	(14,278,401)
At 30 June 2011	53,211,249	15,639,108	68,850,357

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

(d) Allowance for credit impairment by industry sectors.

			2013			2012	2011
	Gross amount of loans	Impaired Ioans	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Manufacturing	162,516,203	23,662,439	2,453,388	1,391,511	3,844,899	13,558,978	14,432,877
Construction	197,643,629	37,746,235	16,132,579	1,602,174	17,734,753	15,383,760	7,962,281
Professional	386,882,484	6,612,914	905'9	3,804,107	3,810,613	7,990,550	1,838,408
Traders	506,492,686	47,566,768	5,434,429	4,596,825	10,031,254	13,169,154	12,951,398
Tourism	179,408,568	44,787,830	13,377,138	1,349,501	14,726,639	5,431,228	5,174,231
Transport	396,242,368	119,760,912	13,588,671	2,775,034	16,363,705	9,315,888	8,344,324
Others	693,418,922	122,032,745	20,118,632	5,782,845	25,901,477	17,158,633	18,146,838
Total	2,522,604,860	402,169,843	71,111,343	21,301,997	92,413,340	82,008,191	68,850,357

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 9. INVESTMENT SECURITIES

		2013	2012	2011
		Rs	Rs	Rs
Available for sale				
investment securities	9(a)	4,758,475	11,986,100	13,690,100
Held to maturity				
investment securities	9(b)	2,161,819,150	1,247,771,298	59,421,750
		2,166,577,625	1,259,757,398	73,111,850
( ) A . "I I I G . I		.,.		
(a) Available for sale	investment secur	ities 2013	2012	2011
		Rs	Rs	Rs
(i) Quoted shares		3,488,475	10,716,100	12,420,100
(ii) Equity shares of				
companies-Unquote	ed	1,270,000	1,270,000	1,270,000
		4,758,475	11,986,100	13,690,100
(i) Quoted shares		2013	2012	2011
		Rs	Rs	Rs
At 1July,		10,716,100	12,420,100	11,306,400
Disposals		(7,647,200)	-	-
Unrealised fair				
value adjustments		419,575	(1,704,000)	1,113,700
,				
At 30 June,		3,488,475	10,716,100	12,420,100
(ii) Unquoted investmen	nts			
	113			
At 30 June,		1,270,000	1,270,000	1,270,000

The unquoted available for sale equities are recorded at cost since their value cannot be reliably measured.

There is no market for these shares and the Bank does not intend to dispose of these shares.

Details of the unquoted investments at 30 June 2013

		Country of Incorporation	Percentage Holding	Amount
				Rs
ABC Datacall Ltd (127,000 shares of Rs 10 each)	Ordinary	Mauritius	9.07%	1,270,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 9. INVESTMENT SECURITIES (CONT'D)

				2013	2012		2011
(b) Held to r investment s				Rs	Rs		Rs
(i) BOM Bills				29,945,400	19,369,80	00 24,	554,232
Treasury B	ills		38	37,586,160	142,911,408 34		367,518
Treasury N	lotes		2.	56,880,000		-	-
Bonds			1,48	37,407,590	1,085,490,09	90	-
			2,1	61,819,150	1,247,771,29	98 59,4	421,750
(ii) Remainin	g term to m	aturity					
	Up to 3 months	3-12 months	1 to 5 years	Over 5 years	2013 Total	2012 Total	2011 Total
BOM Bills	29,945,400	-	-	-	29,945,400	19,369,800	24,554,232
Treasury Bills	-	387,586,160	-	-	387,586,160	142,911,408	34,867,518
Treasury Notes	-	-	256,880,000	-	256,880,000	-	-
Bonds	-	-	258,467,840	1,228,939,750	1,487,407,590	1,085,490,090	-
	29,945,400	387,586,160	515,347,840	1,228,939,750	2,161,819,150	1,247,771,298	59,421,750

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

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

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

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

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	2013	2012	2011
Available for sale investment securities	Rs	Rs	Rs	Rs	Rs	Rs
Quoted	3,488,475	-	-	3,488,475	10,716,100	12,420,100

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 10. INVESTMENT IN SUBSIDIARY

	2011		3,000,000
	2012		3,000,000
	2013		
Ō	2011	%	100
Effective holding	2012	%	100
ய	2013	%	
	Stated Capital	Rs	3,000,000
Date of	acquisition		30 June 2010
Principal	activity		Money Changer
			Intercash Ltd

On 29 April 2013, Intercash Ltd was wound up and removed from the Register of companies under section 308 of the Companies Act 2001. On that basis, the Bank no longer needs to prepare consolidated accounts.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building	Improvemento building	nt Other Fixed Assets	Computer Equipment	Motor Vehicles	Total
COST	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 July 2010	-		-	2,974,776	2,164,130	8,331,027	13,469,933
Additions	-	-	277,150	18,915,465	3,323,233	853,650	23,369,498
At 30 June 2011	-		277,150	21,890,241	5,487,363	9,184,677	36,839,431
At 1 July 2011	-		277,150	21,890,241	5,487,363	9,184,677	36,839,431
Additions	-		99,544	8,384,743	825,486	-	9,309,773
Disposals	-		-	-	-	(1,540,000)	(1,540,000)
At 30 June 2012	-	-	376,694	30,274,984	6,312,849	7,644,677	44,609,204
At 1 July 2012	-		376,694	30,274,984	6,312,849	7,644,677	44,609,204
Additions	34,846,792	58,077,988	36,800	332,509	1,944,687	-	95,238,776
Disposals	-		-	-	-	(360,500)	(360,500)
At 30 June 2013	34,846,792	58,077,988	413,494	30,607,493	8,257,536	7,284,177	139,487,480
DEPRECIATION							
At 1 July 2010	-			1,117,947	1,406,645	3,991,968	6,516,560
Charge for the ye	ear -		8,761	1,720,314	793,690	1,822,708	4,345,473
At 30 June 2011	-		- 8,761	2,838,261	2,200,335	5,814,676	10,862,033
At 1 July 2011	-		8,761	2,838,261	2,200,335	5,814,676	10,862,033
Charge for the ye	ear -		36,840	2,573,831	1,249,168	1,115,983	4,975,822
Disposals	-		-	-	-	(1,540,000)	(1,540,000)
At 30 June 2012	-		45,601	5,412,092	3,449,503	5,390,659	14,297,855
At 1 July 2012			45,601	5,412,092	3,449,503	E 300 / E0	14 207 055
Charge for the ye	- oor	580,780		3,041,924	1,553,682	5,390,659 747,730	14,297,855
Disposals	- -	300,700	40,736	3,041,724	1,333,002	(360,500)	5,964,852 (360,500)
At 30 June 2013		580,780	86,337	8,454,016	5,003,185	5,777,889	19,902,207
Al 30 Julie 2013		380,780	00,557	0,434,010	3,003,163	3,777,007	17,702,207
NET BOOK VALUE							
At 30 June 2013	34,846,792	57,497,208	327,157	22,153,477	3,254,351	1,506,288	119,585,273
At 30 June 2012	-		- 331,093	24,862,892	2,863,346	2,254,018	30,311,349
At 30 June 2011	_		268,389	19,051,980	3,287,028	3,370,001	25,977,398



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 12. INTANGIBLE ASSETS

COMPUTER SOFTWARE	2013	2012	2011	
COST	Rs	Rs	Rs	
At 1 July,	19,815,925	17,717,476	1,074,959	
Additions	2,310,873	2,098,449	16,642,517	
At 30 June,	22,126,798	19,815,925	17,717,476	
AMORTISATION				
At 1 July,	4,485,889	2,498,583	1,074,959	
Amortisation	2,455,849	1,987,306	1,423,624	
At 30 June,	6,941,738	4,485,889	2,498,583	
NET BOOK VALUE				
At 30 June,	15,185,060	15,330,036	15,218,893	

### 13. DEFERRED TAX ASSETS

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

	-	atement o	-	Statement	of compr	ehensive
	2013	2012	2011	2013	2012	2011
Deferred tax liability	Rs	Rs	Rs	Rs	Rs	Rs
Accelerated tax depreciation	(4,789,850)	(3,943,609)	(2,563,004)	(846,241)	(1,380,605)	(2,296,313)
Deferred income tax asset						
Impairment allowance	13,862,001	12,301,229	10,327,554	1,560,772	1,973,675	(991,037)
Retirement benefit obligations	361,324	283,206	238,206	78,118	45,000	45,000
	14,223,325	12,584,435	10,565,760	1,638,890	2,018,675	(946,037)
Deferred tax income/(expense) (Note 17)				792,649	638,070	(3,242,350)
Deferred tax assets net	9,433,475	8,640,826	8,002,756			

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 14. OTHER ASSETS

	2013	2012	2011
	Rs	Rs	Rs
Mandatory balances with Central Bank	309,723,047	264,800,757	172,364,385
Receivables from related parties	2,345,500	5,703,247	38,090,045
Non banking assets acquired in satisfaction of debts	13,924,332	12,847,282	-
Other receivables	73,335,822	47,315,613	27,800,205
	399,328,701	330,666,899	238,254,635

Maturity analysis of other assets is disclosed in Note 31.

For terms and conditions relating to the related party receivables, refer to Note 32. Other receivables are non interest bearing and are generally on 30-90 days' term.

### 15. DEPOSITS FROM CUSTOMERS

	2013	2012	2011
Retail customers	Rs	Rs	Rs
Savings deposits	643,765,958	293,343,009	143,327,997
Other deposits	65,853,064	21,021,054	1,221,053
Time deposits with remaining term to maturity:			
Up to 3 months	206,995,683	138,426,998	160,187,300
Over 3 months and up to 6 months	105,197,900	86,089,782	116,594,432
Over 6 months and up to 12 months	371,456,867	402,022,915	413,371,456
Over 1 year and up to 5 years	764,429,362	784,625,926	499,065,795
Over 5 years	-	-	-
Corporate customers			
Savings deposits	499,700,558	424,442,366	247,882,079
Other deposits	1,876,683,498	273,687,776	17,613,894
Term deposits with remaining term to maturity:			
Up to 3 months	446,900,840	284,019,418	152,487,935
Over 3 months and up to 6 months	437,475,540	158,446,095	37,144,913
Over 6 months and up to 12 months	928,752,854	675,126,130	614,907,429
Over 1 year and up to 5 years	246,758,669	396,143,620	126,814,961
	6,593,970,793	3,937,395,089	2,530,619,244

Deposits bear interest rates ranging from 3.65% to 16.50% per annum (2012: 4.5% to 16.5%,2011: 4.5 % to 16.5%)

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 16. OTHER BORROWED FUNDS

	2013	2012	2011
	Rs	Rs	Rs
Bank overdraft (Note (a) & Note 6)	-	-	6,056
Other loan (Note (b))	378,328	629,732	868,899
Interbank borrowing(Note (c))	50,000,000	-	-
	50,378,328	629,732	874,955
(a) The bank overdraft is secured by way			
of floating charges over the Bank's assets.			
(b) Other loan is unsecured			
The loans are repayable as follows:			
Within 1 year	264,266	251,404	239,167
After 1 year but before 2 years	114,062	264,266	251,404
After 2 years but before 5 years	-	114,062	378,328
	378,328	629,732	868,899

The loans outstanding at the year end are as follows:

,			
	Effective interest rate	Maturity date	At 30 June 2013
	%		Rs
Rs. 1,224,000 Ioan	5.00%	Nov 2014	378,328
(c) Interbank borrowing			
Local bank(interest rate 2 %)			50,000,000
Up to 3 months			50,000,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 17. TAX EXPENSE/(CREDIT)

Income tax is calculated at the rate of 15% (2012 and 2011: 15%) on the profit for the year.

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

	2013	2012	2011
	Rs	Rs	Rs
Current income tax	1,928,907	-	592,864
Deferred tax			
Relating to origination and reversal			
of temporary differences (Note 13)	(792,649)	(638,070)	3,242,350
Over provision in previous years		-	(1,262)
Income tax expense/ (credit)	1,136,258	(638,070)	3,833,952

### 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:

	2013	2012	2011
	Rs	Rs	Rs
Profit/(Loss) before tax	3,359,739	(14,834,077)	(21,024,063)
At statutory income tax rate			
of 15%(2012 and 2011:15%)	503,961	(2,225,112)	(3,153,609)
Non-deductible expenses	3,578,163	3,497,714	7,618,658
Exempt income	(724,187)	(135,162)	(629,835)
Tax loss utilised	(1,628,813)	(1,775,510)	-
Deferred tax (under)provision			
for the previous year		-	-
Income tax over provision			
for the previous year	(592,866)	-	(1,262)
Income tax expense/(credit) reported			
in the statement of comprehensive income	1,136,258	(638,070)	3,833,952

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 18. OTHER LIABILITIES

	2013	2012	2011
	Rs	Rs	Rs
Interest payable on deposits	114,913,502	85,498,109	73,849,339
Deferred income		-	6,400,111
Other payables	56,320,313	79,529,527	82,369,467
	171,233,815	165,027,636	162,618,917

Maturity analysis of other liabilities is disclosed in Note 31.

Terms and conditions of the above financial liabilities

- Lease creditors are non-interest bearing and are normally settled on 15-30 days terms.
- Other payables comprising employee benefit liability and other accrued expenses are non-interest bearing .

### Employee benefit liability

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

	2013	2012	2011
	Rs	Rs	Rs
At 1 July,	1,888,041	1,588,041	1,288,041
Charge for the year	520,785	300,000	300,000
At 30 June,	2,408,826	1,888,041	1,588,041

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 19. PREFERENCE SHARES

	2013	2012	2011
	Rs	Rs	Rs
At 1 July,	178,806,000	162,925,000	109,100,000
Issue of shares	-	124,981,000	53,825,000
Shares reedeemed	-	(109,100,000)	-
Interest accrued	3,601,187	3,601,187	4,820,689
At 30 June,	182,407,187	182,407,187	167,745,689

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

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

On 2 April 2012, the Bank issued 7.8% cumulative redeemable preference shares amounting to Rs 124,981,000 which have a maturity period of 6 years. While the shares carry no voting rights, except upon a resolution purporting to alter any of the acquired rights, they confer to its holders the right to a fixed cumulative dividend of 7.8% per annum as and when authorised by the Board and ranking before ordinary share dividend. The said shares also carry the right to a share in the distribution of the surplus assets of the Bank ranking before ordinary shareholders, in the event of a winding up of the Bank.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 20. STATED CAPITAL

	2013	2012	2011
	Rs	Rs	Rs
Issued and fully paid capital			
Ordinary shares of Rs 10 each	304,871,110	234,516,240	201,013,920
ISSUED CAPITAL			
Issued and fully paid			
At 1 July	234,516,240	201,013,920	201,013,920
Rights issue	70,354,870	33,502,320	-
At 30 June,	304,871,110	234,516,240	201,013,920
All shares were issued at the nominal value of Rs.10	each.		
Number of shares			
At 1 July	23,451,624	20,101,392	20,101,392
Rights issue	7,035,487	3,350,232	-
At 30 June,	30,487,111	23,451,624	20,101,392

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 21. OTHER RESERVES

	2013	2012	2011	ı
	Rs	Rs	Rs	
Investment revaluation	(474,953)	3,042,264	4,746,264	
Statutory reserve	11,293,674	10,960,152	10,960,152	
	10 818 721	14 000 416	15 706 416	

## Statutory reserve

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

## General banking reserve

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

	2013	2012	2011	
	Rs	Rs	Rs	
Investment revaluation reserve				
At 1 July,	3,042,264	4,746,264	3,632,564	
Net unrealised (loss) /gain on available-for-sale				
financial investments (Note 9 (a))	(3,517,217)	(1,704,000)	1,113,700	
At 30 June,	(474,953)	3,042,264	4,746,264	
This reserve records fair value changes on available-for-sale financial investments.				

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 22. NET INTEREST INCOME

Interest income Finance leases R13,028,189		0	
	_ Rs	Rs	Rs
	ı		
	128,189	184,108,496	219,093,295
Other receivables from related companies	'	ı	1,874,457
Bank balances 9,6	9,663	68,970	70,899
Interest on late payment	33,458	16,256,354	10,169,158
Other advances to customers 53,909,223	09,223	22,831,135	367,500
Financial investments - due from financial institutions 5,288,017	88,017	11,335,117	12,791,300
Financial investments - held-to-maturity	85,028	62,702,600	102,382
338,143,578		297,302,672	244,468,991
Interest expense			
Due to customers 248,692,684		215,729,057	184,573,111
Preference shares (Note 19)	85,393	15,810,734	13,707,793
Borrowed funds 98,33	98,322	38,107	1,462,770
Bank overdrafts	,	ı	8,569
262,576,399		231,577,898	199,752,243
Net interest income 75,567,179	67,179	65,724,774	44,716,748

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 23. NET FEE AND COMMISSION INCOME

	2013	2012	2011
Fee and commission income	Rs	Rs	Rs
Processing fees	3,401,150	13,128,355	7,072,904
International banking	19,877,573	422,815	
Interbank transaction fees	851,282	337,096	351,477
Others	9,933,574	9,017,365	10,950,614
	34,063,579	22,905,631	18,374,995
Fee and commission expense			
Interbank transaction fees	1,819,185	1,591,385	1,218,739
	1,819,185	1,591,385	1,218,739
Net fee and commission income	32,244,394	21,314,246	17,156,256

## 24. OTHER INCOME

		d equipment			
Dividend income	Gain on realisation of other assets	Profit on disposal of property, plant and equipment	Profit on disposal of shares	Foreign exchange gain	Others

2011	Rs	4,198,898	19,739,425	ı	1	4,954,659	1,879,208	30,772,190	
2012	Rs	705,428	1	195,652	1	10,556,536	1,656,514	13,114,130	
2013	Rs	592,620	,	121,739	4,034,621	11,561,656	3,859,668	20,170,304	

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 25. PROVISION FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

2012 2011	Rs Rs	27,080,069 29,821,922	34,883,698 7,671,489	(15,057,262)		7,253,633 22,150,433	27,080,069 29,821,922	
2013	Rs	16,783,258	20,145,939	(8,252,453)	(1,923,621)	6,813,393	16,783,258	
		Loans and advances to customers(Note 8(c) )	Provision for credit impairment	Provision released	Bad debts recovered	Bad debts written off for which no provision was made		

## 26. PERSONNEL EXPENSES

	2013	2012	2011	
	Rs	Rs	Rs	
Wages and salaries	46,248,666	42,490,859	38,251,096	
Employee benefit liability	520,785	300,000	300,000	
Others	6,177,744	3,592,950	2,732,179	
	52,947,195	46,383,809	41,283,275	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### **27. OTHER EXPENSES**

	2013	2012	2011	
	Rs	Rs	Rs	
Motor vehicle expenses and insurance	6,223,321	4,574,340	7,715,682	
Rental of office	4,929,503	4,878,006	3,560,477	
Advertising	1,325,393	1,380,229	6,439,797	
Information technology costs	57,384	54,119	3,433,754	
Licences	7,272,163	5,665,948	1,692,859	
Loss on strike off of subsidiary	2,663,022	-	-	
Others	24,000,198	18,007,579	13,952,394	
	46,470,984	34,560,221	36,794,963	

### 28. DIVIDENDS

	2013	2012	2011
	Rs	Rs	Rs
Paid during the year			
Dividends on ordinary shares			
Final dividend for 2010 (Rs 0.15 per share	-)	-	3,015,209
	-	-	3,015,209

## 29. Earnings/(loss) per share

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

	2013	2012	2011
	Rs	Rs	Rs
Profit/(loss)	2,223,481	(14,196,007)	(24,858,015)
Weighted average number of ordinary shares	26,187,432	22,293,751	20,101,392
Basic earnings/(loss) per share (Rs)	0.08	(0.64)	(1.24)
Restated basic loss per share (Rs)	0.08	(0.64)	(1.24)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 30. CATEGORIES OF FINANCIAL INSTRUMENTS

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

				20	2013		
				Classification of	Classification of carrying amount		Fair value
	Notes	Loans and receivables	Available-for- sale	Held-to -maturity	Liabilities at amortised cost	Total	Total
		Rs	Rs	Rs	Rs	Rs	Rs
Financial assets							
Cash and cash equivalents	9	1,180,200,869	•	1	•	1,180,200,869	1,180,200,869
Due from financial institutions	7	985,271,614	•	1	1	985,271,614	985,271,614
Investments	6	•	4,758,475	2,161,819,150	1	2,166,577,625	2,166,577,625
Loans and advances to customers	<sub>∞</sub>	2,430,191,520	,	1	1	2,430,191,520	2,430,191,520
Other assets	7	398,172,750	1	ı	1	398,172,750	398,172,750
		4,993,836,753	4,758,475	2,161,819,150		7,160,414,378	7,160,414,378
Financial liabilities							
Due to customers	15	1	1	ı	6,593,970,793	6,593,970,793	6,593,970,793
Borrowed funds	16	1	1	ı	50,378,328	50,378,328	50,378,328
Other liabilities	18	1	1	1	168,824,989	168,824,989	168,824,989
Preference shares	19	1	1	1	182,407,187	182,407,187	182,407,187
		1	1	1	6,995,581,297	6,995,581,297	6,995,581,297
		4,993,836,753	4,758,475	2,161,819,150	(6,995,581,297)	164,833,081	164,833,081

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 30. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

				20	2012		
				Classification of	Classification of carrying amount		Fair value
	Notes	Loans and receivables	Available-for- sale	Held-to -maturity	Liabilities at amortised cost	Total	Total
		Rs	Rs	Rs	Rs	Rs	Rs
Financial assets							
Cash and cash equivalents	9	383,006,543	•	•	•	383,006,543	383,006,543
Due from financial institutions	_	120,592,750	1	1	1	120,592,750	120,592,750
Investments	6	1	11,986,100	1,247,771,298	1	1,259,757,398	1,259,757,398
Loans and advances to customers	œ	2,370,947,816	1	1	1	2,370,947,816	2,370,947,816
Other assets	14	330,666,899	1	1	1	330,666,899	330,666,899
		3,205,214,008	11,986,100	1,247,771,298		4,464,971,406	4,464,971,406
Financial liabilities							
Due to customers	15	1	1	1	3,937,395,089	3,937,395,089	3,937,395,089
Borrowed funds	16	1	1	1	629,732	629,732	629,732
Other liabilities	18	1	1	1	163,139,595	163,139,595	163,139,595
Preference shares	19	1	1	1	182,407,187	182,407,187	182,407,187
		1	ı	1	4,283,571,603	4,283,571,603	4,283,571,603
		3,205,214,008	11,986,100	1,247,771,298	(4,283,571,603)	181,399,803	181,399,803

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 30. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

				20	2011		
				Classification of	Classification of carrying amount		Fair value
	Notes	Loans and receivables	Available-for- sale	Held-to -maturity	Liabilities at amortised cost	Total	Total
		Rs	Rs	Rs	Rs	Rs	Rs
Financial assets							
Cash and cash equivalents	9	640,804,653	•	1	1	640,804,653	640,804,653
Due from financial institutions	_	153,784,482	,	1	1	153,784,482	153,784,482
Investments	6	ı	13,690,100	59,421,750	1	73,111,850	73,111,850
Loans and advances to customers	∞	1,922,895,798	1	1	1	1,922,895,798	1,922,895,798
Other assets	7	234,638,632	1	1	ı	234,638,632	234,638,632
		2,952,123,565	13,690,100	59,421,750	1	3,025,235,415	3,025,235,415
Financial liabilities							
Due to customers	15	1	1	1	2,530,619,244	2,530,619,244	2,530,619,244
Borrowed funds	16	1	1	1	874,955	874,955	874,955
Other liabilities	18	1	1	1	154,630,765	154,630,765	154,630,765
Preference shares	19	1	ı	1	167,745,689	167,745,689	167,745,689
		1	ı	1	2,853,870,653	2,853,870,653	2,853,870,653
		2,952,123,565	13,690,100	59,421,750	(2,853,870,653)	171,364,762	171,364,762

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 30. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

## Assets for which fair value approximates carrying value

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

## Fixed rate financial instruments

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

## Financial instruments recorded at fair value

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

				I O II O II O	IIOIIDOID A	
			Quoted	techniques-	techniques-	
		Note	market price	market observable inputs	non-market observable inputs	Total
			á	ď	á	á
Financial assets			RS	RS	KS	S
Financial investments - available-for-sale	2013	6	3,488,475		1,270,000	4,758,475
Financial investments - available-for-sale	2012	6	10,716,100	1		11,986,110
Financial investments - available-for-sale	2011	6	12,420,100		1,270,000	13,690,100

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

; ; ; ;					2013			
	Notes	Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Assets		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	9	1,180,200,869	1	1,180,200,869	1	1	ı	1,180,200,869
Due from financial institutions	7	21,387,877	963,883,736	985,271,613	1	1	•	985,271,613
Investments	9,10	29,945,400	387,586,160	417,531,560	515,347,840	1,228,939,750	4,758,475	2,166,577,625
Loans and advances to customers	00	739,860,440	538,165,320	1,278,025,760	763,362,025	79,760,215	401,456,860	2,522,604,860
Intangible assets	12	1	ı	•	1	ı	15,185,060	15,185,060
Property, plant and equipment	Ξ	1	1	•	1	1	119,585,273	119,585,273
Deferred tax assets	13	1	ı	1	1	ı	9,433,475	9,433,475
Current tax assets	14	ı	ı	1	1	ı	3,920,166	3,920,166
Other assets		1	ı	1	1	1	399,328,701	399,328,701
Total		1,971,394,586	1,889,635,216	3,861,029,802	1,278,709,865	1,308,699,965	953,668,010	7,402,107,642
Liabilifies								
Due to customers	15	3,739,899,601	1,842,883,161	5,582,782,762	1,011,188,031	1	1	6,593,970,793
Borrowed funds	16	50,064,836	199,430	50,264,266	114,062	1	•	50,378,328
Employee benefit liability	18	1	ı	1	1	1	2,408,826	2,408,826
Other liabilities	18	46,897,206	53,278,465	100,175,671	14,737,831	ı	51,502,661	166,416,163
Preference shares	19		3,601,187	3,601,187	178,806,000	ı	1	182,407,187
Total		3,836,861,643	1,899,962,243	5,736,823,886	1,204,845,924		53,911,487	6,995,581,297
Net liquidity gap		(1,865,467,057)	(10,327,027)	(1,875,794,084)	73,863,941	1,308,699,965	899,756,523	406,526,345

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

					2012			
	Notes	Less than 3 months	3 to	Sub total less than 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Assets		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	9	383,006,543	ı	383,006,543	i	1	ı	383,006,543
Due from financial institutions	7	96,208,255	20,516,198	116,724,453	3,868,297	1	ı	120,592,750
Investments	9,10	124,071,658	38,209,550	162,281,208	258,467,840	827,022,250	14,986,100	1,262,757,398
Loans and advances to customers	00	568,142,683	426,905,589	995,048,272	997,483,081	52,031,411		2,044,562,764
Intangible assets	12	1	ı	1	1	1	15,330,036	15,330,036
Property, plant and equipment	Ξ	,	ı	ı	1	1	30,311,349	30,311,349
Deferred tax assets	13	1	1	1	1	1	8,620,363	8,620,363
Current tax assets	14	,	ı	ı	1	1	3,869,365	3,869,365
Other assets		•	ı	1	1	1	344,589,134	344,589,134
Total		1,171,429,139	485,631,337	1,657,060,476	1,259,819,218	879,053,661	417,706,347	4,213,639,702
Liabilities								
Due to customers	15	1,434,940,621	1,321,684,922	2,756,625,543	1,180,769,546	1	1	3,937,395,089
Borrowed funds	16	61,680	189,724	251,404	378,328	1	ı	629,732
Employee benefit liability	18	1	ı	1	1	1	1,888,041	1,888,041
Other liabilities	18	33,363,340	37,471,459	70,834,799	14,627,857	1	77,676,939	163,139,595
Preference shares	19		3,601,187	3,601,187	53,825,000	124,981,000	1	182,407,187
Total		1,468,365,641	1,362,947,292	2,831,312,933	1,249,600,731	124,981,000	79,564,980	4,285,459,644
Net liquidity gap		(296,936,502)	(877,315,955)	(1,174,252,457)	10,218,487	754,072,661	338,141,367	(71,819,942)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

					2011			
	Notes	Less than 3 months	3 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	No specific maturity	Total
Assets		Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cash and cash equivalents	9	640,804,653	,	640,804,653	ı	1	ı	640,804,653
Due from financial institutions	7	124,565,732	29,218,750	153,784,482	ı	1	1	153,784,482
Investments	9,10	59,421,750	1	59,421,750	ı	ı	16,690,100	76,111,850
Loans and advances to customers	00	361,127,830	472,665,994	833,793,824	1,113,734,251	44,218,080	1	1,991,746,155
Intangible assets	12	1	1	1	ı	ı	15,218,893	15,218,893
Property, plant and equipment	Ξ	ı	ı	1	ı	ı	25,977,398	25,977,398
Deferred tax assets	13	ı	ı	1	ı	ı	8,002,756	8,002,756
Current tax assets		1	5,849,073	5,849,073	ı	ı	ı	5,849,073
Other assets	14	ı	1	1	ı	1	238,254,635	238,254,635
Total		1,185,919,965	507,733,817	1,693,653,782	1,113,734,251	44,218,080	304,143,782	3,155,749,895
Liabilifies								
Due to customers	15	722,720,258	1,182,018,230	1,904,738,488	625,880,756	1	1	2,530,619,244
Borrowed funds	16	64,733	180,490	245,223	629,732	1	1	874,955
Employee benefit liability	18	1	1	1	1	1	1,888,041	1,888,041
Other liabilities	18	15,541,794	31,095,926	46,637,720	19,223,468	ı	95,169,688	161,030,876
Preference shares	19	ı	113,920,689	113,920,689	İ	53,825,000	ı	167,745,689
Total		738,326,785	1,327,215,335	2,065,542,120	645,733,956	53,825,000	97,057,729	2,862,158,805
Net liquidity gap		447,593,180	(819,481,518)	(371,888,338)	468,000,295	(9,606,920)	207,086,053	293,591,090

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 32. RELATED PARTY DISCLOSURES

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

relevant financial years.		eds.	)		5		) ) ) ) )	)	5	
		Loans	Loans and advances	s	Deposits f	Deposits from customers		Others	sıs	
	ğ	Loans and advances granted	Outstanding amount at year end	Interest receivable for the year	Deposits at year end	Interest payable Amount owed for the year by related parh	Amount owed by related party	Interest receivable from related party		Investment Other expenses
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Directors and key	2013		1,025,189	85,816	54,986,666	2,740,234			٠	٠
management personnel	2012	250,000	2,167,647	112,991	32,706,757	1,855,203	1	1	,	ı
	2011	2,082,569	2,040,840	27,092	34,171,847	1,529,513	1		1	i
Corporate shareholders 2013	2013	500,000	3,254,722	194,168	•	3,443		•	•	1,640,283
with significant intidence	2012	200,000	2,060,021	731,557	,	781	1	1	,	534,841
	2011	1	4,771,065	856,507	ı	•			1	
Enterprises that have	2013	30,746,000	137,550,084	11,083,109	51,296,634	1,080,915	2,345,500	•	٠	5,590,871
a number of alrectors in common	2012	48,745,545	125,480,183	8,684,939	20,605,158	412,441	5,703,247	ı	3,000,000	2,553,000
	2011	12,600,000	78,128,671	9,431,271	13,253,470	43,124	6,736,262	1,874,457	3,000,000	1,034,062
Enterprises under	2013					•	•			
common control	2012		1	1	1	ı	1	1	1	ı
	2011	1	ı	1	ı	ı	31,353,783	1	1	ı
Total	2013	31,246,000	141,829,995	11,363,093	106,283,300	3,824,592	2,345,500		•	7,231,154
	2012	49,495,545	129,707,851	9,529,487	53,311,915	2,268,425	5,703,247	1	3,000,000	3,087,841
	2011	14.682.569	84.940.576	10.314.870	47.425.317	1.572.637	38.090.045	1.874.457	3.000.000	1 034 062

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 32. RELATED PARTY DISCLOSURES (CONT'D)

Terms and conditions of transactions with related parties

party receivables or payables. For the year ended 30 June 2013, the Bank has not recorded any impairment of receivables (a) The transactions with related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There has been no guarantees provided or received for any related relating to amounts owed by the related parties (2012 & 2011: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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

(b) Reconciliation of loans and advances

	2013	2012
	Rs 000	Rs 000
Balance at beginning of year	129,708	84,940
Loans granted during year	31,246	49,496
Repayments	(19,124)	(4,728)
Balance at end of year	141,830	129,708

(c) Compensation of key management personnel of the Bank

2012 2011	Rs Rs	3,375,000 5,750,000	
2013	RS	hort term employee benefits 3,536,573	

2012

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 32. RELATED PARTY DISCLOSURES (CONT'D)

(d) The Bank's top six exposures to related parties amount to Rs 109,722,800 (2012: Rs 89,150,871 and 2011: Rs 79,436,266). None of these facilities were non performing (2012 and 2011:Nil). These were 38.2% of Tier 1 Capital.

## 33. CONTINGENT LIABILITIES

- (a) Instruments Guarantees on account of customers
  - (b) Commitments Undrawn credit facilities

2011	Rs		1	1
2012	Rs	3,495,093	1	3,495,093
2013	Rs	4,984,573	5,286,932	10,271,505

## 34. SEGMENTAL REPORTING

The Bank classifies its assets and liabilities into two segments; Segment A and Segment B. Segment B activity is essentially directed to the provision of intemational financial services that give rise to "foreign source income".

Segment B assets will generally consist of placements with and advances to foreign financial institutions, notably associated companies and overseas correspondents.

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

Segment A activity relates to all banking business other that Segment B activity.

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 34. SEGMENTAL REPORTING (CONT'D)

Statement of Financial Position	incial Position	·	2013			2012			2011	
		Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
Ž	Notes	Rs	Rs	Rs	Rs	Rs	Rs		Rs	Rs
ASSETS										
Cash and cash equivalents 33	33(a) 1,180,2	,180,200,869	194,875,133	985,325,736	383,006,543	242,432,148	140,574,395	640,804,653	622,841,247	17,963,406
Due from financial institutions 33	33(b) 985,2	985,271,614	776,452,738	208,818,876	120,592,750	105,119,565	15,473,185	153,784,482	115,850,982	37,933,500
Loans and advances to customers	2,430,	2,430,191,520	2,430,191,520	1	2,370,947,816	2,370,947,816	1	1,922,895,798	1,922,895,798	ı
Investment securities	2,166,5	2,166,577,625	2,166,577,625	1	1,259,757,398	1,259,757,398	1		73,111,850	1
Investment in subsidiary		•	1	1	3,000,000	3,000,000	1	3,000,000	3,000,000	1
Property, plant and equipment	119,8	119,585,273	119,585,273	1	30,311,349	30,311,349	1	25,977,398	25,977,398	1
Intangible assets	15,	15,185,060	15,185,060	1	15,330,036	15,330,036	1	15,218,893	15,218,893	1
Deferred tax assets	7'6	9,433,475	9,433,475	1	8,640,826	8,640,826	1	8,002,756	8,002,756	1
Current tax assets	3,5	3,920,166	3,920,166	1	5,849,073	5,849,073	1	5,849,073	5,849,073	ı
Other assets	399,3	399,328,701	399,328,701	1	330,666,899	330,666,899	1	238,254,635	238,254,635	1
Total assets	7,309,6	7,309,694,303	6,115,549,691	1,194,144,612	4,528,102,690	4,372,055,110	156,047,580	3,086,899,538	3,031,002,632	55,896,906
LIABILITIES										
Deposits from customers 33	33(c) 6,593,9	6,593,970,793	4,688,496,956 1,905,473,837		3,937,395,089	3,937,395,089	'	2,530,619,244	2,529,936,965	682,279
Other borrowed funds	50,3	50,378,328	50,378,328	1	629,732	629,732	1	874,955	874,955	1
Other liabilities	2,171	71,233,815	171,233,815	1	165,027,636	165,027,636	1	162,618,917	162,618,917	1
Preference shares	182,	182,407,187	182,407,187	1	182,407,187	182,407,187	1	167,745,689	167,745,689	1
Total liabilities	6,7997,9	6,997,990,123	5,092,516,286	1,905,473,837	4,285,459,644	4,285,459,644	1	2,861,858,805	2,861,176,526	682,279
Stated capital	304.8	304,871,110	304.871.110	'	234.516.240	234.516.240	'	201,013,920	201.013.920	1
Retained earnings	(b)	(3,985,651)	(3,985,651)	,	(5,875,610)	(5,875,610)	,	8,320,397	8,320,397	1
Other reserves	3,01	0,818,721	10,818,721	1	14,002,416	14,002,416	1	15,706,416	15,706,416	•
Capital and reserves	311,7	311,704,180	311,704,180	1	242,643,046	242,643,046	1	225,040,733	225,040,733	1
Total equity and liabilities	7,309,6	694,303	7,309,694,303 5,404,220,466 1,905,473,837	1,905,473,837	4,528,102,690 4,528,102,690	4,528,102,690	1	3,086,899,538	3,086,217,259	682,279

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 34. SEGMENTAL REPORTING (CONT'D)

Statement of Comprehensive Income	Income	2013			2012			2011	
	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
Notes	Rs	Rs	Rs		Rs	Rs		Rs	Rs
Interest income	338,143,578	337,278,192	865,386	297,302,672	296,312,968	989,704	244,468,991	244,427,140	41,851
Interest expense	(262,576,399)	(262,576,399)	1	(231,577,898)	(231,577,898)	1	(199,752,243)	(199,752,243)	1
Net interest income 33(d)	75,567,179	74,701,793	865,386	65,724,774	64,735,070	989,704	44,716,748	44,674,897	41,851
Fee and commission income	34,063,579	34,063,579	1	22,905,631	22,905,631	1	18,374,995	18,374,995	ı
Fee and commission expense	(1,819,185)	(1,819,185)	1	(1,591,385)	(1,591,385)	1	(1,218,739)	(1,218,739)	1
Net fee and commission income	32,244,394	32,244,394	1	21,314,246	21,314,246	1	17,156,256	17,156,256	1
Other Income	20,170,304	20,170,304	1	13,114,130	13,114,130	1	30,772,190	30,772,190	
	127,981,877	127,116,491	865,386	100,153,150	99,163,446	989,704	92,645,194	92,603,343	41,851
Provision for credit impairment									
on financial assets	(16,783,258)	(16,783,258)	1	(27,080,069)	(27,080,069)	ı	(29,821,922)	(29,821,922)	1
Personnel expenses	(52,947,195)	(52,947,195)	1	(46,383,809)	(46,383,809)	1	(41,283,275)	(41,283,275)	1
Depreciation and amortisation	(8,420,701)	(8,420,701)	1	(6,963,128)	(6,963,128)	1	(5,769,097)	(5,769,097)	1
Other expenses	(46,470,984)	(46,470,984)	-	(34,560,221)	(34,560,221)	1	(36,794,963)	(36,794,963)	1
	(124,622,138)	(124,622,138)	1	(114,987,227)	(114,987,227)	1	(113,669,257)	(113,669,257)	1
Operating profit/(loss) before tax	3,359,739	2,494,353	865,386	(14,834,077)	(15,823,781)	989,704	(21,024,063)	(21,065,914)	41,851
Tax (expense)/credit	(1,136,258)	(1,136,258)	1	638,070	638,070	1	(3,833,952)	(3,833,952)	1
Profit/(loss) for the year	2,223,481	1,358,095	865,386	(14,196,007)	(15,185,711)	989,704	(24,858,015)	(24,899,866)	41,851
Other Comprehensive (loss)/income Items that may be realisatified subsequently to profit or loss:									
Fair value realised on disposal of available for sale financial assets	(3,936,792)	(3,936,792)	1		,	1		,	,
Gain/(loss) on remeasuring available for sale financial assets	419,575	419,575	'	(1,704,000)	(1,704,000)	,	1,113,700	1,113,700	
Other Comprehensive (loss)/income									
for the year	(3,517,217)	(3,517,217)	1	(1,704,000)	(1,704,000)	1	1,113,700	1,113,700	1
Total Comprehensive (loss)/income	(1,293,736)	(2,159,122)	865,386	(15,900,007)	(16,889,711)	989,704	(23,744,315)	(23,786,166)	41,851

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 34. SEGMENTAL REPORTING (CONT'D)

		2013			2012			2011	
	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
(a) Cash and cash equivalents		Rs	Rs		Rs	Rs		Rs	Rs
Cash in hand	5,361,198	5,361,198	'	6,002,749	6,002,749		6,724,288	6,724,288	1
Foreign Currency notes and coins	644,972	644,972	1	876,007	876,007	1	2,099,995	2,099,995	•
Unrestricted balances with central bank	155,318,512	155,318,512	1	20,648,339	20,648,339	1	321,501,424	321,501,424	1
Balances with local banks	7,042,037	7,042,037	1	14,905,053	14,905,053	1	42,515,540	42,515,540	,
Balances with banks abroad	985,325,736	844,751,341	140,574,395	140,574,395	1	140,574,395	17,963,406	1	17,963,406
Interbank loans	26,508,414	26,508,414	1	200,000,000	200,000,000	1	250,000,000	250,000,000	1
	1,180,200,869	1,039,626,474	140,574,395	383,006,543	242,432,148	140,574,395	640,804,653	622,841,247	17,963,406
	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
		Rs	Rs		Rs	Rs		Rs	Rs
Balances with banks	1,180,200,869	1,039,626,474 140,574,395	140,574,395	383,006,543	242,432,148	140,574,395	640,804,653	622,841,247	17,963,406
Bank overdrafts (Note 16)			1		1	1	(6,056)	(990'9)	
Cash and cash equivalents	1,180,200,869	1,039,626,474	140,574,395	383,006,543	242,432,148	140,574,395	640,798,597	622,835,191	17,963,406
	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
(b) Due from financial institutions		Rs	Rs		Rs	Rs		Rs	Rs
Placements	985,271,614	776,452,738	208,818,876	120,592,750	105,119,565	15,473,185	153,784,482	115,850,982	37,933,500
Maturity									
Up to 3 months	21,387,877	5,720,853	15,667,024	96,208,255	96,208,255	1	124,565,732	114,426,232	10,139,500
Over 3 months and up to 6 months	57,100,574	57,100,574	1	4,195,592	4,195,592	ı	4,076,000	1	4,076,000
Over 6 months and up to 12 months	906,783,163	713,631,311	713,631,311 193,151,852	16,320,607	847,422	15,473,185	25,142,750	1,424,750	23,718,000
Over 1 year and up to 5 years		'	'	3,868,296	3,868,296	,		'	1
	985,271,614	776,452,738	208,818,876	120,592,750	105,119,565	15,473,185	153,784,482	115,850,982	37,933,500

ABC BANKING | Annual Report 2013 |

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 34. SEGMENTAL REPORTING (CONT'D)

		2013			2012			2011	
	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B
(c) Deposits from customers		Rs	Rs		Rs	Rs	Rs	Rs	Rs
Retail customers									
Savings deposits	643,765,958	5,361,198	10,499,123	293,343,009	293,343,009	-	143,327,997	143,327,997	1
Other deposits	65,853,064	644,972	61,507,123		21,021,054		1,221,053	538,774	682,279
Time deposits with remaining term to maturity:									
Up to 3 months	206,995,683	199,473,995	7,521,688	138,426,998	138,426,998		160,187,300	160,187,300	ı
Over 3 months and up to 6 months	105,197,900	99,290,400	5,907,500	86,089,782	86,089,782		116,594,432	116,594,432	ı
Over 6 months and up to 12 months	371,456,867	347,456,993	23,999,874	402,022,915	402,022,915	-	413,371,456	413,371,456	1
Over 1 year and up to 5 years	764,429,362	676,317,687	88,111,675	784,625,926	784,625,926	- 9	499,065,795	499,065,795	1
Over 5 years		'	ı			'	•	'	1
Corporate customers									
Savings deposits	499,700,558	499,700,558	1	424,442,366	424,442,366	- 9	247,882,079	247,882,079	ı
Other deposits	1,876,683,498	229,076,358	229,076,358 1,647,607,140	273,687,776	273,687,776	- 9	17,613,894	17,613,894	1
Term deposits with remaining term to maurity:									
Up to 3 months	446,900,840	428,437,132	18,463,708	284,019,418	284,019,418		152,487,935	152,487,935	1
Over 3 months and up to 6 months	437,475,540	407,672,750	29,802,790	158,446,095	158,446,095	1	37,144,913	37,144,913	1
Over 6 months and up to 12 months	928,752,854	916,699,638	12,053,216	675,126,130	675,126,130	- 0	614,907,429	614,907,429	1
Over 1 year and up to 5 years	246,758,669	246,758,669	1	396,143,620	396,143,620	- 0	126,814,961	126,814,961	1
Over 5 years		'	'				•		1
	6,593,970,793	4,688,496,956	6,593,970,793 4,688,496,956 1,905,473,837 3,937,395,089 3,937,395,089	3,937,395,089	3,937,395,089	-	2,530,619,244	2,530,619,244 2,529,936,965	682,279

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

## 34. SEGMENTAL REPORTING (CONT'D)

		2013			2012			2011	
	Bank	Segment A	Segment B	Bank	Segment A S	Segment B	Bank	Segment A	Segment B
(d) Net interest income		Rs	Rs		Rs	Rs		Rs	Rs
Interest income									
Finance leases	143,028,189	143,028,189	1	184,108,496	184,108,496	1	219,093,295	219,093,295	1
Other receivables from related									
companies			1		'	1	1,874,457	1,874,457	
Bank balances	6,663	6,663	1	68,970	68,970	1	70,899	70,899	•
Interest on late payment	14,323,458	14,323,458	1	16,256,354	16,256,354	1		10,169,158	•
Other advances to customers	53,909,223	53,909,223	1	22,831,135	22,831,135	1	367,500	367,500	1
Financial investments - due from									
financial institutions	5,288,017	4,422,631	865,386	11,335,117	10,345,413	989,704	12,791,300	12,749,449	41,851
Financial investments - held-to-maturity	121,585,028	121,585,028		62,702,600	62,702,600	1	102,382	102,382	1
	338,143,578	337,278,192	865,386	297,302,672	296,312,968	989,704	244,468,991	244,427,140	41,851
Interest expense									
Due to customers	248,692,684	248,692,684	1	215,729,057	215,729,057	'	184,573,111	184,573,111	1
Preference shares			1	15,810,734	15,810,734	1	13,707,793	13,707,793	1
Borrowed funds	98,322	98,322	1	38,107	38,107	1	1,462,770	1,462,770	•
Bank overdrafts			1		1	1	8,569	8,569	
	262,576,399	262,576,399	1	231,577,898	231,577,898	1	199,752,243	199,752,243	1
Net interest income	75,567,179	74,701,793	865,386	65,724,774	64,735,070	989,704	44,716,748	44,674,897	41,851

