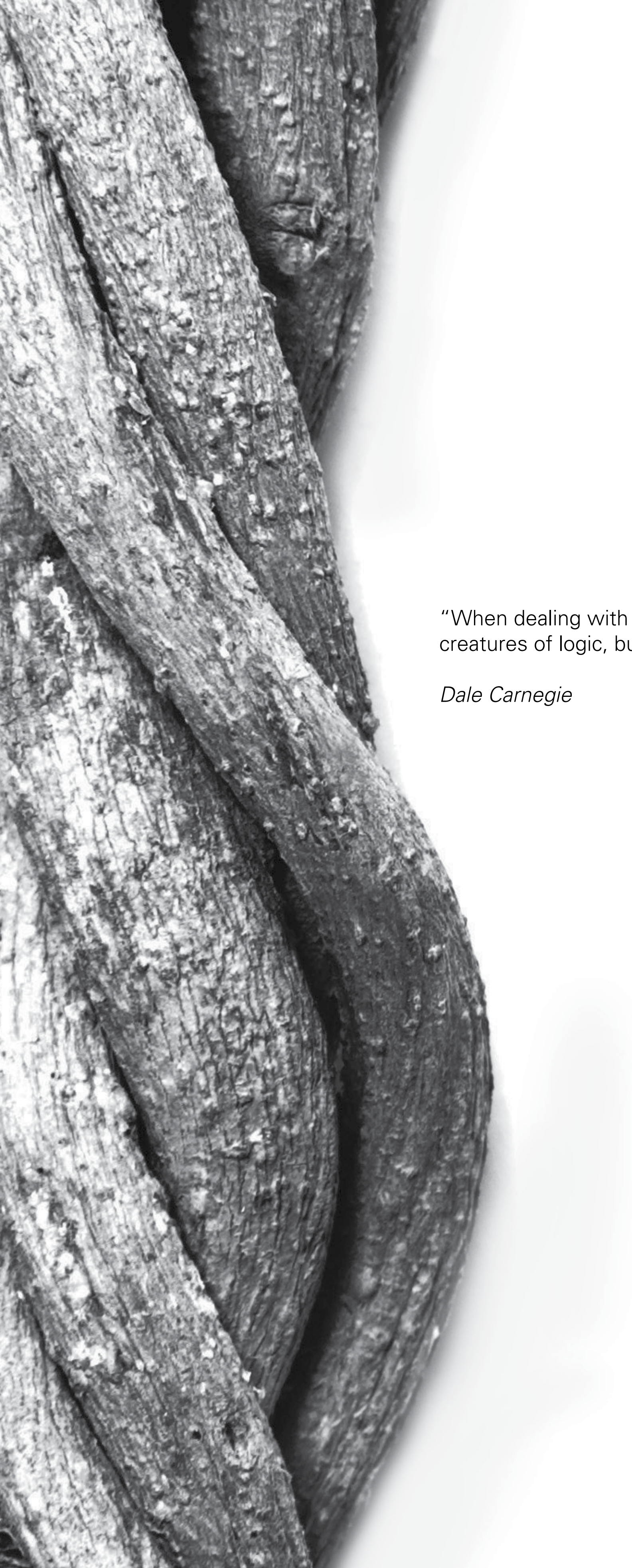
RELATIONSHIPS
NOT TRANSACTIONS

BANK ONE

ANNUAL REPORT 2014



"When dealing with people, remember you are not dealing with creatures of logic, but with creatures of emotion."

Dale Carnegie

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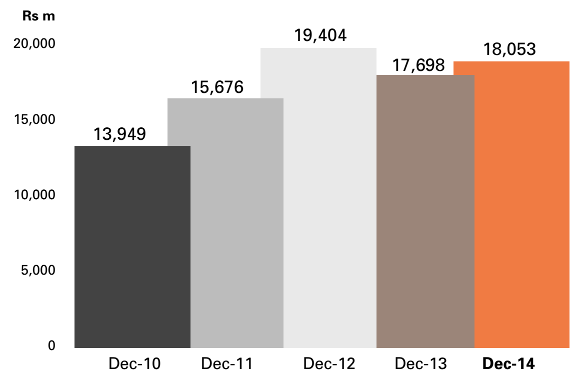
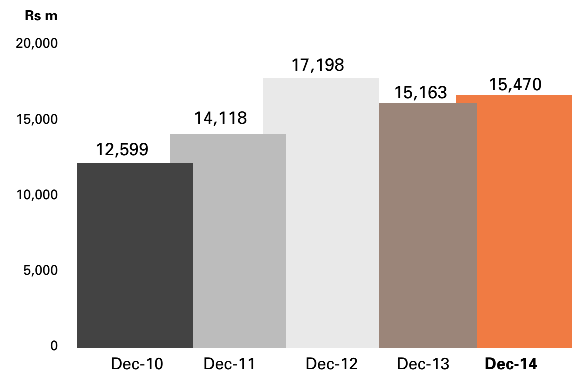
KEY PERFORMANCE HIGHLIGHTS

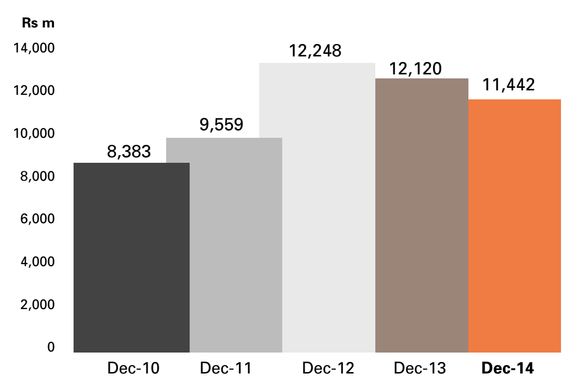
Total Assets



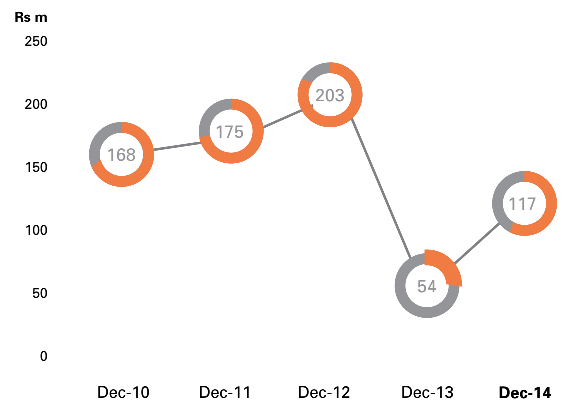
Total Deposits



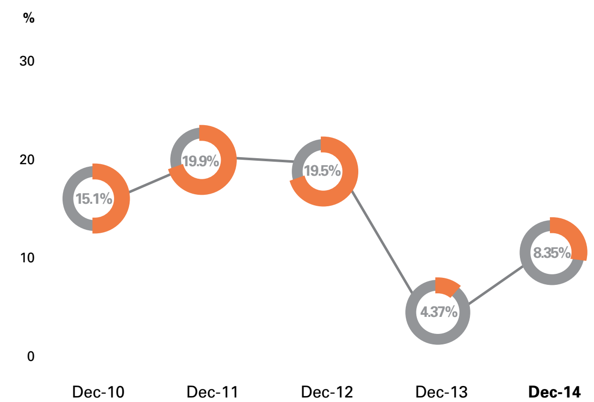
Gross Advances



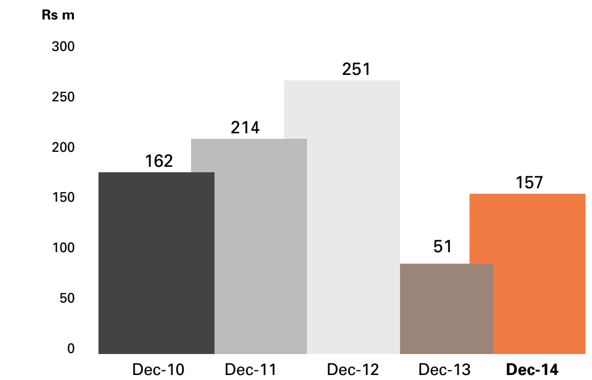
Profit after Tax



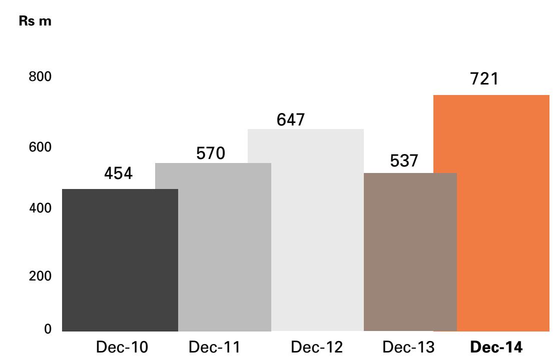
Return on Equity



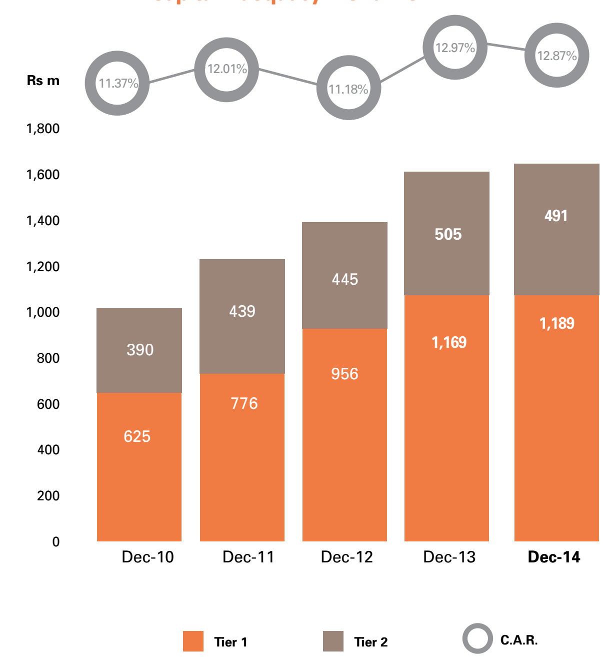
Non Interest Income



Operating Income



Capital Adequacy Trendline



CREATING A BOND

At Bank One we look forward to creating a bond with our stakeholders. We believe that you are the reason we're here today, expanding and ever-growing, and we want to give you only the best of ourselves in this lifelong relationship.

CORPORATE PROFILE

BANK ONE is a full-service bank that focuses on the domestic and regional markets. It endeavours to offer worldclass services to its customers, fulfillment to its employees, whilst contributing to the sustainable development of the communities it serves.

Its core segments are Retail Banking; Corporate Banking; Private Banking & Wealth Management; International Banking; and Treasury, whilst its E-Commerce business unit is increasingly gaining momentum.

Bank One's banking and transactional capabilities are essentially located in Mauritius, serviced by 16 branches throughout the island and a well distributed network of ATMs. As part of its regional and international growth strategy, Bank One has been expanding its reach through increased business in East Africa and regular road shows on the African and Asian continents. It recently set its footprint in South Africa with the opening of a representative office.

Bank One also leverages on the strong presence of its two shareholders, I&M and CIEL Groups, on the African continent to position itself as a regional banking force with global reach.

OUR VISION

To be amongst the leading domestic banks known for its service excellence and a regional player.

OUR MISSION

To help our clients achieve economic success.

OUR CORE VALUES

- **Integrity:** We maintain the highest standards of honesty and integrity with our customers and stakeholders.
- **Customer Focus:** Our customers are at the centre of everything we do.
- **Team Work:** Through collaboration, we create more value for our customers.
- **Efficiency:** We do the right thing right for the benefit of our clients.
- **Continuous Improvement:** We constantly review our processes and ways of doing business to adapt to the changing needs of our clients.

COMPANY DETAILS

Business Registration No: C07040612

Registered Office

16, Sir William Newton Street,
Port Louis, Mauritius
Telephone: (230) 202 9200
Fax: (230) 210 4712
Website: www.bankone.mu

Nature of Business

Bank One is licensed with the Bank of Mauritius to carry out banking business.

The Bank also holds the following licences:

Licence	Issuer
Licence to act as Insurance Agent for Anglo-Mauritius Assurance Society Limited and Mauritius Union Assurance Co Ltd	Financial Services Commission of Mauritius
Licence for distribution of financial products	Financial Services Commission of Mauritius
Investment Adviser (Unrestricted) Licence	Financial Services Commission of Mauritius
Custodian Licence	Financial Services Commission of Mauritius
Foreign Institutional Investor (FII) Licence	Securities and Exchange Board of India
Representative Office in South Africa	South African Reserve Bank

Bank One has a Merchant Acquiring licence with VISA and Mastercard to carry out E-Commerce business.

Main Correspondent Banks

I&M Bank Limited, Nairobi
Citibank NA, New York
Citibank NA, London
Deutsche Bank Trust Company Americas, New York
Deutsche Bank AG, Frankfurt
UBS AG, Zurich
Bank of China Limited
Yes Bank Ltd, Mumbai
DBS Bank Ltd, Singapore
Commonwealth Bank of Australia
The Standard Bank of South Africa Ltd, Johannesburg
Commerzbank AG, Tokyo

External Auditors

PricewaterhouseCoopers
18, CyberCity
Ebène, Réduit 72201
Mauritius

BOARD OF DIRECTORS

Chairman

David PROCTOR (Independent) (Director from 28 July 2014 & Chairman from 01 January 2015)

Kim Foong (Roger) LEUNG SHIN CHEUNG (Independent) (Chairman from 01 March 2013 to 31 December 2014)

Members

Ravneet CHOWDHURY (Executive)
Sarit S. RAJA-SHAH (Non-Executive)
Jean-Pierre DALAIS (Non-Executive)
Arun Shankar MATHUR (Non-Executive)
Pratul SHAH (Independent)
Sandra MARTYRES (Independent)
Jérôme DE CHASTEAUNEUF (Alternate Director to Jean-Pierre Dalais) (until 22 February 2015)
Jason HAREL (Independent) (resigned on 20 June 2014)
Thierry HUGNIN (Non-Executive) (resigned on 31 December 2014)

Secretary to the Board & Board Committees

Kamini VENCADASMY

BOARD COMMITTEES

Audit Committee

Pratul SHAH (Chairman)
David PROCTOR (from 28 July 2014)
Sandra MARTYRES (from 19 September 2014)
Roger LEUNG (until 19 September 2014)
Jason HAREL (until 20 June 2014)

Credit Committee

Arun S. MATHUR (Chairman)
Roger LEUNG
Sandra MARTYRES (from 19 September 2014)
Thierry HUGNIN (until 31 December 2014)

Risk Management Committee

Sandra MARTYRES (Chairperson as from 19 September 2014)
Roger LEUNG (Chairperson until 19 September 2014)
Arun S. MATHUR
Ravneet CHOWDHURY
David PROCTOR (from 19 September 2014)
Pratul SHAH (until 19 September 2014)

Administrative & Staff Compensation Committee

Arun S. MATHUR (Chairman)
David PROCTOR (from 19 September 2014)
Roger LEUNG (until 19 September 2014)
Jean-Pierre DALAIS (until 19 September 2014)
Thierry HUGNIN (until 31 December 2014)

Conduct Review & Corporate Governance Committee

David PROCTOR (Chairman from 19 September 2014)
Roger LEUNG (Chairman until 19 September 2014)
Pratul SHAH

Nomination & Remuneration Committee

Sarit RAJA-SHAH (Chairman)
Jean-Pierre DALAIS
Roger LEUNG
Pratul SHAH

EXECUTIVE MANAGEMENT

Chief Executive Officer

Ravneet CHOWDHURY

Deputy Chief Executive Officer

C.P. BALACHANDRAN

Chief Operating Officer

Dhinoo VEERASAWMY

Chief Financial Officer

Ranjeevesingh GOWREESUNKUR

Chief Risk Officer

Stephen VLOK

Head of Credit Administration

Valerie DUVAL

Head of Retail Banking

Anne Marie KOO TON FAH

Head of Private Banking & Wealth Management

Arun Kumar MATHUR

Head of Corporate Banking

Fareed SOOBADAR

Head of Treasury

Rishyraj LUTCHMAN

OTHER SENIOR OFFICERS / HEADS OF DEPARTMENTS

Chief Internal Auditor

Neelesh SAWOKY (until February 2015)

Head of Credit Risk

Karamchand (Sunil) SATHEBAJEE

Manager - Corporate Affairs & Company Secretary

Kamini VENCADASMY

Manager - Compliance & MLRO

Shekhar GANGAPERSAD

Manager - IT

Sanjay GOORAH

Head of Collections & Recovery

Sailesh SEETUL (from March 2015)

Head of HR

David LEGRIGORE (from March 2015)

Head of Marketing

Ahmad AUMJAUD

Notes:

1. Resignations which took place during the year under review and as at date are highlighted in italic for ease of reference.

2. Changes which occurred in the composition of the Board Committees on 19 September 2014 were part of a rotation plan approved by the Board upon recommendation of the Nomination & Remuneration Committee and in line with the Guideline on Corporate Governance.

CHAIRMAN'S STATEMENT

"I am delighted to assume the role of Chairman of Bank One with effect from the 01 January 2015. A Chairman's primary function is to preside over meetings of directors and ensure the smooth running of the Board in the interests of good governance, balancing "performance" and "conformance". Bank One made significant progress on both fronts in 2014."

David Proctor
Chairman

Performance

The Bank's 2014 net profit after tax was Rs 117m, a 118% increase over the previous year.

For the first three quarters of the year, the Mauritius Chamber of Commerce and Industry's confidence index declined. Despite a slightly improved business outlook in the final quarter, Bank One adopted a measured approach to growth and risk management throughout the year and implemented a series of actions to improve the rate, and reduce the volatility, of Shareholders' returns over the medium term.

- The Bank's liability management was enhanced to take advantage of prevailing high liquidity in the Mauritius financial sector. Total customer deposits increased from 2% to Rs 15.5bn, but this portfolio now comprises a higher proportion of core, low cost deposits.
- To improve the portfolio risk / reward ratio, maturing loans priced at margins no longer commensurate with their risk were not renewed, resulting in a 6% reduction in gross Loans and Advances. This process has now been completed and Total Loan and Advances are expected to increase in 2015.
- Higher risk customer loans and advances received intense management attention and net impairments on financial assets totalled Rs 477m in 2014. When combined with the managed reduction in total loans and advances, the Bank's impairment ratio reached 8.23% at the year end. Work will continue in 2015 to ensure the Bank's loan portfolio maintains an improved risk profile.

The Board's annual strategic review revalidated significant growth opportunities for the Bank and priority strategic initiatives have been agreed. This will result in the Bank expanding further in select international and private banking segments, while continuing to service the needs of customers residing, visiting, or investing in Mauritius, our home. The Bank's two shareholder partners, Ciel Finance Ltd and I&M Holdings Ltd fully endorse the strategy which is aligned to their combined strength, reputation and regional expertise.

Conformance

In accordance with the Code of Governance for Mauritius and the Bank of Mauritius Guideline on Corporate Governance, in 2014 the following Board changes occurred:

- 2 directors, namely Mr. Jason Harel (independent director) and Mr. Thierry Hugnin (director representing Ciel Finance Ltd) stepped down from their position. Mr. Harel was replaced by myself, whilst a suitable replacement has been identified for Mr. Hugnin and will be joining the Board shortly. On behalf of the shareholders and the Board, I would like to thank Mr. Harel and Mr. Hugnin for the unstinting support and service they provided throughout their tenures.
- Director membership and chairmanship of the Board Committees were rotated. The Audit, Risk Management and Corporate Governance & Conduct Review Committees, as well as the Board, are chaired by independent directors.

Reflecting Bank One's evolving strategic priorities and growth aspirations, changes were also made at the senior executive level. Mr. Ravneet Chowdhury was appointed Chief Executive Officer with effect from 01 January 2014 and Mr. Balachandran Chelampet Puthukulangara was appointed Deputy Chief Executive Officer with effect from 01 February 2014. Both have extensive banking experience gained at major international banks.

More detailed information on Bank One's governance practices are contained in the Corporate Governance Report section of this Annual Report.

Customers, Staff and the Community

An annual report contains detailed financial information, but a bank's primary function is to provide quality services to its customers, and I would like to thank Bank One's customers for their continued loyalty and support. The Directors and Staff are committed to enhancing our offerings to ensure Bank One can continue to meet your evolving banking needs.

Accounting information also gives no insight to the quality of a company's staff. Bank One's staff are at the very heart of its continuing progress and development and I would like to express the Board's gratitude for the energy, enthusiasm and commitment they provide daily to their customers, colleagues and community.

A particular highlight is the Community Action for Relief and Empowerment ("CARE") programme established by Bank One's Community and Social Responsibility ("CSR") Committee. The programme helps alleviate poverty through literacy and education support for children in underprivileged areas. It is humbling to see the level of practical involvement from Staff volunteers in this programme.

Finally, I would like to record my thanks and appreciation to Mr. Kim Foong (Roger) Leung Shin Cheung, my predecessor as Chairman of Bank One. During his 2 years as Chairman, he has meticulously guided Bank One through the rapid changes taking place in the domestic and international banking industry. I am delighted that he has accepted the Shareholders' invitation to remain as an independent director and we may all continue to benefit from his experienced counsel.

This 13 March 2015

David Proctor
Chairman

CEO'S REPORT

"I feel very delighted and proud to report on the 2014 performance of Bank One, after my first year as Chief Executive Officer, demonstrated by an encouraging 34% growth in the operating income and 71% growth in profit before impairment. The priority after joining the Bank has been to consolidate the financial strength of the organisation while at the same time strengthening the Risk Management Framework and reviewing the processes within which the Bank was operating."

Ravneet Chowdhury
Chief Executive Officer

Performance

We have consciously trimmed the balance sheet as a short-term strategy to improve on the efficiency of our balance sheet and net interest margins. As a result, total assets grew by a marginal 2% to close at Rs 18.1bn. However, the actions taken to reshape the balance sheet have resulted in a growth in the Net Interest Income by 16%. Diversification in new sources of revenue has been beneficial as the contribution of non-interest income to total operating income expanded from 9% to 22%. Whilst the profit after tax grew from Rs 54m to Rs 117m, it is still to reflect the true potential of the Bank. On the other hand, we have been very prudent in taking provisions which accounts for a large part of the charge on the revenues and also wrote off the goodwill of Rs 15m which has now become impaired. We managed capital quite prudently, ending 2014 with a Capital Adequacy Ratio of 12.87%.

People

2014 has been particularly focused on the people side of our business. We have hired a new Head of Private Banking to take this business to a different level. A Chief Risk Officer has also been recruited, to manage risk on a holistic basis and to have a deeper understanding of the risks we take. A training manager was recruited to enable the setting up of the Bank One Training Academy. A number of trainings have been conducted which help to motivate, train and retain staff. There has been a harmonisation of staff policies as well to have a more transparent and functional process as regards staff benefits. Internal communication was also ramped up with regular updates from the CEO, frequent gatherings with staff members and the start of a monthly executive talk to engage staff and share experiences. Bank One also established its CSR committee this year to better manage and administer the CSR fund besides ensuring active staff participation in the process. We really appreciated the level of staff engagement in the various activities organised by the committee.

Business Lines

2014 was a sluggish year for the domestic economy with a growth rate of 3.2% recorded. Growth in bank credit was further constrained by the macro prudential norms introduced by the Bank of Mauritius early during the year. The market was also characterised by extreme excess liquidity throughout the year, low levels of investment in the domestic economy and a price war amongst banks to grow assets.

Bank One continues to make deeper inroads in our International Banking business. Whilst East Africa has been the primary area of focus for the Bank, in 2014 we have been able to further penetrate this market. A representative office in South Africa has been set up and the Bank will definitely benefit from business flows from this area. Further expansion has been successfully made into other geographies. The Private Banking model has also been redefined to provide a differentiated offering in the market. This effort will gather more steam in 2015.

On the domestic side, business has been slow in line with the economy and the macro prudential norms introduced by the Bank of Mauritius in 2014 which tightened credit growth. The corporate banking business is being refocused to concentrate more on the upper end of the market and with deeper penetration with the larger names. The retail banking business is also being looked at strategically to arrive at a more effective model to compete in an already crowded marketplace.

The Treasury business has performed well in 2014 and we will continue to explore new opportunities and manage a well-balanced, risk adjusted return. Controls in this business are constantly being reviewed to ensure that the business is managed optimally. The E-Commerce business went through some de-risking early in 2014, which slowed down the momentum. The business is now ready for growth and set for a good year in 2015.

Controls and Processes

Bank One has placed a lot of emphasis on strengthening controls and streamlining processes. The objective has been to simplify the structure and ensure that service is delivered to the customer in the best possible manner. A new products committee has been initiated to ensure that new products are on-boarded with the right due diligence and buy-in from all functions. The compliance processes are being constantly relooked to make sure that there is an adherence to requirements whilst ensuring that business is seamless. The operational risk framework is also being revamped and a new structure will be introduced in 2015.

Some re-engineering has been done in 2014 to simplify work flows and strengthen controls. This effort is expected to continue into 2015 and beyond to keep the Bank abreast of changing regulations, risks and customer requirements.

Future Outlook

Bank One has strengthened its risk management in 2014 and is poised for good growth in 2015. A lot of measures have been taken to resolve some legacy issues and free up people and capital for productive purposes. The new business heads are well entrenched and business momentum looks very strong for 2015. Bank One will continue to grow its international operations, simultaneously finding its space in the domestic market. A number of strategic initiatives are under way to improve profitability, set up new business models and indeed to redefine some of the existing products and lines of business that we have. A renovation of the Head Office is being undertaken to accommodate new staff and to reflect the profile of Bank One. A separate SME team is being put in place to look at small businesses and explore this segment of the market. The focus will be on strong, consistent and stable growth with well-managed risk over the next few years.

I seize this opportunity to extend my sincere appreciation to the Shareholders and the Board for their valuable guidance and support, especially the contribution made by various Board Committees. I would also like to thank our most valuable asset, our staff, for the excellent effort they put in for 2014. As we move to become a more performance-driven bank, I look forward to the continued support from the Board and hard work of the Management Team and the Staff of the Bank.

This 13 March 2015

Ravneet Chowdhury
Chief Executive Officer

ECONOMIC REVIEW

GLOBAL ECONOMIC ENVIRONMENT 2014

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with legacies of the financial crisis and emerging economies are showing a receding growth trend. Global growth in 2014 was lower than initially expected, continuing the disappointing pattern over the past several years. The International Monetary Fund (IMF) has projected global growth for 2014 at 3.3%.

Overview of International Economies

The Bank has focused on the East African region given the easy access to that market as a part of the I&M Group. Other key geographies where the Bank has dealings include France, United Kingdom (UK), India and the United States of America (USA). In 2014, the Bank also set up a representative office in South Africa.

East Africa

According to the United Nations World Economic Situation Prospects, East African growth is expected to reach 6.8% in 2015 from 5.5% in 2014. Inflation will slightly increase from 5.9% in 2014 to 6.2% in 2015.

France

As per the European Commission forecast, French economic growth is to accelerate to 1% in 2015 from 0.4% in 2014 and move up further to 1.8% in 2016.

United Kingdom

The Office for National Statistics confirmed that the UK economy grew by 2.6% in 2014, fueled by buoyant consumer spending, a recovery in the housing market and a long-awaited revival in business investment. The positive trend is expected to remain in 2015.

India

According to IMF, the Indian economy grew by 5.8% in 2014. The growth projections are still higher for next two years.

United States

The Bureau of Economic Analysis reported that the US economy grew 2.4% in 2014 and is expected to show an improvement in 2015, largely due to more robust private domestic demand.

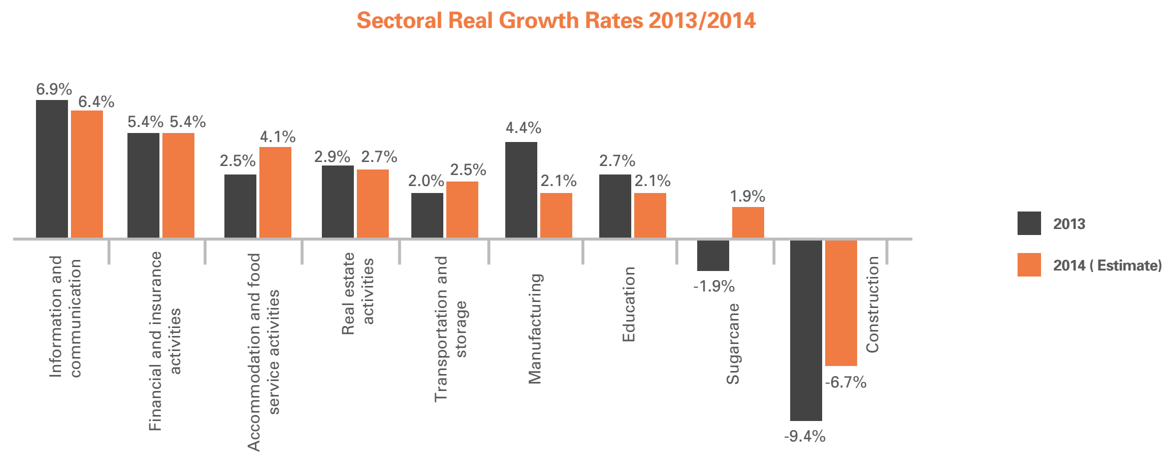
The Bank monitors the performance of these economies on an ongoing basis through the monthly Assets and Liabilities Management Committee. Any situation that may adversely affect the exposure of the Bank is immediately communicated to Management. The Bank has approved country and activity wise limits for several countries and these limits are subject to an annual review based on the economic outlook of these countries. The Bank uses this control to mitigate the risks of unsettled liabilities.

MAURITIUS ECONOMIC OVERVIEW 2014

The Mauritian economy has weathered the global slowdown reasonably fairly. The economy maintained annual growth rates of above 3% for the last five years (2009-2014). The last national account figures released by Statistics Mauritius estimate the GDP growth rate for 2014 to be 3.5%. This is an improvement over the 3.2% expansion for 2013.

Annual Growth Rate (%) by industry, 2014

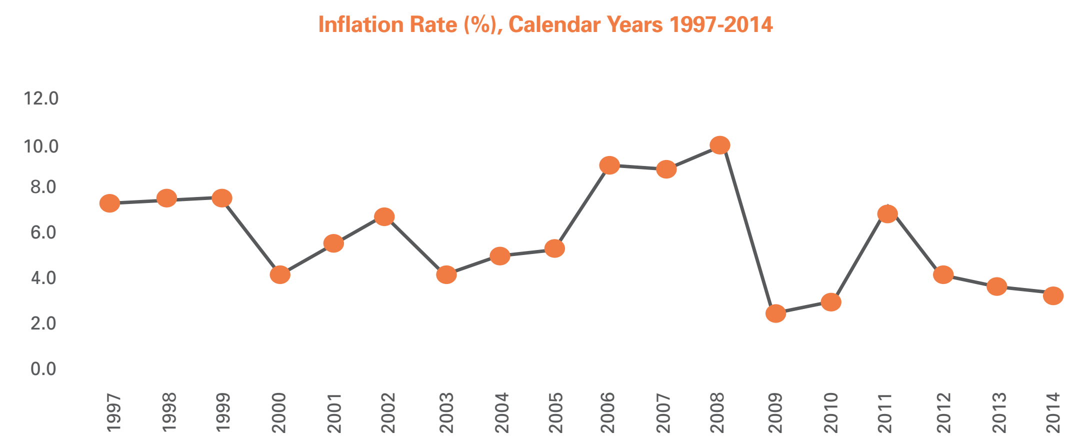
The performance of the main industry groups in 2014 compared to the growth in 2013 is as follows:



Source: CSO: December 2014

The **construction sector** declined by 6.7% in 2014 after the contraction of 9.4% in 2013, mainly explained by a decrease in major private construction projects.

Inflation



Source: CSO: January 2015

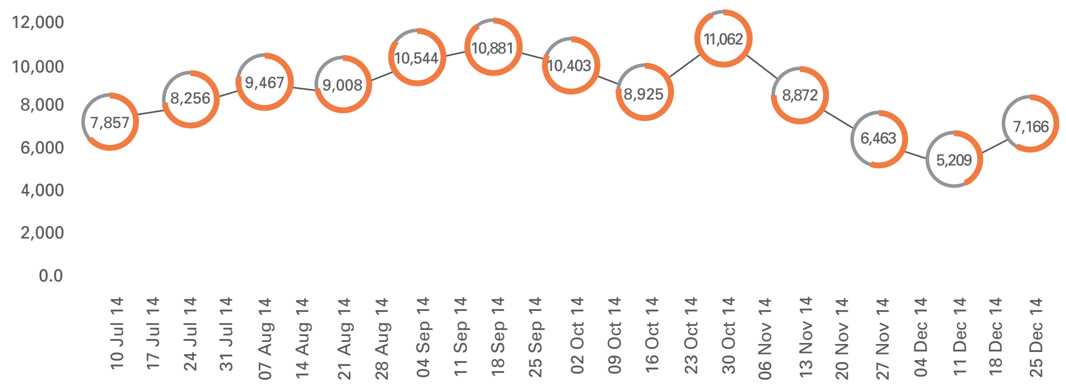
The headline inflation rate was 3.2% for year 2014 compared to 3.5% for year 2013.

Excess Liquidity in the Banking Industry

Funding and liquidity risks were considered low as banks operated with ample funding from domestic and international sources during the first half of 2014. The average excess liquidity rose substantially to Rs 10.2bn in the first half of 2014, compared to an average of Rs 4.9bn in the second half of 2013. In the second half of 2014, the excess liquidity came down to Rs 7.1bn as at 25 December 2014 due to certain specific measures undertaken by the Central Bank.

The graph below shows the trend of the excess liquidity in the banking industry.

Excess Cash Holdings Rs (m)



Source: The Bank of Mauritius

Monetary Policy
The Monetary Policy Committee (MPC) held four meetings during the year 2014 and the Key Repo Rate remained unchanged throughout 2014 at 4.65%.

Exchange Rates
The nominal effective rupee exchange rate remained fairly stable during 2014 except towards the year end, reflecting international currency movements as well as domestic demand and supply conditions.

The average exchange rate of USD/MUR ranged between 30.555 (lowest in March 2014) and 31.975 (highest in December 2014), for EUR/MUR it ranged between 39.402 (lowest in December 2014) and 42.137 (highest in March 2014) and for GBP/MUR it ranged between 49.974 (lowest in December 2014) and 52.437 (highest in July 2014).

Business Confidence
A recovery in domestic demand buoyed business confidence in Mauritius during the last quarter of 2014 after declining over the previous three consecutive quarters. The Mauritius Chamber of Commerce and Industry's quarterly confidence index climbed 6.5% to 82.5 points from 77.5 points for the third quarter of 2014.

Unemployment Rate
Mauritius' average unemployment rate for 2014 stood at 7.8%.

Global Competitiveness Report 2014-2015
The Global Competitiveness Report 2014-2015 of the World Economic Forum (WEF) assesses the competitiveness landscape of 148 economies while providing insight into the drivers of their productivity and prosperity.

The report showed that Mauritius has improved its ranking by climbing six places from its previous position at the 45th place in the 2013-2014 report to reach the 39th position. Mauritius is also ranked first in Sub-Saharan Africa.

The report also refers to Mauritius as the region's most competitive economy thereby attributing its good performance to several achievements over the past years namely: improvement in institutions, that is a more efficient bureaucracy; more efficient judiciary; and also in terms of good market efficiency.

Outlook for 2015
Real GDP growth in Mauritius is expected to accelerate in 2015, aided by the development plans of the newly elected government. Lower oil prices and higher export projections will have a positive impact on the balance of trade.

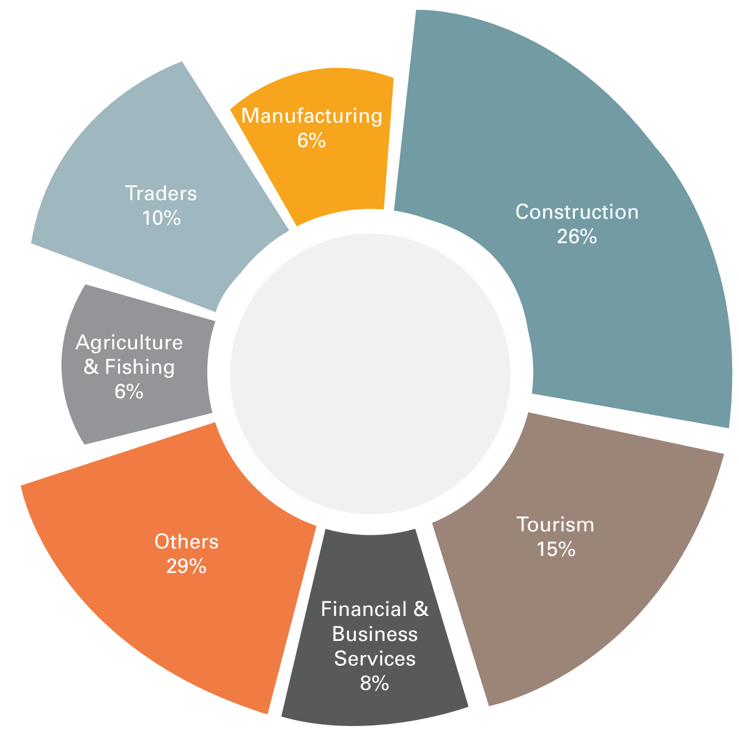
PERFORMANCE OF THE BANKING SECTOR

The banking sector was resilient, well-capitalised and generally profitable during the year. Total assets grew by 11% to Rs 1,154bn as at December 2014.

The banking industry total advances increased by 11% to Rs 635bn as at December 2014. Total deposits grew by 12% to Rs 826bn as at December 2014.

The Financial Stability Report, August 2014, showed that banks maintained an average capital adequacy ratio of 17.2% as at March 2014 well above the minimum statutory requirement of 10%. The ratio of non-performing loans to total gross loans deteriorated to 4.4% as at March 2014.

Credit to the Private Sector
The banking industry total credit to the private sector amounted to Rs 312bn as at December 2014. Credit distribution by sectors was as follows:



Source: The Bank of Mauritius

Principal Interest Rates
The key repo rate has remained unchanged at 4.65% since June 2013. For the year 2014, weighted average rupee deposit rate of banks varied between 3.16% and 3.38%; and weighted average rupee lending rate varied between 7.79% and 8.14%.

EVERY CONVERSATION IS IMPORTANT

At Bank One, every conversation is important. We talk... and we listen. We listen to your needs. We listen to your wants. We listen to your concerns. We understand that you have specific and varied priorities and we work out adapted solutions that make a difference.

"Corporate governance relates to the processes and structures that should be put in place in order to direct and manage the business and affairs of an institution with the objective of ensuring its safety and soundness, while enhancing shareholder value"[1].

At Bank One, we believe that good corporate governance is not just about complying with rules and regulations, and that effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and of the economy as a whole.

Compliance Statement

The Board of Bank One is fully committed to attaining and sustaining the highest standards of corporate governance and ethical business conduct across all aspects of the Bank's operations and decision-making process.

The present report describes the corporate governance framework put in place by the Board, whilst explaining how the Bank applies the provisions of the Code of Corporate Governance for Mauritius (the "Code"), the Bank of Mauritius' Guideline on Corporate Governance (the "Guideline on Corporate Governance"), and more generally the principles of good governance.

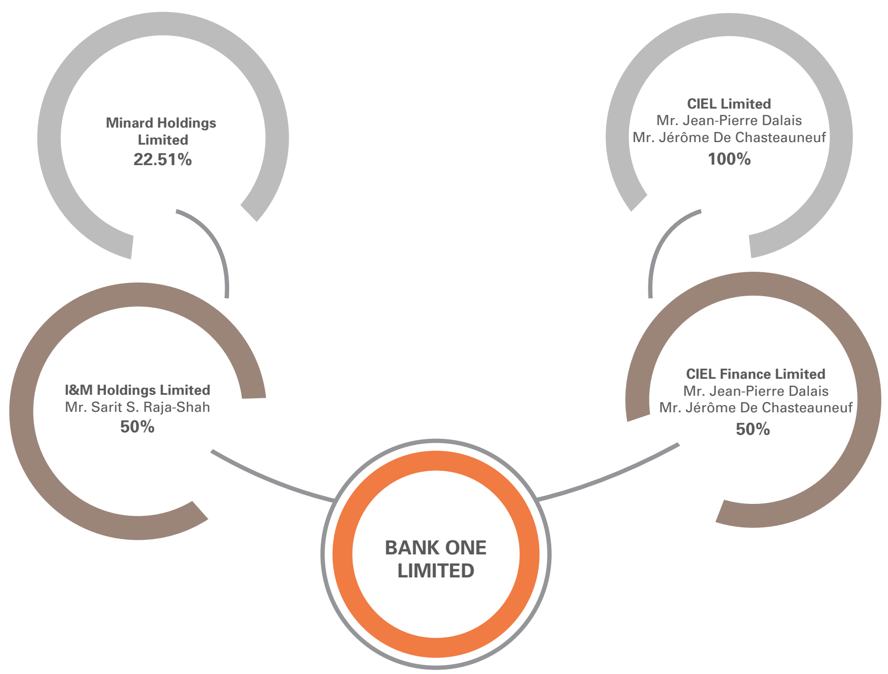
For the year under review, Bank One has complied with the Code and the Guideline on Corporate Governance in all material aspects, save for the following requirements of the Code:

- **Appointment of a minimum of 2 executives on the Board of Directors:** The Board is of view that the spirit of the Code is met through the attendance and participation of the Deputy Chief Executive Officer and of other Senior Executives during Board deliberations;
- **Disclosure of the remuneration paid to the Executive Director:** The Board agreed not to disclose the remuneration of the Chief Executive Officer / Executive Director due to its commercially sensitive nature.

SHAREHOLDERS

Significant Shareholders & Common Directors

Shareholders with 10% stake in Bank One as at 31 December 2014, including the common directors, is given below:



[1] *The Bank of Mauritius, Guideline on Corporate Governance, August 2014*

As at 31 December 2014, the Bank's Stated Capital was Rs 731,456,000, divided into 7,314,560 ordinary shares of no par value, held on an equal basis by CIEL Finance Limited and I&M Holdings Limited. There was no capital increase / issue of new shares in 2014.

During the year under review, I&M Bank Limited transferred all of its 3,657,280 Ordinary Shares in Bank One to its 100% holding company - I&M Holdings Limited (a non-operating holding company licensed by the Central Bank of Kenya and listed on the Nairobi Securities Exchange). This operation forms part of the restructuring process of the Group which was initiated in 2013. The transfer was entered in the Bank's Share Register on the 22 August 2014.

Shareholders' Profile

CIEL Finance Limited

Of Ebene Skies, Rue de L'institut, Ebene, Mauritius

CIEL Finance Limited is the holding structure of CIEL Group's financial cluster.

CIEL is a leading diversified investment organisation in Mauritius, operating also in Africa and Asia. Since its beginnings in agriculture in 1912, the pioneering group has diversified and is continuously exploring new avenues of development and international expansion. The Group is structured in 5 business segments, namely Agro & Property; Textile; Hotels & Resorts; Finance; and Healthcare.

CIEL entered the financial sector in the early 90s by investing in asset management. In 2006, the Group acquired an interest in a fiduciary and trustee service provider, which afterwards became MITCO. In 2008, it invested in Bank One and set up its own Private Equity Fund, which focuses on investments in Africa.

CIEL Limited, the group's holding company, is listed on the Official Market of the Stock Exchange of Mauritius. With a market capitalisation of Rs 11bn (USD 367m)[2], it is one of the largest Mauritian companies in terms of market capitalisation. CIEL Finance Limited is a wholly-owned subsidiary of CIEL Limited.

I&M Holdings Limited

I&M Bank House, 2nd Ngong Avenue, Nairobi, Kenya

I&M Holdings Limited (IMHL) is the flagship company of I&M Group, a leading corporate group in East Africa, with a major presence in Banking, Insurance, Manufacturing and Real Estate.

Following corporate restructuring in 2013/2014, I&M Holdings Limited (IMHL) became the parent company of all the regional banking entities in the I&M Bank Group, namely (i) I&M Bank Limited, Kenya, (ii) I&M Bank (T) Limited, Tanzania, (iii) I&M Bank (Rwanda) Limited, Rwanda (previously Banque Commerciale du Rwanda) and (iv) Bank One Limited. In this context, I&M Bank Limited, Kenya, which previously held 55% in I&M Bank (Rwanda) Limited and 50% in Bank One Limited transferred its entire stake to IMHL on the 02 January 2014 and 22 August 2014 respectively.

IMHL is listed on the Nairobi Securities Exchange with market capitalisation of close to USD 550m and is regulated by the Capital Markets Authority. It is also regulated by the Central Bank of Kenya being a non-operating bank holding company. Offering the full range of personal, business and alternative banking products through its presence in Kenya, Tanzania, Rwanda, and Mauritius, IMHL has Total Assets of approx. USD 1.92bn as at 31 December 2014, a customer base of over 150,000 and nearly 1,600 employees across the four entities.

Minard Holdings Limited (MHL), with a stake of 22.51%, is the largest shareholder of IMHL and thereby a significant shareholder in Bank One Limited. MHL is an investment company registered in Kenya controlled by Mr. SBR Shah, *MBS*, founder of I&M Group.

Bank's Constitution

The Bank was incorporated as a private company on the 26 March 2002. It went through a major rebranding exercise and changed its name to Bank One on the 08 August 2008, after its takeover by the current shareholders in February 2008.

Bank One is governed by a constitution, adopted by the Shareholders by resolution dated 29 December 2010 and further amended by Special Resolution dated 07 July 2011.

Material clauses of the Bank's constitution include the following:

- Share transfers are subject to pre-emptive rights.
- The Board may, if authorised by the Shareholders, issue Shares that rank equally with or in priority to, or in subordination to the existing Shares with the requirement that the Shares be first offered to existing Shareholders.
- The Board may issue redeemable Shares.
- The Board shall consist of not less than 7 and not more than 10 Directors.
- Any Shareholder shall be entitled to appoint 1 Director for each 20% of the issued share capital held by it, and shall be entitled to remove such Directors by written notice to the Bank.
- The Shareholders may also, in addition to the Directors appointed pursuant to the above, appoint a minimum of 2 and a maximum of 4 Independent Directors.
- The Chairman of the Board shall be elected by a majority of the Shareholders from one of the Directors for a term of one year.
- The Chief Executive Officer shall be appointed by the Board. He may also be appointed by the Board to act as Director. However, his appointment as Director shall cease automatically upon the termination of his office as Chief Executive Officer.
- The quorum for a Shareholders' meeting shall be 2 Shareholders, holding each not less than 35% of the voting rights.
- The quorum for a Board meeting shall be 4 Directors, comprising of at least one Director nominated by each Shareholder holding at least 20% of the issued share capital of the Company.

[2] *CIEL Annual Report, 2014*

Shareholders' Agreement
The provisions of the Shareholders' Agreement have been materially replicated in the Bank's Constitution.

Dividend Policy
The Bank will distribute a reasonable part of its profits, to the extent permitted by law and the Bank of Mauritius' Guidelines and in accordance with sound financial principles, provided its financial situation allows for such distribution.

No dividend was paid during the year under review.

Shareholder Relations and Communication
The Bank communicates to its shareholders through its website (www.bankone.mu), annual reports and annual meetings of Shareholders. The website is regularly updated with products and corporate events, as well as the Bank's financial statements.

Shareholders are also able to follow closely the affairs of the Bank on a quarterly basis through their representatives, being present at Board and Board Committee levels.

Any other corporate issues relevant to the Shareholders are immediately brought to their attention by the Company Secretary upon instruction from the Board of Directors.

The key events and Shareholder communication of the Bank are detailed below:

Events	Date
Financial year end	31 December 2014
Annual Meeting of Shareholders	13 March 2015
Release of full year results 2014	March 2015
Release of 1st quarter results 2014	May 2015
Release of 2nd yearly results 2014	August 2015
Release of 3rd quarter results 2014	November 2015

BOARD OF DIRECTORS

During the year under review, Bank One was headed by a unitary board, comprised of 8 Non-Executive Directors, including 4 Directors qualifying as Independent under the Guideline on Corporate Governance, and 1 Executive Director, namely the Chief Executive Officer.

The functions and responsibilities of the Chairman of the Board and of the Chief Executive are separate to ensure proper balance in power, increased accountability and greater capacity of the Board for independent decision-making. Mr Roger Leung, an Independent Director, assumed the office of Chairman from 01 March 2013 until the nomination of Mr David Proctor, another Independent Director, from 01 January 2015. This rotation was made in line with good governance practices.

The Board has had 2 resignations during the preceding year, namely Mr Jason Harel (Independent Director) on 20 June 2014 and Mr Thierry Hugnin (Non-Executive Director, representing CIEL) on 31 December 2014.

- The first vacancy was filled with the nomination of Mr David Proctor on 28 July 2014, following an independent and transparent recruitment process directed by the Nomination & Remuneration Committee. Mr Proctor satisfies the requirement of the Code and the Guideline for Independent Directors. He is an accomplished banker with extensive experience in international banking and financial markets, mainly acquired through his different appointments within the Standard Chartered Group and other financial institutions across Asia, Middle East and OECD markets;

- The rotation of Mr Thierry Hugnin, who had completed more than 6 years of service on the Board of Bank One, satisfies the requirements of the Guideline. A suitable replacement has been identified and shall be joining the Board shortly.

With the above new recruits, the Board (and the Nomination & Remuneration Committee) is fully confident that it has the right mix of knowledge and expertise to guide the Bank forward on its strategic path.

Moreover, to ensure that Directors satisfy on a continuing basis, the "fit and proper" criteria set by the Bank of Mauritius, they are required to complete on an annual basis a "fit and proper person test", which incorporates elements of the guideline issued by Bank of Mauritius and other disclosures pertaining to conflicts of interest. This process is conducted by the Company Secretary and any matter of concern is highlighted to the Nomination & Remuneration Committee.

As per best practice, all Directors also stand for re-election at each Annual Meeting of the Shareholders. To note that Directors with more than 6 years of service of the Board have been reappointed in office with the approval of the Bank of Mauritius under the Guideline on Corporate Governance, whilst measures are being taken by the Board through the Nomination & Remuneration Committee to rotate these Directors in an efficient and planned manner with a view of identifying able successors.

The current composition of the Board, including changes which occurred during the year is given on page 7 of the Annual Report.

Board Committees
At its meeting dated 19 September 2014, the Board reviewed the composition of its Board Committees in the light of the recommendations of the Nomination & Remuneration Committee (NRC). Whilst rotation of the membership and chairmanship of Board Committees is a requirement of the Guideline, the Board/NRC also took into consideration the specific experience and knowledge required to sit on each Committee.

The current composition of the Board Committees, as well as changes which occurred during the year is detailed on page 7 of the Annual Report.

BOARD OF DIRECTORS

1 DAVID F. PROCTOR

Independent Director (Appointment date: 28 July 2014) Chairman (from 01 January 2015)
- Age 54

Mr David Proctor is a graduate of Cambridge University, England and previously held senior executive positions at Bank of America NT&SA, Standard Chartered Bank Plc and Al Khalij Commercial Bank Q.S.C. He is currently an independent consultant and Chairman of BAS Consulting Pte Ltd advising clients on strategy, governance, corporate finance and capital introduction.

Membership on Board Committees:
- Conduct Review & Corporate Governance Committee (Chairman)
- Audit Committee
- Risk Management Committee
- Administration & Staff Compensation Committee

Directorships in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
None

2 KIM FOONG (ROGER) LEUNG SHIN CHEUNG

Independent Director (Appointed on 22 February 2008 & reappointed on 22 February 2014). Chairman (from 01 March 2013 to 31 December 2014)
- Age 68

Mr Roger Leung is an Associate of the Chartered Institute of Bankers (UK) and is also a Fellow of the Mauritius Institute of Directors. He retired from Barclays Bank in September 2005 as Regional Corporate Director. He has been trustee of the Barclays Employees' Pension Fund and a director of the Barclays Leasing Company (Mauritius) Limited. He presently works as consultant in business restructuring and performance optimisation.

Membership on Board Committees:
- Conduct Review & Corporate Governance
- Credit Committee
- Risk Management Committee
- Nomination & Remuneration Committee

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
- Vivo Energy Mauritius Ltd
- The Mauritius Development Investment Trust Co. Ltd

3 RAVNEET CHOWDHURY

Chief Executive Officer & Director (Appointment date: 01 January 2014)
- Age 47

Mr Ravneet Chowdhury has had a brilliant career in the banking industry, occupying various senior positions in Standard Chartered Bank prior to his appointment as CEO of Standard Chartered Bank, Oman. During his career, Mr Chowdhury has had extensive African experience, having worked in Southern and Eastern Africa for a number of years. He has also worked previously for ABN AMRO and American Express Bank.

Mr Chowdhury is FCA qualified and holds a Bachelor of Commerce from the University of Delhi and an MBA from Henley Management College.

Membership on Board Committees:
Risk Management Committee

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
None

4 SARIT SURESH RAJA-SHAH

Non-Executive Director (Appointed on 22 February 2008 & reappointed on 22 February 2014)
- Age 46

Mr Sarit Raja-Shah is the Executive Director of I&M Bank Limited and sits on the Board of other companies of I&M Group, including I&M Holdings Limited, the Group's holding entity.

Mr Raja-Shah holds a Master's Degree in Internal Audit & Management from the City University of London. He started his career with Biashara Bank of Kenya and joined I&M Bank Limited in 1993.

Membership on Board Committees:
Nomination & Remuneration Committee (Chairman)

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
None

5 JEAN-PIERRE DALAIS

Non-Executive Director (Appointed on 22 February 2008 & reappointed on 22 February 2014)
- Age 51

Mr Jean-Pierre Dalais is the Executive Director of CIEL Ltd, the holding company of CIEL Group. He also sits on the Board of other companies of the Group, including CIEL Finance Limited.

Mr Dalais holds an MBA from the International University of America. He started his career with Arthur Andersen, and joined the CIEL Group in 1990. He was the Chief Executive Officer of the former CIEL Investment Limited for 15 years, until his appointment as Executive Director of CIEL Ltd in January 2014.

Membership on Board Committees:
Nomination & Remuneration Committee

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
- Alteo Limited
- CIEL Limited
- IPRO Growth Fund Ltd
- Sun Resorts Ltd
- Phoenix Beverages Ltd (alternate director)

6 ARUN SHANKAR MATHUR

Non-Executive Director (Appointed on 22 February 2008 & reappointed on 22 February 2014)
- Age 61

Mr Arun Mathur is the Chief Executive Officer of I&M Bank Limited. He also sits on the Board of other companies of the Group.

Mr Mathur holds a B.Tech (Hons) degree. He started his banking career in 1976 with the State Bank of India and joined Grindlays Bank (India) in 1982. He then worked for several banks in Kenya until he joined I&M Bank Limited in 2000 and was promoted CEO in 2002.

Membership on Board Committees:
- Credit Committee (Chairman)
- Administrative & Staff Compensation Committee (Chairman)
- Risk Management Committee

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
None

7 PRATUL H. D. SHAH

Independent Director (Appointed on 22 February 2008 & reappointed on 22 February 2014)
- Age 60

Mr Pratul Shah is a Fellow of the Association of Chartered Certified Accountants. He is also a member of the Institute of Certified Public Accountants and Institute of Certified Public Secretaries of Kenya.

Mr Shah trained with PricewaterhouseCoopers – Kenya and qualified in 1976, and was admitted to partnership in 1984. He is currently an independent consultant advising clients on strategy, corporate restructuring, change management, corporate finance and tax planning.

He also holds directorships in diverse companies in East Africa in the financial, manufacturing and services sectors.

Membership on Board Committees:
- Audit Committee (Chairman)
- Conduct Review & Corporate Governance Committee
- Nomination & Remuneration Committee

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
None

8 SANDRA MARTYRES

Independent Director (Appointment date: 02 September 2013)
- Age 62

Ms Sandra Martyres has over 25 years' experience in banking at Senior Management level, overseeing all areas from the front office (corporate banking, trade finance, dealing room) to support functions (Finance, HR, Admin, IT, Operations) in an international bank. She is currently an advisor to Société Générale and is a Trustee Director of the State Bank of India Mutual Fund.

Ms Martyres holds an MA in Economics from the University of Mumbai.

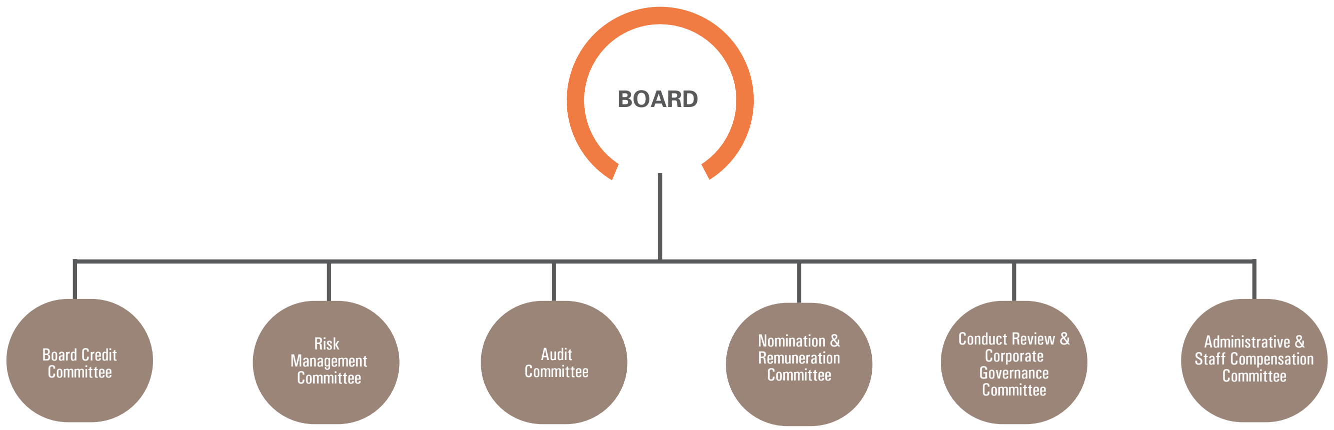
Membership on Board Committees:
- Risk Management Committee (Chairperson)
- Credit Committee
- Audit Committee

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd as at 31 December 2014:
None

Corporate Governance Framework

The Board of Bank One is entrusted with the necessary powers for directing and supervising the management of the business and affairs of the Bank. The Board fulfils some of its responsibilities directly, whilst others are discharged through sub-committees with day-to-day management and operation of the business being delegated to Senior Management.

The Board of Bank One has set up a governance framework and committee structure, as illustrated below, to assist in fulfilling its obligations in an efficient manner, whilst being aware that it remains responsible for the overall stewardship of the Bank:



Board Charter & Terms of Reference of Board Committees

In line with the Code and the Guideline on Corporate Governance, the composition, frequency of meetings and the responsibilities of the Board are set out in a Board Charter. Similarly, responsibilities delegated to each Board Committee are embodied in respective Terms of Reference (TORs), which have been formally adopted by the Board and are reviewed from time to time. A comprehensive review of the TORs of the Board Committees and Board Charter took place in September/December 2014.

A summary of the Board Charter and TORs of the Board Committees is given below:

Board

Frequency of Meetings: Quarterly

Main Responsibilities:

- Approves the objectives, strategies and business plans of the Bank;
- Determines appropriate policies and processes to ensure the integrity of the Bank's risk management practices and internal controls, communication policy, director selection, orientation and evaluation;
- Retains full and effective control over the Bank and be responsible for the appointment and monitoring of Management in its implementation of the approved plans and strategies;
- Ensures that effective internal controls systems are in place to safeguard the Bank's assets;
- Ensures compliance with laws and regulations, including risk management and corporate governance practices and disclosure requirements;
- Ensures effective communication with Shareholders; and
- Always exercises leadership, enterprise, integrity and judgment in directing the Bank.

	Frequency	Main Responsibilities
Credit Committee	Monthly, at least 10 times p.a.	• Deliberates and considers loans applications beyond discretionary limits of the Management; • Reviews lending and credit decisions by Management; • Reviews the overall lending policy of the Bank.
Risk Management Committee	Quarterly	• Reviews the principal risks, including credit, market, liquidity, operational, technological, legal, compliance and reputational risks; • Formulates and recommends to the Board in respect of risk management issues; • Receives periodic information on risk exposures and risk management activities from Senior Officers.
Audit Committee	Quarterly	• Reviews the financial statements before approval by the Board; • Ensures that appropriate accounting, internal control and financial disclosure procedures are in place; • Provides oversight of the Internal and External Auditors; • Receives audit reports and ensures that Management is taking appropriate corrective actions in a timely manner.
Nomination & Remuneration Committee	Twice yearly	• Provides oversight of remuneration and compensation of Directors and Senior Management; • Establishes formal, clear and transparent selection criteria for prospective Directors; • Directs the process of renewing and replacing Board Members; • Assesses the effectiveness of the Board.
Conduct Review & Corporate Governance Committee	Quarterly	• Reviews and approves credit exposure to related parties, ensuring that market terms and conditions are applied to them; • Formulates and recommends to the Board in respect of corporate governance matters; • Oversees the CSR activities and projects of the Bank.
Administrative & Staff Compensation Committee	Quarterly	• Ensures / promotes harmonious staff relations in the Bank; • Recommends Annual Salary Increases and Performance Bonus; • Oversees disciplinary actions against Staff; • Monitors capital expenditure and reviews post implementation of key projects; • Reviews the Bank's Authorised Signatories List & Authorisation Limits.

Attendance to Meetings

During the year under review, the Board and its Board Committees met at least 4 times, with the Board Credit Committee meeting 13 times.

In addition, Directors and Committee Members deliberated on urgent matters by way of resolutions in lieu of meetings.

Attendance for the year ended 31 December 2014 has been generally excellent, reflecting the high level of commitment of the Directors.

	Board of Directors	Board Committees					
	Board Meeting	Audit	Risk Management	Admin. & Staff Compensation	Credit	Conduct Review & Corporate Governance	Nomination & Remuneration
No. of meetings held during the year	4	4	4	4	13	4	4
Roger Leung (Chairman)[1]	4	3	4	3	12	4	4
David Proctor[2]	2	2	1	1	N/A	2	N/A
Ravneet Chowdhury[3]	4	N/A	4	N/A	N/A	N/A	N/A
Jean-Pierre Dalais[4]	4	N/A	N/A	3	N/A	N/A	3
Sarit Raja-Shah	4	N/A	N/A	N/A	N/A	N/A	4
Arun Mathur	3	N/A	4	4	12	N/A	N/A
Pratul Shah[5]	4	4	2	N/A	N/A	4	4
Sandra Martyres[6]	4	1	4	N/A	13	N/A	N/A
Thierry Hugnin[7]	4	N/A	N/A	4	11	N/A	N/A
Jason Harel[8]	2	1	N/A	N/A	N/A	2	N/A
Jérôme De Chasteauneuf[9]	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1: Mr Leung chaired the Board from 01 March 2013 to 31 December 2014. Following the rotation of Board Committees' membership, Mr Leung was no longer member of the Audit and Admin. & Staff Compensation Committees from 19 September 2014;

2: Mr Proctor was appointed on the Board and the relevant Board Committees from 28 July 2014. His nomination as Chairman took effect on 01January 2015;

3: Over and above attending to Board Meetings and meetings of the Board Risk Management Committee as Member, Mr Chowdhury was also present at the meetings of the other Board Committees held during the year. Similarly, the Deputy Chief Executive was generally present at Board Meetings and meetings of the Board Committees held in 2014;

4: Mr Dalais stepped down as member of the Board Administrative & Staff Compensation Committee from 19 September 2014;

5: As per the rotation plan, Mr Pratul Shah no longer sits on the Risk Management Committee since 19 September 2014;

6: As per the rotation plan, Ms Martyres was appointed on the Credit and Audit Committees from 19 September 2014;

7: Mr Hugnin resigned as Director on 31 December 2014;

8: Mr Harel resigned as Director on 20 June 2014;

9: Mr De Chasteauneuf (alternate to Mr Dalais) was not required to attend any Board Meetings. However, he attended 3 out of 4 meetings of the Audit Committee in his capacity as advisor and permanent attendee to the Committee.

Conduct of Meetings

Board meetings/Meetings of Board Committees were convened by giving proper notice to the Directors/Members. Agendas are agreed by the relevant chairman and the Chief Executive Officer, in collaboration with the Company Secretary, to ensure adequate coverage of key issues during the year.

Meeting packs are circularised in advance to the Directors/Members to enable informed and focused decisions at meetings. Recently, the Board has digitalised its meeting packs with the introduction of a tablet application giving Board Members immediate access to meeting papers, whether for past or future meetings, reminders to complete meeting actions or take decisions. Over and above creating a paperless board environment, this has largely streamlined Board meeting preparation and proceedings.

Minutes of the proceedings were recorded by the Company Secretary and circularised to all Directors/Members after clearance from the concerned chairman. They are tabled at the next meeting for approval, following which they are signed by the relevant chairman and the Company Secretary prior to being entered in the Minutes Book.

To ensure that Directors are kept informed of discussions and deliberations at Board Committee level, minutes of meetings of Board Committees were tabled at Board Meetings.

For the year under review, the main deliberations of the Board are set out in the table below:

February 2014	Approved the audited financial statements and the Annual Report 2013
	Reviewed the performance of the Bank against budget & Estimates for Q1
	Discussed new strategic intent and focus
	Received the minutes of proceedings of Board Committees & reports of respective chairperson
	Recommended the rotation of External Auditors and appointment of PwC (in line with Audit Committee)
June 2014	Ratified the 1st quarter financial statements
	Reviewed the performance of the Bank against budget & Estimates for Q2
	Discussed the 5-year business plan
	Discussed new business opportunities for International Banking
	Received the minutes of proceedings of Board Committees & reports of respective chairperson
	Reviewed the Board evaluation results and recommendations
	Reviewed the Bank's Policies
September 2014	Ratified the 2nd quarter financial statements
	Reviewed the performance of the Bank against budget & Estimates for Q3
	Discussed strategic initiatives for Private Banking & Wealth Management
	Reviewed the composition of the Board Committees & approved a rotation plan
	Received the minutes of proceedings of Board Committees & reports of respective chairperson
December 2014	Ratified the 3rd quarter financial statements
	Reviewed the performance of the Bank against budget & Estimates for Q4
	Discussed the proposed budget for 2015
	Reviewed the Board Charter & Terms of Reference of Board Committees
	Received the minutes of proceedings of Board Committees & reports of respective chairperson

Strategy

Financial & Risk Management

Governance

Conflict of Interest

Personal interests of a director or persons closely associated with the director must not take precedence over those of the Bank and the Shareholders. Directors should make the best effort to avoid conflicts of interests or situations which may be reasonably perceived as conflict of interests.

The Bank has a comprehensive policy to provide guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Bank in line with the applicable laws. This Policy is directed not only to Directors and Senior Officers of the Bank but to all employees who can influence any decisions of the Bank.

Directors and Senior Management disclose their interests on any matter being debated at a meeting and abstain from voting on the same. Disclosures are entered in the Interest Register which is maintained by the Company Secretary.

In line with the Bank's policy, Directors and Senior Management are also required to disclose on an annual basis any interest that may materially conflict with their duties and responsibilities towards the Bank.

Induction & Orientation Programme and Periodic Refresher Programme for Directors

Induction & Orientation Programme

It is crucial that new directors receive a proper induction when being appointed in office to ensure that they are familiarised, as soon as possible, with the Bank's operations, Senior Management, business environment and corporate strategy, as well as their fiduciary duties and responsibilities as directors.

The Board's Induction & Orientation programme is run by the Company Secretary, whereby new directors receive a comprehensive pack, containing a brief presentation on the affairs of the Bank, the governance structure & conduct of meetings, the director's duties & responsibilities; the Bank's constitution & bylaws; minutes of the last Board Meeting and such other useful documents. The Company Secretary also arranges for introductory meetings with the Chairman and the Senior Management, as well as visits of branches and critical departments of the Bank.

Continuous Training & Development

Continuous training is essential to cope with the constant changes in the business environment. Whilst Directors have a duty to keep up to date with industry, legal and regulatory developments, it is also the responsibility of the Board to provide adequate training and development programme to its Directors.

In this respect, a training calendar is set on a yearly basis, taking into consideration the training needs of the Directors, recent changes in the Bank's business environment, and training programmes on governance matters as required by the Guideline on Corporate Governance.

During the year under review, Board Members and Executives attended specialised training courses on topics such as Basel III, as well as refresher courses and workshops organised by the Mauritius Institute of Directors on governance matters.

Board Access to Information & Advice

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. They also have access to Senior Executives to obtain information on items to be discussed at Board Meetings or meetings of Board Committees, or on any other area they consider to be appropriate.

The Board and its Committees also have the authority to secure the attendance at meetings of third parties with relevant experience and expertise as and when required.

Evaluation of Board Performance

The Board is appraised on an annual basis on its performance, procedures, practices and administration. The appraisers, being the Directors and Executives evaluate the Board on a number of relevant criteria, such as size & composition, conduct of meetings, role and responsibilities, contribution in key areas like strategy & risk management. The exercise also includes an appraisal of the Chairman as well as a peer assessment, whereby each Director individually rates his colleague.

The Board appraisal is administered by the Company Secretary, who collects the ratings and recommendations of each appraiser by way of a questionnaire. The findings are then compiled and structured into an action plan to address any areas requiring improvement.

The Board Evaluation for the year 2013 was carried out in March 2014. A report, together with an action plan was tabled at the Board Meeting in June 2014, after discussion at the Nomination & Remuneration Committee level. The Chairman also met Directors at one-to-one meetings to discuss their peer evaluation. Progress on the implementation of the action plan was thoroughly monitored by the Company Secretary.

The exercise for the year 2014 was performed in February 2015. The results and findings shall be tabled at the Board Meeting in March 2015.

Directors' Interests in Shares

None of the Directors holds a direct interest in the Bank.

Management Agreements with Third Parties

The Bank has not entered into any management agreement with its Directors or any company owned / controlled by them.

Statement of Remuneration Philosophy

As per the Directors' fee policy approved by the Shareholders, Non-Executive Directors are entitled to the following remuneration, which is paid on a half yearly basis:

	Fixed Annual Fee (Rs 000)	Attendance Fee per Meeting (Rs 000)
Board Chairman	80	80
Directorship fee	60	60
Committee Chairman (except BCC & NRC)	40	40
Committee Member (except BCC & NRC)	24	24
NRC Chairman	40	40
NRC Member	24	24
BCC Chairman	48	16
BCC Member	36	12

The CEO/Executive Director is not remunerated for serving on the Board and Board Risk Management Committee. His remuneration package includes his salaries, performance bonus and other benefits pertaining to his functions as CEO, which the Board has agreed not to disclose due to the commercially sensitive nature of this data.

Fees paid by the Bank to Board Members (excluding the Executive Director/Member) during the financial year 2014 were as follows:

Directors	31 December 2013	31 December 2014
David Proctor[1]	-	350,000
Roger Leung Shin Cheung	2,939,200	1,162,000
Jean-Pierre Dalais	476,000	486,000
Sarit Raja-Shah	400,000	460,000
Arun Mathur	844,000	776,000
Pratul Shah	800,000	782,000
Sandra Martyres	150,000	722,000
Thierry Hugnin	564,000	588,000
Jason Harel	456,000	246,000
Jérôme De Chasteauneuf[2]	96,000	96,000

Note:

1. One-off consultancy services were provided to the Board by BAS Consulting Ltd in January 2015, for which the company was paid fees amounting to Rs 526,119. Mr David Proctor is a minority shareholder of BAS Consulting Ltd as well as the appointed Chairman.

2. Mr De Chasteauneuf received fees of Rs 96,000 for his attendance to Audit Committee meetings in his quality of advisor.

Directors' Service Contracts

Mr Ravneet Chowdhury has a fixed-term employment contract of 3 years with the Bank. It contains no material clause for compensation on termination of contract.

EXECUTIVE MANAGEMENT

The conduct of business is entrusted to the Executive team of the Bank, which operates within the business strategy, risk tolerance and appetite, and policies set by the Board, whilst adhering to the regulatory framework.

The Bank's Executive Management have set up various committees, namely the Executive Committee; Credit Committee; Operational Risk Committee; Asset and Liability Committee; Special Asset Committee; and Watchlist Committee for oversight and monitoring of the various risk areas and to deliberate on key issues for informed decision-making.

Members of the Executive Management & Their Profile










1 RAVNEET CHOWDHURY
Chief Executive Officer

Ravneet joined the Bank as CEO Designate on the 14 October 2013 and took over the position of Chief Executive Officer of the Bank as from the 01 January 2014. His profile is provided under Directors' Profile on page 22 of the Annual Report.

2 BALACHANDRAN C. P.
Deputy Chief Executive Officer

Balachandran holds a first class degree and professional certifications from IIBF (India), IFS (UK) and ICA (UK). He is a career banker with in-depth exposure & extensive experience at the senior management level covering the entire banking operations - Treasury & International trade operations, Credit, Foreign Exchange, Operational Risk Management, Compliance, Administration, Finance, Human Resources, Information Technology, ALM, MIS, Regulatory reporting, Vigilance - spanning over 3 decades in four reputed international banks before joining Bank One in February 2014.

3 DHINOO VEERASAWMY
Chief Operating Officer

Dhinoo holds a degree in Accounting & Management and an MBA from Poitiers University, France. Before joining the Bank as Chief Operating Officer in 2008, he was employed as Head of Operations of the formerly known Edge Forex Ltd (CIEL Group), and had worked in various fields of banking for 20 years (17 years with BNP Paribas and 3 years with Standard Bank), including 10 years at senior management level.

4 RANJEEVESINGH GOWREESUNKUR
Chief Financial Officer

Fellow of the Association of Chartered Certified Accountants and a registered Professional Accountant with the Mauritius Institute of Professional Accountants, Ranjeeve also holds an MBA with Finance from Herriot Watt University.
He has more than 20 years of experience in the banking sector, having worked in different departments at Union Bank, First City Bank, SBI (Mauritius) and Deutsche Bank (Mauritius). He joined Bank One Limited in 2008 as Financial Accountant. He was promoted Finance Manager and subsequently Chief Financial Officer in August 2014.

5 STEPHEN VLOK
Chief Risk Officer

Stephen holds a Bachelor of Commerce and a Master of Commerce degree specialising in Financial Management. Stephen is also a certified member of the Institute of Bankers of South Africa and obtained an Associate Diploma from the Institute. Before joining Bank One, Stephen has had 20 years' experience in risk management in the South African banking and investment industries, with his previous responsibilities being Deputy Head of Credit at Sanlam Capital Markets Proprietary Limited. Stephen joined the Bank in November 2014 as Chief Risk Officer.

6 VALERIE DUVAL
Head of Credit Administration

Valerie holds a Bachelor of Law and was called to the Bar in 1995. Before joining Bank One, she held the function of Claims Manager at La Prudence Mauricienne Assurances and Swan Insurance Co Ltd respectively, thereby acquiring a strong experience of 13 years in the insurance sector. She joined the Bank in July 2008 as Head of Credit Administration and also acts as internal legal adviser on legal matters pertaining to the affairs of the Bank.

7 ARUN K. MATHUR
Head of Private Banking & Wealth Management

Arun has an Economics (Hons) degree from Delhi University and an MBA from Institute of Management Technology, Ghaziabad, India.
Arun is a high calibre Private Banking specialist with over 14 years of experience in wealth management. Overall he has 22 years of Consumer Finance experience with Citibank across Eastern, Southern, Western African, Indonesian and Indian markets. Arun was appointed Head of Private Bank and Wealth Management of Bank One Limited in July 2014.

8 FAREED SOOBADAR
Head of Corporate Banking

Fareed is a Fellow of the Chartered Association of Accountants (UK) and an associate-ACIB of the Institute of Financial Services (UK). He has more than 19 years of work experience in the financial services industry, having worked in auditing, accounting, offshore, HP financing, and including 14 years of banking experiences gained at senior management level. He held several key positions in various organisations over these years namely KPMG,Deloitte, HSBC, AAMIL, Barclays and before joining Bank One, as corporate director at Banque des Mascareignes. He also had international exposures with ABSA, Barclays Dubai, and Barclays, where he worked principally in the credit field. Fareed was appointed Head of Corporate Banking in February 2015.

9 ANNE MARIE KOO TON FAH
Head of Retail Banking

Anne Marie has a diploma in Business Management and has been in the banking sector since 1982. She started her career with the State Bank of Mauritius and joined the South East Asian Bank Ltd in 1989. She left in March 2008 as Assistant Vice President - Retail Sales and Services to join the Bank as Head of Retail Banking.

10 RISHYRAJ LUTCHMAN
Head of Treasury

Rishy holds an ACI Diploma and a BBA from Management College of Southern Africa. Before joining Bank One in February 2014, he worked for 26 years in the Treasury division of the State Bank of Mauritius, where he covered different desks such as sales, interbank and fixed income desk and acquired a comprehensive knowledge of the Mauritian and Malagasy market. Rishy held the post of Chief Dealer prior to leaving SBM.

Senior Management's Interests in Shares
None of the existing senior Management officers holds a direct interest in the Bank.

Employee Share Ownership Plan
The Bank currently has no employee share ownership plan.

Related Parties
The Bank is governed by the Bank of Mauritius' guideline on Related Party Transactions, January 2009 ("Related Party Transactions Guideline").

Related parties, whether body corporate or natural persons, fall into two main groups:

(i) those that are related to the Bank because of ownership interest; and

(ii) those that are related otherwise, such as directors and senior officers who may also have some ownership interest in the Bank.

In line with the above Guideline, the Board has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the Conduct Review Committee and to the Board. A register of related parties is also maintained by the Company Secretary, which is updated systematically on a yearly basis, and as and when notifications are received from the concerned parties.

All exposures to related parties are approved by the Conduct Review Committee, which ensures that market terms and conditions are applied to such transactions.

Credit exposure to related parties for the year under review is given under note 34 of the Financial Statements.

Risk Management
The Bank's risk management framework and policies are described under the Risk Management Report, contained in the present Annual Report (page 58).

Auditors' Fees and Fees for Other Services
In line with best practice, the Audit Committee had recommended the rotation of the External Auditors, after 5 years of continuous service by BDO & Co. Following a tender process carried out by the Audit Committee, the Shareholders endorsed the recommendation of the Committee by appointing PricewaterhouseCoopers (PwC) in office at its Annual Meeting on 26 February 2014.

Fees paid to PwC during the financial year 2014 amounted to Rs 2,012,500 and related exclusively to audit work.

Charitable Donations & Political Funding
Apart from contribution to CSR projects as detailed in the Corporate Sustainability Report, contained in the present Annual Report (page 36), no political funding or other charitable donations were made during the period under review.

Social, Ethical, Safety, Health & Environment
The Bank's policies and practices as regards social, ethical, safety, health and environment issues are further described under the Corporate Sustainability Report, contained in the present Annual Report (page 36).

This 13 March 2015

Kamini Vencadasmy, ACIS
Company Secretary

COMPANY SECRETARY'S CERTIFICATE

In my capacity as Company Secretary, I hereby confirm that, to the best of my knowledge and belief, the Bank has filed with the Registrar of Companies, as at 31 December 2014, all such returns as are required under the Companies Act 2001 in terms of section 166(d).

This 13 March 2015

Kamini VENCADASMY, ACIS
Company Secretary

CERTIFICATE OF COMPLIANCE (SECTION 75(3) OF THE FINANCIAL REPORTING ACT)

Name of the Public Interest Entity (the "PIE"): Bank One Limited

Reporting Period: 01 January 2014 to 31 December 2014

We, the Directors of Bank One Limited, confirm to the best of our knowledge that the PIE has complied with most of its obligations and requirements under the Code of Corporate Governance. Reasons for non-compliance to some sections of the Code are detailed in the Corporate Governance Report.

This 13 March 2015

Mr David PROCTOR	**Mr Ravneet CHOWDHURY**
Chairman	Chief Executive Officer

CONNECTING WITH COMMUNITIES

Our team members set Bank One apart through their support to the communities we serve. Team members give their time, their effort, their heart in voluntary initiatives. Community solutions that engage our team members are at the heart of Bank One's CSR philosophy.

PROMOTING SUSTAINABILITY

At Bank One, we envisage long-term business success, whilst contributing towards economic and social development, a healthy environment and a stable society. We recognise that we have a responsibility to assess and manage the environmental and social impacts of our business. The present report describes how we do it.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

At Bank One, we share the view that CSR is not merely about philanthropy but a behaviour by businesses over and above legal requirements to encourage a positive impact on the environment, customers, employees, and stakeholders at large. Because we aspire to be social actors, rather than mere sponsors, the Management, supported by the Board, created a CSR Committee in June 2014 to actively manage and direct the Bank's annual CSR Fund towards concrete community projects.

The CSR Committee, chaired by the Company Secretary, was also composed of the HR Manager, together with 8 other volunteer staff from all levels of the Bank. The Bank's CSR levy for 2014, based on 2013 results, amounted to Rs 1.38m, and was mainly allocated towards poverty alleviation projects and actions, being amongst the priority areas set by the National CSR Committee.

POVERTY ALLEVIATION

BANK ONE
Community
Action for
Relief and
Empowerment
CARE

CARE is an initiative of the Bank's CSR Committee, which ambitions to be part of a long- term vision to alleviate poverty through literacy & educational support to children from underprivileged areas, and empowerment programmes to families for them to gradually aspire to lead an autonomous and improved life.

The particularity of CARE is that it places staff involvement at the centre of all actions. Because we "envision a community of responsible and educated citizens who are environmentally conscious, practice social responsibility in their daily lives and inspire others to do the same", all projects which have been financed by the Bank's CSR Fund, necessarily integrated direct staff participation. The CSR Committee, together with the relevant NGOs, had arranged a diverse calendar of activities to promote and ensure maximum participation from the Bank's staff in the various projects sponsored by the Bank.

Let's CARE for the Children of Bois Marchand

Last year, Bank One CARE sponsored for an amount of Rs 500,000, the Poverty Alleviation Programme run by the Junior Chamber International (JCI) of Port Louis.

JCI Port Louis, an accredited NGO (N/1389), has been carrying out this Programme at Bois Marchand for 7 years. Bois Marchand is an underprivileged suburb located at Terre Rouge and the Programme focuses on literacy classes, academic coaching and non-academic activities for children between 3 to 17 years. More than 120 children now participate in the activities of JCI.

The Bank's staff were fully integrated in the various activities, such as:

- Weekly literacy & numeracy courses to children;
- Creativity workshops, team building exercise, outings for children;
- Motivational talks and workshops with the parents and habitants of Bois Marchand;
- Cleaning activity.

Christmas at Bois Marchand

Bank One's Santa Claus distributing presents for Christmas, at Bois Marchand

Wildlife Preservation at Île aux Aigrettes

Weekly Literacy Programme at Bois Marchand

Caritas Life Skill Management programme with women of Roche Bois

Cleaning at Tombeau River to create a picnic site

Creativity workshop at Bois Marchand

The Bank One/JCI/Bois Marchand partnership

Let's CARE for the Women of Roche Bois

During the year under review, Bank One CARE financed an empowerment programme for 30 women living below the poverty line in the vicinity of Roche Bois.

The Life Skills Management Programme is a (MQA approved) training & development programme run by Caritas (N/1029). It aims to prepare participants to a working environment by helping them to adopt the right attitude and behaviour.

The cost of the programme was Rs 185,000, and covered day-care centre expenses for the participants' children during the full course period to encourage attendance.

The Bank's staff were actively involved in the programme by running workshops and forums on various themes such as How to prepare & manage a household budget; SME business; craft works from recycled materials, where they were able to share their talents as well as their life experiences with the participants.

Let's CARE for the Environment

Last year the Bank financed the participation of 60 staff in the Participative Support Programme of the Mauritian Wildlife Foundation at L'Île aux Aigrettes, which involved weeding and plant potting activities, and an awareness programme for the protection of endemic species. Financing for the present activity was Rs 50,000.

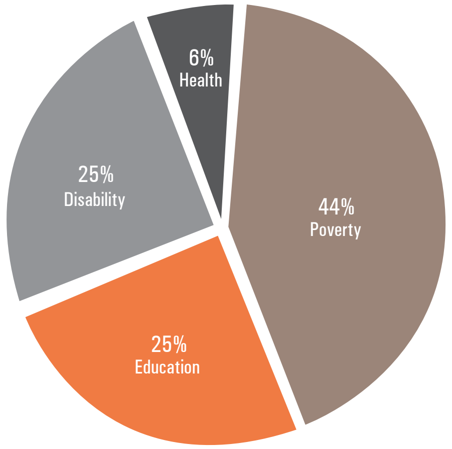
Wildlife support at Île aux Aigrettes

SUPPORT TO OTHER NGOS

Fondation Nouveau Regard (FNR)

During the year under review, the Bank allocated an amount of Rs 526,900 to "Fondation Nouveau Regard" ("FNR"), which is the vehicle for the CIEL Group's social action. Established in 2005 and accredited (N/1105) with the National CSR Committee, FNR is engaged in priority areas such as fight against poverty and exclusion, education and disability.

In 2014, FNR invested some Rs 6m, that is 82% of the amount received from CSR tax contribution, towards projects managed by local NGOs in the target sectors in the proportion below. Total number of beneficiaries was 3800, including 1200 direct beneficiaries.



Source: CIEL Annual Report, 2014

Rotary Club's Social Housing Project

An amount of Rs 88,300 was allocated last year to the Social Housing Project sponsored by The Rotary Club of Port Louis (RCPL) in partnership with the National Empowerment Foundation. This adds up to the Rs 151,700, which was allotted in 2013 to the same project. The objective of the Bank being to finance one complete unit, costing Rs 250,000.

SUPPORT TO OTHER PROJECTS

Sponsorship of Football Tournament Organised by the Municipality of Port Louis

Bank One sponsored a football tournament organised by the Municipality of Port Louis to the tune of Rs 28,500.

CODE OF ETHICS & BUSINESS CONDUCT

Bank One is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. Staff at all levels adhere to the corporate values and to the Code of Banking Practice, as well as the Bank's Code of Ethics.

Staff Members are also able to raise concerns on any improper conduct or unethical behaviour without fear of reprisal through the Bank's Whistleblowing Policy.

SOCIAL & ENVIRONMENTAL

The Bank has in place a Social & Environmental Management Policy, which broadly outlines the principles guiding the management of social and environmental issues within the context of its business objectives.

All project financing are reviewed and evaluated against the requirements stipulated in the Policy; our benchmarks being relevant to local legislation and international best practice. Any project involving an excluded activity will not be considered. However, if the project passes the exclusion test, its level of Social and Environmental risk will be assessed and mitigating measures identified, which will be put as conditions to the financing of the project.

The Bank also supports environmental initiatives throughout the organisation, for instance by encouraging the use of electronic forms of communication and paperless initiatives. The document management system (Zedoc) largely contributes to reducing the use of paper in our offices; similarly electronic bank statements to customers is also another paperless initiative which is well established and accepted amongst our customers.

Recently, the Board has digitalised its meeting packs through the introduction of a tablet application giving Board Members immediate access to meeting papers, whether for past or future meetings, reminders to complete meeting actions or take decisions. Over and above creating a paperless board environment, this has largely rationalised Board meeting preparation and proceedings.

More generally, workflows and processes are constantly being reviewed and reengineered across the Bank to improve both on productivity and energy efficiency.

HEALTH & SAFETY

Bank One is committed to providing a healthy, safe and secure working environment, and has put in place policies and practices that comply with applicable laws and guidelines.

The Health & Safety Committee of the Bank ensures implementation of the Bank's policies and practices, as well as timely action to rectify any identified issue. The Committee is constituted of 8 members, with equal representation from Management and Staff. It is chaired by a Senior Officer of the Bank, presently the Head of Retail Banking and the Bank's registered Health & Safety Officer acts as secretary to the Committee.

Main events and actions in 2014 were:

- Installation of a new lift in the Nirmal House Building at Sir William Newton Port Louis, which mainly houses the Bank's back office;
- Identification of a new modern archiving area, responding to the proper security norms and addressing capacity requirements;
- Yearly review of the Bank's safety policies and procedures;
- Provision of induction and refresher courses on health & safety norms and procedures to Staff, with the assistance of the Health & Safety Officer.

SIDE BY SIDE

Bank One is not just another bank. We are partners. We are by your side and work hand in hand to guide you and support you throughout your lifelong accomplishments.

MANAGEMENT DISCUSSION & ANALYSIS

HIGHLIGHTS

Bank One Limited delivered profit before impairment of Rs 289m for the year ended December 2014. Despite net provisions of Rs 153m made on impaired accounts and the writing off of goodwill relating to the purchase of Edge Forex business in 2008, the Bank achieved a Profit after Tax of Rs 117m as compared to Rs 54m for the previous year.

As a result of the not so favourable financial and economic environment that prevailed in both the local and global markets, total assets grew marginally by 2% from Rs 17.7bn to Rs 18.1bn as at the end of 2014. Persisting excess liquidity in the local market coupled with the sluggish growth in the private sector investments encouraged the Bank to slacken the pace of balance sheet growth.

Total deposits grew by 2% compared to 2013. The conscious move to reduce high cost term deposits taken last year *(both for segments A and B)* continued. Consequently, the low cost deposit ratio improved from 55% in 2013 to 62% in 2014.

The gross loans and advances were 6% lower than in December 2013. Implementation of macroprudential policy measures by the Bank of Mauritius in the second half of 2014 impacted the credit demand both for the Retail and Corporate segments, given the listless economic situation caused by a lack of new projects. The Segment A and Segment B advances thus contracted by 5% and 6% respectively due to the Bank conducting a review of its entire credit process in alignment with the new regulations and tightened internal controls.

The impaired loan portfolio closed at Rs 941m as against Rs 820m as at December 2013.

The measures taken by the Bank to improve the cost of funds as described earlier improved the Net Interest Income by 16%.

Other income improved by Rs 106m in 2014 as compared to 2013. After the severe losses experienced last year, Treasury operations were back on track and realised total income of Rs 49m this year.

Initiatives that were taken last year to control the non-interest expenses continued resulting in an improved cost-to-income ratio of 60% *(68% in 2013)*.

The Bank maintained a capital adequacy ratio of 12.87% as at December 2014 in accordance with the Basel III requirements that came into effect in Mauritius in 2014.

2014 has been a year of consolidation for Bank One and the objective for 2015 will be to continue to grow the local business, whilst focusing on business expansion in the East African region and India. To assist the Bank in achieving its objectives, high-calibre experienced professionals are being recruited in the sales as well as support services.

PERFORMANCE AGAINST OBJECTIVES

Objectives for Year 2014	Performance in Year 2014	Objectives for Year 2015
Return on Average Equity (ROAE) With the projected growth and expected results, the ROAE will be around 13.8% in 2014.	With the additional provisioning of impairment losses and write-off of goodwill, ROAE was 8.22%.	With the projected growth in assets, liabilities and profits, the objective is to achieve a ROAE of above 11.75%.
Return on Average Assets (ROAA) ROAA to improve sensibly to 1.1%.	Actual ROAA closed at 0.66%.	ROAA to improve to above 1% for 2015.
Operating Income Operating income is expected to increase by 47% with the full scaling up of the E-Commerce business and resultant business growth projections.	Increase of 34% in Operating Income. Reassessment of the risks associated with service providers resulted in lower trading with high risk merchants for the E-Commerce activities.	With the growth in business volumes and the stabilisation of E-Commerce business, Operating Income to improve by 19%.

PERFORMANCE AGAINST OBJECTIVES (cont'd)

Objectives for Year 2014	Performance in Year 2014	Objectives for Year 2015
Non Interest Expenses The non interest expenses are expected to increase by 27%.	Increase of 18% in non-interest expenses. Some major projects have been deferred for 2015.	To maintain an increase of below 17% for non-interest expenses.
Cost-to-Income Ratio To reduce the cost-to-income ratio below 60%.	Cost-to-income ratio closed at 60%.	To achieve a cost-to-income ratio of below 59% and gradually bringing it below 50% in the years to come.
Deposits Growth Conservative growth of 12% in Total deposit base. Both Segment A and Segment B are carrying excess liquidity as at December 2013 and as such both are expected to grow by 10% and 16% respectively. Segment A – Growth will be fuelled mainly by local retail, SME as well as high net worth residents. Segment B – The Bank will deepen its reach on the African market with the support of the shareholders and the opening of a representative office in South Africa.	With the persisting excess liquidity situation, the retention of high cost deposits and deposit mobilisation was not a priority for the Bank. Segment A deposits went down by 14% while, on the other hand Segment B deposits showed an improvement of 23%, assisted by some float funds held.	Increase in Segment A deposits by a conservative 10%. To concentrate on Segment B deposits raising (mainly low cost) and show an improvement of above 16%.
Loans and Advances Growth Target growth of 20% in the loan book. Segment A – Increase of 14% with major focus in the Retail and SME in the local market. Segment B – With intensified focus in the Sub-Saharan market, the growth is expected to be around 30% with prudent lending to international clients with acceptable credit ratings.	Gross loans figure went down by 6% due to limited lending opportunities, the review and revamp of the credit approval process and the prepayment of some loans. As a result, both Segment A and Segment B advances fell by 5% and 6% respectively.	Conservative growth of 16% in Segment A with special attention to Retail, SME and top tier corporates. Minimum projected growth of 45% in Segment B assets with focus on East African countries and India.
Asset Quality With the expected recoveries on delinquent assets, the Gross and Net Impaired Ratios are bound to drop to 5.6% and 3.4% respectively. Coverage Ratio expected to improve back to 41%.	With the classification of some further delinquent accounts, the Gross Impaired Ratio closed at 8.23% as at December 2014. The Net Impaired Ratio stood at 4.39% while the Specific Coverage Ratio improved from 36% to 49% with the uncovered portion being backed by sufficient collaterals.	Gross Impaired Ratio of below 6.5% and Net Impaired Ratio to be maintained at below 1.4%. Specific Coverage Ratio to improve to a minimum of 62%.
Capital Adequacy Ratio (CAR) Capital Adequacy Ratio to be maintained above 12% and the Bank will initiate steps to comply with the Basel III capital requirements.	CAR closed at a comfortable 12.87%. CET 1 stood at 9.11%.	To achieve a CAR of above 11% with minimum CET 1 and Tier 1 ratio of above 8%.

DISCUSSION BY LINE OF BUSINESS

Retail Banking

Retail Banking Division improved its cost of funds by rationalising its deposit structure with more focus on low cost deposits and by not renewing high cost deposits, thereby increasing its ratio of low cost deposit to total deposit from 54% to 58%. In so doing, the Retail deposits registered a fall of 7% from Rs 5.7bn in 2013 to Rs 5.3bn in 2014.

Demand for advances has been sluggish as a result of continued economic slowdown, increased competition from other financial institutions and introduction of new macroprudential guidelines for the banking sector. We have also adopted a highly prudential approach to credit appraisal in view of the negative performance in some sectors. The combined effect of these factors led to a reduction of 9% from Rs 3.9bn in 2013 to Rs 3.5bn in 2014 in the retail performing advances.

Despite the fall in advances, Net Interest Income reflected an improvement over the 2013 figures in view of the proactive measures undertaken. Furthermore, products like credit and prepaid cards are being increasingly used by our clients and this has contributed to a 28% increase in the non interest income for Retail Banking.

The overall performance of Retail Banking was impacted by an increase in non-performing loans due to the prevailing economic situation, which led to a higher level of specific provisions.

On a positive note, the client base continues to improve with a growth of 8% in 2014. The SMS Transactions Alert system has become highly popular among our clients as it offers updated information on accounts on a daily basis free of charge.

SME

In line with the special focus on the SME segment, we have reorganised our structure and created a dedicated SME team that will cater exclusively to the SME market. This restructure will enable the Bank to remain close to its SME clients by offering customised solutions and accompany them in their journey towards economic success.

A centralised credit cell has been set up to ensure quick turnaround time to respond to clients' requests as speed is of the essence while dealing with our customer needs.

Outlook

The focus for 2015 will be to continue improving our low cost deposits base by targeting the salaried segment and on the assets side to specifically cater to the SME segment in line with the business plan to encourage and support this sector. In addition, the home loan segment will remain as one of our favoured products and the Bank shall continue offering attractive options at competitive rates to our clients.

In parallel, the credit process and controls are being revisited and upgraded so as to minimise the probability of accounts slipping into delinquent status.

Corporate Banking

The Corporate Banking Business Unit principally covers the large corporate client segment and provides a complete suite of banking solutions to the Mauritian corporate community.

During 2014, this Business Unit focused its efforts mainly on maintaining asset quality and customer retention. On account of selective lending, strong market competition, dampened business activity across the industry, the corporate loan book shrunk by 5% from Rs 3.6bn in 2013 to Rs 3.4bn in 2014. This negatively affected interest income as well as fee and commission revenues.

On the deposit side, the emphasis was on retaining low cost deposits. Consequently, the deposit base declined from Rs 2.1bn in 2013 to Rs 1.4bn in 2014. Low cost deposit ratio for Corporate Banking thus improved to 50% as at end of December 2014 as compared to 32% for 2013.

For the year 2015, there is a well-considered plan in place to bolster corporate business and the arrival of an experienced Head with extensive market contacts would provide the desired impetus to this activity. The strategy will be to specifically target the top tier corporates to increase the Bank's client base besides further consolidating the existing relationships. Aggressive pricing, quick turnaround time, customised products and solutions, dedicated relationship managers are some of the tools that the Bank intends to make use of to actively foray into the top end of the corporate segment. In addition, endeavours to reengineer internal processes and build deeper relationships with our customers shall continue as before. Norms will be revised to ensure special focus on asset quality and strength of collaterals offered especially while acquiring new corporate business that do not belong to the top tier. Special attention will be paid to also increase cross-selling and share of wallet per customer, while at the same time containing cost. Accumulation of low cost deposit will remain a priority as hitherto.

International Banking

The global economy is still facing issues and emerging economies are showing a receding growth trend. Against this backdrop, international banking business performed well by focusing on select markets that offer substantial development potential viz., Africa. Africa remains the desired destination for investments from Europe, US and other parts of Asia.

Mauritius, with its well established and pragmatically regulated financial markets, investor - friendly legislation, sound legal systems, conducive environment for doing business and good corporate governance practices qualifies as a safe and low cost Financial Centre and an attractive gateway into Africa. Presently, Mauritius has concluded 16 Double Taxation Treaty Agreements (DTA) and 8 Investment Promotion and Protection Agreements (IPPA) with various African countries, latest being with Kenya ratified in 2014.

DISCUSSION BY LINE OF BUSINESS (cont'd)

International Banking (cont'd)

Bank One sources its international deposits mainly through its global business clients, high-net-worth individuals as well as by leveraging on its partnership with group entities in East Africa and neighbouring countries. During the year, the Bank established a representative office in South Africa and undertook a study to explore new business opportunities in the United Kingdom.

In 2014, International Banking was the key contributor to the Bank's profit with 50% of the Bank's advances. The deposits base rose from Rs 6.6bn to Rs 8bn - an increase of 22% while the loan book remained stable at Rs 3.1bn in 2014 due to prepayment of some advances. The Bank has been more prudent in deployment of assets with the objective of maintaining an acceptable balance between risk and revenue. The International Banking division works in close collaboration with the Treasury Department so that any excess funds raised are profitably deployed.

For 2015, Bank One aims to do a major share of its business through its International Banking Division and to drive this initiative; a new Head of International Banking will be joining the Management Team in March to lead the process by building a strong, diverse and capable workforce to achieve the business objectives.

With the signed DTAs with African banks in place, Bank One will certainly continue to leverage on its partnership with group entities in East Africa and also look at expanding business in Southern Africa, Middle East, India, France and the United Kingdom.

International Banking will continue to strive hard to excel in customer care, further build on the existing business relationships and endeavour to develop new client relationships by being nimble, flexible and innovative.

Private Banking and Wealth Management

The Private Banking and Wealth Management business has been identified as a new growth area for the Bank. As a part of this strategy, in 2014 the Bank started preparations to scale up this business. The process began with the recruitment of a high-calibre Head of Private Banking and Wealth Management, possessing extensive exposure and long experience in this sector, to drive this initiative.

The private banking team is being strengthened by upskilling the existing staff and inducting specialist private bankers. The processes are being reengineered with special attention to further refine the Compliance and Risk Management Framework.

At the end of 2014, the deposits stood lower at Rs 748m, against Rs 810m in 2013. Similarly, advances stood at Rs 534m, against Rs 608m in 2013. The Bank took conscious efforts to forego high cost deposits given the continuing excess liquidity.

In addition, the Bank is working on the development of tailor-made products so as to provide a complete suite of diverse offerings to its existing and potential high-net-worth clients. The Bank will focus on specific geographic locations and build on the synergies with the I&M and CIEL Groups.

The wealth management product suite will range from traditional to more sophisticated structures depending upon the risk profile and appetite of clients. The Bank will target high-net-worth individuals in the East African markets to start with and thereafter extend its reach to specific markets around the world with which Mauritius shares historical links.

The primary objective is to provide a complete package that would offer easy banking in a well-developed international financial centre that encourages and extends a business-friendly environment with focus on preservation, management and creation of wealth through an investment plan that is fully aligned with the risk profile of our clients.

Our endeavour is to make Bank One's Private Banking and Wealth Management business the preferred destination for high-net-worth individuals considering its:

- Global wealth management expertise;
- Comprehensive bouquet of wealth management offerings;
- Experienced and talented team of professionals;
- Capability to build long-term relationships based on trust; and
- High-quality customised service delivery.

Treasury Business

The local economic environment was subdued throughout 2014 due to the absence of major economic reforms and also on the back of a contracting global economy. This resulted in lower merchant business on the domestic front. Faced with such challenging context, Treasury strove hard to improve the customer volumes. Despite the reduction in foreign exchange spread, Treasury managed to improve its merchant income from Rs 44.8m in 2013 to Rs 49.0m in 2014, representing an increase of 9.4%. The volume of deals with customers has increased by 27% from Rs 9.4bn in 2013 to Rs 11.9bn in 2014.

Given the persisting excess liquidity, in the local market with an average surplus of Rs 8bn throughout the year due to the sluggish business environment and limited deployment opportunities, the Bank had to realign its balance sheet by letting high cost deposits run off and concentrating on raising low cost deposits in order to improve its net interest margin. The fixed income desk did not perform as expected as government securities were trading at levels far lower than the savings rate thereby reducing investor appetite for these securities. The Central Bank's measure to impose a success ratio for all primary dealers also led to the waning interest on Government securities given the low yields.

Against this backdrop, Treasury started exploring avenues to broaden its revenue stream. This exercise resulted in setting up new relations with interbank counterparties across Africa to boost its money market activity. Excess liquidity was gainfully deployed with these counterparties and the interest income on such placements touched Rs 79m in 2014, against Rs 36m in 2013.

In 2015, we expect to resume trading activity and expand our client base further to provide our clients with multiple hedging solutions.

DISCUSSION BY LINE OF BUSINESS (cont'd)

E-Commerce

2014 has been a year of re-orientation for E-Commerce business. The focus was on risk mitigation and geared more towards on-boarding new business categories that are less risky. Further, additional efforts were put in to re-build the Payment Service Providers (PSP) & E-Commerce Merchants base. As a result, the business was subdued in the first three quarters of the year but gradually picked up in the last quarter. This was mainly due to changes in Visa rules, which restricted the categories of business that the Bank can acquire, thereby leading to closure of quite a few merchant accounts, considered risky, and a reduction in overall business volumes.

The Bank was quite selective in tying up with merchants for business since the prime attention was to concentrate on the risk profile of the counterparts. Bank One currently has a portfolio of 10 PSPs and 200 E-Commerce merchant accounts and the Bank is fully compliant with the risk guidelines of the Card Associations (Visa / Mastercard).

Going forward, the E-Commerce team is looking at bringing constant innovation to the business in both sales and risk management techniques in order to achieve the goal of contributing at least 20% of the Bank's total income in the coming years.

Cards

During last year, Bank One maintained reasonable growth in the card business. Regardless of the economic downturn, resultant challenges and a competitive market, the card services maintained a steady growth in business volumes with the help of a wide array of products and a hi-tech business platform.

In 2014, Bank One expanded its prepaid card issuance business by entering into a tie up with a well-known African bank. The Bank is also assisting the African bank to build its own card issuing business platform for the future.

The Bank's card usage at the Point of Sale (POS) grew by 12.53 % and card issuance registered a 4.04% increase in 2014. The Bank further strengthened its internal control management to bring down the delinquencies in card accounts.

Bank One in collaboration with Visa and Mastercard also intends to carry extensive promotional campaigns to increase card usage going forward.

Human Capital Management

In 2014, Bank One embarked on certain new initiatives in the area of its Human Resources management by introducing programmes aimed at attracting, developing, motivating and retaining talent with a view to ensure superior performance. As such, the overall performance and remuneration philosophy is directly proportional to the strategic intent and core values of the Bank.

A number of HR initiatives have been taken during the year with a view to identify and groom top talent. A key focus area has been on training to fortify the knowledge of staff with the intention of refining their skill sets. For this purpose, a training academy has been set up and a senior training manager has been appointed to drive the process with the full support of the Top Management. Quite a few successful programmes have already been conducted on various topics of relevance that helped to shore up the learning substantially. The Bank has revamped and streamlined its appraisal/Key Performance Indicators (KPI) process by introducing SMART objectives to ensure that the staff have a clear vision of what is expected from them, and the manner in which these goals are achieved by placing greater emphasis on the responsibility of each staff to fully live and adhere to the core values of the Bank and be a role model to others. The Bank has streamlined and simplified staff loan policies with a view to provide added benefits to the Staff in order to eliminate exceptions, and make it equitable and fair to all.

In 2014, a number of key positions were filled at Executive and Senior Management level through internal promotions as well as by drafting in high calibre specialist talent from outside both locally and internationally.

Employee Recognition

Our reward and recognition philosophy has remained at the heart of the Bank's talent management in 2014. Staff members are encouraged to pursue further studies in relevant areas of the banking domain to bolster their knowledge. As an incentive, a special exam leave scheme to staff was formalised this year. Those who successfully complete and acquire new academic qualifications in this manner are also publicly recognised through appreciation letters, financial incentives and also provided with opportunities to shoulder higher responsibilities where applicable.

Employee Development

Besides the newly launched training academy to groom staff in various areas of banking, Executive talks are also conducted monthly to enable domain experts to share their knowledge with the Staff.

As a part of leadership development programme, our annual 360 degree feedback exercise was also launched in 2014. This follows a top down approach starting from our Executives to our Managers who get assessed by their Line Managers, Direct Reports as well as Peers. The results were shared with the concerned staff and used in their appraisals. Such a tool is used annually by the Bank to assess the personal and interpersonal behavioural competencies of our leaders.

Remuneration Philosophy

The Remuneration Philosophy of Bank One is based on performance and productivity which covers performance against set targets, behavioural indicators, recognising special skills and targets. The Bank has, amongst its workforce, employees both on a fixed term and permanent basis. Salaries are reviewed annually and increments given based on performance as well as to absorb the inflationary impact on the cost of living.

DISCUSSION BY LINE OF BUSINESS (cont'd)

Human Capital Management (cont'd)

Remuneration Philosophy (cont'd)

Performance bonus is also paid annually taking into account the individual employee achievement in relation to the objectives set, performance of the line of business to which the employee belongs as well as the overall performance of the Bank. The annual performance appraisal process for deciding on annual increments and performance bonuses is carried on a two tiered level basis with a final moderation from Top Management to ensure fairness and to eschew any bias. The Bank is an equal opportunity employer and provides employment and er advancement opportunities to people from all walks of life. The Bank prides itself in having a good number of women in the Management team.

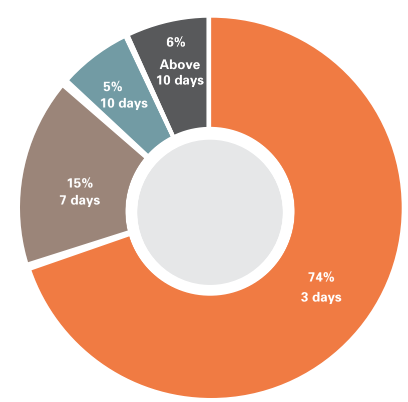
Service Quality

Our passion to meet and exceed customers' expectations remains at the core of all our endeavours and complete involvement and commitment of our team is monumental in attaining this objective of making the customers happy through consistent delivery of quality service. Towards this goal, we have undertaken a number of initiatives in 2014 to help us continuously monitor and improve the service of the Bank.

The Customer Service Helpdesk is a centralised set-up aimed to address all customer suggestions, complaints and feedback. All communications reaching the helpdesk gets personalised attention. Complaints are logged immediately and dealt with utmost care and consideration for speedier resolution within a day in the normal course. If a complaint is not sorted out to the satisfaction of client on the spot or within 24 hours, an acknowledgement is sent stating the time frame within which the issue would get addressed.

The pie-chart below shows the time frame within which complaints have been resolved in 2014:

Time frame within which complaints have been resolved - 2014



A dedicated full time Quality Control Manager is in charge of customer service, and personally monitors and responds to suggestions, complaints and feedback. To demonstrate the Top Management commitment to meet customer expectations, the Deputy Chief Executive Officer has oversight on customer communications and where needed, actively assists the Quality Control Manager in addressing the issues promptly and efficiently.

Complaints are segregated into Process, System or Human issues. This allows for an analysis of the types of problems that the Bank frequently encounters. Thereafter the appropriate measures can be taken in order to review processes and design soft skills training.

Based on the suggestions and feedback, issues identified are analysed, and the trends, patterns are studied carefully and communicated to the customer facing staff at branches to educate and modify their behavioural pattern with a view to realign their responses and service delivery in accordance with the Bank's and customer requirements.

The Bank has a full time Contact Centre dedicated to customer care. This desk remains a vital touch point for the customers having handled over 70,000 inbound calls in 2014. In addition, it acts as a support unit to the other departments in marketing the products that are offered by the Bank. The unit also engages in periodical mystery shopping exercises to provide valuable market information to departments such as Retail Banking, Credit Risk.

Monthly meetings are held with the Management where issues and resolutions are discussed, periodical analysis is reviewed and further refinements are initiated. Quarterly reports are also sent to the Bank of Mauritius as per Section V of the Guideline on Public Disclosure of Information *(July 2008 revised November 2009).*

FINANCIAL ANALYSIS

	Year Ended Dec-14 Rs 000	Year Ended Dec-13 Rs 000	Year Ended Dec-12 Rs 000
Net interest income	564,744	486,008	396,646
Net fee and commission income	103,926	118,454	107,057
Net trading income	48,998	(70,210)	135,291
Other operating income	3,739	2,313	8,462
Operating income	**721,407**	**536,565**	**647,456**
Non interest expense	(432,497)	(367,192)	(381,141)
Operating profit before allowance for impairment	**288,910**	**169,373**	**266,315**
Allowance for credit impairment	(153,444)	(88,800)	(46,025)
Impairment loss on intangible assets	(15,147)	-	-
Profit before exceptional item	**120,319**	**80,573**	**220,290**
Exceptional item	-	-	4,378
Profit before tax	120,319	80,573	224,668
Income tax expense	(3,199)	(26,895)	(21,300)
Profit for the year	**117,120**	**53,678**	**203,368**

FINANCIAL ANALYSIS (cont'd)

Revenue Growth

	Year Ended Dec-14 Rs 000	Year Ended Dec-13 Rs 000	Year Ended Dec-12 Rs 000
Interest Income			
Loans and Advances to customers and banks	752,807	840,022	762,657
Investment Securities	83,429	96,076	120,765
Placements	78,631	35,956	20,423
	914,867	**972,054**	**903,845**
Interest Expense			
Deposits from customers	307,338	444,151	476,990
Borrowings from banks	6,361	4,813	2,117
Other	36,424	37,082	28,092
	350,123	**486,046**	**507,199**
Average Interest Earning Assets	**14,640,177**	**14,497,992**	**13,537,071**
Average Interest Bearing Liabilities	**10,624,611**	**12,509,713**	**11,997,649**
Interest Income / Average Interest Earning Assets	6.25%	6.70%	6.68%
Interest Expense / Average Interest Bearing Liabilities	3.30%	3.89%	4.23%
Net Margin	**2.95%**	**2.81%**	**2.45%**
Core Revenue	**717,668**	**536,565**	**636,797**

Interest income on Loans and Advances to customers and banks reduced by 10% with the decline in the interest earning assets due to the prepayment of some high yielding offshore loans and the slow credit off take in the local market. With the declining interest on Government/Bank of Mauritius papers, the interest income on securities has been negatively impacted by 13%. Excess liquidity in FCY was effectively deployed for short tenor at attractive yields that helped to cushion the shortfall.

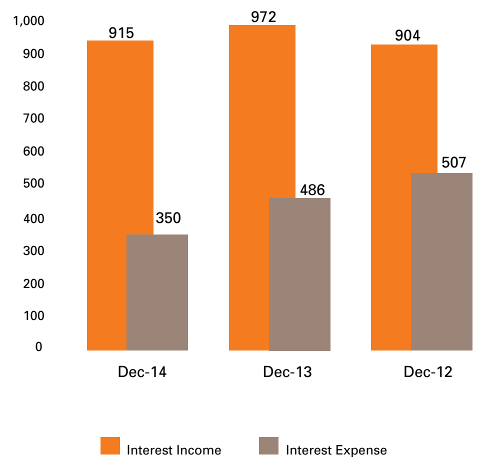
With the Bank not looking to renew high cost deposits, the interest expense went down from Rs 486m to Rs 350m. As a result, the cost of rupee deposits went down by 54 bps (from an average of 4.37% in 2013 to 3.83% in 2014) and the cost of foreign currency deposits from 1.16% in 2013 to 0.68% in 2014. Likewise, the low cost deposit to total deposit ratio improved both for rupee and foreign currency from 46% and 65% in December 2013 to 53% and 70% as at December 2014.

The Rupee and FCY interest margins improved from an average of 3.91% and 2.91% to 4.26% and 3.45% respectively. The strategy for 2015 will be to continue raising low cost deposits and manage the Assets and Liabilities effectively so as to maximise net margins.

FINANCIAL ANALYSIS (cont'd)

Revenue Growth (cont'd)

Interest Income & Interest Expense



Non Interest Income

	Year Ended Dec-14 Rs 000	Year Ended Dec-13 Rs 000	Year Ended Dec-12 Rs 000
Net Fees and Commission	103,926	118,454	107,057
Net Trading Income	48,998	(70,210)	135,291
Other Operating Income	3,739	2,313	8,462
	156,663	**50,557**	**250,810**

The non interest income improved considerably in 2014.

Despite the difficult global and local economic environment, Treasury managed to deliver Rs 49m as trading income thus contributing above 30% of the total non interest income. Treasury is presently focusing on merchant business offering plain vanilla products and is exploring the possibility to further diversify into additional hedging products to provide clients with multiple options.

E-Commerce business model was reviewed in 2014 by carrying out in depth profiling of the merchants with emphasis on risk management. The Bank restricted dealings with high risk merchants that had adverse impact on the fees from that business. E-Commerce business has now stabilised after the complete overhaul of the risk management structure and the Bank is anticipating a meaningful contribution from this business in 2015 onwards.

The Bank will be exploring new income streams in 2015 with special focus on low risk products.

FINANCIAL ANALYSIS (cont'd)

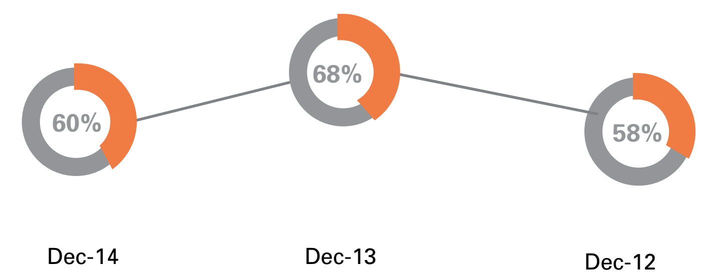
Cost Control

	Year Ended Dec-14 Rs 000	Year Ended Dec-13 Rs 000	Year Ended Dec-12 Rs 000
Personnel Expenses	254,286	224,487	232,913
Depreciation and Amortisation	37,850	36,202	35,649
Other Expenses	140,361	106,503	112,579
	432,497	**367,192**	**381,141**

Non-interest expenses increased by 18% compared to the previous year. The HR-related expenses went up as a result of recruitments in key positions possessing special skill set coupled with the yearly review of staff remuneration. The Bank also successfully resolved some long outstanding cases under litigation in 2014 relating to clients' claims.

The Bank closed 2014 with a cost-to-income ratio of 60% compared to 68% in 2013 and the target for 2015 is to close below 59%.

Cost-to-Income Ratio



Credit Quality

The table below shows the data on impairment for the past 3 years.

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Impaired Advances	941,199	820,045	417,232
Allowance for Impairment Losses on Individually Assessed Loans	464,513	295,756	169,786
Impaired Advances / Total Advances	8.23%	6.77%	3.41%
Net Impaired / Net Advances	4.39%	4.48%	2.07%
Provision Coverage Ratio	49.35%	36.10%	40.69%

FINANCIAL ANALYSIS (cont'd)

Credit Exposure

As shown in the table below, the Bank has a well-diversified credit portfolio with no undue concentration in any one sector as at December 2014.

SECTORS	2014			2013	2012
Lending	**Segment A Rs 000**	**Segment B Rs 000**	**Total A & B Rs 000**	**Total Rs 000**	**Total Rs 000**
Agriculture & Fishing	319,972	167,798	**487,770**	276,547	435,025
Manufacturing	404,442	79,085	**483,527**	702,824	696,255
Tourism	895,545	168,859	**1,064,404**	1,203,866	1,043,661
Transport	223,772	218,735	**442,507**	400,042	397,720
Construction	3,221,688	402,183	**3,623,871**	3,827,259	3,330,730
Financial and Business Services	239,109	160,881	**399,990**	276,428	438,015
Traders	1,520,718	263,609	**1,784,327**	1,794,476	1,842,311
Global Business License Holders	-	1,249,881	**1,249,881**	1,509,980	1,942,222
Personal	1,068,172	92,830	**1,161,002**	1,241,028	1,186,153
Professional	50,335	-	**50,335**	89,282	69,639
Other	234,152	143,164	**377,316**	647,959	866,482
	8,177,905	**2,947,025**	**11,124,930**	**11,969,691**	**12,248,213**
Lending to Banks	-	317,000	**317,000**	150,500	-
Total Credit Exposure	**8,177,905**	**3,264,025**	**11,441,930**	**12,120,191**	**12,248,213**
Trading	241,944	173,220	**415,164**	182,632	184,381
Investment	752,555	126,705	**879,260**	1,306,591	1,382,728
Off-Balance Sheet	554,483	330,676	**885,159**	1,361,314	1,613,722

FINANCIAL ANALYSIS (cont'd)

Credit Exposure (cont'd)

A breakdown of gross loans, impaired loans and provisions by industry sector as at December 2014 is given below:

SECTORS	Gross amount of loans		Impaired Loans as a % of Gross Loans by sector		Allowances for Impairment as a % of Impaired Loans by sector	
	Segment A Rs 000	Segment B Rs 000	Segment A	Segment B	Segment A	Segment B
Agriculture and Fishing	319,972	167,798	6.97%	0.0%	68%	0.0%
Manufacturing *(incl EPZ)*	404,442	79,085	4.16%	0.0%	48%	0.0%
Tourism	895,545	168,859	1.05%	0.0%	63%	0.0%
Transport	223,772	218,735	2.17%	0.0%	32%	0.0%
Construction	3,221,688	402,183	12.88%	1.55%	45%	33%
Financial and Business Services	239,109	160,881	0.14%	0.0%	100%	0.0%
Traders	1,520,718	263,609	14.24%	0.05%	46%	22%
Personal	1,068,172	92,830	12.79%	0.54%	85%	11%
Professional	50,335	-	0.0%	0.0%	0.0%	0.0%
Global Business Licence Holders	-	1,249,881	0.0%	5.87%	0.0%	4%
Others	234,152	143,164	16.72%	0.0%	71%	0.0%
Total	**8,177,905**	**2,947,025**				
Loans to Bank	**-**	**317,000**				
Total Credit Exposures	**8,177,905**	**3,264,025**				

A major share of impaired loans is from Construction, Personal and Media *(included in Others)* for Segment A, while the impaired loans for Segment B are very low.

Portfolio and General Provisions

In line with the Bank of Mauritius guideline on Credit Impairment, the Bank held portfolio provisions of Rs 120m on its performing loan book as at December 2014.

In compliance with the `Macroprudential policy measures for the Banking Sector` issued by the Bank of Mauritius in 2013, the Bank maintained additional portfolio provisions on certain specific sectors booked as General Reserve.

As per internal policy on provisioning, additional provisions are set aside in respect of impaired accounts above 3 years, over and above the IAS 39 requirements. These provisions are also booked as General Reserve.

Other details regarding credit impairment together with reconciliations are given in note 17(e) of the Financial Statements.

Restructured Loans

Restructured loans are loans that have been renegotiated due to deterioration in the borrower's financial position and cash flow. In genuine cases, the Bank has reviewed the terms and conditions by allowing concessions such as extending the maturity, changing the frequency of interest servicing, downward revision of interest rate.

During the year 2014 loan accounts have been restructured aggregating to Rs 292m. As at 31 December 2014, the outstanding balance on these accounts stood at Rs 234m.

The Management Discussions and Analysis report may contain various forward-looking statements with respect to Bank One's financial position, business strategy, plans and management objectives. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including, but not limited to, domestic market, global economic and business conditions, market risks such as changes in interest and exchange rates, policies and actions of governmental and regulatory authorities. We caution readers of this report not to place undue reliance on our forward-looking statements as these factors may cause the future results to differ materially from the plans, goals, expectations or interest expressed in the forward-looking statements. Bank One Limited does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

REACHING NEW HEIGHTS

At Bank One, we're here to help you make your business grow. We assist you in reaching your goals and give you solutions so you achieve financial success. We love to watch your business soar higher and higher.

RISK MANAGEMENT REPORT

RISK MANAGEMENT REPORT SCOPE

This report covers the risk management functions of the Bank.

RESPONSIBILITY OF THE BOARD

The Bank's Board of Directors has the ultimate responsibility for the oversight of risks within the Bank.

The Board has delegated certain management risk functions to the following Board Sub Committees:

- Board Risk Management Committee;
- Board Credit Committee;
- Board Conduct Review and Corporate Governance Committee;
- Board Audit Committee.

These Board Committees receive formal and informal communication from the Bank's risk management function and Chief Risk Officer (CRO). The CRO reports to the CEO but has direct access to the Board and its Risk Committees without impediment.

RISK DEFENCE MODEL

The Bank utilises a three-level defence model:

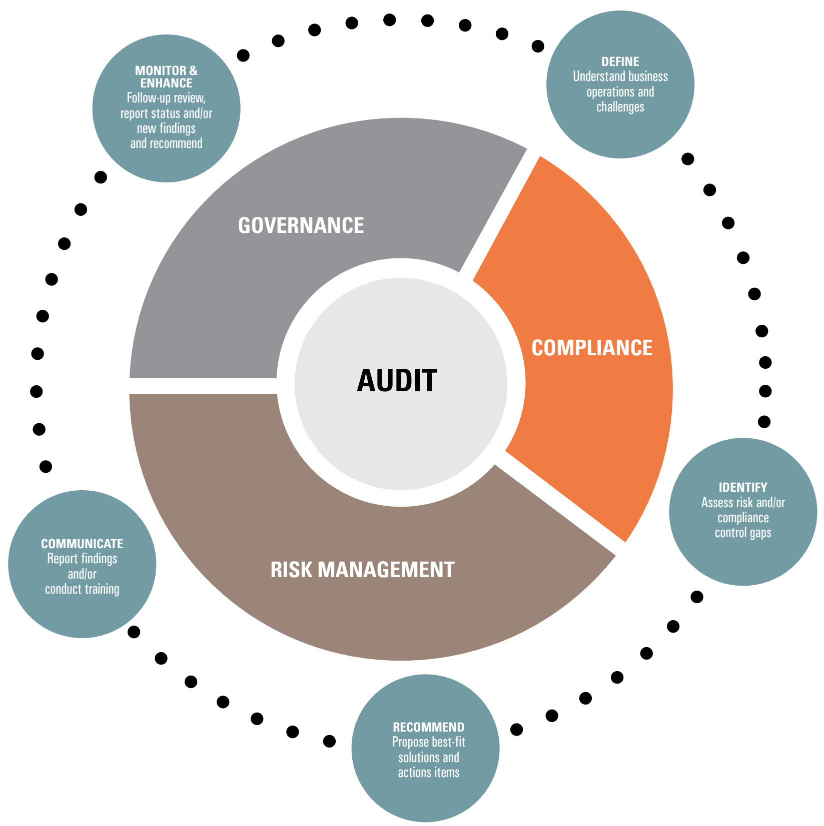
a) Management of Business Lines

b) Independent Risk Oversight through the various Risk functions

c) Internal Audit

RISK MANAGEMENT PROCESS

Bank One employs the following approach to Risk Management:



The Board of Directors approves the risk policy, guidelines and procedures. The Bank's Management has the responsibility for the effective implementation of these policies and procedures to ensure that all the quantifiable risks are adequately managed. To achieve this, there are various risk functions that seek to identify, quantify, control and mitigate the risks in a proactive manner and report the outcomes to the Board Risk Management Committee and the Board on a quarterly basis.

The Board and its Committees monitor the risk profile of the Bank on a quarterly basis and imposes limits on the quantum of Credit Risk, Market Risk, Operational Risk and Country Risk within prudential guidelines governing these risks to maintain sound operations, generate stable earnings and the long-term sustainability of the Bank. Other non-quantifiable risks such as Compliance Risk, Strategic Risk and Reputational Risk are assessed and controlled on a qualitative basis.

The Bank's Management meets on a monthly basis via various management committees to make a comprehensive assessment of the risks pertaining to the Bank's activities. Market Risk is monitored on a daily basis by the Market Risk Department due to the greater volatility attached to this risk factor and reported to Senior Management.

The Bank utilises the Internal Capital Adequacy Assessment Process (ICAAP) to assess the optimal capital requirement in relation to all material risks and in conjunction with its future strategy and goals. The Bank's Asset and Liability Management Committee (ALCO) is responsible for the management of the bank-wide portfolio composition, risk weighted assets measurement and optimal capital allocation. The inputs of ALCO are crucial to the effective implementation of the ICAAP framework.

RISK STRATEGY AND RISK MANAGEMENT

The Bank's risk activities are controlled within the regulatory frameworks established by the Bank of Mauritius and internally through the Board's guidelines and policies.

THE RISK MANAGEMENT FRAMEWORK

The Bank's Risk Management Framework provides the foundation for achieving the Bank's ultimate goals and strategies within a controlled and prudent charter.

The Board's responsibilities include:

- Approval of the Risk Management strategy and policies to confirm that all the risks are correctly managed at both portfolio and client level;
- Regular review of the policies and key performance indicators;
- Analysing the Bank's ongoing financial performance against forecasts and budgets.

Implementation of the risk policies is delegated to the Bank's Management. The various Management Committees manage and provide guidance to the measurement and monitoring of the different risks. These risks further fall under the responsibility of the centralised Functional Risk Units (FRUs) which operate as independent units, segregated appropriately from the business front line functions.

The FRUs include the following units that are headed by experienced and qualified personnel:

a) Credit Risk Management;
b) Compliance; and
c) Market Risk.

The FRUs major responsibilities include:

- Review of the credit and risk policies for the Bank;
- Determining the standards for measurement of financial risks and ensuring that data integrity is protected;
- Monitoring and reporting risk positions to the various Management Committees and ultimately to the Board;
- Identifying operational risk factors and developing monitoring and tracking capabilities to ensure the effective management and mitigation of these risk factors;
- Proactive and daily management of the foreign exchange and interest rate risks that are subject to the changes in the market prices.

CREDIT RISK

Credit risk is the risk of loss arising out of the failure of counterparties to meet their financial or contractual obligations when due.

The Bank's credit risk comprises mainly of wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with our clients and market counterparties.

The primary responsibility for credit risk management resides with the Bank's business lines. This is complemented with an independent credit risk function, which is in turn supported by the Bank's risk function and Internal Audit.

CREDIT RISK MANAGEMENT PROCESS

The Bank's credit risk systems and processes differentiate and quantify credit risk across counterparties and asset classes. Internal risk parameters are used extensively in risk management and business processes, including:

- Setting concentration risk limits and counterparty limits;
- Credit approval and monitoring; and
- Determining portfolio impairment provisions.

The Bank adopts the Basel Standardised Approach for the calculation of regulatory capital.

CREDIT RISK MEASUREMENT

Loans and Advances

The measurement of credit risk on loans and advances to customers and financial institutions is done after considering the following aspects:

a) Current counterparty exposures;
b) The probability of default; and
c) The loss given default.

The Bank's assessment of the credit quality of corporate clients uses an internally developed judgmental model with six risk grades.

The credit quality of personal clients is assessed using established criteria supplemented with external market data from the Mauritius Credit Information Bureau.

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Credit Related Commitments

Credit related commitments include bank guarantees, documentary letters of credit, standby letters of credit and undrawn commitments on committed facilities. The relevant capital charges of the various instruments are based on the Bank of Mauritius' guidelines.

The Bank monitors the maturity terms of credit commitments closely as longer term commitments exhibit greater degrees of credit risk than shorter term commitments.

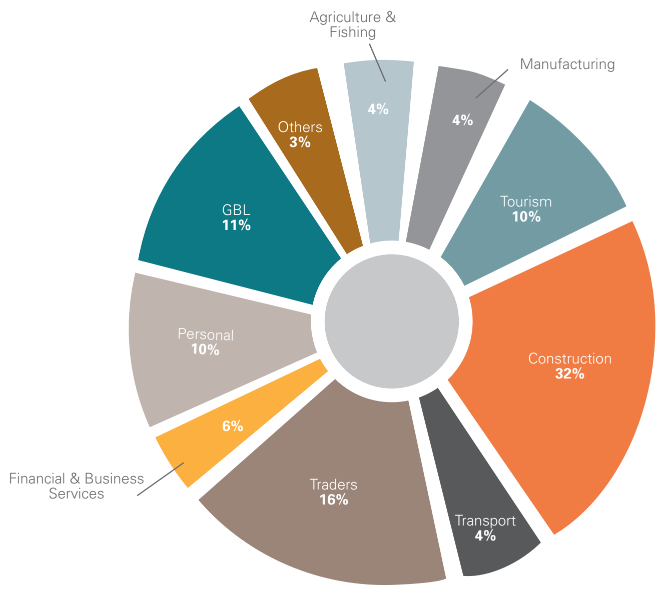
	As at 31 December 2014 Rs 000	As at 31 December 2013 Rs 000	As at 31 December 2012 Rs 000
Undrawn Credit Related commitments	**885,158**	1,361,314	1,613,722

Bank Placements and Lending to Banks

These instruments are normally of a better credit quality by the virtue of the regulated market in which these counterparties operate. External credit rating agencies' reports on the credit quality are utilised as an input into the internal credit assessment.

Sectorwise Distribution

The sectorwise distribution is disclosed in the chart below:



Residual contractual maturity of the portfolio is provided in note 17(c) of the Financial Statements.

CONCENTRATION RISK

Concentration risk is the risk of loss to the Bank arising from an excessive concentration of exposure. The Bank maintains a credit risk portfolio that is adequately diversified. Maximum exposure limits are set for individual counterparties, sectors and countries to aid in the goal of maximising the diversification benefits.

The top six groups and Single Borrower exposures as at 31 December 2014 were:

Group	Exposure Rs 000	% of Capital Base
1	483,795	28.79%
2	391,376	23.30%
3	347,846	20.70%
4	317,000	18.87%
5	300,103	17.86%
6	256,029	15.23%

Borrower	Exposure Rs 000	% of Capital Base
1	336,217	20.01%
2	317,000	18.87%
3	256,029	15.23%
4	181,092	10.78%
5	162,378	9.67%
6	158,614	9.44%

Exposures meet the limits (maximum 40% of Capital Base for a single group and 25% for a single borrower) set by the Bank of Mauritius.

HHI and Concentration Risk Level

The Bank uses the Herfindahl-Hirschman Index to assess the concentration of its depositors and borrowers. It is calculated by squaring the relative portfolio shares of each depositor or borrower.

Well-diversified portfolios with a large number of small firms have an HHI value close to zero, whereas heavily concentrated portfolios can have a considerably higher HHI value.

The following table relates the HHI with the level of risk:

HH Index	Risk Level
< 1 000	Low Risk
1 000-1 800	Moderate Risk
> 1 800	High Risk

As at 31 December 2014, the portfolios for top 10 individuals, group and industry-wise borrowers and top 10 depositors were all in the "Moderate Risk" category.

Related Party Transactions

The Bank of Mauritius Guideline on Related Party Transactions sets out the manner in which these transactions are identified, monitored and reported on a quarterly basis.

The Bank complies with all requirements under the Bank of Mauritius guideline on Related Party transactions.

The Bank's policy regarding Related Party Transactions is documented in the Related Party Transaction Policy. The policy is updated on an annual basis and approved by the Conduct Review & Corporate Governance Committee and the Board. The Committee reviews and approves every related party transaction and ensures they are at market rates.

The aggregate related party exposure (on balance sheet) of the Bank amounted to Rs 522m which represents 44% of Tier 1 capital and 4.6% of loans and advances. There was no off-balance sheet exposure to related parties as at 31 December 2014.

None of the loans advanced to related parties was classified as non-performing as at 31 December 2014.

The table below sets out the six largest related party exposures and the respective percentages of the Bank's Tier 1 capital:

Related Party	Exposure	Percentage of Tier 1 Capital
1	70,533	5.9%
2	68,000	5.7%
3	66,570	5.6%
4	59,065	5.0%
5	53,621	4.5%
6	47,866	4.0%

CREDIT QUALITY

Impairment and Provisioning Policies

Impairment provisions are recognised for financial reporting purposes under International Accounting Standard (IAS 39) and Bank of Mauritius' guidelines based on objective evidence of impairment.

Objective evidence, under IAS 39 is based on the following criteria amongst others:

- Significant financial difficulty of borrower;
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity-to-debt ratio, net income percentage of sales);
- Breach of loan covenants and conditions;
- Initiation of bankruptcy proceedings or high probability of bankruptcy or other insolvency proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Diversion of funds;
- Loss of confidence in borrower's integrity.

The Bank's policy requires the assessment of individual credits that are above materiality thresholds on a monthly basis. Impairment allowances on individually assessed accounts are determined by an evaluation of the possible loss at balance sheet date on a case-by-case basis, and are applied to all individual accounts. The allowance is arrived at after deducting present value of future cash flows and discounted net realisable value of collateral from the carrying value of the loan. Net realisable value of collateral is based on an independent valuation from a qualified appraiser. These valuations are updated every 3 years or earlier where warranted.

In 2012, the Bank adopted a prudent approach in respect of long outstanding impaired accounts so that independent of collateral held, all such accounts, would be fully provided by December 2015.

The tables on the pages that follow analyse the credit quality of loans and advances based on credit quality using the following definitions:

- Performing loans are neither past due nor specifically impaired. These loans are current and fully compliant with all contractual terms and conditions. Within performing loans there is a subset category of loans defined as early arrears.

  Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that these will be cleared with some delay. These accounts are closely monitored through monthly Management Watchlist Committees.

  The Bank is also identifying methods to recognise those assets that are still performing but behavioural characteristics indicate that potential future stress could be encountered by these counterparties.

- Non-performing assets are those loans for which:

  a) The Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition, or

  b) Instalments are due and unpaid for 90 days or more.

Collection and Recovery Process

Collection and recovery functions are separated from Sales functions for more independence and focus. The Recovery Team initiates action for recovery, including restructuring, negotiated settlement and amicable sale of specific assets, amongst others. The Bank's philosophy is to work out through negotiations and initiate legal action as a last resort option only if negotiations have failed.

Loans and Advances Past Due but not Impaired

Loans and Advances Past Due but not Impaired	As at 31 December 2014			As at 31 December 2013	As at 31 December 2012
	Individual (Retail Customers) Retail & Mortgages	Corporate Entities Loans & Overdraft	Total Loans and Advances to Customers	Total Loans and Advances to Customers	Total Loans and Advances to Customers
Past due up to 1 month	135,065	70,724	205,789	313,400	174,370
Past due more than 1 month and up to 3 months	168,779	491,194	659,973	588,651	374,750
Past due more than 3 months and up to 6 months	76,612	93,650	170,262	181,623	287,759
Past due more than 6 months	43,338	123,253	166,591	141,498	-
TOTAL	**423,794**	**778,821**	**1,202,615**	**1,225,172**	**836,879**

Appropriate management attention and processes are in place to ensure that overdue loans are managed proactively and prudently.

Loans and Advances past due but not impaired Relative Contribution	2014	2013	2012
Past due up to 1 month	17%	26%	21%
Past due more than 1 month and up to 3 months	55%	47%	45%
Past due more than 3 months and up to 6 months	14%	15%	34%
Past due more than 6 months	14%	12%	0%
Total	**100%**	**100%**	**100%**

Credit Risk Mitigation

Credit risk mitigation is achieved through the use of collateral, guarantees and derivatives. Credit risk mitigation policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. The annual review helps to upgrade policies, procedures and systems through continuous innovation and improvement.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for advances.

The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation.

The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business such as premises, stock and debtors;
- Pledge of financial instruments such as debt securities, equities and Bank deposits; and
- Common collateral for international business–Standby Letters of Credit/Bank Guarantees.

For derivative transactions, the Bank uses internationally recognised and enforceable International Swaps and Derivatives Association agreements, with a credit support annexure, where collateral support is considered necessary.

Repossessed Assets

As at December 2014 the Bank held in its books an amount of Rs 1.6m representing the value of 2 properties repossessed in prior years for satisfaction of debts. No new property was added to this list in 2014. As at December 2014, the carrying value of these properties did not differ materially from the estimated market price value. The Bank's policy regarding the repossessed assets is to dispose of them as soon as practicable in line with the banking legislation.

MARKET RISK

Market risk refers to the risk of losses in the Bank's book due to changes in equity prices, interest rates, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market.

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monitored through the Asset and Liability Management Committee (ALCO). Risk limits are set by products and by different types of risks. The risk limits comprise a combination of notional, stop loss, sensitivity and value-at-risk ("VaR") controls. All trading positions are subject to daily mark-to-market valuation. Risk Unit, as an independent risk management and control unit, identifies measures, monitors and controls the risk exposures against approved limits and initiates specific actions to ensure the overall and the individual market risks of the overall trading portfolio and the individual trading instruments are managed within an acceptable level. Any exceptions are reviewed and sanctioned by the appropriate level of Management or by the Board.

Market Risk Arising from the Trading Book

In the Bank's trading book, market risk is associated with trading positions in foreign exchange, debt securities, and derivatives.

Market Risk Measurement Technique

As part of the management of market risk, the Bank measures market risks using various techniques commonly used by the industry and controls market risk exposures within major risks limits set out by the Board. The major measurement techniques used to measure and control market risk are outlined below.

Value at Risk

The Bank applies a VaR methodology to its trading portfolio to estimate the market risk positions held and the maximum losses expected, based on a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that are acceptable for the Bank and which are monitored on a daily basis.

The Bank uses the Historical Approach at a 99% confidence level over a one day holding period.

Historical Approach

Historical simulation is the most transparent method of calculation of VaR. The benefits of this method are its simplicity to implement, and the fact that it does not assume a normal distribution of asset returns. Drawbacks are the requirement for a large market database, and the computationally intensive calculation.

As VaR constitutes an integral part of the Bank market risk control regime, VaR limits are established and reviewed by the Board annually for all trading portfolio operations and allocated to business units. Actual exposures against limits, together with the Bank's VaR, are assessed and managed on a monthly basis.

Market Risk Arising from the Banking Book

Market Risk Measurement Technique

Within the Risk Management Framework and policies established by the Board, various management action triggers are established to provide early alert to Management on the different levels of exposures of the banking book activities to foreign exchange risk, interest rate risk, and liquidity risk. Sensitivity analysis and stress testing covering shocks and shifts in interest rates on the Bank's on-and-off balance sheet positions, liquidity drift under institution-specific and general market crisis scenarios are regularly performed to gauge and forecast the market risk inherent in the banking book portfolios. The Treasury department monitors the debt securities book on a weekly basis, reporting monthly to ALCO and quarterly to the Board Risk Management Committee.

(i) Foreign Exchange Risk

The Bank has limited net foreign exchange exposure as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or transactions with the market. The net exposure positions, both by individual currency and in aggregate, are managed by the Treasury of the Bank within established foreign exchange limits and reported to the Bank of Mauritius on a daily basis.

Any increase/decrease of 50bps in the rate of the three main currencies (USD, GBP, EURO) will have an impact of +/–Rs 0.2m on the accounts as at 31 December 2014.

Throughout 2014, the Bank operated well within the Bank of Mauritius limits regarding Net Open Positions.

The independent Risk Unit ensures that limits are being respected. A daily report goes to the Top Management to notify any underlying breach in limits and a monthly report is submitted to the ALCO in similar fashion. A quarterly report is submitted to Board Risk Management Committee. Any breaches are notified to the Top Management on the same day and get simultaneously escalated to the relevant sanctioning authority.

Accordingly as at 31 December 2014, the VaR limits against the actual potential loss are given in the table hereunder:

VaR Limit vs Actual Position December 2014

	USD	EUR	GBP
VaR Limit	Rs 1m	Rs 1.5m	Rs 1m
Actual potential loss	Rs (22)k	Rs (11)k	Rs (3)k

(ii) Interest Rate Risk

Interest rate risk is the potential loss from unexpected changes in interest rates which can significantly alter the Bank's profitability and market value of equity.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on board, the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which are monitored by the Risk Unit, and are reported monthly to ALCO and quarterly to Board Risk Management Committee.

The framework adopted by the Bank to measure interest rate risk exposures arising from its banking book positions is consistent with that set forth by the Bank of Mauritius for reporting interest rate risk exposures, which consists principally of interest rate sensitivity analysis and stress testing.

Interest Rate Sensitivity Analysis

A detailed analysis of the Interest Rate Sensitivity Analysis as at 31 December 2014 is given in note 2(f) of the Financial Statements.

Earnings at Risk methodology is used at Bank One to assess the impact of various interest rate change scenario on Net Interest Income over a 12-month horizon, as required under the Bank of Mauritius' and Basel II guidelines.

Earnings at Risk Analysis as at 31 December 2014

Interest Movement	Impact on earnings on account of interest basis (Rs m)
+25 bps	- 0.035
-25 bps	+0.035
+50 bps	- 0.070
-50bps	+0.070
+75 bps	- 0.105
-75 bps	+0.105
+100 bps	- 0.140
-100 bps	+0.140
+200 bps	- 0.280
-200 bps	+0.280

If interest rates move up by 200bps, the Bank would lose Rs 0.28m in its Net Interest Income; conversely if rates move down by 200 bps, the Bank would gain Rs 0.28m. In the current economic context, the Bank's view is that interest rate is likely to fall slightly in 2015. In such a case, this will have a marginal positive impact on the Bank's Net Interest Income. Excluded in the above calculations, is the positive impact of re-pricing of maturing high cost term deposits, at more favourable rates which would further add to the bottom line.

The Bank is also well-positioned to absorb potential interest shocks. Should interest rates move up by 200 bps, Net Interest Income drop would represent only 0.02% of capital base, well within the outlier limit of –10%, recommended under Basel II and approved by the Board. The Bank is 93% immunised from any change in the Rupee interest rate.

Interest Movement	Impact on earnings on account of interest basis up to 31 Dec 14 / USD m
+25 bps	0.04
-25 bps	- 0.04
+50 bps	0.08
-50bps	- 0.08
+75 bps	0.12
-75 bps	- 0.12
+100 bps	0.16
-100 bps	- 0.16
+200 bps	0.33
-200 bps	- 0.33

The Bank's view is that the United States has the intention of increasing their interest rates in the coming year. The timing of such a move and the possible quantum creates uncertainty. However, the expectation is that the possible increase will be reasonable and not a bold move, but should the interest rates increase by 200bps, the Bank would gain USD 0.33m in its Net Interest Income.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank fails to meet its payment obligations when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors and to fulfil commitments to lend. It is the risk that the Bank will be unable to continue operating as a going concern due to a lack of funding.

Liquidity Risk Management Process

The Bank manages its liquidity on a prudent basis besides ensuring that the statutory minimum cash reserve requirements are maintained throughout the year. No statutory limits have been breached throughout the year.

Treasury is responsible for the daily management of liquidity and daily reporting on liquidity planning to Management. The monitoring and reporting take the forms of cash flow measurements and projections for the next day, week and month respectively.

The ALCO reviews monthly, or on ad hoc basis if required, the Bank's current loan and deposit mix and changes, funding requirements and projections, and monitors the liquidity ratio and maturity mismatch. Appropriate limits on liquidity and maturity mismatch are set and sufficient liquid assets are held to ensure that the Bank can meet all its short-term funding requirements.

The Bank's funding comprises mainly of deposits from customers and short as well as long-term borrowings. Short-term interbank deposits are taken on a limited basis and the Bank is generally a net lender to the interbank market.

Stress tests are also carried out to ensure adequate liquidity is available under stressed conditions, contingent plans are also reviewed to prepare for any extreme liquidity stress scenario.

The table in note 2(g) of the Financial Statements analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting to the contractual maturity date or, where applicable the earlier callable date.

The Bank monitors liquidity gaps on a static, cumulative as well as on a dynamic basis. Under the dynamic scenario, the Bank arranges assets and liabilities into different maturity ranges according to the Bank of Mauritius' guidelines, taking into account the historical behavioural pattern of these assets and liabilities.

Stress testing and scenario analysis, such as a major runoff on deposits, undrawn commitments being fully drawn down by clients, scheduled loan repayments getting delayed, interbank lines not being available for the Bank to draw upon as well as the Bank's specific crisis and market crisis scenarios, form an important part of the Bank's liquidity management process. Extreme stress situations are created to analyse the capacity of the Bank to withstand those shocks and still manage its liquidity comfortably. Sources of funding such as swapping foreign currencies to MUR, repo of securities, reciprocal lines are evaluated to address such situations.

As at 31 December 2014, the Bank liquidity was comfortable even in stressful conditions.

Long-Term Lending Ratio

The Bank has set up an internal limit to monitor long-term lending in foreign currencies for the proper liquidity management of foreign currencies. The ratio is a percentage of all the foreign currency loans maturing above a period of two years, excluding loans against deposits, over the Bank's total foreign currency deposits, excluding deposits under lien. The Board Risk Management Committee has approved a maximum limit, which is reviewed on a quarterly basis.

The long-term lending ratio is calculated on a monthly basis by the Risk Management Unit and reported to the ALCO so that Management can take adequate measures to keep the long-term lending ratio within the limit.The current limit is 35%.

OPERATIONAL RISK

Operational risk is defined as the risk of loss suffered as a result of the inadequacy of, or a failure in, internal processes, people and/or systems or from external events.

The subtypes of operational risk include Model Risk; Tax Risk; Legal Risk; Environmental and Social Risk; Technology Risk; Information Risk; Cyber Risk and Financial Crime Control.

The principal aim of the Bank is the early identification, mitigation and ultimately prevention of operational risks. The Bank has put in place an operational risk framework as detailed in the Operational Risk Management Policy to ensure that operational risks within the Bank are clearly identified, assessed and controlled in a structured, systematic and consistent manner. The policy is reviewed annually by the Board.

The reporting of any operational risk incidents covering both actual as well as potential losses is undertaken by each business/support function promptly on the same day to the Operational Risk department. The Operational Risk department consolidates and submits a monthly report to the Management Operational Risk Committee and on a quarterly basis to the Board Risk Management Committee. An important facet is the segregation of duties between origination, authorisation and execution of transaction to ensure better controls.

The Money Laundering Reporting Officer scrutinises all transactions above a threshold or having an unusual pattern. All suspicious transactions are reported to the relevant authorities. The Compliance Team ensures that the Bank complies with all regulatory requirements, internal policies and procedures. A compliance report is submitted monthly to the Management Operational Risk Committee and quarterly to the Board Risk Management Committee.

Business continuity risk has been addressed with the implementation of a disaster recovery site located in the centre of the island. All data and applications are replicated on a real time basis and the site can be activated should the primary operation centre not be accessible. Testing of communications between the disaster recovery site and the branches is carried out at least annually. The Bank is in the process of comprehensively reviewing and further reinforcing its business continuity capabilities, covering additional test scenarios going forward.

Monitoring And Measuring Operational Risk

The capital charge for operational risk is provided in line with the Bank of Mauritius guidelines. The capital charge to be taken under the Basic Indicator Approach is 10 times 15% of the average gross income over the previous three years.

After considering the Bank's size and the scale and complexity of its operations, the exposure to operational risk is considered to be acceptable and similarly the systems in place to detect, manage, monitor and mitigate such risks are considered adequate.

COUNTRY RISK

Country risk refers to the possibility or risk that a foreign borrower may be unable or unwilling to fulfil his foreign obligations due to country-specific conditions, which may be underlying economic, political, social, natural or other events and trends, such as deteriorating economic conditions, political and social upheavals, nationalisation or appropriation of assets, government repudiation of external indebtedness, exchange controls, currency devaluation, other external conditions such as natural disaster.

The objective is to provide a framework for effective identification, assessment and measurement of country risk and for provisions thereof.

Country Risk Management Framework

The Country Risk Management Policy is reviewed on an annual basis. The policy includes identification of countries with acceptable risks and high risk countries. Countries are assigned risk ratings and then country exposure limits are determined by the Board Risk Management Committee. The measurement of the country risk is undertaken through the monitoring and reporting of developments affecting the risk profile of approved countries.

Prior to undertaking any type of international exposure, potential risks are identified and evaluated. Responsibilities for these risks and controls are assigned, and appropriate actions taken (mitigation, acceptance or avoidance of the risks) in accordance with the statutory guidelines, are executed.

Assessment of Country Risk

In assessing the risk of a country, the Bank considers both quantitative and qualitative factors of the country. In developing quantitative assessments of the risk of a country, the Bank takes into account the size and maturity profile of the country's external borrowing as well as the country's macroeconomic variables (including forecasts), fiscal, monetary, exchange rate and financial sector policies and relevant statistics.

Factors typically used in qualitative assessments of country risk include the quality of the policy-making function, social and political stability, and the legal and regulatory environment of the country.

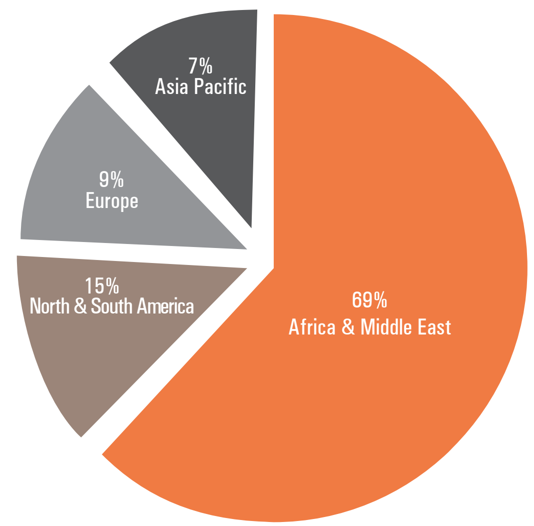
Country Exposure Limits

The Bank uses ratings by External Credit Assessment Institutions (ECAI) (Standard & Poor's, Moody's and Fitch). The model inputs are updated on a quarterly basis to reflect economic and political changes in countries.

Country exposure limits are reviewed and approved by the Board Risk Management Committee on a quarterly basis. Interim reviews are also conducted and submitted to the Board Risk Management Committee anytime during the year, in urgent response to substantive changes, if any, in a country's risk profile.

Risk weighted exposures in any single country should not exceed 250% of the Bank's capital base, whilst total cross border risk weighted exposures for the Bank should not exceed 500% of the capital base of the Bank. As at 31 December 2014, the Bank was well within these limits. Particular attention is paid to potential contagion risk in the regions that the Bank is exposed to.

Country Risk Exposures by Region as at 31 December 2014 is shown in the chart below.



COMPLIANCE RISK

Compliance Risk may be defined as the current and prospective risk of litigation, financial penalties, regulatory constraints and reputational loss that can strategically affect the Bank, resulting from failure to adhere to laws, regulations, and prescribed practices, standards of market conducts, ethical standards as well as internal policies and procedures.

Philosophy

The Board of Directors, through the Board Risk Management Committee, approves and periodically reviews the compliance framework and strategies of the Bank, and assumes overall accountability for compliance performance.

The Bank's compliance risk is managed by an independent Compliance function which is in line with the Bank of Mauritius' requirements and international best practice. The main responsibility of the Compliance function is to ensure strict observance of all legal and regulatory requirements, identify, evaluate and address legal and reputational risks.

The Compliance function reports on the above matters on a monthly basis to the Management Operational Risk Committee (MORC) and quarterly to the Board Risk Management Committee.

Following the implementation of Foreign Account Tax Compliance Act (FATCA), the Bank has registered and obtained the Global Intermediary Identification Number (GIIN). Furthermore, a FATCA Task Force has been set up and identification of US Persons/Entities is being carried out. As from the 01 July 2014, the Bank has implemented FATCA declaration forms for all new account openings.

Roles & Responsibilities of Compliance Manager

The Compliance Manager also currently assumes the function of Money Laundering Reporting Officer (MLRO), which is independent from the business units of the Bank. The Compliance Manager assists the Board and Senior Management in promoting a strong compliance culture by identifying, assessing, monitoring and reporting on the compliance risk.

BUSINESS RISK

Business risk is the risk of loss due to operating revenues not covering operating costs.

The Bank uses the following methods to assist in the mitigation of business risk:

1. Business planning;
2. Financial planning;
3. Monitoring the implementation of approved plans;
4. Market analysis;
5. Readjustment of plans, where required.

Business risk includes strategic risk, which is defined as the risk that the Bank's future business plans and strategies may be inadequate to prevent financial loss or protect the Bank's competitive position and shareholder returns.

The Bank's business strategy covering a five-year plan has been defined and documented. This has been approved by the Board. The strategic direction of the Bank is reviewed once a year and forms part of the annual business budget and operating plan of the Bank.

REPUTATION RISK

Reputation risk is based on the market, public and stakeholder's perception of the management and the financial stability of the Bank. Reputational risk is difficult to measure and quantify.

Reputation risk is the risk of damage to the Bank's brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. Sustained reputational damage could have a material impact on the Bank, which would significantly affect shareholders' value.

Assessment

Assessment of reputation risk cannot be static as reputation is driven by a number of factors such as 'people', 'process', 'business' and other 'external factors', which are most dynamic in nature.

The Bank continues to monitor reputational risk on a qualitative basis through a reputation risk heat map.

The Bank's Board of Directors and Senior Management actively support reputation risk awareness by demanding accurate and timely management information and subjecting the same to critical scrutiny. The Corporate Governance Report depicts the Bank's compliance status with regards to corporate governance.

Overall Reputation Risk was maintained at a satisfactory level in 2014.

Internal Audit Function

The Internal Audit function at the Bank provides to Management, Board Audit Committee and the Board independent, objective assurance and consulting services aimed at adding value and improving the Bank's operations, governance, risk management and internal controls.

The Internal Audit department is governed by an Internal Audit charter which is approved by the Board Audit Committee. The Audit Committee also reviews and approves Internal Audit's yearly plan and resources, and evaluates the effectiveness of the department. The Bank's Chief Internal Auditor reports functionally to the Board Audit Committee and administratively to the Chief Executive Officer. The Chief Internal Auditor, regularly meets the Chairman of the Audit Committee, in absence of the Bank's Management representatives.

RISK CAPITAL MANAGEMENT

Background

The Bank strives for continual enhancement of shareholder value by efficiently using capital in order to maximise return on equity.

Basel III

Effective from 01 July 2014, the Bank of Mauritius issued a Guideline on Scope of Application of Basel III and Eligible Capital.

The Bank of Mauritius also issued a Guideline for dealing with Domestic – Systemically Important Banks. As per the guideline, only those banks whose total Segment A assets represent at least 3.5% of the total GDP will be assessed, and as at December 2014, Bank One did not fall in this category.

Process for Capital Management

In addition to measuring Capital Adequacy, the Bank also ensures that sufficient capital is available to sustain projected growth. This Capital planning is reviewed monthly at Management level and quarterly at Board level.

Capital Adequacy Assessment

The Bank has computed Capital Adequacy Ratio (CAR) as at 31 December 2014 in accordance with the regulatory guidelines on Basel III, where in the capital charge for operational risk has been computed under the Basic Indicator Approach and the capital charge for credit and market risk under the Standardised Approach.

As at December 2014, on a loaded Basel III basis, the Bank's CAR stood at 12.87% (against a regulatory requirement of 10%), out of which the Common Equity Tier 1 (CET I) CAR was 9.1% (against minimum regulatory requirement of 5.5%).

Capital Structure	Year ended Dec-14 Rs 000 Basel III	Year ended Dec-13 Rs 000 Basel II	Year ended Dec-12 Rs 000 Basel II
Core Capital			
Paid up Capital	731,456	731,456	551,456
Statutory Reserve	111,044	93,476	85,424
Retained Earnings	471,510	444,655	418,425
Deductions			
Goodwill	-	(15,147)	(15,147)
Intangibles	(37,728)	(47,210)	(40,225)
Deferred Tax	(59,641)	(25,982)	(31,873)
Less investments in capital of other banks	(27,970)	(11,847)	(11,833)
Total	**1,188,671**	**1,169,401**	**956,227**
Common Equity Tier 1	**1,188,671**	**-**	**-**
Additional Tier 1 Capital	**-**	**-**	**-**
Total Tier 1 Capital	**1,188,671**	**1,169,401**	**956,227**
Supplementary Capital			
Reserves arising from revaluation of Assets	35,503	34,059	34,059
Portfolio Provision	120,000	123,000	130,842
General Banking Reserve	43,164	-	-
Subordinated Debt	286,570	358,386	290,815
Less investments in capital of other banks	-	(11,847)	(11,834)
Fair Value Gains	6,081	1,446	1,446
Total Tier 2 Capital	**491,318**	**505,044**	**445,328**
Total Capital Base	**1,679,989**	**1,674,445**	**1,401,555**
Risk Weighted Assets for			
Credit Risk	12,089,742	12,018,225	11,639,715
Market Risk	10,690	13,004	62,797
Operational Risk	952,714	879,262	833,046
Total Risk Weighted Assets	**13,053,146**	**12,910,491**	**12,535,558**
CET I Capital Ratio	9.11%		
Tier 1 Capital Ratio	9.11%		
Capital Adequacy Ratio	**12.87%**	**12.97%**	**11.18%**

The computation of December 2014 CAR is as per Basel III, hence, not comparable with previous years. Goodwill existing as at December 2012 and 2013 was written off during 2014.

Risk Weighted On-Balance Sheet Items

	Rs 000	Risk Weight %	Risk Weighted Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Cash in Hand & with Central Bank	1,065,695	0%	-	-	-
Balance and Placements with Banks	4,441,752	20 -100%	2,504,358	1,304,533	778,383
Balance in Process of Collection	28,803	20%	5,761	9,597	10,203
Treasury Bills and GOM Bills	652,716	0%	-	-	-
Other Investment	484,578	20-100%	366,916	436,964	268,852
Fixed and Other Assets	396,031	100%	396,031	445,783	546,685
Loans and Advances	10,977,417	0 - 100%	8,584,205	9,392,555	9,666,897
	18,046,992		**11,857,271**	**11,589,432**	**11,271,020**

Risk Weighted Off-Balance Sheet Items

	Rs 000	Credit Conversion Factor (%)	Risk Weight %	Risk Weighted Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Acceptances and Bill of Exchange	183,216	100%	100%	183,216	187,604	211,461
Placement of Forward Deposits	-	100%	100%	-	150,500	-
Guarantees, Bonds etc.	73,717	50%	100%	36,859	85,921	150,374
Letter of Credit	39,737	20%	100%	7,947	4,768	6,861
Foreign Exchange Contracts	571,582	1 - 7.5%	20-100%	4,449	-	-
				232,471	**428,793**	**368,696**

Risk Weighted Exposures

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Risk Weighted On-Balance Sheet Assets	11,857,271	11,589,432	11,271,020
Risk Weighted Off-Balance Sheet Exposures	232,471	428,793	368,696
Risk Weighted on Market Risk	10,690	13,004	62,797
Risk Weighted on Operational Risk	952,714	879,262	833,046
Total Risk Weighted Assets	**13,053,146**	**12,910,491**	**12,535,559**

Risk-Weighted Assets for Market Risk

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Foreign Exchange Risk	10,690	13,004	62,797
Interest Rate Risk			
Equivalent Risk Weighted Assets	**10,690**	**13,004**	**62,797**

Risk Weighted Assets for Operational Risk

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Average Gross Income for last 3 years	635,143	586,175	555,364
Capital Charge	95,271	87,926	83,305
Equivalent Risk Weighted Assets	**952,714**	**879,262**	**833,046**

In line with the recommendations of the Bank of Mauritius' guideline on the recognition and use of the External Credit Assessment Institutions (ECAI), the ratings from the agencies listed below have been used in computing the relative Risk weights for Balance with foreign banks, lending to foreign entities and banks as well as other foreign investments.

ECAI – Moody's, Standard and Poor's and Fitch.

FUTURE CAPITAL REQUIREMENTS

Capital Management is conducted in a dynamic way at Bank One and any future requirements are well anticipated and communicated to the Board and the Shareholders.

Internal Capital Adequacy Assessment and Supervisory Review Process

The guideline on Supervisory Review Process (SRP) issued by the Bank of Mauritius in April 2010 requires banks to develop and put in place, with the approval of their Board, an Internal Capital Adequacy Assessment Process (ICAAP) commensurate with their size, level of complexity, risk profile and scope of operations.

The SRP rests on four fundamental principles, which enunciate the broad responsibilities of both banks and supervisors with respect to Pillar 1 minimum capital requirements:

Principle 1 – Banks should have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels.

Principle 2 – Supervisors should review and evaluate banks' internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with regulatory capital ratios. Supervisors should take appropriate supervisory action if they are not satisfied with the result of this process.

Principle 3 – Supervisors should expect banks to operate above the minimum regulatory capital ratios and should have the ability to require banks to hold capital in excess of the minimum.

Principle 4 – Supervisors should seek to intervene at an early stage to prevent capital from falling below the minimum levels required to support the risk characteristics of a particular bank and should require rapid remedial action if capital is not maintained or restored.

The ICAAP requires banks to identify and assess risks, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalisation on an ongoing and forward-looking basis.

The Bank's capital management framework includes a comprehensive ICAAP conducted annually and which determines the adequate level of capitalisation for Bank One to meet regulatory norms and current and future business needs, including under stress scenarios.

Capital Adequacy and risk management are aligned and the Bank's capital management framework is complemented by its risk management framework, which includes a comprehensive assessment of all material risks.

The Bank formulates its internal capital level targets based on ICAAP and endeavours to maintain its capital adequacy level in accordance with the targeted levels at all times.

As part of ICAAP, the Bank has conducted stress testing under various historical and stress test scenarios to assess the impact of stress on its capital position as at 31 December 2014. The methodology, which is developed internally, for the stress testing is approved by the Board. The results of stress testing are reported to the Board and to the Bank of Mauritius.

METHODOLOGY AND ASSUMPTIONS

The Capital Model used in the ICAAP is based upon the Capital to risk (Weighted) Asset Ratio (CAR) calculations for the Pillar 1 Risks, i.e. Credit, Market and Operational Risk, with additional capital requirements assessed under Pillar 2 for the risks not covered under Pillar 1 and identified as material to the business of the Bank.

Methodology and Assessments for Material Risks

Types of Risks	Methodology for Assessment
Operational Risk	Risk and Control Self-Assessment / Operational Risk Heat Map
Concentration Risk	HH Index and Stress Testing
Country Risk	Quantitative and Qualitative Assessment
Liquidity Risk	Ratio Analysis and Stress Testing
Interest Rate Risk in Banking Book	Gap Analysis and Stress Testing
Compliance Risk	Qualitative Assessment
Reputational Risk	Reputation Heat Map

STRESS TESTING

Bank One has designed its own stress tests based on two levels of severity which is consistent to its capabilities, product offerings and risk profiles. The stress testing framework, which is approved by the Board, Bank One assesses the impact on its capital level and the adequacy of capital buffers for current and future periods. The business and capital plans and the stress testing results of the Bank are integrated into the ICAAP.

EXPERTS IN OUR FIELD

At Bank One, we focus on professionalism. You will be glad to see that the person you are talking to is an accomplished professional and that your needs are attended to in a timely and efficient manner.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review and Risk Management 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 programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

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

The Bank's external auditors, PWC, 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.

This 13 March 2015

David PROCTOR
Chairman of the Board of Directors

Jean-Pierre DALAIS
Director

Ravneet CHOWDHURY
Director & Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of BANK ONE LIMITED (the "Bank") on pages 78 to 131 which comprise the statement of financial position at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The Bank's 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 Mauritian Companies Act 2001, the Banking Act 2004 and regulations and guidelines of the Bank of Mauritius and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements on pages 78 to 131 give a true and fair view of the financial position of the Bank at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001
The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the Bank other than in our capacity as auditor;

(b) we have obtained all the information and explanations we have required; and

(c) 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

The Banking Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) 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 Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and

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

FINANCIAL REPORTING ACT 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report on pages 18 to 41 and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report on pages 18 to 41 is consistent with the requirements of the Code.

PricewaterhouseCoopers
13 March 2015

Mushtaq Oosman, licensed by FRC

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS for the year ended 31 December 2014

	Notes	Year ended Dec-14 Rs 000	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000
Interest income		914,867	972,054	903,845
Interest expense		(350,123)	(486,046)	(507,199)
Net interest income	3	564,744	486,008	396,646
Fee and commission income		180,253	186,862	142,481
Fee and commission expense		(76,327)	(68,408)	(35,424)
Net fee and commission income	4	103,926	118,454	107,057
Net gain/(loss) on dealing in foreign currencies and derivatives	5	48,998	(70,210)	135,291
Other operating income	6	3,739	2,313	8,462
		52,737	(67,897)	143,753
Operating income		721,407	536,565	647,456
Personnel expenses	9	(254,286)	(224,487)	(232,913)
Depreciation and amortisation	19 & 20	(37,850)	(36,202)	(35,649)
Other expenses	10	(140,361)	(106,503)	(112,579)
		(432,497)	(367,192)	(381,141)
Profit before impairment		288,910	169,373	266,315
Net impairment loss on financial assets	7	(153,444)	(88,800)	(46,025)
Impairment loss on intangible assets	8	(15,147)	-	-
		(168,591)	(88,800)	(46,025)
Profit before exceptional item		120,319	80,573	220,290
Profit on sale and recovery of assets	11	-	-	4,378
Profit before income tax		120,319	80,573	224,668
Income tax expense	12	(3,199)	(26,895)	(21,300)
Profit for the year		**117,120**	**53,678**	**203,368**
Basic earnings per share (Rs)	13	**16.01**	**8.50**	**36.88**

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

	Year ended Dec-14 Rs 000	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000
Profit for the year	117,120	53,678	203,368
Other Comprehensive Income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(6,433)	(15,345)	269
Revaluation on building net of tax	3,208	-	-
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on available for sale investment securities	10,297	-	10,770
Other Comprehensive Income for the year	7,072	(15,345)	11,039
Total Comprehensive Income for the year	**124,192**	**38,333**	**214,407**

The notes on pages 82 to 131 form an integral part of these financial statements.
Auditors' report on page 77.

STATEMENT OF FINANCIAL POSITION as at 31 December 2014

	Notes	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
ASSETS				
Cash and cash equivalents	14	4,724,580	3,267,226	4,315,788
Derivative assets held for risk management	15	982	1,787	12,984
Loans and advances to banks	16	313,830	148,577	-
Loans and advances to customers	17	10,543,587	11,552,858	11,947,585
Investment Securities	18	1,294,424	1,489,223	1,567,109
Property and equipment	19	328,056	310,561	328,909
Intangible assets	20	37,728	62,356	55,371
Deferred tax assets	21	59,641	25,982	31,873
Other assets	22	750,487	839,346	1,143,963
Total assets		**18,053,315**	**17,697,916**	**19,403,582**
LIABILITIES				
Deposits from customers	23	15,470,040	15,162,715	17,198,221
Derivative liabilities held for risk management	15	13,477	5,040	3,037
Subordinated liabilities	24	426,732	428,386	330,815
Other borrowed funds	25	372,642	480,747	367,505
Current tax liabilities	26	20,504	20,017	10,020
Other liabilities	27	277,239	252,522	363,828
Total liabilities		**16,580,634**	**16,349,427**	**18,273,426**
EQUITY				
Stated capital	29	731,456	731,456	551,456
Retained earnings		471,510	444,655	414,374
Other reserves		269,715	172,378	164,326
Total equity		**1,472,681**	1,348,489	1,130,156
Total equity and liabilities		**18,053,315**	**17,697,916**	**19,403,582**

These financial statements were approved and authorised for issue by the Board of Directors on 13 March 2015.

DAVID PROCTOR	RAVNEET CHOWDHURY	JEAN-PIERRE DALAIS
Chairman of the Board of Directors	Director & Chief Executive Officer	Director

The notes on pages 82 to 131 form an integral part of these financial statements.
Auditors' report on page 77.

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014

	Note	Stated capital Rs 000	Revaluation surplus Rs 000	Statutory reserve Rs 000	General Banking reserve Rs 000	Fair value reserve Rs 000	Retirement Benefit plan Rs 000	Retained earnings Rs 000	Total Equity Rs 000
Balance as at 01 January 2012		551,456	75,687	54,919	-	(7,555)	(4,320)	275,562	945,749
Profit for the year		-	-	-	-	-	-	203,368	203,368
Other comprehensive income for the year		-	-	-	-	10,770	269	-	11,039
Total comprehensive income		-	-	-	-	10,770	269	203,368	214,407
Transfer to statutory reserve		-	-	30,505	-	-	-	(30,505)	-
Dividend	30	-	-	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2012		**551,456**	**75,687**	**85,424**	**-**	**3,215**	**(4,051)**	**418,425**	**1,130,156**
Balance as at 01 January 2013		551,456	75,687	85,424	-	3,215	(4,051)	418,425	1,130,156
Issue of shares		180,000	-	-	-	-	-	-	180,000
Profit for the year		-	-	-	-	-	-	53,678	53,678
Other comprehensive income for the year		-	-	-	-	-	(15,345)	-	(15,345)
Total comprehensive income		-	-	-	-	-	(15,345)	53,678	38,333
Transfer to statutory reserve		-	-	8,052	-	-	-	(8,052)	-
Balance as at 31 December 2013		731,456	75,687	93,476	-	3,215	(19,396)	464,051	1,348,489
Balance as at 01 January 2014		731,456	75,687	93,476	-	3,215	(19,396)	464,051	1,348,489
Profit for the year		-	-	-	-	-	-	117,120	117,120
Other comprehensive income for the year (note 35)		-	3,208	-	-	10,297	(6,433)	-	7,072
Total comprehensive income		-	3,208	-	-	10,297	(6,433)	117,120	124,192
Transfer to general banking reserve (note 35)		-	-	-	92,093	-	-	(92,093)	-
Transfer to statutory reserve *		-	-	17,568	-	-	-	(17,568)	-
Balance as at 31 December 2014		**731,456**	**78,895**	**111,044**	**92,093**	**13,512**	**(25,829)**	**471,510**	**1,472,681**

*Statutory reserve, which comprises the accumulated annual transfer of 15% of the net profit for the year in line with Section 21(1) of the Banking Act 2004.

The notes on pages 82 to 131 form an integral part of these financial statements.
Auditors' report on page 77.

STATEMENT OF CASH FLOWS for the year ended 31 December 2014

	Year ended Dec-14 Rs 000	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000
Cash flows from operating activities			
Profit before income tax	120,319	80,573	224,668
Net movement in derivatives	9,242	13,200	(8,259)
Depreciation of property and equipment	21,630	21,554	23,562
Amortisation of intangible assets	16,220	14,648	12,087
Net change on provision for credit impairment	165,758	118,128	(53,509)
Impairment of goodwill	15,147	-	-
Gain on sale of land and property and equipment	(531)	-	520
Gain on sale of other assets	-	-	(10,099)
Gain on sale of trading securities	(12)	-	-
Others	(61)	10,528	(23,184)
Income tax paid	(25,643)	(11,007)	(10,594)
Fair value loss on disposal of available for sale securities	-	-	2,690
Changes in operating assets and liabilities			
(Increase) / Decrease in loans and advances			
- to banks	(166,500)	(150,500)	118,606
- to customers	844,761	278,522	(2,807,561)
Decrease / (Increase) in other assets	35,321	304,617	(87,826)
Increase / (Decrease) in deposits from customers	307,325	(2,035,506)	3,080,136
Increase / (Decrease) in other liabilities	42,205	(110,706)	84,768
Net cash from / (used in) operating activities	1,385,181	(1,465,949)	546,005
Cash flows from investing activities			
Purchase of held to maturity investment	(470,432)	(565,211)	(607,649)
Proceeds from sale and redemption of held to maturity investments	930,100	649,000	855,738
Purchase of available for sale investments	(241,754)	-	(908)
Proceeds from sale of available for sale investments	-	-	26,421
Purchase of property and equipment	(44,512)	(3,806)	(32,656)
Proceeds from sale of property and equipment	1,260	-	822
Proceeds from sale of non-banking assets	-	-	19,645
Purchase of intangible assets	(6,738)	(21,633)	(16,169)
Net cash from investing activities	167,924	58,350	245,244
Cash flows from financing activities			
(Redemption) / Proceeds from subordinated liabilities	(16,653)	100,000	-
Proceeds from other borrowed funds	272	307,204	367,505
Repayment of other borrowed funds	(79,370)	(228,167)	-
Issue of shares	-	180,000	-
Dividend paid	-	-	(30,000)
Net cash (used in) / from financing activities	(95,751)	359,037	337,505
Net increase / (decrease) in cash and cash equivalents	1,457,356	(1,048,562)	1,128,754
Cash and cash equivalents as at 01 January 2014	3,267,224	4,315,788	3,187,034
Cash and cash equivalents as at 31 December 2014	**4,724,580**	**3,267,226**	**4,315,788**

The notes on pages 82 to 131 form an integral part of these financial statements.
Auditors' report on page 77.

1.1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements of BANK ONE Limited comply with The Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS) and Instructions, Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned. Where necessary, comparatives figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.2

New standards, amendments and interpretations to standards effective 01 January 2014

No new standards, amendments and interpretations to standards that became effective for annual periods beginning 01 January 2014 have a material impact on the Bank's financial statements.

New standards, amendments and interpretations to standards not yet adopted

A number of new standards, amendments, interpretations to standards are effective for annual periods beginning after 01 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the Bank's financial statements, except the following:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 01 January 2018. Early adoption is permitted. The Directors are yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 01 January 2017 and earlier application is permitted. The Directors are currently assessing the impact of IFRS 15.

(b) Foreign Currency Translation

(i) Functional and Presentation Currency

These financial statements are prepared in Mauritian Rupees (Rs.), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Trading transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the closing rate of exchange ruling at the reporting date. Differences arising from reporting monetary items are dealt with profit or loss.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign Currency Translation (cont'd)

(ii) Transactions and Balances (cont'd)

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined. Translation differences on non monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Derivative Financial Instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards involving Mauritian Rupees are based on treasury bills rate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately in profit or loss.

The Bank's derivative transactions, while providing effective economic hedges under the Bank's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

(d) Interest Income and Expense

Interest income and expense are recognised in profit or loss for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When a receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Fees and Commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

(f) Net Trading Income

Net trading income comprises net gains on foreign exchange and translation differences.

(g) Sale and Repurchase Agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as trading or investment securities and the counterparty liability is included in 'borrowings from other financial institutions or Central Bank', as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of 'repos' agreements using the effective yield method. Securities lent to counterparties are also retained in the financial statements.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(h) Investment Securities

(i) Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity, other than:

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank designates as available-for-sale; and

(c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investment Securities (cont'd)

(ii) Available-for-Sale

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the fair value consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income and cumulated in a separate reserve in equity, revaluation reserve, until the financial asset is derecognised when securities classified as held for sale are sold or impaired, the accumulated fair value adjustment recognised in equity are included in the income statement as "Gains or losses from investment securities". However, interest is calculated using the effective interest method, and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised in profit or loss.

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

The recoverable amount of an instrument measured at fair value is the present value of the expected future cash flows discounted at the current market rate of interest for a similar financial asset. Changes in the fair value of instruments designated at fair value through profit or loss are recognised in the statement of profit or loss.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included separately in 'dividend income' when the entities right to receive payment is established.

(i) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(j) Loans and Receivables

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

(i) those that the Bank intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;

(ii) those that the Bank upon initial recognition designates as available-for-sale; or

(iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the fair value consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as personal loans, business loans, loans to government, loans to entities outside Mauritius or as investment securities. Interest on loans receivable and loans and advances is included in the income statement and is reported as interest income from investment securities and interest income on loans respectively. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit or loss as 'loan impairment charges'.

(k) Impairment of Financial Assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties;

or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of Financial Assets (cont'd)

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually 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, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses 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.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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 profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. 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.

Additional provisions for certain specific sectors are made in accordance with the BOM macro-prudential measures. The Bank also makes additional provisions on its impaired book over and above the IAS 39 requirements in line with its internal policy. Country risk provisions are made based on the internal policy of the Bank. All the above are booked as appropriation of earnings and kept in General Banking Reserve.

(l) Property and Equipment

Property and equipment (except land and building) are carried at historical cost less accumulated depreciation and impairment. Land and buildings are stated at revalued amounts. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Revaluation surpluses are credited to OCI and accumulated in the revaluation to reserves in equity. Any subsequent decrease is first charged to reserves in equity. Thereafter, decreases are charged to profit or loss to the extent that the decrease exceeds any amount formerly held in reserves in respect of the same asset.

Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Computer and office equipment	3-5 years
Furniture, fixtures	10 years
Motor vehicles	5 years

The assets' residual values and useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are recognised as income or expense in profit or loss. On disposal of revalued assets, the amounts included in the revaluation surplus are transferred to retained earnings. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

Revaluation of Property

Properties are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to Other Comprehensive Income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in Other Comprehensive Income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

(m) Intangible Assets

(i) Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Intangible Assets (cont'd)

(i) Computer Software (cont'd)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(ii) Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Bank tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill, and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

(n) Cash and Cash Equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of statement of cash flows, cash and cash equivalents comprise cash and unrestricted balances with Bank of Mauritius, balances with less than 90 days maturity from the date of acquisition including: borrowings from banks in Mauritius and abroad, balances with other financial institutions, investment securities and trading assets.

Cash and cash equivalents are carried at amortised cost.

(o) Provisions for Liabilities

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

(p) Retirement Benefit Obligations

(i) Defined Contribution Plans

A defined contribution plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions.

(ii) Defined Benefit Plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are recognised in other comprehensive income and shall not be reclassified to profit or loss in subsequent period.

The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in statement of profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in the statement of profit or loss.

(iii) Preferential Loans to Employees

The Bank grants loans to its employees at preferential rates. The prepaid employee benefits on these loans is accounted for under 'other assets' and is recognised in profit or loss over the shorter of the life of the loan and the expected service life of the employee.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Retirement Benefit Obligations (cont'd)

(iii) Preferential Loans to Employees (cont'd)

The interest rate on the loan reverts to market rate from the day the employee is no longer employed by the Bank. In cases, where, following special arrangements, the Bank agrees to keep the loan of the leavers at preferential rates, the Bank then writes off the impairment loss in profit or loss. The prepaid employee benefits is the difference between the present value of future cash flows discounted at commercial rate (which are rates that would be given to similar customers in arm's length transactions), and the carrying amount of the loan. Interest on such loans is then recognised at market rate over the life of the loan.

(q) Income Tax

(i) Current Income Tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The Bank is also liable to pay a special levy based on the rates enacted at the reporting date.

The Bank also makes a statutory provision for CSR activities at the rate of 2% of chargeable income as per Income Tax Act 1995 Section 50L.

(ii) Deferred Income Tax

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. The rates enacted or substantively enacted at the reporting date are used to determine deferred tax.

(r) Borrowings

Borrowings are recognised initially at 'fair value', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective yield method.

(s) Acceptances, Letters of Credit and Financial Guarantee Contracts

Acceptances and Letters of Credit

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances and letters of credit are accounted for as off-balance sheet items and are disclosed as contingent liabilities and commitments.

Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation calculated to recognise in profit or loss the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. Any increase in the liability relating to guarantees is taken to profit or loss.

(t) Segmental Reporting

In accordance with the Bank of Mauritius Guidelines, the Bank's business has been split into Segment A and Segment B.

Segment B is essentially directed to the provision of international financial services that gives rise to foreign source income. Such services may be fund based or non-fund based.

Segment A relates to banking business other than Segment B business.

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.

(u) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Dividend Policy

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

(w) Leases

Accounting for leases - where the Bank is the lessor

(i) Finance Leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable, the amount being equal to the net investment in the leases after specific provision for bad and doubtful debts in respect of all identified impaired leases in the light of periodical reviews. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Accounting for leases - where the Bank is the lessee

(ii) Operating Leases

Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

(x) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

1.2 CRITICAL ACCOUNTINGS ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(a) Impairment Losses on Loans and Advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Had there been a decline in the recoverable amount of impaired loans by 2%, the Bank would have recognised an additional Rs18m in its 2014 financial statements.

(b) Impairment of Available-for-sale Equity Investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had there been a decline/increase in fair value by 5%, the Bank would have recognised an additional +/- Rs 1m in its 2014 financial statements.

1.2 CRITICAL ACCOUNTINGS ESTIMATES AND JUDGEMENTS (cont'd)

(c) Fair Value of Financial Instruments

The fair value of financial instruments where no active market exists or where quoted prices are no otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

Had there been a decline/increase in fair value by 5%, the Bank would have recognised an additional -/+ Rs 20m in its 2014 financial statements.

(d) Held-to-Maturity Investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost. If all held-to-maturity investments were to be so reclassified, the carrying value would decrease by Rs 24m, with a corresponding entry in the fair value reserve in shareholders' equity.

Had the portfolio been carried at fair value, the Bank would have recognised an additional - Rs 24m in its 2014 financial statements.

(e) Retirement Benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Should there be a 1% increase in the future long-term salary increase assumption, there would be an increase in the defined benefit obligation by Rs 10m and a 1% increase in discount rate would lead to a decrease of Rs 9m in the defined benefit obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

2. FINANCIAL RISK MANAGEMENT

(a) Strategy in using Financial Instruments

The Bank's business involves taking risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly review its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. Risk Management is carried out by the Risk Department under policies approved by the Board of Directors. The Risk Department identifies, evaluates and monitors financial risk in close collaboration with the operation units including treasury.

(b) Credit Risk

Credit Risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit Risk arises mainly from commercial and consumer advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities, including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans. Credit risk is the single largest risk for the Bank's business. The directors therefore carefully manage the exposure of the Bank to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Chief Risk Officer who in turn reports to the Board of Directors.

Analysis of Loans and Advances

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Neither past due nor impaired	9,298,116	10,074,974	10,994,101
Past due but not impaired	1,202,615	1,225,172	836,879
Impaired	941,199	820,045	417,233
Gross	11,441,930	12,120,191	12,248,213
Less allowance for credit impairment	(584,513)	(418,756)	(300,628)
Net	**10,857,417**	**11,701,435**	**11,947,585**

Loans and Advances Renegotiated

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Loans and advances renegotiated	234,417	434,134	576,582
Fair value of collaterals	233,382	434,134	576,582

Maximum exposure to credit risk before collateral and other credit risk enhancements:

Credit risk exposures relating to on-balance sheet assets are as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Balances with banks in Mauritius, banks abroad and inter bank loans	4,316,125	2,752,840	3,716,074
Derivatives financial instruments	982	1,787	12,984
Government of Mauritius /Bank of Mauritius Bills	412,601	968,527	1,195,228
Other investments	853,853	497,001	348,214
Loans and advances to customers & banks	10,857,417	11,701,435	11,947,584
Others	79,965	133,498	247,893
Credit risk exposures relating to off-balance sheet assets are as follows:	16,520,943	16,055,088	17,467,977
Financial guarantees	512,207	587,619	1,309,413
Loans commitments and other credit related liabilities	372,952	773,698	788,488
Total	**17,406,102**	**17,416,405**	**19,565,878**

Types of collateral and credit enhancements held at year end

- Fixed and floating charges on properties and other assets
- Privilege d'Inscription
- Lien on vehicle / equipment / machinery
- Pledge on shares / rent / proceeds of crops
- Lien on deposits
- Assignment of life policy / general insurance policy
- Bank guarantee / personal guarantee / government guarantee
- Nantissement de parts sociales dans le capital d'une société
- Leasing of machinery / equipment / vehicle with the Bank as a lessor
- Pledge of deposits from other financial institution / licensed deposit Taker

2. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit Risk (cont'd)

Maximum exposure to credit risk before collateral and other credit risk enhancements: (cont'd)

Concentration of risk of financial assets with credit risk exposure by Geographical Sectors

	Dec-14 Rs 000	Mauritius Rs 000	Africa & Middle East Rs 000	Asia Pacific Rs 000	Europe Rs 000	North & South America Rs 000
ASSETS						
Cash and cash equivalents	4,316,125	-	2,959,309	12,668	296,413	1,047,735
Derivative assets held for risk management	982	138	113	-	731	-
Loans and advances to banks	313,830	-	313,830	-	-	-
Loans and advances to customers	10,543,587	8,594,082	1,225,405	501,616	222,484	-
Government of Mauritius/Bank of Mauritius Bills	412,601	412,601	-	-	-	-
Investment Securities	853,853	581,147	26,945	140,039	105,722	-
Other assets	79,965	79,965	-	-	-	-
Total assets	**16,520,943**	**9,667,933**	**4,525,602**	**654,323**	**625,350**	**1,047,735**
Country region percentage		59%	27%	4%	4%	6%

	Dec-13 Rs 000	Mauritius Rs 000	Africa & Middle East Rs 000	Asia Pacific Rs 000	Europe Rs 000	North & South America Rs 000
ASSETS						
Cash and cash equivalents	2,752,840	253,832	1,410,328	144,768	232,157	711,754
Derivative assets held for risk management	1,787	366	-	-	1,420	-
Loans and advances to banks	150,500	-	150,500	-	-	-
Loans and advances to customers	11,550,935	9,052,401	1,458,617	828,762	210,193	962
Government of Mauritius/Bank of Mauritius Bills	968,527	968,527	-	-	-	-
Other Investments	497,002	338,396	-	38,528	120,079	-
Other assets	133,498	133,498	-	-	-	-
Total assets	**16,055,089**	**10,747,020**	**3,019,445**	**1,012,058**	**563,849**	**712,716**
Country region percentage		67%	19%	6%	4%	4%

	Dec-12 Rs 000	Mauritius Rs 000	Africa & Middle East Rs 000	Asia Pacific Rs 000	Europe Rs 000	North & South America Rs 000
ASSETS						
Cash and cash equivalents	3,716,074	3,872	405,533	290,941	1,894,517	1,121,211
Derivative assets held for risk management	12,984	5,775	5,355	-	1,853	-
Loans and advances to banks	-	-	-	-	-	
Loans and advances to customers	11,947,584	8,117,110	2,082,798	1,474,222	273,454	-
Government of Mauritius/Bank of Mauritius Bills	1,195,228	1,195,228	-	-	-	-
Other Investments	348,214	187,500	-	39,040	121,675	-
Other assets	247,893	247,893	-	-	-	-
Total assets	**17,467,977**	**9,757,378**	**2,493,686**	**1,804,203**	**2,291,499**	**1,121,211**
Country region percentage		56%	14%	10%	13%	6%

2. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit Risk (cont'd)

Maximum exposure to credit risk before collateral and other credit risk enhancements: (cont'd)

The Table below represents an analysis of trading assets and investments securities by rating agency designation at 31 December 2014, December 2013, December 2012, based on standard & Poor's.

Cash and cash equivalents

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
AAA to AA	-	1,413,031	3,364,727
AA- to A	1,290,212	-	-
BBB+ to BB	1,607,902	1,085,977	347,475
Unrated	1,418,011	253,832	3,872
Total	**4,316,125**	**2,752,840**	**3,716,074**
Derivatives Assets			
AA-	731	1,420	1,853
BBB+	112	-	-
BBB-	-	-	5,356
Unrated	139	367	5,775
Total	**982**	**1,787**	**12,984**
Government of Mauritius/Bank of Mauritius Bills			
Unrated	412,601	968,527	1,195,228
Investments and Securities			
A To A+	105,722	120,079	121,675
BBB-	140,038	38,527	39,039
Unrated	608,093	338,396	187,500
Total	**853,853**	**497,002**	**348,214**
Loans and Advances to Banks			
BB-	313,830	150,500	-
Loans and Advances to Customers			
AAA to AA	616,883	535,306	964,066
BBB- to B	860,475	1,540,567	2,279,778
Unrated	9,066,229	9,475,062	8,703,740
Total	**10,543,587**	**11,550,935**	**11,947,584**
Other Assets			
Unrated	79,965	133,498	247,893
Total	**16,520,943**	**16,055,089**	**17,467,977**

(c) Capital Structure

The Bank's objective when managing capital are: i) to comply with the capital requirements set by the Bank of Mauritius, ii) to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and iii) to maintain a strong capital base to support the development of its business.

The minimum statutory capital adequacy ratio is fixed at 10% and is calculated as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Tier 1 Capital	1,188,671	1,169,401	956,228
Tier 2 Capital	491,319	505,044	445,329
Total Capital Base	**1,679,990**	**1,674,445**	**1,401,557**
Total Risk Weighted Assets	**13,053,146**	**12,910,490**	**12,535,557**
Capital Adequacy Ratio	12.87%	12.97%	11.18%

2. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non trading portfolios. The market risk from trading and non trading activities are concentrated in Bank Treasury and Market risk teams. Regular reports are submitted to the Management and the Board of Directors. The Board of Directors approves the risk strategy, risk policies and prudential limits within which the operations are to be carried out. Implementation of the policies and business strategies are delegated to Management and the Risk Management unit.

(e) Currency Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign exchange risk as at 31 December 2014. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Concentration of Assets, Liabilities and Off-balance Sheet Items

At 31 December 2014	USD Rs 000	EURO Rs 000	GBP Rs 000	OTHERS Rs 000	TOTAL Rs 000
ASSETS					
Cash and cash equivalents	4,052,577	210,429	38,642	40,962	4,342,610
Derivative assets held for risk management	135	1	599	244	979
Loans and advances to banks	313,830	-	-	-	313,830
Loans and advances to customers	2,892,575	952,832	235,763	-	4,081,170
Investment Securities	174,490	890	99,293	-	274,673
Other assets	30,295	22,578	5,357	-	58,230
	7,463,902	**1,186,730**	**379,654**	**41,206**	**9,071,492**
LIABILITIES					
Deposits	5,654,156	1,059,881	1,559,617	115,323	8,388,977
Derivative liabilities held for risk management	5,595	4	57	-	5,656
Subordinated liabilities	177,381	-	-	-	177,381
Other borrowed funds	-	372,370	-	272	372,642
Other liabilities	28,874	1,781	579	333	31,567
Total liabilities	**5,866,006**	**1,434,036**	**1,560,253**	**115,928**	**8,976,223**
Net on-balance sheet position	**1,597,896**	**(247,306)**	**(1,180,599)**	**(74,722)**	**95,269**
Currency forwards and swaps					
Contractual/nominal amount	1,644,432	5,656	24,917	1,254	1,676,259
Credit commitments undrawn	**95,738**	**12,355**	**237**	**-**	**108,330**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Currency Risk (cont'd)

At 31 December 2013	USD Rs 000	EURO Rs 000	GBP Rs 000	Others Rs 000	Total Rs 000
ASSETS					
Cash and cash equivalents	1 ,641,241	535,182	195,545	164,465	2,536,433
Derivative assets held for risk management	1,222	249	271	6	1,748
Loans and advances to banks	150,500	-	-	-	150,500
Loans and advances to customers	3 ,101,452	1,317,584	274,350	-	4,693,386
Investment Securities	158,937	959	-	-	159,896
Other assets	23,287	11,372	3,417	6	38,082
	5,076,639	**1,865,346**	**473,583**	**164,477**	**7,580,045**
LIABILITIES					
Deposits	4 ,931,782	749,935	1,101,663	162,791	6,946,171
Derivative liabilities held for risk management	-	2,391	328	2,321	5,040
Subordinated liabilities	179,289	-	-	-	179,289
Other borrowed funds	-	480,747	-	-	480,747
Other liabilities	54,451	2,348	4,700	226	61,725
Total liabilities	**5,165,522**	**1,235,421**	**1,106,691**	**165,338**	**7,672,972**
Net on-balance sheet position	**(88,883)**	**629,925**	**(633,108)**	**(861)**	**(92,927)**
Currency forwards and swaps					
Contractual/nominal amount	126,924	269,136	484,884	49,967	930,911
Credit commitments undrawn	**421,400**	**-**	**4,959**	**-**	**426,359**

At 31 December 2012	USD Rs 000	EURO Rs 000	GBP Rs 000	OTHERS Rs 000	Total Rs 000
ASSETS					
Cash and cash equivalents	1,258,008	380,866	786,973	1,313,818	3,739,665
Derivative assets held for risk management	6,847	35	6,076	26	12,984
Loans and advances to customers	4,015,768	870,889	273,354	-	5,160,011
Investment Securities	160,714	931	-	-	161,645
Other assets	25,673	2,955	1,476	4	30,108
	5,467,010	**1,255,676**	**1,067,879**	**1,313,848**	**9,104,413**
LIABILITIES					
Deposits	5,683,740	956,810	1,313,523	478,459	8,432,532
Derivative liabilities held for risk management	319	1,678	-	405	2,402
Subordinated liabilities	181,454	-	-	-	181,454
Other borrowed funds	183,000	183,537	-	968	367,505
Other liabilities	60,568	4,107	4,645	5,536	74,856
Total liabilities	**6,109,081**	**1,146,132**	**1,318,168**	**485,368**	**9,058,749**
Net on-balance sheet position	**(642,071)**	**109,544**	**(250,289)**	**828,480**	**45,664**
Currency forwards and swaps					
Contractual/nominal amount	962,372	158,998	240,086	114,126	1,475,582
Credit commitments undrawn	**709,718**	**43,025**	**22,905**	**-**	**775,648**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The table below summarises the Bank's non trading book fair value exposure to interest rate risks. It includes the Bank's financial instruments at carrying value, categorised by the earlier of contractual and repricing date.

Interest Sensitivity of Assets and Liabilities - Repricing Analysis

	Up to 1 mth Rs 000	1-3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-3 Yrs Rs 000	> 3 Yrs Rs 000	Non Interest Sensitive Rs 000	Total Rs 000
At 31 December 2014								
ASSETS								
Cash and cash equivalents	4,157,625	158,500	-	-	-	-	408,455	4,724,580
Derivative assets held for risk management	-	-	-	-	-	-	982	982
Loans and advances to banks	-	-	156,915	-	156,915	-	-	313,830
Loans and advances to customers	566,346	6,234,261	228,766	591,863	892,352	2,030,000	-	10,543,588
Investment Securities	206,971	304,929	139,220	27,413	526,876	61,045	27,970	1,294,424
Other assets	-	-	-	-	-	-	737,579	737,579
	4,930,942	**6,697,690**	**524,901**	**619,276**	**1,576,143**	**2,091,045**	**1,174,986**	**17,614,983**
LIABILITIES								
Deposits	3,596,740	6,253,397	782,610	1,223,605	3,071,643	7,404	534,641	15,470,040
Derivative liabilities held for risk management	-	-	-	-	-	-	13,477	13,477
Subordinated liabilities	-	249,351	-	-	-	177,381	-	426,732
Other borrowed funds	272	14,262	53,153	-	138,215	166,740	-	372,642
Other liabilities	-	-	-	-	-	-	277,240	277,240
Total liabilities	**3,597,012**	**6,517,010**	**835,763**	**1,223,605**	**3,209,858**	**351,525**	**825,358**	**16,560,131**
Interest rate sensitivity gap	**1,333,930**	**180,680**	**(310,862)**	**(604,329)**	**(1,633,715)**	**1,739,520**	**349,628**	**1,054,852**
At 31 December 2013								
Total Assets	2,492,191	7,009,644	452,571	1,087,895	2,306,318	1,851,401	2,916,652	18,116,672
Total Liabilities	695,524	7,713,051	817,041	1,102,636	690,352	477,749	4,853,074	16,349,427
Interest rate sensitivity gap	**1,796,667**	**(703,407)**	**(364,470)**	**(14,741)**	**1,615,966**	**1,373,652**	**(1,936,422)**	**1,767,245**
At 31 December 2012								
Total Assets	1,494,765	7,017,036	835,547	716,110	2,133,970	2,779,156	4,727,626	19,704,210
Total Liabilities	1,266,321	7,657,950	1,241,310	1,916,779	427,401	194,018	5,569,647	18,273,426
Interest rate sensitivity gap	**228,444**	**(640,914)**	**(405,763)**	**(1,200,669)**	**1,706,569**	**2,585,138**	**(842,021)**	**1,430,784**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(g) Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. The Bank's liquidity management process is carried out by the Bank Treasury team. The Bank uses the maturity gap report for measurement and management of liquidity risk. The maturity gap report slots the inflows and outflows in different maturity buckets as defined by the Bank of Mauritius, according to the expected timing of cash flows.

(i) Maturities of Assets & Liabilities

	Up to 1 mth Rs 000	1-3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-3 Yrs Rs 000	> 3 Yrs Rs 000	Non Maturity Items Rs 000	TOTAL Rs 000
At 31 December 2014								
ASSETS								
Cash and cash equivalents	4,566,080	158,500	-	-	-	-	-	4,724,580
Derivative assets held for risk management	952	13	18	-	-	-	-	983
Loans and advances to banks	-	-	159,379	-	171,984	-	-	331,363
Loans and advances to customers	1,441,633	796,109	438,267	636,555	1,570,603	6,115,769	-	10,998,936
Investment Securities	207,636	341,057	147,926	27,897	561,146	74,677	27,970	1,388,309
Other assets	35,402	2,906	2,182	3,984	13,092	13,773	657,241	728,580
	6,251,703	**1,298,585**	**747,772**	**668,436**	**2,316,825**	**6,204,219**	**685,211**	**18,172,751**
LIABILITIES								
Deposits	11,976,820	670,941	933,193	1,486,099	369,699	54,360	-	15,491,112
Derivative liabilities held for risk management	1,950	6,139	5,388	-	-	-	-	13,477
Subordinated liabilities	-	-	-	-	150,032	276,701	-	426,733
Other borrowed funds	272	14,262	53,153	185	138,215	186,785	-	392,872
Other liabilities	88,598	2,114	2,940	72,950	1,165	171	109,301	277,239
Total liabilities	**12,067,640**	**693,456**	**994,674**	**1,559,234**	**659,111**	**518,017**	**109,301**	**16,601,433**
Net liquidity gap	**(5,815,937)**	**605,129**	**(246,902)**	**(890,798)**	**1,657,714**	**5,686,202**	**575,910**	**1,571,318**
At 31 December 2013								
ASSETS								
Cash and cash equivalents	2,716,528	400,198	-	150,500	-	-	-	3,267,226
Derivative assets held for risk management	360	1,386	41	-	-	-	-	1,787
Loans and advances to banks	-	-	-	-	148,577	-	-	148,577
Loans and advances to customers	2,361,071	300,312	383,553	386,009	1,833,243	6,804,005	-	12,068,193
Investment Securities	-	248,936	29,721	489,225	294,600	403,046	23,695	1,489,223
Other assets	79,166	853	1,218	16,599	21,603	14,420	676,195	810,054
	5,157,125	**951,685**	**414,533**	**1,042,333**	**2,298,023**	**7,221,471**	**699,890**	**17,785,060**
LIABILITIES								
Deposits	10,578,681	1,100,849	1,313,067	1,404,385	632,069	168,792	-	15,197,843
Derivative liabilities held for risk management	2,511	2,452	77	-	-	-	-	5,040
Subordinated liabilities	-	-	-	16,299	164,744	247,343	-	428,386
Other borrowed funds	-	7,681	48,344	3,944	139,774	281,004	-	480,747
Other liabilities	125,905	6,580	7,848	55,245	3,778	1,009	52,157	252,522
Total liabilities	**10,707,097**	**1,117,562**	**1,369,336**	**1,479,873**	**940,365**	**698,148**	**52,157**	**16,364,538**
Net liquidity gap	**(5,549,972)**	**(165,877)**	**(954,803)**	**(437,540)**	**1,357,658**	**6,523,323**	**647,733**	**1,420,522**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(g) Liquidity Risk (cont'd)

(i) Maturities of Assets & Liabilities (cont'd)

	Up to 1 mth Rs 000	1-3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-3 Yrs Rs 000	> 3 Yrs Rs 000	Non Maturity Items Rs 000	Total Rs 000
At 31 December 2012								
ASSETS								
Cash and cash equivalents	4,013,736	297,343	4,709	-	-	-	-	4,315,788
Derivative assets held for risk management	11,587	1,397	-	-	-	-	-	12,984
Loans and advances to customers	2,163,108	938,875	763,452	308,690	1,669,397	6,537,338	-	12,380,860
Investment Securities	171,748	155,589	47,544	295,011	446,799	450,418	-	1,567,109
Other assets	186,169	3,498	2,844	19,332	12,902	24,355	868,666	1,117,766
	6,546,348	**1,396,702**	**818,549**	**623,033**	**2,129,098**	**7,012,111**	**868,666**	**19,394,507**
LIABILITIES								
Deposits	11,223,657	1,302,426	1,585,677	2,147,102	841,172	172,578	-	17,272,612
Derivative liabilities held for risk management	2,864	-	173	-	-	-	-	3,037
Subordinated liabilities	-	-	-	-	-	-	-	-
Other borrowed funds	153,468	37,954	3,828	3,828	37,675	130,752	-	367,505
Other liabilities	150,911	8,805	10,720	66,511	25,921	1,167	95,742	359,777
Total liabilities	**11,530,900**	**1,349,185**	**1,600,398**	**2,217,441**	**904,768**	**304,497**	**95,742**	**18,002,931**
Net liquidity gap	**(4,984,552)**	**47,517**	**(781,849)**	**(1,594,408)**	**1,224,330**	**6,707,614**	**772,924**	**1,391,576**

(ii) Derivative Cash Flows

	Up to 1 mth Rs 000	1-3 mths Rs 000	3-6 mths Rs 000	6-12 mths Rs 000	1-3 Yrs Rs 000	> 3 Yrs Rs 000	TOTAL Rs 000
At 31 December 2014							
Inflow	1,594,147	197,748	84,124	-	-	-	1,876,019
Outflow	1,563,346	203,891	90,083	-	-	-	1,857,320
At 31 December 2013							
Inflow	831,762	173,111	66,451	41,485	-	-	1,112,809
Outflow	833,501	174,057	67,087	41,478	-	-	1,116,123
At 31 December 2012							
Inflow	1,566,881	70,902	4,575	-	-	-	1,642,358
Outflow	1,558,046	69,505	4,748	-	-	-	1,632,299

2. FINANCIAL RISK MANAGEMENT (cont'd)

(h) Financial Instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of Financial position.

	Carrying value			Fair value		
	2014 Rs 000	2013 Rs 000	2012 Rs 000	2014 Rs 000	2013 Rs 000	2012 Rs 000
Financial assets						
Cash and cash equivalents	4,724,580	3,267,226	4,315,788	4,724,580	3,267,226	4,315,788
Derivatives assets held for risk management	982	1,787	12,984	982	1,787	12,984
Loans and advances	10,857,417	11,701,435	11,947,585	11,312,765	12,216,771	12,380,860
Investment Securities	1,294,424	1,489,223	1,567,109	1,270,246	1,456,320	1,320,489
Other Assets	728,579	810,054	1,117,766	728,579	810,054	1,117,766
Financial liabilities						
Deposits	15,470,040	15,162,715	17,198,221	15,491,112	15,197,843	17,272,613
Derivative liabilities held for risk management	13,477	5,040	3,037	13,477	5,040	3,037
Subordinated liabilities	426,732	428,386	330,815	426,732	428,386	330,815
Other borrowed funds	372,642	480,747	367,505	372,642	480,747	367,505
Other liabilities	277,239	252,522	363,828	277,239	252,522	363,828
Off-balance sheet						
Loan commitments financial instruments	372,951	773,698	788,488	372,951	773,698	788,488

(i) **Cash Resources**
The fair value of cash resources is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) **Derivative Assets Held for Risk Management and Investment Securities**
Derivative assets and investment securities include interest-bearing assets, available-for-sale financial assets and assets designated at fair value through profit and loss. Interest-bearing assets include Treasury Notes whose fair values are based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or in some cases by reference to the net tangible assets backing of the investee. Available-for-sale financial assets represent investment in Treasury Bills whose carrying amount is their fair value.

(iii) **Loans and Advances to Banks and to Customers**
Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) **Deposits and Debt Securities Issued**
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and debt securities issued not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) **Other Financial Assets and Liabilities on the Statement of Financial Position**
The fair values of other assets, other borrowed funds, provisions and other liabilities at the reporting date approximate their fair values.

(vi) **Off-balance Sheet Financial Instruments**
Guarantees, acceptances and other financial liabilities are shown at their fair values.

2. FINANCIAL RISK MANAGEMENT (cont'd)

(h) Financial Instruments not measured at fair value (cont'd)

Fair Value Hierarchy

(i) IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the Over-The- Counter derivative contracts, traded loans and issued structured debt.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. As at 31 December 2014, the Bank holds equity investments with significant unobservable components falling under the level 3 fair value hierarchy. The technique used under level 3 is based on Net Assets Value.Derivatives held for risk management falling under category level 2,uses Quoted prices using Reuters platform.Level 3 fair values of Land and building have been derived using the services of a chartered valuer.The basis of valuation is based on market value.However, 2013 and 2012 carrying values reflect the fair value based on management estimates.

The hierarchy requires the use of observable market data when applicable.

At 31 December 2014	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Equity Investments				
Financial assets at fair value through profit or loss:				
Investment securities	-	-	-	-
Financial assets held for trading:				
Derivative assets held for risk management	-	982	-	982
Available for sale financial assets:				
Investment securities	387,193	-	-	387,193
Property and equipment	-	-	239,999	239,999
Non-equity Investments				
Investment securities	-	-	27,970	27,970
Total assets	**387,193**	**982**	**267,969**	**656,144**
Financial liabilities held for trading:				
Derivative liabilities held for risk management	-	13,477	-	13,477
Total liabilities	**-**	**13,477**	**-**	**13,477**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(h) Financial Instruments not measured at fair value (cont'd)

Fair Value Hierarchy (cont'd)

At 31 December 2013	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Equity Investments				
Financial assets at fair value through profit or loss:				
Investment securities	-	-	-	-
Financial assets held for trading:				
Derivative assets held for risk management	-	1,787	-	1,787
Available for sale financial assets:				
Investment securities	-	-	-	-
Property and equipment	-	-	249,826	249,826
Non-equity Investments				
Investment securities	-	-	23,695	23,695
Total assets	**-**	**1,787**	**273,521**	**275,308**
Financial liabilities held for trading:				
Derivative liabilities held for risk management	-	5,040	-	5,040
Total liabilities	**-**	**5,040**	**-**	**5,040**

At 31 December 2012	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Equity Investments				
Financial assets at fair value through profit or loss:				
Investment securities	-	-	-	-
Financial assets held for trading:				
Derivative assets held for risk management	-	12,984	-	12,984
Available for sale financial assets:				
Investment securities	-	-	-	-
Property and equipment	-	-	254,832	254,832
Non-equity Investments				
Investment securities	-	-	23,666	23,666
Total assets	**-**	**12,984**	**278,498**	**291,482**
Financial liabilities held for trading:				
Derivative liabilities held for risk management	-	3,037	-	3,037
Total liabilities	**-**	**3,037**	**-**	**3,037**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(i) Financial Instruments by Category

At 31 December 2014	Loans & Receivables Rs 000	Financial assets value through profit or loss Rs 000	Available for sale Rs 000	Total Rs 000
Financial assets				
Cash and cash equivalents	4,724,580	-	-	4,724,580
Derivative assets held for risk management	-	982	-	982
Loan and advances to banks	313,830	-	-	313,830
Loan and advances to customers	10,543,587	-	-	10,543,587
Investment securities	879,261	-	415,163	1,294,424
Other assets	728,579	-	-	728,579
	17,189,837	**982**	**415,163**	**17,605,982**

	Financial liabilities at fair value profit or loss Rs 000	Financial liabilities at amortised cost Rs 000	Available for sale Rs 000	Total Rs 000
Financial liabilities				
Deposits from customers	-	15,470,040	-	15,470,040
Derivative liabilities held for risk management	13,477	-	-	13,477
Subordinated liabilities	-	426,732	-	426,732
Other borrowed funds	-	372,642	-	372,642
Other liabilities	-	277,239	-	277,239
	13,477	**16,546,653**	**-**	**16,560,130**

At 31 December 2013	Loans & Receivables Rs 000	Financial assets value through profit or loss Rs 000	Available for sale Rs 000	Total Rs 000
Financial assets				
Cash and cash equivalents	3,267,226	-	-	3,267,226
Derivative assets held for risk management	-	1,787	-	1,787
Loan and advances to banks	148,577	-	-	148,577
Loan and advances to customers	11,552,858	-	-	11,552,858
Investment securities	1,465,528	-	23,695	1,489,223
Other assets	810,054	-	-	810,054
	17,244,243	**1,787**	**23,695**	**17,269,725**

	Financial liabilities at fair value profit or loss Rs 000	Financial liabilities at amortised cost Rs 000	Available for sale Rs 000	Total Rs 000
Financial liabilities				
Deposits from customers	-	15,162,715	-	15,162,715
Derivative liabilities held for risk management	5,040	-	-	5,040
Subordinated liabilities	-	428,386	-	428,386
Other borrowed funds	-	480,747	-	480,747
Other liabilities	-	252,522	-	252,522
	5,040	**16,324,370**	**-**	**16,329,410**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(i) Financial Instruments by Category (cont'd)

At 31 December 2012	Loans & Receivables Rs 000	Financial assets value through profit or loss Rs 000	Available for sale Rs 000	Total Rs 000
Financial assets				
Cash and cash equivalents	4,315,788	-	-	4,315,788
Derivative assets held for risk management	-	12,984	-	12,984
Loan and advances to banks	-	-	-	-
Loan and advances to customers	11,947,585	-	-	11,947,585
Investment securities	1,543,443	-	23,666	1,567,109
Other assets	1,116,187	-	-	1,116,187
	18,923,003	**12,984**	**23,666**	**18,959,653**

	Financial liabilities at fair value profit or loss Rs 000	Financial liabilities at amortised cost Rs 000	Available for sale Rs 000	Total Rs 000
Financial liabilities				
Deposits from customers	-	17,198,221	-	17,198,221
Derivative liabilities held for risk management	3,037	-	-	3,037
Subordinated liabilities	-	330,815	-	330,815
Other borrowed funds	-	367,505	-	367,505
Other liabilities	-	363,828	-	363,828
	3,037	**18,260,369**	**-**	**18,263,406**

3. NET INTEREST INCOME

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Interest income			
Loans and advances to banks	7,549	5,122	505
Loans and advances to customers	745,258	834,900	762,152
Investment securities	83,429	96,076	120,765
Placements with other banks	78,631	35,956	20,423
Total interest income	914,867	972,054	903,845
Interest expense			
Deposits from customers	(307,338)	(444,151)	(476,990)
Borrowings from banks	(6,361)	(4,813)	(2,117)
Subordinated liabilities	(36,424)	(37,082)	(28,092)
Total interest expense	(350,123)	(486,046)	(507,199)
Net interest income	**564,744**	**486,008**	**396,646**

(a) Segment A

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Interest income			
Loans and advances to customers	594,968	665,520	610,895
Investment Securities	69,280	83,570	105,186
Placements with other banks	109	32	384
Total interest income	664,357	749,122	716,465
Interest expense			
Deposits from customers	(272,058)	(374,308)	(394,331)
Borrowings from banks	(6,044)	(4,619)	(1,322)
Subordinated liabilities	(22,969)	(23,008)	(14,223)
Total interest expense	(301,071)	(401,935)	(409,876)
Net interest income	**363,286**	**347,187**	**306,589**

(b) Segment B

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Interest income			
Loans and advances to banks	7,549	5,122	505
Loans and advances to customers	150,290	169,380	151,257
Investment Securities	14,149	12,506	15,579
Placements with other banks	78,522	35,924	20,039
Total interest income	250,510	222,932	187,380
Interest expense			
Deposits from customers	(35,280)	(69,843)	(82,659)
Borrowings from banks	(317)	(194)	(795)
Subordinated liabilities	(13,455)	(14,074)	(13,869)
Total interest expense	(49,052)	(84,111)	(97,323)
Net interest income	**201,458**	**138,821**	**90,057**

4. NET FEE AND COMMISSION INCOME

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Fee and commission income			
Retail banking credit related fees	39,257	40,666	35,254
Corporate banking credit related fees	12,276	15,901	20,743
International banking credit related fees	50,810	49,565	62,566
Guarantees	3,616	6,148	7,813
Cards and electronic transactions related fees	70,606	67,852	12,747
Other	3,688	6,730	3,358
Total fee and commission income	**180,253**	**186,862**	**142,481**
Fee and commission expense			
Interbank transaction fees	(760)	(4,026)	(736)
Cards and electronic transactions related fees	(50,785)	(37,172)	(11,041)
Other	(24,782)	(27,210)	(23,647)
Total fee and commission expense	**(76,327)**	**(68,408)**	**(35,424)**
Net fee and commission income	**103,926**	**118,454**	**107,057**

(a) Segment A

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Fee and commission income			
Retail banking credit related fees	39,257	40,666	35,254
Corporate banking credit related fees	12,276	15,901	20,743
Guarantees	2,633	5,107	4,186
Cards and electronic transactions related fees	11,222	12,227	12,667
Other	956	891	1,330
Total fee and commission income	**66,344**	**74,792**	**74,180**
Fee and commission expense			
Interbank transaction fees	(760)	(1,227)	(388)
Cards and electronic transactions related fees	(7,850)	(9,626)	(11,041)
Other	(23,897)	(26,794)	(23,051)
Total fee and commission expense	**(32,507)**	**(37,647)**	**(34,480)**
Net fee and commission income	**33,837**	**37,145**	**39,700**

(b) Segment B

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Fee and commission income			
International banking credit related fees	50,810	49,565	62,566
Guarantees	983	1,041	3,627
Cards and electronic transactions related fees	59,384	55,625	80
Other	2,732	5,839	2,028
Total fee and commission income	**113,909**	**112,070**	**68,301**
Fee and commission expense			
Interbank transaction fees	-	(2,799)	(348)
Cards and electronic transactions related fees	(42,935)	(27,546)	-
Other	(885)	(416)	(596)
Total fee and commission expense	**(43,820)**	**(30,761)**	**(944)**
Net fee and commission income	**70,089**	**81,309**	**67,357**

5. NET GAIN/(LOSS) ON DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Profit/(loss) arising from dealing in foreign currencies	61,493	(66,957)	125,344
Net (expense)/income from derivatives	(12,495)	(3,253)	9,947
	48,998	**(70,210)**	**135,291**

(a) Segment A

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Profit arising from dealing in foreign currencies	23,755	16,544	31,281
Net (expenses)/income from derivatives	(9,055)	(3,093)	4,884
	14,700	**13,451**	**36,165**

(b) Segment B

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Profit/(loss) arising from dealing in foreign currencies	37,738	(83,501)	94,063
Net (expenses)/income from derivatives	(3,440)	(160)	5,063
	34,298	**(83,661)**	**99,126**

6. OTHER OPERATING INCOME

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Loss on sale of available for sale securities	-	-	(2,690)
Gain on sale of land through compulsory acquisition	443	-	10,099
Other	3,296	2,313	1,053
	3,739	**2,313**	**8,462**

(a) Segment A

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Gain on sale of land through compulsory acquisition	443	-	10,099
Other	543	78	1,053
	986	**78**	**11,152**

(b) Segment B

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Loss on sale of available for sale securities	-	-	(2,690)
Other	2,753	2,235	-
	2,753	**2,235**	**(2,690)**

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Provision for bad and doubtful debts	(268,911)	(106,239)	(74,101)
Bad debts written off for which no provisions were made	(283)	(290)	(160)
Provisions released during the year	115,615	15,404	26,486
Recoveries of advances written off	135	2,325	1,750
Net allowance for credit impairment	**(153,444)**	**(88,800)**	**(46,025)**

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS (cont'd)

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
(a) Segment A			
Provision for bad and doubtful debts	(268,911)	(58,615)	(62,063)
Bad debts written off for which no provisions were made	(283)	(290)	(160)
Provisions released during the year	60,241	15,404	26,486
Recoveries of advances written off	135	2,325	1,750
Net allowance for credit impairment	(208,818)	(41,176)	(33,987)
(b) Segment B			
Provision for bad and doubtful debts	-	(47,624)	(12,038)
Provisions released during the year	55,374	-	-
Net allowance for credit impairment	55,374	(47,624)	(12,038)

8. IMPAIRMENT LOSS ON INTANGIBLE ASSETS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Impairment loss on intangible assets	(15,147)	-	-

9. PERSONNEL EXPENSES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Wages and salaries	(147,714)	(151,542)	(131,808)
Compulsory social security obligations	(6,598)	(6,242)	(5,554)
Pension costs (note 28)	(6,121)	(5,897)	(7,564)
Deferred contribution plan	(10,723)	(10,820)	(9,736)
Other personnel expenses	(83,130)	(49,986)	(78,251)
	(254,286)	(224,487)	(232,913)
(a) Segment A			
Wages and salaries	(114,585)	(115,605)	(101,568)
Compulsory social security obligations	(5,155)	(4,875)	(4,481)
Pension costs (note 28)	(5,840)	(5,347)	(7,035)
Deferred contribution plan	(8,260)	(8,067)	(7,549)
Other personnel expenses	(66,369)	(36,871)	(62,869)
	(200,209)	(170,765)	(183,502)
(b) Segment B			
Wages and salaries	(33,129)	(35,937)	(30,240)
Compulsory social security obligations	(1,443)	(1,367)	(1,073)
Pension costs (note 28)	(281)	(550)	(529)
Deferred contribution plan	(2,463)	(2,753)	(2,187)
Other personnel expenses	(16,761)	(13,115)	(15,382)
	(54,077)	(53,722)	(49,411)

10. OTHER EXPENSES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Software licensing & other information technology cost	(35,540)	(31,931)	(30,431)
Premises related expenses	(56,896)	(56,149)	(65,160)
Legal and professional expenses	(24,433)	(7,493)	(6,399)
Others	(23,492)	(10,930)	(10,589)
	(140,361)	(106,503)	(112,579)
(a) Segment A			
Software licensing & other information technology cost	(30,071)	(26,736)	(25,323)
Premises related expenses	(50,985)	(49,764)	(56,011)
Legal and professional expenses	(16,017)	(5,847)	(3,184)
Others	(19,070)	(6,926)	(6,018)
	(116,143)	(89,273)	(90,536)
(b) Segment B			
Software licensing & other information technology cost	(5,469)	(5,195)	(5,108)
Premises related expenses	(5,911)	(6,385)	(9,149)
Legal and professional expenses	(8,416)	(1,646)	(3,215)
Others	(4,422)	(4,004)	(4,571)
	(24,218)	(17,230)	(22,043)

11. PROFIT ON SALE AND RECOVERY OF ASSETS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Profit on sale and recovery of assets	-	-	4,378
Segment B			
Financial assets recovered	-	-	4,378

12. INCOME TAX EXPENSE

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Recognised in the Statement of Profit or Loss			
(a) Current Tax Expense			
Current period	29,814	22,191	16,190
Over provision in prior years	(2,304)	(1,187)	-
	27,510	21,004	16,190
(b) Deferred Tax Expense			
Originated and reversal of temporary differences (note 21)	(24,311)	5,891	5,110
	3,199	26,895	21,300

12. INCOME TAX EXPENSE (cont'd)

(c) Reconciliation of Effective Tax Rate

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Profit before income tax	**120,319**	**80,573**	**224,668**
Income tax at a rate of 3% & 17% (2013 & 2012: 3% & 17%)	(16,131)	9,707	12,837
Non-deductible expenses	5,595	429	947
Income not subject to tax	(1)	-	(215)
Special levy on banks	10,084	9,542	7,346
Corporate social responsibility fund	1,506	1,495	372
(Over)/under provision in prior years	(2,304)	(1,187)	-
Other differences	4,450	6,909	13
Total income tax in income statement	**3,199**	**26,895**	**21,300**
Segment A			
Current tax expense			
Current period	20,331	19,709	8,846
Over provision in prior years	(2,304)	(1,187)	-
	18,027	**18,522**	**8,846**
Deferred tax expense			
Originated and reversal of temporary differences	**(24,311)**	**6,212**	**5,494**
Segment B			
Current tax expense			
Current period	**9,483**	**2,482**	**7,344**
Deferred tax expense			
Originated and reversal of temporary differences	**-**	**(321)**	**(384)**

13. BASIC EARNINGS PER SHARE

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Profit for the year	117,120	53,678	203,368
Weighted average number of ordinary shares	7,314,560	6,313,464	5,514,560
Earnings per share - Basic (Rs.)	16.01	8.50	36.88

14. CASH AND CASH EQUIVALENTS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Cash in hand	279,457	288,005	239,546
Foreign currency notes and coins	20,711	34,546	21,374
Unrestricted balances with central banks (note i)	108,286	191,835	338,794
Money market placements (note ii)	2,939,463	1,167,327	1,020,615
Other bank placements / investment	-	150,500	4,709
Balances with banks abroad	1,376,663	1,431,180	2,686,878
Balance with other financial institutions	-	3,833	3,872
	4,724,580	**3,267,226**	**4,315,788**
Current	4,724,580	3,267,226	4,315,788
Non-current	-	-	-
Segment A			
Cash in hand	279,457	288,005	239,546
Foreign currency notes and coins	20,711	34,546	21,374
Unrestricted balances with central banks (note i)	108,286	191,835	338,794
	408,454	**514,386**	**599,714**
Segment B			
Money market placements (note ii)	2,939,463	1,167,327	1,020,615
Other bank placements / investment	-	150,500	4,709
Balances with banks abroad	1,376,663	1,431,180	2,686,878
Balance with other financial institutions	-	3,833	3,872
	4,316,126	**2,752,840**	**3,716,074**

15. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

	Nominal Rs 000	Assets Rs 000	Liabilities Rs 000
As at 31 December 2014			
Currency forwards	187,714	139	7,673
Currency swaps	1,669,606	843	5,804
	1,857,320	**982**	**13,477**
Current	1,857,320	982	13,477
Non-current	-	-	-
As at 31 December 2013			
Currency forwards	330,450	1,578	2,783
Currency swaps	786,113	209	2,257
	1,116,563	**1,787**	**5,040**
Current	1,116,563	1,787	5,040
Non-current	-	-	-
As at 31 December 2012			
Currency forwards	258,034	1,962	815
Currency swaps	1,384,323	11,022	2,222
	1,642,357	**12,984**	**3,037**
Current	1,642,357	12,984	3,037
Non-current	-	-	-

16. LOANS AND ADVANCES TO BANKS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Outside Mauritius	317,000	150,500	-
	317,000	150,500	-
Less: allowance for credit impairment	(3,170)	(1,923)	-
	313,830	148,577	-
Current	156,915	-	-
Non-current	156,915	-	-

(a) Segment A

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Loan to banks	-	-	-

(b) Segment B

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Loan to banks	317,000	150,500	-
	317,000	150,500	-
Less: allowance for credit impairment	(3,170)	(1,923)	-
	313,830	148,577	-

(c) Remaining Term to Maturity

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Over 3 months and up to 6 months	158,500	-	-
Over 1 year and up to 5 years	158,500	150,500	-
	317,000	150,500	-

(d) Allowance for Credit Impairment

	Specific allowances for impairment Rs 000	Portfolio allowances for impairment Rs 000	Total Rs 000
Balance as at 01 January 2012	-	-	-
Provision during the year	-	-	-
Balance as at 31 December 2012	-	-	-
Release during the year	-	1,923	1,923
Balance as at 31 December 2013	-	1,923	1,923
Provision for credit impairment for the year	-	1,247	1,247
Balance as at 31 December 2014	-	3,170	3,170

17. LOANS AND ADVANCES TO CUSTOMERS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Retail customers			
- Credit cards	73,822	79,015	72,824
- Mortgages	2,223,689	2,319,313	1,718,779
- Other retail loans	2,490,275	2,761,710	2 ,731,962
Corporate customers	5,100,119	5,473,022	6,286,355
Entities outside Mauritius	1,237,025	1,336,631	1,438,293
	11,124,930	11,969,691	12,248,213
Less: allowance for credit impairment	(581,343)	(416,833)	(300,628)
	10,543,587	11,552,858	11,947,585
Net finance lease receivables included in loans and advances to customers above are as follows:	216,767	251,431	262,454

(a) Segment A

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Retail customers			
- Credit cards	73,822	79,015	72,824
- Mortgages	2,125,929	2,209,476	1,623,083
- Other retail loans	2,142,356	2,428,992	2,363,288
Corporate customers	3,835,798	3,946,052	4,344,132
	8,177,905	8,663,535	8,403,327
Less: allowance for credit impairment	(555,747)	(338,055)	(262,836)
	7,622,158	8,325,480	8,140,491

(b) Segment B

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Retail customers			
- Mortgages	97,760	109,837	95,696
- Other retail loans	347,919	332,718	368,674
Corporate customers	1,264,321	1,526,970	1,942,223
Entities outside Mauritius	1,237,025	1,336,631	1,438,293
	2,947,025	3,306,156	3,844,886
Less: allowance for credit impairment	(25,596)	(78,778)	(37,792)
	2,921,429	3,227,378	3,807,094

(c) Remaining Term to Maturity

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Up to 3 months	2,237,731	2,661,359	3,101,973
Over 3 months and up to 6 months	438,211	383,483	763,385
Over 6 months and up to 12 months	635,775	385,541	308,120
Over 1 year and up to 5 years	4,212,964	4,182,936	3,883,458
Over 5 years	3,600,249	4,356,372	4,191,277
	11,124,930	11,969,691	12,248,213

17. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

(d) Credit Concentration of Risk by Industry Sectors

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Agriculture and fishing	487,770	276,547	435,025
Manufacturing	483,526	702,824	696,255
of which EPZ	*19,178*	*29,238*	*52,007*
Tourism	1,064,404	1,203,866	1,043,661
Transport	442,507	400,042	397,720
Construction	3,623,871	3,827,259	3,330,730
Financial and business services	399,990	276,428	438,015
Traders	1,784,327	1,794,476	1,842,311
Personal	1,161,004	1,241,028	1,186,153
of which credit cards	*73,822*	*79,310*	*77,122*
Professional	50,334	89,282	69,639
Global business license holders	1,249,881	1,509,980	1,942,222
Others	377,316	647,959	866,482
	11,124,930	**11,969,691**	**12,248,213**
Segment A			
Agriculture and fishing	319,972	50,865	143,368
Manufacturing	404,442	597,293	581,487
of which EPZ	*16,785*	*29,238*	*52,007*
Tourism	895,545	1,014,177	847,188
Transport	223,772	265,290	241,898
Construction	3,221,688	3,334,935	2,912,398
Financial and business services	239,109	175,908	355,312
Traders	1,520,718	1,697,330	1,775,277
Personal	1,068,172	1,165,438	1,149,210
of which credit cards	*73,822*	*79,310*	*77,122*
Professional	50,335	89,282	69,639
Others	234,152	273,017	327,550
	8,177,905	**8,663,535**	**8,403,327**
Segment B			
Agriculture and fishing	167,798	225,682	291,657
Manufacturing	79,085	105,531	114,768
Tourism	168,859	189,689	196,473
Transport	218,735	134,752	155,822
Construction	402,183	492,324	418,332
Financial and business services	160,881	100,520	82,703
Traders	263,609	97,146	67,034
Personal	92,830	75,590	36,943
Global business license holders	1,249,881	1,509,980	1,942,222
Others	143,164	374,942	538,932
	2,947,025	**3,306,156**	**3,844,886**

Others include the following sectors: Media, Entertainment & Recreational Activities, Education, Modernisation & Expansion Enterprise Certificate Holders, Health Development Certificate Holders, Public Non Financial Corporations, State and Local Government, Infrastructure, ICT, Freeport Certificate Holders and other.

17. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

(e) Allowance for Credit Impairment

	Specific allowances for impairment Rs 000	Portfolio allowances for impairment Rs 000	Total Rs 000
Balance as at 01 January 2012	261,395	91,383	352,778
Provision for credit impairment for the year	50,745	39,459	90,204
Loans written off out of allowance	(112,124)	-	(112,124)
Provisions released	(30,230)	-	(30,230)
Balance as at 31 December 2012	169,786	130,842	300,628
Provision for credit impairment for the year	165,007	-	165,007
Loans written off out of allowance	(7,230)	-	(7,230)
Provisions released	(31,807)	(9,765)	(41,572)
Balance as at 31 December 2013	295,756	121,077	416,833
Provision for credit impairment for the year	298,713	-	298,713
Loans written off out of allowance	(5,111)	-	(5,111)
Provisions released	(124,845)	(4,247)	(129,092)
Balance as at 31 December 2014	**464,513**	**116,830**	**581,343**

In accordance with accounting policy 1.1(k), the Bank had additional General Banking Reserve of Rs 92m.

(f) Investment in Finance Leases

The amount of investments in finance leases included in the loans and advances to customers.

	Up to 1 Year Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Dec-14 Total Rs 000	Dec-13 Total Rs 000	Dec-12 Total Rs 000
Gross investment in finance leases	13,232	370,182	114,166	497,580	482,378	467,678
Unearned finance income	(12,746)	(219,941)	(45,936)	(278,623)	(228,408)	(202,573)
Present value of minimum lease payments	486	150,241	68,230	218,957	253,970	265,105
Allowance for impairment				(2,190)	(2,539)	(2,651)
				216,767	**251,431**	**262,454**

17. LOANS AND ADVANCES TO CUSTOMERS (cont'd)

(g) Allowance for Credit Impairment by Industry Sectors

	Dec-14					Dec-13	Dec-12
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Portfolio allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000	Total allowances for credit impairment Rs 000
Agriculture and fishing	487,770	22,317	15,119	6,669	21,788	16,053	13,145
Manufacturing	483,526	16,833	8,148	5,331	13,479	11,386	12,536
of which EPZ	*19,178*	*25*	*25*	*245*	*270*	*480*	*863*
Tourism	1,064,404	9,362	5,853	10,811	16,664	21,878	15,097
Transport	442,507	4,857	1,533	5,008	6,541	4,829	4,553
Construction	3,623,871	421,203	187,648	39,099	226,747	101,646	59,459
Financial and business services	399,990	324	324	5,527	5,851	3,649	3,883
Traders	1,784,327	216,697	99,476	18,868	118,344	70,558	65,889
Personal	1,161,004	137,145	115,638	11,686	127,324	85,047	65,523
of which credit cards	*73,822*	*19,582*	*20,471*	*717*	*21,188*	*6,811*	*5,171*
Professional	50,334	-	-	663	663	1,013	836
Global business license holders	1,249,881	73,307	2,795	9,204	11,999	61,384	20,913
Others	377,316	39,154	27,979	3,964	31,943	39,390	38,794
	11,124,930	**941,199**	**464,513**	**116,830**	**581,344**	**416,833**	**300,628**
Segment A							
Agriculture and fishing	319,972	22,317	15,119	6,156	21,275	14,682	11,175
Manufacturing	404,442	16,833	8,148	5,019	13,167	10,818	11,938
of which EPZ	*16,785*	*25*	*25*	*221*	*246*	*480*	*863*
Tourism	895,545	9,362	5,853	9,203	15,056	19,551	12,896
Transport	223,772	4,857	1,533	2,821	4,354	3,107	2,807
Construction	3,221,688	414,989	185,582	36,977	222,559	96,345	55,264
Financial and business services	239,109	324	324	4,680	5,004	3,277	3,640
Traders	1,520,719	216,557	99,445	16,672	116,117	69,790	65,590
Personal	1,068,172	136,640	115,583	11,336	126,919	84,726	65,283
of which credit cards	*73,822*	*19,582*	*20,471*	*717*	*21,188*	*6,811*	*5,171*
Professional	50,334	-	-	663	663	1,013	836
Others	234,152	39,154	27,979	2,653	30,632	34,746	33,407
	8,177,905	**861,033**	**459,566**	**96,180**	**555,747**	**338,055**	**262,836**
Segment B							
Agriculture and fishing	167,798	-	-	513	513	1,371	1,970
Manufacturing	79,084	-	-	312	312	568	598
of which EPZ	*2,393*	*-*	*-*	*24*	*24*	*-*	*-*
Tourism	168,859	-	-	1,608	1,608	2,327	2,201
Transport	218,735	-	-	2,187	2,187	1,722	1,746
Construction	402,183	6,214	2,066	2,122	4,188	5,301	4,195
Financial and business services	160,881	-	-	847	847	372	243
Traders	263,608	140	31	2,195	2,226	768	299
Personal	92,832	505	55	352	407	321	240
Global business license holders	1,249,881	73,307	2,795	9,203	11,998	61,384	20,913
Others	143,164	-	-	1,311	1,311	4,644	5,387
	2,947,025	**80,166**	**4,947**	**20,650**	**25,597**	**78,778**	**37,792**

18. INVESTMENT SECURITIES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Available for sale investments	415,164	182,632	184,381
Held to maturity investments	879,260	1,306,591	1,382,728
	1,294,424	**1,489,223**	**1,567,109**
Available for sale investments			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	25,251	20,907	20,907
Corporate Bonds / Other investments	387,194	158,937	160,714
Other Equity	2,719	2,788	2,760
	415,164	**182,632**	**184,381**
Segment A			
Corporate Bonds / Other investments	240,115	-	-
Other Equity	1,829	1,829	1,829
	241,944	**1,829**	**1,829**
Segment B			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	25,251	20,907	20,907
Corporate Bonds / Other investments	147,079	158,937	160,714
Other Equity	890	959	931
	173,220	**180,803**	**182,552**

The Bank holds 4,597,210 shares, representing 5.59% shareholding of Oriental Commercial Bank Ltd, incorporated and operating in Kenya. The available for sale investment securities are classified as level 3 on the fair value hierarchy.

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Held to Maturity Investments			
Government Bonds	221,567	467,064	619,166
GOM Bills	11,848	268,203	213,861
BOM Bills	127,748	-	-
Treasury Bills / Notes issued by Government of Mauritius	51,438	233,260	362,201
Corporate Bonds / Other Bank Placements	466,659	338,064	187,500
	879,260	**1,306,591**	**1,382,728**
Segment A			
Government of Mauritius Bonds	221,567	467,064	619,166
GOM Bills	11,848	268,203	213,861
BOM Bills	127,748	-	-
Treasury Bills / Notes issued by Government of Mauritius	51,438	233,260	362,201
Corporate Bonds / Other Bank Placements	339,954	338,064	187,500
	752,555	**1,306,591**	**1,382,728**
Segment B			
Corporate Bonds / Other Bank Placements	126,705	-	-
	126,705	**-**	**-**

Remaining Term to Maturity

	Up to 3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	Over 5 years Rs 000	Total Rs 000
Government Bonds	-	-	-	221,567	-	221,567
GOM Bills	11,848	-	-	-	-	11,848
BOM Bills	112,861	14,887	-	-	-	127,748
issued by Government of Mauritius	-	25,040	-	26,398	-	51,438
Corporate Bonds / Other Bank Placements	-	99,293	27,412	339,954	-	466,659
	124,709	**139,220**	**27,412**	**587,919**	**-**	**879,260**

Foreign bonds wrongly classified held-to-maturity (HTM) in 2012 reclassified as available-for-sale (AFS).
The impact of the reclassification is not material.

19. PROPERTY AND EQUIPMENT

	Land and buildings Rs 000	Computer and other equipment Rs 000	Other fixed assets Rs 000	Total Rs 000
Cost or Valuation				
Balance as at 01 January 2012	280,000	157,711	115,974	553,685
Acquisitions	13,285	5,607	13,764	32,656
Scrapped	-	(5,474)	(416)	(5,890)
Disposals	-	-	(3,064)	(3,064)
Balance as at 31 December 2012	293,285	157,844	126,258	577,387
Acquisitions	-	1,199	2,607	3,806
Scrapped	-	(7,918)	(600)	(8,518)
Balance as at 31 December 2013	293,285	151,125	128,265	572,675
Acquisitions	-	22,670	19,434	42,104
Scrapped / Adjustment	-	(1,638)	(5,006)	(6,644)
Revaluation loss	(4,821)	-	-	(4,821)
Balance as at 31 December 2014	**288,464**	**172,157**	**142,693**	**603,314**
Accumulated Depreciation				
Balance as at 01 January 2012	33,575	134,754	65,239	233,568
Depreciation for the year	4,878	9,511	9,173	23,562
Scrapped	-	(5,440)	(410)	(5,850)
Disposal adjustment	-	-	(2,802)	(2,802)
Balance as at 31 December 2012	38,453	138,825	71,200	248,478
Depreciation for the year	5,006	7,468	9,080	21,554
Scrapped	-	(7,918)	-	(7,918)
Balance as at 31 December 2013	43,459	138,375	80,280	262,114
Depreciation for the year	5,006	7,701	8,923	21,630
Scrapped	-	(1,673)	(130)	(1,803)
Disposal adjustment	-	-	(4,275)	(4,275)
Balance as at 31 December 2014	**48,465**	**144,403**	**84,798**	**277,666**
Net book value at 31 December 2014	239,999	27,754	57,895	325,648
Capital work in progress	-	-	2,408	2,408
	239,999	**27,754**	**60,303**	**328,056**
Net book value at end of December 2013	249,826	12,750	47,985	310,561
Net book value at end of December 2012	254,832	19,019	55,058	328,909
Net book value as at 31 December 2014 by segments				
Segment A	230,557	27,661	57,878	316,096
Segment B	9,442	93	17	9,552
	239,999	**27,754**	**57,895**	**325,648**
Segment A				
Capital work in progress	-	-	2,408	2,408
Total	**239,999**	**27,754**	**60,303**	**328,056**
Net book value as at 31 December 2013 by segments				
Segment A	243,571	12,617	47,936	304,124
Segment B	6,255	133	49	6,437
	249,826	**12,750**	**47,985**	**310,561**
Net book value as at 31 December 2012 by segments				
Segment A	248,268	18,820	55,052	322,140
Segment B	6,564	199	6	6,769
	254,832	**19,019**	**55,058**	**328,909**

The Company's land and building were last revalued in 2014 by V Ramjee & Associates Ltd (Chartered valuer). The Basis on valuation is based on market value, defined in accordance with International Valuation Standard Committee and the accounts were amended to reflect the fair value.

19. PROPERTY AND EQUIPMENT (cont'd)

	2014 Rs 000	2013 Rs 000	2012 Rs 000
Land & building excluding revaluation	133,493	137,053	140,612

20. INTANGIBLE ASSETS

	Technical Expertise Rs 000	Computer Software Rs 000	Total Rs 000
Cost			
Balance as at 01 January 2012	15,147	93,726	108,873
Additions	-	16,169	16,169
Balance as at 31 December 2012	15,147	109,895	125,042
Additions	-	21,633	21,633
Balance as at 31 December 2013	15,147	131,528	146,675
Additions	-	6,739	6,739
Impairment loss on intangible assets	(15,147)	-	(15,147)
Balance as at 31 December 2014	**-**	**138,267**	**138,267**
Amortisation			
Balance as at 01 January 2012	-	57,584	57,584
Charge for the year	-	12,087	12,087
Balance as at 31 December 2012	-	69,671	69,671
Charge for the year	-	14,648	14,648
Balance as at 31 December 2013	-	84,319	84,319
Charge for the year	-	16,220	16,220
Balance as at 31 December 2014	**-**	**100,539**	**100,539**
Net book value as at 31 December 2014	**-**	**37,728**	**37,728**
Net book value as at 31 December 2013	**15,147**	**47,209**	**62,356**
Net book value as at 31 December 2012	**15,147**	**40,224**	**55,371**
Net book value as at 31 December 2014 by segments			
Segment A	-	36,330	36,330
Segment B	-	1,398	1,398
	-	**37,728**	**37,728**
Net book value as at 31 December 2013 by segments			
Segment A	15,147	46,170	61,317
Segment B	-	1,039	1,039
	15,147	**47,209**	**62,356**
Net book value as at 31 December 2012 by segments			
Segment A	15,147	38,687	53,834
Segment B	-	1,537	1,537
	15,147	**40,224**	**55,371**

Intangible assets recognised initially in the year 2008 which resulted from the purchase of Edge Forex Ltd (business in foreign exchange dealings). This related to the technical expertise and knowhow of the staff who no longer work for the bank. A new module has alternatively been introduced.

21. DEFERRED TAX ASSETS

The movement on the deferred income tax account is as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
At start of year	25,982	31,873	36,983
Statement of profit or loss charge (note 12)	24,311	(5,891)	(5,110)
Deferred tax through OCI	1,319	-	-
Deferred tax on revaluation loss on building	8,029	-	-
At end of year	**59,641**	**25,982**	**31,873**
Deferred Tax Assets			
Allowances for loan losses	62,808	38,543	40,559
Available for sale-securities	52	-	-
Revaluation on building	8,029	-	-
Retirement Benefit Obligation	4,795	3,134	5,927
Deferred tax through OCI	1,319	-	-
	77,003	**41,677**	**46,486**
Deferred Tax Liabilities			
Accelerated capital allowances	5,650	3,695	2,324
Revaluation reserve	11,712	12,000	12,289
	17,362	15,695	14,613
	59,641	**25,982**	**31,873**

22. OTHER ASSETS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Mandatory balances with central bank*	657,241	676,194	868,666
Balance due in clearing	28,804	36,192	20,891
Accrued interest receivable	32,359	38,788	46,125
Prepayment employee benefits	9,000	-	-
Non-banking assets acquired in satisfaction of debts	1,660	1,660	1,660
Other	21,423	86,512	206,621
	750,487	**839,346**	**1,143,963**
Current	75,407	155,024	253,241
Non-current	675,080	684,322	890,722

* Balances to be maintained with Central Bank as cash reserve requirement.

Segment A

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Mandatory balances with central bank	657,241	676,194	868,666
Balance due in clearing	28,804	36,192	20,891
Accrued interest receivable	23,645	24,217	36,616
Prepayment employee benefits	9,000	-	-
Non-banking assets acquired in satisfaction of debts	1,660	1,660	1,660
Others	21,293	65,215	77,246
	741,643	**803,478**	**1,005,079**

22. OTHER ASSETS (cont'd)

Segment B

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Accrued interest receivable	8,714	14,571	9,509
Others	130	21,297	129,375
	8,844	**35,868**	**138,884**

23. DEPOSITS FROM CUSTOMERS

(a) Deposits comprise the following:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Retail customers	6,084,397	6,470,393	6,384,973
Corporate	1,373,926	2,062,836	3,087,522
International	8,011,490	6,594,267	7,482,071
Government	227	35,219	243,655
	15,470,040	**15,162,715**	**17,198,221**

(b) The table below shows the remaining maturity term for deposits by type of customer:

			Time deposits with remaining term to maturity				
	Current accounts Rs 000	Savings accounts Rs 000	Up to 3 months Rs 000	Over 3 months and up to 6 months Rs 000	Over 6 months and up to 12 months Rs 000	Over 1 year and up to 5 years Rs 000	Total Rs 000
At 31 December 2014							
Retail customers	393,314	4,514,670	266,781	226,789	310,956	371,887	6,084,397
Corporate customers	442,394	245,737	333,915	170,000	164,500	17,380	1,373,926
International customers	4,882,832	785,361	781,059	531,414	1,003,168	27,656	8,011,490
Government	-	227	-	-	-	-	227
Total	**5,718,540**	**5,545,995**	**1,381,755**	**928,203**	**1,478,624**	**416,923**	**15,470,040**
At 31 December 2013							
Retail customers	426,817	4,482,667	324,841	247,223	363,483	625,362	6,470,393
Corporate customers	317,456	319,016	679,914	565,125	107,325	74,000	2,062,836
International customers	3,963,043	557,389	571,388	496,117	925,565	80,765	6,594,267
Government	-	31,219	4,000	-	-	-	35,219
Total	**4,707,316**	**5,390,291**	**1,580,143**	**1,308,465**	**1,396,373**	**780,127**	**15,162,715**
At 31 December 2012							
Retail customers	431,184	4,242,681	306,691	175,135	441,660	787,622	6,384,973
Corporate customers	382,443	609,083	759,175	684,326	551,105	101,390	3,087,522
International customers	4,293,466	531,640	801,985	710,523	1,066,520	77,937	7,482,071
Government	94,359	5,863	65,000	9,760	64,673	4,000	243,655
Total	**5,201,452**	**5,389,267**	**1,932,851**	**1,579,744**	**2,123,958**	**970,949**	**17,198,221**

23. DEPOSITS FROM CUSTOMERS (cont'd)

(b) The table below shows the remaining maturity term for deposits by type of customer: (cont'd)

			Time deposits with remaining term to maturity				
	Current accounts Rs 000	Savings accounts Rs 000	Up to 3 months Rs 000	Over 3 months and up to 6 months Rs 000	Over 6 months and up to 12 months Rs 000	Over 1 year and up to 5 years Rs 000	Total Rs 000
At 31 December 2014							
Segment A	835,708	4,760,634	600,696	396,789	475,456	389,267	7,458,550
Segment B	4,882,832	785,361	781,059	531,414	1,003,168	27,656	8,011,490
At 31 December 2013							
Segment A	744,273	4,832,902	1,008,755	812,348	470,808	699,362	8,568,448
Segment B	3,963,043	557,389	571,388	496,117	925,565	80,765	6,594,267
At 31 December 2012							
Segment A	907,986	4,857,627	1,130,866	869,221	1,057,438	893,012	9,716,150
Segment B	4,293,466	531,640	801,985	710,523	1,066,520	77,937	7,482,071

24. SUBORDINATED LIABILITIES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 00
Remaining Term to Maturity			
Within 1 year	39,670	16,299	-
Over 1 year and up to 2 years	134,131	32,598	16,495
Over 2 years and up to 3 years	84,296	132,146	32,992
Over 3 years and up to 4 years	34,297	82,598	132,353
Over 4 years and up to 5 years	34,395	32,598	82,992
Over 5 years	99,943	132,147	65,983
	426,732	**428,386**	**330,815**
Segment A			
Within 1 year	32	-	-
Over 1 year and up to 2 years	99,784	-	-
Over 2 years and up to 3 years	50,000	99,548	-
Over 3 years and up to 4 years	-	50,000	99,361
Over 4 years and up to 5 years	-	-	50,000
Over 5 years	99,943	99,549	-
	249,759	**249,097**	**149,361**
Segment B			
Within 1 year	39,638	16,299	-
Over 1 year and up to 2 years	34,347	32,598	16,495
Over 2 years and up to 3 years	34,296	32,598	32,992
Over 3 years and up to 4 years	34,297	32,598	32,992
Over 4 years and up to 5 years	34,395	32,598	32,992
Over 5 years	-	32,598	65,983
	176,973	**179,289**	**181,454**

Interest rates on the subordinated debts vary between 7.55% and 9.525%.

25. OTHER BORROWED FUNDS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Borrowings from Bank of Mauritius	372,370	480,747	183,537
Borrowings from banks abroad	272	-	183,968
	372,642	**480,747**	**367,505**
Segment A			
Borrowings from Bank of Mauritius	372,370	480,747	183,537
	372,370	**480,747**	**183,537**

Borrowings from Bank of Mauritius relates to the special foreign currency line of credit availed to lend to export operators.

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Segment B			
Borrowings from banks abroad	272	-	183,968
	272	**-**	**183,968**

Interest rates on the borrowings from Bank of Mauritius is on average 1.4%.

Remaining Term to Maturity

	Up to 1 year Rs 000	1-2 years Rs 000	2-3 years Rs 000	3-4 years Rs 000	4-5 years Rs 000	Total Rs 000
Borrowings from Bank of Mauritius	67,415	47,714	61,976	61,976	133,289	372,370
	67,415	**47,714**	**61,976**	**61,976**	**133,289**	**372,370**

26. CURRENT TAX LIABILITIES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Special levy on banks	10,084	9,542	7,346
Corporate social responsibility fund	1,506	1,495	122
Income tax	8,914	8,980	2,552
	20,504	**20,017**	**10,020**

27. OTHER LIABILITIES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Liability for defined pension plan (note 28)	10,207	20,899	43,261
Bills payable	19,315	14,751	44,329
Other payables	169,749	126,092	154,370
Allowances for off-balance sheet exposures	29,167	-	-
Accrued interest	48,801	90,780	121,868
	277,239	**252,522**	**363,828**
Current	237,865	231,623	320,567
Non-current	39,374	20,899	43,261
Segment A			
Liability for defined pension plan (note 28)	10,207	20,899	43,261
Bills payable	19,315	14,751	44,329
Other payables	152,300	107,524	126,743
Allowances for off-balance sheet exposures	29,167	-	-
Accrued interest	31,095	65,648	83,739
	242,084	**208,822**	**298,072**
Segment B			
Accrued interest	17,706	25,132	38,129
Other payables	17,449	18,568	27,627
	35,155	**43,700**	**65,756**

28. PENSION OBLIGATIONS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Pension obligations under defined benefit plan			
Amounts recognised in the statement of financial position (note 27):	**10,207**	**20,899**	**43,261**
Current	10,207	20,899	43,261
Non-current	-	-	-
Amounts charged to statement profit or loss:	**6,121**	**5,897**	**7,564**
Amount charged/(credited) to Other Comprehensive Income:	**(6,433)**	**15,345**	**(269)**

28. PENSION OBLIGATIONS (cont'd)

(a) Defined Pension Benefits

(i) The Bank makes contributions to a defined benefit plan that provides pension for employees upon retirement and is wholly funded. The assets of the funded plan are held and independently administered by the Anglo-Mauritius Assurance Society Ltd.

The following information is based on actuarial valuation report dated 31 December 2014 by the Anglo-Mauritius Assurance Society Ltd.

(ii) The amounts recognised in the statement of financial position are as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Present value of funded obligations	114,850	99,452	79,684
Fair value of plan assets	(104,643)	(78,553)	(36,423)
Liability in the statement of financial position	**10,207**	**20,899**	**43,261**

(iii) The movement in the defined benefit obligations over the year is as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
At 01 January	20,899	43,261	39,983
Amount recognised in profit and loss	6,121	5,897	7,564
Amount recognised in Other Comprehensive Income	7,752	15,345	(269)
Contributions by the employer	(24,565)	(43,604)	(4,017)
At 31 December	**10,207**	**20,899**	**43,261**

28. PENSION OBLIGATIONS (cont'd)

(a) Defined Pension Benefits (cont'd)

(iv) The movement in the defined benefit obligations for the year is as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
At 01 January	99,452	79,684	71,564
Included in profit or loss			
Current service cost	4,146	3,230	3,165
Interest cost	7,204	6,701	6,895
Included in Other Comprehensive Income			
Experience losses/(gains) on the liabilities	5,408	1,730	7,281
Changes in assumptions underlying the present value of the scheme	-	12,329	(8,636)
Other			
Benefits paid	(1,361)	(4,222)	(585)
At 31 December	**114,849**	**99,452**	**79,684**

(v) The movement in the fair value of plan assets of the year is as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
At 01 January	78,553	36,423	31,581
Included in Other Comprehensive Income			
Actuarial loss	(2,344)	(1,286)	(1,086)
Other			
Employer's contribution	24,566	43,604	4,017
Scheme expenses	(983)	(171)	(157)
Cost of insuring risk benefits	(480)	(436)	(403)
Return on plan assets	6,691	4,641	3,056
Benefits paid	(1,361)	(4,222)	(585)
At 31 December	**104,642**	**78,553**	**36,423**

(vi) The amounts recognised in profit or loss are as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Current service cost	4,145	3,230	3,165
Scheme expenses	983	171	157
Cost of insuring risk benefits	480	436	403
Net interest cost	513	2,060	3,839
Total included in employee benefit expense	**6,121**	**5,897**	**7,564**
Actual return on plan assets	**4,347**	**3,356**	**1,971**

28. PENSION OBLIGATIONS (cont'd)

(a) Defined Pension Benefits (cont'd)

(vii) The amounts recognised in Other Comprehensive Income are as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Losses on pension scheme assets	2,344	1,286	1,086
Experience losses on the liabilities	5,408	1,730	7,281
Changes in assumptions underlying the present value of the scheme	-	12,329	(8,636)
	7,752	**15,345**	**(269)**

The assets of the plan are invested in the Deposit Administration Policy underwritten by Anglo-Mauritius. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes. It is a long-term investment Policy which aims to provide a smooth progression of returns from one year to the next without regular fluctuations associated with asset-linked investments such as Equity Funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4% p.a.

(viii) The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	Dec-14 %	Dec-13 %	Dec-12 %
Discount rate	7.0	7.0	8.5
Expected return on plan assets	7.0	7.0	8.5
Future salary growth rate	5.0	5.0	5.0

The assets of the plan are invested in -Mauritius' deposit administration fund. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the above assets correspond to a notional allocation of the underlying investments based on the long-term strategy of the fund.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long-term expected return on asset assumption has been based on historical performance of the fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk-free rate. The risk-free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014 (cont'd)

28. PENSION OBLIGATIONS (cont'd)

(a) Defined Pension Benefits (cont'd)

(ix) Sensitivity analysis on defined benefit obligations to changes in the weighted principal assumptions is

	31-Dec-14 Inc / (Dec) Rs 000	31-Dec-13 Inc / (Dec) Rs 000	31-Dec-12 Inc / (Dec) Rs 000
Discount rate (1% movement)	(9,221)	(8,531)	(6,385)
Future salary growth rate (1% movement)	9,869	9,289	7,007

The sensitivity analyses above have been determined based on sensibly possible charges of the discount rate or salary increase rate occuring at the end of the reporting period if all other asumptions remained unchanged.

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(x) The defined benefit pension plan exposes the bank to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

(xi) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xii) The Bank expects to pay Rs 10m in contributions to its post-employment benefit plans for the year ending 31 December 2015.

(xiii) The weighted average duration of the defined benefit obligation is 8 years at the end of the reporting period.

(b) Defined Contribution Plan

The Bank expects to contribute 10% of the expected salary to its post-employment defined contribution plans for the year ending 31 December 2015.

29. STATED CAPITAL

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Shares at no par value			
Stated capital	731,456	731,456	551,456
At start of year	731,456	551,456	551,456
Issue of shares	-	180,000	-
At end of year	**731,456**	**731,456**	**551,456**
No of ordinary shares in issue (no par value)	7,314,560	7,314,560	5,514,560

30. DIVIDENDS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Final dividend	-	-	30,000

31. CONTINGENT LIABILITIES

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Acceptances on account of customers	44,666	38,302	61,871
Guarantees on account of customers	417,885	513,693	715,976
Letters of credit and other obligations on account of customers	49,656	35,621	47,387
Other contingent items	68,353	63,510	484,179
	580,560	**651,126**	**1,309,413**
Segment A			
Acceptances on account of customers	27,362	14,800	40,092
Guarantees on account of customers	245,300	353,625	484,621
Letters of credit and other obligations on account of customers	21,023	9,784	30,772
Other contingent items	64,379	58,414	59,912
	358,064	**436,623**	**615,397**
Segment B			
Acceptances on account of customers	17,304	23,502	21,779
Guarantees on account of customers	172,585	160,068	231,355
Letters of credit and other obligations on account of customers	28,633	25,837	16,615
Other contingent items	3,974	5,096	424,267
	222,496	**214,503**	**694,016**

32. COMMITMENTS

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
(a) Undrawn Credit Facilities	**372,951**	**773,698**	**788,488**
Segment A	**260,798**	**557,777**	**581,343**
Segment B	**112,153**	**215,921**	**207,145**

(b) Operating Lease Commitments - Where a Company is the Lessee

The bank leases various branches under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
Not later than one year	15,817	15,526	15,924
Later than one year and not later than five years	29,815	32,123	45,349
Later than five years	1,202	1,369	3,670
	46,834	**49,018**	**64,943**

32. COMMITMENTS (cont'd)

(c) Securities Pledged

The Bank has pledged the following:
- GOM bonds as collateral for the purpose of overnight facility from the Bank of Mauritius.
- This security can be replaced or substituted by other eligible security by giving the Bank of Mauritius 24 hours notice.
- Treasury notes and GOM bonds as collateral under the Special Foreign Currency line of credit.

	Dec-14 Rs 000	Dec-13 Rs 000	Dec-12 Rs 000
GOM bonds	220,000	399,778	-
Treasury notes	30,800	95,319	299,770
	250,800	**495,097**	**299,770**

33. CONTINGENT ASSET

The Bank is entitled to net proceeds on recovery of certain assets by the Liquidator of Delphis Bank Limited (in liquidation). These matters are subject to legal court cases and likely to be determined within the next twelve to twenty-four months.

34. RELATED PARTIES

	Nature of Relationship	2014 Rs 000	2013 Rs 000	2012 Rs 000
Loans and advances	Related companies	489,177	311,366	199,571
	Key management personnel	17,647	13,288	19,451
Deposits	Related companies	95,420	103,692	218,641
	Key management personnel	14,855	10,349	11,542
Interest income	Related companies	18,339	15,019	19,728
	Key management personnel	817	870	1,690
Interest expense	Related companies	753	1,162	1,672
	Key management personnel	253	601	407
Fees and expenses	Directors	8,408	7,616	5,467

Related company relates to transactions with enterprises in which shareholders, key directors / key management personnel have significant interest as defined in the guideline issued by BOM.

Total non exempt related party as at 31 December 2014 amounted to Rs 489m, representing 41.61% of Tier 1 capital.

Total related party exposure under Category 1 (as defined in the *Guideline on Related Party Transactions* issued by the BOM in January 2009) was 0.38% of Tier 1 capital against BOM limit of 60%.

No related party credit exposure has been classified as impaired for the last 3 years.

All the above related party transactions were carried out under market terms and conditions with the exception of loans to key Management Personnel who benefited from preferential rates as applicable to staff.

The ultimate controlling parties of Bank One are CIEL Finance and I&M Holdings.

34. RELATED PARTIES (cont'd)

(a) Key Management Personnel Compensation

Remuneration and other benefits relating to key management personnel, including directors were as follows:

	2014 Rs 000	2013 Rs 000	2012 Rs 000
Salaries and short-term employee benefits	50,974	58,842	55,781
Post-employment benefits	3,628	3,883	3,466
Termination benefits	-	1,584	-

The key management personnel are covered under the Defined Contribution plans.

35. OTHER RESERVE

(a) Revaluation Loss

Revaluation loss arising from revaluation of building Rs 4.8m, impacting deferred tax by Rs 8m. Amount of Rs 3.2m net of tax recognised in OCI.

(b) Fair Value Reserve

Available for sale investments, classified as non-equity, impacted an upward movement of Rs 10.3m in SOC.

(c) Retirement Benefit Plan Reserve

Reclassification of Rs 19.4m from previous year against retained earnings and Rs 6.4m for current period to Retirement benefit plan reserve.

(d) General Banking Reserve

Additional provisions for certain specific sectors are made in accordance with the BOM macro-prudential measures.
The Bank also makes additional provisions on its impaired book over and above the IAS 39 requirements in line with its internal policy.

Country risk provisions are made based on the internal policy of the Bank. All the above are booked as appropriation of earnings and kept in General Banking Reserve.

Statement of Financial Position

	Dec-14			Dec-13			Dec-12		
	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000
ASSETS									
Cash and cash equivalents	4,724,580	408,454	4,316,126	3,267,226	518,219	2,749,007	4,315,788	603,586	3,712,202
Derivative assets held for risk management	982	139	843	1,787	366	1,421	12,984	5,485	7,499
Loan and advances to banks	313,830	-	313,830	148,577	-	148,577	-	-	-
Loan and advances to customers	10,543,587	7,622,158	2,921,429	11,552,858	8,325,480	3,227,378	11,947,585	8,140,491	3,807,094
Investment Securities	1,294,424	994,499	299,925	1,489,223	1,308,422	180,801	1,567,109	1,384,557	182,552
Property and equipment	328,056	318,504	9,552	310,561	304,124	6,437	328,909	322,140	6,769
Intangible assets	37,728	36,330	1,398	62,356	61,317	1,039	55,371	53,834	1,537
Deferred tax assets	59,641	59,641	-	25,982	24,527	1,455	31,873	30,739	1,134
Other assets	750,487	741,643	8,844	839,346	803,478	35,868	1,143,963	1,005,079	138,884
TOTAL ASSETS	**18,053,315**	**10,181,368**	**7,871,947**	**17,697,916**	**11,345,933**	**6,351,983**	**19,403,582**	**11,545,911**	**7,857,671**

	Dec-14			Dec-13			Dec-12		
	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000
LIABILITIES									
Deposits from customers	15,470,040	7,458,550	8,011,490	15,162,715	8,568,448	6,594,267	17,198,221	9,716,150	7,482,071
Derivative liabilities held for risk management	13,477	9,194	4,283	5,040	3,460	1,580	3,037	601	2,436
Subordinated liabilities	426,732	249,759	176,973	428,386	249,097	179,289	330,815	149,361	181,454
Other borrowed funds	372,642	372,370	272	480,747	480,747	-	367,505	183,537	183,968
Current tax liabilities	20,504	13,669	6,835	20,017	20,017	-	10,020	10,020	-
Other liabilities	277,239	242,084	35,155	252,522	208,822	43,700	363,828	298,072	65,756
	16,580,634	**8,345,626**	**8,235,008**	**16,349,427**	**9,530,591**	**6,818,836**	**18,273,426**	**10,357,741**	**7,915,685**
SHAREHOLDERS' EQUITY									
Stated capital	731,456	731,456	-	731,456	731,456	-	551,456	551,456	-
Retained earnings	471,510	(226,547)	698,057	444,655	(9,126)	453,781	414,374	(22,318)	436,692
Other reserves	269,715	242,703	27,012	172,378	169,163	3,215	164,326	161,111	3,215
	1,472,681	**747,612**	**725,069**	**1,348,489**	**891,493**	**456,996**	**1,130,156**	**690,249**	**439,907**
TOTAL EQUITY AND LIABILITIES	**18,053,315**	**9,093,238**	**8,960,077**	**17,697,916**	**10,422,084**	**7,275,832**	**19,403,582**	**11,047,990**	**8,355,592**

Income Statements

	Year ended Dec-14			Year ended Dec-13			Year ended Dec-12		
	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000	BANK Rs 000	SEGMENT A Rs 000	SEGMENT B Rs 000
Interest income	914,867	664,357	250,510	972,054	749,122	222,932	903,845	716,465	187,380
Interest expense	(350,123)	(301,071)	(49,052)	(486,046)	(401,935)	(84,111)	(507,199)	(409,876)	(97,323)
Net interest income	**564,744**	**363,286**	**201,458**	**486,008**	**347,187**	**138,821**	**396,646**	**306,589**	**90,057**
Fee and commission income	180,253	66,344	113,909	186,862	74,792	112,070	142,481	74,180	68,301
Fee and commission expense	(76,327)	(32,507)	(43,820)	(68,408)	(37,647)	(30,761)	(35,424)	(34,480)	(944)
Net fee and commission income	**103,926**	**33,837**	**70,089**	**118,454**	**37,145**	**81,309**	**107,057**	**39,700**	**67,357**
Net trading income	48,998	14,700	34,298	(70,210)	13,451	(83,661)	135,291	36,165	99,126
Other operating income	3,739	986	2,753	2,313	78	2,235	8,462	11,152	(2,690)
	52,737	**15,686**	**37,051**	**(67,897)**	**13,529**	**(81,426)**	**143,753**	**47,317**	**96,436**
Operating income	721,407	412,809	308,598	536,565	397,861	138,704	647,456	393,606	253,850
Non interest expenses									
Personnel expenses	(254,286)	(200,209)	(54,077)	(224,487)	(170,765)	(53,722)	(232,913)	(183,502)	(49,411)
Depreciation & amortisation	(37,850)	(37,000)	(850)	(36,202)	(35,324)	(878)	(35,649)	(34,849)	(800)
Other Expenses	(140,361)	(116,143)	(24,218)	(106,503)	(89,273)	(17,230)	(112,579)	(90,536)	(22,043)
	(432,497)	**(353,352)**	**(79,145)**	**(367,192)**	**(295,362)**	**(71,830)**	**(381,141)**	**(308,887)**	**(72,254)**
Profit before impairment	288,910	59,457	229,453	169,373	102,499	66,874	266,315	84,719	181,596
Net impairment loss in financial assets	(153,444)	(208,818)	55,374	(88,800)	(41,176)	(47,624)	(46,025)	(33,987)	(12,038)
Impairment loss on goodwill	(15,147)	(15,147)	-	-	-	-	-	-	-
	(168,591)	(223,965)	55,374	(88,800)	(41,176)	(47,624)	(46,025)	(33,987)	(12,038)
Profit before exceptional item	**120,319**	**(164,508)**	**284,827**	**80,573**	**61,323**	**19,250**	**220,290**	**50,732**	**169,558**
Profit on sale and recovery of assets	**-**	**-**	**-**	**-**	**-**	**-**	**4,378**	**-**	**4,378**
Profit before tax	120,319	(164,508)	284,827	80,573	61,323	19,250	224,668	50,732	173,936
Income tax expense	(3,199)	6,284	(9,483)	(26,895)	(24,734)	(2,161)	(21,300)	(14,340)	(6,960)
Profit for the year	**117,120**	**(158,224)**	**275,344**	**53,678**	**36,589**	**17,089**	**203,368**	**36,392**	**166,976**

NOTES

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