ANNUAL REPORT 2013

Exploring

new Frontiers

BANK ONE

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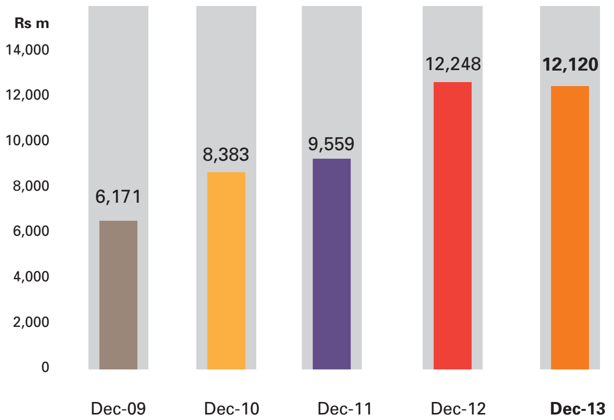
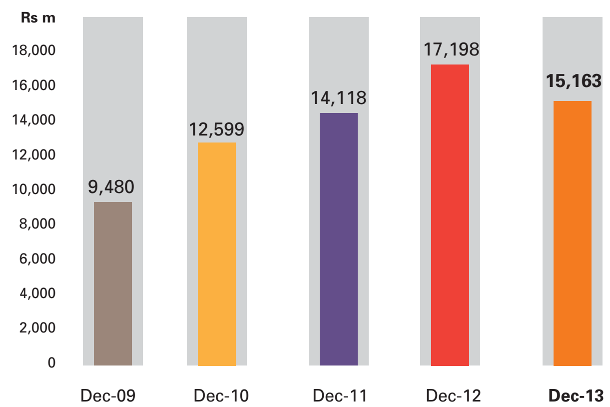
2 FINANCIAL HIGHLIGHTS

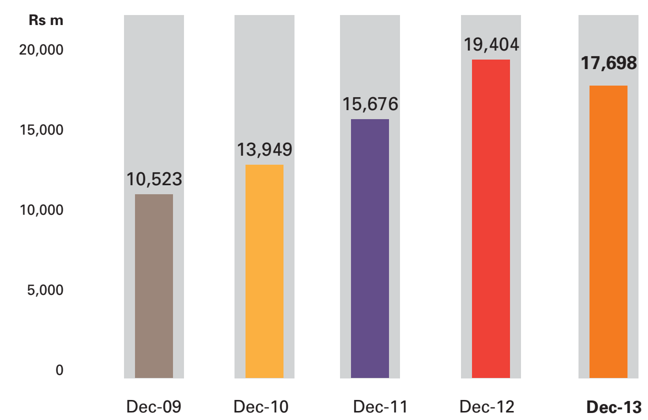
Gross Advances



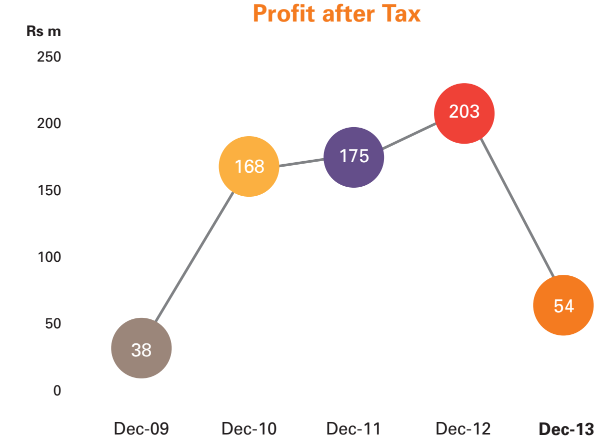
Total Deposits



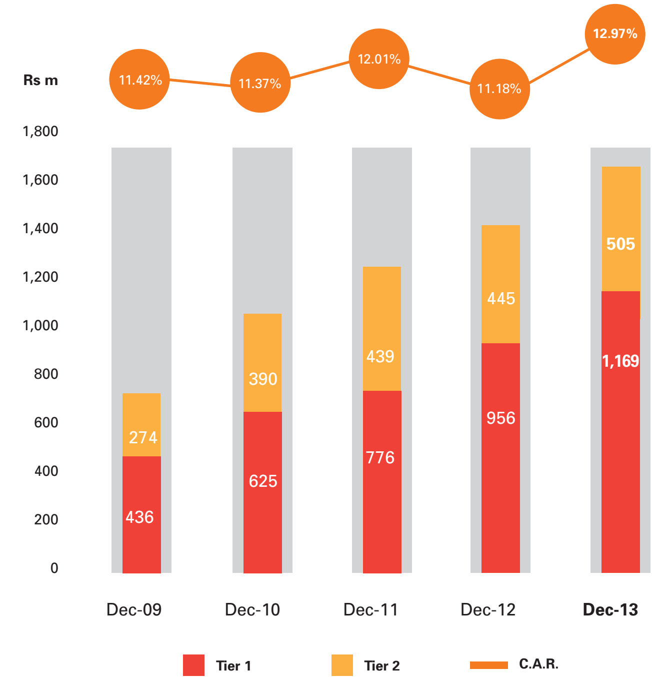
Total Assets



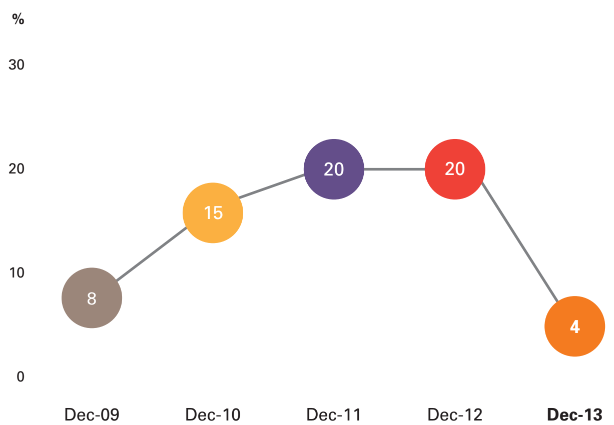
Profit after Tax



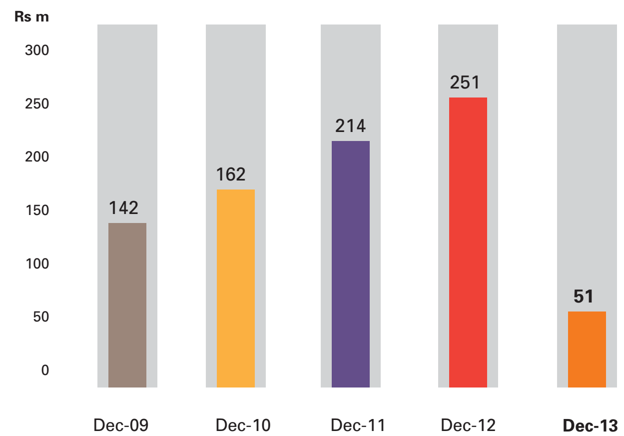
Capital Adequacy Ratio Trendline



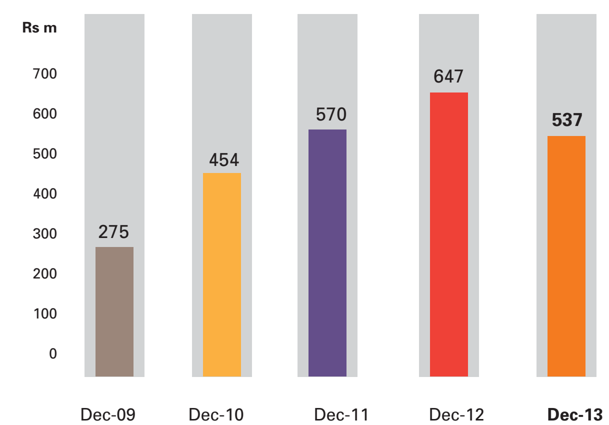
Return on Equity



Non Interest Income



Operating Income



Exploring new BORDERS

Bank One is looking at expanding its footprint. Whilst leveraging its stable domestic business, **Bank One** is extending its banking capabilities beyond Mauritius. The physical presence of our two shareholders, I&M Bank and CIEL in Africa and in the region represents a major opportunity for **Bank One** to do business there.

6 CORPORATE PROFILE

BANK ONE focuses on customer needs and on building long-lasting relationships with its customers. It caters both for domestic and international markets, and provides financial solutions to all segments – Retail, Corporate as well as Private. Products and services include current, savings and term deposit accounts, personal finance, trade finance, corporate finance, treasury services and capital market services, as well as a host of other unique banking services including internet banking, mobile alerts and a full set of credit cards. In line with its spirit of innovation, Bank One has also added e-commerce acquiring to its range of offers.

Bank One operates with sixteen branches throughout Mauritius and has a well distributed network of ATMs. Its endeavour is to bring a sharper focus to the requirements of customers and to leverage cutting edge technology to provide the highest levels of service.

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 and financial security.

OUR CORE VALUES

- **Customer Centricity:** Our customers are at the centre of everything we do.
- **Integrity:** We maintain the highest standards of honesty and integrity with our customers and stakeholders.
- **Team Work:** Through collaboration, we create more value for our customers.
- **Efficiency:** Doing the right thing right for the benefit of our clients.
- **Continuous Improvement:** Our processes and ways of doing business are constantly being reviewed and improved to meet 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
Foreign Institutional Investor (FII) Licence	Securities and Exchange Board of India
Custodian Licence	Financial Services Commission of Mauritius

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

Main Correspondent Banks
Bank west, a division of Commonwealth Bank of Australia, Perth
Citibank NA, London
UBS AG, Zürich
China Construction Bank Corporation, Shanghai
Deutsche Bank AG, Frankfurt
Deutsche Bank AG, London
Commerzbank AG, Hong Kong
Yes Bank Ltd, Mumbai

External Auditors
BDO & Co
10, Frères Felix de Valois Street,
Port-Louis, Mauritius.

BOARD OF DIRECTORS

Chairman
Roger LEUNG SHIN CHEUNG (Independent)

Members
Ravneet CHOWDHURY (Executive) (appointed from 1 Jan 2014)
Raj DUSSOYE (Executive) (resigned on 31 Dec 2013)
Jean-Pierre DALAIS (Non-Executive)
Sarit S. Raja SHAH (Non-Executive)
Thierry HUGNIN (Non-Executive)
Arun MATHUR (Non-Executive)
Pratul SHAH (Independent)
Jason HAREL (Independent)
Sandra MARTYRES (Independent) (appointed from 2 Sep 2013)
Jérôme DE CHASTEAUNEUF (Alternate Director to Jean-Pierre DALAIS)

Secretary to the Board & Board Committees
Kamini VENCADASMY

BOARD COMMITTEES

Audit Committee
Pratul SHAH (Chairman)
Roger LEUNG SHIN CHEUNG
Jason HAREL

Credit Committee
Arun MATHUR (Chairman)
Roger LEUNG SHIN CHEUNG
Thierry HUGNIN
Sandra MARTYRES (appointed from 27 Jan 2014)

Risk Management Committee
Sandra MARTYRES (Chairperson & Member from 12 Feb 2014)
Roger LEUNG SHIN CHEUNG (Chairman until 12 Feb 2014)
Pratul SHAH
Arun MATHUR
Ravneet CHOWDHURY (appointed from 1 Jan 2014)
Raj DUSSOYE (resigned on 31 Dec 2013)

Administrative & Staff Compensation Committee
Arun MATHUR (Chairman)
Jean-Pierre DALAIS
Thierry HUGNIN
Roger LEUNG SHIN CHEUNG

Conduct Review & Corporate Governance Committee
Roger LEUNG SHIN CHEUNG (Chairman)
Pratul SHAH
Jason Harel

Nomination & Remuneration Committee
Sarit S. Raja SHAH (Chairman)
Jean-Pierre DALAIS
Roger LEUNG SHIN CHEUNG
Pratul SHAH

EXECUTIVE MANAGEMENT

Chief Executive Officer
Ravneet CHOWDHURY (appointed from 1 Jan 2014)
Raj DUSSOYE (resigned on 31 Dec 2013)

Deputy Chief Executive Officer
C.P. BALACHANDRAN (appointed from 11 Feb 2014)
J. Smiles ARIGALA (resigned on 31 Dec 2013)

Chief Operating Officer
Dhinoo VEERASAWMY

Head of Retail Banking
Anne Marie KOO TON FAH

Head of Corporate Banking
Vincent HARDY

Head of Credit Administration
Valerie DUVAL

HEADS OF DEPARTMENTS & MANAGERS

Head of Credit Risk
Karamchand (Sunil) SATHEBAJEE

Manager – Corporate Affairs & Company Secretary
Kamini VENCADASMY

Chief Internal Auditor
Neelesh SAWOKY

Manager – Compliance & MLRO
Shekhar GANGAPERSAD

Manager - IT
Sanjay GOORAH

Manager - Finance
Ranjeevesingh GOWREESUNKUR

Head of Marketing
Ahmad AUMJAUD

Manager - HR
Cindy DOVE

8 CHAIRMAN'S REPORT

"I would like to thank the customers of Bank One for the unstinted support they have extended to the Bank. The staff of the Bank have worked extremely hard and we are very proud of their commitment and contribution."

Kim Foong (Roger) LEUNG SHIN CHEUNG
Chairman

FINANCIAL RESULTS 2008-2012

Following the takeover by CIEL Investment and I&M Bank Ltd, Bank One registered 5 years of strong and consistent growth from 2008 to 2012.

The Bank`s assets grew from Rs 4.5bn as at February 2008 to reach Rs 19.4bn as at December 2012. Segment A business improved steadily to close at Rs 11.5bn while Segment B business that was non-existent on the date of takeover, expanded to Rs 7.8bn as at December 2012. Since 2009, the Bank had turned into a profitable institution.

2013

The results for 2013 were below expectations due to exceptional events, which adversely impacted the profitability of the Bank. Consequently the profit after tax income declined to Rs 54m as against Rs 203m in 2012. Firstly, the Bank incurred a loss in early part of the year in respect of its Treasury operations; and secondly, the Bank had to make provisions for potential loss in respect of certain advances relating to delinquent accounts of Global Business. The Bank has already taken appropriate measures to address and avoid the recurrence of such events. Excluding these exceptional events, the Bank would have reported profits of above Rs 200m.

On positive note, the Net Interest Income showed a robust growth of 23% to Rs 486m in 2013 compared to Rs 397m in previous year. The Bank has also started benefitting from the launch of the e-commerce business in late 2012 which has contributed to an improved net fee and commission income from Rs 107m in 2012 to Rs 118m in 2013 – a growth of 11%.

Gross loans and advances dropped marginally from Rs 12.2bn as at December 2012 to Rs 12.1bn end of this year, due to the sluggish business environment and limited deployment opportunities, showing a reduction of 1%. Given the persisting excess liquidity situation in local currency, the Bank purposely reduced its deposit base by 12% from Rs 17.2bn in December 2012 to Rs 15.2bn as at December 2013. Gross non performing advances ratio rose from 3.41% to 6.77% during the same period, as a result of one-off items relating to delinquent accounts of Global Business.

The shareholders injected additional capital of Rs 180m during the year to boost the capital of the Bank and as at 31 December 2013, the Capital Adequacy ratio stood at 12.97%; compared to 11.18% as at end of 2012 well above the regulatory capital requirements prescribed.

Business Roundup

The Retail Banking business continued its growth with advances growing by 16% to close at Rs 3.9bn for the year despite a very competitive market environment. The housing segment growth was particularly attractive spurred by the Nest Home Loan which offers attractive and flexible features to the customer. The SME growth was muted in line with the economic growth of the country. The Bank participated in the SME financing scheme launched by the government in the SME sector and is in line with the quota set by the Bank of Mauritius as at November 2013. The retail clients continued to support the Bank as confirmed by the increase in the client base by 15% in 2013.

2013 was a year of consolidation for the Corporate Banking business which managed well through a cautious business and challenging economic cycle. The Bank adopted a prudent lending strategy that resulted in the Corporate assets book to marginally decline from Rs 4.2bn as at December 2012 to Rs 3.9bn in 2013. The Corporate Banking division also participated in the EURO Special Line of Credit scheme put in place by the Bank of Mauritius to help companies manage the foreign currency exposures. The Bank consciously allowed some high cost corporate deposits to be withdrawn upon maturity as a strategy to reduce the cost of funds which lowered the deposit book.

The International Banking business continues to be a major plank of growth for Bank one. The unit is leading the charge in the actualisation of Mauritius as a key financial center in the region. Apart from promoting financing of international trade the unit has also been involved in structured asset finance, project lending, ship and aircraft financing. The unit has been active in Africa and has developed strong relationships with African, Middle Eastern, Indian, Chinese and European Banks.

The Private Banking business has shown good growth in 2013 with both the advances book and deposit base up by 12% and 20% respectively. The Unit has been active in the launch of local funds and has expanded its product offering to it's over 600 high net worth clients.

CHAIRMAN'S REPORT (cont'd)

A number of tie ups have been initiated with international investment houses with the objective to increase the array of investment products.

The Treasury business has also continued to build up after shifting focus from a more proprietary trading oriented approach to a more client driven income stream. Foreign exchange volumes grew by 60% with merchant income growing by 36%. With global economic conditions expected to improve in 2014 the unit is well placed to grow well in the coming year.

The e-commerce business of the Bank started its operations in last month of 2012 and continues to grow. While initially dealing only on Visa platform, the Bank has subsequently completed its tie up with Mastercard and can now process both Visa and Mastercard transactions. The Risk Management systems in the business continue to be strengthened and the strategy would be to broaden the Merchant portfolio in diverse lines of business, with special attention to risk profiles of merchants.

Regulatory environment

The Bank of Mauritius has issued a draft guideline on the scope of application of Basel III and Eligible Capital in May 2013 which is expected to be implemented by mid-2014.

In addition it has also introduced guidelines on the computation of Loan to Value ratio for Residential and Commercial Property loans as well as a Guideline on the Computation of Debt to Income ratio for Residential Property loans; and three macroprudential policy measures on Risk-Weighted Assets, Portfolio Provisions and Sectoral limits.

Furthermore, as per requirement of the Finance Act 2013, the basis of computation for the special levy on Segment A business has changed from 3.4% of Book Profit and 1% of Operating Income to 10% of chargeable income while basis for Segment B remain unchanged.

As mentioned earlier, the whole Banking Sector in Mauritius has been carrying excess rupee liquidity, which is expected to be mopped up by the issuance of Treasury notes by the Bank of Mauritius to the general public.

Outlook for 2014

Notwithstanding the challenges of 2013, Bank One has emerged stronger and wiser and is well positioned for a successful 2014 and beyond.

The Bank has a new Management team which will be further strengthened with the recruitment of a few experienced high calibre professionals, and the strategy for the next 3 years is being refined to enable the Bank grow further from an already strong base. Increased emphasis will be put on growing the International Banking business and developing an innovative and flexible Private Bank offering. A key objective is to use the unique positioning of Mauritius as a regional financial hub and match it with the financing needs across Africa and East Africa in particular. The domestic business will also be strengthened to continue growth in the corporate and consumer business with new products and better utilisation of capital while at the same time abiding by the different guidelines and policy measures set by the Bank of Mauritius. The brand has grown well over the last few years and added measures will be taken to further strengthen it and make it more visible.

The control systems and processes are being reviewed and tightened on a regular basis. The Internal Audit as well as the Compliance functions continue to overlay and maintain close vigil over adherence to laid down procedures and processes and come up with recommendations for improvement where appropriate. The risk function is also being reinforced with the recruitment of a Chief Risk Officer. The Bank has a stable team especially at the senior level with marginal attrition and special emphasis is being put on staff development, training and grooming.

The Bank is also well capitalised ending the year with a Capital Adequacy ratio of 12.97%. While providing a reasonable buffer over the minimum regulatory norms, this ratio also reflects prudent capital management. Furthermore, the Bank has taken appropriate steps to be in line with the application of the forthcoming Guideline on Scope of Application of Basel III and Eligible Capital (draft issued by the Bank of Mauritius in May 2013) and is also well geared to take on the transition to Basel III. As at December 2013, the Bank`s Tier 1 Capital Adequacy Ratio stood at 9.06% against a minimum Basel requirement of 6.5% reflecting the Bank`s strong capital position. The Bank has further updated its ICAAP (Internal Capital Adequacy Assessment Process) that lays down a Capital Plan and tested it with heightened stress scenarios based on current and expected future market conditions.

The Bank, through its Management and Board Committees will continue to monitor the risks in a dynamic way to ensure that the best Risk Management techniques are adopted to manage its risks and also make sure that other potential risks are identified proactively in a timely manner so that appropriate actions are taken.

I would like to thank the customers of Bank One for the unstinted support they have extended to the Bank. The staff of the Bank have worked extremely hard and we are very proud of their commitment and contribution. We are also thankful to the Bank of Mauritius for their guidance, excellent supervision and pragmatic approach in managing the banking industry. My fellow directors have been a huge support and have contributed to various committees and brought a lot of wisdom and experience to the Board. I am most grateful to them. I would like to once again thank the Bank One team for all their dedication and hard work put in for 2013 and wish them good luck and success for 2014.

Mr Kim Foong (Roger) LEUNG SHIN CHEUNG

Chairman
This 26 February 2014

Exploring new TECHNOLOGY

The channels available for banking are proliferating, and consumers are quickly adopting them. The hectic pace of change in banking poses a challenge to the industry. As a forward-looking institution, **Bank One** places technology at the heart of its operations and is constantly reviewing its systems and methods.

14 ECONOMIC REVIEW

Global Economic Environment 2013

During 2012 and early 2013, most of the global economies faced serious uncertainties. From the second quarter of 2013, the economic conditions gradually started to improve mainly in the US though, not so much in the Euro Zone.

The world's GDP grew by 3.0% in 2013 compared to 3.1% in 2012. Global GDP growth is now projected to be slightly higher in 2014, at around 3.7%, rising to 3.9% in 2015.

IMF has estimated Global GDP and growth in the advanced economies to improve marginally to 2.2% in 2014 and 2.3% in 2015.The economy of the emerging markets is expected to grow to 5.1% in 2014 and 5.4% in 2015.

Overview of International Economies

According to the European Commission, GDP in the European economies has contracted by -0.4% in 2013 compared to -0.7% in 2012 and may expand by 1.4% in 2014. Across the 17-strong euro area a recovery has got under way in 2013, following a double-dip recession lasting 18 months, though, a feeble one. Unemployment in the euro zone is expected to stay at 12.2% in 2014.

The US economy has grown by 2.5% in Q2 2013 and 4.1% in Q3 2013. US data in December 2013 showed a build-up in business inventories, the most since 1998, helped boost third-quarter GDP, and the IMF expects domestic demand to lift growth to 2.8% in 2014 compared to a forecast of 2.6% in October 2013.

GDP growth in the UK was recorded at 1.7% during the year 2013 compared to 0.3% in 2012. The growth forecast for the United Kingdom has been upgraded to 2.4% in 2014 but lower at 2.2% in 2015.

GDP of the world's second largest economy, China, grew by 7.7% in 2013, the same as in 2012. Other key economic indicators, such as industrial output and retail sales for December, and annual fixed-asset investment, all show steady growth.

GDP growth in India during the year 2013 was at 4.6% compared to 5% in 2012. Growth is expected to pick up after a favorable monsoon and higher export growth. IMF is projecting 5.4% growth for 2014 and 6.4% for 2015.

Official forecasts show that GDP for Brazil, which rose barely 1% in 2012, grew 2.3% in 2013 and a prediction of 4% for 2014 is made. Brazil hopes to boost exports thanks to growing economic confidence in the United States and Europe, where demand for Brazilian raw materials are bound to rise.

South Africa's GDP was recorded at 1.8% in 2013 compared to 2.5% in 2012. The IMF has forecast GDP growth of 2.8% in 2014 and 3.3% in 2015.

Global Industrial Production

Global industrial production picked up in 2013. The growth was strong in Japan and the U.S. while it remained moderate in the Euro area. In the developing regions, China's industrial production growth, though, high, slowed noticeably as domestic demand softened; in many other countries, strong industrial production growth was observed driven by rising factory output.

Global Inflation

Global inflation eased to 3.1% in December 2013 reflecting moderation of price pressures in developing economies. High-income country inflation dropped to 1.2 % in Q4 2013. Inflation in developing countries also started easing to around 6% in Q4 2013 partly reflecting policy tightening.

Outlook for 2014

Global growth is still stuck in low gear. It remains below its potential especially in the advanced economies and the outlook, still subject to significant risks. With inflation running below many central banks' targets, there are rising risks of deflation, which could prove disastrous for the recovery. However, in 2014, growth is expected to take a positive turn.

MAURITIUS ECONOMIC OVERVIEW 2013

The domestic economy remained susceptible to the economic situation prevailing in its main trading-partner countries. Nevertheless, diversification efforts to look beyond the traditional European markets and added focus on new sectors have contributed in mitigating the adverse impact of reduced demand from Europe. Mauritius registered a GDP growth rate of 3.2% in 2013 as against 3.4% in 2012. 3.7% GDP growth rate has been predicted for 2014 by Statistics Mauritius.

The economic growth rate depends on local sectors as well as international economies.

Annual Growth Rate (%) by Industry, 2013

The performance of the main industry group in 2013 compared to the growth in 2012 would be as follows:

Sectors	Growth in 2012	Growth in 2013 (Estimate)
Information & Communication	8.6%	7.1%
Financial & Insurance Activities	5.7%	5.4%
Accommodation & Food Services	0%	3.5%
Manufacturing	2.2%	3.0%
Construction	-3.0%	-9.4%
Sugarcane	-7.3%	-1.3%

Source: CSO: December 2013

The lower growth in **information and communication sector** is due to weak performance of "Computer programming, consultancy and related activities" for the first nine months of 2013.

The **financial and insurance activities** are estimated to grow by 5.4% in 2013 compared to a growth of 5.7% in 2012, mainly due to the performance of "Insurance, reinsurance and pension" industries.

For the **accommodation and food services sector**, 3.5% growth estimated based on 1m tourists arrival in 2013 as against 0.965m in 2012. Tourist earnings projected at Rs 41.5bn compared to Rs 44.4bn in 2012.

The **manufacturing industry** is estimated to expand by 3.0%, higher than the 2.2% growth in 2012. Within the Sector:

a. "Sugar milling" would drop by -0.6% compared to -6.3% in 2012;

b. "Food processing" is estimated to grow by 1.0% compared to 7.6% in 2012, mainly explained by the decline in "fish processing";

c. "Textile manufacturing" is estimated to grow by 2.0% based on the performance of the first nine months of 2013, compared to a decline of -1.1% in 2012; and

d. "Other manufacturing" to expand by 7.0% after stagnating in 2012. The high expected growth is mainly due to the better performance of the "Building of ships and boats" industries.

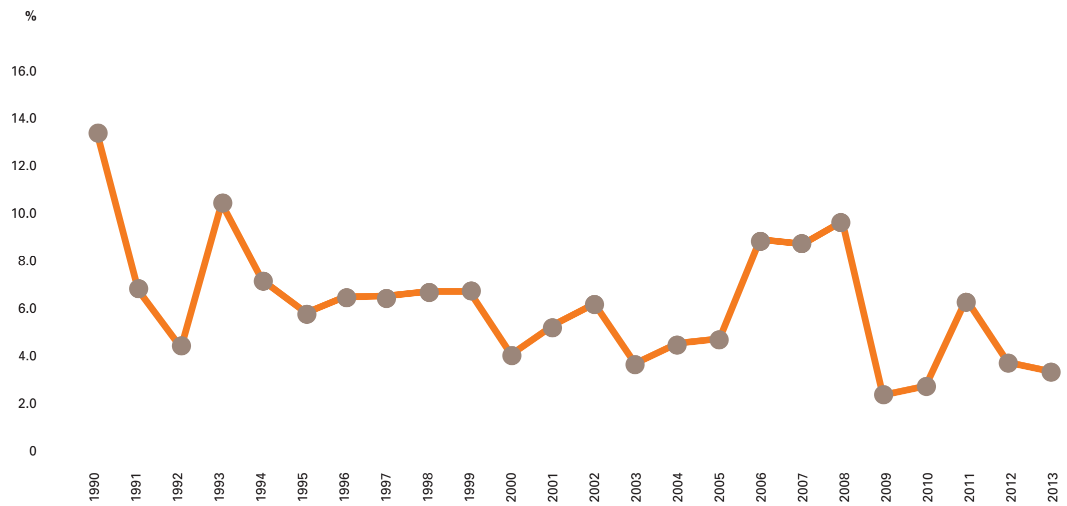
Activities of Export Oriented Enterprises (EOE) are expected to decline by -0.9%, after the growth of 1.4% in 2012. The decline of EOE is due to the negative growth in "fish processing" and "jewellery manufacturing" industries.

The **construction sector** is seen to decline further by -9.4% after the contraction of -3.0% in 2012 mostly explained by completion of major projects such as airport extension and shopping malls in 2012.

Sugar production is estimated to be at around 407,000 tonnes comprising refined and special sugars, resulting in a negative growth of -1.3% compared to -7.3% in 2012.

ECONOMIC REVIEW (cont'd)

Inflation rate (%), Calendar years 1990-2013



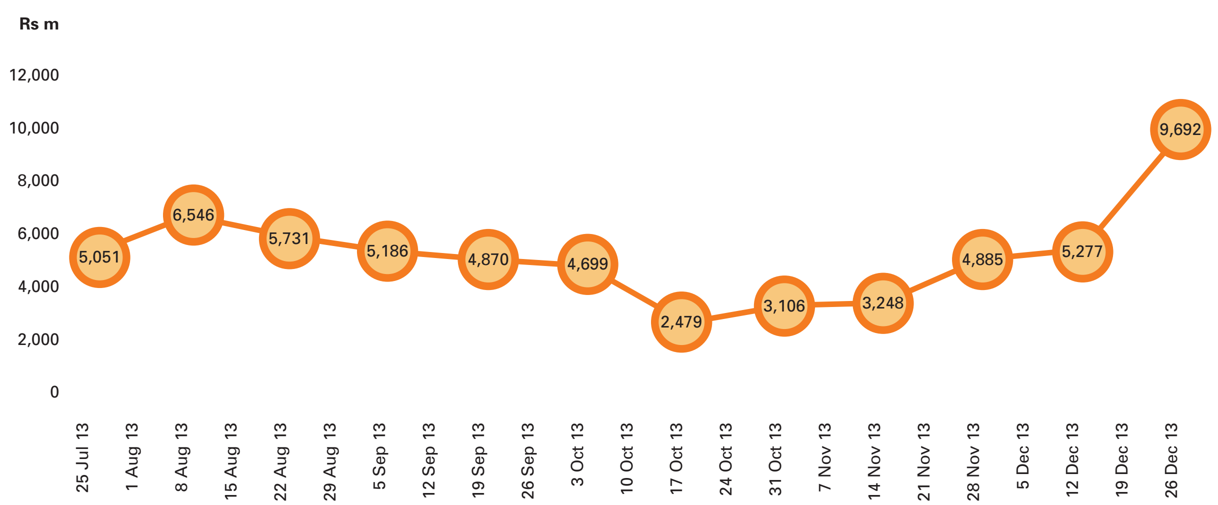
Source: CSO : December 2013

As per the graph above, inflation drastically fell from around 10% to below 4% during the period 2008 to 2009. The headline inflation rate was 3.5% for year 2013 compared to 3.9% for year 2012.

Excess Liquidity in the Banking Industry

The banking industry has registered significant amount of excess liquidity during the year 2013. Excess liquidity in the banking system continues to disturb the Mauritian economy as cash balances exceeded cash reserve requirements of banks by a little over Rs 9bn in December 2013, against Rs 3.8bn in December 2012. The graph below shows the trend of the excess liquidity in the banking industry.

Excess Cash Holdings Rs (m)



To prevent such adverse impacts of excess liquidity, the Bank of Mauritius, together with the Finance Ministry, is targeting to mop up the excess liquidity by issuing Treasury Notes and government bonds aggregating Rs 34.9bn to the public in 2014.

Cash Reserve Ratio (CRR)

In October 2013, as a result of high excess liquidity in the system, the Bank of Mauritius increased their CRR requirements. Despite increase in the CRR by the Central Bank, excess liquidity continues to prevail in the industry.

Monetary Policy

The Monetary Policy Commission (MPC) held three regular meetings during the year 2013 and, to support economic activity, cut the Repo rate by 25 basis points such that it stood at 4.65% as at June 2013. The rate then remained flat during the rest of the year 2013.

Exchange Rates

The evolution of the rupee exchange rate continued to reflect the movements of major currencies on international markets as well as domestic demand and supply conditions.

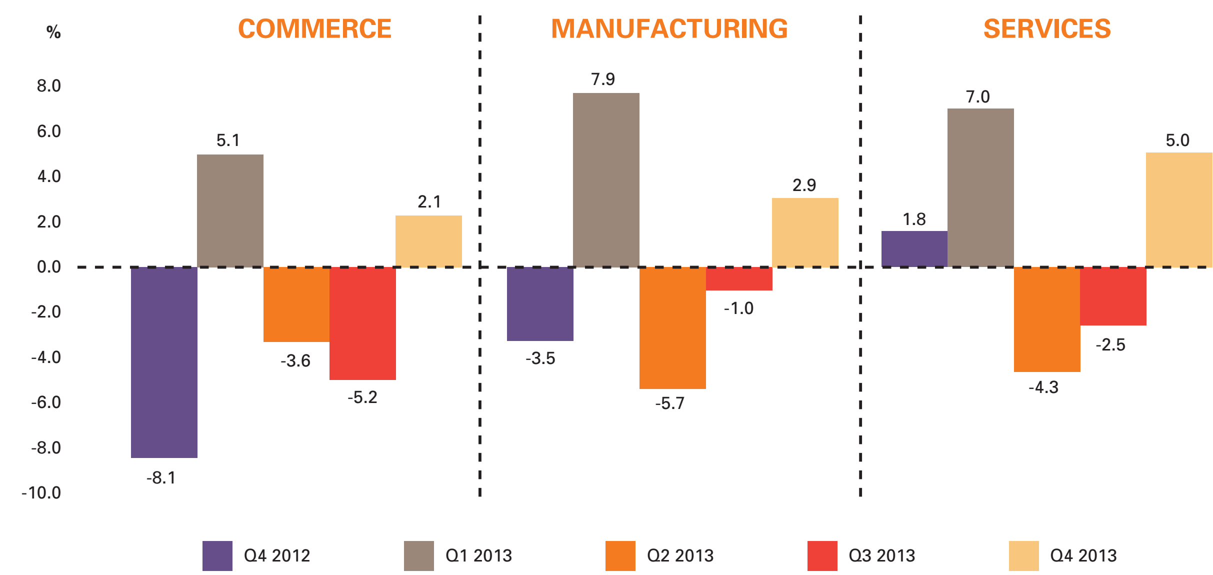
At the start of 2013, the rupee appreciated vis-à-vis the US dollar given the broad-based weakness of the US currency on international markets. It reversed gear thereafter as the US dollar regained ground and moved within broad ranges till the end of June 2013. The average exchange rate of USD/MUR ranged between 31.444 (highest in May 2013) and 30.716 (lowest in December 2013). Conversely, the MUR initially depreciated against the EURO, which was supported on international markets, but subsequently recouped some of its losses. The average exchange rate of EUR/MUR ranged between 40.609 (lowest in March 2013) and 41.980 (highest in December 2013).

Business Confidence

In the fourth quarter of 2013, the business confidence indicator rose by 2.9 points (3.5 %) to now stand at 88 points. The Mauritius Chamber of Commerce and Industry (MCCI) quarterly business tendency survey, conducted in November-December 2013, indeed showed a moderate improvement in the business confidence indicator in Mauritius in the fourth quarter of this year, after two consecutive quarters of declines.

At the sectoral level, we find that optimism is back on the economy. The business confidence index increased for all sectors.

The Business Confidence Indicator by Sector of Activity



Source: MCCI: December 2013

ECONOMIC REVIEW(cont'd)

Unemployment Rate
According to the latest report of the Mauritius Statistics on employment for the third quarter of 2013, unemployment rate is estimated at 7.8%, compared to 8.2% at the second quarter of 2013 and 7.9% at the third quarter of 2012. For 2013, unemployment rate is expected to increase to 8.2% from 8.1% in 2012.

Global Competitiveness Report 2013-2014
The Global Competitiveness Report 2013-2014 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 WEF defines competitiveness as the set of institutions policies and factors that determine the level of productivity of an economy. The report justifies Mauritius' success by attributing it to several factors, such as strong and transparent public institutions, effective auditing and accounting standards and strong investor protection, amongst others, which have been determining for the country to record a fairly good performance in all the indices.

Mauritius now ranks 1st in Africa and occupies the 45th place worldwide. The country is presently the highest ranked in the sub-Saharan region after having moved nine places from its previous ranking at the 54th position in the last Global Competitiveness Report 2011-12, despite the fact that this region continues to face the biggest competitiveness challenges of all regions.

The report said that Mauritius benefits from relatively strong and transparent public institutions, with clear property rights, strong judicial independence, and an efficient government. The country's infrastructure is well developed by regional standards, particularly its ports, air transport, and roads. It has also seen notable improvements in the areas of market efficiency, as financial markets have deepened on the back of improved access to different modes of financing and financial services.

OUTLOOK FOR 2014

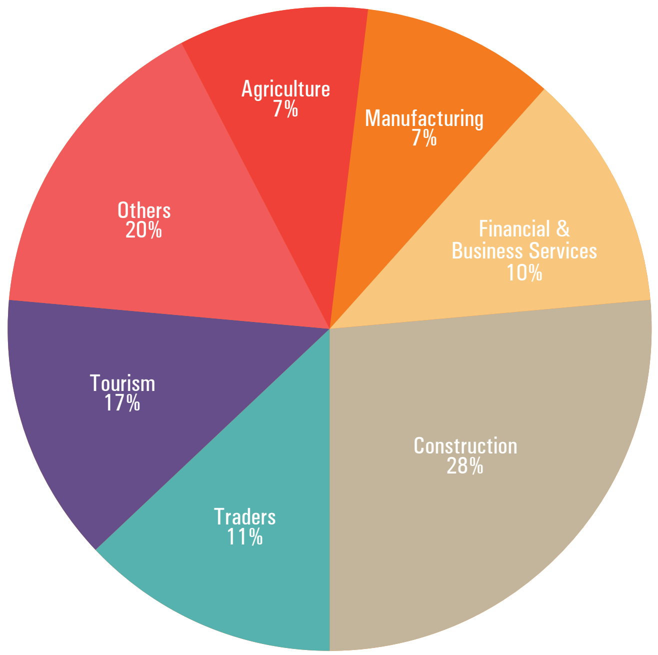
On basis of information gathered on key sectors of the economy and assuming the same implementation rate as in 2013 for measures announced in the last budget regarding public investment projects, GDP for 2014 would grow by around 3.7%, higher than the 3.2% growth in 2013.

PERFORMANCE OF THE BANKING SECTOR

The banking sector continued to expand during the year 2013 as highlighted by total bank assets which grew by 5.37% from Rs 955.98bn to Rs 1,007.3bn in November 2013.

Overview of Consolidated Balance Sheet of Banks
The ratio of foreign assets to total assets is at its lowest level since December 2005. The percentage of foreign assets reached its highest level in November 2007, where it stood at 66.5%. As at September 2013, deposits amounted to Rs 672.6bn, while total advances stood at Rs 571.1bn. Advances to deposit ratio stood at 84.9% as at September 2013.

Credit Distribution by Sector as at November 2013



Source: Financial Stability Report: August 2013

New Regulations on Credit Allocation
Due to increasing levels of non-performing loans, the Bank of Mauritius recently introduced new guidelines on sectoral credit concentration for segment A activities. The limits are applicable as from 1 July 2014 and should be calculated as percentage of a bank's total exposures to the specified sector to its total exposures to the private sector.

(i) Tourism Sector: 25% to be reduced to 24% as from 1 July 2015 and 22.5% as from 1 July 2016.

(ii) Personal Sector: 15.0% to be reduced to 12.5% as from 1 July 2015.

(iii) Commercial, residential and land parceling sector (classified under 'Construction'): 15.0% to be reduced to 12.5% as from 1 July 2015.

Outlook of the Industry
The banking industry is expected to face some difficulties to grow domestically with the increasing number of players in a competitive market. Moreover, investment which is of particular concern to the banking sector is expected to continue on its declining trend with private sector investment expected to contract by 4.1% (-1.9% in 2012). Since it is challenging for banks to perform on the domestic front, banks are more driven to look for new horizons such as offshore opportunities.

Since the level of Non Performing Loans kept on rising, the Bank of Mauritius issued new regulations with respect to Loan-to-Value ratio and Debt to Income ratio for residential and commercial property loans. Although these macroprudential guidelines will help to reduce the level of Non Performing Loans, banks with above minimum exposure level will find it difficult to grow their loan book.

Exploring new TALENTS

Bank One is about people. With the new organisational goals, the Bank is always on the look-out for new talent. Our people today provide us with a level of competency which we consider as a source of competitive advantage. **Bank One** is committed to making the Bank the ideal place to work and to treating its employees with dignity and respect.

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CORPORATE GOVERNANCE REPORT

Corporate governance is the process and structure used to direct and manage the business and affairs of a company with the objective of ensuring its safety and soundness, and enhancing shareholder value.

At Bank One, we believe 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 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.

This report describes the Bank's corporate governance framework as well as its compliance with the Code of Corporate Governance for Mauritius (the "Code") and the Bank of Mauritius' Guideline on Corporate Governance (the "Guideline on Corporate 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:

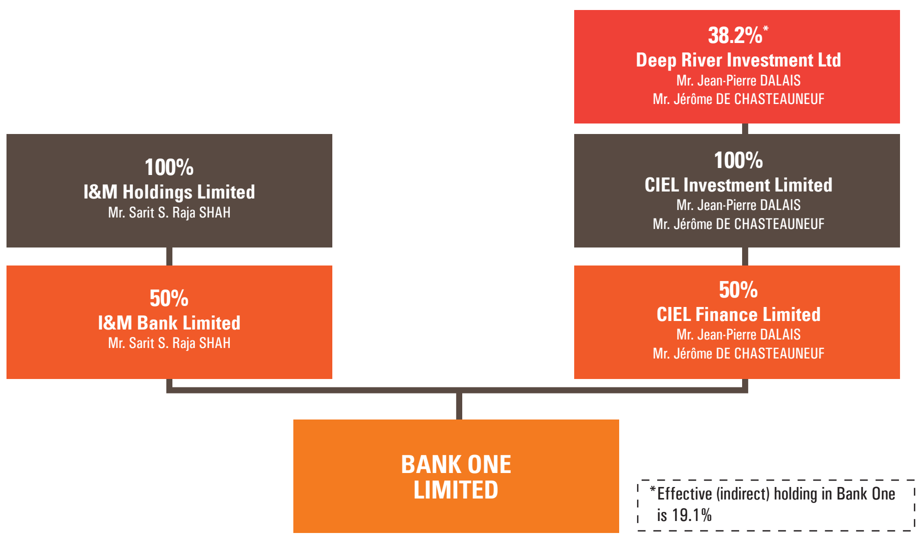
- Appointment of a minimum of 2 executives on the Board of Directors
  The Board is of view that the spirit of the Code is met through the attendance and participation of the Deputy Chief Executive Officer and of other Senior Executives during Board deliberations;

- 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 and Common Directors

Shareholders holding of 10% or more in Bank One, as at 31 December 2013, together with the common directors, are given below:



Shareholding

As at 31 December 2013, the Bank's Stated Capital was Rs 731,456,000, divided into 7,314,560 ordinary shares of no par value, held as follows:

Shareholder	Issued and fully paid shares	Holding
CIEL Finance Limited *of Ebene Skies, Rue de l'Institut, Ebene, Mauritius*	3,657,280	50%
I&M Bank Limited *of I&M Bank House, 2nd Ngong Avenue, Nairobi, Kenya*	3,657,280	50%
Total issued and fully paid shares	**7,314,560**	

Issue of Shares & Share Transfers

Rights Issue

The Bank increased its Stated Capital by Rs 180m through a rights issue of 1,800,000 new ordinary shares of no par value on 23 July 2013. The new Shares rank *pari passu* with existing Ordinary Shares and were allotted to the Shareholders of the Bank in proportion to their existing shareholding, being on a 50/50 basis.

Share Transfer

CIEL Investment Limited transferred all of its 3,657,280 Ordinary Shares in Bank One, representing 50% of the Bank's capital, to its wholly owned subsidiary, CIEL Finance Limited. The said transfer was entered in the Bank's Share Register on 30 December 2013.

I&M Bank Limited has also initiated the transfer of all its 50% shareholding in Bank One to its holding company, I&M Holdings Limited. The said transfer is expected to be completed during the second quarter 2014.

Shareholders' Profile

CIEL Finance Limited
Ebène Skies, Rue de l'Institut, Ebène, Mauritius

CIEL Group is one of the leading local industrial and investment groups which has operations in numerous African and Asian countries. On 24 January 2014, the Group has been rebranded CIEL Limited following the amalgamation of one of its clusters, CIEL Investment Limited (CIL) with and into Deep River Investment Limited (DRI), and restructured into 5 business segments namely:

- Agro & Property
- Textile
- Hotels & Resorts
- Finance
- Healthcare

Prior to the amalgamation and for purpose of the restructuring, CIL had transferred most of its investments in the financial sector, including its 50% stake in Bank One, to its wholly owned subsidiary, CIEL Finance Limited. By operation of the amalgamation, CIEL Finance Limited became a wholly owned subsidiary of CIEL Limited, with the latter company holding an indirect interest of 50% in Bank One. However, none of the shareholders of CIEL Limited holds indirect interest of 10% or more in the capital of the Bank.

CIEL Limited was listed on the Official Market of the Stock Exchange of Mauritius on 4 February 2014.

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

I&M Group of companies is a leading corporate group in East Africa, with a major presence in banking and insurance, manufacturing and real estate.

I&M Bank Limited ("I&M Bank") is the flagship entity of I&M Bank Group. It is ranked amongst the top banks in Kenya and operates 23 branches covering the major financial and commercial centres in Kenya.

I&M Bank is wholly owned by I&M Holdings Limited ("IMHL") (previously known as City Trust Limited) – an entity listed on the Nairobi Securities Exchange. IMHL emerged in June 2013 from the conclusion of its capital restructuring process involving the reverse acquisition of City Trust Limited ("CTL") and simultaneous change of name to IMHL. IMHL is regulated by the Capital Markets Authority and the Central Bank of Kenya as I&M Bank's non-operating holding company. As part of the Group's restructuring process, I&M Bank has initiated the transfer of its 50% shareholding in Bank One to IMHL, which is expected to be completed during the second quarter 2014.

Based on its consolidated financial statements as at 31 December 2013, I&M Bank's customer advances portfolio stood at USD 1,065m, its deposits amounted to USD 1,126m, while its profit before tax stood at USD 84m. I&M Bank's total assets amounted to USD 1,638m and its total shareholders' equity was USD 276m as at 31 December 2013.

I&M Bank Group is also present in Tanzania through I&M Bank (T) Limited, which operates 6 branches located in key commercial centres of the country, and in Rwanda, through I&M Bank (Rwanda) Limited, which has a network of 13 branches and 4 counters spread across Rwanda.

CORPORATE GOVERNANCE REPORT (cont'd)

Bank's Constitution
Bank One 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 08.08.08, after its takeover by the current shareholders in February 2008.

The Bank is governed by a constitution, adopted by the Shareholders on 29 December 2010 in conformity with the Companies Act 2001, and further amended by special resolution dated 7 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.

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 set out below:

Events	Date
Financial year end	31 December 2013
Annual Meeting of Shareholders	26 February 2014
Release of full year results 2013	March 2014
Release of 1st quarter results 2014	May 2014
Release of 2nd yearly results 2014	August 2014
Release of 3rd quarter results 2014	November 2014

BOARD OF DIRECTORS

For the year under review, Bank One was headed by a unitary board, comprised of 9 directors under the chairmanship of Mr Roger Leung, an Independent Director. The appointment of an Independent Chairman complies with the requirement of the Guideline on Corporate Governance.

The other Board members counted 7 Non-Executive Directors, including 4 qualifying as Independent under the Guideline on Corporate Governance, and 1 Executive Director, namely the Chief Executive Officer. With the appointment of a fourth Independent Director on 2 September 2013, the percentage of Independent Directors on the Board exceeded the minimum statutory requirement of 40%.

The functions and responsibilities of the Board Chairman 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.

The Directors of Bank One have a broad range of skills, expertise and experience from banking, financial, commercial to legal, thereby enabling the Board to discharge its duties and responsibilities effectively. In compliance with the Guideline on Corporate Governance, the Board has established an additional process to ensure that its Directors satisfy, on a continuing basis, the "fit and proper person test" as laid down in the guideline issued by Bank of Mauritius on Fit and Proper Person Criteria with reference to competence, qualifications, experience and integrity.

As per best practice, all Directors stand for re-election at the Annual Meeting of the Shareholders. In line with the Guideline on Corporate Governance, the approval of the Bank of Mauritius was sought and obtained for the reappointment of all Non-Executive Directors, having served an aggregate period of 6 years on the Board, for an additional year.

The individual profile of the Directors is given on the next page.

26 BOARD OF DIRECTORS

Members of the Board of Directors & their Profile

Kim Foong (Roger) LEUNG SHIN CHEUNG
Independent Director & Chairman – Age 67

Mr Kim Foong (Roger) Leung Shin Cheung is a director of the Bank since 22 February 2008. He is the Chairman of the Risk Managementçe Conduct Review & Corporate Governance Committee, and was appointed as Chairman of the Board on 1 March 2013. He also sits on various other committees of the Board, namely the Board Credit Committee, the Audit Committee, the Board Administrative & Staff Compensation Committee and the Nomination & Remuneration Committee.

Mr 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.

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

Ravneet CHOWDHURY
Director & Chief Executive Officer (appointed from 1 January 2014) – Age 46

Mr Ravneet Chowdhury joined the Bank on 14 October 2013 as CEO Designate. He took over the function of Chief Executive Officer from 1 January 2014, and was appointed Director of the Bank as well as Member of the Board Risk Management Committee as from the same date.

Mr 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 East 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.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd: None.

Jean-Pierre DALAIS
Non-Executive Director & Chairman – Age 49

Mr Jean-Pierre Dalais is a director of the Bank since 22 February 2008. He is also a member of the Board Administrative & Staff Compensation Committee and of the Nomination & Remuneration Committee.

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 has been the chief executive officer of CIEL Investment Limited since 2001, until his appointment as Executive Director of CIEL Limited (the Group's parent company) in January 2014.

Mr Dalais is also a director of CIEL Finance Limited (the Group's finance cluster) and sits on the board of several other companies operating in the financial services sector, and in the property and hotel industry sector.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd:
- CIEL Limited
- IPRO Growth Fund Ltd
- Phoenix Beverages Ltd
- Sun Resorts Ltd

Sarit S. Raja SHAH
Non-Executive Director – Age 45

Mr Sarit Shah has been a director of the Bank since 22 February 2008 and is the chairman of the Nomination & Remuneration Committee.

Mr Sarit 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 was appointed executive director of I&M Bank Limited in 1993.

Mr Sarit Shah is also a director of I&M Holdings Limited and serves on the Board of other companies in the financial services sector.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd: None.

Pratul H. D SHAH
Independent Director – Age 59

Mr Pratul Shah has been a director of the Bank since 22 February 2008. He is the Chairman of the Audit Committee, and sits on various other committees of the Board, namely the Conduct Review & Corporate Governance Committee, the Risk Management Committee and the Nomination & Remuneration Committee.

Mr 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.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd: None.

From left to right: Pratul H. D Shah, Kim Foong (Roger) Leung Shin Cheung, Jean-Pierre Dalais, Ravneet Chowdhury, Sarit S. Raja Shah

BOARD OF DIRECTORS (cont'd)

Thierry HUGNIN
Non-Executive Director – Age 48

Mr Thierry Hugnin is a director of the Bank since 22 February 2008. He also sits on the Board Credit Committee and the Board Administrative & Staff Compensation Committee.

Mr Hugnin holds a Master Degree in Business and Technology from Paris Dauphine University. After qualifying as Chartered Account in England and Wales in 1993, Mr Hugnin worked in the investment banking sector in London and Mauritius. He later joined Blakeney Management, a London-based investment boutique, focusing on Africa and the Middle East. Mr Hugnin joined the CIEL Group in 2004 and is the Managing Director of Kibo Capital Partners, a private equity fund.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd:
- Sun Resorts Ltd

Sandra MARTYRES
Independent Director (from 2 September 2013) – Age 61

Ms Sandra Martyres was appointed Director of the Bank from 2 September 2013. She has also been appointed chair of the Board Risk Management Committee from 12 February 2014, and member of the Board Credit Committee from 27 January 2014.

Ms 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, Economics from the University of Mumbai.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd: None.

Jason Paul HAREL
Independent Director – Age 42

Mr Jason Harel is a director of the Bank since 1 January 2011. He is also a member of the Audit Committee and of the Conduct Review & Corporate Governance Committee.

Mr Harel is a qualified Barrister and a Chartered Accountant. He has been a senior associate within the banking and finance department of Denton Wilde Sapte in London from 2000 to 2005, specialising in structured finance in addition to workouts. Prior to this, he completed his pupillage with the UK leading tax chambers, Gray's Inn Tax Chambers, and trained as a chartered accountant with Kingston Smith in London. Mr Harel is a co-founder and partner of BLC Chambers, which is ranked by both Global Chambers and International Financial Law Review as being a 1st tier business law practice in Mauritius.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd:
- Ireland Blyth Limited

Arun Shankar MATHUR
Non-Executive Director – Age 60 years

Mr Arun Mathur has been a director of Bank One since 22 February 2008. He is the Chairman of the Board Administrative & Staff Compensation Committee and of the Board Credit Committee, and is also a member of the Board Risk Management Committee.

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. Whilst at Grindlays Bank, he was seconded to their Nairobi office in Kenya from 1990 to 1994. He then worked for several banks in Kenya until he joined I&M Bank Limited in 2000 and was promoted CEO in 2002. He also sits on the boards of I&M Bank (T) Ltd (Tanzania) and I&M Bank (Rwanda) Limited (formerly Banque Commercial du Rwanda Limited).

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd: None.

Jérôme DE CHASTEAUNEUF
Alternate Director to Mr Jean-Pierre Dalais – Age 47

Mr Jérôme De Chasteauneuf is the alternate director to Mr Jean-Pierre Dalais since 22 February 2008.

Mr De Chasteauneuf is registered as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. He joined the CIEL Group in 1993 as Project Financier and was promoted Head of Finance in 2000. He was appointed Executive Director of CIEL Limited (the Group's parent company) in January 2014.

Mr De Chasteauneuf is closely involved with the Group's finance cluster, being also a Board member of CIEL Finance Limited, Mauritius International Trust Co. Ltd, Investment Professionals Ltd and The Kibo Fund LLC.

Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd:
- CIEL Limited
- IPRO Growth Fund Ltd
- Harel Mallac Ltd

Raj DUSSOYE *(not in the photo)*
Director & Chief Executive Officer (resigned on 31 December 2013) – Age 52

Mr Raj Dussoye was a director and the Chief Executive of the Bank from 22 February 2008 to 31 December 2013. He was also a member of the Board Risk Management Committee from 11 December 2012 to 31 December 2013.

Mr Dussoye is an Associate of the Chartered Institute of Bankers (UK) and holds an MBA from the Herriot-Watt University (Edinburgh). He started his career in 1982 at the State Bank of Mauritius, where he has had a broad based experience. In July 2003, he was posted to India as CEO and Executive Vice President of SBM, India. He joined the CIEL Group in August 2007, prior to his appointment with Bank One.

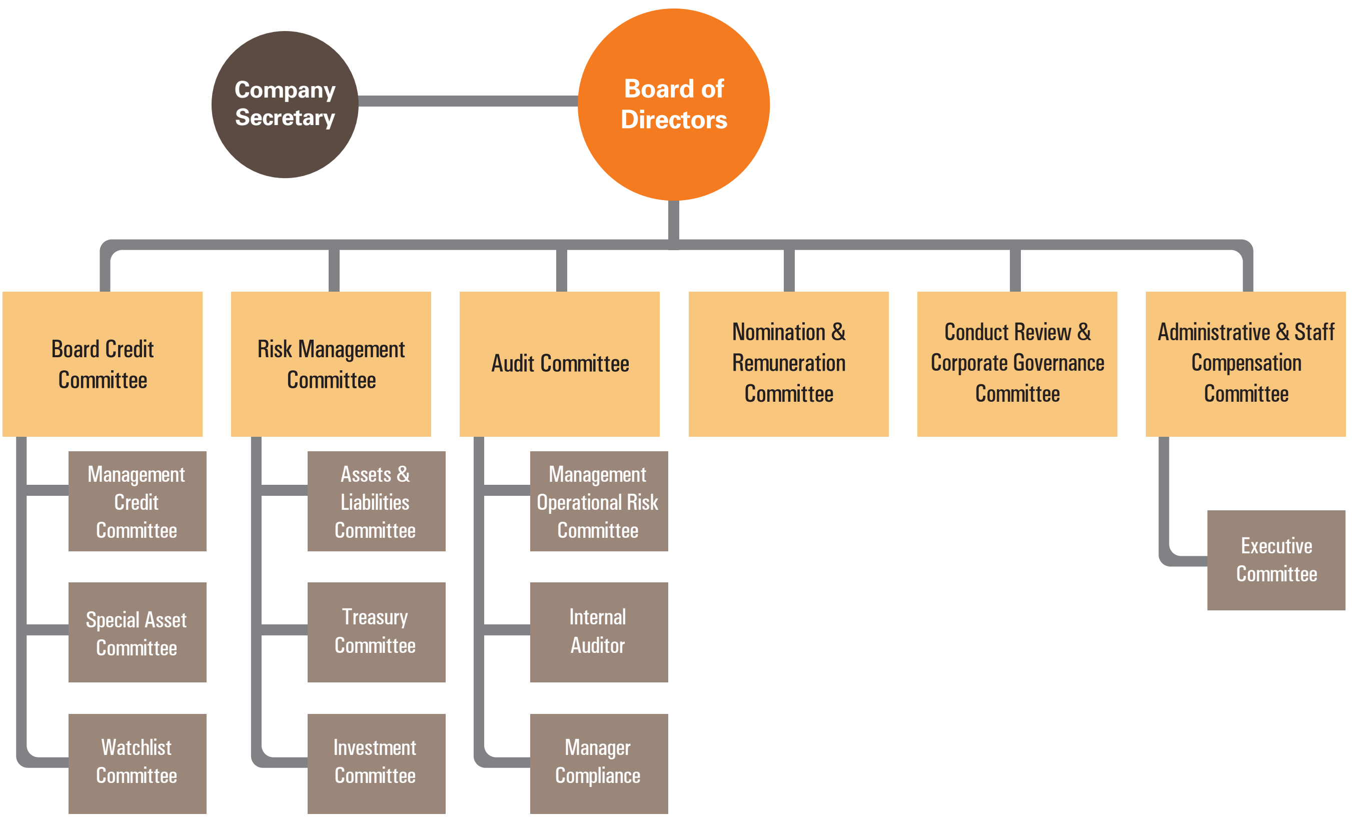
Directorship in companies listed on the Official Market of the Stock Exchange of Mauritius Ltd: None.

◄ *From left to right: Thierry Hugnin, Jérôme de Chasteauneuf, Sandra Martyres, Jason Paul Harel, Arun Shankar Mathur*

CORPORATE GOVERNANCE REPORT (cont'd)

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 as per the constitution of the Bank and to the extent permitted by law. It discharges some of its responsibilities directly, whilst others are discharged through committees of the Board and the day-to-day management and operation of the Bank's 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
The roles and responsibilities of the Board are set out in a Board Charter, in line with the Code and the Guideline on Corporate Governance, are summarised below:

- To set the Bank's vision, mission and values;
- To approve the objectives, strategies and business plans of the Bank;
- To determine 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;
- To retain 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;
- To monitor and evaluate the implementation of strategies, policies and performance measurements;
- To ensure that effective internal controls systems are in place to safeguard the Bank's assets;
- To ensure compliance with laws and regulations, including Risk Management and corporate governance practices and disclosure requirements;
- To ensure adequate succession planning;
- To ensure adoption of good corporate governance practices;
- To ensure effective communication with shareholders; and
- To always exercise leadership, enterprise, integrity and judgment in directing the Bank.

Conduct of Meetings
The Board and most of its Board Committees (including the Audit Committee and the Risk Management Committee) meet once every quarter in line with the Guideline on Corporate Governance; the Board Credit Committee meets at least 10 times in a year and the Nomination & Remuneration Committee meets at least twice a year. In addition, special meetings may be called from time to time as determined by the needs of the business or at the request of any Director / Committee Member (as applicable).

Board meetings / Meetings of Board Committees are convened by giving proper notice to the Directors / Members. Detailed agenda, as determined by the relevant chairman in conjunction with the Chief Executive and the Company Secretary, as well as management reports and such other papers, are circularised in advance to the Directors / Members to enable them to reach informed and focused decisions at meetings. Decisions of the Board may also be taken by way of resolutions in writing for urgent matters, provided agreed and signed by all the Directors.

The minutes of the proceedings of meetings are recorded by the Company Secretary and are circularised to all Directors / Members upon clearance from the concerned chairman. The minutes of each Board Meeting / Meeting of Board Committee 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.

The minutes of all meetings of Board Committees are tabled at Board Meetings to enable all Directors to be aware of discussions and deliberations of Board Committees, whilst not being a member thereto.

Induction & Orientation Programme and Periodic Refresher Programme for Directors

Induction & Orientation Programme
The Director's Induction & Orientation Programme was reviewed by the Board, with the assistance of the Company Secretary, not only to incorporate the features of the Guideline on Corporate Governance, but to ensure that new directors are familiarised, as quickly as possible, with the Bank's operations, Senior Management, business environment and corporate strategy, as well as their fiduciary duties and responsibilities.

The Programme is run by the Company Secretary. Over and above providing a comprehensive induction pack to the new directors, the Company Secretary will arrange for introductory meetings between the new comer and the Chairman, the Management and such other appropriate staff, followed by visits of branches and relevant 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 programmes to its Directors.

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

During the year under review, Board Members and Executives attended several workshops organised by the Mauritius Institute of Directors, including a leadership training programme on Corporate Governance & Board Effectiveness.

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 has put in place a mechanism to evaluate its performance as well as its procedures, practices and administration on an annual basis. The first Board Evaluation exercise was carried out for the year 2011. Such exercise is now mandatory per the Guideline on Corporate Governance.

CORPORATE GOVERNANCE REPORT (cont'd)

Under the current Board Evaluation mechanism, Directors and Senior Executives rate the Board as a whole on a number of relevant criteria, such as the size and composition of the Board, the conduct and proceedings of Board meetings, the role and responsibilities of the Board, Directors' and Chairman's contribution to the Bank's strategy. The results and comments are then structured into an action plan to address the areas requiring improvement and to enable the Board to deliver its responsibilities more efficiently and effectively. Progress on the plan is also monitored at the Nomination & Remuneration Committee level.

The Board Evaluation for the year 2013 is being carried out during the first quarter 2014.

Directors' Interests in Shares

None of the Directors holds shares in the Bank's capital.

BOARD COMMITTEES

The Board has set up 6 Committees to assist in the discharge of its duties, namely the Audit Committee, the Risk Management Committee, the Credit Committee, the Administrative & Staff Compensation Committee, the Conduct Review & Corporate Governance & Committee, and recently the Nomination & Remuneration Committee, constituted on 21 June 2013, in line with the Guideline on Corporate Governance.

The role, schedule of meetings and delegated responsibilities of each committee are clearly set in respective terms of reference, which have been formally adopted by the Board. The composition and terms of reference of the Board Committees comply with the Guideline on Corporate Governance. Same are summarised below;

Audit Committee

The members of the Audit Committee are:

Chairman	Pratul SHAH (Independent)
Other Members	Roger LEUNG SHIN CHEUNG (Independent) Jason HAREL (Independent)

In line with the Guideline on Corporate Governance, all the Members are the Audit Committee have a financial background and are fully conversant with both International Auditing Standards and International Financial Reporting Standards.

The Committee meets at least every quarter. Its main responsibilities are:

- To review the financial statements of the Bank before they are approved by the Board;
- To set up and oversee the overall standard for financial reporting and internal controls within the Bank;
- To review and assess the quality of the work done by the professionals responsible for financial reporting and internal control;
- To review such transactions as could adversely affect the sound financial condition of the Bank;
- To make recommendations regarding the appointment of the external auditor;
- To engage in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures;
- To ensure that the Bank complies with regulatory requirements, including prudential requirements and any other reporting obligations.

The Board is of opinion that, for the year under review, the Audit Committee has, in all material aspects, fulfilled its responsibilities in compliance with its terms of reference.

Board Risk Management Committee

The Board Risk Management Committee is composed of the following directors:

Chairperson	Sandra MARTYRES (Independent) (from 12 February 2014)
	Roger LEUNG SHIN CHEUNG (Independent) (until 12 February 2014)
Other Members	Pratul SHAH (Independent)
	Arun MATHUR (Non-Executive)
	Raj DUSSOYE (Executive) (until 31 December 2013)
	Ravneet CHOWDHURY (Executive) (from 1 January 2014)

The Committee meets at least quarterly and has the following main duties:

- To review and monitor various risk indicators and external development, including legal and regulatory matters, which may have a significant impact on the Risk Management, the reporting of emerging risks and the Bank's overall risk profile;
- To review the Assets Liabilities Management Committee report;
- To review the Bank's Impairment Measurement and Income Recognition policies and where necessary, make recommendations to the Board for changes in the level and in the adequacy of provision for non-performing accounts;
- To review the Disaster Recovery and Business Continuity plans;
- To determine the country and bank exposure / risk tolerance limits;
- To ensure the adequacy of the Bank's insurance cover and policy;
- To review the Bank's Risk Management policies on an annual basis or as and when required, to keep pace with any changes to the risk profile (including growth) of the Bank, and make recommendations accordingly to the Board. When reviewing the Credit Risk Policy, the Committee also focuses on delegation of powers for sanctioning credit.

Board Credit Committee

The Board Credit Committee is comprised of the following directors:

Chairman	Arun MATHUR (Non-Executive)
Other Members	Roger LEUNG SHIN CHEUNG (Independent)
	Thierry HUGNIN (Non-Executive)
	Sandra MARTYRES (Independent) (from 27 January 2014)

The Committee meets at least 10 times a year or as frequently as required by the business. The duties of the Committee are summarised below:

- To approve loan applications and Internet Payment Service Provider / Merchant applications beyond the discretionary limits of the Management Credit Committee;
- To review lending and credit decisions by Management Credit Committee and Bank officers in exercise of the powers delegated;
- To review the Bank's Credit portfolio on an ongoing basis with a view to consider all issues that may materially impact on the present and future quality of the Bank's Credit Risk management;
- To ensure compliance with Guidelines issued by Bank of Mauritius on Credit Risk Management;
- To review all non-performing advances on a continuous basis and guide Management on recovery actions as appropriate;
- To review the overall lending policy of the Bank;
- To review and approve the Bank's panel of various professional firms.

Board Administrative & Staff Compensation Committee

The members of the Board Administrative & Staff Compensation Committee are:

Chairman	Arun MATHUR (Non-Executive)
Other Members	Roger LEUNG SHIN CHEUNG (Independent)
	Thierry HUGNIN (Non-Executive)
	Jean-Pierre DALAIS (Non-Executive)

The Committee has 4 scheduled meetings per year and has the following main responsibilities:

- To review and decide on staffing issues such as recruitments, promotion, salary reward systems and incentives within the approved annual budget (except for the performance bonus which is approved at Board level), and grievance procedure applicable to the staff other than Key Personnel of the Bank (i.e Executives & Senior Management including all direct reports to CEO);
- To consider and decide upon matters under the Human Resources policy of the Bank to ensure/promote harmonious staff relations at all times;
- To review and approve requests for purchase, acquisitions, disposals and write offs of fixed assets (capital expenditure or disposals) over and above the financial powers delegated to the Management;
- To review and approve requests for revenue expenditure, including adhoc unbudgeted expenditure in excess of the financial powers delegated to Management;
- To review and consider matters related to appointment of consultants, opening of bank accounts with other banks and financial institutions, and granting of powers of attorneys to Bank officials;
- To review the Bank's policies related to HR and expenditure on an annual basis or as and when required, and make recommendations accordingly to the Board.

Conduct Review & Corporate Governance Committee

The composition of the Conduct Review & Corporate Governance Committee is given below:

Chairman	Roger LEUNG SHIN CHEUNG (Independent)
Other Members	Jason HAREL (Independent)
	Pratul SHAH (Independent)

The Committee meets at least on a quarterly basis. Its main responsibilities are as follows:

- To review and approve credit exposure to Related Parties;
- To establish policies and procedures in compliance with the guideline issued by the Bank of Mauritius on Related Party Transactions;
- To advise the Board on all aspects of corporate governance and recommend the adoption of best practices for the Bank;
- To monitor the implementation of the Bank's Corporate Social Responsibility activities in accordance with applicable guidelines;
- To review the Bank's policies on related party transactions and CSR on an annual basis or as and when required, and make recommendations accordingly to the Board.

CORPORATE GOVERNANCE REPORT (cont'd)

Nomination & Remuneration Committee

The composition of the Nomination & Remuneration Committee is given below:

Chairman	Sarit S. Raja SHAH
Other Members	Pratul SHAH (Independent)
	Roger LEUNG SHIN CHEUNG (Independent)
	Jean-Pierre DALAIS (Non-Executive)

The Committee meets at least twice yearly. Its main responsibilities are as follows:

- To direct the process of appointing, renewing and replacing Board members and Executive / Senior Management staff;
- To review, at least annually, the Board structure, size and composition (including balance between Executive and Non- Executive / Independent Directors), and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- To put in place succession plans at Board and Executive levels, including the Chairperson of the Board and the Chief Executive Officer;
- To develop and recommend the Bank's general policy on Executive / Senior Management remuneration, including specific remuneration package for Executive Directors;
- To determine and recommend on the level of Non-Executive/ Independent Directors' fees;
- To establish and recommend on formal, clear and transparent criteria for the evaluation of the Board, Board Committees, Chairpersons, Directors and Executive / Senior Management staff;
- To assess, at least annually, the effectiveness and performance of the Directors, Board and Board Committees, as well as the Chairperson of the Board and the CEO;
- To review the performance assessment of individual Executive / Senior Management staff as carried out annually by the CEO, and make recommendations on proposed increments and performance-related bonuses.

Attendance to Board Meetings & Meetings of Board Committees during the year 2013

The following table shows members' attendance at meetings of the Board and Board Committees for the financial year ended 31 December 2013:

	Board of Directors	Board Committees					
	Board Meeting	Audit Committee	Risk Management Committee	Administrative & Staff Compensation Committee	Credit Committee	Conduct Review & Corporate Governance Committee	Nomination & Remuneration Committee[1]
No. of meetings held during the year	**4**	**4**	**4**	**4**	**11**	**4**	**2**
Roger LEUNG (Chairman)[2]	4	4	4	4	11	4	2
Jean-Pierre DALAIS[2]	4	N/A	N/A	4	N/A	N/A	1
Sarit S. Raja SHAH	4	N/A	N/A	N/A	N/A	N/A	2
Arun MATHUR	4	N/A	4	4	11	N/A	N/A
Thierry HUGNIN	4	N/A	N/A	3	11	N/A	N/A
Raj DUSSOYE[3]	4	N/A	4	N/A	N/A	N/A	N/A
Ravneet CHOWDHURY[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pratul SHAH	4	4	4	N/A	N/A	4	2
Jason HAREL	4	4	N/A	N/A	N/A	3	N/A
Sandra MARTYRES[5]	2	N/A	N/A	N/A	N/A	N/A	N/A

Notes: 1: The Nomination & Remuneration was constituted by the Board on 21 June 2013 and met for the first time on 30 August 2013; 2: Mr Jean-Pierre Dalais chaired the Board Meeting held on 1 March 2013, prior to the nomination of Mr Roger Leung as Chairman of the Board, which became effective from close of business of the Annual Meeting of Shareholders held later the same day; 3: Mr Raj Dussoye, as CEO, generally attended meetings of the Board Committees held during the year. Similarly, the Deputy Chief Executive was present at Board Meetings and meetings of the Board Committees; 4: Mr Ravneet Chowdhury, as CEO Designate, attended meetings of the Board and of the Board Committees held from his nomination on 14 October 2013; 5: The Board met only on 2 occasions after the appointment of Ms Sandra Martyres.

Statement of Remuneration Philosophy

As per the policy which has been approved by the Shareholders, all Directors, except for the Executive Director, are remunerated as follows:

- Chairman: a fixed fee of Rs 80,000 per year and an attendance fee of Rs 80,000
- Other Directors: a fixed fee of Rs 60,000 per year and an attendance fee of Rs 60,000.

In addition, the members of Board Committees, excluding the Executive Member, are entitled to the following fees:

- **Board Credit Committee**
  - Chairman: Rs 48,000 per year and an attendance fee of Rs 16,000
  - Other members: Rs 36,000 per year and an attendance fee of Rs 12,000
- **Other Committees:**
  - Chairman: Rs 40,000 per year and an attendance fee of Rs 40,000
  - Other members: Rs 24,000 per year and an attendance fee of Rs 24,000

The Executive Director / Member 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.

Remuneration and benefits paid by the Bank to Board Members (other than the Executive Director / Member) during the financial year 2013 were as follows:

Directors	Fees (Rs)
Roger LEUNG SHIN CHEUNG (including exceptional fees)	2,939,200
Jean-Pierre DALAIS	476,000
Sarit S. Raja SHAH	400,000
Arun MATHUR	844,000
Thierry HUGNIN	564,000
Jérôme DE CHASTEAUNEUF	96,000
Jason HAREL	456,000
Pratul SHAH	800,000
Sandra MARTYRES	150,000
	6,725,200

Directors' Service Contracts

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

EXECUTIVE MANAGEMENT

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 Management Executive Committee, the Management Credit Committee, the Management Operational Risk Committee, the Asset and Liability Committee, the Special Asset Committee, the Treasury Committee, the Investment Committee and the 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

Ravneet CHOWDHURY

Chief Executive Officer (appointed from 1 January 2014)

Ravneet joined the Bank as CEO Designate on 14 October 2013 and took over the position of Chief Executive Officer of the Bank as from 1 January 2014. His profile is provided under Directors' Profiles.

Raj DUSSOYE *(not in the photo)*

Chief Executive Officer (resigned on 31 December 2013)

Raj was the Chief Executive of the Bank from 22 February 2008 to 31 December 2013. His profile is provided under Directors' Profiles.

C.P. BALACHANDRAN

Deputy Chief Executive Officer (appointed from 11 February 2014)

Balachandran took over the office of Deputy Chief Executive Officer from 11 February 2014.

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.

Jessie SMILES ARIGALA *(not in the photo)*

Deputy Chief Executive Officer (resigned on 31 December 2013)

Smiles was the Deputy Chief Executive Office of the Bank from April 2008 to 31 December 2013.

Smiles holds a Master Degree and has been in the banking sector for over 30 years, with a global experience acquired in India, Japan, Kenya, Tanzania and Mauritius. He started his career with the State Bank of India and has experience in all areas of banking, such as Treasury, International Banking, Corporate Banking, Retail Banking, Operations and Risk Management. He has 18 years' experience at Senior Management level. He was the CEO of Diamond Trust Bank Tanzania Ltd before joining Bank One.

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 with 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.

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.

Vincent HARDY

Head of Corporate Banking

Vincent holds a BCom with specialisation in financial management from the University of South Africa. Prior to returning to Mauritius, Vincent worked for the special operations services of the Fuel Logistics Group (Pty) Ltd, where he headed up the company's Hewlett Packard logistics division. In 2005, he joined a leading international specialist banking group, Investec Bank (Mauritius) Limited, in the area of specialised finance and lending where he played a significant role in new business development in the property division focusing in South Africa and Mauritius. Vincent was appointed Head of Corporate Banking of Bank One Limited in October 2008.

Valérie 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.

◄ *From left to right: Dhinoo Veerasawmy, C.P. Balachandran, Anne Marie Koo Ton Fah, Valérie Duval, Ravneet Chowdhury, Vincent Hardy*

CORPORATE GOVERNANCE REPORT (cont'd)

Senior Management's Interests in Shares
None of the existing Senior Management officers holds shares in the Bank's capital.

Auditors' Fees and Fees for other services
Fees paid to BDO & Co during the financial year 2013 amounted to Rs 1,980,000 and related fully to audit work.

Additional fees amounting to Rs 86,250 were paid to DCDM Financial Services during the year under review for tax assignment.

Management Agreements with Third Parties
There is currently no management agreement between the Bank and any of its Directors or any company owned or controlled by them.

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

Related Party Transactions
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 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. The Bank also maintains a register of related parties, which is updated on a yearly basis and as and when notifications are received from the Shareholders, Directors and Senior Officers.

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 33 of the Financial Statements.

Corporate Social Responsibility (CSR)
Social housing is one of the 4 priority areas identified by the National CSR Committee. During the year under review, the Bank allocated the full amount of its CSR contribution, representing Rs 151,708, derived from its profits for the year 2012, to the Social Housing Project sponsored by the Rotary Club of Port Louis (accreditation no. N/1227).

The Rotary Club of Port Louis (RCPL) has, in partnership with the National Empowerment Foundation (NEF), set up an integrated social housing project for the construction of 25 houses in 2013 and 25 additional houses in 2014 for needy families across the island.

The Bank also supports small projects and environmental initiatives throughout the organisation, for instance by encouraging the use of electronic forms of communication; the implementation of a document management system (Zedoc) has largely contributed to reducing the use of paper in our offices, and similarly electronic bank statements to customers is also another paperless initiative which has been introduced and is well accepted amongst our customers. Workflows are also constantly being reviewed to both improve productivity and energy efficiency.

The provisional amount of the Bank's CSR contribution based on the profits for the year ended 2013 is Rs 1,495,037.

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, communities and stakeholders at large. In this spirit, the Bank is contemplating to set up and administer its own CSR programme, which will not only focus on the priority areas identified by the National CSR Committee, but will also enable Bank One staff to take active part in the Bank's CSR actions and towards the community.

Charitable Donations & Political Funding
Apart from the above CSR contribution, no other charitable donations or political funding were made during the period under review.

Conflict of Interest, Code of Ethics & Business Conduct
The Bank is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. Staff at all levels adheres to the Corporate Values and to the Code of Banking Practice, as well as the Bank's Code of Ethics.

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

The Board has adopted 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 also to all employees who can influence the decisions and actions of the Bank.

Health & Safety
The Bank is committed to providing a healthy, safe and secure working environment. It has put in place policies and practices that comply with applicable regulatory guidelines and requirements.

Over the year under review, the Bank showed its commitment to promote a protected environment for its employees and customer by enhancing its security standards. Health and safety was a major concern and the Bank spared no efforts to provide the appropriate training and acquire the highest quality equipment to minimise severity of any emergency situation such as fire occurrence, bomb threats or any event of the like. A fire drill was organised in our Nirmal House Building in Port Louis to ensure Bank One staff members are aware of the Fire evacuation procedures in case of an unexpected emergency.

Following same, necessary remedial actions were taken to improve the emergency procedures of the building. Safety measures were reinforced.

Another initiative in terms of safety is the installation of a panic button in the basement at Head Office.

A complete review of the Bank's safety policies and procedures was carried out and shared with the staff.

Appropriate trainings (First Aid and Safety awareness) and refresher courses were organised with the assistance of the Health and Safety Officer.

The Bank will continue its efforts to enhance its standards in the safety field and continue to reassess and update its policies where and when necessary.

Promoting Sustainability
At Bank One, we envisage long-term business success, while contributing towards economic and social development, a healthy environment and a stable society.

The Bank's Social & Environmental Management Policy broadly outlines the principles guiding the management of social and environmental issues within the context of the Bank's business objectives. All project financing are accordingly 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 exclusionary test, its level of Social and Environmental risk will be assessed and mitigation measures identified, which will be put as conditions to the financing of the project.

This 26 February 2014

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

This 26 February 2014

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: 1 January 2013 to 31 December 2013

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 26 February 2014

Mr Kim Foong (Roger) LEUNG SHIN CHEUNG
Chairman

Mr Ravneet CHOWDHURY
CEO / Director

Exploring a new APPROACH

Today's customer is hyper-connected, highly informed and demanding a highly personalised approach with regards to communication, product development and customer service. **Bank One** focuses on customer needs and on building long-lasting relationships with its customers. Back office and delivery networks are being re-engineered to think like the new customer.

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MANAGEMENT DISCUSSION & ANALYSIS

HIGHLIGHTS

Bank One Limited closed 2013 with a profit after tax of Rs 54m notwithstanding two exceptional charges on account of treasury operations in first quarter 2013 and a specific impairment provision made on a potential non performing asset.

Excluding these one off events, the Bank would have generated a total profit after tax in excess of Rs 200m.

Total assets were lower by 9% from Rs 19.4bn to Rs 17.7bn as at the end of 2013.

Total deposits dwindled by 12% compared to December 2012. There was a conscious move to trim down some high cost term deposits (both for Segment A and B) on maturity due to limited redeployment opportunities as well as to improve the cost of funds.

The gross loans and advances were slightly lower than December 2012. While Segment A advances increased by Rs 260m (contribution mainly by the retail segment while lending to high risk local corporate were limited), lending to foreign companies was undertaken selectively leading to a fall in Segment B advances by 10%.

The impaired balances moved up from Rs 417m in December 2012 to Rs 820m as at December 2013 due to the classification of some delinquent accounts.

Net Interest Income improved by 23% with better management of assets and liabilities.

In line with a higher average performing loan book in 2013, the interest on loans and advances has expanded.

The interest paid on deposits to customers was lower compared to 2012 with improved low cost deposit to total deposit ratio and maturing high cost fixed rate deposits being withdrawn or renewed at lower prevailing rates.

Other income came down by 80% due to treasury impact which got partially offset by the higher net fees earned on e-commerce business.

Non Interest Expenses stayed well within the budget as a result of a tight cost control programme and the cost to income ratio stood at 68% in 2013.

The shareholders strong support to the Bank continued with the infusion of Rs 180m as additional capital during 2013. The Bank maintained a Capital Adequacy ratio at 12.97% as at December 2013.

The prime focus for 2014 will be to consolidate the domestic business and to pursue business expansion by tapping opportunities in the Sub-Saharan market.

PERFORMANCE AGAINST OBJECTIVES

Objectives for Year 2013	Performance in Year 2013	Objectives for Year 2014
Return on Average Equity (ROE) Economic environment in year 2013 will continue to be under strong influence of the global economic crisis, especially the euro zone which is our main export market. This will continue to impact on our business. ROE is projected to remain flat at 20%.	With results impacted by the one-off items, the Return on Average Equity dropped to 4.37%.	With the projected growth and expected results, the Return on average Equity will be around 13.8% in 2014.
Return on Average Assets (ROAA) ROAA to improve sensibly to 1.3%	Actual ROAA was at 0.28%.	ROAA to improve to 1.1%.
Operating Income In line with business growth and new income streams, operating income is expected to increase by 28%.	With the exceptional events of the year, the operating income reduced by 17%.	Operating income is expected to increase by 47% with the full scaling up of the e-commerce business and resultant business growth projections.
Non Interest Expenses Non Interest Expenses expected to increase by 18% - in line with increase in business volumes and the capital expenditures in pipeline.	The Non Interest Expenses fell by 4% as major capital expenditures were deferred and other expenses capped.	With the capital expenditures now scheduled for 2014 and also increase in other expenses in line with the business growth, the Non Interest Expenses are expected to increase by 27%.
Cost to Income Ratio Target to reduce the cost to income ratio below 55% will be maintained for 2013.	With the impact of exceptional treasury performance on the operating income, the Cost to Income ratio moved up to 68% for 2013.	Target is to reduce the cost to income ratio below 60% for 2014.
Deposits Growth Total deposit base to grow by 29%. Segment A – Projected growth of 15%, driven to a large extent by Retail segment. New marketing incentives and new branches will contribute to this objective. Segment B – Expected growth to be at 20%. The Bank will intensify its presence in the target markets with a focus in countries where our shareholders are present and additional support from our new representative office in South Africa.	Total deposit base covering Segment A and Segment B came down by 12%. High cost deposits in both MUR and FCY were not aggressively bid on maturity as lending alternatives were limited thus contributing to lower interest expense.	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.
Loans and Advances Growth Target growth of 23% in the loan book. Segment A – increase of 28% to be driven by Retail and SME segment while corporate segment to remain low key. Segment B – With the prolonged slowdown in economic activity and higher risk in certain sectors, deployment to be made in a very prudent manner with, growth of around 22%.	3% growth in Segment A while Segment B fell by 10%. Overall, there was a slight reduction (1%) in gross loans and advances. However, the average loans and advances book were higher in 2013 as compared to 2012 by 13%.	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.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

PERFORMANCE AGAINST OBJECTIVES (cont'd)

Objectives for Year 2013	Performance in Year 2013	Objectives for Year 2014
Asset Quality Gross and Net impaired ratio is expected to drop to below 2% and 1% respectively while coverage ratio to improve to 71%, based on expected recoveries.	Gross impaired advances stood at Rs 820m as at December 2013 with the classification of some international exposures resulting in the impaired ratio to total advances rising to 6.77%. Net Impaired ratio stood at 4.48%. The coverage ratio came down from 41% in December 2012 to 36% in December 2013 with the uncovered portion being backed by collaterals for which the recoverable value is at a comfortable level.	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%.
Capital Adequacy Ratio Capital Adequacy ratio to be maintained above 11% and the Bank will be initiating steps to comply with the Basel III capital requirements.	The Bank is well capitalised as at December 2013 with an appreciable Capital Adequacy ratio of 12.97%.	Capital Adequacy ratio to be maintained above 12% and the Bank will comply with all the Basel III capital ratios as per Bank of Mauritius guidelines.

FINANCIAL ANALYSIS I Income Statement for the year ended 31 December 2013

	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000
Net interest income	486,008	396,646	356,190
Net fee and commission income	118,454	107,057	103,736
Net trading income	(70,210)	135,291	109,900
Other operating income	2,313	12,840	299
Operating income	**536,565**	**651,834**	**570,125**
Non Interest Expense	(367,192)	(381,141)	(331,841)
Operating profit before impairment	**169,373**	**270,693**	**238,284**
Allowance for credit Impairment	(88,800)	(46,025)	(35,615)
Profit before tax	**80,573**	**224,668**	**202,669**
Income tax expense	(26,895)	(21,300)	(27,381)
Profit for the year	**53,678**	**203,368**	**175,288**

FINANCIAL HIGHLIGHTS I Revenue Growth

	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000
Interest Income			
Loans and Advances to customers and banks	840,022	762,657	697,201
Investment Securities	96,076	120,765	109,985
Placements	35,956	20,423	18,310
	972,054	903,845	825,496
Interest Expense			
Deposits from customers	444,151	476,990	444,071
Borrowings from banks	4,813	2,117	41
Other	37,082	28,092	25,194
	486,046	507,199	469,306
Average Interest Earning Assets	14,497,992	13,537,071	10,943,808
Average Interest Bearing Liabilities	12,509,713	11,997,649	10,333,232
Interest Income/Average Interest Earning Assets	6.70%	6.68%	7.54%
Interest Expense/Average Interest Bearing Liabilities	3.89%	4.23%	4.54%
Net Margin	2.81%	2.45%	3.00%
Core Revenue	536,566	636,797	569,730

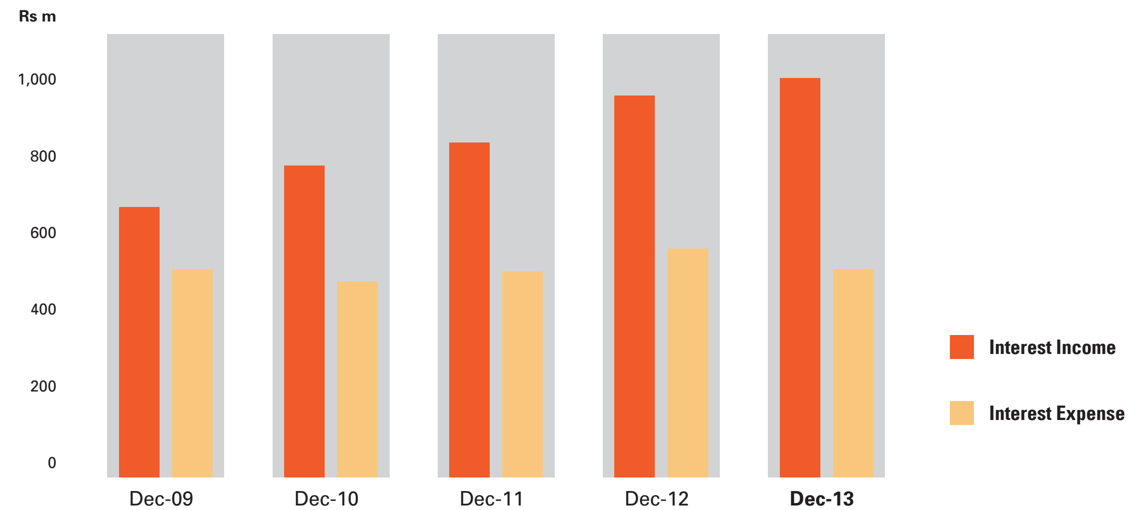
Interest income improved from Rs 904m to Rs 972m for the year, representing an increase of 7.5%. This increase is mainly attributable to better management of the assets of the Bank with a growth in the interest earning assets from Rs 13.5bn to Rs 14.5bn (representing 75% of total average assets).

The interest income figure also includes recoveries of interests from some impaired accounts. Excluding these one-off recoveries, the return on average interest earning assets would be 6.60% - The lower return due to the fall in repo rate earlier this year was partly compensated by better yields on placements of excess FCY funds.

Despite an increase in the average deposits from Rs 15.6bn in 2012 to Rs 16.5bn in 2013, the interest expense has gone down from Rs 507m to Rs 486m. This can be explained by the fact that the cost of rupee deposits went down by 32 bps (from an average of 4.69% in 2012 to 4.37% in 2013) and the cost of foreign currency deposits dropped from 1.39% in 2012 to 1.16% in 2013. Furthermore, the low cost deposit to total deposit ratio improved both for rupee and foreign currency from 44% and 59% in December 2012 to 46% and 65% as at December 2013 while maturing high cost fixed term deposits were renewed at prevailing lower rates.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Interest Income & Interest Expense



Non Interest Income

	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000
Net Fees and Commission	118,454	107,057	103,736
Net Trading (loss) / Income	(70,210)	135,291	109,900
Other Operating Income	2,313	12,840	299
	50,557	255,188	213,935

The Non Interest Income was heavily impacted by the treasury operations where the revenues dropped drastically from Rs 135m in 2012 to Rs 70m (negative) in 2013. Treasury dealings in certain foreign currency instruments incurred losses in the first quarter 2013. The Bank immediately suspended all dealings in such instruments and has placed a major emphasis on managing the associated risks before exploring the possibility to diversify into other treasury trading instruments.

With the reduction in loans and advances book, the associated net fees went down. However, the e-commerce business, which was almost nil in 2012 contributed 24% of the Bank net fees and commission, thus showing a growth of 10% in the net overall fees and commission.

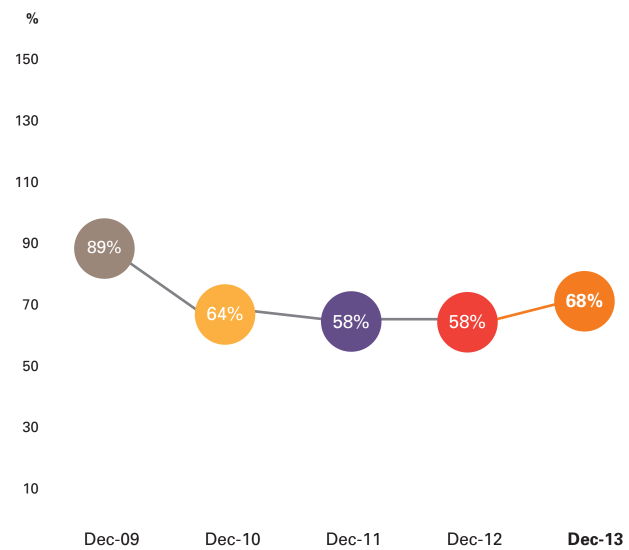
Cost Control

	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000
Personnel expenses	224,487	232,913	203,078
Depreciation and amortisation	36,202	35,649	35,043
Other expenses	106,503	112,579	93,720
	367,192	381,141	331,841

Non Interest Expenses were lower by 4% compared to the previous year. With the losses incurred in Treasury operations, the Bank had cut its expenses thus embarking on a cost cutting programme during the year. All expenses were closely monitored and major capital expenditures were deferred for 2014.

With the fall in Non Interest Income partly compensated by lower expenses, the cost to income ratio closed at 68% in 2013.

Cost to Income Ratio



DISCUSSION BY LINE OF BUSINESS

Retail Banking

Retail Banking has shown consistent growth in 2013 in the face of continued economic slowdown and enhanced competition from other financial institutions. Advances have grown by 16%, representing a net increase of Rs 535m moving from Rs 3,347m to Rs 3,882m. The growth has been mainly in the housing segment, driven by our Nest Home Loan which offers very attractive and flexible features while the consumer segment grew at a slower pace.

Growth in the SME sector has been marginal as the demand for financing from this sector has been quite low in 2013. Bank One has again fully participated in the SME Financing Scheme launched by the Government in support of the SME sector. Our team of SME specialists continues to accompany and support the SME segment by providing them with advisory services in a personalised manner.

Deposits have remained stable at Rs 5,718m with a positive change in the deposit structure, moving from high to low cost deposits.

Client appreciation of our Retail products and services is shown by our steadily increasing customer base which has grown by more than 15% in 2013.

The Retail business contributed 32% of the Bank`s loans portfolio, 40% to the Bank`s operating income and 35% of the Bank's profits in 2013.

Channels

In line with our vision to offer our clients an environment which is up to their expectations, we intend to conduct a major uplift of the main branch and also to relocate our Curepipe branch by the second quarter of 2014 in a much more central and spacious office. We will continue to renovate and modernise our branch operations in order to provide our clients and our staff with an environment conducive to business.

In addition, we shall continue with the replacement of our existing fleet of ATMs, where necessary, to ensure reduced down time and hence improve customer satisfaction.

Our SMS Alert services were launched in 2013 to respond to the increasing need of our clients for fast and up to date information on their accounts. This service, which is free, allows our clients to keep track of their transactions on their handphones on a daily basis.

Marketing

Our strength lies in the close relationship which we maintain with our clients. We continue to meet our clients on a regular basis as we believe that this is the best way to remain close to them and understand their needs better. Traditional media like the press, radio, billboards are not neglected and are used to support regular product marketing campaigns.

Outlook

New guidelines and legislations will change the way of doing business and will put additional pressure on the retail business, especially on the assets side. Adaptation to the new prudential measures will bring about a change in focus on the various economic segments.

Moving forward, our Retail team is determined to respond to the challenges of 2014, economic, legal and social, through improved products offer, enhanced service quality and branch structure.

Service Quality

Service Quality remains a top commitment for management. As we focus on better servicing the customer, a number of initiatives have been put in place:

1. **The Complaints Helpdesk**
   Our complaints helpdesk is now fully operational and is the dedicated area for all the complainants or those customers who wish to drop their feedback to suggest improvements. A number of channels have been put in place to enable the customers have their say.

   - The complaints hotline (202 9203) is a voice box where the customer can leave a message at anytime;

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

- A specific email address has been created: complaints@bankone.mu to enable customers voice their dissatisfaction or opinion;
- Feedback boxes have been installed in all branches accompanied with a brochure "We care to hear from you";
- A complaints / feedback sheet is also available on our website http://www.bankone.mu;
- Customers are invited to write to the Quality Service Coordinator to address their issues;
- Alternatively, they may decide to meet their branch managers who will channel them to the helpdesk if their issues are not resolved;
- Customers may also decide to drop in person to meet the Quality Service Coordinator at the complaints help desk.

All complaints are given due consideration with an acknowledgement sent to the client within 24 hrs of receipt of the complaint and are resolved within a specified timeframe.

Type	Time frame to solve issue
Regular issues	3 working days
Medium / Complex issues	7 working days
Very complex issues	10 working days

Fortnightly meetings are held with management and regular analysis are made to enable us determine which processes need to be addressed in priority.

2. **Business Process Re-engineering (BPR)**
In order to improve our efficiency, we have started looking at the key processes. We have worked this year on the process of putting our Account Opening Form (AOF) online. The improvements that this process brings forward are:

    - Reduction in turnaround time for filling the forms by at least 10 minutes;
    - Applications for debit card, SMS top up and internet banking are sent straight away as soon as the application is completed to the respective departments.

    The project has been under testing phase and is now ready to be implemented across the Bank.

3. **Training in Customer Care**
Customer care training is an on-going event at the Bank. This year all the new recruits on the front line underwent training on the basics of customer care while all those who had already completed the training were assessed at their workplace and a coaching session was held on the spot on a one-to-one basis addressing the areas of improvement. The results of the assessment were thereafter presented to management.

4. **The Contact Centre**
The Contact Centre was set up to provide a better and faster service to our customers. We handle over 400 calls everyday. Apart from attending client and giving firsthand information and balance enquiries, transaction information and any other requests related to account, we have now also extended our services as a support unit to other departments and branches.

Corporate Banking

The Corporate Banking business unit provides integrated financial solutions to the Mauritian business community. Our primary objective is to provide excellent service, sound advice and a competitive suite of banking solutions tailored to complement our clients' business activities.

2013 marked another dynamic year for the Corporate Banking segment through what remained a cautious business and economic cycle. Reduced levels of activity across the industry continued to soften demand for credit influencing both interest income as well as fee and commission revenues. Despite such challenges, Corporate Banking earnings before tax increased by 46% in 2013 primarily by improved net interest margin through attrition of high-cost deposits resulting in lowered interest expense. During the period, Corporate deposits reduced by 37% to Rs 2.1bn compared to last year.

Having built earnings stability over the past few years Corporate Banking strategy continued to deliver risk-controlled performance during 2013 with the asset base reporting a slight reduction to Rs 3.9bn, compared with Rs 4.2bn in 2012. In 2014, the lingering effects of stronger competition in credit markets are expected to place downward pressure on funding spreads while newly introduced regulatory pressure in the property development sector and persisting unfavourable foreign exchange markets are likely to further dampen private investment.

In response to a challenging operating environment, we remain committed to continuous improvement and building deeper relationships with our clients. We believe these traditions together with our well-established reputation for effective service delivery will contribute positively to acquiring and maintaining clients throughout 2014 as needs evolve. Corporate Banking will remain focused on applying sound judgment and aim to simplify credit processes in an effort to improve lead-times while maintaining a strong focus on asset quality. Our view forward promises to increase cross-selling and share of wallet per customer.

Global economic conditions are expected to improve gradually in 2014 benefiting our local export markets although we anticipate somewhat less robust demand in the construction sector which is expected to soften in 2014 from what has traditionally been a strong growth contributor. Overall, we aim to capitalise on the promising environment to continue serving our corporate clients with dependable service for their daily banking needs while assisting them to achieve their growth ambitions.

International Banking

Mauritius has positioned itself as a platform for businesses investing into Africa thus acting as the gateway to the African continent. By leveraging its strategic position at the crossroads of Africa, Asia and Australia, Mauritius being white listed by international bodies (like OECD), is gradually transforming itself into a hub and an international jurisdiction for investors in search of security, modern regulation, building substance and adding high value services. The government is promoting Mauritius as a platform for onward investments into Africa.

Started in 2008, International Banking continues to be one of the profitable lines of business of the Bank with clear focus on servicing Segment B clients, including High Net Worth Individuals, regionally active large trading and listed companies.

In 2013, International Banking contributed to 40% of the Bank's revenue and to 36% of the Bank's assets.

The deposit base declined by 12% since the Bank allowed some high cost deposits to run off. Deposits are sourced through management companies in Mauritius as well as leveraging on the presence of our shareholders in various African countries.

The loan book has shrunk by 10% mainly due to prepayments arising out of refinancing by other financial institutions. The Bank has been more selective in building its assets especially after the high default rate of Indian corporate in the market. Our assets are well spread over the region with major concentration of 30% in Kenya and 14% in India.

In terms of deployment, the Bank is actively involved in Trade Finance, Structured Asset Finance and Project lending. Significant part of international banking assets is also in Bank exposure, including some African Banks, Middle East Banks, Indian Banks, Chinese Banks and some European Banks.

Whilst increasing our market share in the domestic market, the focus for 2014 is to increase business relationships in Africa thus taking benefits on the presence of its partner in Kenya, Tanzania and Rwanda. Bank One aims to expand its services to Africa through approved business introducers and is relying on the new CEO's long and rich experience in the banking field in African countries to attain this goal. We are also looking at establishing a representative office in South Africa to facilitate and strengthen trade flows within Africa. Further opportunities are also being explored which will lead to enhanced regional activities and business expansion for the division.

Our strategic intent for the medium term is to position "International Banking Division" as the Bank's main driving force for growth.

Private Banking and Wealth Management

The Private Banking and Wealth Management Unit was created right at the outset of the take-over by the CIEL Group and I&M Bank in 2008. The Unit mainly focuses at high net worth individuals and aims to provide tailored banking products as well as wealth management solutions through a dedicated team. Further to a restructuring exercise in 2012, the unit was reinforced with experienced new recruits with the objective to provide better service and enhance the wealth management offerings.

During the year 2013, the total deposits grew from Rs 672m to Rs 810m representing a growth of 20%. The growth was fuelled by both local as well as foreign currencies.

The advances book has grown by 12% from Rs 542m as at December 2012 to Rs 608m as at December 2013 with deployment mainly in personal and housing loans.

In first quarter 2013, Bank One, in association with Investment Professionals Ltd (IPRO), launched the NEO AFRICA fund (USD). The NEO Africa fund invests in listed blue chip companies in Sub-Saharan Africa. The underlying fund invests in listed market leader blue chip companies in Sub-Saharan Africa and performed an exceptional 20.5% in 2013. The NEO Capital Protected Fund (MUR), a similar initiative launched in November 2011 and investing in local equities, gained 16.5% since inception.

The Unit has focused its efforts on increasing its investment product offerings and client database to end the year with a portfolio of above 600 high net worth clients for banking and investment services.

Our tie ups with international investment houses of repute have been harnessed during the year and this has enabled us to increase our array of offerings in terms of investment products which now includes listed security, bonds and structured products to our clients seeking investment solutions.

With increased emphasis being placed on Wealth Management services by the Bank going ahead, our focus has shifted to providing a complete set of investment products to our clients. In 2014, depending on market conditions, we plan to offer capital-guaranteed and leveraged investment products. We are also increasing our efforts to target High Net Worth Individuals abroad, leveraging and further developing our established network in East and South Africa, and capitalising on the networks of I&M Bank.

An increased focus is also being placed on portfolio management services to address each client's unique requirements and investment goals. We plan to be even closer to our international clients by starting regular visits to them in 2014 and further personalise the service we provide.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Treasury Business

The Treasury division had a difficult year due to an exceptional event that resulted in losses in certain trading positions to the tune of Rs 70m. All the trading positions have been closed appropriately in the year and the Bank's focus has since then shifted solely to merchant business.

On the positive side the bank has seen its foreign exchange volumes grow by over 60% whilst merchant income grew by 36% despite fierce competition on the local market.

The spotlight will continue to be on merchant business where the bank will endeavour to improve its market share through its dedicated sales team, competitive pricing and innovative products. Increased emphasis on international banking business will offset the narrowing of margins on the local market and we thus expect merchant income to grow by 45%.

E-commerce

Bank One Limited has been a pioneer amongst medium sized banks to have launched the "E-commerce Acquiring" line of business in December 2012. The e-commerce platform of Bank One allows businesses that sell products / services online to accept payments via credit cards from customers in real time and hence, allows commercial transactions to be completed in a fast and efficient way.

Bank One first started with a single offer, with the ability to process Visa e-commerce transactions only. However, with continuous efforts to broaden its product line to better serve its ecommerce merchants, Bank One completed the MasterCard Acquiring Project in September 2013 and can now process both Visa and MasterCard e-commerce transactions.

Overall, the e-commerce business generated a net income of Rs 28m for 2013, being a year of set up and stabilisation of the business. This achievement within the launching year itself was based on the dedication & networking of the sales team, continued monitoring of Risk Management team, efficiency in Operations and significant Top Management support.

2014 has been targeted to be a year of business development and balanced income growth with the introduction of the MasterCard platform. The strategy shall be geared towards broadening of the merchant portfolio in diverse lines of businesses, enhancing relationship with key stakeholders in the industry, launching of new offers, implementing automated risk controls & decision systems and leveraging on networking with key clients in the e-commerce industry to increasing the current business.

Cards

During last year Bank One Ltd has undergone another substantial growth in the gross card operation. Despite being faced with challenging market impact confronted with edgy economic level of movement and stiff competition, the department relentlessly maintained a satisfactory business expansion due to its range of value proposition and offerings.

In the last financial year, besides cross-selling established propositions, Bank One has further strengthened its position in the issuance of the prepaid cards product. The prepaid card solution opened the doors to a higher range of low end customers for their online shopping.

There was a general increase of 3.7% in the card usage at the point of sale and our card issuance portfolio was further strengthened by an increase of 6%.

During last year, we also set the foundation stone for launching of the new MasterCard Multi-Currency prepaid cards. Another stepping stone was the contact established between Bank One and China Union Pay (CUP) for the issuance of CUP cards. These new contacts will further develop into a wider panoply of Bank One products.

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 'legacy' impaired accounts so that independently of collaterals held, all such legacy accounts would be fully provided by December 2015. This provisioning is being done on a monthly basis.

Collection and Recovery Process

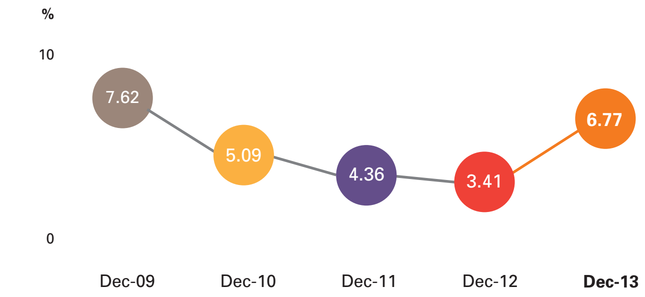
Collection and recovery functions are housed under Credit Administration, reporting to an executive Head. These are separate from Sales function for more independence and focus. Past due triggers of one month are picked up by sales personnel and collection initiated by phone calls or meetings. Past Due trigger of 2 months and above are picked up by the Centralised Collection Team, which will make phone calls and meetings. The Team also assesses whether there is a need to reschedule accounts and makes recommendations for categorising into a Watch List. Past due 3 months and above triggers are received at Recovery Team level and objective assessment initiated for impairment. The Recovery Team also 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.

Loan reviews are carried monthly at Management level through the Collection Committee to review loan Arrears, the Watch list Committee for Watch List Accounts and the Special Assets Committee for Impaired Accounts.

The findings are reported monthly to the Board Credit Committee and quarterly to the full Board.

The impaired advances and the NPL ratio deteriorated from Rs 417m and 3.41% as at December 2012 to Rs 820m and 6.77% as at December 2013 respectively. This is mainly due to the fact that some Segment B advances turned bad as exceptional cases and have been classified during the year.

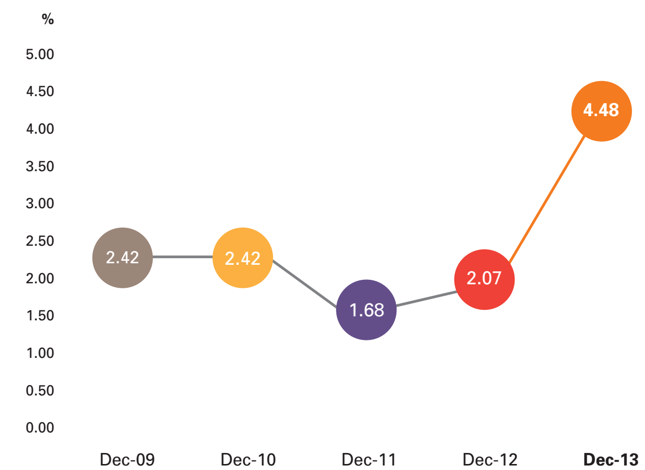
Impaired Loans to Gross Loans



Given that some of these facilities were highly collateralised, impairment charges were not required and thus leading to a deterioration of the net NPL ratio from 2.07% in December 12 has reached 4.48% as at December 2013.

The NPL coverage ratio has decreased from 40.69% to 36.10%. The remaining portion of NPL being adequately secured by collaterals held by the Bank.

Net Impaired Loans to Net Loans



MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

Loans and Advances

	31 December 2013		31 December 2012	
	Loans & Advances to Customers Rs m	Loans & Advances to Banks Rs m	Loans & Advances to Customers Rs m	Loans & Advances to Banks Rs m
Neither past due nor impaired	9,924	150	10,994	-
Past due but not impaired	1,225	-	837	-
Impaired	820	-	417	-
Gross Advances	11,969	150	12,248	-
Less allowance for impairment	(417)	(1)	(301)	-
Net	**11,552**	**149**	**11,947**	**-**

Loans and Advances past due but not impaired

Bank as at 31 December 2013	**Individual (Retail Customers)**	**Corporate Entities**	**Total Loans and Advances to Customers**
	Rs (m) Retail & Mortgages	**Rs (m) Loans & Overdrafts**	**Rs (m) Total Loans**
Past due up to 1 month	244	70	314
Past due more than 1 month and up to 3 months	296	291	587
Past due more than 3 months and up to 6 months	99	83	182
Past due more than 6 months	48	94	142
Total	**687**	**538**	**1,225**

	Dec-13 Rs m	Dec-12 Rs m	Dec-11 Rs m
Impaired Advances	**820**	417	416
Allowance for Impairment Loss	**419**	301	354
Impaired Advances/Total Advances	**6.77%**	3.41%	4.36%
Net Impaired Advances/ Net Advances	**4.48%**	2.07%	1.68%
Provision Coverage Ratio	**36.10%**	40.69%	62.77%

Credit Risk Mitigation

In order to mitigate the Credit Risk and where the Bank considers appropriate, the Bank obtains collateral to support the credit facility. Credit Risk limit for each financial institution is approved by the Board Risk Committee and the Board with reference to the financial strength and credit rating of each counterparty. The acceptable types of collateral and their characteristics are established within the credit policies, as are the respective margins of finance.

Irrespective of whether collateral is taken, all decisions are based upon the customers' or counterparty's credit profile, cash flow performance and ability to repay.

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 and;
- Pledge of financial instruments such as debt securities, equities and Bank deposits.

Longer term finance and lending to corporate entities are generally secured and individual credit facilities are generally unsecured except for mortgages. In addition, in order to minimise credit loss, the Bank endeavours to seek additional collateral from the counterparty as soon as impairment indicators are noticed on individual loans and advances.

Repossessed Assets

Property collateral repossessed as at financial year ending 2012 amounted to Rs 1.660m in our books which reflects their current market value and has remained unchanged for year ending 2013.

The Bank's policy regarding the repossessed assets is to dispose of them as soon as practicable which is in line with the banking legislation.

Human Capital Management

Bank One has invested in its human resources in 2013 through the introduction of various programmes aimed at attracting, developing, motivating and retaining talent to achieve superior performance. As such, the overall performance and remuneration philosophy is directly proportional to the strategic intent and core values of the Bank.

The Board is responsible for the Remuneration policy of the Bank. It exercises its authority through the quarterly Board Administrative & Staff Compensation Committee. At the Management level, the Human Resources Committee and the Executive Committee assist the Board in ensuring that the provisions of the remuneration packages are competitive and in line with the market. The Human Resources Department ensures that all staff undergo a proper induction programme and that their welfare are properly addressed so that the workforce is fully engaged and encouraged for long-term sustainable performance. Along with the above, the Bank fully complies with the Occupational Health and Safety (OHS) Act to ensure that a safe working environment is presented to all staff. Our Health and Safety Committee, which comprises of Chief Operating Officer as Chairperson, one of the Officers as Vice-Chairperson, representatives from Management that include HR Manager, Facilities Manager and Compliance Manager and also 4 Employee representatives as well as an OHS Officer, meets monthly and ensures all OHS items are closely monitored and OHS risks eliminated.

In 2013, a number of key positions were filled through internal promotions as well as by drafting in external specialist talent. The phantom share option which was designed for the Executives will become operational as from end of financial year 2014. The aim of the scheme is to provide top performing Executives, the opportunity of sharing the success and running of the organisation. The amount of Phantom shares to be allotted will be given to the Executives in addition to their Performance Bonus subject to the Bank's overall performance as well as their performance and contribution to the Bank.

Employee Recognition

Our reward and recognition philosophy has remained at the heart of the Bank's Culture in 2013. Team efforts were recognised through departmental awards given during the annual award ceremony held every year. Individual efforts from staff in raising their academic qualification levels by completing relevant courses like MBAs and ACCAs were also publicly recognized through appreciation letters and financial incentives.

Balanced Scorecard

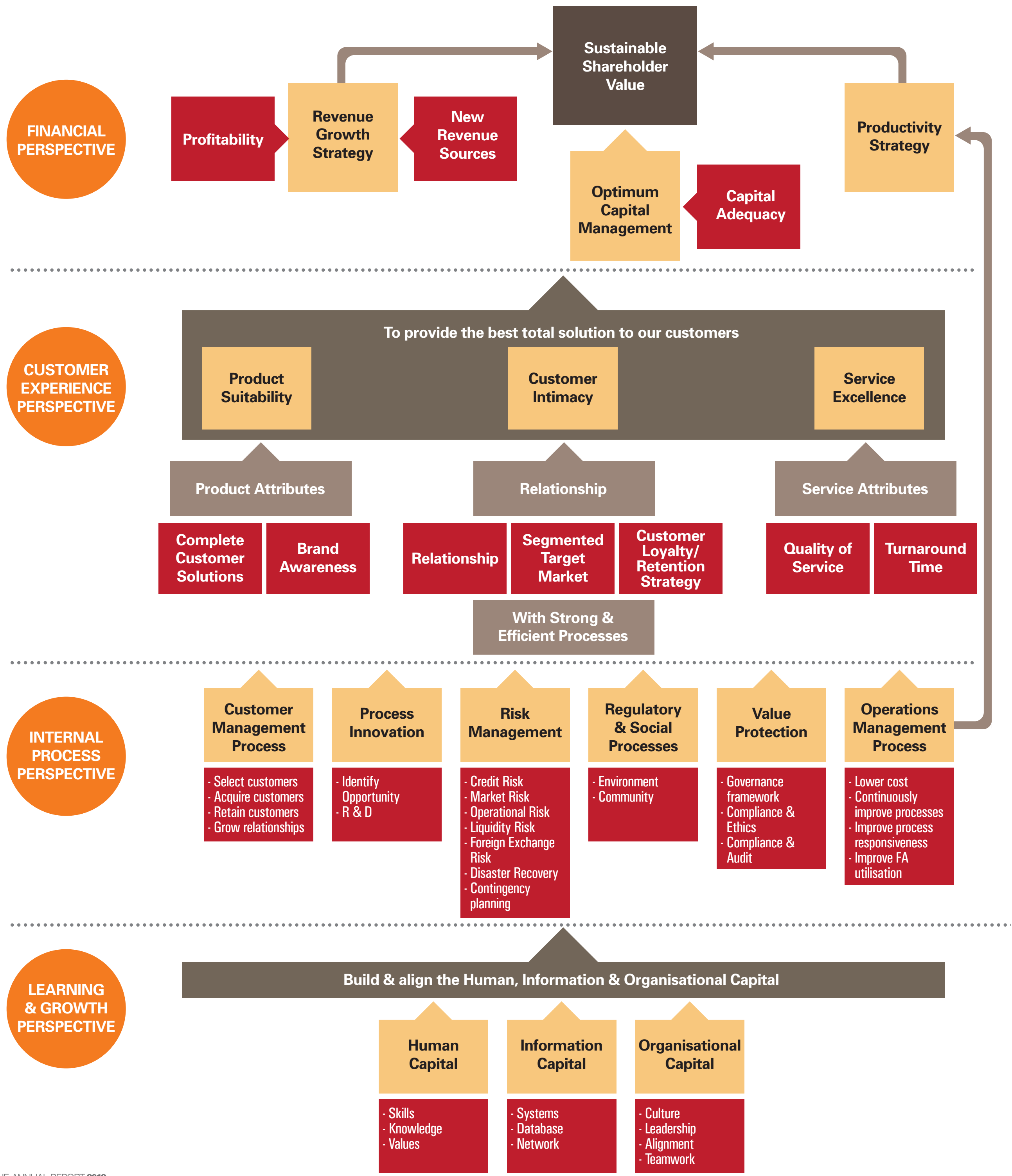
The Balanced Scorecard was introduced with the idea of measuring the performance of the Bank within four different perspectives: The financial, customer, internal process and learning and growth. For each of the perspectives strategic objectives and measures (both financial and non-financial) have been defined and a target has been set to track the Bank's progress.

The initial process of the BSC started with the construction of the strategy map which provided a structured description of the Bank's strategy that will drive performance. The measures that were developed and chosen for the scorecard emanate from the objectives in the strategy map.

For the time being the objectives have been linked to the KPIs of the Executives and surveys are carried out both internally and externally every year to update the measures and to determine whether the target set has been achieved or whether action has to be taken in a specific area.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

BANK ONE BALANCED SCORECARD STRATEGY MAP



Employee Development

The Bank has arranged trainings covering areas of AML/KYC, operations, legal and documentation, Total Quality & Project Management, Leadership and our Quality Service Coordinator has also been providing training to all employees with regards to customer service, improving service quality in the Bank and coordinating the business re-engineering programme to improve operational efficiency and turnaround times.

As part of our leader's development programme, our annual 360 degree feedback exercise was also launched in 2013. Both our Executives and Managers were assessed by their Line Managers, Direct Reports as well as from Peers. The results were shared with the concerned staff and same will be used in their 2013 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 a permanent basis. Salaries are reviewed annually and increases allowed based on performance as well as compensating for any increase in cost of living. Performance bonus is also paid annually taking into account the individual employee achievement, 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 avoid unnecessary bias. The Bank is an equal opportunity employer and provides employment and career advancement opportunities to people from all walks of life. The Bank prides itself in having a good number of women in the Top Management team.

Equal Opportunity

The Bank has added an Equal Opportunity as well as HIV / AIDS sections to its HR Policy in line with its equal opportunity philosophy. The Equal Opportunity policy has been added as per the requirement of section 9 of the Equal Opportunities Act 2008 with a view to minimising the risk of an employee being discriminated against and in order to promote recruitment, training, selection and employment on the basis of merit. The HIV / AIDS policy which has also been added to the HR Policy demonstrates that Bank One Ltd is committed to joining forces with local and international community in fighting HIV and AIDS without discriminating and harassing existing and potential employees.

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.

Exploring new
STRATEGIES

Faced with numerous challenges, including capturing new business, escalating competition, increased regulatory requirements, operational complexity and profit margins, **Bank One** is putting in place new initiatives to win in the marketplace and to ensure its short-term and medium-term objectives are met.

RISK MANAGEMENT REPORT

Risk encompasses both possible threats and opportunities and the potential impact these may have on the Bank. Risk Management is the process of identifying, assessing and responding to risks, and communicating the outcomes of these processes to the appropriate parties in a timely manner.

The continuing uncertain economic conditions present a challenge to Risk Management in the financial services industry. In this context, Risk Management is a key pillar of Bank One strategy and is guided by different risk policies that have been developed and approved by the Board.

Risk Management Organisation

Risk Management is an essential component of all Bank One business processes and is designed to support business management. Risks are identified, measured and then managed and monitored in line with the Bank's risk tolerance.

Risk Management Process

Bank One uses the following approach for Risk Management.

Responsibility for implementing the risk policy guidelines laid down by the Board of Directors for quantifiable risks throughout the Bank, lies with the Bank's Management through the different Risk functions. The Risk functions regularly report to the Board and the Risk Management Committee of the Board on the overall risk situation within the Bank.

Based on this approach, the Board sets limits for the amount of Credit Risk, Market Risk, Operational Risk, Country Risk, within the prudential guidelines covering these risks, to both maintain sound operations and generate stable earnings. Other non-quantifiable risks like Compliance Risk, Strategic Risk and reputational risk are assessed and monitored on a qualitative basis.

The Board monitors the Risk exposures on a quarterly basis, through various Board Committees. Moreover, the various Management Committees meet once a month to comprehensively measure, evaluate and monitor the occurrence and management of each type of risk. Market Risks, with underlying volatility, are monitored on a much more frequent basis.

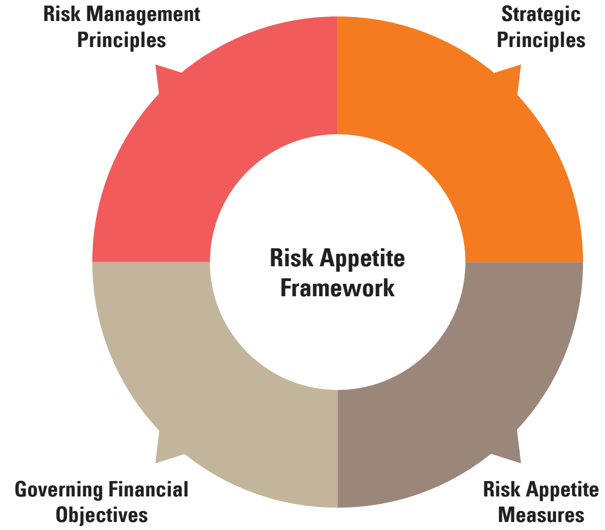
The Risk Management function is split between Credit Risk Management, Market Risk Management, Operational and Compliance Risk and Capital Management. They all have a bank-wide focus and report directly to the Deputy Chief Executive Officer who also acts as Chief Risk Officer.

Being responsible for the bank-wide management of portfolio composition, capital allocation, development of Risk-Weighted Assets (RWAs), the Bank's Asset Liability Management Committee is a key part of the Internal Capital Adequacy Assessment Process (ICAAP). Under the ICAAP, the Bank internally assesses the optimal capital requirement in relation to all material risks.

Risk Strategy and Risk Management

The risk strategy provides quantitative and qualitative guidance to set limits and guidelines on the types of risk taking activities the Bank is prepared to take in pursuit of its strategic and financial objectives. The Bank controls risk-taking activities within the tolerances established by the Central Bank and the Board. The scope of the risk strategy is defined by "risk tolerance". The overall risk strategy covers all material quantifiable and unquantifiable risks. It is detailed further in the form of sub-risk strategies for individual risk types, which are then specified and made operational through policies, regulations and instructions/ guidelines.

Risk Management Policies and Controls



Risk Management Principles

The following principles guide the management of risks across all operations.

These principles include:

- Alignment of business strategy with risk appetite;
- Promotion of a robust risk culture;
- Accountability for risk by the business lines;
- Avoidance of excessive risk concentrations;
- Ensuring risks are clearly understood, measurable and manageable;
- Mitigating risk through sound, preventive and detective controls.

Strategic Principles

Provide qualitative benchmarks to guide the Bank in its pursuit of the Governing Financial Objectives and to gauge broad alignment between new initiatives and the Bank's risk appetite.

Strategic principles include:

- Placing emphasis on the diversity, quality and stability of earnings;
- Focusing on core businesses by leveraging competitive advantages; and
- Making disciplined and selective strategic investments.

Governing Financial Objectives

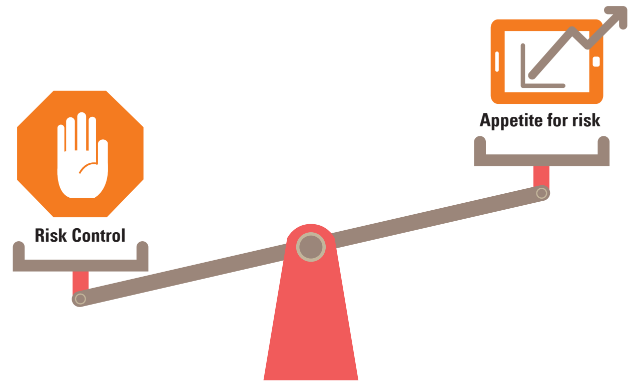
Focus on long-term shareholder value. These objectives include sustainable earnings growth, maintenance of adequate capital in relation to the Bank's risk profile and availability of financial resources to meet financial obligations on a timely basis at reasonable prices.

Risk Appetite Measures

Risk appetite measures provide objective metrics that determine risk and articulate the Bank's risk appetite. They provide a link between actual risk-taking activities and the Risk Management principles, strategic principles and governing financial objectives described above. These measures include capital and earnings ratios, market and Liquidity Risk limits, and credit and Operational Risk targets.

The Bank seeks to achieve an appropriate balance between risk and reward in its business, and continues to build and enhance the Risk Management capabilities that assist in delivering growth plans in a controlled environment. The Bank seeks to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite.

Bank One is focused on achieving growth within appropriate risk / control boundaries.

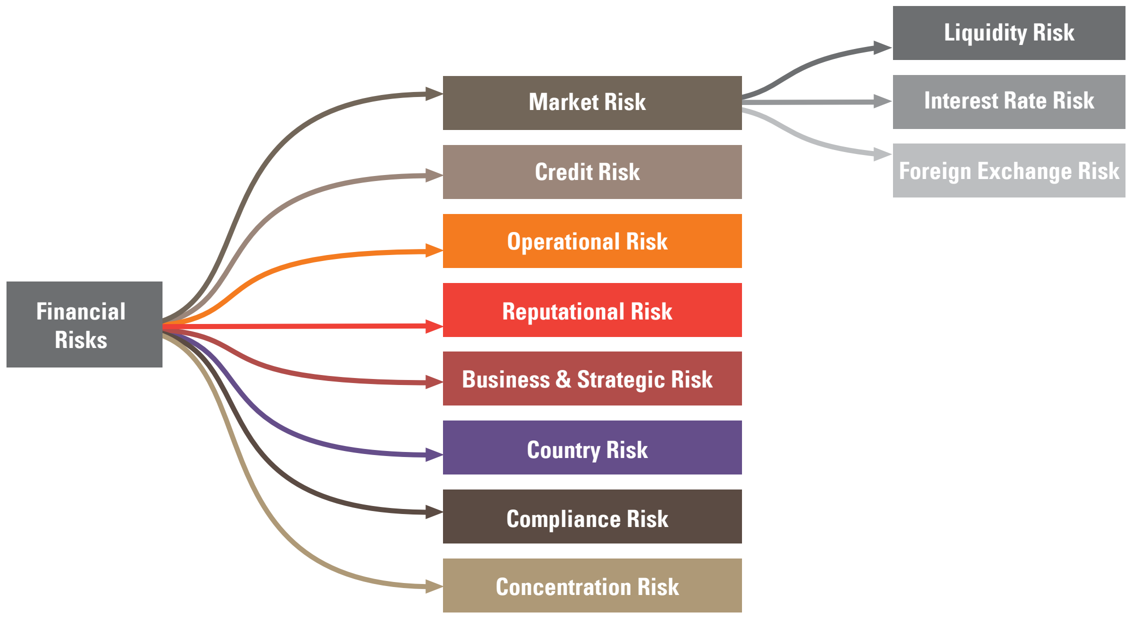


Risk Management Strategy

The Risk Management strategy should balance its appetite for risk over its measure for risk control.

RISK MANAGEMENT REPORT (cont'd)

Risk Management is focused on the following major areas:



Market Risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. From a regulatory perspective, Market Risk stems from all the positions included in banks' trading book as well as Foreign Exchange Risk positions in the whole balance sheet.

Credit Risk is the risk of the Bank suffering financial loss if any of its customers or market counterparties fails to fulfill their contractual obligations to the Bank.

Operational Risk is the risk of loss (direct or indirect) resulting from inadequate or failed internal processes, people and systems or from external events.

Reputational Risk is the risk that the Bank could lose potential business because its character or quality has been called into question.

Business & Strategic Risk is a possible source of loss that might arise from the pursuit of an unsuccessful business plan. For example, Strategic Risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

Country Risk refers to the probability that changes in the business environment in another country where the Bank is doing business may adversely impact your operations or payment for imports resulting in a financial loss. Country Risk also includes Sovereign Risk, which is a subset of risk specifically related to the government or one of its agencies refusing to comply with the terms of a loan agreement. Causes of Country Risk include political, macroeconomic mismanagement, war or labour unrest resulting in work stoppages.

Compliance Risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance Risk can lead to diminished reputation, reduced franchise value, limited business opportunities and reduced expansion potential.

Concentration Risk refers to the risk of loss arising from a large position in a single asset or market exposure. An excessive concentration can give rise to Liquidity Risk or Market Risk losses.

Liquidity Risk is the risk that the Bank cannot meet a demand for cash or fund its financial obligations in a cost efficient or timely manner as they become due. These financial obligations can arise from withdrawals of deposits, debt maturities or commitments to provide credit.

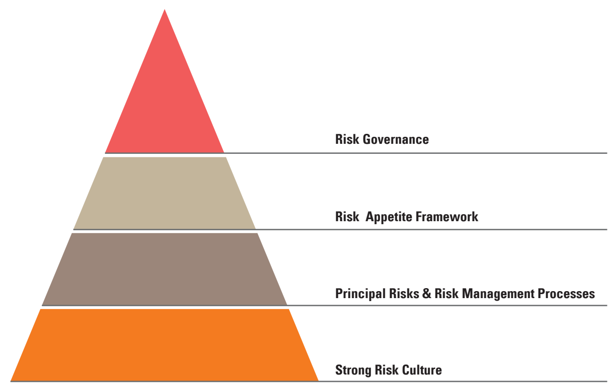
Interest Rate Risk is the potential loss in earnings due to adverse movements in interest rates.

Foreign Exchange Risk is defined as the potential movements in exchange rates that may adversely affect the Bank's financial condition and when there is a difference between assets and liabilities denominated in foreign currencies.

The Risk Management aspects are further discussed under the different risk categories in the Risk Management Report.

The Risk Management Framework

The primary principle of Risk Management is to ensure that the outcomes of risk taking are consistent with Bank One's business activities, strategies and risk appetite. The Bank's Risk Management Framework provides the foundation for achieving this goal.



Risk Culture: A strong risk culture emphasises transparency and accountability. The Bank with a strong risk culture have a consistent and repeatable approach to Risk Management when making key business decisions, including regular discussions of risk and reviews of risk scenarios that can help management and the Board understand the inter-relationships and potential impacts of risks.

Principal Risks: The ability to identify, measure and monitor risks is a key component of effective group-wide Risk Management.

Risk Appetite: Risk appetite is the formalisation of basic business principles such as making decisions based on risk-reward tradeoffs, understanding potential outcomes of those decisions, and deciding whether Bank One is comfortable with the risk associated with those outcomes. It provides a context to discuss risks and reach a shared understanding of appropriate risk thresholds. Setting these risk tolerances is dynamic and requires flexible processes, as well as continuous review and guidance from Senior Management, Internal Risk Committees and the Board.

Risk Governance: Management owns the risks Bank One takes or is exposed to while conducting its business activities, while the Board Risk Committee approves and monitors the framework under which these risks are managed.

The responsibilities of the Board in relation to risk control are:

- To approve the overall strategy and policies to ensure that all risks are properly managed at both the transaction and portfolio level;
- To review all risk policies at least on an annual basis;
- To manage risk, both financial and non-financial, conducted through operational and administrative control systems, including the functioning of the Audit Committee;
- To review Key Performance Indicators (against forecasts), operational statistics and policy compliance; and
- To analyse financial performance against budgets and variations in key non-financial measures.

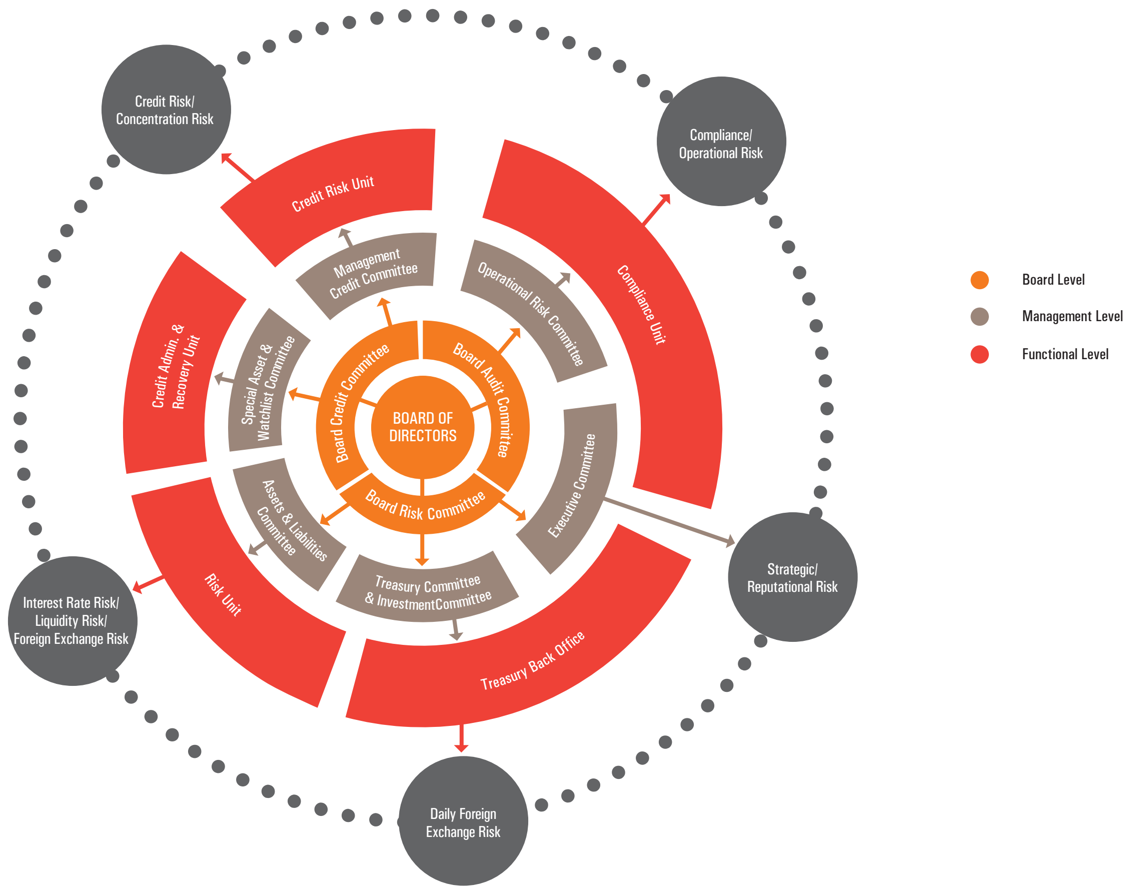
Implementation of the risk policies is delegated to Management. Through different Management Committees, management oversees and guides the management of different risks which are more particularly dealt with by the centralised Functional Risk Units which operate independently from business line functions.

Functional Risk Units (FRU)

Bank One has adopted a centralised Risk Management Framework. The Risk Management Units are responsible for ensuring that policies and mandates are established for the Bank as a whole. These include Credit Risk Management Unit, Compliance Unit, Treasury Back Office and Risk Unit, which are headed by experienced and qualified personnel to the extent possible. The FRUs monitor and report the risk positions to the Board via the different Risk Committees and Management Committees, set standards for financial risks and data integrity and ensure that the financial risks are considered in the product planning and pricing process. FRUs review and recommend all credit and risk exposure policies for the Bank. In determining risk policies, FRUs take into account the guidelines issued by Bank of Mauritius and general business direction and risk environment.

RISK MANAGEMENT REPORT (cont'd)

Risk Management Framework



CREDIT RISK

Credit Risk is the risk of loss resulting from the failure of borrowers or counterparties to meet their debt or contractual obligations to the Bank as and when they fall due. Exposure to Credit Risks arises from the Bank's lending and investment activities, and trading of financial instruments.

Credit Risk Management Framework

The Bank has a comprehensive Risk Governance Structure which promotes sound Risk Management for optimal risk–reward trade-off.

Under its Credit Policy, the Board delegates its credit sanctioning powers to the Board Credit Committee, the Management Credit Committee, the Chief Executive Officer, the Deputy CEO, the Head of Credit Risk and the Deputy Head of Credit Risk.

The Head of Credit Risk is responsible for monitoring the Credit Risk exposure of the Bank and reports to the Board Credit Committee monthly.

Credit Risk Management Process

Credit Risk Management Process at Bank One provides for a centralised management in view of the size of the business. Overall credit process includes comprehensive credit policy, judgmental credit underwriting, risk measurement, credit training programmes, and continuous loan review and audit process. The Credit Policy, which is approved by the Board, defines the credit environment, risk appetite, risk exposure limits and parameters for risk taking. The Credit Policy is subject to compulsory annual review. The Policy is updated with ad hoc reviews and addendums to take into account changes in the environment.

Credit Risk Measurement

(a) Loans and advances

In measuring Credit Risk on loans and advances to customers and to banks and other financial institutions at a counterparty level, the Bank considers;

(i) current exposures to the counterparty; and

(ii) the likely loss on the defaulted obligations after considering recovery and collateral realisation (the "loss given default"). The Bank assesses "probability of default" on internally designed judgmental rating. The Bank assesses the credit quality of corporate clients using an internal rating tool. It is developed internally and combines general credit analysis and judgements of credit officers, and is reviewed, where available, by comparison with externally available data.

The Bank's rating scale has 6 grades which are segmented into different rating classes. The credit ratings are broadly categorised as follows:

(i) RR1 covers rating scores from 41 to 50
(ii) RR2 covers scores from 36 to 40
(iii) RR3 covers scores from 30 to 35
(iv) RR4 covers scores from 26 to 29
(v) RR5 covers scores from 20 to 25
(vi) RR6 covers scores < 19

Credit exposures migrate between rating classes as the assessment of credit quality on the borrower and business environment changes. The rating tool is kept under review and upgraded as necessary. The Bank is examining solutions for rating of corporate exposures from approved rating agencies.

Credit quality of personal clients is assessed using established criteria in credit policies and external market data from Mauritius Credit Information Bureau (MCIB). Loans to individuals are monitored on portfolio basis primarily based on their delinquency status. The Bank has developed and has implemented retail credit scoring for assessing personal credits, from CRISIL Ltd (India), a subsidiary of Standards & Poor (India).

These Credit Risk measurements operate to control and monitor credit performance of borrowers through on-going credit review, loan classification, collection, Credit Risk mitigation including realisation of collateral, and provision of impairment on problem loans as required by the Bank's Credit Policy and procedures and regulatory guidelines.

(b) Credit related commitments

Credit related commitments include bank guarantees, documentary letters of credit, standby letters of credit and undrawn commitments on legally bound facilities. Their Credit Risk is similar to loans except for documentary letters of credit which are usually short-term and self-liquidating and carry a low level of Credit Risk and capital charge, as defined under Bank of Mauritius guidelines.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties carry the same Credit Risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct lending.

Commitments to extend credit include unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to Credit Risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit tandards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of Credit Risk than shorter-term commitments.

	As at 31 Dec 13 Rs 000	As at 31 Dec 12 Rs 000
Credit related commitments	1,826,140	2,589,156

(c) Bank placements & lending to banks

For Bank placements or lending to banks, external credit ratings from international credit rating agencies such as Standard & Poor's, Moody's and Fitch are used to assist in the Credit Risk exposures on top of internal credit analysis. The instruments provide a better credit quality, help to diversify risk exposures and income streams, and to maintain a readily available source of liquidity for the Bank from time to time.

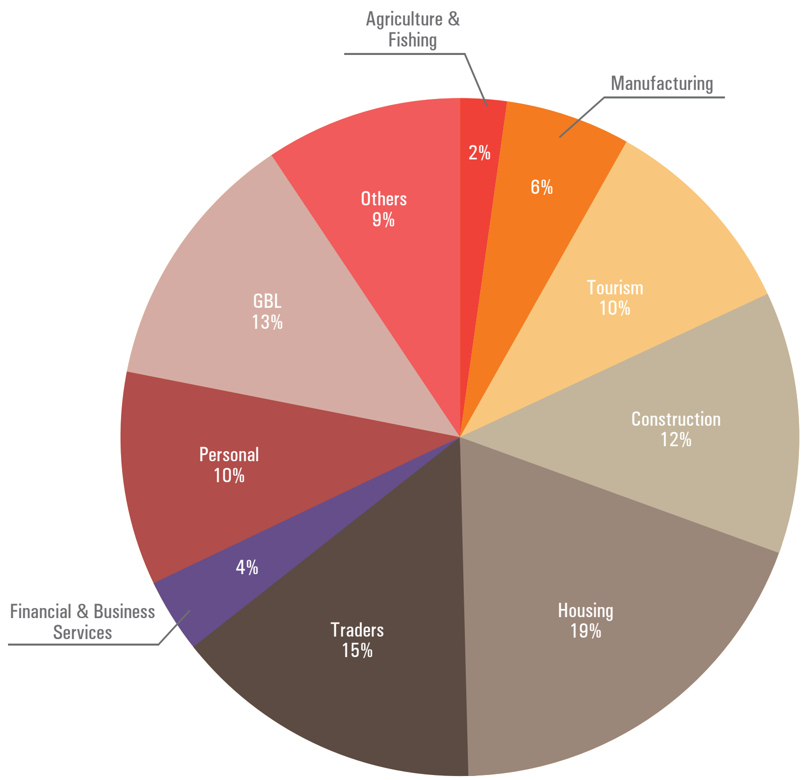
RISK MANAGEMENT REPORT (cont'd)

Risk Limit Control and Mitigation Policies

The Bank has an established framework to manage, control and limit concentration of Credit Risk wherever they are identified in particular, to individual counterparties, groups, industries and countries.

The Bank structures the level of Credit Risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on an on-going basis and are subject to at least a quarterly review. Limits on the level of Credit Risk by industry sector and by country are approved by the Board.

Sectorwise Distribution



The exposure to any one borrower or counterparty including banks is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily.

Exposures to Credit Risk are also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by regular review and revision of these limits where appropriate.

Concentration of risk from large exposures to individual customers or related groups are managed by setting limits as a percentage of the capital base as defined by the Bank of Mauritius guidelines, and exposures to industry sectors and countries/regions under the Credit Policy to achieve a balanced portfolio. These are reviewed monthly by the Board Credit Committee and quarterly by the Board.

Sectorwise Credit Exposure

	2013			2012		
Sectors	Fund Based Facilities Rs 000	Non-Fund Based Facilities Rs 000	Total Rs 000	Fund Based Facilities Rs 000	Non-Fund Based Facilities Rs 000	Total Rs 000
Agriculture & Fishing	276,547	2,200	278,747	435,025	2,007	437,032
Manufacturing	673,586	10,967	684,553	644,249	20,646	664,895
Export Enterprise Certificate Holders	29,238	3,991	33,229	52,007	8,850	60,857
Tourism	1,203,865	38,521	1,242,386	1,043,661	30,835	1,074,496
Transport	400,042	100	400,142	397,719	230	397,949
Construction	3,827,259	157,991	3,985,250	3,330,729	327,649	3,658,378
Traders	1,794,476	144,764	1,939,240	1,842,311	219,268	2,061,579
Information Communication and Technology	225,627	659	226,286	351,050	386	351,436
Financial and Business Services	426,928	1,300	428,228	438,015	10,940	448,955
Global Business Licence Holders	1,509,980	51,150	1,561,130	1,942,222	91,559	2,033,781
Infrastructure	311	-	311	-	-	-
State and Local Government	-	-	-	-	-	-
Public Nonfinancial Corporations	12,947	-	12,947	17,236	250	17,486
Health Development Certificate Holders	116	-	116	308	-	308
Freeport Certificate Holders	-	-	-	21,488	35	21,523
Modernisation & Expansion Enterprise Certificate Holders	-	-	-	-	-	-
Personal 1	1,241,028	77,539	1,318,567	1,186,153	76,960	1,263,113
Professional 2	89,282	2,182	91,464	69,639	-	69,639
Education	65,214	15	65,229	59,137	15	59,152
Media, Entertainment and Recreational Activities	37,055	220	37,275	36,452	220	36,672
Others	306,689	96,019	402,708	380,812	35,382	416,194
Total	**12,120,191**	**587,618**	**12,707,808**	**12,248,213**	**825,232**	**13,073,445**

RISK MANAGEMENT REPORT (cont'd)

Enhanced Controls For Credit Risk

To address the issue of avoiding large delinquent accounts, the Bank will implement the following additional controls:

- Any new structured finance deal will be subject to clearance by the New Products Committee. A full time Compliance Officer has been assigned to ensure proper due diligence is carried out on all the parties involved in the transaction structure before extending any credit facilities. The Credit Approval process will be restricted to the Senior Management level who will ensure that the facilities do not represent an unusually high risk exposure for the Bank.
- A strict adherence check on all sanctioned terms & conditions has been made mandatory - prior to disbursement. This would de scrutinised and signed off by Compliance and the Credit Administration Head.
- The Bank has also recruited seniors with specialised product knowledge to help identify risks at an early stage before committing on any structured trade transaction.

CONCENTRATION RISK

The Credit Risk Management processes ensure that an acceptable level of risk diversification is maintained on an ongoing basis. The Bank seeks to diversify its Credit Risk by limiting exposure to single borrower or group of related borrowers. Concentration of Credit Risk is governed by guidelines on Credit Concentration Limits issued by Bank of Mauritius. Management monitors risk concentration daily. Large credit concentrations (concentration in excess of 15% of Bank's capital base) are reported to the Board Credit Committee on a monthly basis and to the Board on a quarterly basis.

Top 4 large exposures represented 85% of capital base as at 31 December 2013 as compared to 127.02% as at 31 December 2012.

Bank's credit exposures above 15% of capital base as at 31 December 2013

Group	Exposure Rs m	% of Capital Base
1	515	30.69
2	314	18.74
3	304	18.14
4	288	17.15

Traditionally, a distinction is made between concentration of loans to individual borrowers *(single Borrower concentration)* and an uneven distribution across sectors of the industry or geographical regions *(sector wise concentration)*.

A further category consists of risks arising from a concentration of exposures to enterprises connected with one another through bilateral business relations (say a Group of related Companies) with the resultant danger of contagion effects, in the event of default of one of these borrowers.

This classification of Concentration Risk in the credit portfolios into three categories essentially matches those detailed in the Basel II Framework.

Moreover, the Framework defines concentration in respect of individual collateral providers or certain kinds of collateral as a further risk category and classifying this as an indirect Concentration Risk as they have an impact only in the event of default.

As a prudential measure aimed at better Risk Management and avoidance of concentration of Credit Risks, Bank One has fixed limits on its exposure to the following:

- to individual borrowers
- to group borrowers
- to specific industry or sectors and credit portfolio

HHI and Concentration Risk Level

The most well-known and commonly used approach available to assess concentrations is the Herfindahl-Hirschman Index (HHI).

The Herfindahl-Hirschman Index (HHI) is a simple model-free approach for quantifying undiversified idiosyncratic risk. The HHI is defined as the sum of the squares of the relative portfolio shares of all depositors. Well-diversified portfolios with a very large number of very 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	Level of RIsk
<1,000	Low Risk
1,000-1,800	Moderate Risk
>1,800	High Risk

Individual Exposures

The HHI for the portfolio of top 10 Individual Borrowers stood at 1096 as on 31 December 2013 which is well within the threshold of 'Lower Moderate Risk'.

Group Exposures

The HH Index for the portfolio of top 10 Group Borrowers stood at 1100 as on 31 December 2013, indicating 'Lower Moderate Risk'. These exposures are monitored very closely at Board Credit Committee.

Industry Exposures

The Bank's total exposure to any industry as on December 2013 has not exceeded limits set under the Credit Policy. The HHI index for industry Exposure as at 31 December 2013 was 1604, showing moderate industry Concentration Risk.

Depositors Concentration

The HHI for the portfolio of top 10 depositors stood at 1215 as on 31 December 2013, which is well within the threshold of 'Moderate Risk'.

Geographical Sectors

Advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when an advance is guaranteed by a party located in an area which is different from that of the counterparty.

At 31 December 2013, over 73% of the Bank's Advances to customers, including related impaired advances and overdue advances, categorised on the basis of the geographical location of the borrower were classified under Mauritius. HH index for cross border exposure was 1,513 indicating moderate risk.

The following table analyses the cross border exposure of the Bank in relation to loans and advances, investment in securities and balances as well as placements with banks:

	Banks and other financial institutions Rs 000		Others Rs 000		Total Rs 000	
	2013	2012	2013	2012	2013	2012
Africa and Middle East	1,920,417	696,169	1,595,497	1,636,994	3,515,914	2,333,163
North and South America	711,754	1,121,211	962	-	712,716	1,121,211
Europe	372,329	2,016,210	285,449	273,149	657,779	2,289,359
Asia Pacific	211,328	553,491	810,701	1,250,710	1,022,030	1,804,201
Total	**3,215,829**	**4,387,081**	**2,692,610**	**3,160,853**	**5,908,439**	**7,547,934**

54% of cross border exposure is on banks and financial institutions with ratings of investment grade.

RISK MANAGEMENT REPORT (cont'd)

ECAI Rating

Standard & Poor's Ratings Services ("Standard & Poor's), Moody's Investors Services ("Moody's") and Fitch Ratings are the external credit assessment institutions ("ECAIs") that the Bank uses for the assessment of its Credit Risk exposures to Banks, sovereigns, public sector entities, as well as exposures to rated corporates.

Maximum exposure	2013 Rs 000	2012 Rs 000
Credit Risk exposure relating to on-balance sheet assets are as follows:		
Cash and balances with banks	2,199,398	3,290,464
Placements with banks	1,067,828	1,025,324
Derivative financial instruments	1,787	12,984
Loans to individuals		
- Mortgages	2,319,313	1,718,779
- Others	2,840,725	2,804,786
Loans to corporate entities		
- Term loans and overdrafts	5,473,022	6,286,355
Loans to entities outside Mauritius	1,336,631	1,438,293
Advances to banks	150,500	-
Other assets	1,149,907	1,243,963
Available-for-sale securities & held to maturity securities	1,489,223	1,567,109
Credit Risk exposures relating to off-balance sheet items as follows:		
Financial guarantees and other credit related contingent liabilities	587,619	825,233
Loan commitments and other credit related commitments	1,088,021	1,763,922
At 31 December	**19,703,974**	**21,977,212**

MARKET RISK & ALCO

Market Risk is the risk that our earnings, capital or ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates and foreign exchange rates.

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"), and Treasury Committee. 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 have to be reviewed and sanctioned by the appropriate level of management or Board.

The Bank applies different Risk Management policies and procedures in respect of the Market Risk arising from its trading and banking books.

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 control 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 "value-at-risk" methodology ("VaR") 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 which are monitored on a daily basis.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount the Bank might lose, but only to a certain level of confidence which for the Bank is 99% for a one day holding period. There is therefore a specified statistical probability that actual loss could be greater than the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed. It is also based on the current mark-to-market value of the positions, the historical correlation and volatilities of the Market Risk factors over one year. The Bank applies these historical correlation and volatilities in rates, prices, indices, etc. directly to its current positions. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation.

There are three main ways of calculating VaR:

- Historical Approach
- Variance Covariance Method
- Monte Carlo Simulation

Historical Approach

Historical simulation is the most transparent method of calculation of VaR. This involves running the current trading portfolio across a set of historical price changes to yield a distribution of changes in portfolio value, and computing a percentile (the 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.

Variance Covariance Method

The variance-covariance, or delta-normal, model was popularised by J.P Morgan (now J.P. Morgan Chase) in the early 1990s when they published the RiskMetrics Technical Document. This method assumes the returns on risk factors are normally distributed, the correlations between risk factors are constant and the delta (or price sensitivity to changes in a risk factor) of each portfolio constituent is constant. Using the correlation method, the volatility of each risk factor is extracted from the historical observation period. Historical data on investment returns is therefore required.

Monte Carlo Simulation

It simulates a situation on the basis of current and past (historical) data. In the simulation process, it computes an equation (mathematical model) thousands or millions of times, each time injecting random numbers to come up with a range of possibilities or outcomes of possible actions. As with historical simulation, Monte Carlo simulation allows to use actual historical distributions for risk factor returns rather than having to assume normal returns. Monte Carlo simulation furnishes the decision-maker with a range of possible outcomes and the probabilities they will occur for any choice of action.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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 on a monthly basis.

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 Investment committee monitors the debt securities book on a weekly basis reporting quarterly to the Board Risk Management Committee and the full Board.

VaR methodology is not currently being used to measure and control the Market Risk of the banking book.

RISK MANAGEMENT REPORT (cont'd)

(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 on a daily basis within established foreign exchange limits.

The following limits have been stipulated by the Bank of Mauritius regarding Net Open Position that should be managed by the Bank:

- Open Position (Overnight Limit): Not to exceed 15% of Tier 1 Capital
- Open Position per Currency (Overnight Limit): Not to exceed 10% of Tier 1 Capital

As at 31 December 2013, the Bank was well within the above limits.

The Risk Department which is independent of trading operations ensures limits are being respected. Bank One is active in three currencies, namely, USD, EUR and GBP. Other currencies are traded rarely. A report to the ALCO underlying any breach in limits is prepared on a monthly basis and submitted to Board Risk Management Committee on a quarterly basis.

Accordingly as at 31 December 2013, the Value-at-Risk limits against the actual potential loss are given in the table hereunder.

VaR Limit vs Actual Position Dec 2013			
	USD	EUR	GBP
VaR Limit	Rs 1m	Rs 1.5m	Rs 1m
Actual potential loss	Rs (23)k	Rs (67)k	Rs (2)k

Enhanced controls for Foreign Exchange Risk

On the Trading side, from a risk mitigation perspective, the bank has for the time-being reduced its trading activities and has shifted its focus to merchant business. The resumption of trading will be permitted as soon as the additional controls enumerated below are implemented:

- A New Products Committee will be set up to assess and evaluate all the attendant risks of any new activity launched. All support function Heads viz. Compliance, Finance, Operations, Credit and IT clearance will be obtained before the product is sold or traded.
- To address the losses in trading activities, the Bank has further tightened its controls and procedures to mitigate the risks. The treasury limits for trading activities have been substantially lowered. Stop Loss limits and per trader limits have been reviewed and it will be the responsibility of the Treasurer to ensure that these limits are respected.
- Trading in products where the level of volatility of currency pairs varies significantly will be monitored strictly by the concurrent auditors and stopped at the discretion of Management if required.
- Moreover, supervision over the activities of treasury has been further strengthened and more stringent MIS reporting on a daily / weekly basis to the Management and Board has been introduced to identify breaches immediately.
- To ensure that the control procedures for trading are adhered to, regular internal audit reviews would be performed. Any red alerts would instantly trigger remedial action.

(ii) 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 board, the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins and net interest income may increase or decrease as a result of such changes or in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by Risk Unit and reported monthly to Asset and Liabilities Management and quarterly to Board Risk 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. In this framework, deposits without a fixed maturity are assumed to be repayable and to reprice on the next working day whereas loan prepayments are not considered when allocating loan balances into respective interest repricing time bands.

Interest Rate Sensitivity Analysis

A detailed analysis of the Interest Rate Sensitivity Analysis as at 31 December 2013 is given in note 2 (f) of the Financial Statements.

The immediate impact of changes in interest rates is on Bank's earnings through its Net Interest Income (NII). When viewed from this perspective, it is known as **'earnings perspective'**. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin.

A long-term impact of changing interest rates is on the Bank's Value or Net Worth as the economic value of Bank's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. This perspective is known as **'economic value' perspective**.

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 months horizon, as required under Bank of Mauritius and Basel II guidelines.

Earnings at Risk Analysis as at 31 December 2013

Interest Movement	Impact on earnings on account of interest basis (Rs m)
+10 bps -10 bps	- 0.470 + 0.470
+15 bps -15 bps	-0.704 +0.704
+25 bps -25 bps	-1.174 +1.174
+50 bps -50bps	-2.348 +2.348
+75 bps -75 bps	-3.522 +3.522
+100 bps -100 bps	-4.696 +4.696
+200 bps -200 bps	-9.392 +9.392

If interest rates move up by 200bps, the Bank would lose Rs 9.39m in its Net Interest Income; conversely if rates move down by 200 bps, the Bank would gain Rs 9.39m. In the current economic context, the Bank's view is that interest rate is likely to have an upward trend (not beyond 75 bps) during the year 2014 and in such a case; the Bank will have a marginal impact on its 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 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 0.56% of Capital base, well within the outlier limit of -10%, recommended under Basel II and approved by the Board.

In addition, the Bank's investments in debt securities are also exposed to other price risks. Consequently, the value of such investments could change significantly depending on a variety of factors including Liquidity Risk, market sentiment and other events that might affect individual or portfolios of exposures.

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 fulfill 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 to ensure that sufficient cash reserves ratio relative to the statutory minimum is maintained throughout the year. The average cash reserves ratio of the Bank during the year was well above the minimum ratio set by the Bank of Mauritius; 8% for MUR and 6% for foreign currencies of domestic deposit base.

Treasury is responsible for the daily Management of liquidity and reporting weekly on liquidity planning to Treasury Committee. The monitoring and reporting take the forms of cash flow measurements and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The cash flow projections also take into account unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The Asset and Liability Management Committee ("ALCO") reviews monthly, or at 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/cash reserve ratio and maturity mismatch are set and sufficient liquid assets are held to ensure that the Bank can meet all short-term funding requirements.

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

RISK MANAGEMENT REPORT (cont'd)

Liquidity Risk Management Process (cont'd)

Stress tests are also carried to ensure adequate liquidity are available under stressed conditions, contingent plans are also reviewed to prepare for any extremely liquidity 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 both static as well as dynamic basis. Under the dynamic scenario, Bank arranges assets and liabilities into different maturity ranges according to Bank of Mauritius guidelines, taking into account the historical behavioural pattern of these assets and liabilities.

Stress testing and scenario analysis, such as 25% or 50% Deposits run off, as well as Bank specific crisis and Market crisis scenarios, from an important part of the Bank's liquidity management process.

As at 31 December 2013, the Bank liquidity was comfortable even in stressful conditions of 25% of deposits run off.

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 2 years, excluding loans against deposits over the Bank's total foreign currency deposits excluding deposits under lien. The Board Risk Committee has approved a limit of 35%, which is reviewed on a quarterly basis.

The actual long-term lending ratio is monitored on a daily basis by the Risk Management Unit and reported on monthly basis to the Assets and Liabilities Committee so that Management can take adequate measures to keep the long-term lending ratio within the limit of 35%. The actual ratio as at 31 December 2013 was at 33.10%.

OPERATIONAL RISK

Operational Risk is defined as 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk' (Basel Committee on Banking Supervision).

The primary aim of Bank One is the early identification, prevention and mitigation of Operational Risks. The Bank has an Operational Risk framework, as set in its Operational Risk Management Policy, to ensure that Operational Risks within the organisation are properly identified, assessed and controlled in a structured, systematic and consistent manner. Furthermore, all major Operational Risk issues are reported and discussed at the monthly Operational Risk forum (Management Operational Risk Committee) and quarterly to the Board Risk Management Committee. The policy is reviewed annually by the Board.

The framework and standards adopted by Bank One for Operational Risk capital computation follow the Basel II Basic Indicator Approach. However, in line with the Bank of Mauritius requirements and as part of our preparation for the Advanced Measurement Approach under Basel II, a comprehensive loss events and incidents database has been established to monitor Operational Risk.

Risk and Control Self-Assessment (RCSA) is a tool used by Bank One for comprehensively identifying and assessing Operational Risks. The outcome of this exercise together with explanations and action plan is communicated to the Board Risk Management Committee on a quarterly basis.

In order to manage Operational Risk, Bank One has implemented an organisational structure which calls for high levels of ethics and integrity across all levels of the enterprise whereby every employee is responsible for the management of Operational Risk. Additional encumbrance is placed on managers and control units to ensure that there is adherence to policy and procedures regarding operational controls.

Processes and procedures are regularly updated to cater for changes in systems and introduction of new products and activities. Appropriate levels of authority are delegated to employees based on their capability and experience. There is also adequate segregation of duties between origination, authorisation and execution of transactions to ensure better controls. The Bank's IT Security Policy lays down the processes and procedures in order to protect the organisation's core and critical systems against misuse and external threat. Penetration Testing is carried out by external consultants every year to ensure all systems are adequately protected against internal and external intrusion.

Training and regular communication targeting all employees to keep them abreast of developments in their areas of operation are means used by the Bank to embed an Operational Risk awareness culture throughout the organisation.

In line with regulatory requirements, a Money Laundering Reporting Officer scrutinises all transactions above a certain threshold or having an unusual pattern and makes sure that all suspicious transactions are reported to the relevant authorities. Furthermore, the Compliance team ensures that the Bank complies with all regulatory requirements and internal policies and procedures. The Compliance Report is submitted to the Management Operational Risk Committee and the Board Risk Committee on a quarterly basis.

As a solution to Operational Risk arising from external events that could affect business continuity, the Bank has implemented a disaster recovery site (DRS) located in the centre of the island. All data and applications are replicated and the site can be activated in case the primary operation centre is not accessible. Under the Business Continuity Plan, branches outside Port Louis would be used as fall-back operation sites in case of disaster affecting the primary site. Testing of communication between branches and the disaster recovery site are carried out a least once a year.

As part of the Operational Risk Management Framework, the Bank makes use of insurance to mitigate the risk of high impact loss events.

Monitoring and Measuring Operational Risk

The Bank tracks internal loss data by category on an ongoing basis; the gross loss is taken after any insurance recovered.

Capital charge for Operational Risk is provided for in line with the Bank of Mauritius guidelines. Under the Basic Indicator Approach the capital charge is taken at 10 times 15% of average gross income over the past 3 years.

Taking into account the Bank's size and the scale and complexity of its operations, exposure to Operational Risk is considered to be at an acceptable level and adequate systems are in place to detect, manage, monitor and mitigate Operational Risk.

Key Elements of Operational Risk Framework

Operational Risk Heat Map as at 31 December 2013

RISK MANAGEMENT REPORT (cont'd)

Initiatives

In August 2012, the Bank had launched a project to implement a front-to-back system to automate processing of treasury operations. The system (Finacle Treasury supplied by Infosys) went live end of February 2013 and the in-built controls have significantly brought down Operational Risk due to human errors and unauthorised employee activity.

In January 2013, the International Faculty of Finance (London) delivered a 3-day tailor-made training on Operational Risk for Banks to 69 staff members.

COUNTRY RISK

When the Bank engages in international lending or incurs a cross border exposure, it undertakes not only counterparty Credit Risk but also Country Risk.

Country Risk is defined as the risk that arises from uncertainties in economic, social and political factors 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 etc, in the countries in which the Bank has granted credits, made investments or undertaken contingent liabilities with residents of those countries in such a way that affects the level of risk or creditworthiness of business undertaking in those countries. Such occurrences may cause the debtors or counterparties to be unable to repay their debts or decline to fulfill their contractual obligations and may affect the financial status and operations of the Bank. Country Risk is the primary factor that differentiates International lending from Domestic Lending.

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

Responsibility for ensuring the effective management of the Bank's Country Risk does not solely rest with Senior Management, but is also a responsibility of every staff associated with International Lending and Monitoring Exposure of the Bank.

Country Risk Management Framework

The framework provides a definition of Country Risk and details the principles of how Country Risk is to be managed for all types of international exposures in the Bank. The Management has the overall responsibility to ensure that this framework is adopted to effectively manage Country Risks.

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

Risk Management Unit

- Implement and monitor compliance with the Country Risk Management policy, including defining the model to quantify the provision required for Country Risk in line with the policy of the Bank.
- Monitor, assess and support Country Risk Management practices.
- Assist the Management in anticipating Country Risk exposures.
- Report to the Management on the state of risk and risk practices.
- Continuously research and analyse the social, political and economic developments in the various countries where the Bank has exposures.
- Prepare and submit quarterly reports to Board Risk Committee through the Management.

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 its external borrowing as well as its 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.

Bank One conducts its own Country Risk assessment and also makes use of external assessment. The results of Country Risk analysis to be integrated closely with the process of formulating marketing strategies, approving credits, assigning country ratings, setting country exposure limits and provisioning.

Country Exposure Limits

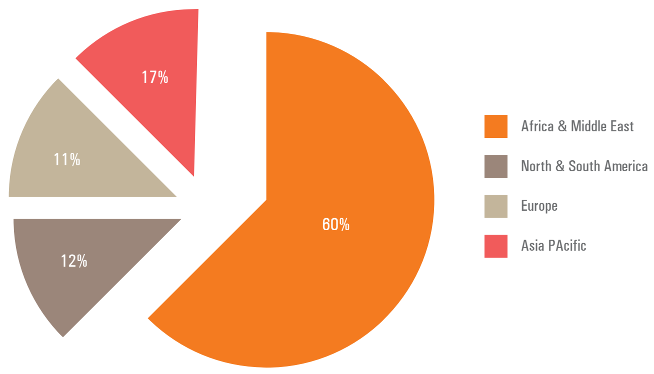
The Bank uses ratings by External Credit Rating Agencies (Standard & Poor's, Moody's and Fitch). The model inputs are updated on a quarterly basis to reflect economic and political changes in countries. The countries and sovereigns are rated as high, medium or low risk. In certain specific cases, while using the ratings by the abovementioned ECRAs, additional inputs are used, to arrive at the internal rating.

Country exposure limits and sub limits (if any) are reviewed and approved by the Board Risk Committee (BRC) on a quarterly basis. Interim reviews are also conducted and submitted to BRC on 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 to exceed 250% of the Bank's capital base. However, exceptions to this can be obtained with specific approval from the full Board. Total cross border Risk-Weighted exposures for the Bank should not exceed 500% the capital base of the Bank. As at 31 December 2013, the Bank was well within these limits.

The Bank sets exposure limits for individual countries (particularly for countries in emerging markets) and sub limits to manage and monitor Country Risk. Country exposure limits apply to all on- and off-balance sheet exposures to foreign obligors.

Country Risk Exposures by Region as at 31 December 2013 are as under.



Measurement of Country Risk

The system of measurement is based on the size and complexity of its international lending operations, and is detailed enough to permit an adequate analysis of the different types of risk.

On-balance sheet exposures normally include loans and advances, investment in shares and securities (except those excluded from total (gross) capital in the Capital Adequacy ratio computation) and funds in foreign bank accounts including nostro accounts.

Off-balance sheet exposures, such as letters of credit, acceptances, and other legally binding commitments to lend to foreign clients are converted into credit equivalents on the basis of the conversion factors set out in the BOM guidelines on "standardised approach to Credit Risk".

As counterparties may be more exposed to local country conditions than others, the following criteria for measuring risk for different exposures are adopted;

- Banking sector
- Public sector exposures
- Private sector exposures

Monitoring & Reporting of Country Exposures

The Bank reviews the country exposures and the country specific strategy and submits quarterly reports to the Board Risk Committee.

Bank gathers in a timely manner, information about developments in exposed countries that may have a bearing on the Country Risk assessment through various sources, for example rating agencies. Particular attention is paid to potential contagion risk in the region.

Country Risk Provisioning

Provisioning Policy and Approach

Aggregate exposures to a particular country, for the purpose of computing the allowance for Country Risk, include loans and advances, investment in shares and securities (excluding equity investments), funds in foreign bank accounts and non-fund based facilities converted into credit equivalents on the basis of conversion factors as per the Guideline on Standardised Approach to Credit Risk.

Risk weights for claims on sovereigns in currency other than their local currency, as provided in BOM guidelines on "Eligible Capital" are used as reference for determining the "Country Risk Ratings".

For the financial year ended 31 December 2013, the Bank made provision of Rs 7m for Country Risk, included in the portfolio of provisions, as per internal policy approved by the Board.

COMPLIANCE RISK

Compliance Risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformity with, the laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. Compliance Risk also arises in situations where the laws or rules governing certain bank products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts.

Compliance Risk is sometimes also referred to as integrity risk, because a Bank's reputation is closely connected with its adherence to principles of integrity and fair dealing.

RISK MANAGEMENT REPORT (cont'd)

COMPLIANCE RISK (cont'd)

Compliance laws, rules and standards generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, treating customers fairly and ensuring the suitability of customer service.

Philosophy

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

The Bank's Compliance Risks are centrally managed by an independent Compliance function. The establishment of an independent Compliance function in the Bank is in line with international best practice. The Compliance function operates from the Head Office, which is manned by dedicated Compliance Officers whose main job in the Bank is "Compliance'. Highlights of the scope of coverage of the Compliance function include:

- Regulatory Compliance
- Anti-Money Laundering and Combating the Financing of Terrorism, including Know Your Customer (KYC) and Know Your Customer's Business (KYB) principles
- Corporate Governance Compliance Monitoring

Compliance Risk Indicators

Compliance Risk is measured in respect to the potential adverse impact of the finding and the probability that the adverse event will occur. The factors which are taken into consideration for the determination of the probability are the source of the threat, capability of the source, the nature of the vulnerability and the effectiveness of the current controls.

Approach

The Bank is subject to extensive supervisory and regulatory governance. Any significant business development must be approved by the Bank of Mauritius.

The approach to Compliance Risk in Bank One is as follows:

1. Establish Appropriate framework covering proper management oversight, system controls and other related matters;
2. Establishing written guidance to staff on the appropriate implementation of policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
3. Periodical review of changes in law and regulations in order to ensure that the Bank addresses the risk arising from such changes;
4. Monitoring of compliance with existing rules and regulations while mitigating the effects of any unintentional non-compliance;
5. Ensure to conduct periodical compliance training to Compliance function and to educate all staff with respect to compliance with the applicable laws, rules and standards;
6. Productive dialogue with regulators in order to ensure effective two-way communication; and
7. Assist Management in promoting a culture of integrity, including actions to raise staff awareness on fraud prevention and Anti-Money Laundering and Combating the Financing of Terrorism.

Role & Responsibilities of Compliance Manager

The Compliance Manager who also assumes the function of Money Laundering Reporting Officer (MLRO) and is independent from the business activities of the Bank. The Compliance officer identifies, assesses, monitors and reports on the Bank's Compliance Risk thus assists Management in discharging their compliance accountabilities.

The main accountabilities are:

1. To assign a robust compliance structure, processes and advisory services in order to ensure line management's compliance with current laws, regulations and supervisory requirements;
2. To establish a compliance culture that contributes to the overall objective of prudent Risk Management;
3. To set policies and standards on compliance issues for the Bank on a proactive basis and foster the development of a bank-wide compliance culture;
4. To assess the appropriateness of internal procedures and guidelines, promptly following up on any identified deficiencies in the policies and procedures and, where necessary, formulate proposals for amendments, to ensure that there are in line with regulatory guidelines;
5. To undertake investigations into breaches, potential breaches or regulatory issues when considered necessary and in conjunction with Audit when appropriate;
6. To report to the Management and the Board Committee all breaches or potential breaches he is aware of;
7. To establish and manage the Compliance function of the Bank and ensure that it is operating in accordance with the requirements of the procedures, guidelines and manuals;
8. To provide training to business areas in the procedures and practices to activate compliance with relevant Laws and Regulations;
9. To ensure that there is no conflict of interest existing between the Compliance function and other internal control functions.

In regard to the Bank's Anti-Money Laundering and Combating Financing of Terrorism obligations, the Compliance function is duty-bound to ensure that the Bank has put in place adequate processes and, that these processes are being appropriately implemented and that adequate training is given to staff.

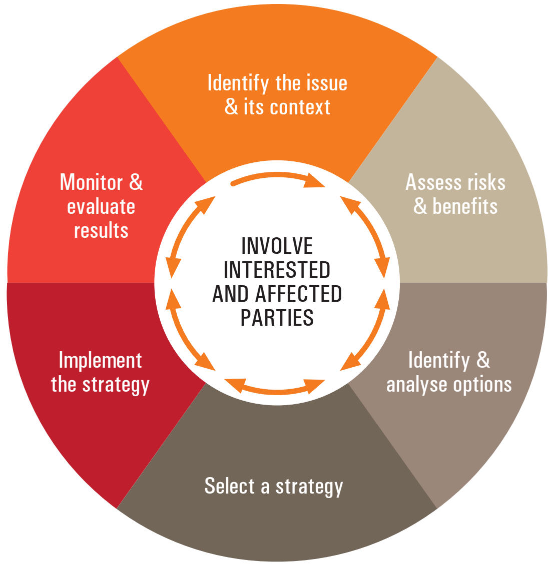
STRATEGIC RISK

Strategic Risk is the risk of losses of the organisation as a result of mistakes made (imperfections) in taking decisions defining the strategy of the Bank's activity and development (strategic management) and resulting non-consideration or insufficient consideration of possible threats to the Bank's activity, inadequate or insufficiently substantiated definition of prospective business lines where Bank could gain advantage over its competitors, absence or incomplete provision of necessary resources (financial, material and technical, human) and organisational measures (managerial decisions) that must provide the achievement of strategic objectives.

The major goal of Strategic Risk Management is to maintain the risks taken by the Bank at levels determined in accordance with its strategic tasks and to ensure safety of assets and capital by minimisation of possible losses.

The Bank uses the following methods of Strategic Risk Management:

- Business planning;
- Financial planning;
- Monitoring of approved plans implementation;
- Market analysis;
- Readjustment of plans.



Strategic Risk generally may bring significant immediate or future negative impact on the financial and market positions of the Bank. The Board of Directors, assisted by Senior Management, is directly responsible for the management of Strategic Risk. Board of Directors set the strategic goals and key direction of the Bank, ensures business strategies are developed to achieve these goals, oversee the strategic development and implementation to secure compatibility with the strategic goals, review business performance, ensure proper resources are available to achieve the Bank's objectives, and authorises management to take appropriate action.

The business strategy of the Bank, covering a five year planning cycle has been defined and documented, and approved by the Board. This strategy document is reviewed once a year and forms the basis of the annual business budget and operating plan of the Bank. To support the Bank's five year business strategy, detailed strategies are developed and documented separately by function, in the areas of product development, marketing and sales, human resource development and information and communication technology, amongst others.

Bank One closely monitors the Strategic Risk, through the regular review of various factors that create significant immediate or future negative impact, as detailed hereunder, and monitors and mitigates the risk through the periodical close scrutiny by the Senior Management and Board of the Bank.

The Bank undertakes a detailed Analysis of the Strategic Risks using 5 Key Risk Indicators: Industry, Competition, Strategic Plans, Access to Capital Markets and Management.

RISK MANAGEMENT REPORT (cont'd)

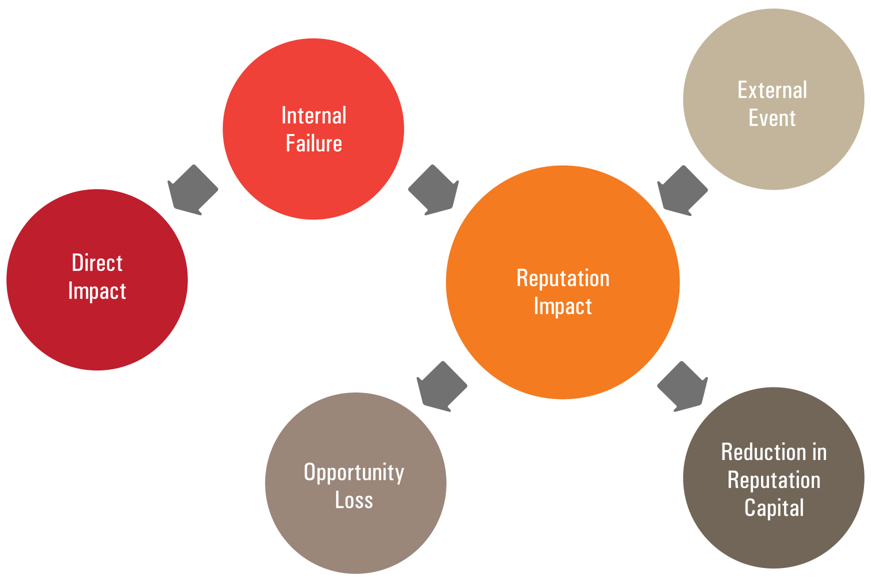
REPUTATION RISK

1. Introduction

1.1. Reputation is market, public and stakeholder's perception of the Management and the financial stability of the Bank. Stakeholders include Customers, Shareholders, the Board of Directors and the society at large. The media in its own right could also have a perception, either good or bad, of an organisation. Reputation is as an intangible asset, like goodwill, but more difficult to measure and quantify. Consistently strong earnings, an active and perceptive Board of Directors, a committed Senior Management with ethical principles, loyal and committed workforce, and a strong customer base are just a few examples of positive factors that contribute to a Bank's good reputation.

1.2. In comparison to any other form of business, 'Reputation' has the maximum value in the financial services sector, just as a major source of funds in banks is depositors' money. The risk arising from problems in such financial intermediation can lead to high external costs and may have systemic implications. The Regulator, concerned with the safety, soundness and integrity of the financial system, frequently keeps recalibrating the guidelines to stress on the importance of holding intact this 'Reputation', which does form the basis of trust and on which platform transactions take place.

Impact of the Internal and External Reputational Risk, is depicted as under.



2. Identification

2.1. Reputation Risk is the current or prospective loss in the value of Bank's business with regard to (i) its earnings and capital; and (ii) its image and trust. This risk may result in financial loss, costly litigation and decline in customer base. In banking, Reputation Risk has a far higher consequence on the system than any other industry. It is, therefore, imperative to identify the plausible sources and monitor their efforts on a regular basis.

2.2. Towards this end, following are some identified sources of Reputation Risk:

- Non-compliance with regulation / legal obligations
- Exposure of unethical practices
- Security breaches (for e.g., sensitive data leaks, hacking of customer financial data, phishing in internet banking services, etc)
- Failure to deliver minimum standards of service and product quality to customers
- Poor crisis management
- Failure to hit financial performance targets
- Risk by association with partners / alliances with poor reputation
- Failure to address issues of public concern proactively (for e.g., climate change)
- Workforce unrest or very high mobility of workforce

3. Assessment

3.1. The subjective nature of Reputation Risk poses challenges in appropriate quantification. By its nature and definition, the risk originates in the perceptions of the Bank's stakeholders: the customers, the employees and the shareholders.

3.2. To arrive at a measure of Reputation Risk, the following methods can be considered:

- Quantitative Index: The losses may be estimated by analysing the data pertaining to (i) decrease in revenue through customer defection and revenue erosion; and (ii) increase in direct monetary costs comprising accounting write-offs associated with a reputation-sensitive event, increased compliance costs, regulatory fines and legal settlements as well as indirect costs related to loss of reputation such as higher financing costs, contracting costs and opportunity costs.
- Market Survey: A study to elicit views and record feedback on how the Bank is perceived can be conducted periodically among the customers, the employees and the shareholders to assess the likely effects of certain events on these perspectives and consequent fallout.

Until such index is in place, Bank One continues to monitor Reputational Risk on a qualitative basis through Heat Map.

4. Internal Controls

4.1. Grievance Mechanism

4.1.1 The customers can approach any of the Branches or the Head Office, in case of any grievance. The complaints helpdesk is now fully operational and is the dedicated area for all the complainants or those customers who wish to drop their feedback to suggest improvements. A dedicated "Hot Line" (+230 2029203) and email (complaints@bankone.mu) are provided for clients to directly report their grievances to the Quality Service Coordinator. The Bank also provided specially designed "Feed Back" boxes at all Branches and Head Office for this purpose. A complaints/feedback sheet is also available on our website http://www.bankone.mu.

4.1.2. All complaints are given due consideration with an acknowledgement sent to the client within 24hrs of receipt of the complaint and are resolved within a specified timeframe.

4.1.3. The Bank also holds fortnightly meetings, chaired by the CEO, where complaints are reviewed individually to ensure resolution as well as addressing gaps to avoid recurrences.

4.2. Communication
Preserving a strong reputation revolves around effectively communicating and building relationships. Communication between the Bank and its stakeholders is the foundation on which a strong reputation stands. Timely and accurate financial reports, adequate publicity in print and electronic media including web-based platforms, and excellent customer service have been important tools for reinforcing the Bank's credibility and obtaining the trust of its stakeholders.

4.3. Corporate Governance
Reputation Risk is effectively managed through exercise of strong corporate governance practices. 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.

5. Monitoring & Reporting
Monitoring for Reputation Risk is a centralised function, as it encompasses almost all spheres of the business and the organisation. However, consistent monitoring and reporting are in place for all major sources of the Risk, such as frauds, system failures, customer service. The Board has an oversight over these sources through quarterly reports submitted by the Risk Unit to the Board Risk Management Committee. This effectively reduces the chances of reputation loss occurrences to a minimal level.

An assessment was made based on positions held as at 31 December 2013. The residual risks have been maintained at a constant, comfortable and manageable level. Areas which have been reported as "Medium, Medium / High Risk" are being closely monitored.

Overall Reputation Risk was maintained at a satisfactory level in 2013.

RISK MANAGEMENT REPORT (cont'd)

INTERNAL AUDIT FUNCTION

The role of the Internal Audit Function at Bank One Ltd is to provide to Management, Audit Committee and the Board of Directors independent, objective assurance and consulting services aimed at adding value and improving the Bank's operations.

To this end, Internal Audit follows a disciplined risk based approach to evaluate and improve the effectiveness of Risk Management, control, and governance processes. The overall audit strategy and audit timetable which is encoded in the annual internal audit plan is subject to approval of the Board Audit Committee.

To fulfill its responsibilities, Internal Audit reviews systems and processes to assess their operating effectiveness and efficiency; evaluates accounting systems and internal controls; evaluates the relevance, reliability & integrity of Management Information Systems; assesses extent of compliance with established policies and regulations; appraises the use of resources with regard to economy, efficiency and effectiveness; assesses the means of safeguarding assets. Internal Audit advises and recommends in a consulting capacity on systems of controls, accounting and operational matters. Internal Audit also carries out other assignments such as investigation of suspected fraud cases, specific inspections, follow ups, and other ad hoc reviews as requested by Management and Audit Committee.

High risk areas within the Bank are examined at least twice a year while low risk areas are covered at least once. Internal Audit findings and recommendations are presented and discussed with Management at the monthly Operational Risk Committee. High risk issues as well as the full audit reports are submitted to the Audit Committee which meets on a quarterly basis. Findings which require prompt attention are reported immediately to the relevant authorities. Internal Audit also performs periodic follow ups & reports on outstanding audit issues. IT Audit is outsourced to an external audit firm.

To enable Internal Audit to successfully achieve its objectives, internal auditors at Bank One are well equipped with the right blend of professional & academic qualifications as well as relevant banking and auditing experience. During the year, internal auditors have attended in house training sessions meant to enhance their understanding, skills and technical abilities.

The Bank's Chief Internal Auditor reports functionally to the Audit Committee & administratively to the Chief Executive Officer. Moreover, for more objectivity and transparency, the Chief Internal Auditor, regularly meets the Chairman of the Audit Committee, in the absence of Bank's Management representatives.

RISK CAPITAL MANAGEMENT

The Bank's Capital Management Policy is to provide sufficient capital for the banking business to achieve its strategic objectives, taking into account the regulatory, economic and commercial environment in which it operates. The Capital Adequacy framework is supported by a Board approved Internal Capital Adequacy Assessment Process (ICAAP), which encompasses capital planning for current and future periods, taking into consideration strategic focus and business plan and assessment of all material risks under stress conditions.

The Bank's objectives when managing capital are:

- To comply to the capital requirements set by the regulator;
- To safeguard the Bank's ability to continue its business as a going concern;
- To maximise returns to shareholders and optimise the benefits to stakeholders;
- To maintain a strong capital base to support the development of its business.

Capital Adequacy ratio measures the Bank's capital to the Risk-Weighted Assets. The minimum required capital as set by the Bank of Mauritius, under BASEL II guidelines, is a capital to Risk-Weighted Assets of 10%.

Risk-Weighted Assets is the aggregate of the Risk-Weighted Assets for Credit Risk, Market Risk and Operational Risk, and covers both on-balance sheet and off-balance sheet exposures. On-balance sheet exposures are classified according to the obligor or the nature of each exposure and risk-weighted based on the credit assessment rating assigned by an external credit assessment institution recognised by the Bank of Mauritius or other principles as set out in Capital Adequacy rules as stipulated by the Central Bank, taking into account the capital effects of Credit Risk mitigation. Off-balance sheet exposures are converted into credit-equivalent amounts by applying relevant credit conversion factors to each exposure, before being classified and risk-weighted as if they were on-balance sheet exposures.

The Bank's eligible capital as managed by the Bank's management is divided into two tiers:

- Core capital or Tier 1 Capital: share capital, profit and loss, and reserves created by appropriations of retained earnings. The book value of goodwill and other intangible assets is deducted in arriving at core capital; and
- Supplementary capital or Tier 2 Capital: qualifying perpetual and term subordinated debts, collectively assessed impairment allowances, regulatory reserve, and fair value gains arising on revaluation of holdings of land and buildings and available-for-sale equities and debt securities. Investment in subsidiaries, significant investments in non-subsidiary companies and shares, and investments in other banks' equity are deducted 50% from Tier-1 capital and 50% from supplementary capital to arrive at the eligible capital.

Capital Adequacy and the use of eligible capital are monitored regularly by Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by Bank of Mauritius for supervisory purposes. The required information is submitted to the Bank of Mauritius on a quarterly basis.

RISK MANAGEMENT REPORT (cont'd)

Movement during the year

Total capital base stood at Rs 1.7bn as at 31 December 2013, representing an increase of Rs 273m over last year. Tier 1 capital expanded by Rs 213m contributed to a large extent by the injection of additional share capital of Rs 180m.Tier 2 capital increased to Rs 505m as at 31 December 2013 with additional subordinated debts of Rs 100m raised moderated by the amortization of existing long-term debts.

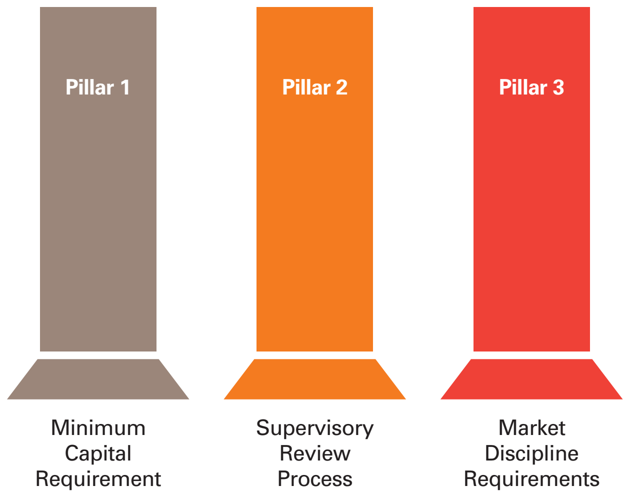
As at 31 December 2013, the total Risk-Weighted Assets was Rs 12.9bn representing an increase of 3% over last year.

Risk-Weighted Assets relating to Operational Risk, which is determined by the average income over a rolling three-year time horizon, increased by Rs 46m or 6%.

Basel II

Under the BASEL II methodology, Bank of Mauritius has issued guidelines for the measurement of Credit Risk, Market Risk and Operational Risk.

Basel II Accord is structured around three "pillars".



Pillar 1
The basis for the calculation of the regulatory Capital Adequacy ratio is illustrated under this Pillar by setting the definition and calculations of the Risk-Weighted Assets and then calculating the regulatory capital base.

The Bank of Mauritius has set a minimum Capital Adequacy Ratio (CAR) to 10% for all locally incorporated banks.

Approaches adopted for determining regulatory capital requirements
The default approach adopted by Bank One for determining regulatory capital requirements under the Bank of Mauritius Basel II guidelines is as follows:

a) Credit Risk: Standardised approach

b) Market Risk: Standardised approach

c) Operational Risk: Basic Indicator approach

Pillar 2
Pillar II "The supervisory review process" is intended not only to ensure that banks have adequate capital to support all the risks in their business, but also to encourage banks to develop and use better Risk Management techniques in monitoring and managing their risks.

Pillar II comprises two processes:

- Internal Capital Adequacy Assessment Process (ICAAP), and
- Supervisory review and evaluation process.

The ICAAP incorporates a review and evaluation of Risk Management and capital relative to the risks to which the bank is exposed. Breach of the internal minimum CAR will act as a "trigger" for remedial action to be taken by management with immediate effect thereafter. The Internal minimum CAR represents the capital position which the Bank will maintain the additional buffer over the regulatory minimum CAR to accommodate any capital requirements under Pillar II.

Pillar 3
The purpose of Pillar 3 "Market Discipline" is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). Its aim is to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess certain specified information on the scope of application of Basel II, capital, particular risk exposures and risk assessment processes, and hence the Capital Adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided at the consolidated level.

The table below shows the components of Tier I and Tier II capital and the Capital Adequacy ratios for the last three years under Basel II framework.

Capital Structure	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Core Capital (Tier 1 Capital)			
Paid up Capital	731,456	551,456	551,456
Statutory Reserve	93,476	85,424	54,918
Retained Earnings	444,655	418,425	275,562
Less Deductions			
Goodwill	(15,147)	(15,147)	(15,147)
Intangibles	(47,210)	(40,225)	(36,142)
Deferred Tax	(25,982)	(31,873)	(36,983)
Unrealised Cumulative Losses	-	-	(7,555)
Less Investments in Capital of Other Banks	(11,847)	(11,833)	(10,453)
Total Tier 1 Capital	**1,169,401**	**956,227**	**775,656**
Supplementary Capital (Tier 2 Capital)			
Reserves arising from Revaluation of Assets	34,059	34,059	34,059
Portfolio Provision	123,000	130,842	92,742
Subordinated Debt	358,386	290,815	323,096
Less Investments in Capital of Other Banks	(11,847)	(11,834)	(10,453)
Fair Value Gains	1,446	1,446	-
Total Tier 2 Capital	**505,044**	**445,328**	**439,444**
Total Capital Base	**1,674,445**	**1,401,555**	**1,215,100**
Risk-Weighted Assets for:			
Credit Risk	12,018,225	11,639,715	9,396,664
Market Risk	13,004	62,797	79,115
Operational Risk	879,262	833,046	638,009
Total Risk-Weighted Assets	**12,910,490**	**12,535,558**	**10,113,788**
Capital Adequacy Ratio	**12.97%**	**11.18%**	**12.01%**

RISK MANAGEMENT REPORT (cont'd)

Risk-Weighted Assets

Risk-Weighted On-Balance Sheet Items

	Dec-13			Dec-12	Dec-11
	Rs 000	Risk Weight %	Risk Weighted Rs 000	Risk Weighted Rs 000	Risk Weighted Rs 000
Cash in Hand & with Central Bank	1,190,580	0%	-	-	-
Balance and Placements with Banks	2,752,840	20-100%	1,304,533	778,383	626,980
Balance in Process of Collection	47,987	20%	9,597	10,203	42,598
Treasury Bills and GOM Bills	976,229	0%	-	-	-
Other Investment	497,003	20-100%	436,964	268,852	264,285
Fixed Assets and Other Assets	445,783	0-100%	445,783	546,685	408,098
Loans and Advances	11,824,435	0-100%	9,392,555	9,666,897	7,544,990
	17,734,856		**11,589,432**	**11,271,020**	**8,886,951**

Risk-Weighted Off-Balance Sheet Items

	Dec-13				Dec-12	Dec-11
	Rs 000	Credit Conversion Factor (%)	Risk Weight %	Risk Weighted Rs 000	Risk Weighted Rs 000	Risk Weighted Rs 000
Acceptances and Bill of Exchange	187,604	100%	100%	187,604	211,461	233,208
Placement of Forward Deposits	150,500	100%	100%	150,500	-	-
Guarantees, Bonds etc	171,842	50%	100%	85,921	150,374	203,921
Letter of Credit	23,839	20%	100%	4,768	6,861	72,584
				428,793	**368,696**	**509,713**

Risk-Weighted Exposures

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Risk-Weighted On-Balance Sheet Assets	11,589,432	11,271,020	7,971,487
Risk-Weighted Off-Balance Sheet Exposures	428,793	368,695	534,901
Risk-Weighted on Market Risk	13,004	62,797	32,471
Risk-Weighted on Operational Risk	879,262	833,046	394,017
Total Risk-Weighted Assets	**12,910,490**	**12,535,558**	**8,932,876**

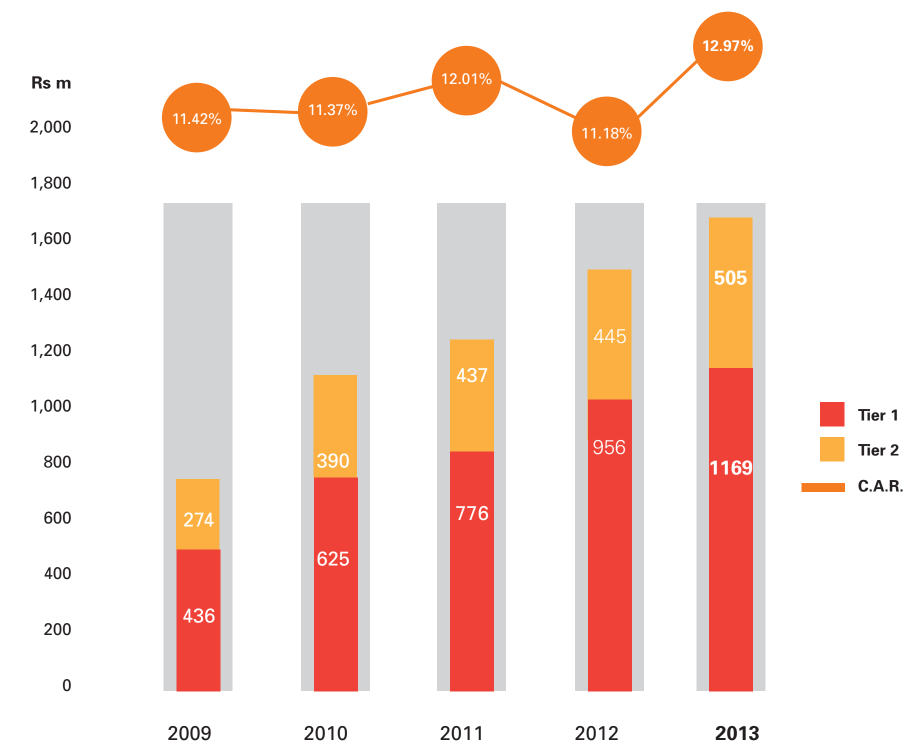
Risk-Weighted Assets for Market Risk

	Dec-13	Dec-12	Dec-11
Foreign Exchange Risk	13,004	62,797	79,115
Interest Rate Risk	-	-	-
Equivalent Risk-Weighted Assets	**13,004**	**62,797**	**79,115**

Risk-Weighted Assets for Operational Risk

	Dec-13	Dec-12	Dec-11
Average Gross Income for last 3 years	586,175	555,364	425,339
Capital Charge	87,926	83,305	63,801
Equivalent Risk-Weighted Assets	**879,262**	**833,046**	**638,009**

Capital Adequacy Ratio Trendline



RISK MANAGEMENT REPORT (cont'd)

Supervisory Review process (SRP)

The guideline on Supervisory Review Process issued by the Bank of Mauritius on 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. In terms of Principles of Proportionality given in the Bank of Mauritius guidelines, banks are expected to migrate to and adopt progressively sophisticated ICAAP approaches in designing their ICAAP, from simple to moderately complex to complex, based on their activities and Risk Management practices. Looking to the range and complexity of our activities, we have adopted the simple approach.

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 SRP encompasses four elements which emanate from the four principles stated above: the ICAAP, the SREP, the dialogue between the Central Bank and the banks and the supervisory response.

The Internal Capital Adequacy Assessment Process (ICAAP)

The Bank's Risk Management Policy requires the bank to identify the risks to which it is exposed and to manage and mitigate those risks. Consistent with that, the Bank is expected to have an ICAAP for assessing its overall Capital Adequacy in relation to its risk profile and a strategy for maintaining its capital levels. Its chosen internal capital targets should be well founded and consistent with its overall risk profile and current operating environment.

The essential elements of Bank's ICAAP include:

(a) Policies and procedures designed to ensure that the Bank identifies, measures, and reports all material risks including new risks;

(b) Processes reflecting the size, complexity and business strategy of the Bank that relates capital to the level of risk;

(c) A process that states the Bank's Capital Adequacy goals with respect to risks, taking account of the Bank's strategic focus, business plan and operating environment; and

(d) A process of internal controls, reviews and audit to ensure the integrity of the overall management process.

Internal Assessment of Capital

The Bank's capital management framework includes a comprehensive Internal Capital Adequacy Assessment Process (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.

The ICAAP encompasses capital planning for a certain time horizon, identification and measurement of material risks and the relationship between risk and capital. Capital Adequacy and Risk Management is 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 the ICAAP and endeavors 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 2013. The methodology for the stress testing is approved by the Board of Directors. The results of stress testing are reported to the Board of Directors 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 of Assessment for Material Risks

Type of Risk	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

Stress tests represent an important tool for exploring potential vulnerabilities to exceptional but plausible events. 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.

Based on the stress testing framework, which is approved by the Board, Bank One conducts stress tests on its various portfolios and assesses the impact on its capital level and the adequacy of capital buffers for current and future periods. Bank One periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions.

The business and capital plans and the stress testing results of the Bank are integrated into the ICAAP.

The Stress Test Policy of the Bank details:

- Methodology for constructing appropriate and plausible single factor and/or multifactor stress tests;
- Procedure for setting the stress tolerance limits;
- Procedure for monitoring the stress loss limits;
- Remedial actions, if required at the relevant stages in response to stress testing results;
- Authorities designated to activate the remedial actions;
- Need for identification of the responsibilities assigned to various levels / functional units; and reporting lines.

RISK MANAGEMENT REPORT (cont'd)

Descriptions of Stress Scenarios

Risk Type	Scenario I - Assumptions	Scenario II - Assumptions
Credit Risk	Downgrade of two notches ratings to all loans to banks portfolios and foreign bonds portfolios.	Downgrade of four notches ratings to all loans to banks portfolios and foreign bonds portfolios.
	50% of the total residential property is affected by an increase in risk weights from 35% to 75% due to a decline in property value.	An increase in risk weights from 35% to 75% due to a decline in property value applicable to the total portfolio.
	Risk Weight of 100% instead of 75% applied to 50% of the overall regulatory retail portfolio within granularity criterion.	Risk Weight increase by 25% by the regulator for all retail loans which are within granularity criterion (75% to 100%).
	Assuming 25% of Import LC accepted by the Bank. (R.W from 20% to 100%).	Assuming 40% of Import LC accepted by the Bank. (R.W from 20% to 100%).
	All Existing impaired acs which carry a risk weight of 100% are increase to 150% and those carrying 50% to 100%.	All Existing impaired accounts carry risk weight of 150%.
	15% of exposures to the tourism sector turn bad due to Euro crisis with risk weight of 150% (from 100%) and 20% provisions made.	25% of exposures to the tourism sector turn bad due to Euro crisis with risk weight of 150% (from 100%) and 20% provisions made.
	15% of exposures to the commercial Real Estate turn bad due to economic recession with risk weight of 150% (from 100%) and 20% provisions made.	25% of exposures to the commercial Real Estate turn bad due to economic recession with risk weight of 150% (from 100%) and 20% provisions made.
Market Risk	Increase of 5% in net foreign exchange exposure.	Increase of a 10% in net foreign exchange exposure.
Operational Risk	Risk-Weighted Assets for Operational risk is multiplied by 12 times instead of 10 times.	Risk-Weighted Assets for Operational risk is multiplied by 15 times instead of 10 times.
Liquidity Risk	The percentage of cumulative gap to total outflows (up to stress period of 3 months) falls to (-)25%.	The percentage of cumulative gap to total outflows (up to stress period of 3 months) falls to (-)35%.
Interest Rate in Banking Book (IRBB)	Negative interest rate shock of 100bps across all maturity buckets.	Negative interest rate shock of 200bps across all maturity buckets.
Country Risk	Country risk ratings decreased by 2 notches by ECAIs.	Country risk ratings decreased by 4 notches by ECAIs.

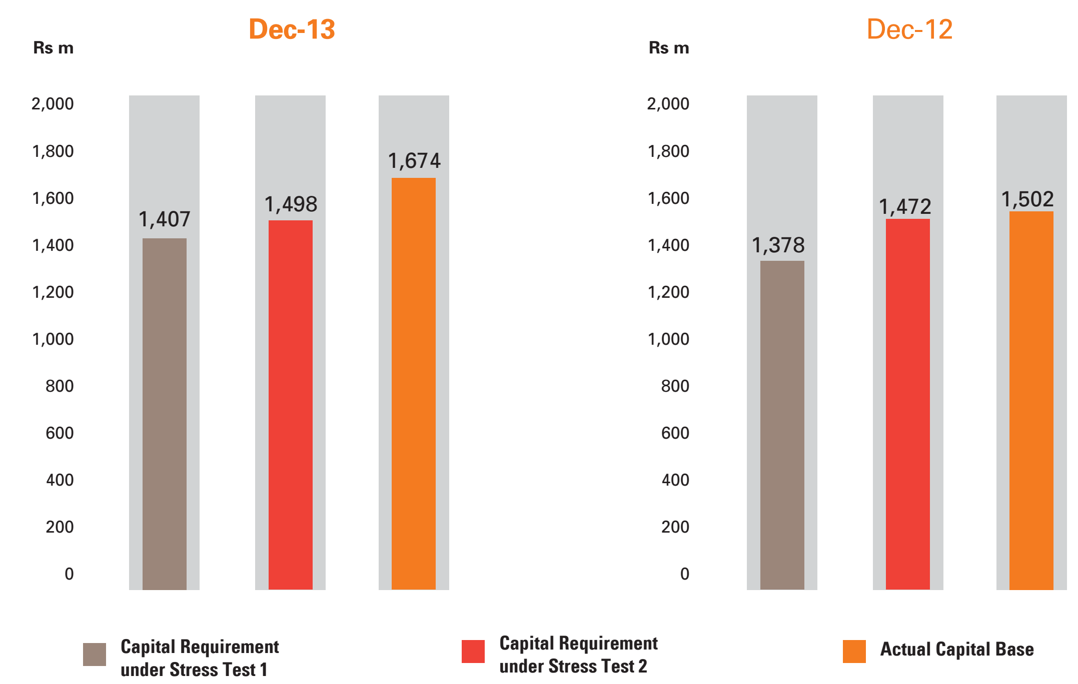
Stress tests based on two levels of severity (Scenario 1 and 2) have been worked out based on December 2013 figures and the additional capital requirements are given below.

Internal Capital Assessment on account of Stress Tests (Rs m)

As on 31 December 2013		Capital Requirement		
S. No.	Risk Analysed	Pillar 1 Rs m	Pillar 2 Stress 1 Rs m	Pillar 2 Stress 2 Rs m
1	Credit Risk	1,202	1,295	1,352
2	Market Risk	1	1	1
3	Operational Risk	88	106	132
4	Concentration Risk	-	-	-
5	Country Risk	-	-	4
6	Liquidity Risk	-	-	-
7	Interest Rate Risk	-	5	9
8	Reputation Risk	-	-	-
9	Strategic Risk	-	-	-
10	Compliance Risk	-	-	-
	Total Capital Requirement	**1,291**	**1,407**	**1,498**

The Bank had sufficient capital cushion available as on 31 December 2013 to meet the regulatory requirements, if all the envisaged stress conditions under both scenarios crystallise at the same time.

Capital Requirement under Stress Scenarios



RISK MANAGEMENT REPORT (cont'd)

BASEL III

The Basel Committee on Banking Supervision drew up a new set of banking regulations known as Basel III framework. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The Basel III framework includes several key initiatives, which changes the current framework that has been in effect since 2008. The regulation requires higher and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk based requirement, measures to promote the build-up of capital that can be drawn down in periods of stress, and the introduction of two global liquidity standards.

The Basel III framework will require banks' to comply with the following minimum capital ratios on a date which is still to be finalised by the regulator as the earlier application date has been extended to all banks.

- Common equity tier 1(CET1) capital ratio of 5.5%
- Tier 1 capital ratio of 6.5%
- Total capital ratio of 10%

Besides the changed composition of the capital base, a capital conservation buffer of 2.5% will be established above regulatory minimum requirements. Further, a countercyclical buffer will be implemented as an extension of the capital conservation buffer, which will be developed by each central bank when excess credit growth is judged to be associated with a build-up of system wide risk. Both the capital conservation buffer and the countercyclical buffer should be covered by CET 1 capital. The Basel Committee has on top of this proposed that domestic systemically important banks should have additional loss absorbency.

This additional requirement should also be met by CET 1 capital. Risk-Weighted amounts will mainly be affected by additional requirements for counterparty credit risk and an introduction of an asset correlation factor for exposures towards financial institutions.

In addition to capital requirements the regulation will be supplemented with a non-risk based measure, leverage ratio. The ratio will be calculated as the Tier 1 capital divided by the exposure (on-balance and off-balance sheet exposures, with some adjustments for certain items such as derivatives).

The Basel Committee has developed two new quantitative liquidity standards, as part of the new Basel III framework i.e. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The standards aim to set the minimum levels of liquidity for internationally active banks.

The CAR under Basel III is expected to be increased to 10.625% in 2017 and a further increase to 11.25% in 2018 and gradually improving to a final 12.5% in 2020 as per the timetable below.

	2014	2015	2016	2017	2018	2019	2020
1 July (All dates are as of 1 January)							
Leverage Ratio	**Parallel run 2014 - 2017**					**Migration to Pillar 1**	
Minimum CET 1 CAR	5.5%	6.0%	6.5%	6.5%	6.5%	6.5%	**6.5%**
Capital Conversion Buffer	-	-	-	0.625%	1.25%	1.875%	**2.5%**
Minimum CET 1 CAR Plus Capital Conversion Buffer	5.5%	6.0%	6.5%	7.125%	7.75%	8.375%	**9.0%**
Phase-in of deductions from CET 1*	-	50%	50%	60%	80%	100%	**100%**
Minimum Tier 1 CAR	6.5%	7.5%	8.0%	8.0%	8.0%	8.0%	**8.0%**
Minimum Total CAR	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	**10.0%**
Minimum Total CAR plus Capital Conversion Buffer	10.0%	10.0%	10.0%	10.625%	11.25%	11.875%	**12.5%**

*Applicable to significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation.

Bank One has started to take initiatives and measures to comply with the new Basel III requirements to ensure preparedness prior to cut off dates.

The Bank's Common Equity Tier 1 capital as at 31 December 2013 was 9.06%.

CAMEL RATING

The Bank of Mauritius has been publishing the CAMEL ratings of banks in Mauritius since March 2011 based on their financial conditions, with a view to improving transparency and market disclosure, and also to improve the overall efficiency and stability of the financial system.

The ratings are based in various criteria including Capital Adequacy, Asset Quality, Management, Earnings and liquidity.

Rating ranges from 1- Strong; 2+ and 2- (satisfactory); 3+ and 3- (fair) ; 4 (marginal) and 5 (unsatisfactory). Ratings are communicated quarterly to banks individually and published on Bank of Mauritius website in June and December each year.

The Bank was rated obtained a rating of (3+) in the last two quarters of 2013.

Exploring new PARTNERSHIPS

We are well aware of our responsibility towards the community and environment (both ecological and social) in which we operate. **Bank One** expresses this citizenship by engaging itself in programmes aimed at the betterment of society and by encouraging its people to participate actively in social activities in order to make a significant and positive contribution towards our less fortunate compatriots.

INDEPENDENT AUDITORS' REPORT

to the Shareholders of Bank One Limited

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

Report on the Financial Statements

We have audited the financial statements of BANK ONE Limited on pages 98 to 143 which comprise the statement of financial position as at 31 December 2013, the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 98 to 143 give a true and fair view of the financial position of the Bank as at 31 December 2013, 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 Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Companies Act 2001
We have no relationship with, or interests in, the Bank, other than in our capacity as auditors, tax advisers and dealings in the ordinary course of business. We have obtained all information and explanations we have required. In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act 2004
In our opinion, the financial statements have been prepared on a 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.

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

The Financial Reporting Act 2004
The Directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

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

BDO & Co
Chartered Accountants

Ameenah RAMDIN, **FCCA, ACA**
Licensed by FRC

Port Louis, Mauritius
This 26 February 2014

98 FINANCIAL STATEMENTS
for the year ended 31 December 2013

STATEMENT OF FINANCIAL POSITION as at 31 December 2013

	Note	Dec-13 Rs 000	Restated Dec-12 Rs 000	Restated Dec-11 Rs 000
ASSETS				
Cash and cash equivalents	13	3,267,226	4,315,788	3,187,034
Derivative assets held for Risk Management	14	1,787	12,984	5,094
Loans and advances to banks	15	148,577	-	117,247
Loans and advances to customers	16	11,552,858	11,947,585	9,087,874
Investment securities	17	1,489,223	1,567,109	1,814,166
Property, plant and equipment	18	310,561	328,909	320,117
Intangible assets	19	62,356	55,371	51,289
Deferred tax assets	20	25,982	31,873	36,983
Other assets	21	839,346	1,143,963	1,056,137
Total assets		**17,697,916**	**19,403,582**	**15,675,941**
LIABILITIES				
Deposits from customers	22	15,162,715	17,198,221	14,118,085
Derivative liabilities held for Risk Management	14	5,040	3,037	3,406
Subordinated liabilities	23	428,386	330,815	323,096
Other borrowed funds	24	480,747	367,505	-
Current tax liabilities	25	20,017	10,020	15,307
Other liabilities	26	252,522	363,828	270,298
Total liabilities		16,349,427	18,273,426	14,730,192
Shareholders' equity				
Stated capital	28	731,456	551,456	551,456
Retained earnings		444,655	414,374	271,242
Other reserves		172,378	164,326	123,051
		1,348,489	1,130,156	945,749
Total equity and liabilities		**17,697,916**	**19,403,582**	**15,675,941**

These financial statements were approved for issue by the Board of Directors on 26 February 2014.

Roger Leung Shin CHEUNG
Chairman of the Board of Directors

Ravneet CHOWDHURY
Chief Executive Officer

Pratul Hemraj Dharamshi SHAH
Director and Chairman of Audit Committee

The notes on pages 102 to 143 form an integral part of these financial statements. Auditors' report on page 96.

STATEMENT OF PROFIT OR LOSS for the year ended 31 December 2013

	Note	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000
Interest income		972,054	903,845	825,496
Interest expense		(486,046)	(507,199)	(469,306)
Net interest income	3	486,008	396,646	356,190
Fee and commission income		186,862	142,481	129,063
Fee and commission expense		(68,408)	(35,424)	(25,327)
Net fee and commission income	4	118,454	107,057	103,736
Net trading (loss) / income	5	(70,210)	135,291	109,900
Other operating income	6	2,313	8,462	299
		(67,897)	143,753	110,199
Operating income		536,565	647,456	570,125
Net impairment loss on financial assets	7	(88,800)	(46,025)	(35,615)
Personnel expenses	8	(224,487)	(232,913)	(203,078)
Depreciation and amortisation		(36,202)	(35,649)	(35,043)
Other expenses	9	(106,503)	(112,579)	(93,720)
		(455,992)	(427,166)	(367,456)
		80,573	220,290	202,669
Profit on sale and recovery of assets	10	-	4,378	-
Profit before income tax		80,573	224,668	202,669
Income tax expense	11	(26,895)	(21,300)	(27,381)
Profit for the year		**53,678**	**203,368**	**175,288**
Basic earnings per share (Rs)	12	**8.50**	**36.88**	**31.79**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Note	Year ended Dec-13 Rs 000	Restated year ended Dec-12 Rs 000	Restated year ended Dec-11 Rs 000
Profit for the year		53,678	203,368	175,288
Other comprehensive income :				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	1.1a & 27	(15,345)	269	(2,815)
Items that may be reclassified subsequently to profit or loss:				
Net fair value gain / (loss) on available for sale investment securities		-	10,770	(6,901)
Other Comprehensive Income for the year		(15,345)	11,039	(9,716)
Total Comprehensive Income for the year		**38,333**	**214,407**	**165,572**

The notes on pages 102 to 143 form an integral part of these financial statements. Auditors' report on page 96.

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2013

	Note	Stated capital Rs 000	Revaluation surplus Rs 000	Statutory reserve Rs 000	Fair value reserve Rs 000	Retained earnings Rs 000	Total Rs 000
Balance as at 1 January 2011							
- as previously reported		551,456	75,687	28,619	(654)	151,574	806,682
- effect of adopting IAS 19 (Revised)		-	-	-	-	(1,505)	(1,505)
		551,456	75,687	28,619	(654)	150,069	805,177
Profit for the year		-	-	-	-	175,288	175,288
Other comprehensive income for the year		-	-	-	(6,901)	(2,815)	(9,716)
Total comprehensive income		-	-	-	(6,901)	172,473	165,572
Transfer to statutory reserve		-	-	26,300	-	(26,300)	-
Dividend	29	-	-	-	-	(25,000)	(25,000)
Balance as at 31 December 2011		**551,456**	**75,687**	**54,919**	**(7,555)**	**271,242**	**945,749**
Balance as at 1 January 2012							
- as previously reported		**551,456**	**75,687**	**54,919**	**(7,555)**	**275,562**	**950,069**
- effect of adopting IAS 19 (Revised)		-	-	-	-	(4,320)	(4,320)
		551,456	75,687	54,919	(7,555)	271,242	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	203,637	214,407
Transfer to statutory reserve		-	-	30,505	-	(30,505)	-
Dividend	29	-	-	-	-	(30,000)	(30,000)
Balance as at 31 December 2012		**551,456**	**75,687**	**85,424**	**3,215**	**414,374**	**1,130,156**
Balance as at 1 January 2013							
- as previously reported		551,456	75,687	85,424	3,215	418,425	1,134,207
- effect of adopting IAS 19 (Revised)		-	-	-	-	(4,051)	(4,051)
		551,456	75,687	85,424	3,215	414,374	1,130,156
Issue of shares	28	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		731,456	75,687	85,424	3,215	452,707	1,348,489
Transfer to statutory reserve		-	-	8,052	-	(8,052)	-
Balance as at 31 December 2013		**731,456**	**75,687**	**93,476**	**3,215**	**444,655**	**1,348,489**

Revaluation surplus
Revaluation surplus, which comprises the changes in the carrying amount arising on revaluation of property, plant and equipment.

Statutory reserve
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.

Fair value reserve
Fair value reserve, which comprises the cumulative net change in the fair value of available-for-sale financial assets that has been recognised in other comprehensive income until the investments are derecognised or impaired.

The notes on pages 102 to 143 form an integral part of these financial statements. Auditors' report on page 96.

STATEMENT OF CASH FLOWS for the year ended 31 December 2013

	Note	Year ended Dec-13 Rs 000	Year ended Dec-12 Rs 000	Year ended Dec-11 Rs 000
Cash flows from operating activities				
Profit for the year		53,678	203,368	175,288
Income tax expense recognised		26,895	21,300	27,381
Net movement in derivatives		13,200	(8,259)	(1,425)
Depreciation of property, plant and equipment	18	21,554	23,562	25,443
Amortisation of intangible assets	19	14,648	12,087	9,618
Net change on provision for credit impairment	15 (c) & 16 (e)	118,128	(53,509)	37,014
Gain on sale of land and property, plant and equipment		-	520	-
Gain on sale of other assets		-	(10,099)	(395)
Others		10,528	(23,184)	(3,145)
Income tax paid		(11,007)	(10,594)	(5,711)
Fair value loss on disposal of available for sale securities		-	2,690	96
Changes in operating assets and liabilities				
(Increase) / decrease in loans and advances				
-to banks		(150,500)	118,606	(17,132)
-to customers		278,522	(2,807,561)	(1,158,763)
Decrease / (Increase) in other assets		304,617	(87,826)	(353,934)
(Decrease) / Increase in deposits from customers		(2,035,506)	3,080,136	1,519,377
(Decrease) / Increase in other liabilities		(110,706)	84,768	16,353
Net cash (used in) / from operating activities		(1,465,949)	546,005	270,065
Cash flows from / (used in) investing activities				
Purchase of investment securities		(565,211)	(607,649)	(938,658)
Proceeds from sale and redemption of investment securities		649,000	855,738	306,600
Purchase of available for sale investments		-	(908)	(207,764)
Proceeds from sale of available for sale investments		-	26,421	428,690
Purchase of property, plant and equipment	18	(3,806)	(32,656)	(23,557)
Proceeds from sale of property and equipment		-	822	-
Proceeds from sale of non-banking assets		-	19,645	1,670
Purchase of intangible assets	19	(21,633)	(16,169)	(14,755)
Net cash from / (used in) investing activities		58,350	245,244	(447,774)
Cash flows from financing activities				
Proceeds from subordinated liabilities	23	100,000	-	50,000
Proceeds from other borrowed funds	24	307,204	367,505	-
Repayment of other borrowed funds		(228,167)	-	-
Issue of shares	28	180,000	-	-
Dividend paid	29	-	(30,000)	(25,000)
Net cash from financing activities		359,037	337,505	25,000
Net (decrease) / increase in cash and cash equivalents		(1,048,562)	1,128,754	(152,709)
Cash and cash equivalents as at 1 January		4,315,788	3,187,034	3,339,743
Cash and cash equivalents as at 31 December	13	**3,267,226**	**4,315,788**	**3,187,034**

The notes on pages 102 to 143 form an integral part of these financial statements. Auditors' report on page 96.

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 are prepared under the historical cost convention except for available for sale financial assets, derivative contracts and land & buildings, which have been measured at fair value.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is not expected to have any impact on the Bank's financial statements.

IAS 27, 'Separate Financial Statements' deals solely with separate financial statements. The standard has no impact on the Bank's financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard is not expected to have any impact on the Bank's financial Statements.

IAS 28, 'Investments in Associates and Joint Ventures'. The scope of the revised standard covers investments in joint ventures as well. IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting. The standard has no impact on the Bank's financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles. The standard has no impact on the Bank's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Bank's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). See note 34 for the impact on the financial statements.

IFRIC 20, 'Stripping costs in the production phase of a surface mine', has no impact on the Bank's financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures and is not expected to have any impact on the Bank's financial statements.

Amendment to IFRS 1 (Government Loans) has no impact on the Bank's financial statements.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Annual Improvements to IFRSs 2009-2011 Cycle

IFRS 1 (Amendment), 'First time adoption of IFRS', has no impact on the Bank's operations.

IAS 1 (Amendment), 'Presentation of financial statements', clarifies the disclosure requirements for comparative information when an entity provides a third statement of financial position either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors' or voluntarily.

IAS 16 (Amendment), 'Property, plant and equipment', clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The amendment does not have an impact on the Bank's operations.

IAS 32 (Amendment), 'Financial instruments: Presentation', clarifies the treatment of income tax relating to distributions and transaction costs. The amendment does not have an impact on the Bank's operations.

IAS 34 (Amendment), 'Interim financial reporting', clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2014 or later periods, but which the Bank has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- IFRS 9 Financial Instruments
- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IFRIC 21: Levies
- Recoverable Amount Disclosures for Non-financial Assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- IFRS 9 Financial instruments, (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements to IFRSs 2010-2012 Cycle.
- Annual Improvements to IFRSs 2011-2013 Cycle.

Where relevant, the Bank is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Bank's accounting policies. In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are described in Note 1.2.

Change in accounting policy due to the application of IAS 19 (as revised in 2011) Employee benefits

In the current year, the Company has applied IAS 19 (as revised June 2011) Employee benefits and the elated consequential amendments. The Company has applied IAS 19 (as revised in 2011) retrospectively and in accordance with the transitional provisions as set out in IAS 19 paragraph 173 (as revised in 2011). These transitional provisions do not have an impact in future periods. The opening statement of financial position of the earliest comparative period presented (1 January 2011) has been restated.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits.

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

Impact of application of IAS 19 (as revised in 2011)

These 2013 financial statements are the first financial statements in which the Company has adopted IAS 19 (as revised in 2011). IAS 19 (as revised in 2011) has been adopted retrospectively in accordance with IAS 8. Consequently, the Company has adjusted opening equity as at January 1, 2011 and the figures for 2012 have been restated as if IAS 19 (as revised in 2011) had always been applied.

	Retirement benefit obligations Rs 000	Total Equity Rs 000
2012		
As previously reported	39,513	1,134,207
Effect of adopting IAS 19 (revised on 2011 figures)	4,320	(4,320)
Effect of adopting IAS 19 (revised on 2012 figures)	(269)	269
Other adjustments	(303)	-
As restated	**43,261**	**1,130,156**
2011		
As previously reported	35,663	950,069
Effect of adopting IAS 19	4,320	(4,320)
As restated	**39,983**	**945,749**

The effect on the statement of profit or loss and other comprehensive income was as follows:

	2013 Rs 000	2012 Rs 000	2011 Rs 000
Remeasurement of retirement benefit obligations	(15,345)	269	(2,815)
(Decrease)/increase of other comprehensive income	(15,345)	269	(2,815)

(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, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

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 in the statement of profit or loss.

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 their 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 or LIBOR. 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 the statement of 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 the statement of profit or loss.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Interest income and expense

Interest income and expense are recognised in the statement of profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter suspended and recognised only upon receipt.

(e) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan processing fees are deferred and recognised as income over the life of the loan.

(f) Net trading income

Net trading income comprises net gains on forex trading and translation differences.

(g) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the Statement of Financial Position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, 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.

(h) Investment securities

The Bank classifies its investment securities as held-to-maturity or available-for-sale financial assets. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where Management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities 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 are classified as available-for-sale.

Investment securities are initially recognised at fair value plus, in the case of those not at fair value through profit or loss, transactions costs. Available-for-sale listed financial assets are subsequently remeasured at fair value based on quoted bid prices. Fair values for unlisted equity securities are estimated using maintainable earnings or net assets bases refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other Comprehensive Income. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instruments original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned while holding investment securities is reported as interest income. Dividends receivable are included seperately in 'dividend income'.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the Bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

(i) Financial asset- Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Loans and provisions for loan impairment

Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers. An allowance for loan impairment is established if there is the objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the end of the reporting date. These have been estimated upon the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in the statement of profit or loss.

If the amount of the impairment subsequently decreases due to an event occuring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

(l) Property, plant and equipment

Property, plant and equipment (except land and building) are carried at historical cost or deemed cost less accumulated depreciation. 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 reserves. Any subsequent decrease is first charged to reserves. Thereafter, decreases are charged to the statement of 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, plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in the statement of 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 the statement of profit or loss when the expenditure is incurred.

(m) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives (3-5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, but not exceeding a period of five years.

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the business's assets and liabilities acquired.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(n) Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprises cash and balances non-restricted with Central Bank and amounts due to and from other banks. A further breakdown of cash and cash equivalents is given in note 13 to the financial statements. Cash and cash equivalents do not include the mandatory balances with the Central Bank.

(o) Provisions

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 recognised in other comprehensive income 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 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.

(q) Deferred 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

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 the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

1.1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 give 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.

(v) 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 that its financial situation allows such distribution.

(w) Leases

Accounting for leases - where the company is the lessor 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 company is the lessee

Rent payable under the operating leases are charged to the statement of profit or loss.

1.2 USE OF ESTIMATES AND JUDGEMENTS

Management discuss the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Key sources of estimation uncertainty

(a) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 1.1(k).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for Country Risks. In assessing the need for collective loan loss allowances, Management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

1.2 USE OF ESTIMATES AND JUDGEMENTS (cont'd)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value on instrument is observable, the instrument is included in level 2.

If one or more significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Held-to-maturity investments

The Bank follows the guidance of International Accounting Standard (IAS) 39 - "Recognition and Measurement" on classifying 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.

(d) Impairment of available-for-sale financial assets

The Bank follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank 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 Bank 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 obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 27.

2. FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

The Bank's activities expose it to a variety of financial risks, Market Risk (including currency risk and Interest Rate Risk), Credit Risk and Liquidity Risk.

The Bank's overall Risk Management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's financial performance.

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 cooperation with the operating units including Treasury. The Board (Risk Management Committee) provides written principles for overall Risk Management, as well as written policies covering specific areas, such as Foreign Exchange Risk, Interest Rate Risk, Credit Risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(b) Credit Risk

Credit Risk arises when customers or counterparties are not able to fulfill their contractual obligations under the contract. Credit Risk Management at the Bank is under the responsibility of the Credit Risk Management unit. The Board of Directors has delegated the function of formulating all matters of credit related policy and procedures in the Bank to the Board Credit Committee.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

2. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit Risk (cont'd)

Credit quality of loans and advances

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Neither past due nor impaired	10,074,974	10,994,101	8,573,602
Past due but not impaired	1,225,172	836,879	569,227
Impaired	820,045	417,233	416,429
Gross	12,120,191	12,248,213	9,559,258
Less allowance for credit impairment	(418,756)	(300,628)	(354,137)
Net	11,701,435	11,947,585	9,205,121
Fair value of collaterals of past due but not impaired	1,225,172	836,879	569,227
Net impaired loans after specific allowances	524,289	247,447	155,034
Fair value of collaterals of impaired loans	1,274,321	1,451,121	207,403
Loans and advances renegotiated			
Loans and advances renegotiated	434,134	576,582	547,398
Fair value of collaterals	434,134	576,582	547,398
Maximum exposure to Credit Risk before collateral and other Credit Risk enhancements:			
Credit Risk exposures relating to on-balance sheet assets are as follows:			
Balances with banks in Mauritius, banks abroad and inter bank loans	3,267,226	4,315,788	3,187,034
Derivatives financial instruments	1,787	12,984	5,094
Government of Mauritius/Bank of Mauritius Bills	968,527	1,195,228	1,335,508
Corporate bonds	520,696	371,881	478,658
Loans and advances to customers & banks	12,120,191	12,248,213	9,559,258
Others	1,149,907	1,472,872	1,376,254
Credit Risk exposures relating to off-balance sheet assets are as follows:	18,028,334	19,616,966	15,941,806
Financial guarantees	587,619	1,309,413	1,770,980
Loans commitments and other credit related liabilities	1,088,021	1,763,922	1,700,675
Total	**19,703,974**	**22,690,301**	**19,413,461**

2. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit Risk (cont'd)

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

(c) Market Risk

Market Risk arises from activities undertaken in or impacted by financial markets generally. This includes the risk of gain or loss arising from the movement in market price of a financial asset or liability as well as ancillary risks such as Liquidity and Funding risk.

The Bank has adopted a centralised Risk Management Framework which controls risks on an enterprise wide basis.

Within this framework, the Board of Directors approves the risk strategy, risk policies and prudential limits within which the operations are to be carried out. The Board has also set up the Board Risk Committee to which is delegated some of its main responsibilities to monitor and ensure the effectiveness of the risk process.

Implementation of the policies and business strategies are delegated to Management and the Risk Management Unit. Market Risk is under the control of the Asset and Liability Committee of the Bank.

The Bank is exposed to equity and securities price risk because of investments held and classified as available-for-sale financial asset. If the fair value had increased/decreased by 5%, the impact of increases/decreases in fair value analysis would be Nil (2012: Nil)

(d) Capital Structure

The minimum Capital Adequacy ratio is fixed at 10% and is calculated as follows:

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Tier 1 Capital	1,169,401	956,228	775,656
Tier 2 Capital	505,044	445,329	439,444
Total Capital Base	**1,674,445**	**1,401,557**	**1,215,100**
Total Risk-Weighted Assets	**12,910,490**	**12,535,557**	**10,113,788**
Capital Adequacy Ratio	12.97%	11.18%	12.01%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 (cont'd)

2. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Currency risk

Currency risk is defined as the potential movements in foreign exchanges rates that may adversely affect the bank's financial condition. Limits are monitored on a daily basis and reported by Treasury Back Office and Risk Management Unit to Management and Bank of Mauritius. Exposure/limits are also reported to ALCO and Board Risk Committee on a monthly and quarterly basis respectively.

Concentration of assets, liabilities and off-balance sheet items

At 31 December 2013	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	Others Rs 000	Total Rs 000
ASSETS						
Cash and cash equivalents	1,641,241	535,182	195,545	730,793	164,465	3,267,226
Derivative assets held for Risk Management	1,222	249	271	39	6	1,787
Loans and advances to banks	150,500	-	-	-	-	150,500
Loans and advances to customers	3,101,452	1,317,584	274,350	7,276,305	-	11,969,691
Investment Securities	158,937	959	-	1,329,327	-	1,489,223
Property, plant and equipment	-	-	-	310,561	-	310,561
Intangible assets	-	-	-	62,356	-	62,356
Deferred tax assets	-	-	-	25,982	-	25,982
Other assets	23,287	11,372	3,417	801,264	6	839,346
	5,076,639	1,865,346	473,583	10,536,627	164,477	18,116,672
Allowance for credit impairment						(418,756)
Total assets						17,697,916
LIABILITIES						
Deposits	4,931,782	749,935	1,101,663	8,216,544	162,791	15,162,715
Derivative liabilities held for Risk Management	-	2,391	328	-	2,321	5,040
Subordinated liabilities	179,289	-	-	249,097	-	428,386
Other borrowed funds	-	480,747	-	-	-	480,747
Current tax liabilities	-	-	-	20,017	-	20,017
Other liabilities	54,451	2,348	4,700	190,797	226	252,522
Total liabilities	5,165,522	1,235,421	1,106,691	8,676,455	165,338	16,349,427
Net on-balance sheet position	(88,883)	629,925	(633,108)	1,860,172	(861)	1,767,245
Less allowance for credit impairment						(418,756)
						1,348,489
Currency forwards and swaps						
Contractual/nominal amount	126,924	269,136	484,884	185,652	49,967	1,116,563
Credit commitments	421,400	-	4,959	661,662	-	1,088,021

2. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Currency risk (cont'd)

At 31 December 2012	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	Others Rs 000	Total Rs 000
Total assets	5,467,010	1,255,676	1,067,879	10,599,797	1,313,848	19,704,210
Total liabilities	6,109,081	1,146,132	1,318,168	9,214,677	485,368	18,273,426
Net on-balance sheet position	(642,071)	109,544	(250,289)	1,385,120	828,480	1,430,784
Less allowance for credit impairment						(300,628)
						1,130,156
Credit commitments	709,718	43,025	22,905	988,274	-	1,763,922

At 31 December 2011	USD Rs 000	EURO Rs 000	GBP Rs 000	MUR Rs 000	Others Rs 000	Total Rs 000
Total assets	4,453,063	1,129,265	597,739	9,425,372	424,639	16,030,078
Total liabilities	4,181,725	1,145,763	796,931	8,320,069	285,704	14,730,192
Net on-balance sheet position	271,338	(16,498)	(199,192)	1,105,303	138,935	1,299,886
Less allowance for credit impairment						(354,137)
						945,749
Credit commitments	435,260	296,778	58,653	909,984	-	1,700,675

(f) Interest Rate Risk

Interest Rate Risk is the exposure of the bank's financial condition to adverse movements in interest rate. Changes in Interest rates affect a bank's earnings by changing its Net Interest Income and the level of other interest sensitive income and expenses. It also affects the underlying value of the Bank's assets, liabilities and off-balance sheet items.

The following techniques are being used for measuring Interest Rate Risk:
- Gap Analysis
- Duration

The Gap report is generated by grouping rate sensitive liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next repricing period, whichever is earlier. All investments, advances, deposits, borrowings, purchased funds that mature within a specified timeframe are interest rate sensitive.

The standard duration approach is adopted to arrive at an approximation of the Bank's exposure to Changes in the Economic value as the Bank size and operations are considered as non complex.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 (cont'd)

2. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Interest Sensitivity of Assets and Liabilities - Repricing Analysis

At 31 December 2013	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
ASSETS								
Cash and cash equivalents	1,883,648	400,198	-	150,500			832,880	3,267,226
Derivative assets held for Risk Management	-	-	-	-	-	-	1,787	1,787
Loans and advances to banks	-	-	-	-	150,500	-	-	150,500
Loans and advances to customers	608,543	6,360,510	422,850	448,170	1,861,218	1,448,355	820,045	11,969,691
Investment Securities	-	248,936	29,721	489,225	294,600	403,046	23,695	1,489,223
Property, plant and equipment	-	-	-	-	-	-	310,561	310,561
Intangible assets	-	-	-	-	-	-	62,356	62,356
Deferred tax assets	-	-	-	-	-	-	25,982	25,982
Other assets	-	-	-	-	-	-	839,346	839,346
	2,492,191	**7,009,644**	**452,571**	**1,087,895**	**2,306,318**	**1,851,401**	**2,916,652**	18,116,672
Less allowances for credit impairment								(418,756)
Total assets								**17,697,916**
LIABILITIES								
Deposits	695,524	7,456,273	768,697	1,098,692	519,855	48,179	4,575,495	15,162,715
Derivative liabilities held for Risk Management	-	-	-	-	-	-	5,040	5,040
Subordinated liabilities	-	249,097	-	-	-	179,289	-	428,386
Other borrowed funds	-	7,681	48,344	3,944	170,497	250,281	-	480,747
Current tax liabilities	-	-	-	-	-	-	20,017	20,017
Other liabilities	-	-	-	-	-	-	252,522	252,522
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**
Less allowances for credit impairment								**(418,756)**
								1,348,489

At 31 December 2012	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
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**
Less allowances for credit impairment								(300,628)
								1,130,156

2. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Interest Sensitivity of Assets and Liabilities - Repricing Analysis (cont'd)

At 31 December 2011	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
Total Assets	1,379,539	6,032,402	725,297	780,976	1,724,388	1,870,803	3,516,673	16,030,078
Total Liabilities	821,450	7,175,962	1,187,688	1,267,954	369,893	209,200	3,698,045	14,730,192
Interest rate sensitivity gap	**558,089**	**(1,143,560)**	**(462,391)**	**(486,978)**	**1,354,495**	**1,661,603**	**(181,372)**	**1,299,886**
Less allowances for credit impairment								(354,137)
								945,749

(g) Liquidity Risk

Liquidity Risk is the risk of financial loss that arises when funds are required to meet repayments, withdrawals and other commitments that cannot be obtained in time due to lack of market liquidity which prevents quick and effective liquidation of positions or portfolios. Different dimensions of Liquidity Risks are (i) funding risk, (ii) Time risk and (iii) Call Risk.

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.

Maturities of Assets & Liabilities:

At 31 December 2013	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
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	-	-	-	-	150,500	-	-	150,500
Loans and advances to customers	2,361,070	300,289	383,483	385,541	2,224,099	6,315,209	-	11,969,691
Investment Securities	-	248,936	29,721	489,225	294,600	403,046	23,695	1,489,223
Property, plant and equipment	-	-	-	-	-	-	310,561	310,561
Intangible assets	-	-	-	-	-	-	62,356	62,356
Deferred tax assets	-	-	-	-	-	-	25,982	25,982
Other assets	-	-	-	-	-	-	839,346	839,346
	5,077,958	**950,809**	**413,245**	**1,025,266**	**2,669,199**	**6,718,255**	**1,261,940**	**18,116,672**
Less allowances for credit impairment								(418,756)
Total assets								**17,697,916**
LIABILITIES								
Deposits	10,578,568	1,099,182	1,308,465	1,396,373	618,145	161,982	-	15,162,715
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
Current tax liabilities	-	-	20,017	-	-	-	-	20,017
Other liabilities	-	-	-	-	-	-	252,522	252,522
Total liabilities	**10,581,079**	**1,109,315**	**1,376,903**	**1,416,616**	**922,663**	**690,329**	**252,522**	**16,349,427**
Net liquidity gap	**(5,503,121)**	**(158,506)**	**(963,658)**	**(391,350)**	**1,746,536**	**6,027,926**	**1,009,418**	**1,767,245**
Less allowances for credit impairment								(418,756)
								1,348,489

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

2. FINANCIAL RISK MANAGEMENT (cont'd)

Maturities of Assets and Liabilities (cont'd)

At 31 December 2012	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
Total assets	6,360,177	1,393,196	815,638	603,131	2,101,781	6,870,171	1,560,116	19,704,210
Total liabilities	11,379,904	1,337,952	1,593,765	2,127,786	894,606	575,585	363,828	18,273,426
Net liquidity gap	**(5,019,727)**	**55,244**	**(778,127)**	**(1,524,655)**	**1,207,175**	**6,294,586**	**1,196,288**	**1,430,784**
Less allowances for credit impairment								(300,628)
								1,130,156

At 31 December 2011	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
Total assets	4,773,600	740,708	786,977	939,345	2,115,525	5,175,011	1,498,912	16,030,078
Total liabilities	7,459,822	1,477,260	1,935,277	2,354,354	810,318	422,863	270,298	14,730,192
Net liquidity gap	**(2,686,222)**	**(736,552)**	**(1,148,300)**	**(1,415,009)**	**1,305,207**	**4,752,148**	**1,228,614**	**1,299,886**
Less allowances for credit impairment								(354,137)
								945,749

3. NET INTEREST INCOME

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
INTEREST INCOME			
Loans and advances to Banks	5,122	505	4,417
Loans and advances to customers	834,900	762,152	692,784
Investment securities	96,076	120,765	109,985
Placements with other banks	35,956	20,423	18,310
Total interest income	972,054	903,845	825,496
INTEREST EXPENSE			
Deposits from customers	(444,151)	(476,990)	(444,071)
Borrowings from Banks	(4,813)	(2,117)	(41)
Subordinated liabilities	(37,082)	(28,092)	(25,194)
Total interest expense	(486,046)	(507,199)	(469,306)
Net interest income	**486,008**	**396,646**	**356,190**

3. NET INTEREST INCOME (cont'd)

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(a) Segment A			
INTEREST INCOME			
Loans and advances to customers	665,520	610,895	595,804
Investment securities	83,570	105,186	86,112
Placements with other banks	32	384	988
Total interest income	749,122	716,465	682,904
INTEREST EXPENSE			
Deposits from customers	(374,308)	(394,331)	(385,663)
Borrowings from banks	(4,619)	(1,322)	(41)
Subordinated liabilities	(23,008)	(14,223)	(11,928)
Total interest expense	(401,935)	(409,876)	(397,632)
Net interest income	**347,187**	**306,589**	**285,272**
(b) Segment B			
INTEREST INCOME			
Loans and advances to banks	5,122	505	4,417
Loans and advances to customers	169,380	151,257	96,980
Investment Securities	12,506	15,579	23,873
Placements with other banks	35,924	20,039	17,322
Total interest income	222,932	187,380	142,592
INTEREST EXPENSE			
Deposits from customers	(69,843)	(82,659)	(58,408)
Borrowings from banks	(194)	(795)	-
Subordinated liabilities	(14,074)	(13,869)	(13,266)
Total interest expense	(84,111)	(97,323)	(71,674)
Net interest income	**138,821**	**90,057**	**70,918**

4. NET FEE AND COMMISSION INCOME

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
FEE AND COMMISSION INCOME			
Retail banking customer fees	40,666	35,254	23,189
Corporate banking credit related fees	15,901	20,743	20,466
International banking customer fees	49,565	62,566	60,230
Guarantees	6,148	7,813	10,131
Credit card and other related fees	67,852	12,747	10,551
Other	6,730	3,358	4,496
Total fee and commission income	186,862	142,481	129,063
FEE AND COMMISSION EXPENSE			
Interbank transaction fees	(4,026)	(736)	(2,338)
Credit card and other related fees	(37,172)	(11,041)	(8,529)
Other	(27,210)	(23,647)	(14,460)
Total fee and commission expense	(68,408)	(35,424)	(25,327)
Net fee and commission income	**118,454**	**107,057**	**103,736**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

4. NET FEE AND COMMISSION INCOME (cont'd)

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(a) Segment A			
FEE AND COMMISSION INCOME			
Retail banking customer fees	40,666	35,254	23,189
Corporate banking credit related fees	15,901	20,743	20,466
Guarantees	5,107	4,186	8,131
Credit card and other related fees	12,227	12,667	10,551
Other	891	1,330	4,403
Total fee and commission income	74,792	74,180	66,740
FEE AND COMMISSION EXPENSE			
Interbank transaction fees	(1,227)	(388)	(2,140)
Credit card and other related fees	(9,626)	(11,041)	(8,529)
Other	(26,794)	(23,051)	(14,222)
Total fee and commission expense	(37,647)	(34,480)	(24,891)
Net fee and commission income	**37,145**	**39,700**	**41,849**
(b) Segment B			
FEE AND COMMISSION INCOME			
International banking customer fees	49,565	62,566	60,230
Guarantees	1,041	3,627	2,000
Credit card and other related fees	55,625	80	-
Other	5,839	2,028	93
Total fee and commission income	112,070	68,301	62,323
FEE AND COMMISSION EXPENSE			
Interbank transaction fees	(2,799)	(348)	(198)
Credit card and other related fees	(27,546)	-	-
Other	(416)	(596)	(238)
Total fee and commission expense	(30,761)	(944)	(436)
Net fee and commission income	**81,309**	**67,357**	**61,887**

5. NET TRADING (LOSS)/ INCOME

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(Loss)/profit arising from dealing in foreign currencies	(66,957)	125,344	108,212
Net (expense)/income from derivatives	(3,253)	9,947	1,688
	(70,210)	**135,291**	**109,900**
(a) Segment A			
Profit arising from dealing in foreign currencies	16,544	31,281	112
Net (expenses)/ income from derivatives	(3,093)	4,884	1,962
	13,451	**36,165**	**2,074**
(b) Segment B			
(Loss)/profit arising from dealing in foreign currencies	(83,501)	94,063	108,100
Net (expenses)/ income from derivatives	(160)	5,063	(274)
	(83,661)	**99,126**	**107,826**

6. OTHER OPERATING INCOME

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Loss on sale of available for sale securities	-	(2,690)	(96)
Gain on sale of land through compulsory acquisition	-	10,099	-
Other	2,313	1,053	395
	2,313	**8,462**	**299**
(a) Segment A			
Gain on sale of land through compulsory acquisition	-	10,099	-
Other	78	1,053	395
	78	**11,152**	**395**
(b) Segment B			
Loss on sale of available for sale securities	-	(2,690)	(96)
Other	2,235	-	-
	2,235	**(2,690)**	**(96)**

7. NET IMPAIRMENT ON FINANCIAL ASSETS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Provision for bad and doubtful debts	(106,239)	(74,101)	(45,636)
Bad debts written off for which no provisions were made	(290)	(160)	-
Provisions released during the year	15,404	26,486	9,299
Recoveries of advances written off	2,325	1,750	722
Net Allowance for Credit Impairment	**(88,800)**	**(46,025)**	**(35,615)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 (cont'd)

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

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(a) Segment A			
Provision for bad and doubtful debts	(58,615)	(62,063)	(35,842)
Bad debts written off for which no provisions were made	(290)	(160)	-
Provisions released during the year	15,404	26,486	9,299
Recoveries of advances written off	2,325	1,750	722
Net Allowance for Credit Impairment	(41,176)	(33,987)	(25,821)
(b) Segment B			
Provision for bad and doubtful debts	(47,624)	(12,038)	(9,794)
Net Allowance for Credit Impairment	(47,624)	(12,038)	(9,794)

8. PERSONNEL EXPENSES

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Wages and salaries	(151,542)	(131,808)	(117,179)
Compulsory social security obligations	(6,242)	(5,554)	(4,895)
Pension costs (note 27)	(5,897)	(7,564)	(6,533)
Deferred contribution plan	(10,820)	(9,736)	(9,663)
Other personnel expenses	(49,986)	(78,251)	(64,808)
	(224,487)	(232,913)	(203,078)
(a) Segment A			
Wages and salaries	(115,605)	(101,568)	(96,674)
Compulsory social security obligations	(4,875)	(4,481)	(4,085)
Pension costs (note 27)	(5,347)	(7,035)	(6,168)
Deferred contribution plan	(8,067)	(7,549)	(8,168)
Other personnel expenses	(36,871)	(62,869)	(55,880)
	(170,765)	(183,502)	(170,975)
(b) Segment B			
Wages and salaries	(35,937)	(30,240)	(20,505)
Compulsory social security obligations	(1,367)	(1,073)	(810)
Pension costs (note 27)	(550)	(529)	(365)
Deferred contribution plan	(2,753)	(2,187)	(1,495)
Other personnel expenses	(13,115)	(15,382)	(8,928))
	(53,722)	(49,411)	(32,103)

9. OTHER EXPENSES

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Software licensing & other information technology cost	(31,931)	(30,431)	(23,659)
Others	(74,572)	(82,148)	(70,061)
	(106,503)	(112,579)	(93,720)
(a) Segment A			
Software licensing & other information technology cost	(26,736)	(25,323)	(22,238)
Others	(62,537)	(65,213)	(62,200)
	(89,273)	(90,536)	(84,438)
(b) Segment B			
Software licensing & other information technology cost	(5,195)	(5,108)	(1,421)
Others	(12,035)	(16,935)	(7,861)
	(17,230)	(22,043)	(9,282)

10. PROFIT ON SALE AND RECOVERY OF ASSETS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Financial assets recovered (note 32)	-	4,378	-
Segment B			
Financial assets recovered (note 32)	-	4,378	-

11. INCOME TAX EXPENSE

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS			
(a) Current tax expense			
Current period	22,191	16,190	15,307
Over provision in prior years	(1,187)	-	(404)
	21,004	16,190	14,903
(b) Deferred tax expense			
Originated and reversal of temporary differences (note 20)	5,891	5,110	12,478
	26,895	21,300	27,381

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

11. INCOME TAX EXPENSE (cont'd)

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(c) Reconciliation of effective tax rate			
Profit before income tax	80,573	224,668	202,669
Income tax at a rate of 3% & 15% (2013 & 2012: 3% & 15%)	9,707	12,837	7,817
Non-deductible expenses	429	947	630
Income not subject to tax	-	(215)	-
Special levy on banks	9,542	7,346	6,101
Corporate social responsibility fund	1,495	372	92
(Over)/under provision in prior years	(1,187)	-	(404)
Other timing differences	6,909	13	13,145
Total income tax in income statement	26,895	21,300	27,381
Segment A			
Current tax expense			
Current period	19,709	8,846	7,569
Over provision in prior years	(1,187)	-	(404)
	18,522	8,846	7,165
Deferred tax expense			
Originated and reversal of temporary differences	6,212	5,494	12,766
Segment B			
Current tax expense			
Current period	2,482	7,344	7,738
Deferred tax expense			
Originated and reversal of temporary differences	(321)	(384)	(288)

12. EARNINGS PER SHARE

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Profit for the year	53,678	203,368	175,288
Weighted average number of ordinary shares	6,313,464	5,514,560	5,514,560
Earnings per share - Basic (Rs)	8.50	36.88	31.79

13. CASH AND CASH EQUIVALENTS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Cash in hand	288,005	239,546	94,788
Foreign currency notes and coins	34,546	21,374	7,168
Unrestricted balances with central banks (note 1)	191,835	338,794	406,118
Money market placements (note 2)	1,167,327	1,020,615	599,891
Other bank placements	150,500	4,709	207,870
Balances with banks abroad	1,431,180	2,686,878	1,867,444
Balance with other financial institutions	3,833	3,872	3,755
	3,267,226	4,315,788	3,187,034

1. Balances with central banks over and above the minimum Cash Reserve Requirement (CRR) as disclosed in note 21.
2. Money market placements are defined as investments maturing within three months.

14. DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT

	Nominal Rs 000	Assets Rs 000	Liabilities Rs 000
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
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
As at 31 December 2011			
Currency forwards	526,268	2,215	79
Currency swaps	734,805	2,879	3,327
	1,261,073	5,094	3,406

15. LOANS AND ADVANCES TO BANKS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Outside Mauritius	150,500	-	118,606
	150,500	-	118,606
Less: allowance for credit impairment	(1,923)	-	(1,359)
	148,577	-	117,247

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

15. LOANS AND ADVANCES TO BANKS (cont'd)

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(a) Segment B			
Outside Mauritius	150,500	-	118,606
	150,500	-	118,606
Less: allowance for credit impairment	(1,923)	-	(1,359)
	148,577	-	117,247
(b) Remaining term to maturity			
Up to 3 months	-	-	109,126
Over 3 months and up to 6 months	-	-	9,480
Over 12 months and up to 18 months	150,500	-	-
	150,500	-	118,606

(c) Allowance for credit impairment

	Specific allowance for impairment Rs 000	Collective/portfolio allowances & general provisions for impairment Rs 000	Total Rs 000
Balance as at 1 January 2011	-	1,015	1,015
Provision during the year	-	344	344
Balance as at 31 December 2011	-	1,359	1,359
Release during the year	-	(1,359)	(1,359)
Balance as at 31 December 2012	-	-	-
Provision for credit impairment for the year	-	1,923	1,923
Balance as at 31 December 2013	-	1,923	1,923

16. LOANS AND ADVANCES TO CUSTOMERS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Retail customers			
- Credit cards	79,015	72,824	65,614
- Mortgages	2,319,313	1,718,779	998,236
- Other retail loans	2,761,710	2,731,962	2,325,847
Corporate customers	5,473,022	6,286,355	5,279,232
Government	-	-	1,000
Entities outside Mauritius	1,336,631	1,438,293	770,723
	11,969,691	12,248,213	9,440,652
Less: allowance for credit impairment	(416,833)	(300,628)	(352,778)
	11,552,858	11,947,585	9,087,874
Net finance lease receivables included in loans and advances to customers above are as follows:	251,431	262,454	197,672

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

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(a) Segment A			
Retail customers			
- Credit cards	79,015	72,824	65,614
- Mortgages	2,209,476	1,623,083	922,565
- Other retail loans	2,428,992	2,363,288	1,951,101
Corporate customers	3,946,052	4,344,132	4,045,733
Government	-	-	1,000
	8,663,535	8,403,327	6,986,013
Less allowance for credit impairment	(338,055)	(262,836)	(329,005)
	8,325,480	8,140,491	6,657,008
(b) Segment B			
Retail customers			
- Mortgages	109,837	95,696	75,671
- Other retail loans	332,718	368,674	374,746
Corporate customers	1,526,970	1,942,223	1,233,499
Entities outside Mauritius	1,336,631	1,438,293	770,723
	3,306,156	3,844,886	2,454,639
Less allowance for credit impairment	(78,778)	(37,792)	(23,773)
	3,227,378	3,807,094	2,430,866
(c) Remaining term to maturity			
Up to 3 months	2,661,359	3,101,973	2,315,861
Over 3 months and up to 6 months	383,483	763,385	587,390
Over 6 months and up to 12 months	385,541	308,120	296,194
Over 1 year and up to 5 years	4,182,936	3,883,458	3,060,568
Over 5 years	4,356,372	4,191,277	3,180,639
	11,969,691	12,248,213	9,440,652
(d) Credit concentration of risk by industry sectors			
Agriculture and fishing	276,547	435,025	316,415
Manufacturing	702,824	696,255	658,672
of which EPZ	*29,238*	*52,007*	*81,784*
Tourism	1,203,866	1,043,661	1,115,457
Transport	400,042	397,720	164,560
Construction	3,827,259	3,330,730	2,182,556
Financial and business services	276,428	438,015	451,982
Traders	1,794,476	1,842,311	1,907,722
Personal	1,241,028	1,186,153	920,724
of which credit cards	*79,310*	*77,122*	*65,614*
Professional	89,282	69,639	35,811
Global business license holders	1,509,980	1,942,222	1,033,484
Others	647,959	866,482	653,270
	11,969,691	12,248,213	9,440,652

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 (cont'd)

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

(d) Credit concentration of risk by industry sectors (cont'd)

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Segment A			
Agriculture and Fishing	50,865	143,368	161,464
Manufacturing	597,293	581,487	530,176
of which EPZ	*29,238*	*52,007*	*81,784*
Tourism	1,014,177	847,188	905,950
Transport	265,290	241,898	164,560
Construction	3,334,935	2,912,398	1,954,479
Financial and business services	175,908	355,312	378,833
Traders	1,697,330	1,775,277	1,770,923
Personal	1,165,438	1,149,210	776,931
of which credit cards	*79,310*	*77,122*	*65,614*
Professional	89,282	69,639	35,811
Others	273,017	327,550	306,886
	8,663,535	8,403,327	6,986,013
Segment B			
Agriculture and Fishing	225,682	291,657	154,951
Manufacturing	105,531	114,768	128,496
Tourism	189,689	196,473	209,507
Transport	134,752	155,822	-
Construction	492,324	418,332	228,077
Financial and business services	100,520	82,703	73,149
Traders	97,146	67,034	136,799
Personal	75,590	36,943	143,792
Global business license holders	1,509,980	1,942,222	1,033,484
Others	374,942	538,932	346,384
	3,306,156	3,844,886	2,454,639

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.

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

(e) Allowance for credit impairment

	Specific allowance for impairment Rs 000	Collective/portfolio allowances & general provisions for impairment Rs 000	Total Rs 000
Balance as at 1 January 2011	231,732	84,376	316,108
Provision for credit impairment for the year	55,740	7,007	62,747
Loans written off out of allowance	(6,885)	-	(6,885)
Provisions released	(19,192)	-	(19,192)
Balance as at 31 December 2011	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

(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-13 Total Rs 000	Dec-12 Total Rs 000	Dec-11 Total Rs 000
Gross investment in finance leases	2,854	334,417	145,107	482,378	467,678	324,172
Unearned finance income	(2,733)	(173,984)	(51,691)	(228,408)	(202,573)	(124,503)
Present value of minimum lease payments	121	160,433	93,416	253,970	265,105	199,669
Allowance for impairment				(2,539)	(2,651)	(1,997)
				251,431	262,454	197,672

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 (cont'd)

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

(g) Allowance for credit impairment by industry sectors

	Dec-13					Dec-12	Dec-11
	Gross amount of loans Rs 000	Impaired loans Rs 000	Specific allowances for credit impairment Rs 000	Collective/ 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	276,547	23,403	12,465	3,588	16,053	13,145	8,544
Manufacturing	702,824	5,809	4,388	6,998	11,386	12,536	47,957
of which EPZ	*29,238*	*140*	*140*	*340*	*480*	*863*	*37,969*
Tourism	1,203,866	66,633	11,492	10,386	21,878	15,097	54,416
Transport	400,042	3,701	252	4,577	4,829	4,553	2,816
Construction	3,827,259	242,374	62,615	39,031	101,646	59,459	63,962
Financial and business services	276,428	-	-	3,649	3,649	3,883	4,118
Traders	1,794,476	102,868	52,177	18,381	70,558	65,889	74,993
Personal	1,241,028	82,982	73,253	11,794	85,047	65,523	49,719
of which credit cards	*79,310*	*6,604*	*5,981*	*830*	*6,811*	*5,171*	*2,686*
Professional	89,282	-	-	1,013	1,013	836	382
Global business license holders	1,509,980	256,030	47,029	14,355	61,384	20,913	11,253
Others	647,959	36,245	32,085	7,305	39,390	38,794	34,617
	11,969,691	820,045	295,756	121,077	416,833	300,628	352,778
Segment A							
Agriculture and fishing	50,865	23,403	12,465	2,217	14,682	11,175	7,867
Manufacturing	597,293	5,809	4,388	6,430	10,818	11,938	47,119
of which EPZ	*29,238*	*140*	*140*	*340*	*480*	*863*	*37,969*
Tourism	1,014,177	66,633	11,492	8,059	19,551	12,896	52,015
Transport	265,290	3,701	252	2,855	3,107	2,807	2,816
Construction	3,334,935	235,980	61,146	35,199	96,345	55,264	61,745
Financial and business services	175,908	-	-	3,277	3,277	3,640	3,530
Traders	1,697,330	102,733	52,167	17,623	69,790	65,590	73,497
Personal	1,165,438	82,982	73,253	11,473	84,726	65,283	49,317
of which credit cards	*79,310*	*6,604*	*5,981*	*830*	*6,811*	*5,171*	*2,686*
Professional	89,282	-	-	1,013	1,013	836	382
Others	273,017	36,245	32,085	2,661	34,746	33,407	30,717
	8,663,535	557,486	247,248	90,807	338,055	262,836	329,005
Segment B							
Agriculture and fishing	225,682	-	-	1,371	1,371	1,970	677
Manufacturing	105,531	-	-	568	568	598	838
Tourism	189,689	-	-	2,327	2,327	2,201	2,400
Transport	134,752	-	-	1,722	1,722	1,746	-
Construction	492,324	6,394	1,469	3,832	5,301	4,195	2,217
Financial and business services	100,520	-	-	372	372	243	589
Traders	97,146	135	10	758	768	299	1,497
Personal	75,590	-	-	321	321	240	461
Global business license holders	1,509,980	256,030	47,029	14,355	61,384	20,913	11,253
Others	374,942	-	-	4,644	4,644	5,387	3,841
	3,306,156	262,559	48,508	30,270	78,778	37,792	23,773

17. INVESTMENT SECURITIES

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Held to maturity investment securities	1,465,528	1,543,442	1,759,397
Available for sale investment securities	23,695	23,667	54,769
	1,489,223	1,567,109	1,814,166

(a) Held to maturity investment securities

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Government bonds	467,064	619,166	523,707
GOM Bills	268,203	213,861	308,092
Treasury Bills / Notes issued by Government of Mauritius	233,260	362,201	424,131
Mauritius Development Loan Stock	-	-	79,578
Corporate Bonds	497,001	348,214	423,889
	1,465,528	1,543,442	1,759,397
Segment A			
Government of Mauritius bonds	467,064	619,166	523,707
GOM Bills	268,203	213,861	308,092
Treasury Bills / Notes issued by Government of Mauritius	233,260	362,201	424,131
Mauritius Development Loan Stock	-	-	79,578
Corporate Bonds	338,066	187,500	-
	1,306,593	1,382,728	1,335,508
Segment B			
Corporate Bonds	158,935	160,714	423,889

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	-	-	249,242	217,822	-	467,064
GOM Bills	110,995	29,721	127,487	-	-	268,203
Treasury Bills / Notes issued by Government of Mauritius	137,941	-	70,356	24,963	-	233,260
Corporate Bonds	-	-	42,140	430,359	24,502	497,001
	248,936	29,721	489,225	673,144	24,502	1,465,528

(b) Available for sale investment securities

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Equity shares in Oriental Commercial Bank Ltd (Kenya)	20,907	20,907	20,907
Corporate Bonds	-	-	33,862
Others	2,788	2,760	-
	23,695	23,667	54,769

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 classifiied as level 3 on the fair value hierarchy.

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Segment A			
Others	1,829	1,829	-
Segment B			
Equity shares in Oriental Commercial Bank Ltd (Kenya)	20,907	20,907	20,907
Corporate Bonds	-	-	33,862
Others	959	931	-
	21,866	21,838	54,769

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 (cont'd)

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rs 000	Computer & other equipment Rs 000	Other fixed assets Rs 000	Total Rs 000
Cost or Valuation				
Balance as at 1 January 2011	280,000	152,709	100,963	533,672
Acquisitions	-	7,583	15,974	23,557
Scrapped	-	(2,449)	(963)	(3,412)
Disposals	-	(132)	-	(132)
Balance as at 31 December 2011	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/Adjustment	-	(7,918)	(600)	(8,518)
Balance as at 31 December 2013	293,285	151,125	128,265	572,675
Accumulated depreciation				
Balance as at 1 January 2011	28,835	124,849	57,872	211,556
Depreciation for the year	4,740	12,373	8,330	25,443
Scrapped	-	(2,449)	(963)	(3,412)
Disposal adjustment	-	(19)	-	(19)
Balance as at 31 December 2011	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
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 at end of December 2011	246,425	22,957	50,735	320,117
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
Net book value as at 31 December 2011 by segments				
Segment A	239,620	22,775	50,727	313,122
Segment B	6,805	182	8	6,995
	246,425	22,957	50,735	320,117

The Company's land and building were last revalued in 2005 by independent valuers and subsequent additions are carried at cost. Valuation was made on the basis of Market Value. The revaluation surplus net of deferred income tax was credited to the revaluation surplus in shareholders' equity. The directors are of opinion that the properties value as at 31 December 2013 does not differ materially from its carrying amount. Land and buildings are classified as level 1 on the fair value hierarchy.

19. INTANGIBLE ASSETS

	Goodwill Rs 000	Computer Software Rs 000	Total Rs 000
Cost			
Balance as at 1 January 2011	15,147	78,971	94,118
Additions	-	14,755	14,755
Balance as at 31 December 2011	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
Amortisation			
Balance as at 1 January 2011	-	47,966	47,966
Charge for the year	-	9,618	9,618
Balance as at 31 December 2011	-	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
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 2011	15,147	36,142	51,289
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
Net book value as at 31 December 2011 by segments			
Segment A	15,147	34,113	49,260
Segment B	-	2,029	2,029
	15,147	36,142	51,289

Goodwill represents the excess of the cost paid for the purchase of Edge Forex in 2008 over the fair value of assets acquired.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

20. DEFERRED TAX ASSETS

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

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
At start of year	31,873	36,983	49,461
Statement of profit or loss charge (note 11)	(5,891)	(5,110)	(12,478)
At end of year	25,982	31,873	36,983
Deferred tax assets			
Allowances for loan losses	38,543	40,559	50,105
Retirement benefit obligation	3,134	5,927	5,349
	41,677	46,486	55,454
Deferred tax liabilities			
Accelerated capital allowances	3,695	2,324	5,892
Revaluation reserve	12,000	12,289	12,579
	15,695	14,613	18,471
	25,982	31,873	36,983

21. OTHER ASSETS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Mandatory balances with central bank*	676,194	868,666	734,220
Balance due in clearing	36,192	20,891	177,523
Accrued interest receivable	38,788	46,125	50,578
Non-banking assets acquired in satisfaction of debts	1,660	1,660	10,712
Contribution to private equity fund	-	-	1,852
Other	86,512	206,621	81,252
	839,346	1,143,963	1,056,137

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

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Segment A			
Mandatory balances with central bank	676,194	868,666	734,220
Balance due in clearing	36,192	20,891	177,523
Accrued interest receivable	24,217	36,616	33,940
Non-banking assets acquired in satisfaction of debts	1,660	1,660	10,712
Contribution to private equity fund	-	-	1,852
Others	65,215	77,246	65,963
	803,478	1,005,079	1,024,210
Segment B			
Accrued interest receivable	14,571	9,509	16,638
Others	21,297	129,375	15,289
	35,868	138,884	31,927

22. DEPOSITS FROM CUSTOMERS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(a) Deposits comprise the following:			
Retail customers	6,470,393	6,384,973	5,966,307
Corporate	2,062,836	3,087,522	2,236,193
International	6,594,267	7,482,071	5,841,692
Government	35,219	243,655	73,893
	15,162,715	17,198,221	14,118,085

(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 mths Rs 000	Over 3 mths & up to 6 mths Rs 000	Over 6 mths & up to 12 mths Rs 000	Over 1 yr & up to 5 yrs Rs 000	Total Rs 000
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
At 31 December 2011							
Retail customers	402,153	2,472,731	709,495	541,414	1,093,366	747,148	5,966,307
Corporate customers	402,040	478,647	407,777	433,551	502,489	11,689	2,236,193
International customers	2,608,723	500,682	946,535	945,005	758,499	82,248	5,841,692
Government	-	2,893	2,000	-	-	69,000	73,893
Total	3,412,916	3,454,953	2,065,807	1,919,970	2,354,354	910,085	14,118,085

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

23. SUBORDINATED LIABILITIES

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Remaining term to maturity :			
Within 1 year	16,299	-	-
Over 1 years and up to 2 years	32,598	16,495	-
Over 2 years and up to 3 years	132,146	32,992	15,808
Over 3 years and up to 4 years	82,598	132,353	31,616
Over 4 years and up to 5 years	32,598	82,992	130,824
Over 5 years	132,147	65,983	144,848
	428,386	**330,815**	**323,096**
Segment A			
Over 2 years and up to 3 years	99,548	-	-
Over 3 years and up to 4 years	50,000	99,361	-
Over 4 years and up to 5 years	-	50,000	99,208
Over 5 years	99,549	-	50,000
	249,097	**149,361**	**149,208**
Segment B			
Within 1 year	16,299	-	-
Over 1 years and up to 2 years	32,598	16,495	-
Over 2 years and up to 3 years	32,598	32,992	15,808
Over 3 years and up to 4 years	32,598	32,992	31,616
Over 4 years and up to 5 years	32,598	32,992	31,616
Over 5 years	32,598	65,983	94,848
	179,289	**181,454**	**173,888**

Interest rates on the subordinated debts vary between 7.55% and 9.525%.

24. OTHER BORROWED FUNDS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Borrowings from Bank of Mauritius	480,747	183,537	-
Borrowings from banks abroad	-	183,968	-
	480,747	**367,505**	**-**
Segment A			
Borrowings from Bank of Mauritius	480,747	183,537	-
	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-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Segment B			
Borrowings from banks abroad	-	183,968	-
	-	**183,968**	**-**

Interest rates on the borrowings from Bank of Mauritius is on average 1.4%.

24. OTHER BORROWED FUNDS (cont'd)

Remaining term to maturity :

	Up to 1 yr Rs 000	1-2 yrs Rs 000	2-3 yrs Rs 000	3-4 yrs Rs 000	4-5 yrs Rs 000	Over 5 yrs Rs 000	Total Rs 000
Borrowings from Bank of Mauritius	59,969	80,497	59,277	70,695	66,751	143,558	480,747
	59,969	**80,497**	**59,277**	**70,695**	**66,751**	**143,558**	**480,747**

25. CURRENT TAX LIABILITIES

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Special levy on banks	9,542	7,346	6,101
Corporate social responsibility fund	1,495	122	92
Income tax	8,980	2,552	9,114
	20,017	**10,020**	**15,307**

26. OTHER LIABILITIES

	Dec-13 Rs 000	Restated Dec-12 Rs 000	Restated Dec-11 Rs 000
Liability for defined pension plan (note 27)	20,899	43,261	39,983
Bills payable	14,751	44,329	22,619
Other payables	126,092	154,370	67,204
Provision for private equity fund	-	-	1,852
Accrued interest	90,780	121,868	138,640
	252,522	**363,828**	**270,298**
Segment A			
Liability for defined pension plan (note 27)	20,899	43,261	39,983
Bills payable	14,751	44,329	22,619
Other payables	107,524	126,743	59,299
Provision for private equity fund	-	-	1,852
Accrued interest	65,648	83,739	115,763
	208,822	**298,072**	**239,516**
Segment B			
Accrued interest	25,132	38,129	22,877
Other payables	18,568	27,627	7,905
	43,700	**65,756**	**30,782**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

27. PENSION OBLIGATIONS

	Dec-13 Rs 000	Restated Dec-12 Rs 000	Restated Dec-11 Rs 000
Pension obligations under defined benefit plan			
Amounts recognised in the statement of financial position:	20,899	43,261	39,983
Amounts charged to profit or loss:	5,897	7,564	6,533
Amount charged / (credited) to other comprehensive income:	15,345	(269)	2,815

(a) Defined pension benefits

(i) The Bank makes contributions to a defined benefits 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 2013 by the Anglo Mauritius Assurance Society Limited.

	Dec-13 Rs 000	Restated Dec-12 Rs 000	Restated Dec-11 Rs 000
(ii) The amounts recognised in the statement of financial position are as follows:			
Present value of funded obligations	99,452	79,684	71,564
Fair value of plan assets	(78,553)	(36,423)	(31,581)
Liability in the statement of financial position	20,899	43,261	39,983
(iii) The movement in the defined benefit obligations over the year is as follows:			
At 1 January			
- As previously reported	39,513	35,663	32,755
- Effect of adopting IAS 19 (revised)	3,748	4,320	1,505
- As restated	43,261	39,983	34,260
Amount recognised in profit and loss	5,897	7,564	6,533
Amount recognised in other comprehensive income	15,345	(269)	2,815
Contributions by the employer	(43,604)	(4,017)	(3,625)
At 31 December	20,899	43,261	39,983
(iv) The movement in the defined benefit obligations the year is as follows:			
At 1 January	79,684	71,564	61,613
Included in profit or loss			
Current service cost	3,230	3,165	2,834
Interest cost	6,701	6,895	6,055
Included in other comprehensive income			
Experience losses / (gains) on the liabilities	14,059	(1,355)	1,798
Other			
Benefits paid	(4,222)	(585)	(736)
At 31 December	99,452	79,684	71,564

27. PENSION OBLIGATIONS (cont'd)

	Dec-13 Rs 000	Restated Dec-12 Rs 000	Restated Dec-11 Rs 000
(v) The movement in the fair value of plan assets of the year is as follows:			
At 1 January	36,423	31,581	27,353
Included in other comprehensive income			
Return on plan assets	4,641	3,056	2,849
Other			
Employer's contribution	43,604	4,017	3,625
Scheme expenses	(171)	(157)	(145)
Cost of insuring risk benefits	(436)	(403)	(348)
Actuarial loss	(1,286)	(1,086)	(1,017)
Benefits paid	(4,222)	(585)	(736)
At 31 December	78,553	36,423	31,581
(vi) The amounts recognised in profit or loss are as follows:			
Current service cost	3,230	3,165	2,834
Scheme expenses	171	157	145
Cost of insuring risk benefits	436	403	348
Net interest cost	2,060	3,839	3,206
Total included in employee benefit expense	5,897	7,564	6,533
Actual return on plan assets	3,356	1,971	1,832
(vii) The amounts recognised in other comprehensive income are as follows:			
Losses on pension scheme assets	1,286	1,086	1,017
Experience losses on the liabilities	1,730	7,281	279
Changes in assumptions underlying the present value of the scheme	12,329	(8,636)	1,519
	15,345	(269)	2,815
(viii) The fair value of the plan assets at the end of the reporting period for each category, are as follows:			
Local equities	29,457	13,659	11,843
Overseas equities	17,674	8,196	7,106
Fixed interest	27,494	12,748	11,053
Properties	3,928	1,820	1,579
Total market value of assets	78,553	36,423	31,581

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties and derivatives are not based on quoted market prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

27. PENSION OBLIGATIONS (cont'd)

	Dec-13 %	Dec-12 %	Dec-11 %
(ix) The principal actuarial assumptions used for the purposes of the actuarial valuations were:			
Discount rate	7.0	8.5	9.25
Expected return on plan assets	7.0	8.5	9.25
Future salary growth rate	5.0	5.0	7.75
Future pension growth rate	-	-	-

The assets of the plan are invested in Anglo 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 assets above 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.

(x) Sensitivity analysis on defined benefit obligations to changes in the weighted principal assumptions is:

	Inc / (Dec) Rs 000
31 December 2013	
Discount rate (1% movement)	(8,531)
Future salary growth rate (1% movement)	9,289

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.

(xi) The defined benefit pension plan exposes the bank to Actuarial Risks, such as Longevity Risk, Currency Risk, Interest Rate Risk and Market (Investment) Risk.

(xii) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

(xiii) The Bank expects to pay Rs10m in contributions to its post-employment benefit plans for the year ending 31 December 2014.

(xiv) The weighted average duration of the defined benefit obligation is 9 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 2014.

28. SHARE CAPITAL

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Shares at no par value			
Stated capital	731,456	551,456	551,456
At start of year	551,456	551,456	551,456
Issue of shares	180,000	-	-
At end of year	**731,456**	**551,456**	**551,456**

The total number of ordinary shares in issue is 7,314,560 (2012 & 2011: 5,514,560) with no par value.

29. DIVIDENDS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Final dividend	**-**	**30,000**	**25,000**

30. CONTINGENT LIABILITIES

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Acceptances on account of customers	38,302	61,871	100,998
Guarantees on account of customers	513,693	715,976	748,006
Letters of credit and other obligations on account of customers	35,621	47,387	486,222
Other contingent items	63,510	484,179	435,754
	651,126	**1,309,413**	**1,770,980**
Segment A			
Acceptances on account of customers	14,800	40,092	74,192
Guarantees on account of customers	353,625	484,621	550,468
Letters of credit and other obligations on account of customers	9,784	30,772	91,408
Other contingent items	58,414	59,912	81,439
	436,623	**615,397**	**797,507**
Segment B			
Acceptances on account of customers	23,502	21,779	26,806
Guarantees on account of customers	160,068	231,355	197,538
Letters of credit and other obligations on account of customers	25,837	16,615	394,814
Other contingent items	5,096	424,267	354,315
	214,503	**694,016**	**973,473**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013 (cont'd)

31. COMMITMENTS

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
(a) Undrawn credit facilities	1,088,021	1,763,922	1,700,675
Segment A	661,661	1,006,050	954,812
Segment B	426,360	757,872	745,863

(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, escallation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Dec-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
Not later than one year	15,526	15,924	13,559
Later than one year and not later than five years	32,123	45,349	52,651
Later than five years	1,369	3,670	12,291
	49,018	**64,943**	**78,501**

(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-13 Rs 000	Dec-12 Rs 000	Dec-11 Rs 000
GOM bonds	399,778	-	79,550
Treasury notes	95,319	299,770	200,000
	495,097	**299,770**	**279,550**

32. 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.

33. RELATED PARTIES

	Nature of relationship	2013 Rs 000	2012 Rs 000	2011 Rs 000
Loans and advances	Related companies	311,366	199,571	319,407
	Key management personnel	13,288	19,451	20,665
Deposits	Related companies	103,692	218,641	158,777
	Key management personnel	10,349	11,542	4,046
Interest income	Related companies	15,019	19,728	20,650
	Key management personnel	870	1,690	1,011
Interest expense	Related companies	1,162	1,672	2,083
	Key management personnel	601	407	182
Fees and expenses	Directors	7,616	5,467	5,571
Contingent liabilities	Related companies	-	-	147,977

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 2013 amounted to Rs 311m, representing 26.63% 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 27% 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.

(a) Key Management personnel compensation

	2013 Rs 000	2012 Rs 000	2011 Rs 000
Remuneration and other benefits relating to key management personnel, including directors were as follows:			
Salaries and short-term employee benefits	58,842	55,781	47,543
Post employment benefits	3,883	3,466	3,446
Termination benefits	1,584	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 (cont'd)

34. PRIOR YEAR ADJUSTMENT

The prior year adjustment is in respect of early adoption of IAS 19 (Revised) as follows:

	Retained earnings Rs 000	Retirement benefit obligations Rs 000
Analysis of prior year adjustment		
Balance at 1 January 2012		
- As previously reported	275,562	35,663
- Effect of early adopting IAS 19 (Revised)	(4,320)	4,320
- As restated	**271,242**	**39,983**
Balance at 1 January 2011		
- As previously reported	151,574	32,755
- Effect of early adopting IAS 19 (Revised)	(1,505)	1,505
- As restated	**150,069**	**34,260**

Statement of Financial Position as at 31 December 2013

	Dec-13			Dec-12			Dec-11		
	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	3,267,226	518,219	2,749,007	4,315,788	603,586	3,712,202	3,187,034	511,830	2,675,204
Derivative assets held for Risk Management	1,787	366	1,421	12,984	5,485	7,499	5,094	1,962	3,132
Loan and advances to banks	148,577	-	148,577	-	-	-	117,247	-	117,247
Loan and advances to customers	11,552,858	8,325,480	3,227,378	11,947,585	8,140,491	3,807,094	9,087,874	6,657,008	2,430,866
Investment securities	1,489,223	1,308,422	180,801	1,567,109	1,384,557	182,552	1,814,166	1,335,508	478,658
Property, plant and equipment	310,561	304,124	6,437	328,909	322,140	6,769	320,117	313,122	6,995
Intangible asset	62,356	61,317	1,039	55,371	53,834	1,537	51,289	49,260	2,029
Deferred tax asset	25,982	24,527	1,455	31,873	30,739	1,134	36,983	36,233	750
Other assets	839,346	803,478	35,868	1,143,963	1,005,079	138,884	1,056,137	1,024,210	31,927
Total assets	**17,697,916**	**11,345,933**	**6,351,983**	**19,403,582**	**11,545,911**	**7,857,671**	**15,675,941**	**9,929,133**	**5,746,808**
LIABILITIES									
Deposits from customers	15,162,715	8,568,448	6,594,267	17,198,221	9,716,150	7,482,071	14,118,085	8,276,394	5,841,691
Derivative liabilities held for Risk Management	5,040	3,460	1,580	3,037	601	2,436	3,406	-	3,406
Subordinated liabilities	428,386	249,097	179,289	330,815	149,361	181,454	323,096	149,208	173,888
Other borrowed funds	480,747	480,747	-	367,505	183,537	183,968	-	-	-
Current tax liabilities	20,017	20,017	-	10,020	10,020	-	15,307	15,307	-
Other liabilities	252,522	208,822	43,700	363,828	298,375	65,453	270,298	239,516	30,782
	16,349,427	**9,530,591**	**6,818,836**	**18,273,426**	**10,358,044**	**7,915,382**	**14,730,192**	**8,680,425**	**6,049,767**
SHAREHOLDERS' EQUITY									
Stated capital	731,456	731,456	-	551,456	551,456	-	551,456	551,456	-
Other reserves	172,378	169,163	3,215	164,326	161,111	3,215	123,051	130,606	(7,555)
Retained earnings	444,655	(9,126)	453,781	414,374	(22,318)	436,692	271,242	(59,059)	330,301
	1,348,489	891,493	456,996	1,130,156	690,249	439,907	945,749	623,003	322,746
TOTAL EQUITY AND LIABILITIES	17,697,916	10,422,084	7,275,832	19,403,582	11,048,293	8,355,289	15,675,941	9,303,428	6,372,513

Statement of Profit or Loss for the year ended 31 December 2013

	Year ended Dec-13			Year ended Dec-12			Year ended Dec-11		
	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	972,054	749,122	222,932	903,845	716,465	187,380	825,496	682,904	142,592
Interest expense	(486,046)	(401,935)	(84,111)	(507,199)	(409,876)	(97,323)	(469,306)	(397,632)	(71,674)
Net interest income	486,008	347,187	138,821	396,646	306,589	90,057	356,190	285,272	70,918
Fee and commission income	186,862	74,792	112,070	142,481	74,180	68,301	129,063	66,740	62,323
Fee and commission expense	(68,408)	(37,647)	(30,761)	(35,424)	(34,480)	(944)	(25,327)	(24,891)	(436)
Net fee and commission income	118,454	37,145	81,309	107,057	39,700	67,357	103,736	41,849	61,887
Net trading income	(70,210)	13,451	(83,661)	135,291	36,165	99,126	109,900	2,074	107,826
Other operating income	2,313	78	2,235	8,462	11,152	(2,690)	299	395	(96)
	(67,897)	13,529	(81,426)	143,753	47,317	96,436	110,199	2,469	107,730
Operating income	536,565	397,861	138,704	647,456	393,606	253,850	570,125	329,590	240,535
Non Interest Expenses									
Net impairment loss in financial assets	(88,800)	(41,176)	(47,624)	(46,025)	(33,987)	(12,038)	(35,615)	(25,821)	(9,794)
Personnel expenses	(224,487)	(170,765)	(53,722)	(232,913)	(183,502)	(49,411)	(203,078)	(170,975)	(32,103)
Depreciation & amortisation	(36,202)	(35,324)	(878)	(35,649)	(34,849)	(800)	(35,043)	(33,879)	(1,164)
Other Expenses	(106,503)	(89,273)	(17,230)	(112,579)	(90,536)	(22,043)	(93,720)	(84,438)	(9,282)
	(455,992)	(336,538)	(119,454)	(427,166)	(342,874)	(84,292)	(367,456)	(315,113)	(52,343)
Operating profit before exceptional items	80,573	61,323	19,250	220,290	50,732	169,558	202,669	14,477	188,192
Profit on sale and recovery of assets	-	-	-	4,378	-	4,378	-	-	-
Profit before tax	80,573	61,323	19,250	224,668	50,732	173,936	202,669	14,477	188,192
Income tax expense	(26,895)	(24,734)	(2,161)	(21,300)	(14,340)	(6,960)	(27,381)	(19,931)	(7,450)
Profit / (loss) after tax	53,678	36,589	17,089	203,368	36,392	166,976	175,288	(5,454)	180,742

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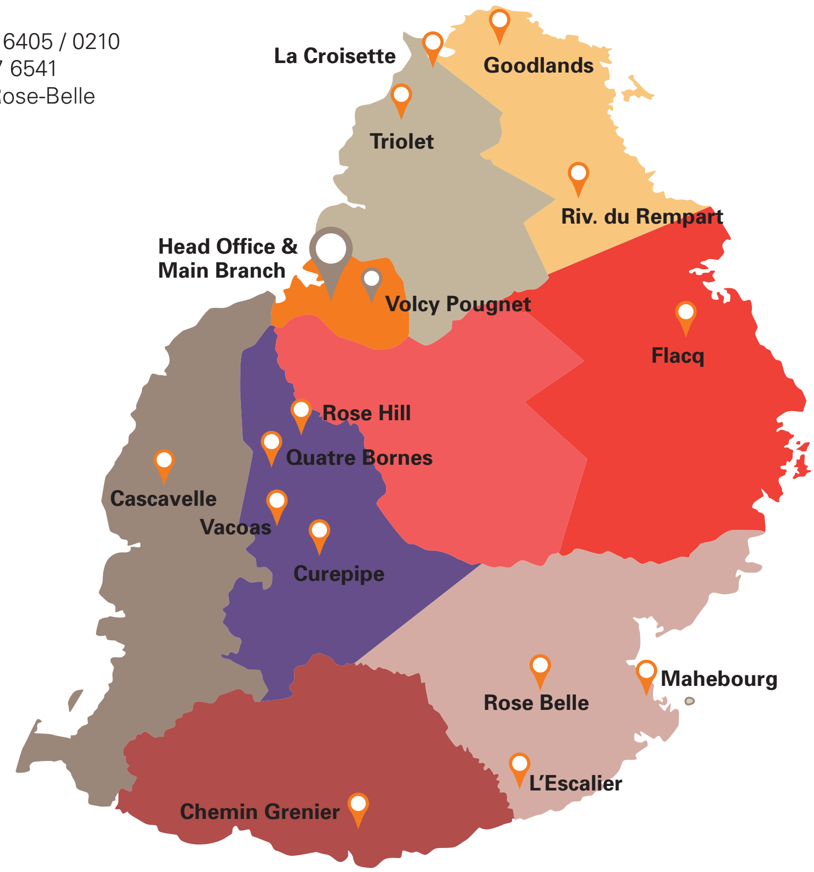
This report may contain various forward-looking statements with respect to Bank One's financial position, business strategy, plans and management objectives. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including, but not 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.



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