

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	2019 MUR	2018 MUR	2017 MUR
ASSETS			
Cash and cash equivalents	2,732,131,072	3,276,741,586	4,317,358,970
Due from banks	698,739,467	1,030,811,338	1,183,314,188
Derivative financial assets	3,763,559	4,289,595	4,407,594
Loans and advances to customers	7,635,939,083	6,054,488,404	5,095,744,575
Investment securities	6,479,991,942	6,223,153,289	4,716,445,587
Other assets	99,997,305	94,025,588	31,223,839
Property and equipment	512,458,466	394,861,578	372,510,402
Intangible assets	2,263,140	4,351,872	6,819,610
Deferred tax assets	9,710,148	21,307,487	24,025,071
Total assets	18,174,994,182	17,104,030,737	15,751,849,836
LIABILITIES			
Due to banks	-	110,061,479	-
Derivative financial liabilities	5,812,757	2,774,759	16,531,096
Deposits from customers	15,239,475,798	14,966,194,318	13,803,065,697
Preference shares	145,202,573	145,340,753	265,749,768
Subordinated debts	505,070,890	-	-
Current tax liabilities	23,979,561	30,924,434	23,175,879
Other liabilities	484,274,838	338,395,576	303,047,345
Total liabilities	16,403,816,417	15,593,691,319	14,411,569,785
Shareholders' Equity			
Issued capital	940,495,472	940,495,472	940,495,472
Retained earnings	640,979,429	478,528,990	322,022,542
Other reserves	189,702,864	91,314,956	77,762,037
Capital and reserves	1,771,177,765	1,510,339,418	1,340,280,051
Total liabilities and equity	18,174,994,182	17,104,030,737	15,751,849,836

These financial statements have been approved and authorised for issue by the Board of Directors on 24 September 2019.

Hon.Y.K.J. Yeung Sik Yuen, G.O.S.K. Chairman
Professor Donald Ah-Chuen, G.O.S.K. Managing Director
Mr Bhanu Pratabsingh Jaddoo Member of Audit Committee

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital MUR	Retained earnings MUR	Statutory reserve MUR	Fair Value reserve MUR	Total MUR
At 01 July 2016	940,495,472	186,460,977	45,280,552	1,287,648	1,173,524,649
Profit for the year	-	208,507,965	-	-	208,507,965
Other comprehensive loss	-	(483,394)	-	(82,358)	(565,752)
Total comprehensive income/(loss) for the year	-	208,024,571	-	(82,358)	207,942,213
Transfer to statutory reserve	-	(31,276,195)	31,276,195	-	-
Equity dividends	-	(41,186,811)	-	-	(41,186,811)
At 30 June 2017	940,495,472	322,022,542	76,556,747	1,205,290	1,340,280,051
At 01 July 2017	940,495,472	322,022,542	76,556,747	1,205,290	1,340,280,051
Profit for the year	-	242,431,728	-	-	242,431,728
Other comprehensive loss	-	(746,523)	-	(22,811,840)	(23,558,363)
Total comprehensive income/(loss) for the year	-	241,685,205	-	(22,811,840)	218,873,365
Transfer to statutory reserve	-	(36,364,759)	36,364,759	-	-
Equity dividends	-	(48,813,998)	-	-	(48,813,998)
At 30 June 2018	940,495,472	478,528,990	112,921,506	(21,606,550)	1,510,339,418
At 01 July 2018	940,495,472	478,528,990	112,921,506	(21,606,550)	1,510,339,418
Impact of adopting IFRS 9	-	30,759,262	-	1,038,828	31,798,090
Restated opening balance under IFRS 9	940,495,472	509,288,252	112,921,506	(20,567,722)	1,542,137,508
Profit for the year	-	223,888,240	-	-	223,888,240
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	-	-	-	571,457	571,457
Other comprehensive (loss)/income	-	(2,935,360)	-	63,194,387	60,259,027
Total comprehensive income for the year	-	220,952,880	-	63,765,844	284,718,724
Transfer to statutory reserve	-	(33,583,236)	33,583,236	-	-
Equity dividends	-	(55,678,467)	-	-	(55,678,467)
At 30 June 2019	940,495,472	640,979,429	146,504,742	43,198,122	1,771,177,765

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	2019 MUR	2018 MUR	2017 MUR
Interest income using the effective interest method	734,009,109	653,296,994	645,237,899
Interest expense	(251,525,883)	(267,458,708)	(309,205,620)
Net interest income	482,483,226	385,838,286	336,032,279
Fee and commission income	117,765,876	104,693,292	112,992,592
Fee and commission expense	(29,062,998)	(24,210,364)	(23,853,484)
Net fee and commission income	88,702,878	80,482,928	89,139,108
Net trading income	77,535,761	85,243,497	63,830,549
Net gain on sale of investment securities	2,293,711	6,455,327	2,452,927
Other operating income	1,282,895	1,428,987	1,552,999
Total other income	81,112,367	93,127,811	67,836,475
Operating income	652,298,471	559,449,025	493,007,862
Personnel expenses	(192,124,468)	(162,194,232)	(127,203,015)
Depreciation and amortisation	(24,528,399)	(21,624,665)	(19,358,710)
Other operating expenses	(107,644,781)	(74,337,683)	(73,175,640)
Non interest expenses	(324,297,648)	(258,156,580)	(219,737,365)
Operating profit before impairment	328,000,823	301,292,445	273,270,497
Allowance for credit impairment on financial assets	(56,721,957)	(9,538,421)	(22,952,713)
Operating profit before tax	271,278,866	291,754,024	250,317,784
Income tax expense	(47,390,626)	(49,322,296)	(41,809,819)
Profit for the year	223,888,240	242,431,728	208,507,965
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax:			
Net gain on investments in equity instruments designated at fair value through other comprehensive income	3,147,386	-	-
Remeasurement of retirement pension	(2,935,360)	(746,523)	(483,394)
	212,026	(746,523)	(483,394)
Items that may be reclassified subsequently to profit or loss, net of tax:			
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	571,457	-	-
Net gain on investments in debt instruments designated at fair value through other comprehensive income	60,047,001	-	-
Remeasuring available for sale assets	-	(22,811,840)	(82,358)
	60,618,458	(22,811,840)	(82,358)
Other comprehensive income/(loss) for the year	60,830,484	(23,558,363)	(565,752)
Total comprehensive income/(loss) for the year	284,718,724	218,873,365	207,942,213
Earnings per share			
Basic and diluted	2.94	3.18	2.73

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2019 MUR	2018 MUR	2017 MUR
Net cash (used in)/generated from operating activities	(515,758,122)	509,319,738	686,730,674
Net cash used in investing activities	(325,298,577)	(1,535,543,957)	(63,601,349)
Net cash generated from/(used in) financing activities	334,260,054	(63,733,519)	(235,018,208)
Net (decrease)/increase in cash and cash equivalents	(506,796,645)	(1,089,957,738)	388,111,117
Net foreign exchange difference	(37,813,869)	49,340,354	(36,820,026)
Net cash and cash equivalents at beginning of year	3,276,741,586	4,317,358,970	3,966,067,879
Net cash and cash equivalents at end of year	2,732,131,072	3,276,741,586	4,317,358,970
Operational cashflows from interest and dividends			
Interest paid	234,304,674	236,889,734	329,185,394
Interest received	726,410,754	652,985,611	659,937,021
Dividend received	1,282,397	1,237,480	1,176,385

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF ABC BANKING CORPORATION LTD

Opinion

The summary financial statements which comprise the statements of financial position as at 30 June 2019, the statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, are derived from the audited financial statements of ABC Banking Corporation Ltd (the Bank) for the year ended 30 June 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the requirements of the Banking Act 2004 as disclosed in the summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act 2001 and the Banking Act 2004. Reading the summary financial statements and auditor's report thereon, therefore, is not a substitute for reading the audited financial statements of the Bank and the auditor's report thereon.

The summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our reports dated 24 September 2019. That report also includes:

- Other Matter paragraph which describes that the report is made solely to the Bank's member in accordance with Section 205 of the Companies Act 2001 and for no other purpose.
- Report on other legal and regulatory requirements includes reporting as per:
 - Companies Act 2001 that no interest or relationship in the Bank other than in our capacity as auditors, all required information have been obtained and proper accounting records have been kept by the Bank.
 - Banking Act 2004 that financial statement complies with the requirement of the Banking Act 2004 and regulation and guidelines of Bank of Mauritius.
 - Financial Reporting Act 2004 that the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.
- The communication of key audit matters. [Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.]

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius. The explanations or information called for or given to us by the officers or agents of the bank were satisfactory.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report and whether the disclosure is consistent with the requirements of the Code. In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène, Licensed by FRC
Mauritius
24 September 2019

24 September 2019

COMMENTS FOR THE YEAR ENDED 30 JUNE 2019

During the period under review, the bank continued its steady growth with Operating income increasing by 17% compared to last year to achieve MUR 652 million. This is mainly driven by an increase in net interest income resulting from the growth in the loans and advances balance (26%) and more efficient use of the bank's resources. Profits for the FY year 18/19 of MUR 224 million are however lower compared to last year due to higher allowance for credit impairment following the application of IFRS 9, a new accounting standard which requires the bank to calculate its allowance based on both historical data and forward going assumptions. Despite this increase, the bank was able to achieve a sustained improvement in asset quality with the bank's non-performing loan ratio decreasing from 1.4% in 2018 to 0.9% this year.

Amid this complex and volatile environment, ABC Banking Corporation has been able to grow its asset base by 6% to reach MUR 18.2 billion. Total deposits have slightly increased compared to last year to reach MUR 15.2 billion. Return on equity is at 12.6%, a drop due to the lower profit after tax during the year and the increasing shareholders' equity, which improved compared to last year by 17% to reach MUR 1.8 billion (2018: 13%).

The Capital Adequacy Ratio (CAR) of the bank as at 30 June 2019 stood at 19.1% - a clear indication of the capital stability of the bank. Furthermore, in April 2019, the bank successfully raised MUR 500 million in the form of Tier 2 unsecured bonds, which also contributed to the strong CAR figure. With high quality asset of MUR 4.4 billion, the Liquidity Coverage Ratio (LCR) stands at 335% as at 30 June 2019.

This notice is issued pursuant to DEM Rule 18 and Rule 5 of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007.

The Board of Directors of ABC Banking Corporation Ltd accepts full responsibility for the accuracy of the information contained in this report.

The full disclosure of the bank's Liquidity Coverage Ratio is available on our website www.abcbanking.mu.

By Order of the Board

ABC Professional & Secretarial Services Ltd

Per Mahesh Ittoo, ACIS

Company Secretary

24 September 2019

LIQUIDITY COVERAGE RATIO

	TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations) (MUR.M)	TOTAL WEIGHTED VALUE (quarterly average of monthly observations) (MUR.M)
HIGH-QUALITY LIQUID ASSETS		
Total high-quality liquid assets (HQLA)	4,473	4,379
CASH OUTFLOWS		
Retail deposits and deposits from small business customers, of which:		
Stable deposits	-	-
Less stable deposits	4,431	443
Unsecured wholesale funding, of which :	331	33
Operational deposits (all counterparties)	6,580	1,645
Non-operational deposits (all counterparties)	290	119
Unsecured debt	-	-
Secured wholesale funding	-	-
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	556	556
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	1,097	183
Other contractual funding obligations	-	-
Other contingent funding obligations	322	16
TOTAL CASH OUTFLOWS	13,607	2,994
CASH INFLOWS		
Secured funding (e.g reverse repos)	-	-
Inflows from fully performing exposures	1,871	1,732
Other cash inflows	559	559
TOTAL CASH INFLOWS	2,429	2,291
		TOTAL ADJUSTED VALUE (MUR. M)
TOTAL HQLA		4,379
TOTAL NET CASH OUTFLOWS		955
LIQUIDITY COVERAGE RATIO(%)		458%
QUARTERLY AVERAGE OF DAILY HQLA		4,500

Notes:

- The reported values for 'quarterly average of monthly observations' are based on April, May and June 2019 month end figures. The number of data points used for the calculation are 3.
- The reported values for 'quarterly average of daily HQLA' are based on end of daily figures over the 1 April 2019 to 30 June 2019's period. The number of data points used for the calculation are 91.

As at 30 June 2019, the bank's LCR stood at 335% whereas the quarterly average of monthly observations for the Quarter ended 30 June 2019 was 458%, mainly due to the significant investment in eligible securities. The bank's high-quality liquid assets (HQLA) is primarily made up of sovereign and central bank securities and the weighted value as at end of June was MUR 4.4 billion (quarterly average of monthly observations for the Quarter ended 30 June 2019 was at MUR 4.3 billion). The bank continues to monitor its liquidity position and will adjust its investment strategy to meet the prescribed requirement.