

Dear Valued Shareholder,

The Board of Directors is pleased to present its 8th Annual Report for ABC Banking Corporation Ltd ("the bank"). The Report highlights the global and local economic environment which prevailed in 2017/2018 and the key performance of the bank for the financial year ended 30 June 2018.

Overview

Following a decade of subdued growth and much uncertainty across the world, more recent economic indicators have shown that 2018 has been underpinned by a more positive outlook, with the legacy of the financial crisis potentially behind us. Projections from the IMF (International Monetary Fund) foreerun the world economy to be growing by 3.9% in 2018 as well as during the following year. Indeed, on the global front, we noted introduction of fiscal stimulus measures, more accommodating monetary policies, improving employment rates and recovering commodity prices during the year. In the US, the Federal Reserve raised its benchmark interest rate on the back of solid economic expansion and encouraging employment figures while the expected expansion in the EURO area remained moderate. Emerging and developing market economies are showing more resilience as it has been the case for the past few years with a generally solid growth prospect driving the global figure. Nevertheless, the outlook for global growth faces potential downside risks such as growing trade protectionism and the uncertainty surrounding geopolitical tensions. Locally, real GDP growth is projected to be above 4.0% for 2018/19, increasing over the following two financial years. Backed by the recent budgetary announcements, the Mauritian's economic growth will be mainly driven by building construction and public infrastructure development activities, financial services sector, resurging tourism, significant investment in ICT and emerging sectorial activities such as the Blue Economy, film industry and renewal energy.

Our performance in 2017/2018

The bank started its financial year quite modestly, operating in a low interest environment (marked by a 50 basis points' drop in the Repo Rate of the Bank of Mauritius) still flushed with cash, making lending by banks highly competitive, with public and private sector projects slowly kicking in as the months went by.

However, in spite of these obstacles, our management and staff, inspired by the bank's continued successful performance of the past

three years and under the guidance of the Board and its sub-committees, pushed on with great determination and delivered a beautiful sprint in the last quarter to close the year with a significant Profit before tax of MUR 292 million, thereby achieving another milestone for the bank. The bottom line represents a 17% growth on the MUR 250 million achieved in the preceding year. As at year end, the bank reported a gross operating income of MUR 559 million attributed to a combined increase of 15% in its net interest income and 37% in other income. During the same period, the total deposit base reached an encouraging MUR 15.0 billion, representing an increase of 8% over 2016/17. Meanwhile, the bank's total assets closed at MUR 17.1 billion, with both our gross loans and advances portfolio and investments securities portfolio reaching MUR 6.2 billion each.

In line with its mission of driving the continuous development of the bank, the management of ABC Banking Corporation Ltd has made it a priority, during the financial year 2017/18, to invest in empowering its staff and to increase its human capital in order to better meet its growing needs arising from business expansion, continuous improvement in customer service, and the rigour of regulatory compliance. In this respect, recruitment, training and development programs, operational effectiveness, employee engagement and enhanced building capacities have been at the core of our activities as we believe that our most valuable assets are our people. Nonetheless, the bank remained diligent in allocating resources and ensured that it kept its cost to income ratio below 50% at 46% for the year ended 30 June 2018.

The bank remains committed to ensuring that its lending and investment books are cautiously selected and well diversified, always stressing on the rigorous assessment of the risks involved. During the year under review, the non-performing loan ratio dropped to a low 1.4% from 1.7% achieved in preceding year, which is quite a remarkable achievement for a commercial bank and which reflects the high standard of our bank's credit assessment of requests for facilities, as well as the excellent work done in respect of debt control by all the different teams concerned.

ABC Private Banking Lounge

The last two financial years have seen the fulfillment of a series of initiatives from the bank for its domestic and international market. Following the acquisition of the ex-Merven building in March 2017, the bank decided to refurbish this historic

building to accommodate its Private Banking Lounge and to offer a unique banking experience to its selective clients.

This renovation was completed during the year, with the building now physically connected to WEAL HOUSE, our bank's headquarters. Simultaneously, the bank renamed the building "Sir Jean Moilin Court" as a tribute to the founder of the ABC Group. Strategically located in the heart of Port Louis, only a few yards away from the former ABC Store opened in 1931, the Private Banking team will offer a premium service to its growing portfolio of HNWI clients.

From Asia to Africa

Last year, two other important initiatives undertaken were the opening of the Hong Kong Representative Office in February 2017, and shortly thereafter, the launching in Shanghai of the UnionPay International (UPI) Diamond and Classic Cards for our bank. The first year's activities of the Hong Kong Representative Office have been mostly on field work and collaboration with the locals to promote Mauritius as an International Financial Center (IFC) with the objective of unlocking Chinese investment into African Development Projects. Our country is slowly but surely being perceived as an ideal platform for investment in Africa by virtue of its geographical position as a politically and economically stable island state off the African Continent but fully integrated in the Common Market of Eastern and Southern Africa (COMESA) as well as in the Southern African Development Community (SADC). Besides, Mauritius is already included by China in its "Maritime Silk Road" initiative.

In regard to our bank's close co-operation with UPI, we are currently in discussion with the Bank of Mauritius for the approval of a further mode of collaboration with a view to encouraging and facilitating more business transactions with Chinese visitors.

International Award

Our bank has received, this year again, the coveted recognition by Capital Finance International (CFI. co) Magazine, with recent confirmation to us of the Award of "Most Innovative & Fastest Growing International Bank in Indian Ocean 2018" to ABC BANKING CORPORATION LTD.

The Judges Report mentions inter alia that "the bank considers itself key to opening up Chinese investment opportunities in Mauritius and further afield in the region" and that "the highly innovative management team at ABC BANKING CORPORATION

LTD is doing much to promote Mauritius to investors as a gateway to Africa".

Looking forward

The banking sector remains a very dynamic and challenging environment to operate in. The advent of digitalisation and the continuous development in Information Technology are shaping the future of banking in unimaginable ways. At the bank, we recognise this and we are organising ourselves to adapt to the coming changes with the necessary commitment and investment in our system, infrastructure and people.

Overall, we have so far built success on success, and remain confident that we shall be able to achieve the ambitious targets we have set for our bank in consultation with management and staff for the next three years.

Acknowledgements

At ABC Banking Corporation Ltd, we start from the principle that each and every one of our stakeholders is unique and valuable. The Board of Directors would like to thank you for your support and for constantly inspiring the bank to achieve better. The months to come will be even more challenging as the bank expects to bring its activities to a new level and we are proud to embark with you on this journey. The Board remains grateful to the management and staff without whom the result achieved would not have been possible. Last but not least, we would like to convey our thanks to the Bank of Mauritius for their continued valuable advice and guidance throughout the year.



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

Chairperson



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

Managing Director

26 September 2018