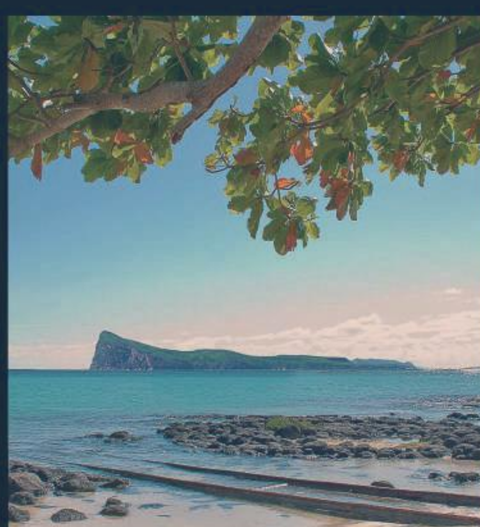
WE GROW TOGETHER...

ANNUAL REPORT 2022



ABC BANKING CORPORATION
count on us

“...we endeavor to shape
a sustainable future together.”

ABC BANKING CORPORATION

count on us

CORPORATE INFORMATION

REGISTERED OFFICE, HEAD OFFICE & MAIN BRANCH

WEAL HOUSE, Duke of Edinburgh Avenue,
Place d'Armes, 11328 Port Louis.

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Fax: (230) 208 0088
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BRN: C07018920

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Ebène
Mauritius

LEGAL SERVICES

Me. Dev Erriah
Me. Jean Christophe Oh-San Bellepeau
Me. Georgy Ng Wong Hing
Me. Michael King Fat
Me. Ghanshyam Bhanji Soni
Me. Yash Balgobin
Me. Didier Dodin
Me. Roobesh Ramanjooloo
BRIDGES LTD
BLC Chambers

MAIN CORRESPONDENT BANKS

Abu Dhabi Commercial Bank
Bank of China
Crown Agents Bank Limited
Mizuho Bank Ltd
Société Générale
Standard Chartered Bank (New York/ London/ Germany)
Standard Bank of South Africa Limited
Yes Bank Limited

BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2022

CHAIRPERSON
Mrs. Ah Foon Chui Yew Cheong

MANAGING DIRECTOR
Prof. Donald Ah-Chuen, G.O.S.K.

STRATEGIC BUSINESS EXECUTIVE
Mr. David Brian Ah-Chuen

MEMBERS
Mr Patrick Andrew Dean Ah-Chuen
Mr Sydney Ah Yoong
Mr Bhanu Pratabsingh Jaddoo
Mr Michel Bruno Lalanne
Mr Lakshmana Lutchmenarraidoo
Mr André Kwet-Tsong Tze Sek Sum

COMPOSITION AS AT 30 JUNE 2022

BOARD CREDIT COMMITTEE
Mr Sydney Ah Yoong (Chairperson)
Prof. Donald Ah-Chuen
Mr Lakshmana Lutchmenarraidoo

AUDIT COMMITTEE
Mr Bhanu Pratabsingh Jaddoo (Chairperson)
Mr Michel Bruno Lalanne
Mr André Kwet-Tsong Tze Sek Sum

RISK MANAGEMENT COMMITTEE
Mr Lakshmana Lutchmenarraidoo (Chairperson)
Prof. Donald Ah-Chuen
Mr Sydney Ah Yoong
Mr Bhanu Pratabsingh Jaddoo

CONDUCT REVIEW COMMITTEE
Mr. Michel Bruno Lalanne (Appointed as member and Chairperson as from 23 November 2021)
Mr Sydney Ah Yoong (Chairperson until 23 November 2021)
Mr Lakshmana Lutchmenarraidoo
Mr Bhanu Pratabsingh Jaddoo (Member until 23 November 2021)

CORPORATE GOVERNANCE COMMITTEE
Mr André Kwet-Tsong Tze Sek Sum (Chairperson)
Mrs Ah Foon Chui Yew Cheong
Prof. Donald Ah-Chuen

NOMINATIONS AND REMUNERATION COMMITTEE
Mr André Kwet-Tsong Tze Sek Sum (Chairperson)
Mrs Ah Foon Chui Yew Cheong
Prof. Donald Ah-Chuen

BUSINESS STRATEGY COMMITTEE
Mr Bhanu Pratabsingh Jaddoo (Chairperson)
Prof. Donald Ah-Chuen
Mr David Brian Ah-Chuen
Mr Patrick Andrew Dean Ah-Chuen
Mr Lakshmana Lutchmenarraidoo

COMPANY SECRETARY & SHARE REGISTRY

Mr Mahesh Ittoo, ACG
The Company Secretary acts as Secretary to the Board and all Board committees.

ABOUT THE REPORT

This Annual Report of ABC Banking Corporation Ltd (the "bank") has been prepared with the aim of providing all our stakeholders with material information relating to the bank's strategy and business model, material risks, stakeholder interests, performance, prospects and governance, for the period spanning from 1 July 2021 to 30 June 2022. Material events after this date and up to 28 September 2022, the date of approval by the Board of Directors of the bank, have also been considered for this report.

This report is a testimony of the bank's effort to adopt the principles of the Integrated Reporting Framework as directed by the International Integrated Reporting Council (IIRC). Hence, over and above the customary financial reporting, this report extends its coverage to non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders.

The bank, being regulated by the Bank of Mauritius (BOM), is also subject to a number of regulatory reporting as part of the Annual Report. Therefore the bank had to find a balance in this report between the regulatory sections and a strategic section which is more in line with the principles of the Integrated Reporting Framework in relation to the conciseness and clarity of strategic reporting.

The report is therefore split as follows:

Strategic section	Regulatory section
• Chairperson's Letter	• Corporate Governance Report
• Board of Directors	• Statement of Compliance
• Corporate Profile	• Other Statutory Disclosures
• Products and Services	• Company Secretary's Certificate
• Managing Director's Report	• Statement of Directors' Responsibilities
• Strategy Report	• Management Discussion and Analysis
• Our Business Model	• Risk Report
• Material Matters in our Operating Environment	• Statement of Management's Responsibility for Financial Reporting
• Risks for the bank	• Independent Auditor's Report
• Financial Highlights	• Financial Statements

FORWARD-LOOKING STATEMENT

The report contains forward-looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may be beyond our control. We therefore advise readers to use caution in interpreting any forward-looking statements in this report.

01 STRATEGIC SECTION

02 REGULATORY SECTION


We are committed to ensuring that the sum total of our actions bring us on a path towards carbon neutrality.

MRS AH FOON

CHUI YEW CHEONG

CHAIRPERSON

Dear Valued Shareholders,

I write to you on the back of an eventful year for the bank, the country and the world. Despite a long-awaited return to "normality" after two years of strict world-wide sanitary restrictions due to Covid 19, optimism on the global economic front is far from being the order of the day.

The conflict in Ukraine, a double digit rate of inflation in many of the economies of the world, the slowing of the economy in parts of the world are pointers to an impending global economic recession.

Notwithstanding the disruptive and uncertain times reflected by a further diminution in the total amount of its operating income, the bank managed nevertheless to overcome the odds and to finally achieve surprisingly quite a remarkable performance for the Financial Year Ended 30th June 2022 with a Profit after Tax of MUR 201M, which represents a 67% increase as compared to FYE 2021 and is synonymous to an improved Earnings Per Share of MUR 2.68 and a Return on Equity of 9.1%. It is also useful to point out that, the amount of credit impairment on financial assets went down substantially, from MUR 232M in 2021 to MUR 3.3M this year, being a positive outcome of the smart restructure of the bank's Assets portfolio and the consistent prudent approach during the years prior to the pandemic. We are proud that the bank remains well capitalised, with Capital and Reserves in excess of MUR 2Bn.

WE ARE PROUD THAT THE BANK REMAINS WELL CAPITALISED, WITH CAPITAL AND RESERVES IN EXCESS OF MUR 2BN.

Over and above the wise strategic decisions on portfolio management, the bank also deployed several initiatives to improve our customer service and the efficiency of our operational process, such as launching its new internet banking platform to provide customers with a refreshed and effective tool for their transactions and the management of their accounts. The bank has also successfully completed the delicate process of upgrading its core banking system.

Looking forward, we believe that our prudential and enterprise wide risk approach to business will ensure the continued stability and resilience of the bank in the tumultuous times ahead. It will keep up its diligent service to its traditional markets while pursuing new market segments both on the domestic and international fronts. Furthermore, it will maintain its efforts in digital transformation and introducing new solutions so as to deliver a whole new seamless banking experience for our customers.

As this letter draws to its end, I express my great appreciation to all my fellow Directors for their valuable support and dedication to the Board and the bank. I also congratulate the Management Team and members of staff who have displayed our values of integrity, tenacity, spirit of innovation and service excellence to achieve the very encouraging results of 2022.

Ah Foon Chui Yew Cheong
Independant Chairperson

BOARD OF DIRECTORS

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1	Mrs Ah Foon Chui Yew Cheong	**Independent Chairperson**
2	Prof. Donald Ah-Chuen	**Executive (Managing Director)**
3	Mr David Brian Ah-Chuen	**Executive (Strategic Business Executive)**
4	Mr Patrick Andrew Dean Ah-Chuen	**Non-Executive Director**
5	Mr Sydney Ah Yoong	**Independent**
6	Mr Bhanu Pratabsingh Jaddoo	**Independent**
7	Mr Michel Bruno Lalanne	**Independent**
8	Mr Lakshmana Lutchmenarraidoo	**Independent**
9	Mr André Kwet-Tsong Tze Sek Sum	**Independent**

CORPORATE PROFILE

With its Headquarters and banking operations all based at its prestigious WEAL HOUSE, strategically located in the heart of the island's capital at Place d'Armes, Port-Louis, ABC Banking Corporation Ltd continues its steady ascending course and stands as a well-established commercial bank, highly respected for its excellent reputation, its strict integrity, and top quality of its products & services.

The bank is organised around four main pillars being: Retail & Corporate Banking, Private Banking, International Banking and Treasury. To run the business and deliver its products & services successfully, the bank is equipped with a highly motivated and committed team of experienced professionals and competent staff, led by a talented, innovative and supportive management, in turn guided by a wise and experienced, well informed, prudent, and cohesive Board of Directors.

Starting in December 2010 with a portfolio of MUR 2.0 billion of Term deposits, a legacy of its original status as a Finance & Leasing Company, the bank Ltd has the great merit of having built up after ten and a half years of operations, a deposit base totalling MUR 19.8 billion while the total of its Shareholders' Equity has moved during that period from its original figure of MUR 225 million to MUR 1.9 billion.

A major milestone was attained in January 2016 when the bank opened its shareholding to the public and was listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius (SEM). The bank ranks among DEM listed companies whose share prices have achieved significant percentage increases since listing. In line with its long-term expansion strategy, in 2017, ABC Banking Corporation Ltd achieved a major step with the opening of its Representative Office in Hong Kong. Three years later, another office was set up in Dubai.

Following its rapid growth, successful performance and steady progress, ABC Banking Corporation Ltd has been receiving prestigious trophies during the past few years. Three distinctions came successively in 2015, 2016 and 2017 from Capital Finance International (CFI.co) Magazine recognising the bank as one of Africa's top performing financial services providers with the award of "Best International Bank Indian Ocean". ABC Banking Corporation Ltd also won the "Fastest Growing Banking Brand, Mauritius" prize for the year 2016 given by the Global Brands Magazine. In 2018, the bank was once again honoured with an award by the CFI Magazine, with the accolade of "Most Innovative International Bank in the Indian Ocean 2018", which is a fitting recognition of the hard work achieved by everyone at the bank.

In 2020, the bank has been awarded with the "Decade of Excellence Banking Mauritius" by the prestigious Global Banking & Finance Review.

OUR VISION

To be the preferred and trusted bank in our stakeholders' quest for success and value creation.

OUR MISSION

We strive to delight our customers whilst delivering on our responsibilities towards the country, community & environment.

We shall also drive the continuous development of the bank as one team, whilst catering for diverse interest, providing development opportunities for individual talents.

Furthermore, we commit to uphold our shareholders' and all stakeholders' trust in us.

OUR VALUES

INTEGRITY - A commitment to always do the right thing, no matter what the situation or potential gain involved.

LOYALTY - To have a strong sense of belonging and dedication to the groups' activities, beliefs and values.

TENACITY - An inner desire to keep advancing and progressing in the face of adversity.

SPIRIT OF INNOVATION - The zest to continuously come up with new and creative solutions amidst changing times.

SERVICE EXCELLENCE -The dedication to deliver the utmost level of customer experience.

PRODUCT AND SERVICES

DOMESTIC BANKING

CORPORATE BANKING

- Corporate Accounts
- Internet Banking
- Corporate Leasing
- Trade Finance
- Treasury Line
- Invoice discounting
- Revolving Credit Line
- Project Financing
- Multi-currency Lines

PRIVATE BANKING

- Diamond Savings account
- Fast track approval on loans and leasing facilities
- Foreign exchange and Treasury services
- Customized financial solutions
- Multi-currency Term Deposits
- Multi-currency facilities

RETAIL BANKING

- Savings account
- Current account
- Senior account
- Term Deposit Account
- Loans and leasing
- Overdraft
- Debit Card
- E-banking

INTERNATIONAL BANKING

- Call deposits
- FOREX transactions: at attractive rates
- 24/7 Online Banking
- Standing Orders
- International wire
- Transfer/Payments
- Money Market
- Term deposit solutions
- Accounts in all Major currencies
- Payroll services
- Trade Finance

TREASURY

- Investment and cash management
- Risk management
- FX conversions
- Asset & Liability Management
- Securities Trading
- Market Insights

E-BUSINESS

- Issuing and acquiring services
- e-commerce
- e-payment solutions

PROFESSOR DONALD **AH-CHUEN G.O.S.K.**

MANAGING DIRECTOR

Dear Valued Shareholders,

The COVID-19 pandemic has resulted in one of the most devastating global public health crisis ever known in the history of mankind. The pandemic continues to dominate the economic landscape of the world with prevailing uncertainty and challenges.

Nevertheless, in 2021, a resilient global economy emerged, beyond the bounds of expectations raised in the bleakest days following the progressive deployment of effective vaccines and continued macroeconomic policy support in major economies. Stern monetary and fiscal policy stimulus measures, positive strengthening sentiment and the cessation of the most austere state-imposed restrictions boosted global financial performance and consumer and professional demands. Additionally, the inclination towards the gradual normalisation of air and maritime traffic is gaining in momentum.

Unfortunately, a tentative recovery in the second half of 2021 has been followed by increasingly gloomy developments in 2022 as new risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and the economic sanctions against Russia, while US consumer spending undershot expectations and the negative spillovers from the war in Ukraine. In addition to the escalating humanitarian costs, surging commodity and energy prices and the aggravation of supply-chain issues fuelling higher inflation as well as the pronounced tightening of monetary policy across advanced economies, war-related disruptions are acting together with the shutdowns in major cities and ports in China to further slow global economic activity.

Against this backdrop, the IMF and the World Bank have already hinted that it would slash the global growth forecast for this year and have warned that: "the world economy is again in danger. This time it is facing high inflation and slow growth at the same time. Even if a global recession is averted, the pain of stagflation could persist for several years".

Even locally, prices have increased by more than 8% between June 2021 and March 2022 and given that Mauritius is largely influenced by pressures on the global market, inflation rate is expected to remain on a sustained high side for the whole duration of the war. Although the annual inflation is expected to rise to 11.4% in 2022 due to surging commodity prices, past depreciation of the rupee, and recovering domestic demand, the economy is expected to converge to its pre-pandemic trend growth of 3.0% to 3.5% in the medium term.

The Mauritian authorities remain confident that the economic conditions in the domestic market are still favourable, at least in the short-term, with almost all economic sectors registering positive growth. The country is targeting 1 million tourists this year, which according to latest figures appears achievable. The gains in the tourism sector have created strong spillover effects into the rest of the economy, for instance in retail trade, commerce and construction. Orders have been increasing in the manufacturing sector, which is projected to contribute favourably to growth in the future. The recovery has resulted in a 40% increase in average spending by tourists and in the length of stay from 10 days during the pre-pandemic period, to 12 days in 2022. The financial sector has also registered a boost with the removal of Mauritius from the FATF, UK and EU watchlists between October 2021 and January 2022.

THE BANK HAS, FOR THIS YEAR, ACHIEVED A REMARKABLE PERFORMANCE OF MUR 201 MILLION THEREBY GROWING ITS PROFIT AFTER TAX BY 67%

Financial Performance

After two difficult years of substantial reduction in profits but fortunately maintaining resilience and solid fundamentals, due to the challenging conditions resulting from the Covid-19 pandemic, the bank has, for this year, achieved a remarkable performance MUR 201 million thereby growing its profit after tax by 67%.

While the increasing interest rate environment helped to push up interest income in the second half of the year, it was again a difficult year for FX trading due to the shortage of US Dollars in the market. The Mauritian Rupee has been depreciating against USD since the start of the Covid-19 pandemic. Since late February 2022, daily exchange ratio transitions reveal a steep depreciation on the Mauritian Rupee putting more pressure on the local economy. However, in 2022, there have been a good number of interventions from the Bank of Mauritius, including a significant one with an amount of USD 200 million in April 2022, thereby enabling our bank to supply some much-needed foreign currencies to its customer base.

From a capital perspective, the Bank of Mauritius implemented the capital buffer of 2.5% in April 2022 making the regulatory minimum of Capital Adequacy Ratio (CAR) at 12.5%. The bank continues to be well capitalised with a CAR of 15.6% as at 30 June 2022 showing a solid capital base to support its sustained growth plans.

The Private Banking Unit's activities have continued to grow during the year and are gaining acceleration whilst our representative offices in Hong Kong and Dubai are performing according to expectations. We are now targeting the Republic of South Africa and have already established a valuable network.

Outlook

Mauritius, through the Bank of Mauritius as well as the Financial Services Commission, continues to push the digital agenda as a means for growth. It is understood that the Bank of Mauritius has reached its final stages of design of a Central Bank Digital Currency (CBDC) which is expected to be launched on a pilot basis by the end of the year. While the introduction of a CBDC is expected to bring more financial inclusion as well as improving the efficiency of the payment processes both in country as well as potentially regionally, it also creates a new reality to which banks will need to innovate and adapt to be relevant for the end customers. Similarly, under the purview of the Financial Services Commission, it was demonstrated how an innovative and useful role the peer-to-peer platforms have started to play in the “unbanked” segment assisting the sole traders and entrepreneurs to raise capital and the investors to access higher yield opportunities which could lessen the role of the bank.

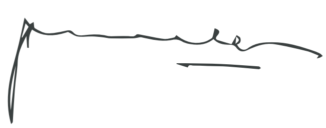
The world has entered into an era of high risks in the field of ICT caused by the growth of very smart and well-equipped cybercrime organisations leaning to the need for financial regulators and institutions to tightened supervisions and controls and to introduce stronger and complex preventive measures which in turn involve more financial and human resources and greater costs in technology. Furthermore, the task of respecting the regulatory framework by both the banking operators, supervisors and controllers is becoming more overbearing than ever which could make it more challenging to attract and retain the best talent in the sector. It also seems that the banking sector and its regulator should endeavour to adopt an approach which would put more emphasis on corporate governance and compliance and less on more regulations and amendments to regulations.

Another change where Covid-19 might again have been the catalyst is the growing influence of ESG, i.e., the framework that helps stakeholders understand how an organisation manages risks and opportunities around sustainability issues with three clear axes namely Environment, Social and Governance. While ESG is recently getting more traction, the bank has for some years been keen to grow its business in a more sustainable way. Sustainability is a key component of the #countonus strategy.

In April 2022, the Bank of Mauritius introduced a Guideline on Climate-related and Environmental Financial Risk Management with a view of enhancing the banking sector’s resilience towards these risks. Even internationally, there has been the creation of the International Sustainability Standard Board (ISSB), a new standard setting board under the IFRS Foundation Trustees to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies’ sustainability-related risks and opportunities to help them make informed decisions. While the influence of ESG on the banking sector cannot be underestimated, the bank is clear that ESG will be part of the bank’s development only where there is value to be added for all relevant stakeholders.

Acknowledgement

I continue to be immensely grateful for the hard work and dedication of all the people across the bank. As we look at the year ahead, there is uncertainty in the world and the economy. The only certainty is the willingness and drive to succeed from the Management Team and Staff. Last but not least, we would like to acknowledge and thank the co-operation and guidance of the Bank of Mauritius and we also extend our appreciation to the Board of Directors, Shareholders and other stakeholders for their ongoing support.



PROFESSOR DONALD AH-CHUEN, G.O.S.K.
Managing Director

BRIAN

AH-CHUEN

EXECUTIVE DIRECTOR

The bank is keeping a keen eye on all of these innovations and changes in the sector and understand that transformation is key in this ever-changing banking world. While we can see the reliance of innovation on technology, we strongly feel that transformation will come from our people.

In order to manage the challenges of global disruptions which have been at an unprecedented scale and simultaneously tap on the opportunities on both local and global forefronts, the Bank of Mauritius, in July 2020, and in collaboration with the Mauritius Bankers Association, initiated a deep industry-wide reflection on a strategy re-shaping the future of banking in Mauritius. Established since 1838, the Mauritian banking sector has one of the oldest banks of the Commonwealth. While traditional banking has been a pillar of one's financial needs for generations now, the emergence of new technologies and connectivity, fueled by the recent global pandemic and the demand for digital services have boomed exponentially.

Bank of Mauritius, additionally, embarked on a project for launching a retail-focused Central Bank Digital Currency (CDBC). CDBCs can have a positive effect by further lowering the barriers and reducing costs and at the same time contributing to a more efficient payment system and plugging the loopholes of cross-border system. Already, with the outbreak of the pandemic, we have witnessed a move to digital payments, marked by an increase in offering from banks in terms of their online and mobile banking platforms, mobile wallets, contactless payments and also the launch of a number of new payment platforms.

History has reminded us that turbulent times are often accompanied by innovation. Fintech is one of such examples of technology-enabled innovation in financial services creating fundamental shifts in market structures and stakeholders as well as financial products such as payments or even the concept of money. There are now more collaborations from non-financial companies such as information and communication technology companies, along with disruptive start-ups with traditional banks in order to provide a service that meets the requirement of the new customers.

The bank is keeping a keen eye on all of these innovations and changes in the sector and understand that transformation is key in this ever-changing banking world. While we can see the reliance of innovation on technology, we strongly feel that transformation will come from our people. We continue to invest in our people to equip them with the necessary skillset and mindset to lead the transformation from within.

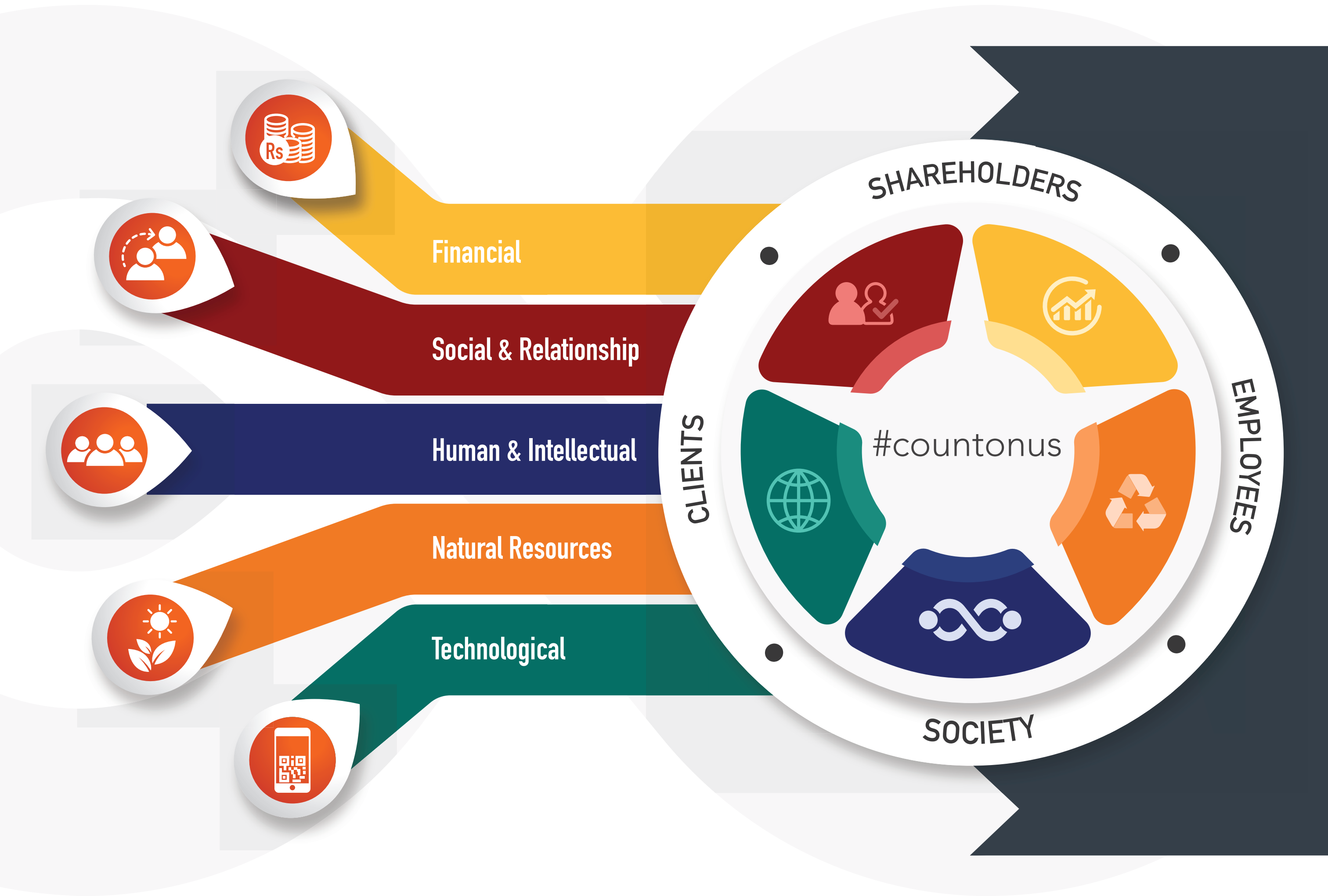
The results of the bank this year demonstrate the resilience and strong foundation which has enabled the bank to weather the Covid-19 storm. With some key transformation projects having been realized this year, and more coming in the subsequent years, we believe that we have shown the strategic progress needed to take the bank to greater heights whilst growing profitability sustainably.

Brian Ah-Chuen
Executive Director

OUR BUSINESS MODEL

INPUT

OUR CAPITALS



OUTPUT

VALUE DRIVEN BY STAKEHOLDERS

Customers

- Loan and advances decreased by 1.6%
- Revamp Private Banking offering
- Implementation of phase 1 - Digital transformation program

Staff

- The learning & development of staff represents 3291 man hours
- Male : Female ratio = 0.48 : 0.52

Shareholders / Investors

- Dividend of MUR 0.54 per share paid in 2022
- PAT of MUR 201M
- Strong CAR of 15.6%
- Capital & reserves grew to MUR 2.1Bn

Society

- MUR 1.5m CSR Contibution (refer to page 52 for more information)
- Over 200 clients assisted through BOM COVID-19 support programme

Regulators

- Compliance with all banking and listing regulatory requirements
- Adoption of Macro-prudential measures
- Implementation of Risk-Based Monitoring of operations

OUTCOMES

OUTCOMES DRIVEN BY OUR CAPITALS

Financial

As an economic enabler, we strive to be our clients' financial companion of choice. We also value the implementation of technologically innovative projects as a means to maximise shareholders' value.

Social & Relationship

Our unique business model coupled with our expertise ensure clients can count on us to experience a bespoke customer service and assistance. Based on our personal relationship approach, we ensure our products and services fulfil the needs, expectations and requirements of our clients.

Human & Intellectual

We value our employees and constantly engage with our team members. As an equal opportunity employer, we also accompany our staff in their quest for professional development so that they may promote their role as brand ambassadors.

Natural Resources

As a responsible institution, we reckon that our current needs should not compromise those of the future generations. As such, we have initiated an Integrated Sustainability Plan and we are currently working on a series of internal projects to sensitize our staff and immediate stakeholders on the cruciality of our green initiatives.

Technological

With the deployment of our digital transformation roadmap, we aim at enhancing our value proposition by developing end-to-end solutions geared at sustaining our growth and maximizing customer experience. We also aim at becoming a data-driven institution.

MATERIAL MATTERS IN OUR ENVIRONMENT

End of COVID-19 Support Scheme

The Mauritian economy continued to feel the upshots of the pandemic during the year which resulted in Government and regulators continued support. Since the re-opening of the borders, economic activities have gained momentum and as such the support schemes provided by the Government and regulators are now being ceased.

During the pandemic, the bank has been closely discussing with the clients and has been prudent in classifying those clients, significantly impacted, as Stage 2 in the IFRS9 model. The impact on the Expected Credit Loss (ECL) figures for this financial year has been significantly less compared to the two previous financial years. Post the resumption of economic activities, it has been noticed that clients have started to pay back their dues accordingly.

However, with the combination of increasing interest rates and challenging economic activities, the bank must continuously monitor these clients.

Inflation and Possible recession

The global economy, as it stands, is facing an increasingly gloomy and uncertain outlook. IMF and the World Bank in their recent publications have already hinted that they would slash the global growth forecast for this year and have warned that: "the world economy is again in danger. This time it is facing high inflation and slow growth at the same time. Even if a global recession is averted, the pain of stagflation could persist for several years". In view of its June 2022 Economic Outlook report, the OECD has stressed that "Countries worldwide are being hit by higher commodity prices, which add to inflationary pressures and curb real incomes and spending, further dampening the recovery. High food and energy prices and the continued worsening of supply chain problems imply that consumer price inflation will peak later and at higher levels than previously foreseen."

To allow the full completion of the recovery process, while containing inflationary pressures, central banks in both advanced and emerging economies have engaged in a normalisation process of their monetary policy stance. Around 60 central banks, both from advanced as well as emerging market economies, have increased interest rates since June 2022.

On the local front, the economy continues to recover, supported by greater dynamism across the key sectors of the economy. However, the annual inflation rate climbed to a 14-year high of 11.5% in August 2022, from 11% in July due to global supply bottlenecks, higher fuel prices and food prices, freight costs and the past depreciation of the Mauritian rupee. The recovery in Mauritius is expected to continue, albeit at a slower pace than projected before the war in Ukraine.

The bank is closely monitoring the situation and expects that recovery of business activity will be slow during the financial year. Additionally, the bank is focus on improving its customer experience by enhancing its products and services.

Talent Management & Retention

There has been a recent wave of resignation across the globe which seems to be one of the residual effects of extended lockdown period due to the pandemic. While the remuneration is often a key element of discussion on these situation, recent studies have found that other intangible factors such as job fulfilment and the ability to be one's true self at work were key considerations.

In local forefront, for the last twelve months, Mauritius has witnessed a brain drain whereby the exodus has been massive in certain sectors. Several sectors, including IT, the financial sector, finance but also the service sectors, are facing a challenge as people choose to go abroad to get international experience.

With the #usculture as an integral part for the implementation of the #countonus strategy, the bank continues to invest in the development and well-being of its personnel.

AML/CFT

In line with its commitment for continually improving the legal and regulatory framework in the fight against money laundering and terrorist financing, Mauritius made significant development by being removed from the Financial Action Task Force's grey list (FATF), EU's Blacklist and UK's list of High-Risk countries. Mauritius spelt out its continued intention to work with the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) to strengthen and sustain its AML/CFT regime in place.

Recently, Mauritius participated in the 44th Task Force meeting of the senior officials, where the local authorities tabled the enhanced follow-up report of Mauritius with a request of technical compliance re-rating. Following the council meeting, Mauritius was upgraded to "Largely Compliant" which was the only pending recommendation where Mauritius had a rating of "Partially Compliant".

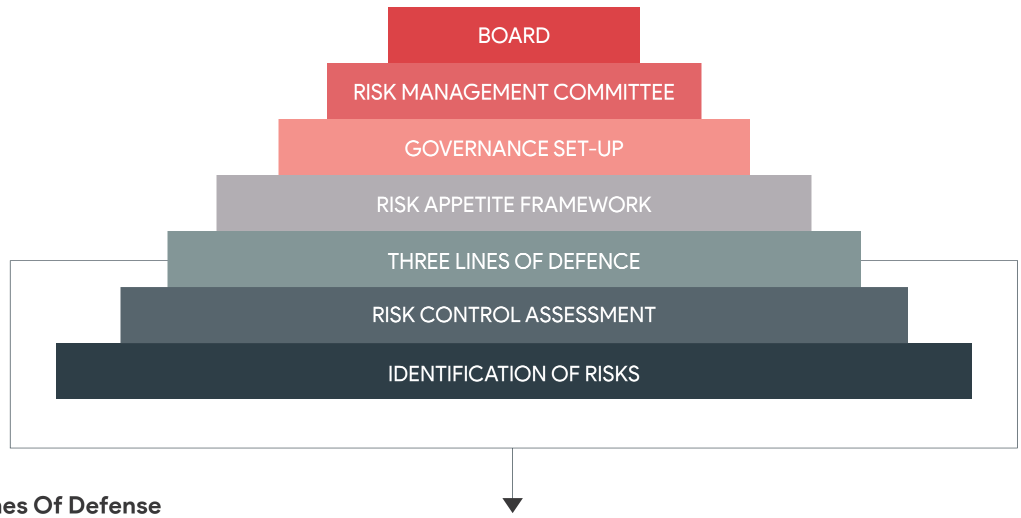
With this recommendation, Mauritius is now, a jurisdiction "Compliant" or "Largely Compliant" with all the 40 FATF recommendations.

The bank through its compliance function ensures that it continuously complies with the existing regulations. Additionally, regular trainings are provided to employees to ensure they are well informed of regulatory changes and the bank's regulatory obligations.

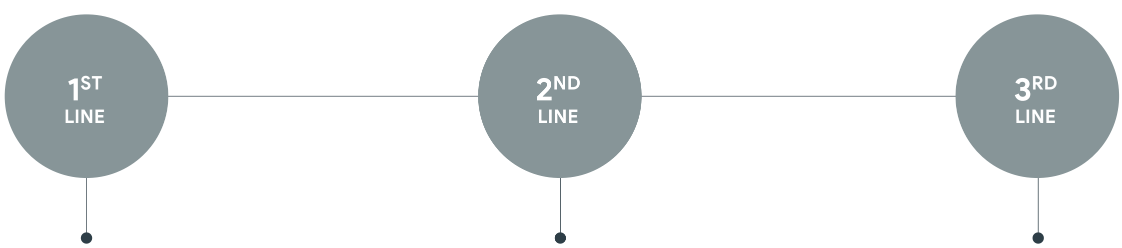
RISKS FOR THE BANK

1. RISK MANAGEMENT FRAMEWORK

Risks exist when a decision or action has an uncertain outcome that could impact our performance. The risk framework aims to manage rather than eliminate the risk of failure in order to achieve the business objectives. It can provide reasonable but not absolute assurance against material misstatement or loss. The bank seeks to ensure that the expected returns compensate for the risks taken and appropriate measures are put in place to mitigate any identified weaknesses in the control environment. The risk management framework sets a balanced risk appetite that takes into account the operating environment and our strategy. It is essential that business plans are supported by an effective risk management framework to allow us to grow sustainably and responsibly.



Three Lines Of Defense



Process and control owners in customer facing segments and Group functions which are responsible for managing end-to-end risks and controls in their businesses.

Independent risk, compliance, legal and control functions which formulate risk and control policies, and review the first line's adherence to these.

Internal audit function test and review controls to determine that the first and second lines execute their responsibilities effectively and consistently.

2. RISK RATIOS AT A GLANCE

LCR Consolidated **314%**	MUR **422%**
USD: **169%**	EUR: **170%**

CAR: **15.6%**

Tier 1 Capital: **12.9%**

NPL: **6.8%**

3. RISK HIGHLIGHTS

	SN.	Risk Category	Risk Description	Residual Risk*
FINANCIAL RISK	1.	**Funding and Liquidity Risk**	Funding risk refers to the risk that a bank does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient. Liquidity Risk is defined as the potential loss arising from either the inability to meet its obligations when they fall due or to fund increases in assets without incurring unacceptable cost or losses.	
	2.	**Interest Rate Risk**	The risk of potential negative impact on the Net Interest Income and refers to the vulnerabilities due to movement in interest rates.	
	3.	**Market Risk**	Market risk refers to the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other market changes.	
	4.	**Country Risk**	Country risk refers to the risk attributable to events in a specific country. It is the risk of loss associated with lending, pre-settlement, money market and investment transactions in any given country.	
	5.	**Credit Risk**	Credit risk is the risk of financial loss resulting from failure of the parties, with whom the bank has contracted, to meet their obligations (both on and off-balance sheet).	
NON-FINANCIAL RISK	6.	**Cyber Risk**	Cyber risk is defined as the potential threats occurring from failures in digital technologies, electronic systems, technological networks, devices and media.	
	7.	**Operational Risk**	Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	
	8.	**Compliance Risk**	Compliance risk is exposure to legal penalties, financial forfeiture and material loss the bank may face as a result of failure to comply with laws and regulations, internal policies and prescribed best practices.	
	9.	**Information Risk**	Information risk are risks associated with regards to data protection, system performance, service delivery and time to market new products.	
TRANSVERSAL RISK	10.	**Business Strategic Risk**	Strategic risk refers to the risk to earnings and/or capital arising from adverse effects of business decisions, failure to meet the business development targets, improper implementation of business decisions/projects, failure to react to unexpected external events which can impact on the business.	
	11.	**Reputational Risk**	Reputational risk refers to the risk of loss arising from the adverse perception of the image of the bank by customers, counterparties and stakeholders.	

* Residual risk is the residual risk after taking into consideration the control environment put in place by management.

Low

High

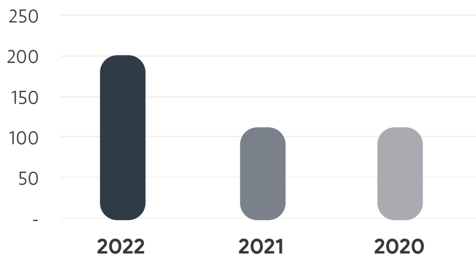
ANDY

LEONG SON

HEAD OF FINANCE

The previous two financial years showed the resilience of the bank and the commitment of the team which we carried into the financial year ended 30 June 2022 resulting in the bank generating a profit of MUR 201 million – a 67% growth in bottom line as compared to the prior year.

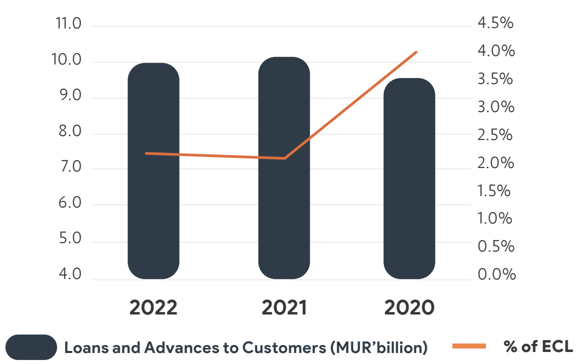
Profit after tax (MUR'million)



QUALITY OF THE BOOK

One of the significant factors that contributed to the improved performance of the bank is the decrease of the bank's allowance for credit impairment on financial assets from MUR 232 million last year to MUR 3 million this year. This is a direct result of two things:

1. With a pandemic affecting the global economy in previous years, under IFRS 9, there was a need to proactively make provisions to mitigate the impact of potential non-performing loans.
2. With the expected recovery now in progress and the bank's continued rigorous credit underwriting process, the book is relatively healthy and as such there was no need of significant increase in ECL.

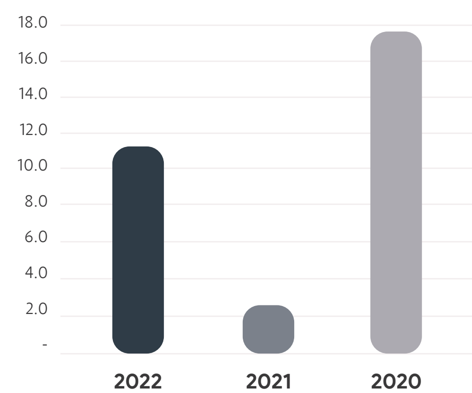


OPERATING PERFORMANCE AND BUSINESS ACTIVITY

The operating income was unfortunately impacted with the reduced business activity in the market as well as some hard decision taken in the previous year to reduce or exit certain exposures that no longer met the bank's risk appetite.

With the gradual increase in the interest rate environment since the start of the year, there has been less trading opportunities in investment securities. However, that also meant that where placement in the interbank market was significantly low in the past two years, we are now witnessing a drastic increase in rates from which the bank can benefit to place its excess liquidity.

Interest income from loan to and placement with banks (MUR' million)



INVESTING FOR GROWTH

With the expected recovery in the economy, the bank has taken the decision to continue to strengthen its operation. Investing for growth is the key to the bank's strategy where we expect that business transformation will bring efficiency and the upskilling of the personnel will undoubtedly improve the quality of service of the bank. We fully expect that these investments will result in an improved performance in the coming years.

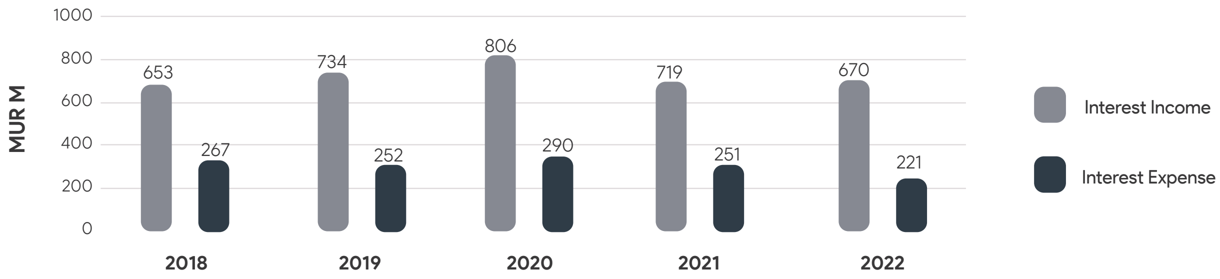
Andy Leong Son
Head of Finance

FINANCIAL HIGHLIGHTS

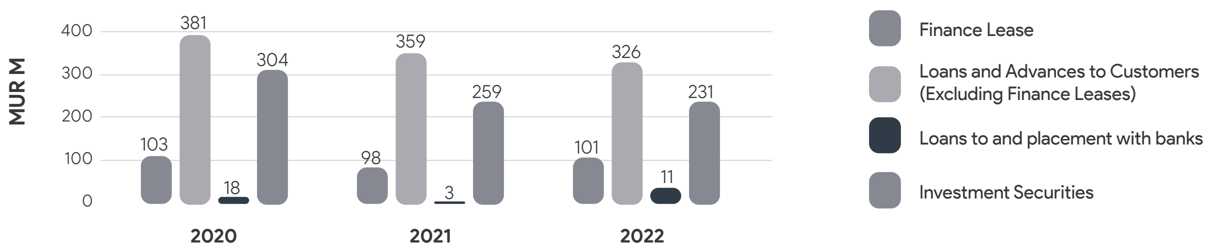
	BANK		
	2022	**2021**	**2020**
INCOME STATEMENT (MUR M)			
Net Interest Income	**448.7**	467.9	516.4
Operating Income	**618.4**	713.3	762.9
Profit before impairment	**230.4**	383.5	452.1
Profit before tax	**227.1**	151.5	141.4
Profit after tax	**201.0**	120.1	120.4
STATEMENTS OF FINANCIAL POSITION (MUR M)			
Total assets	**22,155.4**	23,159.7	19,705.1
Net loans and advances portfolio	**10,013.9**	10,180.8	9,769.4
Total deposit	**19,016.8**	19,846.2	16,799.7
Shareholders' fund	**2,080.8**	1,928.5	1,836.8
Tier 1 Capital	**1,974.8**	1,875.2	1,804.8
Total net capital	**2,384.7**	2,401.4	2,444.8
Risk- weighted assets	**15,308.4**	15,655.4	14,124.5
PERFORMANCE RATIOS (%)			
Return on average total assets*	**0.9**	0.5	0.6
Return on equity*	**9.7**	6.2	6.6
Non-interest income to operating income	**27.4**	34.4	32.3
Loans and advances to deposit ratio	**53.9**	52.4	60.6
Cost to income ratio	**62.7**	46.2	40.7
CAPITAL ADEQUACY RATIOS (%)			
Capital & Reserves/Total assets	**9.4**	8.3	9.3
Capital adequacy ratio	**15.6**	15.3	17.3
Tier 1 ratio	**12.9**	12.0	12.8
INVESTOR DATA			
Earnings per share (MUR)**	**2.6**	1.6	1.6

** based on profit after tax | **based on average number of shares*

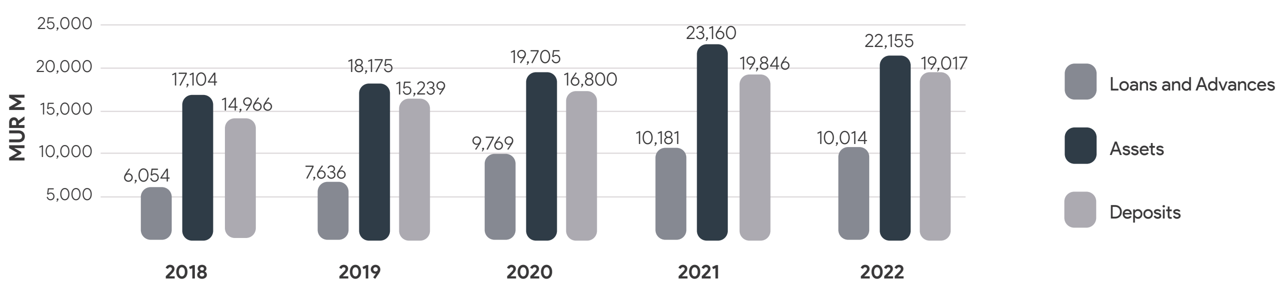
INTEREST INCOME & INTEREST EXPENSE



INTEREST INCOME



ASSETS, DEPOSITS AND LOANS



We tailor offerings to people's personalities

CORPORATE GOVERNANCE REPORT

Since 2020 and the breakout of the pandemic, Resilience, Sustainability and Innovation have been the leitmotiv in the political, economic and business world. However, as the many companies which have unfortunately disappeared or struggled during the aforementioned period have witnessed, translating them from academic papers to business reality is no mere feat. One of the catalysts for such transformation is a set of strong governance values and practices across the organisation.

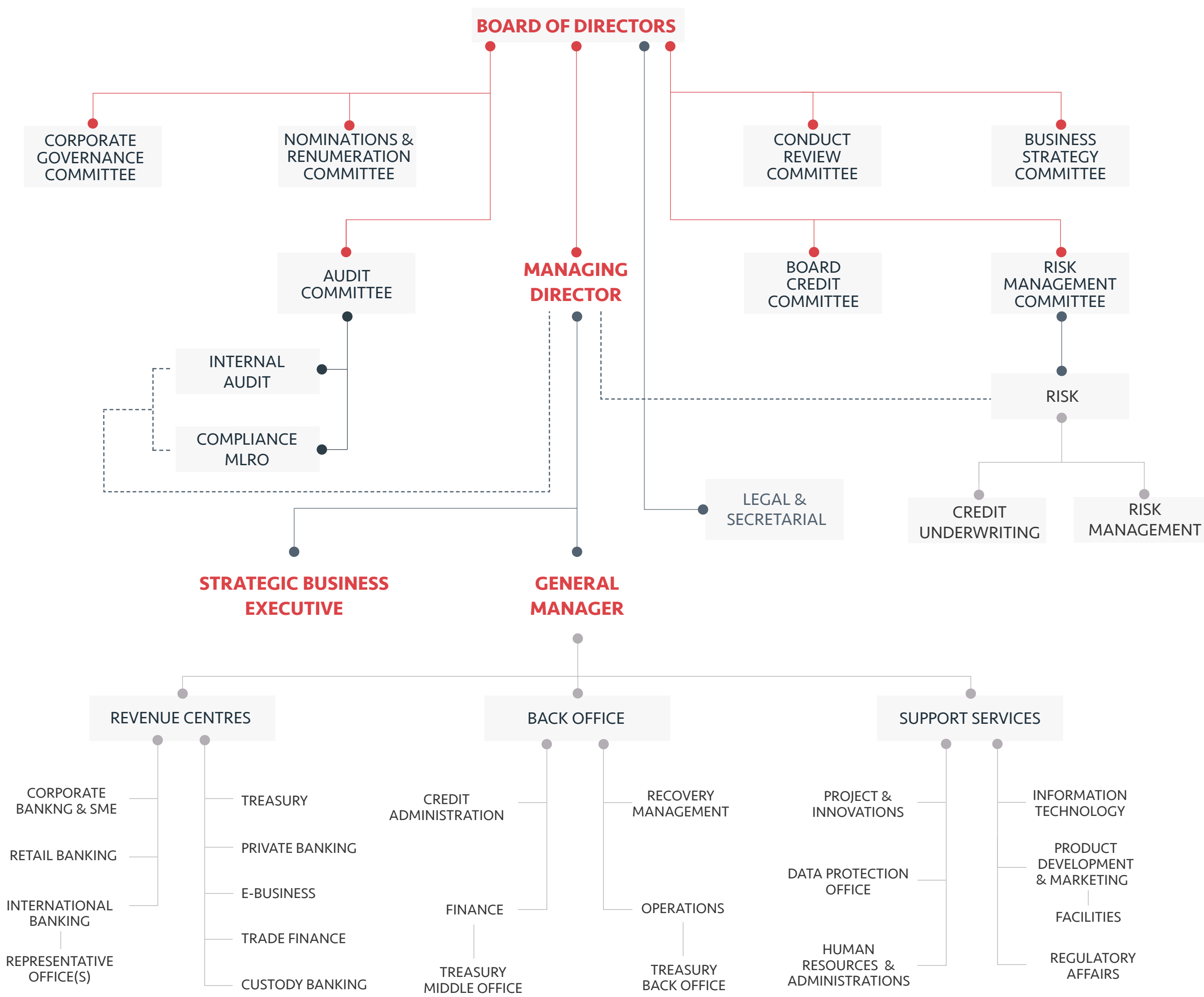
At ABC Banking, our Board of Directors has always been committed to fostering, attaining and sustaining high standards of corporate governance, with the objective of enhancing stakeholders' value and assuming its responsibilities in the Mauritian society and economy.

The bank has in place its Board Charter, job descriptions of key senior governance positions, the Code of Ethics and the statement of major accountabilities of the bank, which have been reviewed and approved by the appropriate authority. These documents are monitored and updated on a yearly basis or as and when required following changes in laws, regulations or decisions taken by the appropriate Board Committee. These documents are available on the bank's website.

CORPORATE GOVERNANCE FRAMEWORK

Our framework has been designed and built so as to become the system of rules and practices by which our Board of Directors ensures accountability, fairness and transparency in the Company's relationship with its stakeholders. Moreover, the Board views the framework as the supporting structure to entity management and compliance, by providing the trunk from which the various branches of compliant operations can grow and flourish.

The below diagram depicts the bank's structure chart, provided by the framework:



THE BOARD AND ITS ROLE

The Board of Directors has set up a governance framework which it deems appropriate to help the organisation achieve its business, strategic and social roles. The governance framework consists of a set of parameters, systems and controls to oversee the efficient and ethical conduct of the bank's operations by management and staff, while ensuring compliance with the legal and regulatory requirements.

The Directors continuously review the implications of corporate governance best practices and affirm that the bank materially complies with the provisions of the National Code of Corporate Governance and Bank of Mauritius Guideline on Corporate Governance.

The bank's Constitution provides that the Board of Directors shall consist of not less than 6 but no more than 10 Directors. In accordance with the provisions of the Banking Act 2004 and the Bank of Mauritius' Guideline on Corporate Governance, the Board of Directors consisted of 9 Directors during the year ended 30 June 2022, of which two were Executive Directors, one was a Non-Executive Director and 6 were Independent Directors, including the Chairperson of the Board. The Gender Diversity in the Boardroom remains one of the priorities of the Board and it shall endeavour to improve the percentage of female directors during the next financial year. As the Board is ultimately responsible for the bank's affairs, all Directors are appointed by the bank's shareholders to serve on the Board at the Annual Meeting of Shareholders.

The below composition provides the Board with an adequate balance of experience, expertise and competences to function effectively and independently under the guidance of the Chairperson, Mrs Ah Foon Chui Yew Cheong. Professor Donald Ah-Chuen and Mr David Brian Ah-Chuen, the two Executive Directors, ensure the policies and strategies approved at Board level are cascaded across the organisation.

The Board comprised of 9 members during the year ended 30 June 2022. Their profiles can be viewed on pages 40-42:

DIRECTORS	CATEGORY
Mrs Ah Foon Chui Yew Cheong	Independent Chairperson
Prof. Donald Ah-Chuen	Executive (Managing Director)
Mr David Brian Ah-Chuen	Executive (Strategic Business Executive)
Mr Patrick Andrew Dean Ah-Chuen	Non-Executive Director
Mr Sydney Ah Yoong	Independent
Mr Bhanu Pratabsingh Jaddoo	Independent
Mr Michel Bruno Lalanne	Independent
Mr Lakshmana Lutchmenarraidoo	Independent
Mr André Kwet-Tsong Tze Sek Sum	Independent

All Directors of the bank as at 30 June 2022 were residents in Mauritius.

PROFILE OF DIRECTORS

MRS AH FOON CHUI YEW CHEONG | INDEPENDENT DIRECTOR AND CHAIRPERSON

Mrs. Ah Foon Chui Yew Cheong retired as Judge of the Supreme Court of Mauritius in 2017. Her career in the legal and judicial service spanned over 40 years, including an appointment as Director of Public Prosecutions. She chaired the Institute for Judicial and Legal Studies (IJLS) since its inception in 2011, up until February 2021. She also devised and initiated many courses and workshops for the benefit of the legal profession and the judiciary. She still maintains an interest in the sharing and enrichment of Mauritian civil law.

Mrs. Ah Foon Chui Yew Cheong is a member of the Wildlife Justice Commission (WJC) Council. She is, since 2017, the Chairperson of the Board of SOS Children's Villages (Mauritius), which provides family care to needy children. Her extensive legal and judicial knowledge and experience, along with her strong leadership skills and values, set her as the perfect profile to act as the Independent Chairperson of the bank's Board of Directors.

PROFESSOR DONALD AH-CHUEN, G.O.S.K. | MANAGING DIRECTOR

Professor Donald Ah-Chuen holds an M.B.A (University of Strathclyde, UK). He is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants of Australia and holds an M.C.I.P.D (Chartered Institute of Personnel & Development, UK).

Professor Donald's long career started with his appointment as the first Chief Internal Auditor of the Central Electricity Board of Mauritius followed by his promotion three years later to the position of Secretary and Head of Administration of the same organization. His hard work, administrative skills and initiatives, especially in bringing stability in the company's state of Industrial Relations and securing a durable long-term Agreement on Wages and Conditions of Employment with the Workers' Union, were greatly appreciated by the Board which then granted him a scholarship to undertake post-graduate studies in Management in the UK. After successful completion of his studies, he joined the University of Mauritius to head the Centre of Professional Studies and in 1975, he became the first Mauritian to be appointed Professor of Management and Head of the School of Administration of the University. He subsequently served as Pro-Vice Chancellor of the University before he decided to move to Australia.

Professor Donald worked for a period of 12 years in Sydney in important professional roles in both Academia & Industry, becoming the CEO of Graham Group of Companies and finishing with distinction as Chairman of the Association of Steel Galvanizing Enterprises of Australia. He returned to Mauritius in 1995 to contribute in the consolidation, diversification and further development of the ABC Group of Companies.

Professor Donald is a director of the Stock Exchange of Mauritius Ltd (SEM) and was its Chairman for the year 2018. He is also a director of ABC MOTORS COMPANY LIMITED and P.O.L.I.C.Y Limited, listed on the DEM and SEM respectively. He is a former Board Director of the Development Bank of Mauritius and the Bank of Mauritius, and former Chairman of the Standard Bank (Mauritius) Ltd of South Africa. His other previous responsibilities include the Presidency of the Mauritius Chamber of Commerce and Industry, the Chinese Chamber of Commerce, the Mauritian Institute of Management and the Association of Accountants of Mauritius, the Chairmanship of the Tertiary Education Commission of Mauritius, and that of the Mauritius Broadcasting Corporation.

Professor Donald was called by the Authorities to serve as a member of the Commission of Inquiry on Education, the Committee of Inquiry on the Amcol Project of Domaine Les Pailles, and as Chairman of the Committee of Inquiry on the Industrial Disputes in the Public Hospitals Service.

Prior to his appointment as Managing Director of ABC Banking Corporation Ltd in January 2012, Professor Donald was the founding Chairman of the bank which was originally set up by him as the ABC Finance & Leasing Company before its subsequent establishment 13 years later as a fully-fledged commercial bank.

Finally, in 2009 he was conferred by Government the distinction of G.O.S.K (Grand Officer of the Order of the Star and Key of the Indian Ocean) in recognition of his valuable contributions to Commerce and Industry, Banking & Financial Services, and Tertiary Education.

MR DAVID BRIAN AH-CHUEN | STRATEGIC BUSINESS EXECUTIVE

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

Currently the bank's Strategic Business Executive Director, he has overseen major projects including the opening of the ABC Banking Representative Office in Hong Kong, the setting up of the Private Banking department and the opening of the ABC Private Banking Lounge.

He previously held various managerial positions within other companies of the ABC Group. As Executive Director of ABC Autotech Ltd (ABC Automobile Cluster), he successfully introduced the Alfa Romeo and Fiat brands in Mauritius. Moreover, in a quest for expansion and modernisation, the relocation of Chue Wing & Company Limited (ABC Foods) from Port Louis to Trianon happened during his tenure as Executive Director. He was also the Executive Director of Marina Resort, a 4-star hotel previously owned by the Group.

Mr. Brian Ah-Chuen was a past President of the Chinese Chamber of Commerce and Board Member of the Mauritius Chamber of Commerce & Industry (MCCI). He is currently Alternate Director of the Mauritius Union Group (which is listed on the SEM) and Board Member of the Risk Management Association as well as Business Mauritius' Africa Strategy Committee. Mr. Brian Ah Chuen is also a Fellow member of the Mauritius Institute of Directors (MIoD).

MR PATRICK ANDREW DEAN AH-CHUEN | NON-EXECUTIVE DIRECTOR

Mr. Patrick Andrew Dean Ah-Chuen holds a BA degree in Computer Science, from the University of Sydney (Australia) and holds an MBA in International Business from the University of Western Sydney.

Mr. Dean Ah-Chuen worked for Westpac Banking Corporation (Australia) in the IT Division and for Clinton's Toyota before returning to Mauritius in 1994 where he joined ABC MOTORS COMPANY LIMITED as Business Development Manager. As at date, he is the Managing Director of ABC MOTORS COMPANY LIMITED, now listed on DEM with overall responsibility for the Automobile Cluster, and also Managing Director of the Shipping & Logistics, Property and Insurance clusters of the ABC Group of Companies.

He is currently an independent director on the Board of Harel Mallac & Co Ltd, a Board member of Lovebridge Ltd (a joint private / public project to assist poor income families), and a Benefactor of the Court of the University of Mauritius since May 2019. Previously, he was a director of the Mauritius Post & Co-operative Bank Ltd and a member of the Board of Directors of the Trust Fund for Excellence in Sports (TFES), from 2006 to 2022.

Mr. Dean Ah Chuen's experience and business acumen brings an entrepreneurial perspective to boardroom discussions.

MR SYDNEY AH YOONG | INDEPENDENT DIRECTOR

Mr. Sydney Ah Yoong is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) since 1987. He has worked at Deloitte for over 38 years and retired as a Partner in December 2012. He is currently an Independent Director of P.O.L.I.C.Y Limited, an investment company listed on the Official Market of the Stock Exchange of Mauritius.

Mr. Ah Yoong has gathered key qualities in accounting, financial analysis and reporting & auditing during the course of his career. He now brings these qualities to the benefit of the Board.

MR BHANU PRATABSINGH JADDOO | INDEPENDENT DIRECTOR

Mr Jaddoo is a Fellow Member of the Institute of Chartered Accountants in England and Wales, and a Corporate Finance and Advisory specialist focusing on investment management and corporate development.

During his career, Mr Jaddoo has held important executive roles and directorship in entities of the De Chazal Du Mée Group, and was the Chief Financial Officer and Director of Titanium Resource Group Ltd, a mining company listed on the London Stock Exchange. He also held the position of Managing Director of the Board of Investment between 2005 and 2010, and was the Secretary General of the Mauritius Chamber of Commerce and Industry (MCCI). He currently sits as an Independent Director on a number of Private Equity Funds and international boards, with a focus on risk management, governance and sustainability.

MR MICHEL BRUNO LALANNE | INDEPENDENT DIRECTOR

Mr. Michel Bruno Lalanne is a Certified Anti-Money Laundering Specialist with significant local and international managerial experience. He is currently a consultant pertaining to Risk Management, and in particular Regulatory and Financial Crime Compliance.

Mr. Lalanne has a deep knowledge of Compliance (including AML/CFT) procedures, models and operations which he acquired during the three decades he spent at HSBC Mauritius, where he held several positions such as Head of Corporate Banking, Chief Operating Officer and Area Compliance Officer and Head of Financial Crime Compliance & Regulatory Compliance.

Mr. Lalanne has also spent 2 years in the Asia Pacific region as Senior Regulatory Compliance Assurance Manager in HSBC, Hong Kong, and Head of Regulatory Compliance in HSBC, Macao from 2018 – 2019. His work experience included conducting on-site assurance reviews of Regulatory Compliance departments in countries such as China, Malaysia, Australia and Indonesia.

Due to the extensive managerial positions held by Mr. Lalanne, he has been a member of Executive and Risk Management Committees during the past 15 years. Mr. Lalanne has a track record of designing and implementing risk management strategies, including in jurisdictions with important Global Business and gaming sectors.
Based on the above key attributes, Mr. Lalanne brings to the Boardroom a thorough understanding and expert perspective of the banking and operational imperatives.

MR LAKSHMANA LUTCHMENARRAIDOO | INDEPENDENT DIRECTOR

Mr Lakshmana (Kris) Lutchmenarraidoo holds a Banking Diploma from Finafrica Institute. He has worked for the State Bank of Mauritius between 1973 and 1986, during which period he occupied various managerial positions, including the position of Assistant General Manager during his last four years there. He then participated to the set up the Mauritius Leasing Company as General Manager before being later appointed as Managing Director in 1997, and promoted as President of the Financial Services arm of the British American Group in 1999.

In 2002, Mr. Lutchmenarraidoo was appointed as the Executive Chairman of The Mauritius Post Ltd and he was subsequently appointed as Chief Executive Officer of the Mauritius Post and Cooperative Bank Ltd, which he set up in May 2003. He thereafter took assignments as General Manager of Mauritours Ltd in December 2005, and La Prudence (Mauricienne) Assurances Ltée as General Manager of the General Insurance Department in August 2007. He was appointed Group Chief Executive Officer of The Mauritius Union Assurance Cy. Ltd on 1 January 2011, and held this position till 31 December 2014. He was then appointed Group Managing Director of Phoenix of East Africa Assurance Company Limited till June 2016, and Chief Executive Officer of La Prudence Leasing & Finance Co Ltd from 1 September 2016 to 14 January 2017.

Prior to joining the bank, he was the Chief Executive Officer of SBM (NBFC) Holdings Limited from 15 January 2017 to 30 June 2020. Mr. Lutchmenarraidoo is also an Independent Director and Chairman of the Board of Kwale International Sugar Company Limited, a company based in Kwale County, Kenya.

MR ANDRÉ KWET-TSONG TZE SEK SUM | INDEPENDENT DIRECTOR

Mr. Tze Sek Sum is a seasoned professional with nearly 50 years' experience in the fields of Accountancy, Auditing and Financial Services. With a vast experience in finance, commerce and banking, and having played an important role in the setting up of new companies in the Export Processing Zone and substitution industries, as well as helped clients develop their links internationally through India and Africa, Mr Tze Sek Sum is also an advisor to businesses and interested parties on key aspects of business operations, management strategies and organisation.

A holder of several memberships in Professional Societies, Mr Tze Sek Sum is a Barrister at Law - Member of the Honourable Society of the Middle Temple Inns of Court, London, a Fellow of the Association of Chartered Certified Accountants, UK, a Member of the Chartered Institute of Taxation, England, a Member of Society of Trust and Estate Practitioners, and a Member of the Mauritius Institute of Professional Accountants.

Presently, Mr. Tze Sek Sum is the Managing Director of Port Louis Management Services Ltd (PMSL) and the Honorary Consul General of Thailand in Mauritius.

PROFILE OF MANAGEMENT TEAM

The day-to-day management and operation of the bank's business has been delegated to the Senior Management Team. The Senior Management Team comprises the Managing Director, the Strategic Business Executive and the General Manager. The departmental heads and managers are tasked to implement the strategies and policies approved by the Board, and ensure that same are communicated to all relevant staff. They are also responsible for the design and monitoring of the internal control systems, ensuring there exists an adequate segregation of duties, with prevalence of dual control in all areas, where required.

MR YASHODAREN UMANEE | GENERAL MANAGER

Mr Yashodaren Umanee is a Banker with over 42 years' experience. He worked for the Barclays Bank PLC as International Banking Division Director, and has also been the Corporate Director of Barclays Seychelles for the last 9 months, prior to joining the bank.

In July 2011, Mr Umanee joined the bank as Head of Banking – Domestic and International. He was promoted to the post of General Manager in January 2012.

He holds an MBA from Heriot Watt University and is an Associate of the Chartered Institute of Bankers (ACIB).

MR P. ANDREW LEONG SON | HEAD OF FINANCE

Mr Patrick Andrew Leong Son has over 12 years' experience in the accountancy and financial sectors, both in Mauritius and in the UK. Prior to joining the bank as Head of Finance, he was the Head of the Advisory division of Perigeum Capital, a Corporate Finance House. He previously worked at KPMG, London, and at the British Business Bank Investments Ltd, a national economic bank based in London.

Mr Leong Son is a Member of the Institute of Chartered Accountants in England and Wales, and also holds a BSc in Computer and Business from the University of Warwick.

MR ABDOOL WAHAB KHADAROO | HEAD OF RISK

Mr Abdool Wahab Khadaroo has over 25 years' experience in the financial services industry. Before joining the bank in October 2016 as Head of Risk, he worked for 13 years in different departments (Corporate Credit Risk, International Banking, Internal Audit) across Barclays Bank Mauritius Ltd and acquired international exposure with ABSA Bank South Africa, within the Corporate & Investment Banking space, where he was seconded for duty in 2016. He won the Gold Medal in 2016 for "Net Interest Income performance across Southern Africa countries". Mr Khadaroo also had 6 years exposure in external audit with Deloitte & PwC. He is qualified from the Association of Chartered Certified Accountants.

MR DEENESH GHURBURRUN | HEAD OF COMPLIANCE

Mr. Deenesh Ghurburrun has over 39 years of experience in the banking sector. Before joining the bank in April 2021 as Regulatory Affairs Executive, he worked as the Head of Compliance and Money Laundering Reporting Officer at Banyan Tree Bank Limited. Mr. Ghurburrun was employed as Head of Compliance at the SBM Bank (Mauritius) Limited from May 2016 to February 2019. Between 1983 – 2016, he held various positions at the Bank of Mauritius.
Mr. Ghurburrun was appointed as Head of Compliance at the bank on February 2022. He is a Fellow of the Association of Chartered Certified Accountants (FCCA).

MRS M. A. CHRISTINE K.L. NG CHEONG HIN | HEAD OF INTERNAL AUDIT

Mrs Christine Ng has over 21 years' experience acquired on the local and international market. She was appointed as Head of Internal Audit of the bank in June 2012, prior to which she worked in the risk advisory and consulting divisions of Ernst & Young Ltd (EY) for 11 years.

At EY, she worked on local audit assignments in the hospitality, manufacturing and banking sectors, and gained significant experience in conducting EU institutional assessments and financial audits all over Africa. She was seconded for duty at EY office in South Africa from 2006 to 2007. She holds a BSc. (Hons.) in Management Sciences from the University of Warwick, UK, and an MSc. in Human Resource Studies from the University of Mauritius. She is also a Certified Internal Auditor from the Institute of Internal Auditors of the USA, and a Certified Risk Based Auditor from the London School of Business and Finance in UK. She is currently a member of the Institute of Internal Auditors (IIA) in Mauritius.

MR KUSHAL BAJNATHSINGH | HEAD OF INTERNATIONAL BANKING

Mr Kushal Bajnathsingh has over 19 years' experience in the Global Business and International Banking field. He joined the bank in August 2011, overseeing its International Banking operations and liabilities division.

Prior to this assignment, he was a Relationship Manager in the Global Business Department of AfrAsia Bank. He also worked as Manager and Head of Department of the International Banking division of the Barclays Bank in Mauritius for over 6 years. He was assigned several overseas duties at Barclays Bank Ghana, Barclays Bank Seychelles and Banque de Kigali in Rwanda. In 2008, he was awarded the title of Change Champion for Barclays Bank Mauritius. Mr Bajnathsingh holds a post-grad in Business Administration from Wales University, UK.

MR ASHEES MAUNICK | HEAD OF PRIVATE BANKING

Mr Ashees Maunick has acquired previous experience in the financial sector, namely as Head of Private Banking at Banque Française Commerciale Ocean Indien, La Réunion, and as Deputy Head of Private Banking at Banque des Mascareignes Ltee. He also worked for Société Générale in Paris from 2011 to 2017, where he occupied the positions of Portfolio Manager and Private Wealth Manager.

Mr Maunick holds an LLB from the University of Mauritius, a Master 2 in "Gestion de Patrimoine" and "Droit Privé de L'Entreprise" from the Université d'Auvergne, Clermont 1, and a Certificate in Asset Management from Wharton School, University of Pennsylvania.

MR ABDULLAH NURMAHOMED | HEAD OF TREASURY

Mr Abdullah Nurmahomed has 16 years' experience in the financial services industry, including 9 years in treasury. Prior to joining the bank, he worked for 4 years as Money Market, Fixed Income and Interbank & Forex Dealer at State Bank of Mauritius (SBM), and as Treasurer at SBM Madagascar Branch from 2012 to 2013. He also worked for 4 years as Trader (Shift/Team Leader) at Superfund Asset Management Mauritius, and for 3 years as Credit Support Staff at HSBC Mauritius.

Mr Nurmahomed joined the bank as Head of Treasury in March 2014. He holds a BSc. First Class Honours in Finance from the University of Mauritius and an ACI Dealing Certificate from the Financial Markets Association. He is currently studying for CFA Level 3.

MRS NATASHA JADE WONG CHUNG KI | HEAD OF CORPORATE BANKING

Mrs Natasha Wong has over 19 years' experience in the financial services sector. She joined the bank in 2015, prior to which she was an Executive Director at Mauritian Eagle Leasing (previously a member of the IBL Group) for over 10 years.

She also held office at DTOS Ltd Management Company and Deloitte. She is a Chartered Accountant and Fellow member of ACCA, and holds an MBA in Finance from the University of Leicester, UK. She is also a member of MIPA and MIoD.

MRS LAURA LI SHEN PIN | HEAD OF DEBT ADMINISTRATION & RECOVERY

Mrs Laura Li Shen Pin has more than 16 years of experience in the banking sector. She previously held the post of Accountant at the MCB Group for 7 years where she acquired significant experience in the finance department.

Mrs Li Shen Pin joined the bank in July 2011 as Accountant and was appointed as Senior Recovery Manager in February 2014. She was promoted to Head of Debt Administration & Recovery in June 2016. Mrs Li Shen Pin is a Fellow member of the Association of Chartered Certified Accountants (ACCA).

BOARD STRUCTURE AND ITS CONDUCT OF AFFAIRS

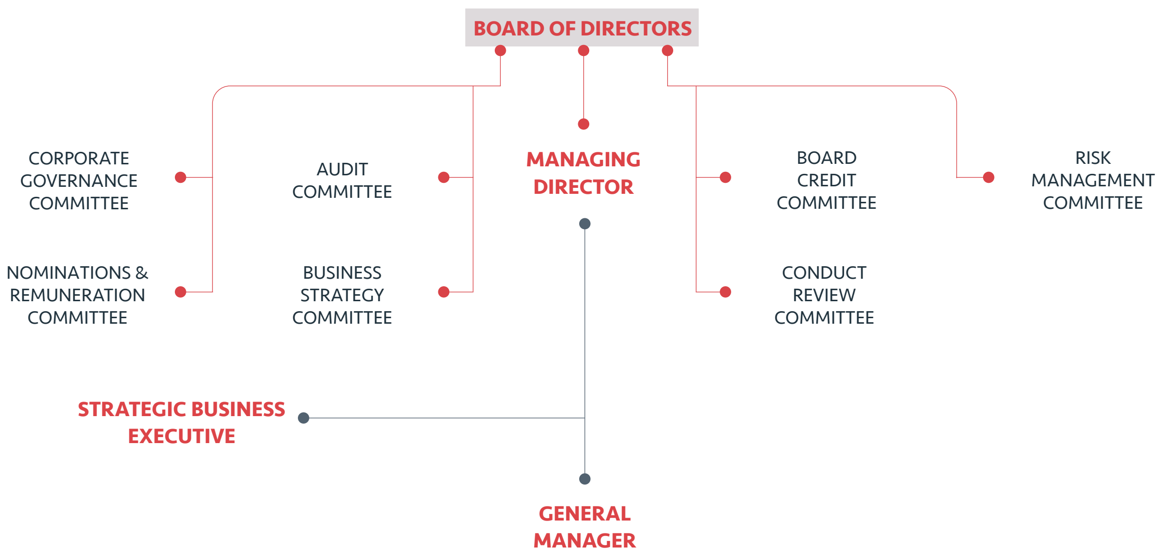
Our corporate governance framework provides that a unitary Board of Directors shall be entrusted with the relevant powers to direct and supervise the management of the bank's business and affairs in an ethical and responsible manner, in line with the guidelines of the Bank of Mauritius and the National Code of Corporate Governance.

While some of the responsibilities are discharged directly by the full Board of Directors, others are delegated to Board committees to ensure appropriate attention is given at granular level. A summary of such discussions and action points are reported by the chairpersons of the respective committees at the subsequent meeting of the Board of Directors.

BOARD COMMITTEES

The Board has set up 7 committees to facilitate the effective and efficient discharge of its duties and responsibilities, namely the Board Credit Committee, the Audit Committee, the Risk Management Committee, the Conduct Review Committee, the Nominations and Remuneration Committee, the Corporate Governance Committee and the Business Strategy Committee. The Company Secretary acts as secretary for all meetings of the Board of Directors and its Committees. The terms of reference and composition of the Board Committees are summarised below.

The below diagram depicts the organisation of the Board:



BOARD CREDIT COMMITTEE

The Board Credit Committee (BBC) has been established by the Board of Directors of the Company and has been delegated the responsibility of considering and approving credit facilities, including placement limits with banks and financial institutions, in conformity with the provisions of the Credit Policy established by the Board.

Members of the BCC:

- Mr Sydney Ah Yoong (Chairperson)
- Prof. Donald Ah-Chuen
- Mr Lakshmana Lutchmenarraidoo

The Strategic Business Executive Director, the General Manager and the Head of Risk shall be in attendance at all Committee meetings.

AUDIT COMMITTEE

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

- reviewing the bank's audited financial statements and quarterly results before they are approved by the Board of Directors;
- ensuring management implements and maintains appropriate accounting, internal control and financial disclosure procedures, and reviews, evaluates and approves such procedures;
- reviewing such transactions as could adversely affect the bank's sound financial condition;
- reviewing and approving the audit scope and frequency;
- receiving audit reports and ensuring management is taking appropriate corrective actions in a timely manner, to address and control weaknesses and identified areas of non-compliance;
- ensuring accounting principles, policies and practices are adequate to guarantee resources are safeguarded, laws followed, reliable data disclosed and internal control systems adequate.

Members of the Audit Committee:

- Mr Bhanu Pratabsingh Jaddoo (Chairperson)
- Mr André Kwet-Tsong Tze Sek Sum
- Mr Michel Bruno Lalanne

The Strategic Business Executive Director, Head of Internal Audit, General Manager and Head of Finance are in attendance at all Committee meetings and the external auditor is requested to attend the meetings as and when required. The Head of Compliance also reports to the Committee on a quarterly basis.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee assists the Board of Directors in the discharge of its duties relating to corporate accountability and the associated risks in terms of management, assurance and reporting. The responsibilities of the Risk Management Committee are defined in its terms of reference. They include but are not limited to:

- reviewing the principal risks and formulating and making recommendations to the Board in respect of risk management issues;
- reviewing and approving discussions and risk disclosure;
- reviewing the Assets and Liabilities Committee's (ALCO) reports.

Members of the Risk Management Committee:

- Mr Lakshmana Lutchmenarraidoo (Chairperson)
- Prof. Donald Ah-Chuen
- Mr Sydney Ah Yoong
- Mr Bhanu Pratabsingh Jaddoo

The Head of Risk is in attendance at all Committee meetings.

CONDUCT REVIEW COMMITTEE

The responsibilities of the Conduct Review Committee are as specified in the BOM Guideline on Related Party Transactions. They include but are not limited to:

- ensuring management establishes policies and procedures to comply with the requirements of the BOM Guideline on Related Party Transactions;
- reviewing the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the bank's best interests;
- reviewing and approving each credit exposure to related parties;
- ensuring market terms and conditions are applied to all related party transactions.

Members of the Conduct Review Committee:

- Mr Michel Bruno Lalanne (Appointed as member and Chairperson as from 23 November 2021)
- Mr Sydney Ah Yoong (Chairperson until 23 November 2021)
- Mr Lakshmana Lutchmenarraidoo
- Mr Bhanu Pratabsingh Jaddoo (Member until 23 November 2021)

NOMINATIONS AND REMUNERATION COMMITTEE

The Nominations and Remuneration Committee has been delegated the responsibility of overseeing the nomination and remuneration functions of the Board, and making recommendations to the Board on such matters. The responsibilities of the Nominations and Remuneration Committee are defined in its terms of reference. They include but are not limited to:

- monitoring the bank's succession plan;
- establishing the procedures for identification, selection and recommendation of new Directors;
- establishing and monitoring the bank's remuneration policy and recommending appropriate remuneration for Directors.

Members of the Nomination and Remuneration Committee:

- Mr André Kwet-Tsong Tze Sek Sum (Chairperson)
- Mrs Ah Foon Chui Yew Cheong
- Prof. Donald Ah-Chuen

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has been established by the Board of Directors to make recommendations to the Board on all corporate governance provisions to be adopted, so that the bank remains effective and complies with prevailing corporate governance principles. The Committee shall be constituted to ensure the reporting requirements with regard to corporate governance, whether in the annual report or on an on-going basis, are in accordance with the guidelines set out by the Bank of Mauritius and the Code of Corporate Governance.

Members of the Corporate Governance Committee:

- Mr André Kwet-Tsong Tze Sek Sum (Chairperson)
- Mrs Ah Foon Chui Yew Cheong
- Prof. Donald Ah-Chuen

BUSINESS STRATEGY COMMITTEE

For the past years, the high-level of Board oversight on the bank's operations has facilitated its fast and steady growth. Commensurate with its ambitions of making a major leap in growth, the Board has set up the Business Strategy Committee.

The Business Strategy Committee has been set up to monitor and follow-up the implementation, control and review of the bank's agreed strategies. The duties of the Business Strategy Committee are to:

- review and recommend to the Board, for onwards approval, the bank's strategic plan, which has been prepared in accordance with its values, vision and mission, while taking into consideration all relevant factors present in the bank's business environment;
- monitor the progress of the implementation of the strategic plan through the measurement of various Key Performance Indicators (KPIs) and the regular review of ongoing projects;
- oversee management's Strategic Management Framework and review and make recommendations with respect to management's strategic plan for each financial year;
- review the annual budget as proposed by management from a strategic perspective.

Members of the Business Strategy Committee:

- Mr Bhanu Pratabsingh Jaddoo (Chairperson)
- Prof. Donald Ah-Chuen
- Mr David Brian Ah-Chuen
- Mr Patrick Andrew Dean Ah-Chuen
- Mr Lakshmana Lutchmenarraidoo

COMPANY SECRETARY

Mr Ittoo, the Secretary, is responsible for the management of corporate secretarial and governance affairs in-house.

Mr. Ittoo holds a BA (Hons) Law and Management from the University of Mauritius and a Masters in Banking and Financial Law from the University of London, UK. He is also an Associate of the Chartered Governance Institute (ex-ICSA) and a Member of the Chartered Institute for Securities and Investment.

Mr. Ittoo has more than 11 years' experience in the corporate administration and governance field and was working in the Global Business Industry prior to joining the ABC Group in 2016. He has represented ABC Professional & Corporate Secretarial Services between 2016 and 2020, prior to his appointment as Company Secretary of ABC Banking Corporation Ltd on 1 September 2020.

The Company Secretary is responsible for the organisation of Board and Committee meetings, and acts as a bridge between executive management and non-executive board members. The Company Secretary also oversees all governance matters at the bank, acting as the link between the bank and its shareholders.

KEY ACTIVITIES OF THE BOARD

Strategic Planning And Monitoring

The Board of Directors is responsible for setting the bank's ultimate direction. Like all large organisations, at the bank the initial strategy is developed at executive level, following an assessment of the issues, opportunities and risks that drive performance in the current market, and in line with the bank's risk tolerance, capacity and appetite.

The role of the Board in the strategic planning process englobes the identification of priorities, establishment of goals and objectives, finding resources and allocating funds to support the decisions that need to be made around strategic planning. The Board is also responsible for monitoring the execution of the strategic plan. This requires the Board to oversee the implementation of the strategic plan and consider whether there is a need to revisit the allocation of funds as well as the applicability of certain projects, as the plan progresses.

At the bank, strategic management is a dynamic and continuous exercise. While the executive team is responsible for the implementation of the strategic plan, the Business Strategic Committee has the responsibility to oversee and monitor such implementation of the strategic plan on a half yearly basis. On a quarterly basis, the Board as a whole, questions, challenges and clarifies the plan submitted by management, to ensure it is well thought out, realistic, market-appropriate and compatible with the organisation's mission, vision and values.

Succession Planning

Succession plan is of high importance at the bank, as it is the component of the governance framework which helps avoid any disruption in case of unplanned departure of any director or senior officer. The Nomination and Remuneration Committee has been delegated the task by the Board to regularly assess the situation at Board and Management levels, and to ensure appropriate coverage action can be taken at all times to fill any gap with regards to all key positions at the bank.

The succession plan is reviewed at least on a quarterly basis, and any update to same is tabled at the Nomination and Remuneration Committee as and when required.

Appointment of New Directors and Senior Officers

Over and above the requirements identified by the Succession Plan, the Nomination and Remuneration Committee continuously assesses the balance of skills and experience required at Board level. Whenever the need for a new/additional member is required, the following process is rigorously followed:

- A profile of the best candidate is prepared, specifying the necessary skills and experience required for the position.
- Prospective candidates are identified by the Committee or a consultant.
- Should there be more than one candidate, the profiles of prospective candidates are transparently vetted by the Committee and each shortlisted candidate is interviewed by the members of the Committee or an appointed panel.
- Once a prospective candidate has been selected, his/her appointment will be put forward to the Board of Directors for appointment. In the case of a Director, the appointment shall be up to the next Annual Meeting of Shareholders, whereby she/he shall present for election. Appointment of any Director or senior officer at the bank is subject to approval by the Bank of Mauritius.

Once a prospective Non-Executive Director has accepted a seat on the Board, she/he is requested to sign a letter of appointment which carefully outlines the terms of appointment, the duties and responsibilities expected by him/her.

All new Directors are, upon their appointment, invited to participate in an induction session, whereby the Managing Director and Company Secretary shall introduce the Company to the new Director. The incoming Director is provided with all necessary information she/he needs to fulfil his/her role and duties as Director of the bank.

All Directors of the bank have participated in an induction session upon appointment.

BOARD EVALUATION AND REMUNERATION

In line with the National Code of Corporate Governance and Bank of Mauritius' Guideline on Corporate Governance, the Board has established a mechanism to evaluate the Board's performance, as well as that of its committees and members. The review and evaluation include an assessment of the Board's composition and independence, performance and effectiveness, as well as the maintenance and implementation of the Board's governance and relationship with management, with the addition of an evaluation of the sub committees.

The Nominations and Remuneration Committee was delegated the task of conducting such appraisal to identify additional competencies and resources as appropriate, and enable the Board to discharge its responsibilities more efficiently and effectively. Such a process also aids the Board to identify and deal with issues that impede its effectiveness. The "fit and proper person" criteria of Board members are also reviewed periodically to ensure they are up to date.

The Nominations and Remuneration Committee was also delegated the task of conducting periodic reviews of the above process to ensure same is always in line with the applicable legislations and regulations.

APPROVAL OF REMUNERATION POLICY

In compliance with the National Code of Corporate Governance and Bank of Mauritius's Guideline on Corporate Governance, the Board has established a Remuneration Policy to establish clear and guiding principles for decisions around employee and executive remuneration, to ensure fair, competitive and appropriate pay for the market on which the bank operates.

The bank's goal is to ensure that the mix and balance of remuneration is appropriate to attract, motivate, retain and reward employees fairly and is consistent with the National Code of Corporate Governance.

Attendance at Committee and Board Meetings - FYE 30 June 2022

	Board Meeting	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Nomination and Remuneration Committee	Business Strategy Committee	Board Credit Committee
AH-CHUEN David Brian	9	-	-	-	-	-	2	-
AH-CHUEN Donald	9	-	7	-	4	6	2	15
AH-CHUEN Patrick Andrew Dean	6	-	-	-	-	-	2	-
AH-YOONG Sydney	9	-	6	13	-	-	-	15
CHUI YEW CHEONG Ah Foon	9	-	-	-	4	6	-	-
JADDOO Bhanu Pratabsingh	9	8	7	4	-	-	2	-
LALANNE Michel Bruno	9	8	-	9	-	-	-	-
LUTCHMENARRAIDOO Lakshmana	9	-	7	13	-	-	2	15
TZE SEK SUM André	8	7	-	-	4	6	-	-
Total Number of Meetings	**9**	**8**	**7**	**13**	**4**	**6**	**2**	**15**

DIRECTORS' REMUNERATION

Directors' remuneration is annually reviewed by the Nominations and Remuneration Committee, to ensure the remunerations are commensurate with the size of the bank, the time commitment required by the Directors to carry out their duties and the market rates for such services.

Any change in remuneration is recommended by the NRC to the Board for consideration. The Board shall review the proposal and table same at the next Annual Meeting of Shareholders for approval.

With respect to remuneration, the Board has determined that the Chairperson of the Board shall be eligible to an annual fee whilst the other non-executive directors shall be entitled to an annual fee and attendance fees for attendance at Board and Committee meetings. Non-Executive Directors are not subject to any other sort of remuneration or long-term incentive plans.

Executive Directors are remunerated with monthly emoluments and are subject to an annual discretionary bonus should the bank achieve or exceed its targets.

The bank does not have any long-term incentive plan in place.

RISK GOVERNANCE AND INTERNAL CONTROL

Risk management refers to the process by which the bank monitors and mitigates its exposure to risk. At the bank, risk management is not viewed as an exercise seeking to identify and eliminate all risks, but as involving a comprehensive approach consisting of the identification and assessment of all potential risks in the banking business, the development and execution of an action plan to deal with and manage these activities that incur potential losses, and the continuous review and reporting of the risk management practices after implementation. All of these need to be carried out within a risk appetite framework.

The Board has established a risk appetite framework where its business objectives are articulated in contrast with the level of risk it is willing to assume to achieve its targets. The framework offers a platform for the Board of Directors to be actively engaged in the

RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

improvement of risk governance and discussion of risk from a strategic point of view. The clear definition of risk tolerance and desired risk profiles helps cascade the risk strategy approved by the Board to individual business unit levels.

While the Board is responsible for the overall risk management and internal control systems, oversight of the bank's risk management process has been delegated to the Risk Management Committee. The Risk Management Committee in turn appoints a Head of Risk who is responsible for overseeing the risk management and internal control functions on a daily basis, reporting to the Risk Management Committee on a quarterly basis on key risk matters for discussion. Material matters are then reported to the Board by the Chairperson of the Risk Management Committee.

The risk management framework, including policies and systems in place, ensures a systematic and continuous identification and evaluation of risks and actions to terminate, transfer, accept or mitigate each risk, to achieve a prudential balance between the risks and potential returns to shareholders. Identification of key risk areas and internal control systems in place are also addressed.

INFORMATION GOVERNANCE

Information Technology and data governance are critical to the bank, given its operations rely heavily on same and the banking industry is growing towards an increasingly digitised environment. The bank attaches significant importance to the confidentiality, integrity and availability of information, supported by a robust framework that protects its information asset and upholds the security and performance of information and information technology. In this respect, access to information is only available to authorised parties, while physical and logistical access controls are in place at all times with staff being regularly made aware of relevant requirements.

The Board has set up an Information Security Policy which encompasses all aspects of information governance at the bank, and the Internal Audit Section has been charged with responsibility to carry out regular checks to ensure compliance. The Internal Audit reports are tabled at the quarterly Audit Committee meetings and any material information is reported to the Board accordingly.

The Risk Department has been charged by the Risk Management Committee to monitor the bank's IT Risks and reports on the above are tabled at the quarterly meetings of the Risk Management Committee. Significant IT Risks are then highlighted to the Board at the following Board meeting.

Furthermore, the policy is reviewed on an annual basis by the Risk Management Committee and any necessary update is implemented promptly.

Management has also set up an IT Steering Committee, consisting of the General Manager, the Strategic Business Executive, the Head of Finance and the IT Manager, to regularly assess the state of the bank's IT infrastructure, in terms of Information and Information Technology Policies, and approve any required significant changes and related expenditures.

REPORTING WITH INTEGRITY

The Board acknowledges that the banking business is built on trust and same goes in line with the highest degree of integrity. As such, the Board recognises its responsibility to ensure the accounts are prepared in a way that fairly present the bank's state of affairs.

The accounts are prepared by the Finance Section and are regularly reviewed by management. Interim financial statements are tabled and discussed at the Audit Committee and Board meetings on a quarterly basis. The bank's external auditors, Ernst & Young Mauritius, ensure the financial statements adhere to all international accounting standards and any deviation from same is disclosed, explained and quantified in the bank's audit report and financial statements.

CORPORATE SOCIAL RESPONSIBILITY

Social and sustainable actions are at the forefront of ABC Group's business strategy. This philosophy to doing business, a legacy left by the Group's Founder, Sir Jean Etienne Moilin Ah-Chuen, contributes to perpetuate his values and lifetime contribution to society.

Created in 2013 and named after ABC Group of Companies' Founder, the Sir Jean Etienne Moilin Ah-Chuen Foundation (referred to as "the Foundation"), spearheads the ABC Group of Companies' Corporate Social Responsibility (CSR) programme, which focuses on four main areas of intervention, namely Community Empowerment, Education, Health & Sports and Environment.

For the financial year 2021/22, the Foundation has provided CSR funding amounting to Rs.1.2M, primarily aimed at supporting NGOs and the community.

Community empowerment

In line with United Nations' Global Goal 1, which aims at eradicating poverty in all its forms, the Foundation, with the collaboration of long-time partner NGOs, strives to assist vulnerable groups with the objective of facilitating their social integration.

Therefore, the Foundation has reiterated its commitment towards Caritas Ile Maurice for the School Feeding Project, Lovebridge to assist

CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

Community empowerment (Cont'd)

388 families living below the poverty line and Mouvement Pour le Progrès de Roche Bois for the social and empowerment assistance of out-of-school children and their parents.

Other partner NGOs that received the Foundation's assistance include Couvent Mère Theresa, Tamarin Cheshire Home, SAFIRE, SOS Children's Village and A.P.P.E.L.

Furthermore, a gift and school stationeries distribution was organised in December 2021 for 350 needy children, in collaboration with long-standing partners of the Foundation, namely Caritas Roche Bois, Mouvement pour le Progrès de Roche Bois, Ki Fer Pa Mwa, First Act Is To Help and Foyer Père Laval. The event saw the active participation of staff who donated toys and stationeries and also participated in the distribution to NGOs.

Education

Inclusive and quality education is a powerful instrument of social integration and is another priority area for the Foundation. It is in this vein that the Foundation has given assistance to three needy students, allowing them to study technical courses at Collège Technique St Gabriel.

Besides, the Foundation has, over the past year, awarded scholarships to 13 deserving students, through the Sir Jean Etienne Moilin Ah-Chuen Foundation Scholarship Scheme, a programme that allows full-time students coming from disadvantaged backgrounds to pursue their tertiary education in Mauritius.

The Foundation also renewed its partnership with Terrain for Interactive Pedagogy Through Arts (TIPA) for its interactive pedagogy programme in ZEP schools and with APEIM, an association of parents with children and young adults bearing an intellectual deficiency.

Health & sports

The values taught by sports are important for social integration and development. This is one of the reasons why the Foundation and ABC Group of Companies have joined hands with Mauritian athletes over the years, contributing to their success on the world stage.

The Foundation has reiterated its commitment to the youth, and extended its support towards Magic Club Quatre Bornes with the objective of accompanying the para-athlete and gold medalist Noemi Alphonse, and to the Trust Fund for Excellence in Sports to support local athletes in a bid to contribute to their success in international competitions.

Environment

A greener tomorrow depends on what actions we take today. The Mauritian Wildlife Foundation has been a long-time partner of the Foundation on the environmental front and especially for the preservation of the echo-parakeet over the last 7 years. This mission having been successfully completed, a new project was earmarked and CSR support towards the Rodrigues Conservation Project, an initiative that aims at preserving Rodrigues' endemic flora and fauna, was provided during this financial year. The Foundation also renewed its support towards We-Recycle, an NGO that collects and prepares PET plastic bottle waste for recycling.

Allocation by area of intervention

	MUR	MUR
Education	300,000	25%
Health & Sports	150,000	12%
Community Empowerment	625,000	51%
Environment	150,000	12%

AUDIT AND REPORTING

Internal Audit

The Board recognises the importance of having a robust internal audit function at the bank, to provide assurance through continuous, independent and internally organised detailed checks and assessment, that the bank's risk management, governance and internal control processes, are operating effectively, and also that an internal audit section has been set up accordingly. The internal audit section comprises auditors with a mix of banking and auditing experience, who are able to assess the current state of affairs and provide management with valuable recommendations.

The internal audit function provides assurance to the Board on the overall effectiveness of the governance, risk management and internal control framework of the bank. In line with the National Code of Corporate Governance for Mauritius (2016), the Board delegates oversight of the internal audit function and responsibility for receiving internal audit reports to the Audit Committee. Internal audit reports are considered at Audit Committee meetings, which are held on a quarterly basis, and the Head of Internal Audit has ready and regular access to the Chairperson of the Audit Committee. The Audit Committee also approves the Audit Plan at the beginning of each new financial year, to ensure proper coverage of the bank's key risk areas/activities by internal audit. The Head of Internal Audit adopts a systematic and disciplined approach to review all areas of activity of the bank - operations, internal controls, risk management systems and governance process - and makes recommendations to management accordingly. Internal audit reports highlighting the methodology, findings, recommendations and management responses, are tabled on a quarterly basis at Audit Committee meetings. The scope of action of the internal audit function has no restriction to any aspect of the bank.

The Audit Committee is also responsible to provide ongoing feedback and guidance to internal audit, to help provide the assurance service that it needs. Reviewing internal audit reports helps the Audit Committee to assess the quality of internal audit's work during the course of the year. As part of an annual review by the Audit Committee, feedback may also be obtained from senior management, management and external auditors.

To ensure the independence of the internal audit function, the Head of Internal Audit is appointed by the Audit Committee and directly reports to the latter, while reporting only administratively to the Managing Director, as illustrated in the Organigram on page 38.

External Audit

External audit is a key pillar of corporate governance, providing assurance to stakeholders that the accounts have been prepared as per international accounting standards and give a true and fair picture of the bank's financial status.

Following the amendment of the Banking Act 2004 in 2016, the bank was required to rotate its external auditors. As such, a tender exercise was launched in late 2016 to three of the big four audit firms in Mauritius. Following submissions of their proposals, Ernst & Young Mauritius was selected by a committee consisting of the members of the Audit Committee as well as that of the management team. Ernst & Young Mauritius' final proposal was recommended to the Board by the Audit Committee. The Board subsequently appointed Ernst & Young Mauritius as external auditors following the approval of the Bank of Mauritius. Since then, Ernst & Young Mauritius have been reappointed five times as External Auditors of the bank at the Annual Meeting of Shareholders. In 2021, the bank has applied to, and was granted by, the Bank of Mauritius for an exceptional extension of 2 years for EY Mauritius to act as External Auditors of the bank. The extension was requested as the bank was exiting the pandemic and was also transitioning from one core banking platform to another.

External auditors meet the Audit Committee at least twice a year to discuss the audit plan, prior to the statutory external audit exercise, and to present the audit findings and report at the end of same.

The Audit Committee evaluates external auditors annually, to make an informed recommendation to the Board for their re-appointment. The evaluation includes an assessment of auditors' qualifications and performance, the quality and fairness of their communication with the Audit Committee, and their independence, objectivity, professional scepticism and judgement.

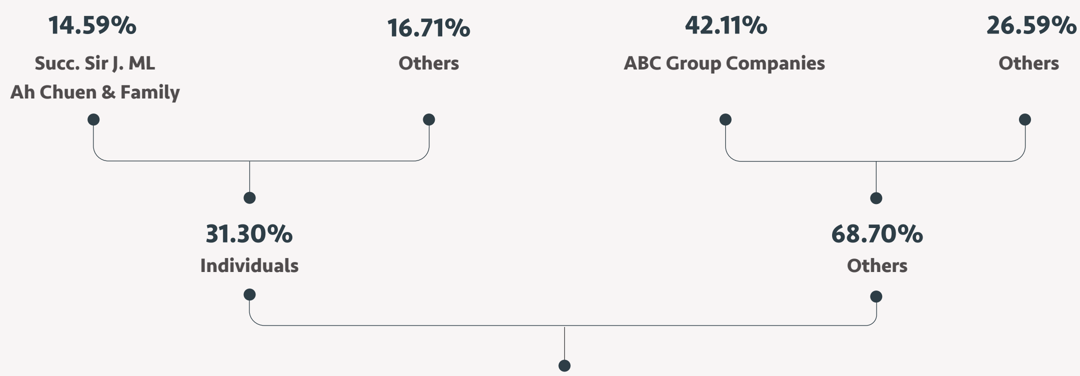
As such, for non-audit services, limited to tax services, the team involved was not part of any decision-making process within Ernst & Young's audit team, and it is ensured that the amount of fees paid for this service is significantly lower than the audit fees. Moreover, with different teams involved, Ernst & Young retained its independence and objectivity with regards to their statutory obligations.

Relations With Shareholders And Other Key Stakeholders

The Board is fully aware of its fiduciary duties towards the bank's shareholders, but it also acknowledges the bank is accountable to a wider range of stakeholders, namely its clients, employees, regulators and the public at large. Stakeholders are cognisant of the bank's performance and outlook through different forums including social media, website and annual reports.

Shareholders

The bank forms part of the ABC Group of Companies and, as at 30 June 2022, its shareholding structure was as follows:



As of 18 January 2016, all 57,203,904 issued ordinary shares of the bank were admitted on the Development & Enterprise Market of the Stock Exchange of Mauritius. The bank's 19,067,968 ordinary shares, issued on 10 June 2016, pursuant to the Rights Issue, were also admitted on the Development & Enterprise Market of the Stock Exchange of Mauritius on 20 June 2016.

The Board encourages communication with the bank's shareholders and the Company Secretary is always available to respond to any query or request which the shareholders may have with respect to the bank. Moreover, all shareholders are duly notified, 21 days in advance, of the bank's Annual Meeting, where Directors and management are available for discussion.

List of Shareholders Holding More Than 5% In The Bank

ABC Car Rental Limited
ABC MOTORS COMPANY LIMITED
Chue Wing & Company Limited
Good Harvest Limited

Breakdown of shareholding

NO. OF SHARES	NO. OF SHAREHOLDERS
1 – 999	241
1,000 – 9,999	241
10,000 – 19,999	57
20,000 – 49,999	59
50,000 – 99,999	31
100,000 – 499,999	55
500,000 – 999,999	10
1,000,000 – 4,999,999	12
Above 5,000,000	3

Share Option Plans

The bank has no share option plan.

Shareholders' Agreement

The bank is not aware of any agreement amongst shareholders.

Management Agreement

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

Dividend Policy

Payment of dividends is subject to the bank's profitability, cash flow and capital expenditure requirements.

STAKEHOLDERS

Regulators

The bank's main regulator is the Bank of Mauritius (BOM). The bank's officers regularly take part in the BOM's forums and working groups. The Trilateral Meeting, between the bank, the BOM and the bank's external auditors, is held on a yearly basis to discuss on the bank's state of affairs, conduct and progress.

The bank is also accountable to the SEM and the Financial Services Commission (FSC), by virtue of the listing of its shares on the Development and Enterprise Market. The bank is required to strictly comply with the listing rules and to submit reports to the FSC on a regular basis.

The bank maintains an open channel of communication with all its regulators, to whom it always assures its cooperation.

Customers

Without customers, there would be no business. The bank thus recognises their vital importance. Customers are central to every management decision, and management and staff must endeavour to achieve customer satisfaction.

Employees

Human capital is one of the key drivers for the achievement of the bank's objectives, growth, development and competitiveness. The management team and members of the Board have always laid emphasis on the empowerment and engagement of employees, along with their wellbeing.

The bank aims to develop excellence by creating a supportive environment within which all employees are given the opportunity to learn, develop and grow, to achieve their full potential. The learning and development programme for the year ended 30 June 2022 represents 1511 man-hours. These include induction courses, regular training and team building activities. Internal newsletters and electronic communication are regularly circulated to staff to keep them abreast of the bank's performance, outlook and its *#countonus* strategy.

The bank is committed to ensure and maintain the highest standards of health & safety for its employees and other stakeholders. Identifying hazards and controlling risks is of utmost importance. Thus, to meet these commitments, the bank complies with the Occupational Safety and Health Act. Employees have been trained as first aiders and fire wardens. Fire drills are being organised as stipulated under relevant regulations.

The bank is an equal opportunity employer and supports the principle of equal employment opportunity for all staff, at all levels of employment. It is committed to providing a working environment which is free from discrimination and strives for equal treatment and respect of all employees at the workplace. The bank employs 213 employees, including approximately 52.1% women.

LEGAL DUTIES

All Directors of the bank are fully apprised of their fiduciary duties, as laid out in the Company Act 2001, during the induction session. They also have access to the advice and services of the Company Secretary, who provides guidance to Directors regarding their duties and responsibilities.

All Directors also have access to senior executives, to obtain information on any item to be discussed at Board or Board Committee meetings or any other relevant area they deem appropriate. The Board and committees also have the authority to obtain such outside or other independent professional advice as they consider necessary to carry out their duties.

ETHICAL CONDUCT

The bank is committed to the highest standards of business integrity, transparency and professionalism, and ensures all its activities are managed responsibly and ethically, while seeking to enhance business value for all stakeholders.

In line with this objective, the bank has put in place a Code of Conduct and Ethics which clearly reveals its core values and the standard of dealings that the public at large can uncompromisingly expect. This code is designed to help employees at all levels to understand their responsibilities and carry out their duties with due diligence, honesty and integrity, which are fundamental to the bank's reputation and success.

The bank also has in place an anti-fraud policy to encourage employees to freely communicate concerns about illegal, unethical or questionable practices, to senior management or the Head of Internal Audit, without fear of reprisal.

A whistleblowing policy is also in place, providing an effective method to address bona fide concerns that employees might have. The policy reflects the bank's commitment to ensure concerns of potential breaches of laws, rules, regulations, policies and procedures, irregularities, unacceptable/unethical practices or misconduct, raised in good faith, are addressed in an appropriate manner. Matters of concern are addressed to the Head of Compliance & MLRO, unless the Head of Compliance & MLRO are the subject of the report, in which case they are addressed to the Head of Internal Audit. The bank also has a Fraud Management Policy which is directed at cases of suspected fraud, theft and abuse.

Other bank policies are also in place to protect against improper use of the bank's property and/or information, unfair dealing with customers/clients, employees and other stakeholders.

All staff were apprised of the contents of the Code of Ethics and the consequences of its non-compliance. The document has also been published on the bank's website.

DIRECTORS' INTERESTS AND DEALINGS IN SHARES

In accordance with the Companies Act 2001 and the Banking Act 2004, an interest register is maintained by the Company Secretary to ensure the interests of every Director in the bank's affairs be recorded and referred to whenever required. This interest register is available to shareholders upon written request to the Company Secretary.

The following table shows Directors' interests in the bank's share capital as at 30 June 2022, together with Directors' dealings in shares during the year ended 30 June 2022:

DIRECTORS	NO. OF SHARES	NO. OF SHARES SOLD	DIRECT HOLDING	INDIRECT HOLDING
AH-CHUEN Brian	-	-	0.37%	0.02%
AH-CHUEN Donald	-	-	1.84%	3.42%
AH-CHUEN Patrick Andrew Dean	-	-	0.30	2.88%
AH YOONG Sydney	-	-	NIL	NIL
CHUI YEW CHEONG Ah Foon	-	-	NIL	NIL
JADDOO Bhanu Pratabsingh	-	-	NIL	NIL
LALANNE Michel Bruno	-	-	NIL	NIL
LUTCHMENARRAIDOO Lakshmana	-	-	NIL	NIL
TZE SEK SUM Kwet-Tsong André	-	-	NIL	NIL

Pursuant to section 48 of the Banking Act 2004, the bank has a rigorous procedure for the management of conflicts of interest. All Directors are required to disclose any interest they may have in any activity of the bank.

Whenever there is any situation of conflict, the item is discussed at Board level and the member of the Board shall be asked to leave the meeting while the Board determines whether the situation amounts to a conflict of interest or whether the transaction is being done at arm's length basis.

DIRECTORS' INTERESTS AND DEALINGS IN SHARES (CONT'D)

Should the Board determine, after deliberation, that there is indeed a conflict of interest, the transaction is recorded as such in the Board minutes and in the interest register. Any decision relating to a proposed transaction in which a Director is conflicted is reached in the absence of that Director.

Related party transactions are carried by the bank in accordance with the BOM's Guideline on Related Party Transactions. The Board has established a Related Party Transaction Policy to set up the framework for the bank to deal with transactions with related parties. Such transactions are reviewed and approved by the Conduct Review Committee of the Board and ratified by the latter at quarterly Board meetings.

All situations of conflicts of interest and related party transactions during the year ended 30 June 2022 have been conducted in accordance with the above guidelines and the bank's Code of Ethics.

STATEMENT OF COMPLIANCE

(SECTION 75 (3) OF THE FINANCIAL REPORTING ACT 2004)

Name of Public Interest Entity: ABC Banking Corporation Ltd
Reporting Period: 30 June 2022

Throughout the year ended 30 June 2022, to the best of the Board's knowledge, ABC Banking Corporation Ltd (the "bank") has complied with the National Code of Corporate Governance for Mauritius (2016) (the "Code"). The bank has applied all the principles set out in the Code and explained how these principles have been applied.

Date: 27 September 2022

Ah Foon Chui Yew Cheong
Chairperson

David Brian Ah-Chuen
Executive Director

OTHER STATUTORY DISCLOSURES

(Pursuant to section 221 of the Companies Act 2001)

Principal Activity

ABC Banking Corporation Ltd (the "bank") is the holder of a banking licence from the Bank of Mauritius and provides the full range of banking products to the public at large.

Directors & Interests

The directors of the bank as at 30 June 2022 were as follows:

Mrs Ah Foon Chui Yew Cheong
Prof. Donald Ah-Chuen
Mr David Brian Ah-Chuen
Mr Patrick Andrew Dean Ah-Chuen
Mr Sydney Ah Yoong
Mr Bhanu Pratabsingh Jaddoo
Mr Michel Bruno Lalanne
Mr Lakshmana Lutchmenarraidoo
Mr André Kwet-Tsong Tze Sek Sum

Directors' interests in shares of the bank are set out on page 57 of the annual report. No directors have any service contract with the bank.

Directors' Emoluments

During the financial year ended 30 June 2022, the executive directors have received emoluments amounting to MUR 14,666,000 (2021: MUR 13,446,000) and non-executive directors have received MUR 4,041,750 (2021: MUR 4,315,500).

In line with section 221 (1)(e)(iii) of the Companies Act 2001, the remuneration received by each director individually are as follows:

DIRECTOR	REMUNERATION (MUR)
Mrs Ah Foon Chui Yew Cheong	765,000
Prof. Donald Ah-Chuen	8,545,000
Mr David Brian Ah-Chuen	6,121,000
Mr Patrick Andrew Dean Ah-Chuen	323,000
Mr Sydney Ah Yoong	701,250
Mr Bhanu Pratabsingh Jaddoo	552,500
Mr Michel Bruno Lalanne	514,250
Mr Lakshmana Lutchmenarraidoo	675,750
Mr André Kwet-Tsong Tze Sek Sum	510,000

Directors' Service Contract

There were no service contracts between the bank and its directors during the financial year under review.

Directors and Officers Liability Insurance

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

Donations

Donations made during the year were as follows:

	2022	2021	2020
	MUR	MUR	MUR
Donations	87,750	28,489	15,000
Political Donations	-	-	1,300,000
	87,750	28,489	1,315,000

Auditors

The fees payable to the auditors, Messrs. Ernst & Young, for audit and other services were:

	2022	2021	2020
	MUR	MUR	MUR
Audit Services	4,700,000	3,700,000	2,210,000
Other Services*	201,000	56,000	50,000
	4,901,000	3,756,000	2,260,000

Note: Other services include review of tax.

Date: 27 September 2022

Ah Foon Chui Yew Cheong
Chairperson

David Brian Ah-Chuen
Executive Director

COMPANY SECRETARY'S CERTIFICATE

We certify that, to the best of our knowledge and belief, ABC Banking Corporation Ltd (the "bank") has filed with the Registrar of Companies, in respect of the financial year ended 30 June 2022, all such returns as are required of the bank under the Companies Act 2001 in terms of section 166(d).

Mahesh Ittoo, ACG MCSI
Company Secretary
27 September 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The directors confirm that they have complied with the above requirements in preparing the annual report and financial statements. The Board of Directors acknowledges its responsibility for ensuring the preparation of the financial statements in accordance with International Financial Reporting Standards and the responsibility of external auditors to report on these financial statements. The Board also acknowledges its responsibility for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

The Board of Directors considers that the bank has complied in all material aspects with the provisions of the National Code of Corporate Governance for the year ended 30 June 2022.

Approved by the Board of Directors on 27 September 2022 and signed on its behalf by

Ah Foon Chui Yew Cheong
Chairperson

Bhanu Pratabsingh Jaddoo
Chairman - Audit Committee

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

While the domestic economic dashboard has started to show some positive signs, the country has not yet fully recovered from these two difficult years. Consumer and corporate confidence have risen as a result of full opening of borders to international travel in October 2021 where the vaccination and booster programs have played an important role in boosting the morale and has been a cornerstone of the path to recovery.

Even though the annual inflation is expected to rise to 11.4% in 2022 due to surging commodity prices, depreciation of the Mauritian Rupee, and recovering domestic demand, the economy is expected to converge to its pre-pandemic trend growth of 3.0% to 3.5% in the medium term. The FX market has seen the intervention of the Bank of Mauritius several times during the financial year for USD 785m due to lack of FX in the market caused by the reduced tourism activities and disruption of some economic activities.

The bank achieved a profit of MUR 201 million for the year ended 30 June 2022 compared to MUR 120 million prior year, representing a growth of 67%. Operating Income, on the other hand, decreased from MUR 713 million to MUR 618 million as a result of the reduction in business activities.

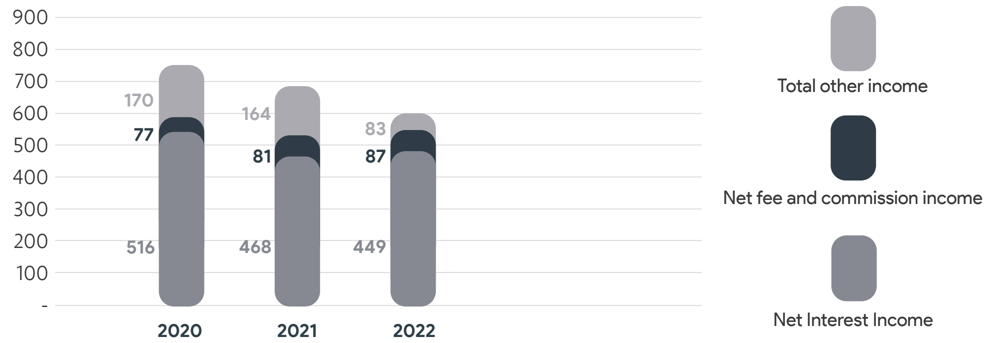
PERFORMANCE AGAINST OBJECTIVES

AREA OF PERFORMANCE	OBJECTIVES FOR FY 2021/22	ACTUAL FOR FY 2021/22	OBJECTIVES FOR FY 2022/23
Net Interest Income	Given that the pace of the pick-up in the economy was still unknown, we expected interest income to improve slightly in the coming year.	In line with market expectation, interest income contracted by 7%	Net interest income is expected to have a marginal growth in line with the expected recovery of the economy.
Non-Interest Expenses	While the bank expected to continue spending in the core areas of technology and human capital, we also expected to see some operational efficiencies from these investments.	Non-Interest expenses increased by 18% in line with expected spending as part of the digital transformation of the bank.	Non-Interest expenses is expected to grow as the bank continues to invest in the core areas of technology and human capital.
Productivity (Non interest expense as a % of the sum of operating income before impairment)	With the expected slow restart of economic activities together with the bank's planned investment in technology and human capital, the cost to income ratio is expected to increase above 50%.	Cost to income ratio increased to 63% due the planned increased expenditure in key resources as well as the lower operating income generated this year due to the difficult market condition.	The cost to income ratio is expected to remain above 50% due to the key investment expected to be done by the bank.
Return on Equity (Net profit/Equity)	It was expected that 2022 would be another challenging year and as such the bank expected a minimum ROE of 10%.	ROE stood at 9.7% as at 30 June 2022	The bank expects a minimum ROE of 7%.
Return on Average Total Assets	The bank aimed to increase ROA to about 1%.	An ROA of 0.9% was achieved in line with expectation.	The bank aims to achieve an ROA of 0.7%.
Portfolio Quality	Notwithstanding the difficult global economy, the bank aimed to keep lowering its NPL ratio.	The NPL ratio increased from 4.2% to 6.8%.	The bank aims to keep a low NPL ratio.
Deposit from Customers	With the opening of the Dubai representative office, we expected deposits for international banking to contribute to the growth on the deposit base.	Deposits fell marginally from MUR 19.8 billion to MUR 19.0 billion.	The bank aims to increase its deposit base by leveraging on representative offices in Hong Kong and Dubai.
Loans and other Advances portfolio	With the low business activity environment expected to remain, the bank expected the growth of the loan book to be in line with the prior year.	Loans and advances fell by 1.6% in the year reflecting the difficult economic econimic environment and because of some strategic exits	The bank projects to grow its loans and advances portfolio by 15%

REVIEW OF CORE FINANCIAL PERFORMANCE

OPERATING INCOME

Operating income stood at MUR 618 million for the year ended 30 June 2022 representing a decrease of 13.3% compared to last year MUR 713 million. Net interest income decreased by 4.1% primarily due the strategic exit of some credit exposures at the end of the previous financial year as well as the start of this year. Net fees and commission income, on the other hand, improved by 7.2% while Other income decreased by 49.7% this year.

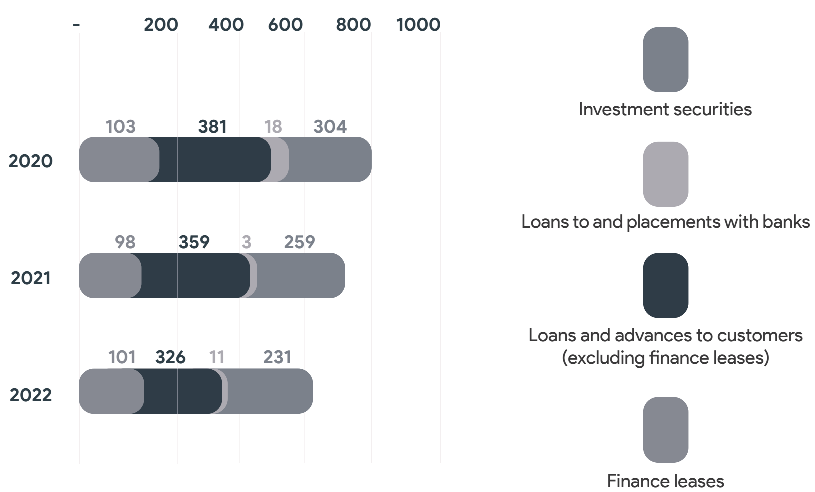


Operating Income (MUR m)

NET INTEREST INCOME

The bank's interest income of MUR 670 million for the year saw a decrease of 6.9% compared to the previous year figure of MUR 719 million. With the low interest rate environment at the start of the year and the decrease in the loan book following certain strategic exit in some credit exposures, it was expected that interest income would be negatively impacted. Similarly, interest expense decreased by 12.0% from MUR 251 million to MUR 221 million. The bank witnessed a decrease in Net interest income with the figure for the year being MUR 449 million compared to MUR 468 million the previous year.

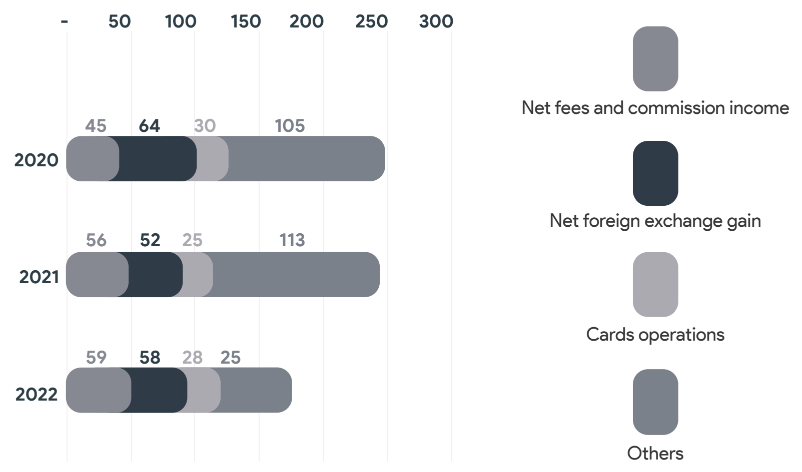
The chart below shows the yearly progress of Interest Income over the last 3 years:



Interest Income (Mur m)

NON-INTEREST INCOME

Non-Interest Income of the bank decreased to MUR 170 million. While the Covid-19 pandemic affected a number of activities such as the supply of foreign currencies to the market from the hospitality sector or the use of debit cards from international banking customers not able to travel, the bank was able to leverage on certain opportunities such as trade finance deals. The decrease was also attributable to the difficult market conditions where there were less trading opportunities in the securities market.

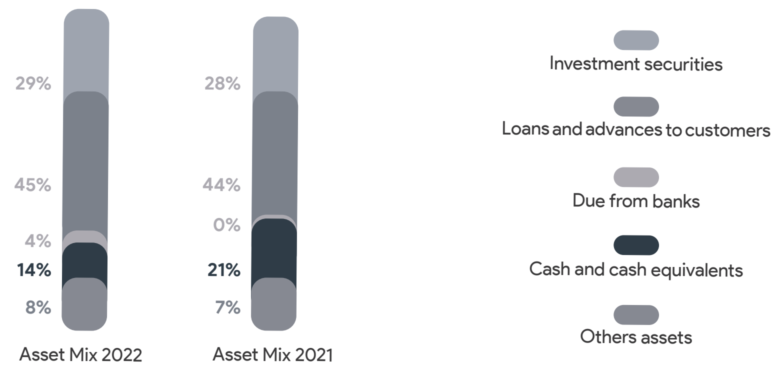


Non-Interest Income (Mur m)

ASSET MIX

The bank's total assets fell by 4.3% from MUR 23.2 billion at 30 June 2021 to MUR 22.2 billion as at 30 June 2022 mainly driven by a decrease in cash and cash equivalents of MUR 1.8 billion. The decrease in cash and cash equivalents was mainly driven by repayment of maturing deposits and placement with banks. The loans and advances portfolio and investment securities represent 45% and 29% respectively of the bank's asset mix for the year ended 30 June 2022.

The following chart represents the bank's asset mix for the year ended 30 June 2022 and 30 June 2021:



Asset Mix

Investment Securities

The bank's investment portfolio stood at MUR 6.4 billion as at 30 June 2022, which represents a decrease of 1.5% compared to 30 June 2021 at MUR 6.5 billion.

Credit Exposure

The bank's gross loans portfolio decreased by 1.7% to reach MUR 10.0 billion as at 30 June 2022 compared to last year's MUR 10.2 billion. As expected with the difficult economic conditions marked by Covid-19, the bank continued to follow its strategy of having a diversified portfolio in order to mitigate its level of credit concentration risk across different economic sectors.

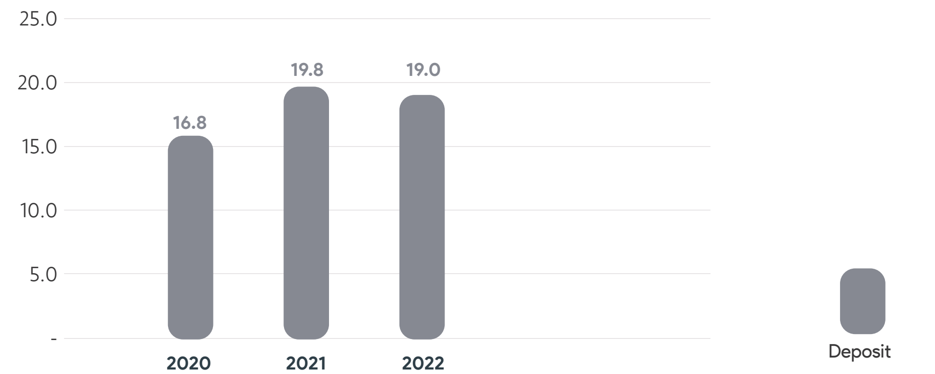
Provisioning and asset quality

The bank's allowance for credit impairment on financial assets significantly decreased from MUR 232 million to MUR 3 million following a very prudent approach in line with IFRS 9 over the last 2 years to move a number of credit exposures to Stage 2 following the impact of the Covid-19 pandemic and the book showing no significant deterioration this year. The ECL as at 30 June 2022 stood at MUR 244 million (2021: MUR 247 million). The bank continued on this prudent approach of treating tourism and exposures related to that segment with significant increase in credit risk as Stage 2 ECL.

The bank's non-performing loan ratio increased from 4.2% last year to 6.8% this year mainly due to the restructuring of a one-off exposure in the hospitality sector, moving from stage 2 to stage 3 during the year. However, given the robust credit underwriting process in terms of debt structuring, this had limited impact on ECL.

Deposits

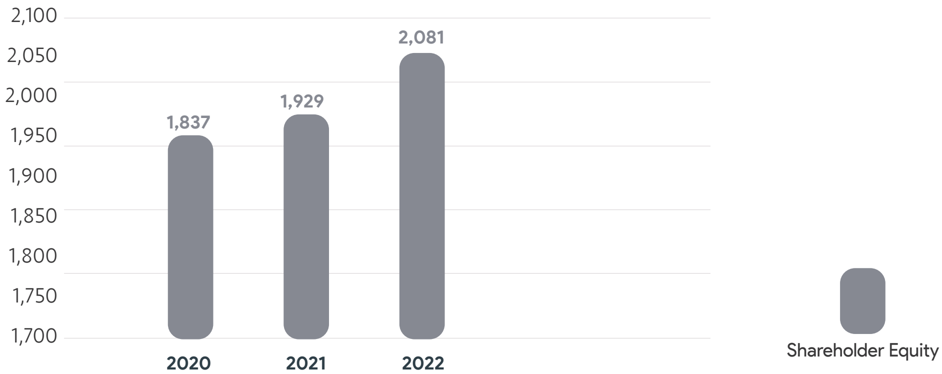
The bank's deposit base experience witnessed a decrease of 4% to reach MUR 19.0 billion as at 30 June 2022 (2021: MUR 19.8 billion). The decrease was primarily due to deposits from Segment B which was impacted by the travel restrictions.



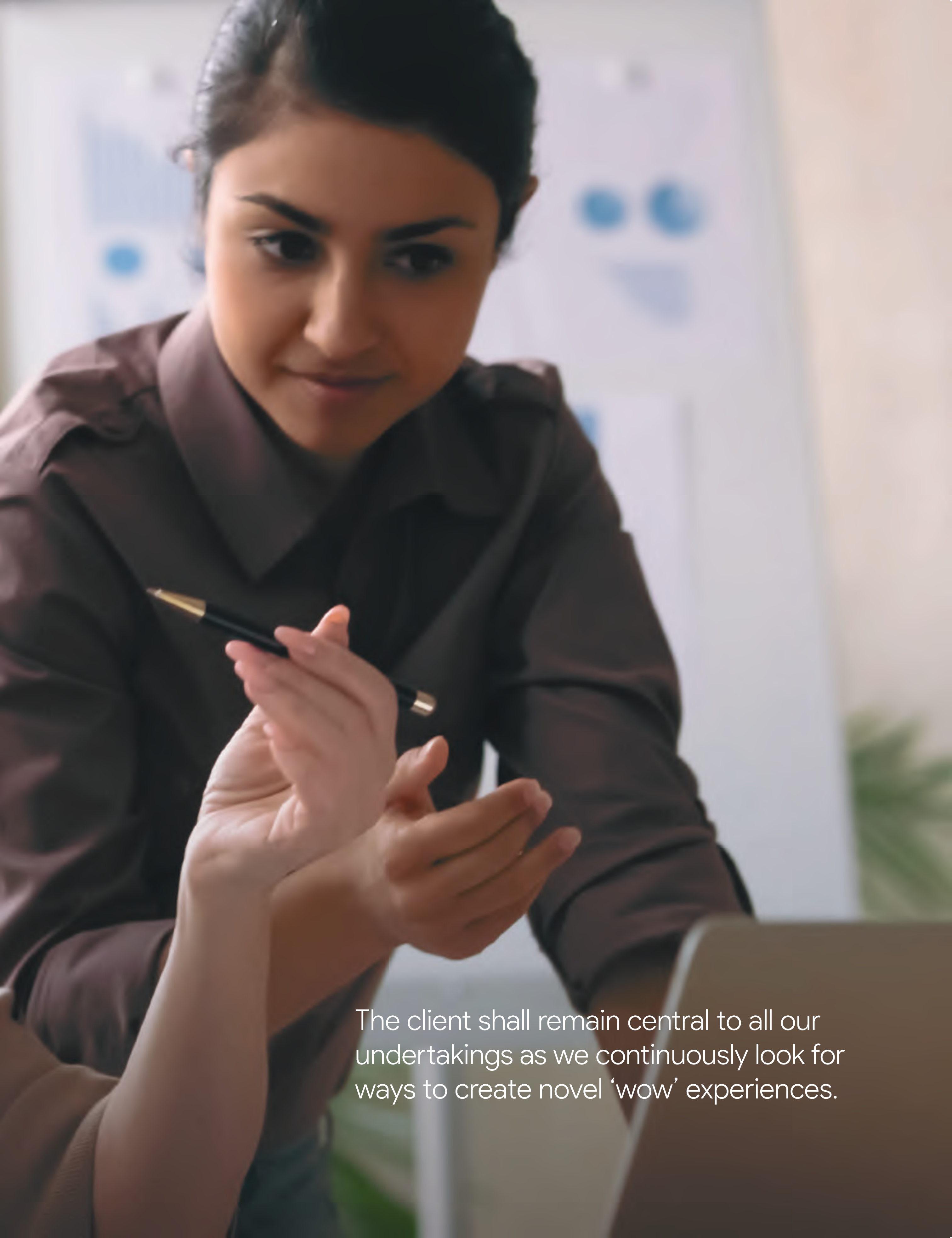
Deposits (Mur Bn)

Capital resources

As at 30 June 2022, the bank's Shareholders' equity stood at MUR 2,081 million (2021: MUR 1,929 million). The increase is mainly explained by the profit generated for the year. On the regulatory side, with Tier 1 Capital of MUR 1,974.8 million and Total Capital base of MUR 2,384 million coupled with total risk weighted assets of MUR 15,308 million, the bank achieved a satisfactory total capital adequacy ratio of 15.58% which is above the regulatory requirement of 12.50%.



Shareholder Equity (Mur m)



The client shall remain central to all our undertakings as we continuously look for ways to create novel ‘wow’ experiences.

RISK REPORT

1. Highlights for financial year ended June 2022.

Asset quality

Non-Performing Loans (NPL) ratio increased from 4.2% as at June 2021 to 6.8% as at June 2022 mainly due to the restructuring of a one-off exposure in the hospitality sector, moving from stage 2 to stage 3 during the year.

Overall, allowance for credit impairment on financial assets in Stages 1, 2 and 3 was contained during the year with an impairment charge of MUR 3.3 million for FYE 2022 compared to MUR 232.0 million for FYE 2021. This is attributed mainly to an improvement in the global macroeconomic environment as the world emerged out of the Covid-19 pandemic.

Specific provision as a percentage of total non-performing loans stood at 18.1% as at June 2022 (June 2021: 24.2%) on the back of an increase in NPL.

The watchlist portfolio which stood at MUR 2.6 billion as at June 2022 mainly relating to Covid-19 impacted clients, continues to be closely monitored with the phasing out of regulatory moratorium since June 2022.

The bank retained a cautious approach to lending and remains committed to uphold the overall quality of its portfolio by maintaining a disciplined approach while taking proactive measures to navigate through the volatile macroeconomic environment.

Sovereign risk

Investment in local and foreign sovereign securities stood at MUR 4.1 billion as at June 2022 (June 2021: MUR 4.4 billion). The bank continues on its strategy of maintaining a well-diversified sovereign portfolio while consolidating its liquidity buffers in terms of High-Quality Liquid Assets (HQLAs).

In a time of global geopolitical and economic uncertainty, the bank has continued to leverage on investment grade rated securities for its sovereign portfolio.

Country risk

Domestic exposure as a percentage of total exposure rose to 80.7% as at June 2022 from 75.8% last year, while overseas exposures are well diversified in line with the bank's country risk management framework.

Overall, the bank continues to be restrictive and selective in its cross-border lending strategy in line with its risk appetite framework taking into consideration the various challenges and uncertainty in the current international macroeconomic environment.

Banking counterparty risk

An overall decrease in exposure to banks is noted, from MUR 7.9 billion as at June 2021 to MUR 7.3 billion as at June 2022, following the reduction of certain bank placement limits.

Sector concentration

The top 4 sectors namely Personal, Financial & Business Services, Tourism and Traders make up 69.3% of total credit exposures. The weightage of the bank's credit exposure remained stable with 24.4% for Personal, 18.6% for Financial & Business Services, 15.9% for Tourism and 10.4% for the Traders sector, reflecting a well-diversified portfolio.

On a sectorial basis, whilst all sectors of the economy are expected to grow, the tourism-dependent sectors such as the Accommodation and Food Services sector stay under close scrutiny with the unwinding of government relief measures.

Funding mix

The split between MUR and foreign currency deposits stood at 50.7% and 49.3% respectively as at June 2022.

In order to support its expansion and diversification objectives, the bank remains determined to sustainably grow its sources of stable funds while optimising its funding mix as a means to manage the funding and maturity profile of its balance sheet.

Operational risk

No material operational loss was reported for the financial year ended June 2022, which is testimony of the robustness of the internal controls in place at the bank.

2. Risk Governance Structure

The risk management process comprises the following steps:

Risk Identification	**Risk Assessment**	**Risk Control**	**Risk Monitoring**	**Risk Reporting**
Indentification of risk which may affect our performance and ability to meet set objectives	Use of tools, models and methodologies to undertake quantitative and qualitative assessments of the risks indentified	Setting appropriate controls to avoid, transfer, mitigate or accept the risk	Montoring of the risks identified and the action plans adopted to manage those risks	Reporting of information to management and on relevant committees

The process seeks to ensure that the risk exposures are adequately managed within the set limits and guidelines.

The risk framework aims to manage rather than eliminate the risk of failure in order to achieve the business objectives. It can provide reasonable but not absolute assurance against material misstatement or loss. The bank seeks to ensure that the expected returns compensate for the risks taken and appropriate measures are put in place to mitigate any identified weaknesses in the control environment.

Limit Structure

Regulatory Limits

Liquidity Coverage Ratio (LCR)	Capital Adequacy Ratio (CAR)	Credit Concentration	Related Party Transactions	Cash Reserve Ratio (CRR)

Internal Limits

In addition to the regulatory limits, the bank has also established internal risk limits to ensure effective risk management throughout all of its operations. Some of these limits are detailed below.

Internal Limits-Credit Risk

Sectorwise Concentration	Country Exposure	Group and Single Exposure Concentration	Related Party Transactions	Bank Exposure

Internal Limits-Liquidity Risk

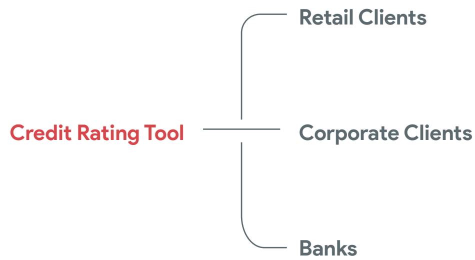
Liquidity Coverage Ratio (LCR)	Limit Cumulative Liquidity Gap	Top Depositor	Top 20 Depositors	Top Group Depositor

Internal Limits-Market Risk

RSA/ RSL	Interest Rate Gap (MUR)	Interest Rate Gap (FCY)	FX Risk Exposure	Single Currency Exposure

* RSA/RSL: Rate Sensitive Assets/Rate Sensitive Liabilities

Credit Rating tool



The bank has in place internal credit rating models for different types of counterparties - corporate, retail and banks. Each model assesses the creditworthiness of a customer and uses both qualitative and quantitative information to generate a credit rating.

The bank recalibrates its models on a regular basis ensuring that they remain dynamic and that all relevant variables are taken into consideration.

LIBOR Transition

LIBOR was introduced based on the interbank market activity which it underlies, and the rate was set based on the expert judgment of dealers from leading global banks. However, following the 2008 financial crisis, banks have mostly stopped using the interbank market to fund their books. Coupled with rigging scandals involving the benchmark rate, the UK Financial Conduct Authority decided that LIBOR no longer upholds the requirements of a robust market gauge.

LIBOR is extensively used globally as a benchmark to price floating rate instruments, both assets and liabilities. An estimated over USD 400 trillion worth of notional amount is linked to LIBOR in various currencies.

At ABC Banking Corporation Ltd, we used LIBOR as a floating benchmark to price some of our products, including term loans and overdrafts. By the end of 2021, all bilateral contracts with clients were successfully transitioned to new alternative reference rates.

Our transition project team ensured that the process was seamless by focussing on the following areas among others:

- Organizational and operational structure to manage the transition
- An impact assessment of the initial product inventory
- Identify the resources and budget needed for the transition
- Established a communication strategy to both our internal and external stakeholders
- Set up a training plan for our relevant personnel
- Having a timeline for the transition and offering of alternative rates
- Completed a full risk assessment
- Identified IT system requirements, operational and controls environment

Our communication strategy englobed all stakeholders, whether or not they have outstanding or future needs in our products. Information on the reason for the phasing out of LIBOR is important so that acceptance of the change is easier. Details about the alternative rates, the recommendations of international working groups and special committees helped in understanding the best replacement rate chosen and the economics behind the change.

It was equally important to explain how the new rate will impact product terms & conditions, pricing & valuation methodologies and modification to contracts. Stakeholders were informed on the transition process, following which the replacement rate was shared. Eventually, the specific changes to the contracts and agreements between stakeholders was laid down for a clear and transparent transition.

3. Risk Governance Framework

3.1 Board Oversight and Management of Risks and Internal Control

The Board of the bank is responsible for determining the long-term strategy of the business, the markets in which it operates and the level of risk acceptable to the bank. The bank has both domestic and international client bases.

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

The Board is principally responsible for:

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

3.2 Risk Management Committee

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

Responsibilities include:

- Determining risk tolerance and appetite
- Reviewing and assessing the integrity of the risk control systems
- Reviewing policies and ensuring risk policies and strategies are effectively managed
- Monitoring exposures against limits set
- Reviewing the Internal Capital Adequacy Assessment Process (ICAAP) document and recommending same to the Board
- Ensuring the effectiveness of procedures and compliance with Bank of Mauritius Guidelines

3.3 Conduct Review Committee

The responsibilities of the Conduct Review Committee include the following:

- Ensuring that management establishes policies and procedures to comply with the requirements of the Guideline on Related Party Transactions
- Reviewing and approving credit exposures to related parties
- Ensuring that market terms and conditions are applied to all related party transactions

3.4 Assets and Liabilities Committee (ALCO)

The ALCO comprises the following members or shall be as determined by the Risk Management Committee:

- Managing Director
- General Manager
- Strategic Business Executive
- Head of Risk
- Head of Finance
- Head of Treasury

Other employees including the Head of Internal Audit may be invited to attend depending on the agenda to be discussed.

The Committee meets every month. The Chairman of ALCO may also convene a special meeting of the Committee in the event an issue arises that cannot wait until the next regularly scheduled meeting and the issue cannot be adequately dealt with via a quorum of ALCO members or the rapid response protocol.

ALCO is responsible for advising the Risk Management Committee on all matters relating to the balance sheet of the bank, specifically the following matters:

- Capital structure and related matters,
- Funding, and
- Liquidity

ALCO will advise the Risk Management Committee and recommend actions it considers necessary or desirable to establish that the bank's balance sheet matters are suitably understood and managed.

The Risk Management Committee will report key recommendations and provide information to the Board.

ALCO is also responsible for:

Interest Rate Risk

- Setting the bank's interest rate expectations. Consider, and if it be determined, authorise any specific actions arising from this agreed interest rate view
- Set policies for the management of market value risk and earnings risk within the balance sheet in relation to the agreed interest rate view
- Monitor the impact of basis risk on the net interest margin and authorise mitigating actions.

Funding

- To review and assess the management of funding undertaken by the bank and formulate appropriate actions to be taken.
- To review the bank's funding profile and consider
    - the diversification, cost and robustness of funding sources
    - the funding needs (both actual and projected)
    - current and new funding structures e.g., deposits
    - the impact of structural investments and
    - formulate appropriate actions to be taken.
- To evaluate the results of stress scenarios relating to the bank's funding position and formulate appropriate actions.

Liquidity

- Monitoring internal and regulatory liquidity coverage ratio being complied with.
- To review and assess the management of the bank's liquidity position within the framework and policies established by the Risk Management and Conduct Review Committee, as the case may be, and formulate appropriate actions to be taken.
- To review the bank's liquidity profile and consider the management of rupee and foreign currency short term liquidity and formulate appropriate actions to be taken.
- To evaluate the results of stress scenarios relating to the bank's liquidity position and formulate appropriate actions to be taken.

Balance Sheet Management

- To ensure proper management within defined control parameters set by the Risk Management Committee of the bank's net interest income and its structural exposure to movements in market rates and other changes in the external environment.
- To consider interest rate forecasts and, in light of these forecasts and other information:
  - To consider the bank's structural exposures, including the evaluation of appropriate stress scenarios, and to formulate actions, where required; and
  - To review information of the bank's net interest income margin performance in order to identify potential margin compression or similar concerns and formulate appropriate actions to be taken.
- To consider the significance on Assets and Liability Management (ALM) of any changes in customer behaviour and formulate appropriate actions.

3.5 Audit Committee

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

- Overseeing the effectiveness of the bank's Internal Control.
- Overseeing the policies and procedures to ensure compliance with legal and regulatory requirements.
- Reviewing the scope of internal audit, the annual audit plan and significant matters reported by Internal Audit department.
- Reviewing the scope of compliance, its work plan and significant matters reported by Compliance department.
- Reviewing the scope of external audit, its work plan and significant matters reported by External Auditors as part of their financial year-end audit.

The Audit Committee is also responsible to recommend the appointment/ reappointment of external auditors to the shareholders, through the Board of Directors.

3.6 Lines of defence

3.7 Risk Department

The Risk Department develops methodologies to identify, measure, mitigate and monitor the major risks of the bank. The department reports to the Risk Management Committee and ultimately to the Board in a structured manner on credit, market and operational risk matters. The department is responsible for:

- Ensuring that risk remains within the boundaries and limits established by the Board
- Ensuring that the business lines comply with risk parameters and prudential limits established by the Board
- Remedial measures are implemented by the departments concerned to address identified issues and problems
- Ensuring compliance with regulatory norms
- Stress testing
- Risk Reporting to Risk Management Committee on matters relating to credit, market and operational risks
- Presenting the ICAAP to the Bank of Mauritius and addressing queries

4.0 Risk Appetite Framework

The Risk Appetite Framework helps to align the bank risk profile and strategic orientation, and is the key success factor of the risk management strategy that determines the level and type of risk, that the bank is willing to take and sustain while executing its business strategies.

The risk appetite is established by means of a complementary set of statements that are cascaded throughout the business units and updated to reflect internal customer and shareholder aspirations depending on the economic and geopolitical context.

The bank's risk appetite is defined by a risk appetite framework set by the Board. It lays emphasis on a strong risk culture and defines the threshold to manage aggregate risks through an acceptable scale and in line with Bank of Mauritius Guidelines on credit and country risk management and cross-border lending.

5.0 Credit Risk

Credit risk is the risk of financial loss resulting from failure of the parties, with whom the bank has contracted, to meet their obligations (both on and off-balance sheet).

5.1 Credit Risk Management Approach

The Credit Underwriting and Risk Function is segregated from origination and sales function. Credit granting and approval authority is in compliance with the delegation of authority as set out in the credit policies.

The Credit Risk Management process at the bank can be summarised as follows:

- Establishment and use of limits including individual obligor/group limits, concentration limits to control concentrations within countries and industry sectors to avoid any undue concentrations.
- Consistent assessment of credit worthiness of counterparties and clients.
- Active use of credit mitigation tools.
- Dual signoff and approval.
- Escalation to the next level of approval authority for non-standard lending.
- Monitoring compliance with limits, policies and guidelines.
- Continuous monitoring of advances and identification of potential risky advances.
- Systematic approach to recognise credit impairment.
- Reporting to the Risk Management Committee on risk-related matters.

5.2 Credit Policies

The credit policies set the standards on credit origination and credit risk assessment, concentration risk, credit risk mitigation, credit monitoring, collection and recovery. In addition, it incorporates the delegated powers of approval authorities, as approved by the Risk Management Committee. Approval authorities are tiered based on the lines of business and the aggregate credit facilities to the related customer group.

Credit policies are reviewed on at least an annual basis. More frequent reviews are undertaken in response to changes in the economic environment or strategies to ensure that the policies reflect the risk appetite of the bank accordingly.

Credit Approval Process

1

Front Office

Sales Team

- In contact with customer
- Collect all relevant documents and information
- First evaluation of the deal
- Submit credit proposal to Underwriting team

2

Credit Underwriting

Credit Assessment

- Ensure compliance with guidelines and the bank's policy
- Independent assessment of risks
- Approve or provide recommendation to appropriate approval authority

3

Approval Process

Credit Approval

- Approval by relevant party:
- Credit Underwriting or
- Management Credit Committee (MCC) or
- Executive Committee (EXCO) or
- Conduct Review Committee (CRC) or
- Board Credit Committee (BCC), depending on type of deal and amount

5.3 Concentration Risk and Credit Risk Profile

Concentration risk refers to the risk of loss arising from an excessive concentration of exposure to single borrower/groups of closely related customers, counterparties, industry, geography or collateral.

The approach adopted by the bank relies on reporting of concentration risk along key dimensions, the setting of limits for banks, sectors, group and single exposures and through stress testing. The bank also applies the HHI (Herfindahl-Hirschman Index) to analyse the concentration of credit risk sectors and clients.

5.3.1 Sovereign Risk

Sovereign Risk is a type of credit risk specific to government debt. Exposure in total local sovereign investments stood at MUR 2.4 billion as at June 2022 (June 2021: MUR 2.7 billion).

The investment book is split between local and foreign investments at MUR 4.6 billion and MUR 1.8 billion respectively. Investment in foreign government securities amounting to MUR 1.7 billion accounts for the bulk of foreign investment carrying sovereign risk, while investment in foreign corporates stood at MUR 89.1 million.

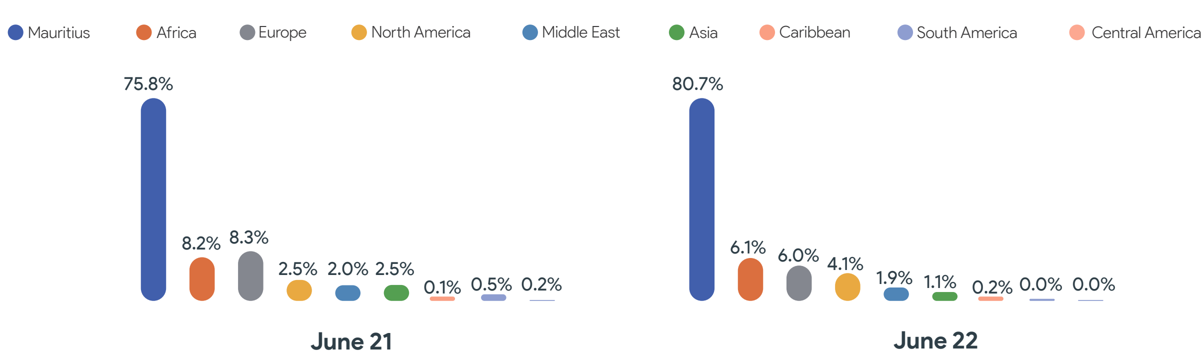
Local investment in domestic top tier corporates amounted to MUR 2.2 billion and investment in Government of Mauritius and Bank of Mauritius securities amounted to MUR 2.4 billion reflecting an acceptable risk profile of the portfolio.

5.3.2 Country Risk

Country risk refers to the risk attributable to events in a specific country. It is the risk of loss associated with lending, pre-settlement, money market and investment transactions in any given country. The occurrence of a country risk event may result in all counterparties in a country to be unable to effect timely payments, despite their willingness to meet contractual debt obligations.

To manage and assess country risk, the bank uses Moody's, Standard & Poor's and/or Fitch ratings. Country limits are worked out based on the country risk ratings and the bank's Tier 1 capital in line with the bank's country risk management framework.

The following chart shows the distribution of exposure by region.



Domestic exposure as a percentage of total exposure rose to 80.7% as at June 2022 from 75.8% last year, while overseas exposures are well diversified in line with the bank's country risk management framework.

A reduction in exposure is noted from 8.2% to 6.1% for Africa and from 8.3% to 6.0% for Europe due to matured facilities and reduction in some placement limits. Exposure in other continents remained stable compared to last quarter.

Country Limit

Limits to exposure for each country are set based on the following:

- The strategic intent of the bank
- The Country's Risk Rating
- Macro economic indicators
- Business opportunities available in the Country
- Exposure to the bank's Tier 1 Capital

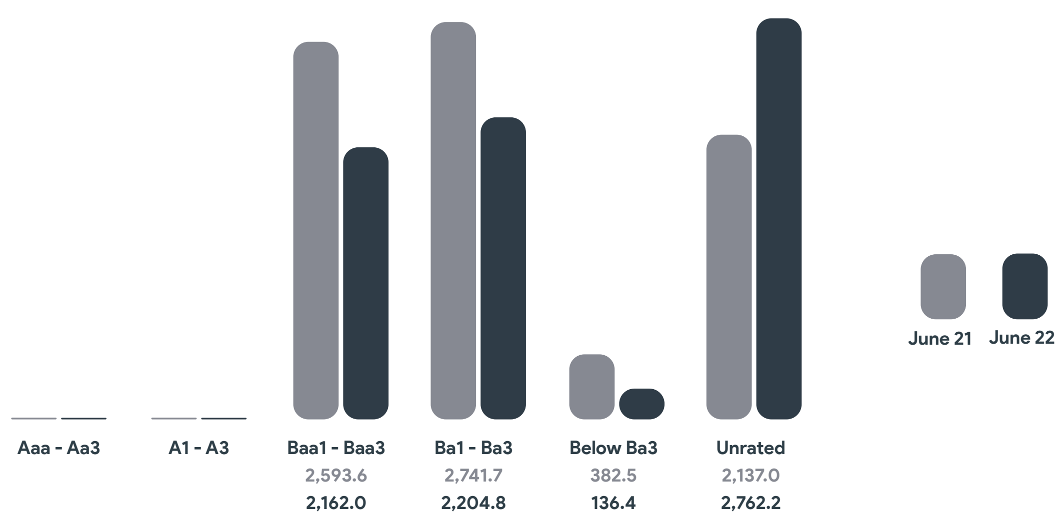
5.3.3 Bank risk

Bank risk is the risk of loss arising from default or changes in circumstances of a bank or a banking industry.

Surplus funds are invested in treasury bills/bonds or placed with other banks. Moody's, Standard & Poor's and/or Fitch ratings are used to assess the counterparty risk related to financial institutions while the internal bank scoring model is used for unrated banks. Limits on banks are worked out based on the ratings of the banks and the bank's Tier 1 capital.

Exposures to banks by rating are reflected below.

Bank Risk-Classification by Credit Rating (Mur M)



5.3.4 Sector Concentration

SECTOR	Exposure Jun 21					
	Segment A		Segment B		TOTAL	
	(MUR m)	% of Total SEG A Exposure	(MUR m Equiv.)	% of Total SEG B Exposure	(MUR m Equiv.)	% of Total Exposure
Agriculture and Fishing	460.8	4.1%	-	0.0%	460.8	3.3%
Manufacturing	1,599.7	14.4%	51.2	1.9%	1,650.9	11.9%
Tourism	2,212.6	19.9%	688.0	25.1%	2,900.6	20.9%
Transport	406.7	3.6%	0.1	0.0%	406.8	2.9%
Construction	707.6	6.3%	-	0.0%	707.6	5.1%
of which Commercial, Residential and Land Parcelling	*518.3*	*4.7%*	-	*0.0%*	*518.3*	*3.7%*
Global Business Licence Holders	-	0.0%	1,074.5	39.2%	1,074.5	7.7%
Traders	1,151.6	10.3%	-	0.0%	1,151.6	8.3%
Information Communication and Technology	168.3	1.5%	316.7	11.5%	485.0	3.5%
Financial and Business Services	2,131.7	19.1%	32.4	1.2%	2,164.0	15.6%
Infrastructure	3.2	0.0%	-	0.0%	3.2	0.0%
Professional	3.9	0.0%	-	0.0%	3.9	0.0%
Health Development Certificate Holders	1.1	0.0%	-	0.0%	1.1	0.0%
Education	6.3	0.1%	-	0.0%	6.3	0.0%
Media, Entertainment and Recreational Activities	16.9	0.2%	-	0.0%	16.9	0.1%
Other	282.3	2.5%	-	0.0%	282.3	2.0%
Personal	1,990.6	17.9%	580.4	21.2%	2,571.0	18.5%
of which Housing	*841.8*	*7.6%*	*496.9*	*18.1%*	*1,338.7*	*9.6%*
of which Leasing	*972.8*	*8.7%*	*1.1*	*0.0%*	*973.9*	*7.0%*
of which other personal	*175.9*	*1.6%*	*82.5*	*3.0%*	*258.4*	*1.9%*
Total	**11,143.2**	**100.0%**	**2,743.3**	**100.0%**	**13,886.5**	**100.0%**

Table 1: Sector-wise distribution

69.3% of total exposures was concentrated in 4 top sectors being Personal, Financial & Business Services, Tourism and Traders. On a sectorial basis, whilst all sectors of the economy are expected to grow, the tourism-dependent sectors such as the Accommodation and Food Services sector stay under close scrutiny. Exposure to tourism sector has dropped from 20.9% as at June 2021 to 15.9% as at June 2022.

Exposures to Segment B stood at MUR 1.8 billion as at 30 June 2022.

Exposure Jun 22						Prudential limits	Concentration Direction (% of total exposure)	Actual Real GDP Growth by Sectors (2021)
Segment A		Segment B		TOTAL				
(MUR m)	% of Total SEG A Exposure	(MUR m Equiv.)	% of Total SEG B Exposure	(MUR m Equiv.)	% of Total Exposure			
154.4	1.3%	-	0.0%	154.4	1.1%	15.0%	⇓	+7.2%
1,352.0	11.1%	-	0.0%	1,352.0	9.6%	16.5%	⇓	+6.8%
1,947.0	16.0%	281.8	15.3%	2,228.8	15.9%	25.0%	⇓	-21.8%
430.9	3.5%	0.2	0.0%	431.0	3.1%	10.0%	⇑	+2.7%
751.9	6.2%	-	0.0%	751.9	5.4%	10.0%	⇑	+22.7%
52.8	*0.4%*	-	*0.0%*	*52.8*	*0.4%*	*6.0%*	⇓	
-	0.0%	675.1	36.7%	675.1	4.8%	10.0%	⇓	+6.8%
1,460.6	12.0%	-	0.0%	1,460.6	10.4%	30.0%	⇑	+4.1%
273.7	2.2%	267.1	14.5%	540.7	3.9%	10.0%	⇑	+7.1%
2,516.1	20.7%	88.9	4.8%	2,605.0	18.6%	26.0%	⇑	+4.6%
7.5	0.1%	-	0.0%	7.5	0.1%	15.0%	⇑	
47.7	0.4%	-	0.0%	47.7	0.3%	5.0%	⇑	+5.2%
0.6	0.0%	-	0.0%	0.6	0.0%	5.0%	⇓	+5.1%
5.8	0.0%	-	0.0%	5.8	0.0%	10.0%	⇓	-0.5%
13.8	0.1%	-	0.0%	13.8	0.1%	5.0%	⇓	-4.0%
323.4	2.7%	-	0.0%	323.4	2.3%	10.0%	⇑	+3.2%
2,884.9	23.7%	528.4	28.7%	3,413.2	24.4%	30.0%	⇑	
1,328.6	*10.9%*	*463.0*	*25.1%*	*1,791.5*	*12.8%*		⇑	
983.1	*8.1%*	*17.3*	*0.9%*	*1,000.4*	*7.1%*		⇑	
573.2	*4.7%*	*48.1*	*2.6%*	*621.3*	*4.4%*		⇑	
12,170.4	**100.0%**	**1,841.4**	**100.0%**	**14,011.8**	**100.0%**			

Table 1: Sector-wise distribution

5.3.5 Credit Concentration Risk for large exposures

The bank is exposed to the credit risk of large single/group counterparties. In the event of default of their obligations to the bank, this will have a significant impact on impairment charge.

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

The table below provides a breakdown of the bank's large credit exposures (group and single).

Group and Single Exposure	Exposure incl commitments at 30.06.22 (MUR M)	Exposure and undrawn commitments as a % of Tier 1 Capital
1	621.0	31.4%
2	522.6	26.5%
3	473.3	24.0%
4	455.4	23.1%
5	427.7	21.7%
6	391.9	19.8%
7	356.3	18.0%
8	343.0	17.4%
9	323.1	16.4%
10	322.7	16.3%
11	322.4	16.3%
12	299.6	15.2%
13	267.1	13.5%
14	267.0	13.5%
15	252.6	12.8%
16	249.8	12.6%
17	227.5	11.5%
18	212.2	10.7%
19	203.9	10.3%
20	201.6	10.2%
21	200.3	10.1%
22	198.6	10.1%
Total	7,139.5	361.5%

Table 2: Credit Concentration - Single/Group of Connected Counterparties

As at 30 June 2022, 15 groups of connected counterparties and 7 single customers had exposures exceeding 10% of the bank's Tier 1 Capital. The aggregate of the exposures stood at 361.5%, well within the regulatory limit of 800% of bank's Tier 1 Capital.

5.3.6 Related Party Transactions

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions. As at 30 June 2022, the bank's exposure to related parties in Category 1 and Category 2 represented 27.4% of Tier 1 Capital, well within the regulatory limits of 150% of Tier 1 Capital. The bank's exposure to non-exempt related parties aggregated to MUR 522.6 million (26.5% of Tier 1 Capital) as at June 2022. Same was within the regulatory limit of 60% set by the Bank of Mauritius.

The top 6 exposures to non-exempt related parties aggregated to MUR 391.0 million (19.8% of Tier 1 Capital) as at 30 June 2022 which is within the regulatory limit of 60%.

TOP 6 EXPOSURE TO RELATED PARTIES NON-EXEMPT	EXPOSURE INCL COMMITMENTS AT 30.06.22 (MUR M)	% OF TIER 1 CAPITAL
1	123.3	6.2%
2	100.4	5.1%
3	81.0	4.1%
4	30.7	1.6%
5	30.0	1.5%
6	25.6	1.3%
Total	**391.0**	**19.8%**

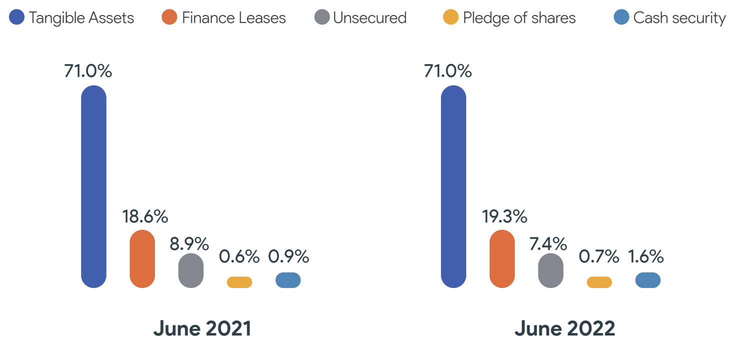
Table 3: Top 6 Exposures to non-exempt related parties

None of the facilities granted to related parties was impaired. The facilities granted to related parties are approved by the Conduct Review Committee.

5.3.7 Credit Risk Mitigation

Potential Credit Losses are mitigated by the use of collateral and other guarantees where feasible. The extent of risk mitigation provided by collateral depends on the amount of charges, type and quality of collateral taken. Policies and guidelines are in place regarding the types of collateral acceptable to the bank, their strengths as credit risk mitigation and the valuation frequencies. Physical collaterals are insured against all risks. Obtaining collateral does not replace a rigorous assessment of the borrower's ability to meet its obligations. For Corporate deals, legal opinions are sought and documentation is reviewed by legal advisors where required.

The breakdown of loans and advances by security types is given below.



71.0% of exposure was secured against fixed/floating charges as at June 2022. Cash security increased to 1.6% while unsecured facilities dropped to 7.4% as at 30 June 2022.

5.4 Account Monitoring and Recovery

Credit granted and borrowers are monitored on an ongoing basis. Restructuring of facilities is undertaken on a case-to-case basis, taking into account the repayment capacity of the borrower.

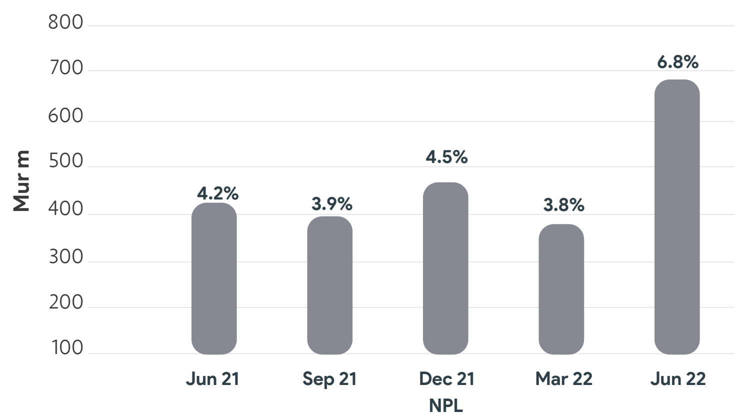
Key Indicators of Credit Quality

RATIO	AS AT 30 JUNE 2020	AS AT 30 JUNE 2021	AS AT 30 JUNE 2022
Non-Performing Loans (NPLs)/Gross loans and advances	5.4%	4.2%	6.8%

Table 4: Key Indicators of asset quality

Non-Performing Loans (NPL) ratio increased from 4.2% as at June 2021 to 6.8% as at June 2022 mainly due to the restructuring of a one-off exposure in the hospitality sector, moving from Stage 2 to Stage 3 during the year.

Specific provision as a percentage of total non-performing loans stood at 18.1% as at June 2022 (June 2021: 24.2%) on the back of an increase in NPL.



The performance of the Recovery team is reviewed on a monthly basis by management and on a quarterly basis by the Executive Committee. The focus is to ensure prompt recovery of assets.

6. Market Risk Management

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

The Assets and Liabilities Committee (ALCO) and the Risk Management Committee are involved in evaluating, managing and monitoring the market risks of the bank. Performance is monitored against policy limits and gap analysis undertaken to ensure that market risk is captured, reported and effectively managed.

The primary tools used by the bank to assess market risks are:

Gap analysis

Liquidity gap analysis is the difference between a bank's assets and liabilities, caused by said assets and liabilities not sharing the same properties. This gap can be positive or negative, depending on whether the bank has more assets than liabilities or vice versa. For banks, the liquidity gap can change over the course of the day as deposits and withdrawals are made. This means that the liquidity gap is more of a quick snapshot of a firm's risk, rather than a figure that can be worked over for a long period of time. To compare periods of time, the bank calculates the marginal gap, which is the difference between gaps of different periods.

Value at Risk (VaR)

VaR is a statistical risk measure used to estimate the potential loss from adverse market moves in a normal market environment. The bank has a single VaR framework used as a basis for calculating Risk Management VaR.

The framework is employed across the bank using historical simulation based on data for the previous 12 months and using a one-day holding period and a confidence interval of 99%. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. The use of Risk Management VaR provides a stable measure of VaR that is closely aligned to risk management decisions made by the lines of business, and provides the appropriate information needed to respond to risk events. VaR was MUR 105k as at 30 June 2022 as compared to MUR 95k as at 30 June 2021.

Earnings-at-risk (EAR)

The bank evaluates its structural interest rate risk exposure through earnings-at-risk, which measures the extent to which changes in interest rates will affect the bank's net interest income and certain interest rate-sensitive fees.

6.1 Liquidity risk

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

6.1.1 Liquidity Risk Management

The bank manages liquidity risk in accordance with the Guideline on Liquidity Risk Management and within the risk appetite and tolerance of the bank for liquidity risk. The market risk policy of the bank sets out the framework within which the liquidity of the bank is managed and monitored. Funding, liquidity, and foreign exchange exposures in the banking book are managed centrally by the treasury department.

Liquidity Risk Management	Contingency Liquidity Risk Management
• Manage intra-day liquidity positions	• Monitor and manage early warning liquidity indicators
• Monitor Interbank Outstanding Balances	• Maintain contingency funding plans
• Monitor daily cash flow requirements	
• Manage short-term/long-term cash flows	
• Manage daily foreign currency liquidity	
• Identify and manage structural liquidity mismatches	
• Preserve a diversified funding base	
• Monitoring of the ratios against limits set	

Limits are reviewed at least annually or more frequently if required to ensure that they remain relevant in the context of prevailing market conditions and business strategy. Some of the liquidity risk management tools include monitoring the list of top depositors, funding source mixture and maturity profile of funding sources. Excesses above limits are ratified at the Risk Management Committee.

6.1.2 Funding Risk

Funding risk refers to the risk that a bank does not have sufficiently stable and diverse sources of funding, or the funding structure is inefficient.

The primary funding sources are from deposits from retail and corporate clients, comprising savings, call deposits and term deposits. Deposits (including accrued interest) stood at MUR 19.0 billion as at June 2022. Foreign currency deposits (excluding accrued interest) decreased from 55.6% as at June 2021 to 49.3% as at June 2022, whilst MUR deposits (excluding accrued interest) increased from 44.4% to 50.7% over the same period.

Net Loan-to-deposit ratio increased from 51.3% as at June 2021 to 52.7% as at June 2022.

46.4% of deposits (including accrued interest) were individual customer deposits as at June 2022.

Although savings accounts and call deposits are repayable on demand, these are considered to be fairly stable sources of funding at the bank.

6.1.3 Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR) represents a standard that is designed to ensure that a bank has an adequate inventory of unencumbered High-Quality Liquid Assets (HQLA) that consist of cash or assets convertible into cash at little or no loss of value in market, to meet its liquidity requirements for a 30 days' liquidity stress period, by which time, management and the Bank of Mauritius will be able to take appropriate corrective action to resolve the stress situation in an orderly manner. The LCR stood comfortably at 314% on a consolidated basis as at 30 June 2022 (June 2021: 593%) which is well within the regulatory limit of 100%.

6.1.4 Contingent Liquidity Risk

Committed credit facilities, whilst drawn in period of liquidity crisis, give rise to contingent liquidity risk. The liquidity gap is worked out taking into account committed exposures to assess the risk as part of the stress testing exercise.

6.2 Interest Rate Risk

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

The tables below provide an analysis of the interest rate risk exposure for the bank. As at 30 June 2022, currencies accounting for 5% or more of total assets or liabilities included MUR, EUR and USD. The up to 3 months column includes assets and liabilities bearing floating rates of interest that do not reprice at set dates, but reprice whenever the underlying interest rate changes.

Repricing Gap – BANK

As at June 2022	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	11,572.7	466.5	698.3	1,334.8	2,176.6	1,662.9	4,479.7	22,391.4
Liabilities	4,729.4	1,210.8	1,368.6	1,211.3	1,992.3	-	9,562.3	20,074.6
On Balance sheet interest rate repricing gap	6,843.3	(744.3)	(670.3)	123.5	184.4	1,662.9	(5,082.7)	2,316.8
Cumulative repricing gap	6,843.3	6,099.0	5,428.7	5,552.2	5,736.6	7,399.4	2,316.8	
As a % of total assets	**30.9%**	**27.5%**	**24.5%**	**25.1%**	**25.9%**	**33.4%**	**10.5%**	

As at June 2021	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	13,147.0	542.8	1,057.9	961.3	2,908.8	271.6	4,501.6	23,391.0
Liabilities	5,091.4	1,832.4	1,394.2	832.2	1,426.7	-	10,654.3	21,231.1
On Balance sheet interest rate repricing gap	8,055.6	(1,289.7)	(336.3)	129.2	1,482.1	271.6	(6,152.7)	2,159.8
Cumulative repricing gap	8,055.6	6,765.9	6,429.6	6,558.8	8,040.9	8,312.5	2,159.8	
As a % of total assets	**34.8%**	**29.2%**	**27.8%**	**28.3%**	**34.7%**	**35.9%**	**9.3%**	

Repricing Gap – MUR

As at June 2022	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	7,290.6	85.5	121.8	759.4	1,495.9	1,175.4	1,646.9	12,575.4
Liabilities	4,614.4	918.1	1,102.8	1,027.8	1,937.6	-	954.9	10,555.7
On Balance sheet interest rate repricing gap	2,676.2	(832.6)	(981.1)	(268.5)	(441.7)	1,175.4	692.0	2,019.7
Cumulative repricing gap	2,676.2	1,843.6	862.5	594.0	152.3	1,327.7	2,019.7	
As a % of total MUR assets	**21.3%**	**14.7%**	**6.9%**	**4.7%**	**1.2%**	**10.6%**	**16.1%**	

Repricing Gap – EUR

As at June 2022	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	1,254.6	284.4	95.3	-	141.1	-	1,338.9	3,114.3
Liabilities	-	14.4	16.7	-	-	-	2,329.7	2,360.7
On Balance sheet interest rate repricing gap	1,254.6	270.0	78.6	0.0	141.1	0.0	(990.8)	753.5
Cumulative repricing gap	1,254.6	1,524.6	1,603.3	1,603.3	1,744.3	1,744.3	753.5	
As a % of total EUR assets	**40.3%**	**49.0%**	**51.5%**	**51.5%**	**56.0%**	**56.0%**	**24.2%**	

Repricing Gap – USD

As at June 2022	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	2,533.7	96.6	481.3	575.4	539.6	487.5	810.7	5,524.8
Liabilities	49.1	247.9	179.7	183.5	40.9	-	5,415.6	6,116.6
On Balance sheet interest rate repricing gap	2,484.6	(151.4)	301.6	391.9	498.8	487.5	(4,604.9)	(591.9)
Cumulative repricing gap	2,484.6	2,333.3	2,634.8	3,026.8	3,525.6	4,013.0	(591.9)	
As a % of total USD assets	**45.0%**	**42.2%**	**47.7%**	**54.8%**	**63.8%**	**72.6%**	**-10.7%**	

Tables 5: Repricing gap

The treasury department tracks and reviews the gap analysis to recommend strategies to reduce the repricing mismatches and manage the interest rate risk. ALCO meetings are held on a monthly basis.

Interest Rate Sensitivity Analysis

The management of interest rate risk is measured from an earnings perspective. Earnings at risk is used by the bank to measure the sensitivity of net interest income over the next 12 months. The bank assesses the impact of various interest rate shocks on net interest income over a 12-month period assuming a static position.

An analysis of a 50 basis points parallel shift in the yield curve and its impact on interest earning assets and interest-bearing liabilities has been carried out for respective currencies as below.

Additionally, the table also indicates that a 100 basis points change in interest rate for MUR will have an impact of MUR 13.3 million as at 30 June 2022 (MUR 9.1 million as at 30 June 2021) on our profit or loss. The increase in the earnings at risk (MUR) is explained by growth in interest rate sensitive assets in our books over the period. Besides, we note a fall in the earnings at risk for EUR and USD. The decrease in the earnings at risk is explained by a marginal fall in our interest rate gap over the period.

Currency	Change in Basis Points	Sensitivity of Profit or Loss and Equity MUR m	
		Previous (June 2021)	Actual (June 2022)
MUR	50	4.6	6.6
	100	9.1	13.3
EUR	50	11.9	8.7
USD	50	24.7	20.1

6.3 Foreign Exchange Risk

Foreign exchange risk refers to the risk that the bank may suffer a loss as a result of adverse exchange rate movement during which period it has an open position, either spot or forward, or both in the same foreign currency. There is also settlement risk arising out of default of the counterparty and time lag in settlement of currencies due to different time zones.

The risk element in foreign exchange risk is managed and monitored against appropriate limits – open position, stop loss, day light as well as overnight limits for each currency. To manage the foreign exchange risk, dealers operate within the prudential limits approved by the Board and the regulatory limit as prescribed by the Bank of Mauritius. The regulatory daily overall foreign exchange limit is 15% of the bank's Tier 1 capital.

6.4 Price Risk

Price risk refers to the risk arising from fluctuations in the market value of trading and non-trading positions, resulting in losses in the value of the portfolios. The bank is exposed to risks associated to both locally and internationally quoted securities. Investment in securities decreased from MUR 6.5 billion as at June 2021 to MUR 6.4 billion as at June 2022.

7. Operational Risk Management

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

7.1 Key types of Operational Risk

- Processing Risk
- People Risk
- Legal Risk
- Compliance Risk including AML
- Technology Risk

7.2 Management of Operational Risk

The bank identifies and manages operational risks in the following ways:

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

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

To mitigate the impact of some operational risks, measures used by the bank include the following:

- Complaints tracking and prompt resolution of issues
- Capital management
- Risk transfer via Insurance
- Disaster recovery and business continuity plans
- Procedures implemented and maintained to comply with the increasingly complex laws and regulations.

No material operational loss was reported for the financial year ended June 2022, which is testimony of the robustness of the internal controls in place at the bank.

8. Information Technology Risk

IT risks comprise any hardware and software failure due to human error, malicious attacks, spam and viruses, as well as natural disasters such as fires, floods or cyclones, and this forms an integral part of operational risk management. An IT Steering Committee comprising members of senior management meets on a regular basis to discuss on IT matters relating to the improvement of current systems in terms of digitalization and cybersecurity, as well as resolution of any issues. The IT key risk indicators, including system downtime, incidents, virus detection are tracked, monitored and reported quarterly to the Risk Management Committee.

9. Strategic Risk

Strategic Risk refers to the risk to earnings and/or capital arising from adverse effects of business decisions, failure to meet the business development targets, improper implementation of business decisions/projects, failure to react to unexpected external events which can impact on the business.

The strategic planning process includes the development of a three-year strategic plan, which is reviewed annually during the budgetary process to ensure that the strategic initiatives are on track or need to be amended. To mitigate the risk, performance against strategic plans, budgets or projects are monitored.

10. Reputational Risk

Reputational risk refers to the risk of loss arising from the adverse perception of the image of the bank by customers, counterparties, stakeholders. This risk is interrelated to other risks such as strategic risk, fraud and regulatory risk.

Presently, the bank has minimal reputational risk profile given that its activities are predominantly vanilla in nature. The operational systems and controls put in place also help to mitigate this risk. Reputational risks are also mitigated by the use of standardized industry documentation and by seeking the appropriate legal advice. Complaints are tracked and tackled promptly. The bank is of the view that the Operational risk capital charge encompasses potential reputational issues.

11. Pension Obligation Risk

Pension Obligation Risk is the risk that a firm's obligations towards an employee pension scheme may increase because of a deterioration in the scheme position.

The bank launched its pension scheme, effective July 2014. The pension plan is a Defined Contribution Pension Plan (DC). The pension scheme administrator is MUA Pension Ltd. The investment manager is Orange Eight Ltd.

Under a DC Pension Plan, the bank will pay fixed contributions or contribute based on the contribution of the employee. Pension plan benefits at retirement are determined by the contribution paid into the plan and the investment returns generated by these assets over time.

There will be little risk borne by the bank under the Defined Contribution Pension Plan.

12. Compliance and Anti-Money Laundering

The Compliance function ensures that the bank continuously complies with the existing regulations impacting banking operations. The bank recognizes its responsibility to conduct business in accordance with the relevant laws and regulations. The bank is subject to supervisory governance and seeks to abide to the highest standards in terms of compliance practices.

Regular training is provided to ensure employees are kept well informed of regulatory changes and the bank's regulatory obligations. The Compliance function, through the Money Laundering Reporting Officer (MLRO) is also empowered to identify and report any suspicious transactions to the Financial Intelligence Unit (FIU).

To ensure consistent management of compliance risk at the bank, the Compliance function provides advice on regulatory matters and works closely with business and operational units. The Compliance department also monitors compliance risks by ensuring that the bank complies with all the reporting requirements and all the relevant banking and anti-money laundering rules and guidelines issued by regulatory bodies. Under the aegis of the Board of directors, the Compliance department has been entrusted with the responsibility of ensuring a sound compliance risk management within the bank.

As from December 2016, the bank has put in place Oracle Financial Services Analytical Applications (OFSAA), an AML software which scrutinizes all banking transactions undertaken by the bank. OFSAA is a globally recognized AML solution which provides a robust screening system allowing the bank to deal with potential violations of AML/CFT/PF guidelines in a timely manner. The alerts generated by the OFSAA software are attended to by the Compliance team as part of its daily monitoring exercise. The OFSAA AML software is structured around seven scenarios, including cash transactions, pattern of transactions and large reportable transactions. The alerts that are generated are looked into by the Compliance department. Where deemed necessary, the nature and purpose of the transaction and origin/source of funds are scrutinized by the Compliance Team.

On the other hand, with a view to avoid any issue relating to inward and outward remittances undertaken by the bank, the SWIFT Sanction Screening system carries necessary checks on a real time basis which is dealt with by the Compliance team. Concerning name checks, the bank uses Bankers Accuity and the World Check - One software for other AML risks by cross-checking against the FATF list of high-risk and non-cooperative jurisdictions, UNSC list, PEP lists and internal caution and blacklists, amongst others. Thereafter our software also carries out a continuous monitoring of our high-risk clients of the bank on a daily basis and for our low and medium risk clients, the monitoring is done on a quarterly basis.

The bank has also put in place systems and procedures to comply with the new requirements of the Common Reporting Standards (CRS) which, just like FATCA, is the automatic exchange of information which involves the systematic and periodic transmission of "bulk" taxpayer information by the source country to the residence country concerning various categories of income (e.g., account balance or value, dividends, interest, royalties, salaries, pensions, etc.).

Systems and procedures are also being reviewed to meet the expectations that have been brought by the new requirements of latest Finance Acts as well as the ESAAMLG Report and the National Risk Assessment Report compiled in 2019.

Other changes following new rules and Regulations, as the one stated below have also been taken into consideration by the bank when drafting its Anti-Money Laundering policy.

- The 5th European Anti-Money Laundering Directive.
- The Financial Intelligence and Anti-Money Laundering Act 2002 - Updated 2018.
- The Financial Intelligence and Anti-Money Laundering Regulations 2018.
- The United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019
- The Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation (Miscellaneous Provisions) Act 2019 and
- The Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation (Miscellaneous Provisions) Act 2020

Our bank has also aligned its policies to reflect changes made by the Guideline on Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation financing and changes brought pursuant to the new AML/CFT and UN Sanctions Act of May 2019.

13. Internal Audit

The Head of Internal Audit, in line with the Code of Corporate Governance, reports to the Audit Committee for direction and accountability and administratively to the Managing Director. The scope of work is provided in an annual Risk-Based Internal Audit Plan which is approved by the Audit Committee at the beginning of each financial year.

To accomplish its duties, the Internal Audit function has unrestricted access to the bank's records and employees. As part of its process, an independent risk assessment exercise is carried out to identify the key risks within each unit/ process/ sub-process being reviewed and the controls in place to mitigate these risks. Following this exercise the main role of internal audit is to test the design and operating effectiveness of these controls through testing. At the end of each assignment, internal audit findings are risk rated in terms of high, moderate and low and are discussed with the Head/ Manager concerned in a closing meeting. The draft internal audit report is then circulated to the Head/ Manager concerned to obtain the final management comments, following which the final internal audit report is issued by the Head of Internal Audit to the Strategic Business Executive, General Manager, Head/ Manager concerned and to all Audit Committee members.

Key responsibilities of the Internal Audit function include the following:

- Evaluating the overall internal control framework by testing adherence to the bank's defined policies and procedures and legal/ regulatory requirements;
- Providing feedback to management where required e.g. in the setting up of new policies and procedures and internal projects;
- Carrying out ad-hoc investigations and reviews as requested by management and approved by the Audit Committee;
- Assessing the means for safeguarding assets and verifying the existence of the bank's assets including cash counts, stock counts and other site visits where required;
- Evaluating the reliability and integrity of financial information; and
- Acting as a facilitator with the bank's external auditors.

For the quarter ended 30 June 2022, the risk-based Internal Audit Plan for the next financial year 2022- 2023 was approved by the Audit Committee. Furthermore, two audit reports on liquidity risk management and data migration (following upgrade of Core Banking System in April 2022) were issued to the Audit Committee.

14 . Capital Adequacy and Management

The aim of the bank is to maintain an adequate capital base to support the development of business and to meet regulatory capital requirements.

Regulatory capital adequacy is measured through the Capital Adequacy Ratio (CAR). This ratio measures the capital supply relative to capital demand as measured by Risk Weighted Assets.

Risk Weighted Assets

Risk Weighted Assets are worked out by applying risk weights from prescribed risk parameters. The bank has adopted the Standardised Approach to Credit and Market risks and the Basic Indicator Approach to Operational Risks.

For regulatory purpose, the bank has adopted the Standardised Measurement Approach for market risk capital charge. The bank complies with the Guideline on Measurement and Management of Market Risk issued by the Bank of Mauritius.

For Operational risk, the Basic Indicator Approach is used by the bank. Under the Basic Indicator Approach, the capital charge of the bank is calculated by multiplying the 3-year average gross income to a beta factor of 15%.

Capital Ratios

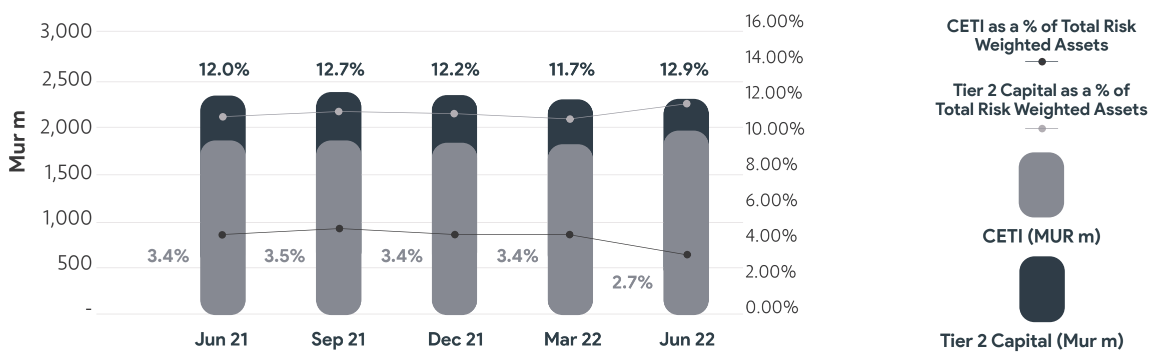
The **Tier 1 and the eligible capital adequacy ratios** are provided below:

Capital Ratios (%)	As at June 2020	As at June 2021	As at June 2022
Capital Base	**MUR m**	**MUR m**	**MUR m**
Tier 1 Capital	1,804.8	1,875.2	1,974.8
Tier 2 Capital	640.1	526.3	409.9
Total Capital Base	**2,444.8**	**2,401.4**	**2,384.7**
Total Risk Weighted Assets	**14,124.5**	**15,655.4**	**15,308.4**
CET1 CAR	12.8%	12.0%	12.9%
Tier 1 CAR	12.8%	12.0%	12.9%
CAR	17.3%	15.3%	15.6%
Buffers			**MUR m**
Tier 1 Buffer			750.1
Total Capital Buffer			853.8
Total Capital Buffer with Minimum Capital Conservation Buffer			471.1

Table 6: Capital Ratios

Tier 1 CAR and CAR were within the regulatory limits as at end of June 2022.

At least 8% of risk weighted assets needs to be covered by Tier 1 as from January 2016.



Monitoring

Capital is managed and stress analyses are conducted as part of the Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP report serves the following main purposes.

- It documents and informs the Board of Directors as to how the bank conducts its risk assessment and the measures put in place to mitigate those risks;
- It sets out a forward-looking capital planning and forecasting of capital requirements; and
- It sets out a stress testing framework to determine the capital buffer above the minimum regulatory levels.

Three-year forecasts of the bank's capital position are produced annually to inform the Board on the capital strategy of the bank.

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

	Jun-22	Jun-21	Jun-20
	MUR M	MUR M	MUR M
Common Equity Tier 1 capital: instruments and reserves			
Ordinary shares capital	762.7	762.7	762.7
Share premium	177.8	177.8	177.8
Retained earnings	719.2	671.7	557.0
Accumulated other comprehensive income and other disclosed reserves	220.0	196.2	218.8
Current year's interim profits (subject to certification by the bank's external auditors)	201.0	120.1	120.4
Common Equity Tier 1 capital before regulatory adjustments	**2,080.8**	**1,928.5**	**1,836.8**
Common Equity Tier 1 capital: regulatory adjustments			
Other intangible assets	(98.5)	(41.8)	(8.9)
Deferred tax assets	(7.6)	(11.6)	(23.1)
Total regulatory adjustments to Common Equity Tier 1 capital	**(106.0)**	**(53.4)**	**(32.0)**
Common Equity Tier 1 capital (CET1)	**1,974.8**	**1,875.2**	**1,804.8**
Tier 1 capital (T1 = CET1 + AT1)	**1,974.8**	**1,875.2**	**1,804.8**
Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital	300.0	400.0	500.0
Provisions or loan-loss reserves	109.9	126.3	140.1
Tier 2 capital before regulatory adjustments	**409.9**	**526.3**	**640.1**
Tier 2 capital (T2)	409.9	526.3	640.1
Total Capital (capital base)	**2,384.7**	**2,401.4**	**2,444.8**
Risk Weighted Assets			
Total on-balance sheet risk-weighted credit exposures	13,802.2	14,203.0	12,626.7
Total non-market-related off-balance sheet risk-weighted credit exposures	394.4	368.1	444.4
Total market-related off-balance sheet risk-weighted credit exposures	58.2	13.5	10.7
Risk weighted assets for operational risk	1,047.3	1,064.2	987.3
Aggregate net open foreign exchange position	6.3	6.5	55.4
Total risk weighted assets	**15,308.4**	**15,655.4**	**14,124.5**
Capital ratios (as a percentage of risk weighted assets)			
CET1 capital ratio	12.9%	12.0%	12.8%
Tier 1 capital ratio	12.9%	12.0%	12.8%
Total capital ratio	15.6%	15.3%	17.3%

Risk Weighted Assets	Jun-22			Jun-21	Jun-20
Risk weighted of On-Balance Sheet assets	Amount	Weight	Weighted amount	Weighted amount	Weighted amount
	MUR M	%	MUR M	MUR M	MUR M
Cash items	13.2	0-20	-	-	-
Claims on sovereigns	3,970.2	0-100	23.1	108.5	122.1
Claims on central banks	1,432.2	0-100	-	-	-
Claims on banks	3,617.9	20-100	1,493.5	1,730.1	258.5
Claims on corporates	7,059.5	100	6,498.6	7,100.5	7,350.7
Claims on regulatory retail	1,887.3	75	1,415.5	1,229.4	925.7
Claims secured by residential property and commercial estate	1,659.5	35-125	1,916.9	1,408.0	1,207.7
Past due claims	195.2	50-150	280.1	441.7	273.5
Others	2,174.4	100	2,174.4	2,184.9	2,488.5
Total On-Balance Sheet	**22,009.4**		**13,802.2**	**14,203.0**	**12,626.7**

Risk weighted of Off-Balance Sheet assets			Jun-22			Jun-21	Jun-20
	Amount	Credit conversion factor	Credit equivalent amount	Weight	Weighted amount	Weighted amount	Weighted amount
	MUR M	%	MUR M	%	MUR M	MUR M	MUR M
Trade related contingencies	23.7	20%	8.7	20-100	8.7	40.4	157.0
Outstanding commitments	1,928.3	20%	385.7	100	385.7	327.7	287.4
Total Off-Balance Sheet	**1,952.0**		**394.4**		**394.4**	**368.1**	**444.4**

	Jun-22	Jun-21	Jun-20
Risk weighted Assets for Operational risk	MUR M	MUR M	MUR M
Average gross income for last 3 years	698.2	709.5	658.2
Capital Charge	104.7	106.4	98.7
Risk weighted assets for operational risk	1,047.3	1,064.2	987.3

LCR Disclosure

LCR common disclosure template

		TOTAL UNWEIGHTED VALUE (quarterly average of bi-monthly observations) (MUR. M)	TOTAL WEIGHTED VALUE (quarterly average of bi-monthly observations) (MUR. M)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	4282	4263
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:		
3	*Stable deposits*	-	-
4	*Less stable deposits*	5,411	541
5	Unsecured wholesale funding, of which:	125	13
6	*Operational deposits (all counterparties)*	8,089	2,022
7	*Non-operational deposits (all counterparties)*	160	65
8	*Unsecured debt*	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:		
11	*Outflows related to derivative exposures and other collateral requirements*	10	10
12	*Outflows related to loss of funding on debt products*	-	-
13	*Credit and liquidity facilities*	1,879	276
14	Other contractual funding obligations	29	29
15	Other contingent funding obligations	-	-
16	**TOTAL CASH OUTFLOWS**	15,703	**2,957**
CASH INFLOWS			
17	Secured funding (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	2,226	2,026
19	Other cash inflows	10	10
20	**TOTAL CASH INFLOWS**	2,237	2,036
			TOTAL ADJUSTED VALUE (MUR. M)
21	**TOTAL HQLA**		4,263
22	**TOTAL NET CASH OUTFLOWS**		1,158
23	**LIQUIDITY COVERAGE RATIO (%)**		368%
24	**QUARTERLY AVERAGE OF DAILY HQLA**		**4,308**

Notes:

1. The reported values for quarterly average of bi-monthly observations' are based on the 15 Apr, 30 Apr, 15 May, 31 May, 15 Jun and 30 Jun 2022 figures. Six data points were used for the calculations.
2. The reported values for 'quarterly average of daily HQLA' are based on end of day figures over the 1 April 2022 to 30 June 2022's daily period. 91 data points were used for the calculations.

As at 30 June 2022, the bank's LCR stood at 314% whereas the quarterly average of bi-monthly observations for the Quarter ended 30 June 2022 was 368%, 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 4.3 billion and the quarterly average of bi-monthly observations for the Quarter ended 30 June 2022 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.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The bank's Board of Directors, acting in part through the Audit Committee, Risk Management Committee and Conduct Review Committee, which comprise of independent directors, oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed program of internal audits in coordination with the bank's external auditors. In addition, the bank's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

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

The bank's external auditor, Ernst & Young, has full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Ah Foon Chui Yew Cheong	**Brian Ah-Chuen**	**Bhanu Pratabsingh Jaddoo**
Chairperson	Executive Director	Chairman - Audit Committee

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ABC Banking Corporation Ltd (the "bank") set out on pages 104 to 202 which comprise the statement of financial position as at 30 June 2022, and the 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the bank as at 30 June 2022, 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, the Banking Act 2004 and the Financial Reporting Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the bank and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the bank and in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

The Key Audit Matters apply equally to the audit of the financial statements.

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses - Impaired facilities	
As explained in the accounting policies, loans and advances are carried at amortised cost. The bank has a total net loans and advances portfolio of MUR 10.0 billion at 30 June 2022, net of total allowance for credit impairment of MUR 228.9 million. Credit impaired facilities amounted to a total net balance of MUR 571.3 million, after taking into account a total allowance of MUR 126.1 million. A financial asset is considered to be credit impaired in accordance with IFRS 9 *Financial Instruments* ("IFRS 9") when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Identification of credit impaired facilities and determination of the expected credit losses thereon involves significant judgement, estimates and assumptions regarding (i) the determination of whether a facility is credit impaired and (ii) in estimating the forecasted cash flows that the bank expects to receive from the obligors. This includes an estimate of what the bank can realise from the collaterals it holds as security on the impaired facilities.	We reviewed and assessed the design of the controls over the identification of facilities that are credit impaired and the related calculations of expected credit losses, including the quality of underlying data and systems. For impairment of loans in Stage 3, judgement is required to determine when a loan is considered to be credit impaired and the determination of the impairment loss suffered. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. We thus assessed the independence and the qualification of the appraisers. We ensured that all credit impaired loans have been properly identified by management by: 1. Reviewing the minutes of the Risk Management Committee, Executive Committee and Board Credit Committee 2. Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 90 days are included in the Stage 3 impairment list of the ECL model.

Key Audit Matter	How the matter was addressed in the audit
The Covid-19 pandemic has created significant economic volatility and uncertainty, requiring increased subjective management judgement in developing its economic forecasts and the estimation of ECL on loans and advances to customers. Because of the significant judgement and estimation uncertainties described above, we have identified expected credit losses on impaired facilities as a key audit matter.	3. Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collateral and exposures to sectors in decline and ensuring these are included in the list of credit impaired facilities. 4. Where exposures are collateralised, we tested the bank's legal right to the collateral, as well as the reasonableness of the valuation of the collateral. Where management has utilised specialists, we have assessed controls related to their competence and objectivity. 5. We have assessed whether concessions made were due to Covid-19 moratorium to address liquidity constraints or whether they were related to restructuring on account of the borrowers' financial distress indicating a credit impairment event. 6. Reviewed the disclosures about significant estimates and critical judgements made by management in the financial statements in respect of impairment on financial assets in Note 6.1 7. Ensured adequate disclosures have been made in financial statements as set out in Note 12 and Note 42.
Expected credit losses – Facilities which are not credit impaired As explained in the accounting policies, loans and advances are carried at amortised cost. The bank has a total net loans and advances portfolio of MUR 10.0 billion at 30 June 2022, net of total allowance for credit impairment of MUR 228.9 million. Non-credit impaired facilities amount to a net balance of MUR 9.4 billion after taking into account a total allowance of MUR 102.9 million. The determination of ECL on loans and advances which are not credit impaired involves the highest level of management judgement, thus requiring greater audit attention. Specific areas of judgement and estimation uncertainty include: 1. Identification of significant increase in credit risk ("SICR"), and in particular the selection of criteria to identify a SICR. These criteria are highly judgmental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months. 2. Whether concessions such as moratoriums given in the context of Covid-19 would result in a SICR. 3. Complexity of the ECL model involving several critical assumptions in the determination of probabilities of default (PD), loss given default (LGD) and Exposure at default (EAD). 4. Use of forward-looking information to determine the likelihood of future losses being incurred.	We have evaluated the IFRS 9 Financial Instruments (IFRS 9) accounting policies, appropriateness of the disclosures for credit risk and ECL methodologies applied and compared this to the requirements of IFRS 9. The carrying value of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the bank are inappropriate. For Stage 1 and Stage 2 loans, we assessed the appropriateness of the model used including the inputs and assumptions by performing the following procedures: 1. Reviewing the methodology adopted by the bank for calculation of ECL and in particular the segmentation of loans in appropriate portfolios reflecting different risk factors. Our review also includes an assessment of the design of the models used for determination of PD, LGD and EAD for different types of loans including inter-alia terms loans, overdraft facilities, credit cards, guarantees and other off-balance sheet exposures. 2. Checking the adequacy and quality of the data used for the calculation of PD, LGD and EAD. 3. Assessing the key assumptions used in PD, LGD and EAD models and ensure such assumptions reflect fair and unbiased behaviours of the credit facilities.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses – Facilities which are not credit impaired (continued)	
5. Consideration of different economic scenarios incorporating different assumptions relating to the evolution of Covid-19 and the measures taken to contain the pandemic. 6. Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgmental. 7. Accuracy and adequacy of the financial statement disclosures. For the above reasons, we have considered the expected credit losses for facilities which are not credit impaired to be a key audit matter.	4. Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology. We also assessed the criteria used by management to differentiate between "Covid-19 restructurings" and "distressed restructurings" in order to establish whether there has been a SICR. Where management has applied a SICR on all accounts in certain specific sectors most affected by the Covid-19 pandemic, we evaluated the reasonableness of such assumptions. 5. Reviewing the minutes of Risk Management Committee, Executive Committee and Board Credit Committee and ensure proper classification to Stage 2 is made for all clients on watchlist. 6. Checking the accuracy of critical data elements input into the system for credit grading and approval of facilities. 7. Review of the PD and LGD calculations including the incorporation of forecasted macro-economic information by our data modelling specialists. This included an assessment of the expected economic outlook together with the Covid-19 evolution. 8. Tested the accuracy and completeness of the ECL model by reperformance and focusing on exception reports. 9. Reviewed the disclosures about significant estimates and critical judgements made by management in the financial statements in respect of impairment on financial assets in Note 6.1. 10. Ensured adequate disclosures have been made in financial statements as set out in Note 12 and Note 42.

Other Information

The directors are responsible for the other information. The other information comprises the Vision Mission, Financial Highlights, Director's Report, Corporate Information, Corporate Profile, Corporate Governance Report, Statement of Compliance, Other Statutory Disclosures, Secretary's Certificate, Statement of Directors' Responsibilities, Management Discussion and Analysis, Risk Report and Statement of Management's Responsibility for Financial Reporting which we obtained prior to the date of this auditor's report, and the Strategic Section including the Chairperson's Letter, Products and Services, Strategy Report, Our Business Model, Material Matters in our Operating Environment and Risks for the Bank which are expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, other than the Corporate Governance Report, and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Strategic Section including the Chairperson's Letter, Products and Services, Strategy Report, Our Business Model, Material Matters in our Operating Environment and Risks for the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Financial Reporting Standards and the requirements of the Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

This report is made solely to the bank's members, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the bank and the bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Companies Act 2001

We have no relationship with or interests in the bank other than in our capacity as auditor, tax advisors and dealings in the ordinary course of business.

We have obtained all the 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 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

Corporate Governance Report

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance (the "Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the bank has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

ERNST & YOUNG
Ebène, Mauritius

DAVID NG MAN CHUEN, F.C.C.A
Licensed by FRC

Date: 27 September 2022


We value and nurture relationships.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022	2021	2020
		MUR	MUR	MUR
ASSETS				
Cash and cash equivalents	9	3,094,610,118	4,871,775,378	1,280,041,690
Due from banks	10	966,675,490	-	14,819,085
Derivative financial assets	11	50,004,747	10,228,424	2,183,441
Loans and advances to customers	12	10,013,946,960	10,180,812,563	9,769,375,208
Investment securities	13	6,407,507,165	6,504,248,029	7,114,456,335
Property, equipment and right-of-use assets	15	587,085,644	586,761,003	600,843,664
Intangible assets	16	98,455,590	41,793,082	8,922,365
Deferred tax assets	17	7,574,450	11,598,877	23,084,417
Other assets	14	929,581,796	952,457,252	891,377,784
Total assets		22,155,441,960	23,159,674,608	19,705,103,989
LIABILITIES				
Deposits from customers	18	19,016,751,814	19,846,223,025	16,799,731,794
Derivative financial liabilities	11	9,404,846	8,936,609	9,759,640
Preference shares	19	-	142,809,030	144,534,198
Subordinated debts	20	504,821,233	504,762,329	504,762,329
Current tax liabilities		10,250,861	9,220,699	28,244,435
Other liabilities	22	533,387,720	719,178,864	381,314,330
Total liabilities		20,074,616,474	21,231,130,556	17,868,346,726
Shareholders' Equity				
Issued capital	23	940,495,472	940,495,472	940,495,472
Retained earnings		920,289,820	791,848,897	677,416,500
Other reserves	24	220,040,194	196,199,683	218,845,291
Capital and reserves		2,080,825,486	1,928,544,052	1,836,757,263
Total liabilities and equity		22,155,441,960	23,159,674,608	19,705,103,989

These financial statements have been approved and authorised for issue by the Board of Directors on 27 September 2022.

Ah Foon Chui Yew Cheong
Chairperson

David Brian Ah-Chuen
Executive Director

Bhanu Pratabsingh Jaddoo
Chairperson Audit Committee

The notes set out on pages 108 to 202 form part of these financial statements.
Auditor's report on pages 96 to 100.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022	2021	2020
		MUR	MUR	MUR
Interest income using the effective interest method		669,713,560	719,014,532	806,413,125
Interest expense using the effective interest method		(221,027,736)	(251,090,916)	(290,014,171)
Net interest income	25	448,685,824	467,923,616	516,398,954
Fee and commission income		122,486,446	110,250,797	99,664,534
Fee and commission expense		(35,434,019)	(29,057,422)	(22,677,240)
Net fee and commission income	26	87,052,427	81,193,375	76,987,294
Net trading income	27	57,700,029	51,678,809	64,092,741
Net (loss)/gain on derecognition of financial assets measured at fair value through other comprehensive income	28	(224,965)	5,852,597	45,313,979
Net gain on derecognition of financial assets measured at amortised cost	28	23,480,210	104,267,812	57,500,278
Net gain on derecognition of financial assets measured at fair value through profit or loss	28	-	5,470	1,233,374
Other operating income	28	1,709,706	2,393,259	1,334,486
Total other income		82,664,980	164,197,947	169,474,858
Operating income		618,403,231	713,314,938	762,861,106
Personnel expenses	30	(224,562,919)	(191,048,787)	(192,884,473)
Depreciation and amortisation	15, 16	(45,703,298)	(36,599,430)	(34,058,940)
Other operating expenses	31	(117,697,488)	(102,169,854)	(83,772,021)
Non interest expenses		(387,963,705)	(329,818,071)	(310,715,434)
Operating profit before impairment		230,439,526	383,496,867	452,145,672
Allowance for credit impairment on financial assets	29	(3,342,995)	(232,006,978)	(310,708,038)
Operating profit before tax		227,096,531	151,489,889	141,437,634
Income tax expense	21	(26,053,939)	(31,386,583)	(21,049,792)
Profit for the year		201,042,592	120,103,306	120,387,842
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	24	7,883,548	14,566,769	6,190,622
Gain on disposal on equity instruments at fair value through other comprehensive income	13(b)	932,408	2,492,190	-
Remeasurement of retirement benefit obligation	37	(2,190,877)	9,852,397	(7,163,254)
Total of items that will not be reclassified subsequently to profit or loss, net of tax		6,625,079	26,911,356	(972,632)
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	24	(2,376,443)	(35,025)	3,300,152
Net (loss)/gain on investments in debt instruments designated at fair value through other comprehensive income	24	(11,822,983)	(55,192,848)	1,593,477
Total of items that may be reclassified subsequently to profit or loss, net of tax		(14,199,426)	(55,227,873)	4,893,629
Other comprehensive (loss)/income for the year		(7,574,347)	(28,316,517)	3,920,997
Total comprehensive income for the year		193,468,245	91,786,789	124,308,839
Earnings per share				
Basic and diluted	32	2.64	1.57	1.58

The notes set out on pages 108 to 202 form part of these financial statements.
Auditor's report on pages 96 to 100.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Issued capital	Retained earnings	Statutory reserve	Fair Value reserve	Total
		MUR	MUR	MUR	MUR	MUR
At 1 July 2019		940,495,472	640,979,429	146,504,742	43,198,122	1,771,177,765
Profit for the year		-	120,387,842	-	-	120,387,842
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income		-	-	-	3,300,152	3,300,152
Other comprehensive income		-	(7,163,254)	-	7,784,099	620,845
Total comprehensive income for the year		-	113,224,588	-	11,084,251	124,308,839
Transfer to statutory reserve		-	(18,058,176)	18,058,176	-	-
Equity dividends	33	-	(58,729,341)	-	-	(58,729,341)
At 30 June 2020		940,495,472	677,416,500	164,562,918	54,282,373	1,836,757,263
At 1 July 2020		940,495,472	677,416,500	164,562,918	54,282,373	1,836,757,263
Profit for the year		-	120,103,306	-	-	120,103,306
Other comprehensive loss		-	12,344,587	-	(40,661,104)	(28,316,517)
Total comprehensive income for the year		-	132,447,893	-	(40,661,104)	91,786,789
Transfer to statutory reserve		-	(18,015,496)	18,015,496	-	-
At 30 June 2021		940,495,472	791,848,897	182,578,414	13,621,269	1,928,544,052
At 1 July 2021		**940,495,472**	**791,848,897**	**182,578,414**	**13,621,269**	**1,928,544,052**
Profit for the year		**-**	**201,042,592**	**-**	**-**	**201,042,592**
Other comprehensive loss		**-**	**(1,258,469)**	**-**	**(6,315,878)**	**(7,574,347)**
Total comprehensive income for the year		**-**	**199,784,123**	**-**	**(6,315,878)**	**193,468,245**
Transfer to statutory reserve		**-**	**(30,156,389)**	**30,156,389**	**-**	**-**
Equity dividends	33	**-**	**(41,186,811)**	**-**	**-**	**(41,186,811)**
At 30 June 2022		**940,495,472**	**920,289,820**	**212,734,803**	**7,305,391**	**2,080,825,486**

The notes set out on pages 108 to 202 form part of these financial statements.
Auditor's report on pages 96 to 100.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022	2021	2020
		MUR	MUR	MUR
Cash flows from operating activities				
Profit before taxation		227,096,531	151,489,889	141,437,634
Adjustments for:				
Depreciation	15	34,982,219	34,736,532	31,803,749
Amortisation	16	10,721,079	1,862,898	2,255,191
Allowance for credit impairment on financial assets	29	3,342,995	232,006,978	310,708,038
Employee benefit costs	37	3,011,005	2,425,776	4,625,465
Exchange difference		12,582,947	(330,834,332)	51,561,476
Loss/(profit) on disposal of property and equipment	28, 31	108,200	(619,218)	-
Profit on disposal of investment securities	28	(23,255,245)	(110,125,879)	(104,066,571)
Cash flows before the net changes in operating assets and liabilities		268,589,731	(19,057,356)	438,324,982
Net changes in operating assets and liabilities				
Decrease/(Increase) in loans and advances to customers		164,346,744	(566,712,209)	(2,428,452,256)
Decrease/(Increase) in other assets		22,875,456	(61,079,468)	(792,417,448)
(Increase)/Decrease in derivative financial instruments		(39,308,086)	(8,868,014)	5,527,001
(Increase)/Decrease in due from banks		(968,395,388)	14,573,863	684,962,604
(Decrease)/Increase in deposits from customers		(829,471,211)	3,046,491,231	1,560,255,996
Decrease in interest on preference shares and subordinated debts		(4,570,126)	(1,725,168)	(976,936)
(Decrease)/Increase in other liabilities		(188,212,686)	266,741,483	(101,508,219)
		(1,574,145,566)	2,670,364,362	(634,284,276)
Income tax paid		(20,847,043)	(39,643,386)	(49,740,039)
Net cash (used in)/ generated from operating activities		(1,594,992,609)	2,630,720,976	(684,024,315)
Cash flows from investing activities				
Purchase of investment securities		(2,634,366,812)	(2,884,293,611)	(3,076,040,778)
Proceeds from sale and redemption of investment securities		2,751,064,639	3,568,265,175	2,552,104,311
Purchase of property and equipment	15	(35,941,150)	(16,503,067)	(120,188,947)
Purchase of intangible assets	16	(67,383,587)	(34,733,615)	(8,914,416)
Proceeds from sale of property and equipment		219,130	1,072,968	-
Net cash generated from / (used in) investing activities		13,592,220	633,807,850	(653,039,830)
Cash flows from financing activities				
Redemption of preference shares	19	(138,180,000)	-	-
Repayment of principal portion of lease liabilities		(3,815,113)	(3,629,470)	(4,734,420)
Dividend paid	33	(41,186,811)	-	(58,729,341)
Net cash used in financing activities	40	(183,181,924)	(3,629,470)	(63,463,761)
Net (decrease)/increase in cash and cash equivalents		(1,764,582,313)	3,260,899,356	(1,400,527,906)
Net foreign exchange difference		(12,582,947)	330,834,332	(51,561,476)
Net cash and cash equivalents at beginning of year		4,871,775,378	1,280,041,690	2,732,131,072
Net cash and cash equivalents at end of year	9	3,094,610,118	4,871,775,378	1,280,041,690
Operational cashflows from interest and dividend				
Interest paid		274,481,120	203,822,101	293,512,178
Interest received		686,219,585	729,109,786	792,036,496
Dividend received		1,503,955	1,763,890	1,314,895

The changes in liabilities arising from financing activities has been disclosed on Note 40.
The notes set out on pages 108 to 202 form part of these financial statements.
Auditor's report on pages 96 to 100.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

ABC Finance & Leasing Ltd was incorporated on 21 November 1997 as a private company and was converted to a public company in 1998.

The company has changed its name to ABC Banking Corporation Ltd (referred to as the "bank") on 21 April 2010 and was granted a banking licence on 1 June 2010.

The main pillars of the bank are: domestic banking, international banking, treasury and private banking.

The financial statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 27 September 2022.

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for equity and debt instruments measured at fair value through other comprehensive income (FVOCI), derivative financial instruments, financial assets held for trading and financial assets designated at fair value through profit or loss (FVPL), all of which have been measured at fair value. The financial statements are presented in Mauritian Rupee (MUR) which is the bank's functional and presentation currency and all values are rounded to the nearest rupee, except otherwise stated.

3. STATEMENT OF COMPLIANCE

The financial statements of the bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in the manner required by the Companies Act 2001 in Mauritius, the Financial Reporting Act 2004, the Banking Act 2004, and Guidelines and Guidance Notes as issued by the Bank of Mauritius.

4. PRESENTATION OF FINANCIAL STATEMENTS

The bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 42(c).

Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the bank and/or its counterparties.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1. Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences are taken to the profit or loss.

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

5.2. Finance leases

5.2.1. Initial recognition

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2. Finance Leases (Cont'd)

5.2.1. Initial recognition (Cont'd)

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

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

5.2.2. Subsequent measurement

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

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

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

5.3. Financial instruments - initial recognition

5.3.1. Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The bank recognises due to customer balances when funds reach the bank.

5.3.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 5.4.1.1 and 5.4.1.2. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the bank accounts for the Day 1 profit or loss, as described below.

5.3.3. Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique with the variables including only data from observable markets, the bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

5.3.4. Measurement categories of financial assets and liabilities

The bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 5.4.1;
- FVOCI, as explained in Notes 5.4.2 and 5.4.3; and
- FVPL.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3. Financial instruments - initial recognition(Cont'd)

5.3.4 Measurement categories of financial assets and liabilities (Cont'd)

The bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 5.4.4 and 5.4.5. The bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 5.4.6.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 5.4.6.

5.4. Financial assets and liabilities

5.4.1. Due from banks and loans and advances

After initial measurement, amounts due from banks and loans and advances are subsequently measured at amortised cost using the EIR methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Therefore, the bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges).

If expectations are revised the adjustment is booked as a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the statement of profit or loss.

The bank only measures Due from banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The ECL calculation for Due from banks and Loans and advances is explained in Note 5.7.

5.4.1.1. Business model assessment

The bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the bank's original expectations, the bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4. Financial assets and liabilities (Cont'd)

5.4.1.2. Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

5.4.2. Debt instruments at (FVOCI)

The bank applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 5.14. The ECL calculation for Debt instruments at FVOCI is explained in Note 5.7.3. Where the bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

5.4.3. Equity instruments at (FVOCI)

Upon initial recognition, the bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

5.4.4. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (also known as the 'underlying').

b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

c) It is settled at a future date.

The bank enters into derivative transactions with various counterparties. These include forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4. Financial assets and liabilities (Cont'd)

5.4.5. Financial assets or financial liabilities held for trading

The bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income where as interest income earned on the financial asset is included in interest income line.

Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

5.4.6. Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon initial recognition when one of the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

  or

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

  or

- The financial instrument contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate as explained in Note 5.14. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

5.4.7. Debt issued and other borrowed funds

Financial instruments issued by the bank that are not held for trading or designated at FVPL, are classified as liabilities under debt issued and other borrowed funds, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

5.4.8. Financial guarantees, letters of credit and undrawn loan commitments

The bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within 'Other liability') at fair value, being the premium received. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or an ECL provision as set out in Note 35.

The premium received is recognised in the income statement in Net fee and commission income on a straight line basis over the life of the guarantee.

5.4. Financial assets and liabilities (Cont'd)

5.4.8. Financial guarantees, letters of credit and undrawn loan commitments (Cont'd)

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 35.

5.4.9. Subordinated debts and preference shares

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gain and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

5.5. Reclassification of financial assets and liabilities

The bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The bank did not reclassify any of its financial assets or liabilities during the reporting period.

5.6. Derecognition of financial assets and financial liabilities

5.6.1. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The bank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition.

The bank has transferred the asset if, and only if, either:

- The bank has transferred its contractual rights to receive cash flows from the asset

  or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions when the bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates.
- The bank cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- The bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The bank has transferred substantially all the risks and rewards of the asset

  or

In relation to the above, the bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirely to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.6. Derecognition of financial assets and financial liabilities (Cont'd)

5.6.1. Financial assets (Cont'd)

When the bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the bank's continuing involvement in it. In that case, the bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the bank's continuing involvement is the amount of the transferred asset that the bank may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

The bank also derecognises a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the statement of profit or loss.

5.6.2. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5.7. Impairment of financial assets

5.7.1. Overview of ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL") as outlined in Note 5.7.2. The bank's policies for determining if there has been a significant increase in credit risk are set out in Note 42(b).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The bank's policy for grouping financial assets measured on a collective basis is explained in Note 42(b).

The bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 42(b).

Based on the above process, the bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 42(b)).The bank records an allowance for the LTECLs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7. Impairment of financial assets (Cont'd)

5.7.1. Overview of ECL principles (Cont'd)

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The bank determines the movement in staging based on:

1. Days Past Due (DPD) monitoring per account on a monthly basis as part of IFRS 9 workings to ensure DPD have improved in the following buckets:

Stage 1 - up to 30 days

Stage 2 - from 31 to 89 days

Stage 3 - 90 days and above.

2. Interim review of credit files at regular intervals to determine if there have been deterioration or improvement in credit profile of customers.

For financial assets for which the bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5.7.2. The calculation of ECLs

The bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the original EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 42(b).
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 42(b).
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 42(b).

When estimating the ECLs, the bank considers three scenarios (a base case, an upside and a downside). Each of these scenarios is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 35. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities is explained in Note 5.7.5.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7. Impairment of financial assets (Cont'd)

5.7.2. The calculation of ECLs (Cont'd)

The mechanics of the ECL method are summarised below:

Stage 1	The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired (as defined in Note 42(b)), the bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%. The assessment takes into consideration the net realisable value of the underlying collateral.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. The bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
	For revolving facilities that include both a disbursed portion and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.
Financial guarantee contracts	The bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

5.7.3. Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

5.7.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

5.7.5. Overdraft and other revolving facilities

The bank's product offering includes a variety of corporate and retail overdraft and other revolving facilities. Of occurrence of certain events, the bank has the right to cancel and/or reduce the facilities with a 30 day's notice.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products.

The interest rate used to discount the ECLs for overdraft and other revolving facilities is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.7. Impairment of financial assets (Cont'd)

5.7.6. Forward looking information

In its ECL models, the bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Inflation rates
- Unemployment rates
- Goverment expenditure

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 42(b).

PDs have been revised following the update of the model parameters due to the change in the local and global macro-economic environment.

5.8. Collateral valuation

The bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the bank's quarterly reporting schedule. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as housing price indices and other independent sources.

5.9. Collateral repossessed

The bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value or fair value less cost to sell for non-financial assets at the repossession date in line with the bank's policy.

In its normal course of business, the bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the collateral under legal repossession processes are not recorded on the balance sheet.

For the ECL calculation, the expectation of cash flows takes into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. This affects the LGD which in turn affects the ECL.

5.10. Write-offs

Financial assets are written off either partially or in their entirety only when the bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

5.11. Forborne loans

The bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The bank considers a loan forborne when such concessions or modifications are provided due to the borrower's present or expected financial difficulties and the bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, significant arrears for 90 days or more in a three-month period, or concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the bank's policy to monitor forborne loans to ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stages 1, 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 42(b). The bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne and in Stage 3, the asset can only be moved to Stage 1 post the completion of a satisfactory cure period of 6 months and after the customer has repaid the entire outstanding overdue amount including principal, interest and any penalty interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.12. Determination of fair value

The bank measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

5.13. The effective interest rate method

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability. The amortised cost of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change in is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. The accounting policies for the EIR method vary by instruments and are further explained in the respective accounting policies.

5.14. Interest income and expense

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.14. Interest income and expense (Cont'd)

When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for measuring the impairment loss. The bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as stage 3, the bank calculates interest income by applying the effective interest rate to the outstanding amount of the financial asset. For all credit impaired assets, the interest income is reversed and charged against the outstanding amount of the financial asset. If the financial assets cures and is no longer credit-impaired, the bank reverts to calculating interest income on a gross basis.

5.15. Fee and commission income

Fee income forming an integral part of the corresponding financial instrument

Fees that the bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an essential part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

5.16. Dividend income

Dividend income is recognised when the bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

5.17. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash in hand, current accounts with banks and amounts due from banks on demand or with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risks of changes in value.

5.18. Property and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the bank depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

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

• Buildings	50 years
• Improvement to buildings	20 years
• Furniture, fixtures and fittings	10 years
• Computer equipment	4 years
• Motor vehicles	5 years

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

The bank as a lessee

The bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.18. Property and equipment (Cont'd)

The bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and are subject to impairment in line with the bank's policy as described below. It ranges from a period of 2 to 5 years. Type of right-of-use assets are offices and motor vehicles.

• Offices (Right-of-use assets)	2 years
• Motor vehicles (Right-of-use assets)	3 to 5 years

5.19. Intangible assets

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

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

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

5.20. Impairment of non-financial assets

The bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or banks of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The bank bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.21. Post-employment benefits

Retirement gratuities

Post-employment benefits relate to retirement gratuities payable under the Employment Rights Act 2008 and provided for. The obligations arising under this item are determined by actuarial valuation carried out every year.

Defined contributions plans

The bank operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the bank by the employees and is recorded as an expense under personnel expenses.

5.22. Provisions

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

5.23. Taxes

5.23.1. Current tax

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

Special levy

Under section 53J of the Value Added Tax, the bank is liable to pay a special levy on its leviable income at the rate of 5.5 per cent. Leviable income is defined as the aggregate of the net interest income and other income before any expenses on transactions with residents other than companies with a Global Business Licence.

In January 2021, the Bank of Mauritius advised all banks that the special levy should be treated as a tax expense. The bank accounts for the special levy under IAS 12 Income Taxes (IAS 12). The special levy is charged to income tax expense in the statement of profit and loss and accounted under current tax liabilities in the statement of financial position.

Management are of the view that this accounting policy provides a better appreciation of how the operating expenses attributable to the bank's operations are evolving in relation to the bank's income and also the adoption of IAS 12 will achieve comparability of the cost-to-income ratio in the banking industry.

5.23.2. Deferred tax

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

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits can be utilised.

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

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

Current and deferred taxes are recognised as income tax benefits or expenses in the statement of profit or loss except for tax related to the fair value remeasurement of available-for-sale assets, financial instruments at FVOCI, foreign exchange differences and which are charged or credited to OCI.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.23.2. Deferred tax (Cont'd)

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

5.23.3. Value Added Tax

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

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

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

5.24. Dividends on ordinary shares

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

5.25. Segmental reporting

The financial statements have been prepared in line with the requirements of the Bank of Mauritius Guideline on Public Disclosure of Information and Guideline on segmental reporting under a Single Banking Licence Regime which require the bank to disclose information on two reportable segments, namely Segment A and Segment B.

Segment B activity relates to the provision of international financial services that give rise to "foreign source income". Such services may be fund based and/or non-fund based. Segment A activity relates to all banking business other than Segment B activity. Segmental reporting is reviewed by senior management.

5.26. Operating lease

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

5.27. New and amended standards and interpretations

The bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IBOR reform Phase 2 - effective for annual periods beginning on or after 1 January 2021

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.27. New and amended standards and interpretations (Cont'd)

IBOR reform Phase 2 - effective for annual periods beginning on or after 1 January 2021 (Cont'd)

separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives.

For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The amendments have no impact on the bank's financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16 - effective for annual periods beginning on or after 1 April 2021

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application. The bank did not have any leases impacted by the amendment.

5.28 New and revised standards in issue but not yet effective

At the date of issuance of the bank's financial statements, the following new and revised standards were in issue but not yet effective. Where relevant and applicable to the bank and its operations, these standards are described and the bank intends to adopt these standards when they become effective.

New pronouncements	Effective for annual periods beginning on or after:
- Reference to the Conceptual Framework – Amendments to IFRS 3	01-Jan-22
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	01-Jan-22
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	01-Jan-22
- AIP IFRS 1 First-time Adoption of IFRS – Subsidiary as a first-time adopter	01-Jan-22
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	01-Jan-22
- AIP IAS 41 Agriculture – Taxation in fair value measurements	01-Jan-22
- IFRS 17 Insurance Contracts	01-Jan-23
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1	01-Jan-23
- Definition of Accounting Estimates - Amendments to IAS 8	01-Jan-23
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01-Jan-23
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01-Jan-23
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 & IAS 28	Postponed indefinitely

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.28 New and revised standards in issue but not yet effective (Cont'd)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the bank.

AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statements.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the bank.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.28 New and revised standards in issue but not yet effective (Cont'd)

materiality in making decisions about accounting policy disclosures.

The bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The bank is currently assessing the impact of the amendments.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The bank's internal credit grading model, which assigns PDs to the individual grades
- The bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP, inflation rate and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Following the impact of Covid-19, the bank has revised the existing model by using index values instead of percentage change to provide feasible outputs on the adverse economic scenarios.

Impairment losses on financial assets are further explained on Note 42(b). For impairment losses on non-financial asset, refer to Note 5.20.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

6.2 Going concern

The bank's management has made an assessment of its ability to continue as a going concern, and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

6.3 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.For further details about determination of fair value please see Note 5.13.

6.4 Effective interest rate (EIR) method

The bank's EIR methodology, as explained in Note 5.14, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the country's base rate and other fee income/expense that are integral parts of the instrument.

This is relevant for Note 26 and Note 42(e).

6.5 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Tax losses can be utilised on a rolling period of five years, and judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

6.6 Provisions and other contingent liabilities

Provision is recognised in the financial statements when the bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. Given the subjectivity and uncertainty of determining the probability and amount of losses, the bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

6.7 Incremental borrowing rate of leases

The bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the bank 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The bank estimates the IBR using observable inputs which has been derived from the board rate on lease products and latest borrowing rate on local currency lease liabilities and overdraft rate one year on foreign currency lease liabilities. This will be relevant for Note 15.

6.8. Retirement benefit obligation

The bank operates a defined contribution plan for its employees as well as provide for retirement gratuities under the Workers' Rights Act 2019. The cost of the defined contribution plan and the present value of the pension obligation are determined using actuarial valuations by an independent actuarial specialist appointed by management. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

6.8. Retirement benefit obligation (Cont'd)

inflation rate. Due to the complexities involved in the valuation and its long-term nature, the retirement benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the retirement benefit obligation are provided in Note 37.

7. IMPACT OF COVID-19

The economic effects of the Covid-19 pandemic continued in 2022. The Government and Regulators continued to give their support to businesses given the persisting difficult market conditions.

For instance, in March 2020, the Bank of Mauritius ("BOM") announced a reduction in the fortnightly average CRR on MUR deposits from 9% to 8% to allow banks to use these funds for any facility to be granted to any impacted economic operator.

In March 2020, the Government through the Mauritius Revenue Authority ("MRA") announced a scheme to ensure that all employees earning up to MUR 50,000 are duly paid their salary by providing assistance to the employers. The scheme had been extended to December 2021 for sectors still impacted by the closure of the borders, such as the hospitality sector.

As prescribed by the Bank of Mauritius, commercial banks have provided a moratorium on principal repayment for existing loans towards economic operators that were affected by Covid-19. This facility was available up to 30 June 2022 after which these borrowers reverted to normal scheduled repayment terms . The aim was to temporarily alleviate the financial burden of those businesses, households and individuals that experienced difficulties over scheduled loan repayments as a direct result of the pandemic.

The bank has also disbursed certain facilities under the Special Relief scheme as introduced by the Bank of Mauritius through commercial banks. The relief was introduced to assist economic operators which were directly impacted by Covid-19 in meeting their cash flow and working capital requirements. The Bank of Mauritius has capped interest on these facilities at a fixed rate of 1.5 per cent per annum with repayment period of up to 48 months including a moratorium period of up to 9 months.

The Bank of Mauritius has also put on hold the Guideline on Credit Impairment Measurement and Income Recognition, which was effective since January 2020. This decision has been taken to allow commercial banks to continue supporting enterprises facing cash flow and working capital difficulties in the context of Covid-19.

The most important element of banking is the management of the relationship with the customer and that is even more important in challenging times. Ever since the Covid-19 pandemic broke out, the bank has continuously put more emphasis on reaching out to our clients to understand the situation that they are in, explain to them what measures are in place that they can take advantage of, understand what actions they are taking if they are in financial difficulty, and assess if and how the bank can provide further assistance in any way. This has been an ongoing process which the bank is convinced has helped mitigate the risk of default of the customers.

For those clients and sectors that are considered to be significantly impacted by the situation, the bank has classified those clients as Stage 2 in the IFRS 9 model. These clients, being watch-listed are closely monitored to ensure minimum impact on the bank. Given that these reclassifications occurred at the start of the pandemic and given that the economy is now recovering since the opening of our borders, we can see that the impact on the ECL figure for this financial year has been significantly less than in the preceding two financial years.

Furthermore, forward-looking information, such as probability of default forecasts of macroeconomic information obtained from reputable sources, for example, the International Monetary Fund, are used as inputs in the IFRS 9 model ensuring that the current and forecasted global macroeconomic outlook following the pandemic is adequately factored in the model parameter estimates.

More details are disclosed under 'Note 12 (c) Impairment allowances on loans and advances' regarding expected credit losses on loans and advances to customers, and under 'Note 42 (c) Credit risk' regarding the bank's credit risk management.

8. CAPITAL MANAGEMENT

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

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

The primary objectives of the bank's capital management are to ensure that the bank comply with externally imposed capital requirements and that the bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

8. CAPITAL MANAGEMENT (CONT'D)

The bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The capital structure of the bank consists of issued capital, reserves and retained earnings. Note on stated capital is disclosed in Note 23. The bank has to comply with the Banking Act 2004 in respect of both its stated capital and reserves which is detailed in the notes. For the year ended 30 June 2022 and at that date, the bank has complied with the regulatory requirement for both share capital and reserves. The bank manages its capital with the aim of maximising the return to the shareholders and other stakeholders.

The bank capital adequacy ratio is analysed as follows:

	2022	2021	2020
	%	%	%
CET1 capital ratio	12.9	12.0	12.8
Tier 1 capital ratio	12.9	12.0	12.8
Total capital ratio	15.6	15.3	17.3

Minimum capital adequacy ratios under the Guideline on Scope of Application of Basel III and Eligible Capital:

	2022	2021	2020
	%	%	%
CET1 capital ratio	**6.5**	6.5	6.5
CET1 capital ratio plus Capital Conservation Buffer	**9.0**	8.375	8.375
Tier 1 capital ratio	**8.0**	8.0	8.0
Total capital ratio	**10.0**	10.0	10.0
Total capital ratio plus Capital Conservation Buffer	**12.5**	11.875	11.875

9. CASH AND CASH EQUIVALENTS

	2022	2021	2020
	MUR	MUR	MUR
Cash in hand	**13,187,157**	17,669,176	14,038,021
Unrestricted balances with Central Bank	**480,327,095**	821,777,037	475,470,513
Balances with banks	**1,364,847,985**	1,528,853,236	509,345,980
Loans to and placements with banks	**1,236,247,881**	2,503,475,929	281,187,176
	3,094,610,118	4,871,775,378	1,280,041,690

Cash and cash equivalent comprise of cash at banks and on hand and Loans to and placements with banks with an original maturity of less than 3 months.

Unrestricted balances with Central Bank represents amounts above the minimum cash reserve requirement.
The minimum cash reserve requirement has been reported under 'Other assets'.

Refer to Note 14 for more information.

10. DUE FROM BANKS

	2022	2021	2020
	MUR	MUR	MUR
Placement with banks	968,352,343	-	-
Deposits with the Central Bank	-	-	14,839,238
Less: Expected credit losses	(1,676,853)	-	(20,153)
	966,675,490	-	14,819,085

For restricted balances with the Central Bank, refer to Note 14.

10.1 Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the bank's internal grading system are explained and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 42(b):

	2022	2021	2020
Internal rating grade	MUR	MUR	MUR
Performing			
Investment grade	455,269,494	-	-
Standard Monitoring	45,554,535	-	-
Unrated	467,528,314	-	14,839,238
Gross carrying amount	968,352,343	-	14,839,238
Expected Credit Losses	(1,676,853)	-	(20,153)
	966,675,490	-	14,819,085

An analysis of changes in the gross carrying amount is as follows:

	2022	2021	2020
	MUR	MUR	MUR
Gross carrying amount as at 1 July	-	14,839,238	39,075,842
New assets originated or purchased	968,352,343	-	14,839,238
Assets derecognised or repaid (excluding write offs)	-	(14,839,238)	(39,075,842)
At 30 June	968,352,343	-	14,839,238

ECL allowance	2022	2021	2020
Internal rating grade	MUR	MUR	MUR
Performing			
Investment grade	721,926	-	-
Standard Monitoring	213,563	-	-
Unrated	741,364	-	20,153
Total	1,676,853	-	20,153

An analysis of changes in the ECL amount is as follows:

	2022	2021	2020
	MUR	MUR	MUR
ECL allowance as at 1 July	-	20,153	52,885
Increase in expected credit losses	1,676,853	-	20,153
Assets derecognised or repaid (excluding write offs)	-	(20,153)	(52,885)
At 30 June	1,676,853	-	20,153

There has been no change in staging classification during the financial year. All dues from banks were classified in stage 1 in 2022, 2021 and 2020.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The bank enters into derivatives for the optimal deployment of its liability base in foreign currencies and for liquidity risk management. The bank may also take positions with the expectation of profiting from favourable movements in rates.

Derivative products valued using a valuation methodology with market observable inputs include forward foreign exchange contracts, interest rate swaps and option contracts across several asset classes, including but not limited to foreign currencies, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using discounted cash flow methodology based on market conventions. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves, market volatilities and other feeds from appointed valuation/calculation agents.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument.
The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	MUR	MUR	MUR
30 June 2022	**Notional amount**	**Assets**	**Liabilities**
Foreign exchange contracts	**820,287,136**	**50,004,747**	**9,404,846**
30 June 2021	Notional amount	Assets	Liabilities
Foreign exchange contracts	354,227,830	10,228,424	8,936,609
30 June 2020	Notional amount	Assets	Liabilities
Foreign exchange contracts	959,127,612	2,183,441	9,759,640

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the underlying asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the bank.

As at 30 June, the bank has exposures in the following types of derivatives.

Foreign exchange forward contract

A foreign exchange forward contract is a derivative instrument used to manage foreign exchange risks. It is an agreement between two counterparties to convert one currency into another at a later date, but at a rate agreed earlier on the deal date.

Foreign exchange swap

A foreign exchange swap is the simultaneous buying and selling of an identical amount of one currency for another but with two different value dates. One value date is a spot and the other one is a forward date.

The following table shows an analysis of derivative financial instruments by level of the fair value hierarchy:

Valuation is performed on a daily basis, therefore providing an up-to-date mark-to-market of our exposures. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and pricing models, and are performed on a daily basis, therefore providing an up-to-date mark-to-market of our exposures.

	2022	2021	2020
	MUR	MUR	MUR
Assets			
Level 2	**50,004,747**	10,228,424	2,183,441
	50,004,747	10,228,424	2,183,441
Liabilities			
Level 2	**9,404,846**	8,936,609	9,759,640
	9,404,846	8,936,609	9,759,640

12. LOANS AND ADVANCES TO CUSTOMERS

	2022 MUR	2021 MUR	2020 MUR
Loans and overdrafts			
Retail	1,808,414,572	1,234,030,245	744,930,675
Corporate	6,466,936,245	7,226,824,302	7,695,236,365
	8,275,350,817	8,460,854,547	8,440,167,040
Less: Allowance for impairment losses (Note 12(c))	(204,495,458)	(201,988,925)	(379,850,609)
	8,070,855,359	8,258,865,622	8,060,316,431
Investment in finance leases			
Retail	948,204,018	949,247,080	756,984,832
Corporate	1,019,311,486	996,991,102	982,827,435
	1,967,515,504	1,946,238,182	1,739,812,267
Less: Allowance for impairment losses (Note 12(c))	(24,423,903)	(24,291,241)	(30,753,490)
	1,943,091,601	1,921,946,941	1,709,058,777
Net loans and advances to customers	10,013,946,960	10,180,812,563	9,769,375,208
Total Corporate	7,486,247,731	8,223,815,404	8,678,063,800
Less: Allowance for impairment losses (Note 12(c))	(204,180,157)	(204,840,399)	(386,333,210)
Net corporate lending	7,282,067,574	8,018,975,005	8,291,730,590
Total Retail	2,756,618,590	2,183,277,325	1,501,915,507
Less: Allowance for impairment losses (Note 12(c))	(24,739,204)	(21,439,767)	(24,270,889)
Net retail lending	2,731,879,386	2,161,837,558	1,477,644,618
	10,013,946,960	10,180,812,563	9,769,375,208

(a) Investment in finance leases

Future minimum lease payments can be analysed as follows:	2022 MUR	2021 MUR	2020 MUR
Gross investment in finance leases:			
Up to 1 year	640,304,882	601,388,347	559,449,543
Over 1 year and up to 2 years	532,250,169	531,275,470	468,994,361
Over 2 years and up to 3 years	407,429,616	418,186,404	396,230,181
Over 3 years and up to 4 years	292,929,550	293,440,758	272,563,335
Over 4 years and up to 5 years	179,577,336	273,858,386	227,295,972
Over 5 years	137,854,029	43,512,107	12,924,689
	2,190,345,582	2,161,661,472	1,937,458,081
Allocation of unearned finance income	(222,830,078)	(215,423,290)	(197,645,814)
Present value of minimum lease payments	1,967,515,504	1,946,238,182	1,739,812,267

There are no significant changes in the carrying amount of the net investment in finance leases.

Amounts due from lessees under finance leases are recorded as loans and advances at the amount of the bank's net investment in the leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases. Net investment in finance leases are measured at amortised cost.

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the termination of the lease arrangements. The term of lease contracts generally ranges from five to seven years. Finance leases are secured mainly by lien on vehicle.

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FOR THE YEAR ENDED 30 JUNE 2022

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

(b) Credit concentration of risk by industry sectors

	2022 MUR	2021 MUR	2020 MUR
Sectorial concentration of loans and advances (gross of impairment)			
Manufacturing	906,316,461	1,136,804,078	1,126,834,093
Construction	699,045,212	1,592,711,049	1,376,462,738
Professional	46,740,233	13,785,346	12,908,935
Traders	1,077,675,614	768,086,365	798,358,572
Tourism	1,714,188,399	1,981,945,420	1,777,553,356
Transport	348,760,241	361,931,004	410,628,408
Financial and business services	1,351,151,322	1,270,936,691	1,440,085,940
Personal	2,744,040,637	1,139,278,732	780,553,720
Agriculture	70,065,090	342,530,633	510,356,118
Global Business Licence holders	562,180,598	914,641,357	853,353,264
Information and communication technology	440,232,075	378,646,642	415,654,040
Others	282,470,439	505,795,412	677,230,123
	10,242,866,321	10,407,092,729	10,179,979,307

Others consists of the following industry sectors: Education, Infrastructure, Health Development Certificate Holders and Media, Entertainment and Recreational Activities

Analysed as follows:	2022 MUR	2021 MUR	2020 MUR
Loans and overdrafts	8,275,350,817	8,460,854,547	8,440,167,040
Investment in finance leases	1,967,515,504	1,946,238,182	1,739,812,267
	10,242,866,321	10,407,092,729	10,179,979,307

Total credit facilities including guarantees, acceptances and other similar commitments extended by the bank to any one customer or group of closely related customers for amounts aggregating more than 15% of its capital base classified by industry sectors:

	2022 MUR	2021 MUR	2020 MUR
Manufacturing	811,334,264	512,971,859	541,021,649
Construction	10,023,010	45,804,651	27,888,667
Traders	395,780,419	420,937,968	329,970,299
Tourism	1,933,530,635	2,606,124,957	1,493,982,280
Transport	152,065,131	238,974,800	216,296,557
Financial and business services	959,277,440	1,654,157,747	1,904,833,925
Agriculture	-	365,602,768	351,571,360
Global Business Licence holders	354,881,537	683,228,982	686,575,147
Information and communication technology	230,144,147	334,908,456	366,967,701
Others	1,093,603,619	681,785,964	1,584,916,289
	5,940,640,202	7,544,498,152	7,504,023,874

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

(c) Impairment allowance for loans and advances

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the bank's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 42(b).

Corporate Lending

	2022			
Gross carrying amount **Internal rating grade**	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	1,091,056,515	-	-	1,091,056,515
Standard Monitoring	3,746,833,528	30,968,780	-	3,777,802,308
Watchlist	-	1,800,035,451	-	1,800,035,451
Unrated	135,618,465	1,589,699	-	137,208,164
Non - performing				
Default	-	-	680,145,293	680,145,293
Total	4,973,508,508	1,832,593,930	680,145,293	7,486,247,731

An analysis of changes in the gross carrying amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	5,164,353,242	2,718,519,318	340,942,844	8,223,815,404
New assets originated or purchased	3,456,911,465	738,522,671	8,949,991	4,204,384,127
Assets derecognised or repaid (excluding write offs)	(3,134,957,480)	(1,725,604,410)	(92,750,119)	(4,953,312,009)
Transfers to Stage 1	421,356,400	(391,272,403)	(30,083,997)	-
Transfers to Stage 2	(954,011,940)	1,034,173,085	(80,161,145)	-
Transfers to Stage 3	-	(550,791,486)	550,791,486	-
Amounts written off	-	-	(247,579)	(247,579)
Foreign exchange adjustments	19,856,821	9,047,155	(17,296,188)	11,607,788
At 30 June 2022	4,973,508,508	1,832,593,930	680,145,293	7,486,247,731

	2022			
ECL allowance **Internal rating grade**	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	10,242,356	-	-	10,242,356
Standard Monitoring	35,058,305	1,551,021	-	36,609,326
Watchlist	-	41,644,636	-	41,644,636
Unrated	1,257,894	24,170	-	1,282,064
Non - performing				
Default	-	-	114,401,775	114,401,775
Total	46,558,555	43,219,827	114,401,775	204,180,157

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FOR THE YEAR ENDED 30 JUNE 2022

(c) Impairment allowance for loans and advances (Cont'd)

Corporate Lending (Cont'd)

An analysis of changes in the ECL amount is as follows:

	2022			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
ECL allowance as at 1 July	52,292,356	51,304,115	101,243,928	204,840,399
Additional provisions during the year	61,213,315	59,827,183	24,286,885	145,327,383
Assets derecognised or repaid (excluding write offs)	(71,863,684)	(56,732,367)	(32,900,050)	(161,496,101)
Transfers to Stage 1	6,890,438	(6,886,512)	(3,926)	-
Transfers to Stage 2	(8,876,578)	9,464,164	(587,586)	-
Transfers to Stage 3	-	(22,362,524)	22,362,524	-
Changes to models	7,034,461	8,117,551	-	15,152,012
Amounts written off	-	-	-	-
Foreign exchange adjustments	(131,753)	488,217	-	356,464
At 30 June 2022	46,558,555	43,219,827	114,401,775	204,180,157

The gross carrying amount of the corporate portfolio decreased during the year while the ECL allowance increased during the same period. This is mainly due to the recalibration of the bank's IFRS 9 models which reflect the uncertainties in the current global macroeconomic environment.

	2021			
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade	**MUR**	**MUR**	**MUR**	**MUR**
Performing				
Investment grade	409,173,594	-	-	409,173,594
Standard Monitoring	4,529,370,128	7,915,073	-	4,537,285,201
Watchlist	-	2,700,089,299	-	2,700,089,299
Unrated	225,809,520	10,514,946	-	236,324,466
Non - performing				
Default	-	-	340,942,844	340,942,844
Total	5,164,353,242	2,718,519,318	340,942,844	8,223,815,404

An analysis of changes in the gross carrying amount is as follows:

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Gross carrying amount as at 1 July	4,418,626,741	3,730,726,334	528,710,725	8,678,063,800
New assets originated or purchased	3,385,581,228	1,962,587,659	5,362,326	5,353,531,213
Assets derecognised or repaid (excluding write offs)	(3,234,043,647)	(2,383,369,958)	(141,668,183)	(5,759,081,788)
Transfers to Stage 1	1,363,572,291	(1,325,191,855)	(38,380,436)	-
Transfers to Stage 2	(947,976,500)	1,085,106,286	(137,129,786)	-
Transfers to Stage 3	(1,523,424)	(449,344,864)	450,868,288	-
Amounts written off	-	(20,067)	(340,093,021)	(340,113,088)
Foreign exchange adjustments	180,116,553	98,025,783	13,272,931	291,415,267
At 30 June 2021	5,164,353,242	2,718,519,318	340,942,844	8,223,815,404

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

(c) Impairment allowance for loans and advances (Cont'd)

Corporate Lending (Cont'd)

	2021			
ECL allowance	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	3,761,883	-	-	3,761,883
Standard Monitoring	46,019,839	299,306	-	46,319,145
Watchlist	-	50,656,581	-	50,656,581
Unrated	2,510,634	348,228	-	2,858,862
Non - performing				
Default	-	-	101,243,928	101,243,928
Total	52,292,356	51,304,115	101,243,928	204,840,399

An analysis of changes in the ECL amount is as follows:

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
ECL allowance as at 1 July	24,425,753	91,561,690	270,345,767	386,333,210
Additional provisions during the year	35,594,392	134,645,571	245,858,863	416,098,826
Assets derecognised or repaid (excluding write offs)	(42,049,738)	(127,963,637)	(84,095,696)	(254,109,071)
Transfers to Stage 1	14,141,747	(14,102,693)	(39,054)	-
Transfers to Stage 2	(4,080,790)	4,596,746	(515,956)	-
Transfers to Stage 3	(14,273)	(5,653,791)	5,668,064	-
Changes to models	21,928,631	(34,144,164)	118,157	(12,097,376)
Amounts written off	-	(197)	(336,096,217)	(336,096,414)
Foreign exchange adjustments	2,346,634	2,364,590	-	4,711,224
At 30 June 2021	52,292,356	51,304,115	101,243,928	204,840,399

	2020			
Gross carrying amount	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	161,219,292	103,306,420	-	264,525,712
Standard Monitoring	3,435,489,158	554,621,413	-	3,990,110,571
Watchlist	357,053,341	3,024,828,236	-	3,381,881,577
Unrated	464,864,950	47,970,265	-	512,835,215
Non - performing				
Default	-	-	528,710,725	528,710,725
Total	4,418,626,741	3,730,726,334	528,710,725	8,678,063,800

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FOR THE YEAR ENDED 30 JUNE 2022

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

(c) Impairment allowance for loans and advances (Cont'd)

Corporate Lending (Cont'd)

An analysis of changes in the gross carrying amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	6,298,980,148	420,998,208	33,342,367	6,753,320,723
New assets originated or purchased	4,605,455,806	349,356	-	4,605,805,162
Assets derecognised or repaid (excluding write offs)	(2,325,580,056)	(334,606,509)	(1,396,796)	(2,661,583,361)
Transfers to Stage 1	4,658,652	(4,658,652)	-	-
Transfers to Stage 2	(3,665,468,313)	3,665,468,313	-	-
Transfers to Stage 3	(499,419,493)	(16,824,382)	516,243,875	-
Amounts written off	(3)	-	(19,478,721)	(19,478,724)
At 30 June 2020	4,418,626,741	3,730,726,334	528,710,725	8,678,063,800

	2020			
ECL allowance	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	388,126	986,571	-	1,374,697
Standard Monitoring	18,281,367	3,986,729	-	22,268,096
Watchlist	2,306,429	85,250,265	-	87,556,694
Unrated	3,449,831	1,338,125	-	4,787,956
Non - performing				
Default	-	-	270,345,767	270,345,767
Total	24,425,753	91,561,690	270,345,767	386,333,210

An analysis of changes in the ECL amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	73,378,086	4,149,729	31,657,570	109,185,385
New assets originated or purchased	343,462,117	29,668	38,668	343,530,453
Assets derecognised or repaid (excluding write offs)	(42,719,260)	(3,934,487)	(255,595)	(46,909,342)
Transfers to Stage 1	49,694	(49,694)	-	-
Transfers to Stage 2	(91,367,181)	91,367,181	-	-
Transfers to Stage 3	(258,377,703)	(707)	258,378,410	-
Amounts written off	-	-	(19,473,286)	(19,473,286)
At 30 June 2020	24,425,753	91,561,690	270,345,767	386,333,210

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

(c) Impairment allowance for loans and advances (Cont'd)

Retail Lending

	2022			
Gross carrying amount	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	1,246,355,552	2,039,999	-	1,248,395,551
Standard Monitoring	1,066,955,943	18,248,502	-	1,085,204,445
Watchlist	3,027,722	37,350,656	-	40,378,378
Unrated	358,930,657	6,483,768	-	365,414,425
Non - performing				
Default	-	-	17,225,791	17,225,791
Total	2,675,269,874	64,122,925	17,225,791	2,756,618,590

An analysis of changes in the gross carrying amount is as follows:

	2022			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Gross carrying amount as at 1 July	2,012,758,004	77,628,813	92,890,508	2,183,277,325
New assets originated or purchased	1,249,496,168	11,437,142	869,862	1,261,803,172
Assets derecognised or repaid (excluding write offs)	(591,281,818)	(12,665,408)	(72,280,792)	(676,228,018)
Transfers to Stage 1	226,310,301	(215,162,640)	(11,147,661)	-
Transfers to Stage 2	(209,778,892)	214,739,014	(4,960,122)	-
Transfers to Stage 3	-	(11,853,996)	11,853,996	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(12,233,889)	-	-	(12,233,889)
At 30 June 2022	2,675,269,874	64,122,925	17,225,791	2,756,618,590

	2022			
ECL allowance	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	4,953,632	13,918	-	4,967,550
Standard Monitoring	4,307,583	522,819	-	4,830,402
Watchlist	5,013	1,033,602	-	1,038,615
Unrated	2,173,319	62,376	-	2,235,695
Non - performing				
Default	-	-	11,666,942	11,666,942
Total	11,439,547	1,632,715	11,666,942	24,739,204

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

(c) Impairment allowance for loans and advances (Cont'd)

Retail Lending (Cont'd)

An analysis of changes in the gross carrying amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	14,846,290	2,824,713	4,968,764	22,639,767
Additional provisions during the year	26,300,523	7,507,102	9,388,218	43,195,843
Assets derecognised or repaid (excluding write offs)	(33,644,353)	(4,635,034)	(2,779,837)	(41,059,224)
Transfers to Stage 1	5,442,932	(5,380,088)	(62,844)	-
Transfers to Stage 2	(1,468,663)	1,486,532	(17,869)	-
Transfers to Stage 3	-	(170,510)	170,510	-
Changes to models	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(37,182)	-	-	(37,182)
At 30 June 2022	11,439,547	1,632,715	11,666,942	24,739,204

The ECL allowance for the retail portfolio increased during the year in line with an increase in the gross carrying amount.

	2021			
Gross carrying amount	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	816,896,907	3,659,345	-	820,556,252
Standard Monitoring	781,566,037	7,236,595	-	788,802,632
Watchlist	825,327	55,477,797	-	56,303,124
Unrated	413,469,733	11,255,076	-	424,724,809
Non - performing				
Default	-	-	92,890,508	92,890,508
Total	2,012,758,004	77,628,813	92,890,508	2,183,277,325

An analysis of changes in the gross carrying amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,396,266,600	87,543,092	18,105,815	1,501,915,507
New assets originated or purchased	1,005,796,852	5,681,476	11,099,213	1,022,577,541
Assets derecognised or repaid (excluding write offs)	(354,661,485)	(13,961,686)	(11,515,395)	(380,138,566)
Transfers to Stage 1	122,830,592	(118,330,562)	(4,500,030)	-
Transfers to Stage 2	(189,352,617)	215,014,386	(25,661,769)	-
Transfers to Stage 3	-	(98,317,893)	98,317,893	-
Amounts written off	-	-	(372,794)	(372,794)
Foreign exchange adjustments	31,878,062	-	7,417,575	39,295,637
At 30 June 2021	2,012,758,004	77,628,813	92,890,508	2,183,277,325

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

(c) Impairment allowance for loans and advances (Cont'd)

Retail Lending (Cont'd)

	2021			
ECL allowance	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	5,377,844	26,340	-	5,404,184
Standard Monitoring	5,024,702	99,852	-	5,124,554
Watchlist	2,589	2,519,667	-	2,522,256
Unrated	4,441,155	178,854	-	4,620,009
Non - performing				
Default	-	-	3,768,764	3,768,764
Total	14,846,290	2,824,713	3,768,764	21,439,767

An analysis of changes in the ECL amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	11,693,309	5,835,939	6,741,641	24,270,889
New assets originated or purchased	15,157,262	9,776,918	374,031	25,308,211
Assets derecognised or repaid (excluding write offs)	(14,390,635)	(4,924,134)	(5,799,416)	(25,114,185)
Transfers to Stage 1	4,252,433	(3,951,171)	(301,262)	-
Transfers to Stage 2	(1,447,477)	2,089,729	(642,252)	-
Transfers to Stage 3	-	(3,907,324)	3,907,324	-
Changes to models	(616,538)	(2,095,244)	-	(2,711,782)
Amounts written off	-	-	(511,302)	(511,302)
Foreign exchange adjustments	197,936	-	-	197,936
At 30 June 2021	14,846,290	2,824,713	3,768,764	21,439,767

	2020			
Gross carrying amount	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	383,624,638	-	-	383,624,638
Standard Monitoring	382,380,541	16,837,251	-	399,217,792
Watchlist	217,808	51,282,214	-	51,500,022
Unrated	630,043,613	19,423,627	-	649,467,240
Non - performing				
Default	-	-	18,105,815	18,105,815
Total	1,396,266,600	87,543,092	18,105,815	1,501,915,507

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

(c) Impairment allowance for loans and advances (Cont'd)

Retail Lending (Cont'd)

An analysis of changes in the gross carrying amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	988,788,082	19,038,858	37,649,944	1,045,476,884
New assets originated or purchased	724,867,974	50,831	11,036	724,929,841
Assets derecognised or repaid (excluding write offs)	(230,180,210)	(7,158,734)	(648,370)	(237,987,314)
Transfers to Stage 1	3,943,589	(3,922,716)	(20,873)	-
Transfers to Stage 2	(85,599,079)	85,599,079	-	-
Transfers to Stage 3	(5,553,669)	(6,064,226)	11,617,895	-
Amounts written off	(87)	-	(30,503,817)	(30,503,904)
At 30 June 2020	1,396,266,600	87,543,092	18,105,815	1,501,915,507

	2020			
ECL allowance	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	4,045,828	-	-	4,045,828
Standard Monitoring	2,861,673	1,113,315	-	3,974,988
Watchlist	3,136	4,385,363	-	4,388,499
Unrated	4,782,672	337,261	-	5,119,933
Non - performing				
Default	-	-	6,741,641	6,741,641
Total	11,693,309	5,835,939	6,741,641	24,270,889

An analysis of changes in the ECL amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	16,576,387	304,754	36,791,998	53,673,139
New assets originated or purchased	11,392,634	511,004	-	11,903,638
Assets derecognised or repaid (excluding write offs)	(10,079,656)	(155,083)	(574,281)	(10,809,020)
Transfers to Stage 1	24,880	(24,770)	(110)	-
Transfers to Stage 2	(5,807,603)	5,807,603	-	-
Transfers to Stage 3	(413,333)	(607,569)	1,020,902	-
Amounts written off	-	-	(30,496,868)	(30,496,868)
At 30 June 2020	11,693,309	5,835,939	6,741,641	24,270,889

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

(d) Allowance for credit impairment by industry sectors

2022

	Gross amount of loans MUR	Non performing loans MUR	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total Expected Credit Losses MUR
Manufacturing	906,316,461	11,470,727	5,567,860	114,053	11,470,727	17,152,640
Construction	699,045,212	97,297,313	8,219,453	292,111	89,297,313	97,808,877
Professional	46,740,233	-	83,665	-	-	83,665
Traders	1,077,675,614	23,688,721	6,293,948	497,827	11,325,995	18,117,770
Tourism	1,714,188,399	439,035,904	75,891	32,649,027	2,264,355	34,989,273
Transport	348,760,241	12,994,625	1,468,966	2,529,721	-	3,998,687
Financial and business services	1,351,151,322	15,262,924	9,967,090	731,517	-	10,698,607
Personal	2,744,040,637	17,225,792	11,412,031	1,632,714	11,666,942	24,711,687
Agriculture	70,065,090	1,551,035	435,061	51,175	43,385	529,621
Global Business Licence holders	562,180,598	76,698,236	4,427,451	4,449,064	-	8,876,515
Information and communication technology	440,232,075	-	5,880,036	78,047	-	5,958,083
Others	282,470,439	2,145,810	4,166,650	1,827,286	-	5,993,936
Total	10,242,866,321	697,371,087	57,998,102	44,852,542	126,068,717	228,919,361

Industry sectors under 'Others' include: Education, Infrastructure, Health Development Certificate Holders and Media, Entertainment and Recreational Activities.

2021

	Gross amount of loans MUR	Non performing loans MUR	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total Expected Credit Losses MUR
Manufacturing	1,136,804,078	11,470,728	6,893,370	620,183	11,470,728	18,984,281
Construction	1,592,711,049	89,735,093	13,199,662	2,264,756	78,474,070	93,938,488
Professional	13,785,346	-	182,977	-	-	182,977
Traders	768,086,365	25,182,760	4,196,638	714,223	11,391,269	16,302,130
Tourism	1,981,945,420	88,889,894	85,822	39,461,157	2,706,765	42,253,744
Transport	361,931,004	15,966,629	1,157,863	2,646,298	70,749	3,874,910
Financial and business services	1,270,936,691	32,132,367	6,278,661	6,516,634	-	12,795,295
Personal	1,139,278,732	81,824,492	7,083,916	722,789	899,111	8,705,816
Agriculture	342,530,633	-	2,682,382	-	-	2,682,382
Global Business Licence holders	914,641,357	86,278,703	13,866,335	138,838	-	14,005,173
Information and communication technology	378,646,642	-	5,299,152	87,685	-	5,386,837
Others	505,795,412	2,352,686	6,211,868	956,265	-	7,168,133
Total	10,407,092,729	433,833,352	67,138,646	54,128,828	105,012,692	226,280,166

Industry sectors under 'Others' include: Education, Infrastructure, Health Development Certificate Holders and Media, Entertainment and Recreational Activities.

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

	2020					
	Gross amount of loans MUR	Non performing loans MUR	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total Expected Credit Losses MUR
Manufacturing	1,126,834,093	12,002,028	4,994,151	8,989,318	11,546,052	25,529,521
Construction	1,376,462,738	83,786,599	10,853,461	7,809,268	53,177,639	71,840,368
Professional	12,908,935	-	51,564	7,724	-	59,288
Traders	798,358,572	28,319,996	3,231,073	4,545,441	3,436,630	11,213,144
Tourism	1,777,553,356	-	156,291	62,525,316	-	62,681,607
Transport	410,628,408	5,048,408	2,271,234	8,322,490	1,001,074	11,594,798
Financial and business services	1,440,085,940	-	1,894,291	1,062,001	-	2,956,292
Personal	780,553,720	4,732,150	4,200,417	981,215	1,934,155	7,115,787
Agriculture	510,356,118	-	1,239,807	41,764	-	1,281,571
Global Business Licence holders	853,353,264	-	87,221	-	-	87,221
Information and communication technology	415,654,040	-	5,437,416	13,592	-	5,451,008
Others	677,230,123	412,926,959	1,702,131	3,099,501	205,991,862	210,793,494
Total	10,179,979,307	546,816,140	36,119,057	97,397,630	277,087,412	410,604,099

Industry sectors under 'Others' include: Education, Infrastructure, Health Development Certificate Holders and Media, Entertainment and Recreational Activities.

13. INVESTMENT SECURITIES

		2022 MUR	2021 MUR	2020 MUR
Debt instruments at FVOCI	13(a)	1,801,390,754	3,318,800,381	3,638,084,595
Equity instruments at FVOCI	13(b)	71,099,086	63,602,192	42,657,771
Debt instruments at amortised cost	13(c)	4,535,017,325	3,121,845,456	3,234,369,969
Debt instruments at FVPL		-	-	199,344,000
		6,407,507,165	6,504,248,029	7,114,456,335

(a) Debt instruments at FVOCI

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2022 MUR
Bank of Mauritius bonds and notes	-	-	151,858,525	-	151,858,525
Government of Mauritius treasury bills	49,993,000	-	-	-	49,993,000
Foreign sovereign bonds	-	205,761,949	314,815,760	44,864,061	565,441,770
Corporate bonds	119,995,560	182,994,330	594,457,833	136,649,736	1,034,097,459
	169,988,560	388,756,279	1,061,132,118	181,513,797	1,801,390,754

13. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2021 MUR
Bank of Mauritius treasury bills	174,616,750	719,178,744	-	-	893,795,494
Bank of Mauritius bonds and notes	-	-	148,940,678	-	148,940,678
Foreign sovereign bonds	129,173,790	390,440,124	421,302,202	137,571,392	1,078,487,508
Corporate bonds	152,208,593	110,921,140	479,373,835	455,073,133	1,197,576,701
	455,999,133	1,220,540,008	1,049,616,715	592,644,525	3,318,800,381

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2020 MUR
Bank of Mauritius treasury bills	599,670,001	-	-	-	599,670,001
Government of Mauritius treasury bills	1,043,171,078	-	-	-	1,043,171,078
Government of Mauritius bonds and notes	-	76,438,063	-	-	76,438,063
Foreign sovereign bonds	-	366,879,050	468,989,934	43,586,767	879,455,751
Corporate bonds	-	-	315,970,039	723,379,663	1,039,349,702
	1,642,841,079	443,317,113	784,959,973	766,966,430	3,638,084,595

	2022			
Gross carrying amount	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	**1,271,396,895**	**-**	**-**	**1,271,396,895**
Standard Monitoring	**-**	**-**	**-**	**-**
Watchlist	**-**	**389,709,519**	**-**	**389,709,519**
Unrated	**30,131,302**	**-**	**-**	**30,131,302**
Non - performing				
Default	**-**	**-**	**110,153,038**	**110,153,038**
Total	**1,301,528,197**	**389,709,519**	**110,153,038**	**1,801,390,754**

2022: Total gross carrying amount of MUR 1,801m includes the fair value loss of MUR 11.8m (Note 24). The fair value loss of MUR 11.8m is included in the line gross carrying amount in the following reconciliation.

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13. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

An analysis of changes in the gross carrying amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	2,937,630,120	381,170,261	-	3,318,800,381
New assets originated or purchased	276,077,809	20,177,911	-	296,255,720
Assets derecognised or repaid (excluding write offs)	(1,819,614,156)	(1,062,868)	(10,032,888)	(1,830,709,912)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(130,615,437)	130,615,437	-	-
Transfers to Stage 3	-	(114,356,990)	114,356,990	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	38,049,861	(26,834,232)	5,828,936	17,044,565
At 30 June 2022	1,301,528,197	389,709,519	110,153,038	1,801,390,754

	2022			
ECL allowance	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	1,023,452	-	-	1,023,452
Standard Monitoring	-	-	-	-
Watchlist	-	2,615,664	-	2,615,664
Unrated	127,145	-	-	127,145
Non - performing				
Default	-	-	257,214	257,214
Total	1,150,597	2,615,664	257,214	4,023,475

An analysis of changes in the ECL amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	2,631,825	3,768,093	-	6,399,918
Increase in expected credit losses	525,180	597,914	-	1,123,094
Assets derecognised or repaid (excluding write offs)	(1,179,909)	(1,739,452)	(499,001)	(3,418,362)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(809,710)	809,710	-	-
Transfers to Stage 3	-	(710,204)	710,204	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(16,789)	(110,397)	46,011	(81,175)
At 30 June 2022	1,150,597	2,615,664	257,214	4,023,475

13. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

	2021			
Gross carrying amount	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	1,513,947,207	-	-	1,513,947,207
Standard Monitoring	1,126,276,107	-	-	1,126,276,107
Watchlist	-	381,170,261	-	381,170,261
Unrated	297,406,806	-	-	297,406,806
Non - performing				
Default	-	-	-	-
Total	2,937,630,120	381,170,261	-	3,318,800,381

2021: Total gross carrying amount of MUR 3,319m includes the fair value loss of MUR 55.2m (Note 24). The fair value loss of MUR 55.2m is included in the line gross carrying amount in the following reconciliation.

An analysis of changes in the gross carrying amount is as follows:

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Gross carrying amount as at 1 July	3,638,084,595	-	-	3,638,084,595
New assets originated or purchased	1,850,523,337	-	-	1,850,523,337
Assets derecognised or repaid (excluding write offs)	(2,274,826,867)	(3,115,075)	-	(2,277,941,942)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(344,809,213)	344,809,213	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	68,658,268	39,476,123	-	108,134,391
At 30 June 2021	2,937,630,120	381,170,261	-	3,318,800,381

	2021			
ECL allowance	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	495,912	-	-	495,912
Standard Monitoring	1,053,563	-	-	1,053,563
Watchlist	-	3,768,093	-	3,768,093
Unrated	1,082,350	-	-	1,082,350
Non - performing				
Default	-	-	-	-
Total	2,631,825	3,768,093	-	6,399,918

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FOR THE YEAR ENDED 30 JUNE 2022

13. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

An analysis of changes in the ECL amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	6,434,943	-	-	6,434,943
Increase in expected credit losses	623,462	69,118	-	692,580
Assets derecognised or repaid (excluding write offs)	(1,186,872)	-	-	(1,186,872)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(3,323,196)	3,323,196	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	83,488	375,779	-	459,267
At 30 June 2021	2,631,825	3,768,093	-	6,399,918

	2020			
Gross carrying amount	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	2,110,197,364	-	-	2,110,197,364
Standard Monitoring	564,533,466	-	-	564,533,466
Watchlist	-	-	-	-
Unrated	963,353,766	-	-	963,353,766
Non - performing				
Default	-	-	-	-
Total	3,638,084,596	-	-	3,638,084,596

2020: Total gross carrying amount of MUR 3,638m includes the fair value gain of MUR 1.6m (Note 24). The fair value gain of MUR 1.6m is included in the line gross carrying amount in the following reconciliation.

An analysis of changes in the gross carrying amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	3,190,321,497	-	-	3,190,321,497
New assets originated or purchased	2,298,544,350	-	-	2,298,544,350
Assets derecognised or repaid (excluding write offs)	(2,099,369,429)	-	-	(2,099,369,429)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	248,588,178	-	-	248,588,178
At 30 June 2020	3,638,084,596	-	-	3,638,084,596

13. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

	2020			
ECL allowance	**Stage 1 MUR**	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Internal rating grade				
Performing				
Investment grade	1,284,105	-	-	1,284,105
Standard Monitoring	521,903	-	-	521,903
Watchlist	-	-	-	-
Unrated	4,628,938	-	-	4,628,938
Non - performing				
Default	-	-	-	-
Total	6,434,946	-	-	6,434,946

An analysis of changes in the ECL amount is as follows:

	2020			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
ECL allowance as at 1 July	3,134,792	-	-	3,134,792
Increase in expected credit losses	4,120,520	-	-	4,120,520
Assets derecognised or repaid (excluding write offs)	(1,269,041)	-	-	(1,269,041)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	448,675	-	-	448,675
At 30 June 2020	6,434,946	-	-	6,434,946

(b) Equity instruments at FVOCI

Investments that are expected to be held long-term for strategic purposes are designated at fair value through other comprehensive income. These principally include shares in Mauritian corporate entities. Refer to Note 28 for dividend income on equity instruments at FVOCI.

As at 30 June 2022, the bank had corporate shares of MUR 71,099,086 (2021: MUR 63,602,192 and 2020: MUR 42,657,771) classified as equity instruments at FVOCI.

During the year, the bank disposed of an equity instrument at FVOCI for MUR 3,811,256 due to favourable market conditions to realise a gain amounting to MUR 932,410.

13. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2022 MUR
Government of Mauritius bonds and notes	254,980,063	25,201,716	730,789,206	1,204,728,495	2,215,699,480
Foreign sovereign bonds	136,118,426	361,547,772	227,704,500	413,690,227	1,139,060,925
Corporate bonds	-	47,599,849	208,240,530	928,429,283	1,184,269,662
Gross carrying amount	391,098,489	434,349,337	1,166,734,236	2,546,848,005	4,539,030,067
Expected credit losses	(123,596)	(276,483)	(1,558,305)	(2,054,358)	(4,012,742)
	390,974,893	434,072,854	1,165,175,931	2,544,793,647	4,535,017,325

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2021 MUR
Government of Mauritius bonds and notes	510,939,065	99,952,334	533,909,857	482,923,340	1,627,724,596
Foreign sovereign bonds	-	-	340,615,720	338,165,840	678,781,560
Corporate bonds	-	208,681,307	263,122,505	347,256,971	819,060,787
Gross carrying amount	510,939,065	308,633,641	1,137,648,082	1,168,346,151	3,125,566,943
Expected credit losses	(184,268)	(644,082)	(2,069,459)	(823,678)	(3,721,487)
	510,754,797	307,989,559	1,135,578,623	1,167,522,473	3,121,845,456

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2020 MUR
Government of Mauritius bonds and notes	-	-	887,807,253	1,096,317,681	1,984,124,934
Foreign sovereign bonds	-	-	-	-	-
Corporate bonds	316,615,916	304,892,142	287,339,381	346,890,342	1,255,737,781
Gross carrying amount	316,615,916	304,892,142	1,175,146,634	1,443,208,023	3,239,862,715
Expected credit losses	(249,475)	(1,059,211)	(2,046,951)	(2,137,109)	(5,492,746)
	316,366,441	303,832,931	1,173,099,683	1,441,070,914	3,234,369,969

13. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost (Cont'd)

	2022			
Gross carrying amount	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	3,368,669,515	-	-	3,368,669,515
Standard Monitoring	-	-	-	-
Watchlist	-	163,230,527	-	163,230,527
Unrated	959,530,176	-	-	1,007,130,025
Non - performing				
Default	-	-	47,599,849	-
Total	4,328,199,691	163,230,527	47,599,849	4,539,030,067

An analysis of changes in the gross carrying amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	2,898,621,911	226,945,032	-	3,125,566,943
New assets originated or purchased	2,968,945,603	13,983	-	2,968,959,586
Assets derecognised or repaid (excluding write offs)	(1,468,275,787)	(177,917,383)	(2,316,403)	(1,648,509,573)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(151,010,841)	151,010,841	-	-
Transfers to Stage 3	-	(47,271,661)	47,271,661	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	79,918,805	10,449,715	2,644,591	93,013,111
At 30 June 2022	4,328,199,691	163,230,527	47,599,849	4,539,030,067

	2022			
ECL allowance	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	2,058,390	-	-	2,058,390
Standard Monitoring	-	-	-	-
Watchlist	-	1,043,374	-	1,043,374
Unrated	724,751	-	-	910,978
Non - performing				
Default	-	-	186,227	-
Total	2,783,141	1,043,374	186,227	4,012,742

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FOR THE YEAR ENDED 30 JUNE 2022

13. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost (Cont'd)

An analysis of changes in the ECL amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	2,052,731	1,668,775	-	3,721,506
Increase in expected credit losses	1,999,560	57,056	-	2,056,616
Assets derecognised or repaid (excluding write offs)	(681,626)	(933,707)	(258,122)	(1,873,455)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(621,612)	621,612	-	-
Transfers to Stage 3	-	(407,122)	407,122	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	34,088	36,760	37,227	108,075
At 30 June 2022	2,783,141	1,043,374	186,227	4,012,742

	2021			
Gross carrying amount	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	995,963,928	-	-	995,963,928
Standard Monitoring	1,627,724,614	-	-	1,627,724,614
Watchlist	-	226,945,032	-	226,945,032
Unrated	274,933,369	-	-	274,933,369
Non - performing				
Default	-	-	-	-
Total	2,898,621,911	226,945,032	-	3,125,566,943

An analysis of changes in the gross carrying amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	3,239,862,716	-	-	3,239,862,716
New assets originated or purchased	980,030,074	883,716	-	980,913,790
Assets derecognised or repaid (excluding write offs)	(1,156,111,430)	-	-	(1,156,111,430)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(216,231,325)	216,231,325	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	51,071,876	9,829,991	-	60,901,867
At 30 June 2021	2,898,621,911	226,945,032	-	3,125,566,943

13. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost (Cont'd)

	2021			
ECL allowance	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	308,460	-	-	308,460
Standard Monitoring	594,663	-	-	594,663
Watchlist	-	1,668,775	-	1,668,775
Unrated	1,149,589	-	-	1,149,589
Non - performing				
Default	-	-	-	-
Total	2,052,712	1,668,775	-	3,721,487

An analysis of changes in the ECL amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	5,492,747	-	-	5,492,747
Increase in expected credit losses	610,435	-	-	610,435
Assets derecognised or repaid (excluding write offs)	(2,173,724)	(324,054)	-	(2,497,778)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,925,853)	1,925,853	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	49,107	66,976	-	116,083
At 30 June 2021	2,052,712	1,668,775	-	3,721,487

	2020			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR	MUR	MUR	MUR
Performing				
Investment grade	500,093,314	-	-	500,093,314
Standard Monitoring	1,984,124,934	-	-	1,984,124,934
Watchlist	-	-	-	-
Unrated	755,644,467	-	-	755,644,467
Non - performing				
Default	-	-	-	-
Total	3,239,862,715	-	-	3,239,862,715

An analysis of changes in the gross carrying amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	3,257,373,305	-	-	3,257,373,305
New assets originated or purchased	283,059,400	-	-	283,059,400
Assets derecognised or repaid (excluding write offs)	(381,573,138)	-	-	(381,573,138)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	81,003,148	-	-	81,003,148
At 30 June 2020	3,239,862,715	-	-	3,239,862,715

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FOR THE YEAR ENDED 30 JUNE 2022

13. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost (cont'd)

	2020			
ECL allowance	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	391,507	-	-	391,507
Standard Monitoring	1,303,524	-	-	1,303,524
Watchlist	-	-	-	-
Unrated	3,797,715	-	-	3,797,715
Non - performing				
Default	-	-	-	-
Total	5,492,746	-	-	5,492,746

An analysis of changes in the ECL amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	4,170,005	-	-	4,170,005
Increase in expected credit losses	1,428,882	-	-	1,428,882
Assets derecognised or repaid (excluding write offs)	(314,279)	-	-	(314,279)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	208,138	-	-	208,138
At 30 June 2020	5,492,746	-	-	5,492,746

14. OTHER ASSETS

	2022 MUR	2021 MUR	2020 MUR
Restricted balances with the Central bank	**799,989,323**	769,714,298	693,741,733
Deposits	**94,436,921**	151,375,228	173,041,341
Less: Expected credit losses	**(1,345,390)**	(1,302,345)	(1,036,969)
Non-banking assets acquired in satisfaction of debts	**5,069,770**	3,999,488	2,623,184
Other receivables	**31,431,172**	28,670,583	23,008,495
	929,581,796	952,457,252	891,377,784

Restricted balances with the Central Bank represent the mandatory reserve deposits and are not available for use in the bank's day-to-day operations.

Deposits relate to security deposits made by the bank with certain counterparties in the normal operations of the banks.

Expected credit losses are calculated on the Restricted balances with the Central Bank and Deposits. There has been no change in staging classification during the financial year. All ECL allowances were classified as Stage 1 in 2022, 2021 and 2020.

Non-banking assets acquired in satisfaction of debts relate to repossessed assets and the bank intends to dispose of such assets as soon as the market permits. These relate primarily to motor vehicles being repossessed in relation to finance leases granted by the bank. The bank's policy is to sell these repossessed assets through various car auctions.

Other receivables comprise mainly prepaid expenses.

15. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Freehold land	Buildings	Improvement to buildings	Computer equipment	Motor vehicles	Fixtures & fittings	Work in progress	Right-of -use assets: Motor vehicles	Right-of -use assets: Offices	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
COST										
At 1 July 2019	123,435,858	168,831,726	105,954,058	49,802,070	16,111,757	42,812,294	104,357,477	-	-	611,305,240
Effect of adoption of IFRS 16								4,622,924	4,994,771	9,617,695
Additions	-	1,755,058	1,010,553	5,742,579	-	10,482,605	90,571,590	-	1,008,867	110,571,252
Transfer	-	168,298,654	-	-	-	26,630,413	(194,929,067)	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	123,435,858	338,885,438	106,964,611	55,544,649	16,111,757	79,925,312	-	4,622,924	6,003,638	731,494,187
At 1 July 2020	123,435,858	338,885,438	106,964,611	55,544,649	16,111,757	79,925,312	-	4,622,924	6,003,638	731,494,187
Additions	-	-	-	11,309,126	4,225,000	968,941	-	26,896	4,577,658	21,107,621
Transfer	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(3,325,000)	-	-	-	-	(3,325,000)
Termination	-	-	-	-	-	-	-	-	(3,778,878)	(3,778,878)
At 30 June 2021	123,435,858	338,885,438	106,964,611	66,853,775	17,011,757	80,894,253	-	4,649,820	6,802,418	745,497,930
At 1 July 2021	**123,435,858**	**338,885,438**	**106,964,611**	**66,853,775**	**17,011,757**	**80,894,253**	**-**	**4,649,820**	**6,802,418**	**745,497,930**
Additions	-	-	-	**34,543,805**	-	**1,397,345**	-	-	-	**35,941,150**
Transfer	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	**(96,533)**	**(1,006,756)**	-	-	-	-	**(1,103,289)**
Termination	-	-	-	-	-	-	-	**(1,088,310)**	**(1,205,531)**	**(2,293,841)**
At 30 June 2022	**123,435,858**	**338,885,438**	**106,964,611**	**101,301,047**	**16,005,001**	**82,291,598**	**-**	**3,561,510**	**5,596,887**	**778,041,950**
DEPRECIATION										
At 1 July 2019	-	11,373,539	25,087,892	27,784,077	6,377,643	28,223,623	-	-	-	98,846,774
Charge for the year	-	4,226,903	5,322,967	8,726,522	3,097,351	5,055,092	-	1,132,968	4,241,946	31,803,749
Disposals	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	-	15,600,442	30,410,859	36,510,599	9,474,994	33,278,715	-	1,132,968	4,241,946	130,650,523
At 1 July 2020	-	15,600,442	30,410,859	36,510,599	9,474,994	33,278,715	-	1,132,968	4,241,946	130,650,523
Charge for the year	-	6,777,709	5,398,758	9,159,894	3,268,185	6,523,031	-	1,141,244	2,467,711	34,736,532
Disposals	-	-	-	-	(2,871,250)	-	-	-	-	(2,871,250)
Termination	-	-	-	-	-	-	-	-	(3,778,878)	(3,778,878)
At 30 June 2021	-	22,378,151	35,809,617	45,670,493	9,871,929	39,801,746	-	2,274,212	2,930,779	158,736,927
At 1 July 2021	**-**	**22,378,151**	**35,809,617**	**45,670,493**	**9,871,929**	**39,801,746**	**-**	**2,274,212**	**2,930,779**	**158,736,927**
Charge for the year	**-**	**6,777,709**	**5,285,071**	**10,940,060**	**2,861,059**	**5,887,991**	**-**	**918,001**	**2,312,328**	**34,982,219**
Disposals	**-**	**-**	**-**	**(20,891)**	**(755,067)**	**-**	**-**	**-**	**-**	**(775,958)**
Termination	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(781,351)**	**(1,205,531)**	**(1,986,882)**
At 30 June 2022	**-**	**29,155,860**	**41,094,688**	**56,589,662**	**11,977,921**	**45,689,737**	**-**	**2,410,862**	**4,037,576**	**190,956,306**
NET BOOK VALUE										
At 30 June 2022	**123,435,858**	**309,729,578**	**65,869,923**	**44,711,385**	**4,027,080**	**36,601,861**	**-**	**1,150,648**	**1,559,311**	**587,085,644**
At 30 June 2021	123,435,858	316,507,287	71,154,994	21,183,282	7,139,828	41,092,507	-	2,375,608	3,871,639	586,761,003
At 30 June 2020	123,435,858	323,284,996	76,553,752	19,034,050	6,636,763	46,646,597	-	3,489,956	1,761,692	600,843,664

The category ‘Fixtures and fittings’ was previously termed as ‘Other fixed assets’.

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15. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

There is no restriction on title or asset pledged as security for liabilities at the reporting date (2021 & 2020: nil).

The carrying amounts of lease liabilities (included under 'Other liabilities') and the movements during the year are analysed below.

	2022	2021	2020
	MUR	MUR	MUR
As at 1 July	6,867,226	5,892,142	9,617,694
Additions	-	4,604,554	1,008,867
Accretion of interest	237,519	325,783	402,851
Payments	(4,052,632)	(3,955,253)	(5,137,270)
At 30 June	3,052,113	6,867,226	5,892,142

The following are the amounts recognised in profit or loss:	2022	2021	2020
	MUR	MUR	MUR
Depreciation on right-of-use-assets	3,230,329	3,608,955	5,374,914
Interest expense on lease liability (Note 25)	237,519	325,783	402,851
Low value and short term leases being expensed	2,130,861	263,040	263,040
Total amounts recognised in profit or loss	5,598,709	4,197,778	6,040,805

Lease liability	Up to 1 year	1 to 3 years	After 3 years	Total
	MUR	MUR	MUR	MUR
Undiscounted cash flows	2,411,498	711,419	-	3,122,917

Lease activities consist of rental of motor vehicles, Hong Kong representative office and a Disaster Recovery site.

The bank applies the short term lease recognition exemption on rental of Dubai representative office which has a lease term of 12 months.

The bank had total cash outflows of MUR 5,790,863 (2021: MUR 3,575,212 and 2020: MUR 5,114,445)

16. INTANGIBLE ASSETS

Computer software

	2022	2021	2020
COST	MUR	MUR	MUR
At 1 July	68,529,424	33,795,809	24,881,393
Additions	67,383,587	34,733,615	8,914,416
At 30 June	135,913,011	68,529,424	33,795,809
AMORTISATION			
At 1 July	26,736,342	24,873,444	22,618,253
Charge for the year	10,721,079	1,862,898	2,255,191
At 30 June	37,457,421	26,736,342	24,873,444
NET BOOK VALUE			
At 30 June	98,455,590	41,793,082	8,922,365

None of the intangible assets is internally generated.

17. DEFERRED TAX ASSETS

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

	2022	2021	2020
	MUR	MUR	MUR
As at 1 July	11,598,877	23,084,417	9,710,148
Accelerated tax depreciation	(4,105,160)	(1,631,128)	(1,786,268)
Impairment allowance	(247,742)	(9,293,481)	14,361,902
Retirement benefit obligations	328,475	(560,931)	798,635
As at 30 June	7,574,450	11,598,877	23,084,417

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2022	2021	2020	2022	2021	2020
	MUR	MUR	MUR	MUR	MUR	MUR
Accelerated tax depreciation	(10,878,475)	(6,773,315)	(5,142,187)	(4,105,160)	(1,631,128)	(1,786,268)
Impairment allowance	16,857,175	17,104,917	26,398,398	(247,742)	(9,293,481)	14,361,902
Retirement benefit obligations	1,595,750	1,267,275	1,828,206	328,475	(560,931)	798,635
	7,574,450	11,598,877	23,084,417	(4,024,427)	(11,485,540)	13,374,269

Movement of deferred tax to profit or loss and other comprehensive income analysed as follows:

	2022	2021	2020
	MUR	MUR	MUR
Profit or loss (Note 21)	(4,176,734)	(10,766,933)	12,876,289
Other comprehensive income	152,307	(718,607)	497,980
	(4,024,427)	(11,485,540)	13,374,269

18. DEPOSITS FROM CUSTOMERS

	2022	2021	2020
	MUR	MUR	MUR
Retail customers			
Savings accounts	4,123,253,665	3,697,600,501	3,394,409,759
Current accounts	1,183,230,568	909,167,845	1,066,917,821
Term deposits with remaining term to maturity:			
Up to 3 months	247,341,835	716,339,996	335,479,281
Over 3 months and up to 6 months	361,974,890	757,597,545	119,578,500
Over 6 months and up to 12 months	547,747,373	679,804,144	255,734,790
Over 1 year and up to 5 years	2,351,965,341	1,477,117,172	2,097,778,434
Corporate customers			
Savings accounts	158,153,294	122,281,403	157,680,717
Current accounts	7,825,516,051	8,928,935,692	6,763,218,928
Term deposits with remaining term to maturity:			
Up to 3 months	201,110,423	366,213,885	560,380,144
Over 3 months and up to 6 months	844,644,803	1,073,993,810	360,735,014
Over 6 months and up to 12 months	695,219,013	710,432,461	550,760,222
Over 1 year and up to 5 years	476,594,558	406,738,571	1,137,058,184
	19,016,751,814	19,846,223,025	16,799,731,794

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19. PREFERENCE SHARES

	2022	2021	2020
	MUR	MUR	MUR
At 1 July	142,809,030	144,534,198	145,202,573
Interest accrued	-	4,535,783	6,240,625
Dividend paid	(4,629,030)	(6,260,951)	(6,909,000)
Redemption of principal amount	(138,180,000)	-	-
At 30 June	-	142,809,030	144,534,198

On 25 June 2015, the bank issued cumulative redeemable preference shares at floating rate (Repo+1.5%) with a maturity of six years for a total consideration of MUR 138,180,000. The shareholders do not have the option to redeem the preference shares before maturity date.

The preference shares have been fully redeemed on 25 June 2021 and repaid on 5 July 2021.

20. SUBORDINATED DEBTS

	2022	2021	2020
	MUR	MUR	MUR
Issue of shares	500,000,000	500,000,000	500,000,000
Interest accrued	4,821,233	4,762,329	4,762,329
At 30 June	504,821,233	504,762,329	504,762,329

On 25 April 2019, the bank issued subordinated notes amounting to MUR 375,000,000 at fixed rate (5.60%) and MUR 125,000,000 at floating rate (Repo + 1.8%) with a tenure of six years.

21. INCOME TAX EXPENSE

Income tax is calculated at the rate of 5% (2021: 5% & 2020: 5%) on the profit for the year.
The components of income tax expense for the years ended 30 June are:

	2022	2021	2020
	MUR	MUR	MUR
Current income tax	21,877,205	21,082,667	40,737,517
Over provision in previous years	-	(463,017)	(6,811,436)
Deferred tax charge/(credit)	4,176,734	10,766,933	(12,876,289)
Income tax expense	26,053,939	31,386,583	21,049,792

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by the domestic statutory tax rate for the years ended 30 June is as follows:

	2022	2021	2020
	MUR	MUR	MUR
Accounting profit before tax	227,096,531	151,489,889	141,437,634
At statutory income tax rate of 5% (2021: 5% and 2020: 5%)	11,354,827	7,574,494	7,071,882
Non-deductible expenses	2,244,243	2,530,911	14,944,329
Exempt income	(6,671,154)	(18,496,988)	(5,244,251)
Corporate social responsibility	1,405,277	1,003,834	3,886,724
Special levy	20,078,832	20,078,832	20,078,832
Income tax (over) provision for the previous year	-	(463,017)	(6,811,436)
Tax loss	-	8,391,584	-
Deferred tax charge/(credit)	4,176,734	10,766,933	(12,876,288)
Tax loss utilised	(6,534,820)	-	-
Tax expense	26,053,939	31,386,583	21,049,792

Non-deductible expenses consist mainly of provision for impairment and depreciation.

21. INCOME TAX EXPENSE (CONT'D)

Corporate Social Responsibility (CSR) Tax

Corporate Social Responsibility (CSR) was legislated by the Government of Mauritius in July 2009. The bank is required to allocate 2% of its Segment A chargeable income of the preceding financial year to Government-approved CSR Non-Governmental Organisations.

Special Levy

The bank is liable to pay a special levy as per Value Added Tax Act of Mauritius. It is calculated as a percentage of the bank's leviable income from residents excluding Global Business Licence holders. Prior to financial year 2021, the bank had accounted for the special levy within "Other operating expenses" in the statement of profit or loss. In financial year 2021, the Regulator after consultation with the Mauritius Revenue Authority advised banks to treat it as a tax expense as it constitutes an unauthorised deduction as per the Income Tax Act 1995 of Mauritius, and management has applied judgement to classify it as a tax expense.

22. OTHER LIABILITIES

	2022	2021	2020
	MUR	MUR	MUR
Unallocated receipts	**303,970,662**	517,254,508	189,133,405
Employee benefit liability (Note 37)	**24,549,986**	19,496,527	28,126,242
Bankers' drafts	**55,072,575**	40,417,275	26,176,584
Deferred income	**32,675,739**	25,432,262	24,098,435
Other payables	**114,066,645**	109,711,066	107,887,522
Lease liability (Note 15)	**3,052,113**	6,867,226	5,892,142
	533,387,720	719,178,864	381,314,330

Unallocated receipts relates to funds received before the bank's cut off time on the reporting date but not yet allocated to customer accounts.
Deferred income relates to fee income generated on credit facilities disbursed by the bank and amortised over the term of the facilities.
Other payables include accruals for expenses, accrued staff related costs, VAT payable and ECL allowance on contingent liabilities.

23. ISSUED CAPITAL

	2022	2021	2020
	MUR	MUR	MUR
Ordinary shares of MUR 10 each			
Issued, authorised and fully paid capital	**762,718,720**	762,718,720	762,718,720
Share premium	**177,776,752**	177,776,752	177,776,752
At 30 June	**940,495,472**	940,495,472	940,495,472

	2022	2021	2020
	MUR	MUR	MUR
Issued, authorised and fully paid			
At 30 June	**940,495,472**	940,495,472	940,495,472
Number of shares			
At 30 June	**76,271,872**	76,271,872	76,271,872

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

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FOR THE YEAR ENDED 30 JUNE 2022

24. OTHER RESERVES

	2022	2021	2020
	MUR	MUR	MUR
Net unrealised investment fair value reserve	7,305,391	13,621,269	54,282,373
Statutory reserve	212,734,803	182,578,414	164,562,918
	220,040,194	196,199,683	218,845,291

Net unrealised investment fair value reserve

	2022	2021	2020
	MUR	MUR	MUR
At 1 July	13,621,269	54,282,373	43,198,122
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	(2,376,443)	(35,025)	3,300,152
Net gain on investments in equity instruments designated at fair value through other comprehensive income	7,883,548	14,566,769	6,190,622
Net loss on investments in debt instruments designated at fair value through other comprehensive income	(11,822,983)	(55,192,848)	1,593,477
At 30 June	7,305,391	13,621,269	54,282,373

This reserve records fair value changes on financial instruments at fair value through other comprehensive income.

Statutory reserve

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

	MUR
At 1 July 2019	146,504,742
Transfer to statutory reserve	18,058,176
At 30 June 2020	164,562,918
At 1 July 2020	164,562,918
Transfer to statutory reserve	18,015,496
At 30 June 2021	182,578,414
At 1 July 2021	182,578,414
Transfer to statutory reserve	30,156,389
At 30 June 2022	212,734,803

25. NET INTEREST INCOME

	2022 MUR	2021 MUR	2020 MUR
Interest income using the effective interest method			
Finance leases	**100,800,844**	98,161,159	103,448,633
Loans and advances to customers (excluding finance leases)	**326,281,106**	358,949,705	381,387,357
Loans to and placements with banks	**11,331,499**	2,947,682	17,755,453
Investment securities	**231,300,111**	258,955,986	303,821,682
	669,713,560	719,014,532	806,413,125

	2022 MUR	2021 MUR	2020 MUR
Interest expense			
Deposits from customers	**193,860,564**	220,023,666	252,948,197
Preference shares	**-**	4,535,783	6,240,625
Subordinated debts	**25,645,034**	25,562,500	27,078,938
Borrowed funds*	**1,284,619**	643,184	3,343,560
Lease liabilities (Note 15)	**237,519**	325,783	402,851
	221,027,736	251,090,916	290,014,171
	448,685,824	467,923,616	516,398,954

* Interest expense was incurred on borrowed funds which were repaid during the year.

26. NET FEE AND COMMISSION INCOME

	2022 MUR	2021 MUR	2020 MUR
Fee and commission income			
Card and related fee income	**34,905,778**	30,606,445	36,186,483
Processing fees	**11,295,923**	11,103,437	11,277,329
International banking	**55,814,534**	51,424,094	34,405,883
Interbank transaction fees	**4,690,760**	3,780,016	2,469,049
Others	**15,779,451**	13,336,805	15,325,790
	122,486,446	110,250,797	99,664,534
Fee and commission expense			
Card and related fee expense	**21,919,701**	20,263,823	15,824,905
Interbank transaction fees	**13,514,318**	8,793,599	6,852,335
	35,434,019	29,057,422	22,677,240
Net fee and commission income	**87,052,427**	81,193,375	76,987,294

Fee and commission income

Card and related fee income relates to fee income generated at a point in time as the bank provides card transactions payment services.
Processing fees are fees generated on credit facilities disbursed by the bank and are recognised over the life of the facilities.
International banking and interbank transactions fees include principally remittance fees recognised at a point in time when the bank executes remittances on behalf of banking customers.
Others include account maintenance fees, confirmation statement fees, cheque book fees and other service charges recognised at a point in time when the bank provides the services to banking customers.

27.NET TRADING INCOME

	2022 MUR	2021 MUR	2020 MUR
Net foreign exchange gain	**57,700,029**	51,678,809	64,092,741

Net foreign exchange gain includes foreign exchange gains and losses arising on revaluation of the bank's assets and liabilities denominated in foreign currency, on foreign currency trading and on foreign currency spot and forward contracts.

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28. OPERATING INCOME

	2022	2021	2020
	MUR	MUR	MUR
Net (loss)/gain on derecognition of investment securities measured at fair value through other comprehensive income	(224,965)	5,852,597	45,313,979
Net gain on derecognition of investment securities measured at amortised cost	23,480,210	104,267,812	57,500,278
Net gain on derecognition of investment securities measured at fair value through profit or loss	-	5,470	1,233,374
	23,255,245	110,125,879	104,047,631
Other Operating Income			
Dividend income from equity instruments at FVOCI	1,503,955	1,763,890	1,314,895
Profit on disposal of property and equipment	-	619,218	-
Others	205,751	10,151	651
Fair value gain on revaluation	-	-	18,940
	1,709,706	2,393,259	1,334,486
	24,964,951	112,519,138	105,382,117

Net gain on derecognition of investment securities relates mainly to sale of Government of Mauritius securities.
During the year, the bank sold investment securities measured at amortised cost to cater for the liquidity and capital management of the bank. All disposals generated a gain.

29. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2022	2021	2020
	MUR	MUR	MUR
Due from banks and restricted balances with Central bank	1,719,898	245,222	(5,253)
Loans and advances to customers	2,518,859	155,274,854	295,016,131
Investment in securities	(2,085,188)	(1,806,286)	4,622,894
Provision on guarantee (note 35)	1,189,426	78,293,188	11,074,266
	3,342,995	232,006,978	310,708,038

Reconciliation of the ECL allowances calculated are set out in Note 12(c) for loans and advances to customers and Note 13(c) for Investment in securities.

	2022	2021	2020
	MUR	MUR	MUR
Loans and advances to customers			
Provision for credit impairment	204,176,832	435,849,139	355,583,844
Provision released	(201,719,949)	(279,223,256)	(57,706,627)
Bad debts recovered	(437,382)	(1,351,029)	(2,898,922)
Bad debts written off for which no provision was made	499,358	-	37,840
	2,518,859	155,274,854	295,016,135

	2022	2021	2020
	MUR	MUR	MUR
Expected Credit Losses - Debt instruments at FVOCI	(2,376,443)	(35,025)	3,300,152
Expected Credit Losses - Debt instruments at amortised cost	291,255	(1,771,261)	1,322,742
	(2,085,188)	(1,806,286)	4,622,894

29. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS (CONT'D)

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss:

	2022			
	Stage 1 Collective MUR	Stage 2 Collective MUR	Stage 3 Individual MUR	Total MUR
Financial assets				
Due from banks and restricted balances with Central bank	1,719,898	-	-	1,719,898
Loans and advances to customers	(8,305,168)	(9,276,286)	20,100,313	2,518,859
Investment securities				
Debt instruments at amortised cost	730,429	(625,401)	186,227	291,255
Debt instruments at fair value through OCI	(1,481,228)	(1,152,429)	257,214	(2,376,443)
	(750,799)	(1,777,830)	443,441	(2,085,188)
	(7,336,069)	(11,054,116)	20,543,754	2,153,569
Contingent liabilities	1,189,426	-	-	1,189,426
	(6,146,643)	(11,054,116)	20,543,754	3,342,995

	2021			
	Stage 1 Collective MUR	Stage 2 Collective MUR	Stage 3 Individual MUR	Total MUR
Financial assets				
Due from banks and restricted balances with Central bank	245,222	-	-	245,222
Loans and advances to customers	37,726,275	(45,633,194)	163,181,774	155,274,855
Investment securities				
Debt instruments at amortised cost	(3,440,035)	1,668,774	-	(1,771,261)
Debt instruments at fair value through OCI	(3,803,118)	3,768,093	-	(35,025)
	(7,243,153)	5,436,867	-	(1,806,286)
	30,728,344	(40,196,327)	163,181,774	153,713,791
Contingent liabilities	78,293,188	-	-	78,293,188
	109,021,532	(40,196,327)	163,181,774	232,006,979

	2020			
	Stage 1 Collective MUR	Stage 2 Collective MUR	Stage 3 Individual MUR	Total MUR
Financial assets				
Due from banks and restricted balances with Central bank	(5,253)	-	-	(5,253)
Loans and advances to customers	(53,636,088)	92,943,148	255,709,071	295,016,131
Investment securities				
Debt instruments at amortised cost	3,300,152	-	-	3,300,152
Debt instruments at fair value through OCI	1,322,742	-	-	1,322,742
	4,622,894	-	-	4,622,894
	(49,018,447)	92,943,148	255,709,071	299,633,772
Contingent liabilities	11,074,266	-	-	11,074,266
	(37,944,181)	92,943,148	255,709,071	310,708,038

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30. PERSONNEL EXPENSES

	2022 MUR	2021 MUR	2020 MUR
Wages and salaries	179,782,011	150,586,077	151,702,057
Employees benefit costs (Note 37)	3,011,005	2,425,776	4,625,465
Others	41,769,903	38,036,934	36,556,951
	224,562,919	191,048,787	192,884,473

Others include mainly travelling allowances, directorship fees, medical benefits, training costs and other allowances.

31. OTHER OPERATING EXPENSES

	2022 MUR	2021 MUR	2020 MUR
Motor vehicle expenses and insurance	6,869,030	6,344,033	6,020,975
Rates	711,573	632,628	681,219
Advertising and marketing	2,292,331	2,117,844	4,375,406
Information technology costs	44,549,238	31,210,463	19,603,095
Licences	4,432,158	4,842,512	3,182,102
Loss on disposal of property and equipment	108,200	-	-
Communication costs	11,341,070	11,317,598	9,247,216
Legal and professional fees	11,958,310	14,703,264	12,112,659
Maintenance costs	6,193,886	6,398,001	6,152,958
Others	29,241,692	24,603,511	22,396,391
	117,697,488	102,169,854	83,772,021

32. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders of the bank by the weighted average number of ordinary shares during the year.

	2022 MUR	2021 MUR	2020 MUR
Profit after tax	201,042,592	120,103,306	120,387,842
Weighted average number of ordinary shares	76,271,872	76,271,872	76,271,872
Earnings per share			
Basic and diluted earnings per share	2.64	1.57	1.58

33. DIVIDENDS

	2022 MUR	2021 MUR	2020 MUR
Dividends on ordinary shares:			
Declared and paid dividend: MUR 0.54 per share (2021: Nil, 2020: MUR 0.77 per share)	41,186,811	-	58,729,341

Dividend paid for 2022 has been declared during the year.

34. RELATED PARTY DISCLOSURES

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

		LOANS AND ADVANCES			DEPOSITS FROM CUSTOMERS		OTHERS	Total amount	Total amount
		Loans and advances granted	Outstanding amount at year end	Interest receivable for the year	Deposits at year end	Interest payable for the year	Other expenditure	Owed by related party	Owed to related party
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Directors and key management personnel	**2022**	**-**	**6,005,019**	**132,675**	**194,811,197**	**2,909,040**	**1,745,016**	**6,005,019**	**194,811,197**
	2021	-	6,718,651	222,599	162,833,784	2,839,717	2,636,649	6,718,651	162,833,784
	2020	41,130,669	15,327,024	556,180	156,054,625	3,574,053	4,835,333	15,327,024	156,054,625
Corporate shareholders with significant influence	**2022**	**-**	**252,558,429**	**9,924,933**	**82,288,317**	**-**	**1,238,194**	**252,558,429**	**82,288,317**
	2021	13,550,000	199,755,821	11,246,221	64,636,671	-	9,178,946	199,755,821	64,636,671
	2020	52,639,798	244,885,055	13,653,243	28,058,597	459	3,344,044	244,885,055	28,058,597
Enterprises that have a number of directors in common	**2022**	**-**	**90,826,731**	**4,914,337**	**15,945,089**	**131**	**9,854,292**	**90,826,731**	**15,945,089**
	2021	48,074,868	104,651,271	5,688,679	19,770,766	-	8,001,131	104,651,271	19,770,766
	2020	52,068,096	117,490,168	7,957,967	20,280,056	45,197	8,909,571	117,490,168	20,280,056
Total	**2022**	**-**	**349,390,179**	**14,971,945**	**293,044,603**	**2,909,171**	**12,837,502**	**349,390,179**	**293,044,603**
	2021	61,624,868	311,125,743	17,157,499	247,241,221	2,839,717	19,816,726	311,125,743	247,241,221
	2020	145,838,563	377,702,247	22,167,390	204,393,278	3,619,709	17,088,948	377,702,247	204,393,278

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. Credit facilities (gross loans, however ECL amount is in the loans and advances) are secured except for short term money market lines and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2022, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2021 and 2020: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Equity contribution from shareholders paid in cash is disclosed in Note 23.
Other expenditure includes principally insurance, training, marketing and communication costs.

(b) Compensation of key management personnel

	2022	2021	2020
	MUR	MUR	MUR
Short term employee benefits	**39,111,780**	37,389,240	36,667,560
Long term employee benefits	**1,695,372**	1,763,201	1,717,268

(c) The bank's top six exposures to related parties amount to MUR 308,967,434 (2021: MUR 265,620,449 and 2020: MUR 323,806,918). These represent 16% of Tier 1 Capital. None of these facilities were non-performing (2021 & 2020: Nil). Allowance for impairment losses amount to MUR 2,832,005 (2021: MUR 2,497,808 and 2020: MUR 6,777,829).

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35. CONTINGENT LIABILITIES

		2022 MUR	2021 MUR	2020 MUR
(a)	**Instruments**			
(i)	Financial guarantees	35,671,805	52,909,454	605,266,761
	Less: Allowance for impairment losses*	(197,075)	(8,972,034)	(12,758,857)
	Net financial guarantees	35,474,730	43,937,420	592,507,904
(ii)	Letters of credit and other obligations on account of customers	-	-	11,000,000
	Less: Allowance for impairment losses	-	-	(64,625)
	Net letters of credit and other obligations on account of customers	-	-	10,935,375
(b)	**Commitments**			
(i)	Undrawn credit facilities	1,916,325,200	1,638,467,897	1,193,184,899
	Less: Allowance for impairment losses*	(7,945,628)	(6,853,267)	(5,208,631)
	Net undrawn credit facilities	1,908,379,572	1,631,614,630	1,187,976,268
	Net contingent liabilities	1,943,854,302	1,675,552,050	1,791,419,547

**The reconciliation of allowance for impairment on guarantees and undrawn credit facilities takes into consideration total payments amounting MUR 8.9m made during the financial year (Note 29).*

(a) (i) Financial guarantees

2022	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	15,150,000	-	-	15,150,000
Standard Monitoring	8,758,195	-	-	8,758,195
Watchlist	-	11,763,610		11,763,610
Unrated	-	-	-	-
Non-performing				
Default	-	-	-	-
Total	23,908,195	11,763,610	-	35,671,805

An analysis of changes in the gross carrying amount is as follows:

2022	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	38,251,314	1,521,746	13,136,395	52,909,455
New exposures originated or purchased	23,908,195	11,763,610	-	35,671,805
Exposures derecognised or repaid (excluding write offs)	(38,251,314)	(1,521,746)	(13,136,395)	(52,909,455)
At 30 June 2022	23,908,195	11,763,610	-	35,671,805

2022	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	82,673	-	-	82,673
Standard Monitoring	48,264	-	-	48,264
Watchlist	-	66,138	-	66,138
Unrated	-	-	-	-
Non-performing				
Default	-	-	-	-
Total	130,937	66,138	-	197,075

35. CONTINGENT LIABILITIES (CONT'D)

(a) Instruments (cont'd)

(a) (i) Financial Guarantees (Cont'd)

An analysis of changes in the ECL amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	232,200	17,812	8,722,022	8,972,034
New exposures originated or purchased	130,937	66,138	-	197,075
Exposures derecognised or repaid (excluding write offs)	(232,200)	(17,812)	(8,722,022)	(8,972,034)
At 30 June 2022	130,937	66,138	-	197,075

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	15,000,000	-	-	15,000,000
Standard Monitoring	23,251,314	-	-	23,251,314
Watchlist	-	1,521,746	-	1,521,746
Unrated	-	-	-	-
Non-performing				
Default	-	-	13,136,395	13,136,395
Total	38,251,314	1,521,746	13,136,395	52,909,455

An analysis of changes in the gross carrying amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	347,139,001	160,005,442	98,122,318	605,266,761
New exposures originated or purchased	38,251,314	1,521,746	13,136,395	52,909,455
Exposures derecognised or repaid (excluding write offs)	(347,139,001)	(160,005,442)	(98,122,318)	(605,266,761)
At 30 June 2021	38,251,314	1,521,746	13,136,395	52,909,455

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	69,433	-	-	69,433
Standard Monitoring	162,766	-	-	162,766
Watchlist	-	17,812	-	17,812
Unrated	-	-	-	-
Non-performing				
Default	-	-	8,722,022	8,722,022
Total	232,199	17,812	8,722,022	8,972,033

An analysis of changes in the ECL amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	2,067,587	893,034	576,236	3,536,857
New exposures originated or purchased	232,200	17,812	8,722,022	8,972,034
Exposures derecognised or repaid (excluding write offs)	(2,067,587)	(893,034)	(576,236)	(3,536,857)
At 30 June 2021	232,200	17,812	8,722,022	8,972,034

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35. CONTINGENT LIABILITIES (CONT'D)

Instruments (cont'd)

(a) (i) Financial Guarantees (Cont'd)

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	-	-	-	-
Standard Monitoring	345,091,501	-	-	345,091,501
Watchlist	-	160,005,442	-	160,005,442
Unrated	2,047,500	-	-	2,047,500
Non-performing				
Default	-	-	98,122,318	98,122,318
Total	347,139,001	160,005,442	98,122,318	605,266,761

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	118,138,466	-	-	118,138,466
New exposures originated or purchased	347,139,001	160,005,442	98,122,318	605,266,761
Exposures derecognised or repaid (excluding write offs)	(118,138,466)	-	-	(118,138,466)
At 30 June 2020	347,139,001	160,005,442	98,122,318	605,266,761

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	-	-	-	-
Standard Monitoring	2,054,234	-	-	2,054,234
Watchlist	-	893,034	-	893,034
Unrated	13,353	-	-	13,353
Non-performing				
Default	-	-	576,236	576,236
Total	2,067,587	893,034	576,236	3,536,857

An analysis of changes in the ECL amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	735,365	-	-	735,365
New exposures originated or purchased	2,067,587	893,034	576,236	3,536,857
Exposures derecognised or repaid (excluding write offs)	(735,365)	-	-	(735,365)
At 30 June 2020	2,067,587	893,034	576,236	3,536,857

(a) (ii) Letter of credit and other obligations on account of customers

The bank had no letter of credit at 30 June 2022

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	-	-	-	-
New exposures originated or purchased	-	-	-	-
Exposures derecognised or repaid (excluding write offs)	-	-	-	-
At 30 June 2022	-	-	-	-

35. CONTINGENT LIABILITIES (CONT'D)

(a) Instruments (cont'd)

(a) (ii) Letter of credit and other obligations on account of customers (Cont'd)

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	-	-	-	-
New exposures originated or purchased	-	-	-	-
Exposures derecognised or repaid (excluding write offs)	-	-	-	-
At 30 June 2022	-	-	-	-

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	-	-	11,000,000	11,000,000
New exposures originated or purchased	-	-	-	-
Exposures derecognised or repaid (excluding write offs)	-	-	(11,000,000)	(11,000,000)
At 30 June 2021	-	-	-	-

Letter of credit of MUR 11M originated during 2020 was classified in stage 1. During 2020, the letter of credit were transferred to stage 3.

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	-	-	64,625	64,625
New exposures originated or purchased	-	-	-	-
Exposures derecognised or repaid (excluding write offs)	-	-	(64,625)	(64,625)
At 30 June 2021	-	-	-	-

	2020			
Gross carrying amount	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Internal rating grade				
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non-performing				
Default	-	-	11,000,000	11,000,000
Total	-	-	11,000,000	11,000,000

An analysis of changes in the gross carrying amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	3,373,422	-	-	3,373,422
New exposures originated or purchased	-	-	11,000,000	11,000,000
Exposures derecognised or repaid (excluding write offs)	(3,373,422)	-	-	(3,373,422)
At 30 June 2020	-	-	11,000,000	11,000,000

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non-performing				
Default	-	-	64,625	64,625
Total	-	-	64,625	64,625

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35. CONTINGENT LIABILITIES (CONT'D)

(a) Instruments (cont'd)

(a) (ii) Letter of credit and other obligations on account of customers (Cont'd)

An analysis of changes in the ECL amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	16,871	-	-	16,871
New exposures originated or purchased	-	-	64,625	64,625
Exposures derecognised or repaid (excluding write offs)	(16,871)	-	-	(16,871)
At 30 June 2020	-	-	64,625	64,625

(b) Commitments

(b) (i) Undrawn credit facilities

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	853,293,298	-	-	853,293,298
Standard Monitoring	947,073,471	-	-	947,073,471
Watchlist	10,128,615	94,722,039	-	104,850,654
Unrated	11,107,777	-	-	11,107,777
Non-performing				
Default	-	-	-	-
Total	1,821,603,161	94,722,039	-	1,916,325,200

An analysis of changes in the ECL amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,475,742,977	162,724,921	-	1,638,467,898
New exposures originated or purchased	1,821,603,161	94,722,039	-	1,916,325,200
Exposures derecognised or repaid (excluding write offs)	(1,475,742,977)	(162,724,921)	-	(1,638,467,898)
At 30 June 2022	1,821,603,161	94,722,039	-	1,916,325,200

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	2,927,287	-	-	2,927,287
Standard Monitoring	4,408,905	-	-	4,408,905
Watchlist	41,552	535,368	-	576,920
Unrated	32,516	-	-	32,516
Non-performing				
Default	-	-	-	-
Total	7,410,260	535,368	-	7,945,628

An analysis of changes in the ECL amount is as follows:

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	6,086,047	767,220	-	6,853,267
New exposures originated or purchased	7,410,260	535,368	-	7,945,628
Exposures derecognised or repaid (excluding write offs)	(6,086,047)	(767,220)	-	(6,853,267)
At 30 June 2022	7,410,260	535,368	-	7,945,628

35. CONTINGENT LIABILITIES (CONT'D)

(b) Commitments

(b) (i) Undrawn credit facilities

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	668,343,163	-	-	668,343,163
Standard Monitoring	804,933,112	-	-	804,933,112
Watchlist	-	162,724,921	-	162,724,92
Unrated	2,466,702	-	-	2,466,702
Non-performing				-
Default	-	-	-	-
Total	1,475,742,977	162,724,921	-	1,638,467,89

An analysis of changes in the gross carrying amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,065,902,913	127,281,988	-	1,193,184,901
New exposures originated or purchased	1,475,742,977	162,724,921	-	1,638,467,898
Exposures derecognised or repaid (excluding write offs)	(1,065,902,913)	(127,281,988)	-	(1,193,184,901)
At 30 June 2021	1,475,742,977	162,724,921	-	1,638,467,898

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	2,234,609	-	-	2,234,609
Standard Monitoring	3,836,971	-	-	3,836,971
Watchlist	3,240	767,220	-	770,460
Unrated	11,227	-	-	11,227
Non-performing				
Default	-	-	-	-
Total	6,086,047	767,220	-	6,853,267

An analysis of changes in the ECL amount is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	4,647,843	560,788	-	5,208,631
New exposures originated or purchased	6,086,047	767,220	-	6,853,267
Exposures derecognised or repaid (excluding write offs)	(4,647,843)	(560,788)	-	(5,208,631)
At 30 June 2021	6,086,047	767,220	-	6,853,267

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	610,960,867	-	-	610,960,867
Standard Monitoring	443,404,101	-	-	443,404,101
Watchlist	-	127,281,988	-	127,281,988
Unrated	11,537,943	-	-	11,537,943
Non-performing				
Default	-	-	-	-
Total	1,065,902,911	127,281,988	-	1,193,184,899

35. CONTINGENT LIABILITIES (CONT'D)

(b) Commitments

(b) (i) Undrawn credit facilities

An analysis of changes in the gross carrying amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,319,862,036	2,040,665	-	1,321,902,701
New exposures originated or purchased	1,065,902,911	127,281,988	-	1,193,184,899
Exposures derecognised or repaid (excluding write offs)	(1,319,862,036)	(2,040,665)	-	(1,321,902,701)
At 30 June 2020	1,065,902,911	127,281,988	-	1,193,184,899

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	2,685,919	-	-	2,685,919
Standard Monitoring	1,888,259	-	-	1,888,259
Watchlist	-	560,788	-	560,788
Unrated	73,665	-	-	73,665
Non-performing				
Default	-	-	-	-
Total	4,647,843	560,788	-	5,208,631

An analysis of changes in the ECL amount is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	6,199,104	6,506	-	6,205,610
New exposures originated or purchased	4,647,843	560,788	-	5,208,631
Exposures derecognised or repaid (excluding write offs)	(6,199,104)	(6,506)	-	(6,205,610)
At 30 June 2020	4,647,843	560,788	-	5,208,631

36. PLEDGED ASSETS

The assets that have been pledged to secure the credit facilities with the Bank of Mauritius and other commercial banks are as follows:

	2022	2021	2020
	MUR	MUR	MUR
Government of Mauritius bonds, notes and bills	353,000,000	340,000,000	345,000,000

The significant terms for pledging GOM bonds, notes and bills pledged as collateral are as follows:
(1) securities cannot be traded
(2) if securities are maturing, they are to be replaced
(3) there will usually be a haircut on the credit line as compared to the pledged asset

37. RETIREMENT BENEFIT OBLIGATION

(a) Defined contribution plan

As from 1 July 2014, the bank operates a defined contribution plan for all its employees. The assets of the plan are held separately from the bank under the control of ABC Group Pension Fund. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the bank are reduced by the amount of forfeited contributions.

The total expenses recognised in profit or loss of MUR 10,720,280 (2021: MUR 10,180,410, 2020: MUR 9,948,957) represents contributions payable to the plan by the bank.

(b) Gratuity on retirement

The bank is required to pay gratuities on retirement of the bank's employees in accordance with Section 99 of the Workers' Rights Act 2019. The bank has engaged MUA Life Ltd to calculate the obligations arising out of the gratuities payable. For members of the bank's defined contribution, the obligation relates to the residual retirement gratuity and as a result 5 times the annual pension, relating to the bank's share of contributions, is offset from the retirement gratuity and this residual liability is recognised in the bank's financial statements.

37. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Gratuity on retirement (Cont'd)

The following table summarises the components of net benefit expense recognised in the statement of profit or loss and the unfunded status and amounts recognised in the statement of financial position.

The amount included in the statement of financial position arising from the bank's obligation in respect of its retirement gratuities is as follows:

	2022	2021	2020
	MUR	MUR	MUR
Present value of retirement benefit obligation	**24,588,442**	19,496,527	28,126,242
Fair value plan assets	**(38,456)**	-	-
	24,549,986	19,496,527	28,126,242

Amounts recognised in the statement of profit or loss in respect of the retirement gratuities obligation are as follows:

	2022	2021	2020
	MUR	MUR	MUR
Current service cost	**2,154,616**	1,704,777	2,988,396
Net interest cost	**856,389**	720,999	814,488
Past service costs	**-**	-	822,581
Net cost for the year recognised in profit and loss	**3,011,005**	2,425,776	4,625,465
Remeasurement recognised in other comprehensive income	**2,343,184**	(10,571,004)	7,661,234
Net cost for the year	**5,354,189**	(8,145,228)	12,286,699

	2022	2021	2020
	MUR	MUR	MUR
Changes in the present value of the obligation			
Present value of obligation at start of period	**19,496,527**	28,126,242	15,839,543
Restatement	**-**	-	-
Interest cost	**856,389**	720,999	814,488
Current service cost	**2,154,616**	1,704,777	2,988,396
Past service costs	**-**	-	822,581
Benefits paid	**(262,274)**	(484,487)	-
Expected obligation at end of period	**22,245,258**	30,067,531	20,465,008
Present value of obligation at end of period	**24,588,442**	19,496,527	28,126,242
Remeasurement recognised in other comprehensive income at end of period - gain/(losses)	**(2,343,184)**	10,571,004	(7,661,234)
Deferred tax	**152,307**	(718,607)	497,980
Retirement pension net of deferred tax	**(2,190,877)**	9,852,397	(7,163,254)
Changes in the fair value of the plan assets			
Fair value of plan assets at start of period	**-**	-	-
Restatement	**-**	-	-
Contributions to plan assets *	**43,233**	-	-
Benefits paid out of plan assets	**(6,127)**	-	-
Fund expenses and life insurance	**-**	-	-
Expected fair value at end of period	**37,106**	-	-
Fair value of plan assets at end of period	**37,106**	-	-
Remeasurement recognised in other comprehensive income at end of period -Gain/(losses)	**-**	-	-

*The plan asset relates to contributions made to the Portable Retirement Gratuity Fund ("PRGF") introduced in January 2022 under the Workers' Rights Act 2019.

37. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Gratuity on retirement (Cont'd)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022	2021	2020
	MUR	MUR	MUR
Normal retirement age	65	65	65
Discount rate	4.48%	3.95%	2.62%
Future salary increases	3.00%	3.00%	3.00%
Annual proportion of employees leaving service	5% up to age 40, decreasing to 0% at 45 & nil thereafter	5% up to age 40, decreasing to 0% at 45 & nil thereafter	5% up to age 40, decreasing to 0% at 45 & nil thereafter
Actuarial table for employee mortality	PMA92_PFA92	PMA92_PFA92	PMA92_PFA92

Movements in the present value of the retirement gratuities in the current year is as follows:

	2022	2021	2020
	MUR	MUR	MUR
Opening retirement gratuities obligation	19,496,527	28,126,242	15,839,543
Current service cost	2,154,616	1,704,777	2,988,396
Past service cost	-	-	822,581
Interest cost	856,389	720,999	814,488
Benefits paid	(300,730)	(484,487)	-
Net actuarial gain recognised in other comprehensive income	2,343,184	(10,571,004)	7,661,234
Present value of obligation at end of year	24,549,986	19,496,527	28,126,242

Significant actuarial assumptions for the determination of the defined contribution plan are discount rate, expected salary increase and longevity rates. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	2022	2021	2020
	MUR	MUR	MUR
Sensitivity			
Effect on present value of obligations:			
1% increase in discount rate	(20,045,443)	(16,253,742)	(23,287,038)
1% decrease in discount rate	30,475,011	23,975,971	33,065,291
1% increase in salary increase assumption	29,455,363	23,158,642	32,258,637
1% decrease in salary increase assumption	(20,846,480)	(16,805,853)	(23,904,498)
Effect of changing longevity - one year up	22,432,788	19,205,321	27,254,946
Effect of changing longevity - one year down	(23,162,836)	(19,772,154)	(27,788,778)

The sensitivity analysis presented above may not be representative of the actual change in the defined contribution 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.

38. CAPITAL COMMITMENT

	2022	2021	2020
	MUR	MUR	MUR
Amount contracted for but not yet incurred	6,500,000	85,730,740	110,325,458

The above expenditure relates to IT projects.

39. EVENT AFTER REPORTING DATE

There have been no events subsequent to the reporting date which require adjustment of or disclosure in the financial statements or notes thereto.

40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Subordinated debts*	Preference shares*	Lease liabilities	Ordinary Dividend	Total
	MUR	MUR	MUR	MUR	MUR
At 1 July 2019	500,000,000	138,180,000	9,617,694	-	647,797,694
New leases	-	-	1,008,867	-	1,008,867
Dividend declared	-	-	-	58,729,341	58,729,341
Cash flows	-	-	(4,734,420)	(58,729,341)	(63,463,761)
At 30 June 2020	500,000,000	138,180,000	5,892,141	-	644,072,141
At 1 July 2020	500,000,000	138,180,000	5,892,141	-	644,072,141
Dividend declared	-	-	-	-	-
New leases	-	-	4,604,554	-	4,604,554
Cash flows	-	-	(3,629,470)	-	(3,629,470)
At 30 June 2021	500,000,000	138,180,000	6,867,225	-	645,047,225
At 1 July 2021	**500,000,000**	**138,180,000**	**6,867,225**	**-**	**645,047,225**
Dividend declared	**-**	**-**	**-**	**41,186,811**	**41,186,811**
Cash flows	**-**	**(138,180,000)**	**(3,815,113)**	**(41,186,811)**	**(183,181,924)**
At 30 June 2022	**500,000,000**	**-**	**3,052,112**	**-**	**503,052,112**

*The movement in interest on preference shares and subordinated debts are presented under operating activities in the statement of cash flows. There is no impact on the financial statements figures for current and prior year.

41. SEGMENTAL REPORTING

For management purposes, the bank is organised into one main operating segment, which is the conduct of its banking activities. All significant operating decisions about resource allocation and performance assessment are based upon analysis of the bank's operations as one segment and one single business. The financial results from this segment are equivalent to the financial statements of the bank as a whole.

In line with the Guideline on Segmental Reporting under a Single Banking Licence Regime and Guideline on Public Disclosure of Information as issued by the Bank of Mauritius, the bank classifies its assets and liabilities into two segments: Segment A and Segment B. Segment B activity is essentially directed to the provision of international financial services that give rise to "foreign source income".

Segment B assets will generally consist of placements with and advances to foreign financial institutions.

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

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

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

41. SEGMENTAL REPORTING (CONT'D)

STATEMENT OF FINANCIAL POSITION

		2022			2021			2020		
	Notes	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
ASSETS										
Cash and cash equivalents	41(a)	3,094,610,118	1,688,291,576	1,406,318,542	4,871,775,378	2,522,286,007	2,349,489,371	1,280,041,690	776,641,105	503,400,585
Due from banks	41(b)	966,675,490	455,055,930	511,619,560	-	-	-	14,819,085	14,819,085	-
Derivative financial assets		50,004,747	364,025	49,640,722	10,228,424	96,670	10,131,754	2,183,441	110,205	2,073,236
Loans and advances to customers	41(c)	10,013,946,960	8,465,688,236	1,548,258,724	10,180,812,563	7,682,986,834	2,497,825,729	9,769,375,208	7,548,106,329	2,221,268,879
Investment securities		6,407,507,165	4,502,072,424	1,905,434,741	6,504,248,029	4,504,255,818	1,999,992,211	7,114,456,335	5,103,353,191	2,011,103,144
Other assets		929,581,796	823,824,983	105,756,813	952,457,252	812,381,456	140,075,796	891,377,784	732,769,080	158,608,704
Property and equipment		587,085,644	440,314,233	146,771,411	586,761,003	440,070,752	146,690,251	600,843,664	450,632,748	150,210,916
Intangible assets		98,455,590	98,455,590	-	41,793,082	41,793,082	-	8,922,365	8,922,365	-
Deferred tax assets		7,574,450	7,574,450	-	11,598,877	11,598,877	-	23,084,417	23,084,417	-
Total assets		22,155,441,960	16,481,641,447	5,673,800,513	23,159,674,608	16,015,469,496	7,144,205,112	19,705,103,989	14,658,438,525	5,046,665,464
LIABILITIES										
Derivative financial liabilities		9,404,846	2,445	9,402,401	8,936,609	-	8,936,609	9,759,640	224,675	9,534,965
Deposits from customers	41(d)	19,016,751,814	11,119,201,632	7,897,550,182	19,846,223,025	10,582,262,326	9,263,960,699	16,799,731,794	9,248,246,995	7,551,484,799
Preference shares		-	-	-	142,809,030	142,809,030	-	144,534,198	144,534,198	-
Subordinated debts		504,821,233	504,821,233	-	504,762,329	504,762,329	-	504,762,329	504,762,329	-
Current tax liabilities		10,250,861	10,250,861	-	9,220,699	9,220,699	-	28,244,435	28,244,435	-
Other liabilities		533,387,720	335,228,470	198,159,250	719,178,864	200,320,169	518,858,695	381,314,330	381,314,330	-
Total liabilities		20,074,616,474	11,969,504,641	8,105,111,833	21,231,130,556	11,439,374,553	9,791,756,003	17,868,346,726	10,307,326,962	7,561,019,764
Shareholders' Equity										
Issued capital		940,495,472			940,495,472			940,495,472		
Retained earnings		920,289,820			791,848,897			677,416,500		
Other reserves		220,040,194			196,199,683			218,845,291		
Capital and reserves		2,080,825,486			1,928,544,052			1,836,757,263		
Total liabilities and equity		22,155,441,960			23,159,674,608			19,705,103,989		

41. SEGMENTAL REPORTING (CONT'D)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022			2021			2020		
		Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
Interest income using the effective interest method		669,713,560	550,358,363	119,355,197	719,014,532	578,008,132	141,006,400	806,413,125	650,948,411	155,464,714
Interest expense		(221,027,736)	(211,758,593)	(9,269,143)	(251,090,916)	(242,015,451)	(9,075,465)	(290,014,171)	(275,042,240)	(14,971,931)
Net interest income	41(e)	448,685,824	338,599,770	110,086,054	467,923,616	335,992,681	131,930,935	516,398,954	375,906,171	140,492,783
Fee and commission income		122,486,446	31,594,016	90,892,430	110,250,797	26,002,075	84,248,722	99,664,534	19,917,109	79,747,425
Fee and commission expense		(35,434,019)	(2,696,310)	(32,737,709)	(29,057,422)	(3,108,632)	(25,948,790)	(22,677,240)	(2,644,429)	(20,032,811)
Net fee and commission income	41(f)	87,052,427	28,897,706	58,154,721	81,193,375	22,893,443	58,299,932	76,987,294	17,272,680	59,714,614
Net trading income	41(g)	57,700,029	41,138,909	16,561,120	51,678,809	28,878,750	22,800,059	64,092,741	39,831,463	24,261,278
Net gain on sale of investment securities	41(h)	23,255,245	23,255,406	(161)	110,125,879	104,706,003	5,419,876	104,047,631	73,353,202	30,694,429
Other operating income	41(i)	1,709,706	1,709,706	-	2,393,259	2,393,259	-	1,334,486	1,334,486	-
Total other income		82,664,980	66,104,021	16,560,959	164,197,947	135,978,012	28,219,935	169,474,858	114,519,151	54,955,707
Operating income		618,403,231	433,601,497	184,801,734	713,314,938	494,864,136	218,450,802	762,861,106	507,698,002	255,163,103
Personnel expenses	41(k)	(224,562,919)	(168,422,189)	(56,140,730)	(191,048,787)	(143,286,590)	(47,762,197)	(192,884,473)	(144,663,355)	(48,221,118)
Depreciation and amortisation		(45,703,298)	(34,277,473)	(11,425,825)	(36,599,430)	(27,449,572)	(9,149,858)	(34,058,940)	(25,544,205)	(8,514,735)
Other operating expenses	41(l)	(117,697,488)	(86,626,950)	(31,070,538)	(102,169,854)	(74,653,694)	(27,516,160)	(83,772,021)	(61,004,386)	(22,767,635)
Non interest expenses		(387,963,705)	(289,326,612)	(98,637,093)	(329,818,071)	(245,389,856)	(84,428,215)	(310,715,434)	(231,211,946)	(79,503,488)
Operating profit before impairment		230,439,526	144,274,885	86,164,641	383,496,867	249,474,280	134,022,587	452,145,672	276,486,056	175,659,615
Allowance for credit impairment on financial assets	41(j)	(3,342,995)	(10,524,410)	7,181,415	(232,006,978)	(84,949,704)	(147,057,274)	(310,708,038)	(96,803,741)	(213,904,297)
Operating profit before tax		227,096,531	133,750,475	93,346,056	151,489,889	164,524,576	(13,034,687)	141,437,634	179,682,315	(38,244,682)
Income tax expense		(26,053,939)	(31,971,949)	5,918,010	(31,386,583)	(28,694,850)	(2,691,733)	(21,049,792)	(18,916,574)	(2,133,218)
Profit for the year		201,042,592	101,778,526	99,264,066	120,103,306	135,829,726	(15,726,420)	120,387,842	160,765,741	(40,377,900)
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		7,883,548	11,355,888	(3,472,340)	14,566,769	14,566,769	-	6,190,622	6,190,622	-
Fair value gain on disposal in equity		932,408	932,408	-	2,492,190	2,492,190	-	-	-	-
Remeasurement of retirement pension net of deferred tax		(2,190,877)	(2,190,877)	-	9,852,397	9,852,397	-	(7,163,254)	(7,163,254)	-
		6,625,079	10,097,419	(3,472,340)	26,911,356	26,911,356	-	(972,632)	(972,632)	-
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		(2,376,443)	(3,059,190)	682,747	(35,025)	152,520	(187,545)	3,300,152	3,429,334	(129,182)
Net (loss)/ gain on investments in debt instruments designated at fair value through other comprehensive income		(11,822,983)	(7,000,079)	(4,822,904)	(55,192,848)	(23,563,511)	(31,629,337)	1,593,477	21,733,156	(20,139,679)
Other comprehensive (loss)/ income for the year		(7,574,347)	38,150	(7,612,497)	(28,316,517)	3,500,365	(31,816,882)	3,920,997	24,189,857	(20,268,860)
Total comprehensive income		193,468,245	101,816,676	91,651,569	91,786,789	139,330,091	47,543,303	124,308,839	184,955,598	(60,646,760)

41. SEGMENTAL REPORTING (CONT'D)

	2022			2021			2020		
	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(a) ***Cash and cash equivalents***									
Cash in hand	13,187,157	8,259,623	4,927,534	17,669,176	7,795,215	9,873,961	14,038,021	5,349,235	8,688,786
Unrestricted balances with Central Bank	480,327,095	480,327,095	-	821,777,037	821,777,037	-	475,470,513	475,470,513	-
Balances with banks	1,364,847,985	350,208,597	1,014,639,388	1,528,853,236	24,151,765	1,504,701,471	509,345,980	14,634,181	494,711,799
Due from banks	1,236,247,881	849,496,261	386,751,620	2,503,475,929	1,668,561,990	834,913,939	281,187,176	281,187,176	-
	3,094,610,118	1,688,291,576	1,406,318,542	4,871,775,378	2,522,286,007	2,349,489,371	1,280,041,690	776,641,105	503,400,585
(b) ***Due from banks***									
Placement with banks	968,352,343	455,269,494	513,082,849	-	-	-	-	-	-
Deposits with the Central Bank	-	-	-	-	-	-	14,839,238	14,839,238	-
Less: Expected credit losses	(1,676,853)	(213,564)	(1,463,289)	-	-	-	(20,153)	(20,153)	-
	966,675,490	455,055,930	511,619,560	-	-	-	14,819,085	14,819,085	-
(c) ***Loans and advances to customers***									
Loans and overdrafts									
Retail	1,808,414,572	1,476,280,603	332,133,969	1,234,030,245	828,695,199	405,335,046	744,930,675	578,951,281	165,979,394
Corporate	6,466,936,245	5,245,187,021	1,221,749,224	7,226,824,302	5,108,603,414	2,118,220,888	7,695,236,365	5,423,311,276	2,271,925,089
	8,275,350,817	6,721,467,624	1,553,883,193	8,460,854,547	5,937,298,613	2,523,555,934	8,440,167,040	6,002,262,557	2,437,904,483
Less: Allowance for impairment losses	(204,495,458)	(179,909,146)	(24,586,312)	(201,988,925)	(170,154,926)	(31,833,999)	(379,850,609)	(156,677,472)	(223,173,137)
	8,070,855,359	6,541,558,478	1,529,296,881	8,258,865,622	5,767,143,687	2,491,721,935	8,060,316,431	5,845,585,085	2,214,731,346
Investment in finance leases									
Retail	948,204,018	932,148,013	16,056,005	949,247,080	948,122,168	1,124,912	756,984,832	756,984,832	-
Corporate	1,019,311,486	1,016,299,029	3,012,457	996,991,102	991,834,709	5,156,393	982,827,435	976,289,025	6,538,410
	1,967,515,504	1,948,447,042	19,068,462	1,946,238,182	1,939,956,877	6,281,305	1,739,812,267	1,733,273,857	6,538,410
Less: Allowance for impairment losses	(24,423,903)	(24,317,284)	(106,619)	(24,291,241)	(24,113,730)	(177,511)	(30,753,490)	(30,752,614)	(876)
	1,943,091,601	1,924,129,758	18,961,843	1,921,946,941	1,915,843,147	6,103,794	1,709,058,777	1,702,521,243	6,537,534
	10,013,946,960	8,465,688,236	1,548,258,724	10,180,812,563	7,682,986,834	2,497,825,729	9,769,375,208	7,548,106,328	2,221,268,880

41. SEGMENTAL REPORTING (CONT'D)

	2022			2021			2020		
	Total MUR	**Segment A MUR**	**Segment B MUR**	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(d) Deposits from customers									
Retail customers									
Savings accounts	**4,123,253,665**	**3,987,866,121**	**135,387,544**	3,697,600,501	3,614,780,439	82,820,062	3,394,409,759	3,294,945,544	99,464,215
Current accounts	**1,183,230,568**	**378,683,600**	**804,546,968**	909,167,845	204,046,446	705,121,399	1,066,917,821	181,567,947	885,349,874
Term deposits with remaining term to maturity:				-			-		
Up to 3 months	**247,341,835**	**233,790,135**	**13,551,700**	716,339,996	523,064,650	193,275,346	335,479,281	127,806,271	207,673,010
Over 3 months and up to 6 months	**361,974,890**	**331,798,830**	**30,176,060**	757,597,545	722,221,359	35,376,186	119,578,500	95,358,100	24,220,400
Over 6 months and up to 12 months	**547,747,373**	**545,704,640**	**2,042,733**	679,804,144	667,911,387	11,892,757	255,734,790	243,891,314	11,843,476
Over 1 year and up to 5 years	**2,351,965,341**	**2,333,097,034**	**18,868,307**	1,477,117,172	1,451,106,273	26,010,899	2,097,778,434	2,077,278,063	20,500,371
Corporate customers									
Savings accounts	**158,153,294**	**158,153,294**	**-**	122,281,403	122,281,403	-	157,680,717	157,680,717	-
Current accounts	**7,825,516,051**	**1,350,215,349**	**6,475,300,702**	8,928,935,692	1,154,779,460	7,774,156,232	6,763,218,928	808,866,446	5,954,352,482
Term deposits with remaining term to maturity:									
Up to 3 months	**201,110,423**	**96,418,895**	**104,691,528**	366,213,885	191,841,546	174,372,339	560,380,144	369,944,682	190,435,462
Over 3 months and up to 6 months	**844,644,803**	**732,995,239**	**111,649,564**	1,073,993,810	966,214,586	107,779,224	360,735,014	203,089,505	157,645,509
Over 6 months and up to 12 months	**695,219,013**	**539,681,948**	**155,537,065**	710,432,461	641,397,329	69,035,132	550,760,222	550,760,222	-
Over 1 year and up to 5 years	**476,594,558**	**430,796,547**	**45,798,011**	406,738,571	322,617,448	84,121,123	1,137,058,184	1,137,058,184	-
	19,016,751,814	**11,119,201,632**	**7,897,550,182**	19,846,223,025	10,582,262,326	9,263,960,699	16,799,731,794	9,248,246,995	7,551,484,799

41. SEGMENTAL REPORTING (CONT'D)

	2022			2021			2020		
	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(e) Net interest income									
Interest income using the effective interest method									
Finance leases	100,800,844	100,303,171	497,673	98,161,159	97,140,595	1,020,564	103,448,633	102,768,135	680,498
Loans and advances to customers (excluding finance leases)	326,281,106	245,467,589	80,813,517	358,949,705	252,513,380	106,436,325	381,387,357	278,530,218	102,857,139
Loans to and placements with banks	11,331,499	6,020,140	5,311,359	2,947,682	1,259,517	1,688,165	17,755,453	10,334,980	7,420,473
Investment securities	231,300,111	198,567,463	32,732,648	258,955,986	227,094,640	31,861,346	303,821,682	259,315,078	44,506,604
	669,713,560	550,358,363	119,355,197	719,014,532	578,008,132	141,006,400	806,413,125	650,948,411	155,464,714
Interest expense									
Deposits from customers	193,860,564	185,290,967	8,569,597	220,023,666	211,225,018	8,798,648	252,948,197	238,075,767	14,872,430
Preference shares	-	-	-	4,535,783	4,535,783	-	6,240,625	6,240,625	-
Subordinated debts	25,645,034	25,645,034	-	25,562,500	25,562,500	-	27,078,938	27,078,938	-
Borrowed funds	1,284,619	694,894	589,725	643,184	478,671	164,513	3,343,560	3,268,011	75,549
Lease liabilities	237,519	127,698	109,821	325,783	213,479	112,304	402,851	378,899	23,952
	221,027,736	211,758,593	9,269,143	251,090,916	242,015,451	9,075,465	290,014,171	275,042,240	14,971,931
Net interest income	448,685,824	338,599,770	110,086,054	467,923,616	335,992,681	131,930,935	516,398,954	375,906,171	140,492,783
(f) Net fee and commission income									
Fee and commission income									
Card and related fee income	34,905,778	6,182,128	28,723,650	30,606,445	5,796,785	24,809,660	36,186,483	4,930,766	31,255,717
Processing fees	11,295,923	9,959,757	1,336,166	11,103,437	8,277,536	2,825,901	11,277,329	4,985,850	6,291,479
International banking	55,814,534	-	55,814,534	51,424,094	-	51,424,094	34,405,883	-	34,405,883
Interbank transaction fees	4,690,760	4,690,760	-	3,780,016	3,597,396	182,620	2,469,049	2,469,049	-
Others	15,779,451	10,761,371	5,018,080	13,336,805	8,330,358	5,006,447	15,325,790	7,531,444	7,794,346
	122,486,446	31,594,016	90,892,430	110,250,797	26,002,075	84,248,722	99,664,534	19,917,109	79,747,425
Fee and commission expense									
Card and related fees	21,919,701	724,185	21,195,516	20,263,823	904,609	19,359,214	15,824,905	429,030	15,395,875
Interbank transaction fees	13,514,318	1,972,125	11,542,193	8,793,599	2,204,023	6,589,576	6,852,335	2,215,399	4,636,936
	35,434,019	2,696,310	32,737,709	29,057,422	3,108,632	25,948,790	22,677,240	2,644,429	20,032,811
Net fee and commission income	87,052,427	28,897,706	58,154,721	81,193,375	22,893,443	58,299,932	76,987,294	17,272,680	59,714,614
(g) Net trading income									
Net foreign exchange gain	57,700,029	41,138,909	16,561,120	51,678,809	28,878,750	22,800,059	64,092,741	39,831,463	24,261,278

41. SEGMENTAL REPORTING (CONT'D)

	2022			2021			2020		
	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(h) Net gain on sale of investment securities									
Net gain on sale of investment securities	23,255,245	23,255,406	(161)	110,125,879	104,706,003	5,419,876	104,047,631	73,353,202	30,694,429
(i) Other operating income									
Dividend income from equity instruments under FVOCI	1,503,955	1,503,955	-	1,763,890	1,763,890	-	1,314,895	1,314,895	-
Profit on disposal of property and equipment	-	-	-	619,218	619,218	-	-	-	-
Others	205,751	205,751	-	10,151	10,151	-	19,591	19,591	-
	1,709,706	1,709,706	-	2,393,259	2,393,259	-	1,334,486	1,334,486	-
(j) ***Allowance for credit impairment on financial assets***									
Due to banks	1,719,898	1,132,969	586,929	245,222	226,741	18,481	(5,253)	19,204	(24,457)
Loans and advances to customers	2,518,859	9,837,439	(7,318,580)	155,274,854	7,182,289	148,092,565	295,016,131	82,492,844	212,523,287
Provision on guarantee	1,189,426	1,205,511	(16,085)	78,293,188	79,449,163	(1,155,975)	11,074,266	9,602,527	1,471,739
Investment in securities	(2,085,188)	(1,651,509)	(433,679)	(1,806,286)	(1,908,489)	102,203	4,622,894	4,689,166	(66,272)
	3,342,995	10,524,410	(7,181,415)	232,006,978	84,949,704	147,057,274	310,708,038	96,803,741	213,904,297
(k) Personnel expenses									
Wages and salaries	179,782,011	134,836,508	44,945,503	150,586,077	112,939,558	37,646,519	151,702,057	113,776,543	37,925,514
Employees benefit costs	3,011,005	2,258,254	752,751	2,425,776	1,819,332	606,444	4,625,465	3,469,099	1,156,366
Others	41,769,903	31,327,427	10,442,476	38,036,934	28,527,700	9,509,234	36,556,951	27,417,713	9,139,238
	224,562,919	168,422,189	56,140,730	191,048,787	143,286,590	47,762,197	192,884,473	144,663,355	48,221,118
(l) ***Other expenses***									
Motor vehicle expenses and insurance	6,869,030	5,151,772	1,717,258	6,344,033	4,758,025	1,586,008	6,020,975	4,515,731	1,505,244
Rental of office	711,573	533,680	177,893	632,628	474,471	158,157	681,219	510,914	170,305
Advertising and marketing	2,292,331	1,719,248	573,083	2,117,844	1,588,383	529,461	4,375,406	3,281,554	1,093,852
Information technology costs	44,549,238	33,411,928	11,137,310	31,210,463	23,407,847	7,802,616	19,603,095	14,702,321	4,900,774
Licences	4,432,158	3,324,118	1,108,040	4,842,512	3,631,884	1,210,628	3,182,102	2,386,576	795,526
Loss on disposal of property and equipment	108,200	81,150	27,050	-	-	-	-	-	-
Communication costs	11,341,070	8,505,802	2,835,268	11,317,598	8,488,198	2,829,400	9,247,216	6,935,412	2,311,804
Legal and professional fees	11,958,310	8,968,732	2,989,578	14,703,264	11,027,448	3,675,816	12,112,659	9,084,494	3,028,165
Maintenance costs	6,193,886	4,645,414	1,548,472	6,398,001	4,798,501	1,599,500	6,152,958	4,614,718	1,538,240
Others	29,241,692	20,285,106	8,956,586	24,603,511	16,478,937	8,124,574	22,396,391	14,972,666	7,423,725
	117,697,488	86,626,950	31,070,538	102,169,854	74,653,694	27,516,160	83,772,021	61,004,386	22,767,635

42. RISK MANAGEMENT

Introduction

Risk is inherent in the bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the bank's continuing profitability and the bank as an entity is accountable for its risk exposures. The bank is exposed to credit risk, interest rate risk, liquidity risk and market risk. It is also subject to operating risk.

The bank manages its risk exposure through its Risk department which develops methodologies to identify, measure, mitigate and monitor the major risks. The Risk department reports to the Risk Management Committee and ultimately to the Board in a structured manner on credit, market and operational risk matters.

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

Risk management structure

The Board of Directors recognises that the bank encounters risk in every aspect of its business and ensures that the necessary structures, processes and methods for identifying, measuring and monitoring such risks are in place as advocated by Basel norms and relevant laws and regulations. The Risk Management Committee plays an active role in ensuring that risk-taking activities remain within the boundaries of the appetite approved by the Board. The committee receives regular reports and recommendations following work done by the Risk function, the Supervisory and Monitoring Committee and the Asset and Liability Committee. Through its Chairperson, the committee reports to the Board in a timely manner on all risk issues that could have an impact on the operations and/or reputation of the bank.

Board of Directors

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

(a) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

	2022		2021		2020	
	Carrying Value MUR	Fair Value MUR	Carrying Value MUR	Fair Value MUR	Carrying Value MUR	Fair Value MUR
Financial assets						
Cash and cash equivalents at amortised cost	3,094,610,118	3,094,610,118	4,871,775,378	4,871,775,378	1,280,041,690	1,280,041,690
Due from banks at amortised cost	966,675,490	966,675,490	-	-	14,819,085	14,819,085
Derivative financial assets at FVPL	50,004,747	50,004,747	10,228,424	10,228,424	2,183,441	2,183,441
Loans and advances to customers at amortised cost	10,013,946,960	10,161,214,167	10,180,812,563	9,781,507,389	9,769,375,208	10,021,386,654
Investment in securities:	6,407,507,165	6,293,196,886	6,504,248,029	6,598,215,304	7,114,456,335	7,399,553,101
Debt instruments at FVOCI	1,801,390,754	1,801,390,754	3,318,800,381	3,318,800,381	3,638,084,595	3,638,084,595
Debt instruments at amortised cost	4,535,017,325	4,420,707,046	3,121,845,456	3,215,812,731	3,234,369,969	3,519,466,735
Equity instruments at FVOCI	71,099,086	71,099,086	63,602,192	63,602,192	42,657,771	42,657,771
Debt instruments at FVPL	-	-	-	-	199,344,000	199,344,000
Other assets at amortised cost	909,690,935	909,690,935	939,041,015	939,041,015	880,404,170	880,404,170
	21,442,435,415	21,475,392,343	22,506,105,409	22,200,767,510	19,061,279,929	19,598,388,141
Financial liabilities						
Derivative financial liabilities at FVPL	9,404,846	9,404,846	8,936,609	8,936,609	9,759,640	9,759,640
Deposits from customers at amortised cost	19,016,751,814	18,926,417,281	19,846,223,025	19,947,315,803	16,799,731,794	16,915,458,747
Preference shares at amortised cost	-	-	142,809,030	142,809,030	144,534,198	144,534,198
Subordinated debts at amortised cost	504,821,233	504,821,233	504,762,329	504,762,329	504,762,329	504,762,329
Other liabilities at amortised cost	481,460,845	481,460,845	674,239,778	674,239,778	329,029,932	329,029,932
	20,012,438,738	19,922,104,205	21,176,970,771	21,278,063,549	17,787,817,893	17,903,544,846

42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

For loans and advances to non-bank customers, all the fixed loans and advances maturing after one year has been fair valued based on the current prevailing lending rate.

For investment securities, all the government bonds and BOM bonds have been fair valued based on the latest weighted yield rate.

For deposits from non-bank customers, all the term deposits maturing after one year has been fair valued based on the current prevailing savings rate.

The carrying amounts of cash and cash equivalents, other assets (which includes restricted balances with the Central Bank, sundry debtors - deposits, non-banking assets acquired in satisfaction of debts and other receivables), preference shares, subordinated debts & other liabilities are not materially different from their fair value.
Except for the levels in which the financial assets and financial liabilities are shown in the table of fair value measurement hierarchy, the fair values of the other financial assets and financial liabilities are categorised in Level 3.

The carrying amount of other assets excludes prepaid expenses as they do not meet the definition of a financial instrument.

The carrying amount of other liabilities excludes retirement benefit obligation, VAT, TDS deferred and special levy as they do not meet the definition of a financial instrument.

Fair value measurement hierarchy

(i) Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

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

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

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

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no changes in the above valuation techniques during the year.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
	MUR	MUR	MUR	MUR
2022				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities	1,431,057,680	4,411,862,109	493,488,290	6,336,408,079
- Equity securities	69,654,823	-	1,444,263	71,099,086
Derivatives - Foreign exchange contracts	-	50,004,747	-	50,004,747
	1,500,712,503	4,461,866,856	494,932,553	6,457,511,912
Financial liabilities				
Derivatives - Foreign exchange contracts	-	9,404,846	-	9,404,846

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42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

Fair value measurement hierarchy (Cont'd)

(i) Valuation principles (Cont'd)

	Level 1	Level 2	Level 3	Total
	MUR	MUR	MUR	MUR
2021				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities at FVOCI and FVPL	1,454,372,044	1,322,610,045	541,818,292	3,318,800,381
- Equity securities	62,139,778	-	1,462,414	63,602,192
Derivatives - Foreign exchange contracts	-	10,228,424	-	10,228,424
	1,516,511,822	1,332,838,469	543,280,706	3,392,630,997
Financial liabilities				
Derivatives - Foreign exchange contracts	-	8,936,609	-	8,936,609

	Level 1	Level 2	Level 3	Total
	MUR	MUR	MUR	MUR
2020				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities	1,250,161,349	2,054,293,749	526,538,554	3,830,993,652
- Equity securities	42,157,708	-	500,063	42,657,771
Derivatives - Foreign exchange contracts	-	2,183,441	-	2,183,441
	1,292,319,057	2,056,477,190	527,038,617	3,875,834,864
Financial liabilities				
Derivatives - Foreign exchange contracts	-	9,759,640	-	9,759,640

There have been no financial assets or financial liabilities measured at fair value that were transferred between Level 1 and Level 2, or between Level 2 and 3 during the year.

Reconciliation of fair value measurement of level 3 investments	**Total**
	MUR
As at July 2021	**543,280,706**
Remeasurement recognised in OCI	**6,918,739**
Additions	**195,792,004**
Accrued interest	**667,004**
Disposal	**(251,725,900)**
As at June 2022	**494,932,553**

	Total
	MUR
As at July 2020	527,038,617
Remeasurement recognised in OCI	(7,126,371)
Additions	40,236,698
Accrued interest	142,713
Disposal	(17,010,951)
As at June 2021	543,280,706

42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

Fair value measurement hierarchy (Cont'd)

(i) Valuation principles (Cont'd)

	Total
	MUR
As at July 2019	376,287,275
Remeasurement recognised in OCI	9,529,738
Additions	512,584,004
Accrued interest	5,362,720
Disposal	(376,725,120)
As at June 2020	527,038,617

The following table shows the reconciliation of the opening and closing amounts of Level 3 financial assets & liabilities measured at fair value:

	At July 2021	**Additions**	**Accrued interest**	**Disposal**	**Other comprehensive income**	**At June 2022**
	MUR	**MUR**	**MUR**	**MUR**	**MUR**	**MUR**
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI and FVPL	**541,818,292**	**195,791,995**	**667,004**	**(251,725,900)**	**6,936,899**	**493,488,290**
- Equity securities	**1,462,414**	**9**	**-**	**-**	**(18,160)**	**1,444,263**
	543,280,706	**195,792,004**	**667,004**	**(251,725,900)**	**6,918,739**	**494,932,553**

	At July 2020	Additions	Accrued interest	Disposal	Other comprehensive income	At June 2021
	MUR	MUR	MUR	MUR	MUR	MUR
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI and FVTPL	526,538,554	39,292,500	142,713	(17,010,951)	(7,144,524)	541,818,292
- Equity securities	500,063	944,198	-	-	18,153	1,462,414
	527,038,617	40,236,698	142,713	(17,010,951)	(7,126,371)	543,280,706

	At July 2019	Additions	Accrued interest	Disposal	Other comprehensive income	At June 2020
	MUR	MUR	MUR	MUR	MUR	MUR
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI and FVPL	375,787,216	512,584,004	5,362,716	(376,725,120)	9,529,738	526,538,554
- Equity securities	500,059	-	4	-	-	500,063
	376,287,275	512,584,004	5,362,720	(376,725,120)	9,529,738	527,038,617

42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

Fair value measurement hierarchy (Cont'd)

(ii) Valuation techniques

(a) Debt securities
Debt instruments that are actively traded on public stock exchanges with readily available active prices on a regular basis are classified as Level 1. Government of Mauritius bonds, Bank of Mauritius bonds and unquoted securities are valued based on the market yield of similar instruments as made publicly available by the local regulator and are classified as Level 2.

If one or more significant inputs are not based on observable data, the instrument is included in Level 3. Significant unobservable inputs include yield curves and credit spreads.

(b) Equity securities
Corporate shares that are traded on public stock exchanges with readily available active prices on a regular basis are classified as Level 1.

All unlisted investments are classified as Level 3. Significant unobservable inputs include instruments prices and their net asset value.

(iii) Valuation techniques Level 2 & Level 3

Valuation of Level 2 instruments is based on a mix of observable inputs, such as benchmark interest rates, and data from comparable assets. The discounted cash flow model is used to estimate the present value based on those parameters.

Valuation of Level 3 instruments, where needed, is based on internal models and assumptions. Estimates of risk-adjusted parameters are used in the discounted cash flow models for securities with predefined cash flows.

Derivatives
Derivatives include foreign exchange contracts and foreign exchange swaps. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points. The bank classifies foreign exchange forward contracts and swaps as Level 2.

(iv) Valuation methodologies

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

Debt securities carried at fair value through other comprehensive income
The bank uses active market prices when available, or other observable inputs in discounted cash flow models to estimate the corresponding fair value including CDS data of the issuer to estimate the relevant credit spreads. Bonds issued by financial institutions that are traded on secondary markets are generally Level 2 and corporate bonds are generally Level 3 instruments where usually there is not sufficient third party trading data to justify Level 1 classification. Level 3 instruments are those where significant inputs cannot be referenced to observable data and, therefore, inputs are adjusted for relative tenor and issuer quality.

Short-term financial assets and liabilities
For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amount approximates their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Loans and advances to customers
The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. As a result, loans and advances fall under Level 3 of the fair value hierarchy.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they are first recognised with current market rates for similar financial instruments. As a result, these fixed rate financial instruments fall under Level 2 of the fair value hierarchy.

(v) Sensitivity of fair value measurements to changes in unobservable market data

The significant inputs used in the fair value measurement of debt securities within Level 3 of the fair value hierarchy include discount rates ranging from 0.06% to 4.30% and credit spreads ranging from 0.28% to 1.53% depending on the relevant sector.

Changes in the significant unobservable inputs to reasonable possible alternatives would lead to different resulting fair values. Sensitivity data is calculated by adjusting model inputs to reasonable changes within the fair value methodology.

An increase of 0.5% in discount rates across the Level 3 investment securities would result in a lower fair value by MUR 4.9m, while a decrease of 0.5% in discount rates would result in a higher fair value by MUR 5.0m.

An increase of 10% in credit spreads across the Level 3 investment securities would result in a lower fair value by MUR 0.8m, while a decrease of 10% in credit spreads would result in a higher fair value by MUR 0.8m.

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk

Credit risk is the risk that the bank will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.
The bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties.
The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	Maximum exposure to credit risk		
	2022	2021	2020
	MUR	MUR	MUR
Fund based exposures:			
Cash and cash equivalents	**3,081,422,961**	4,854,106,202	1,266,003,669
Due from banks	**966,675,490**	-	14,819,085
Derivative financial assets	**50,004,747**	10,228,424	2,183,441
Loans and advances to customers	**10,013,946,960**	10,180,812,563	9,769,375,208
Investment securities	**6,336,408,079**	6,440,645,837	7,071,798,564
Other assets	**909,690,935**	939,041,015	880,404,170
Total credit risk exposure	**21,358,149,172**	22,424,834,041	19,004,584,137
Non-fund based exposures:			
Financial guarantees	**35,671,805**	52,909,454	605,266,761
Letter of credit and other obligations on account of customers	**-**	-	11,000,000
Undrawn credit facilities	**1,916,325,200**	1,638,467,897	1,193,184,899
Total credit risk exposure	**1,951,997,005**	1,691,377,351	1,809,451,660

An analysis of the bank's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements have been disclosed in Notes 10, 12, 13 and 35.

Fund based exposures do not include cash in hand and investment in equity.

The table below shows the sectorial split by industry sector of the bank's financial assets:

	2022	2021	2020
	MUR	MUR	MUR
Manufacturing	**889,604,935**	1,203,598,169	1,227,218,147
Construction	**647,592,991**	1,541,639,320	1,391,528,458
Professional	**46,668,247**	13,684,796	12,924,386
Traders	**1,061,718,603**	754,733,631	791,771,783
Tourism	**2,125,828,996**	2,545,614,010	2,704,227,375
Transport	**391,542,051**	358,056,094	400,941,550
Financial and Business services	**6,332,793,993**	6,214,689,910	2,923,875,467
Personal	**2,724,292,124**	1,130,572,915	777,036,812
Agriculture	**146,768,007**	390,674,194	760,553,390
Global Business Licence Holders	**665,531,804**	1,059,865,169	1,003,833,398
Government	**5,400,043,574**	6,017,323,916	5,349,493,901
Information and communication technology	**557,681,673**	561,257,566	585,024,233
Others	**368,082,174**	633,124,351	1,076,155,237
	21,358,149,172	22,424,834,041	19,004,584,137

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42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

The table below shows the sectorial split by industry sector of financial guarantees and other commitments:

	2022	2021	2020
	MUR	MUR	MUR
Manufacturing	**445,985,401**	379,543,773	245,234,480
Construction	**11,159,670**	375,440,133	678,628,342
Traders	**333,178,111**	365,096,480	329,820,661
Tourism	**68,013,960**	122,578,835	15,166,089
Transport	**37,084,611**	9,247,590	11,571,329
Financial and Business services	**326,894,121**	357,135,481	297,823,707
Personal	**571,130,688**	28,571,813	92,824,885
Agriculture	**59,447,355**	2,521,841	303,717
Global Business Licence Holders	**-**	-	76,698,560
Others	**99,103,088**	51,241,405	61,379,890
	1,951,997,005	1,691,377,351	1,809,451,660

An analysis of credit exposures, including non-fund based facilities, for advances to non-bank customers using the bank's credit grading system is given below:

2022

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR	**MUR**	**MUR**	**MUR**
Grades:				
Performing				
1 to 3 - Investment Grade	**3,205,855,365**	**2,039,999**	**-**	**3,207,895,364**
4 to 7 - Standard Monitoring	**5,769,621,137**	**49,217,281**	**-**	**5,818,838,418**
8 - Watchlist	**8,824,847**	**1,948,203,246**	**-**	**1,957,028,093**
Unrated	**505,656,899**	**8,073,467**	**-**	**513,730,366**
Non-performing				
9 - Default	**-**	**-**	**697,371,084**	**697,371,084**
	9,489,958,248	**2,007,533,993**	**697,371,084**	**12,194,863,325**

2021

	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Grades:				
Performing				
1 to 3 - Investment Grade	1,890,875,669	3,659,345	-	1,894,535,014
4 to 7 - Standard Monitoring	6,155,278,592	15,151,669	-	6,170,430,261
8 - Watchlist	825,327	2,927,431,166	-	2,928,256,493
Unrated	424,988,674	14,363,669	-	439,352,343
Non-performing				
9 - Default	-	-	665,895,976	665,895,976
	8,471,968,262	2,960,605,849	665,895,976	12,098,470,087

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Grades:				
Performing				
1 to 3 - Investment Grade	1,108,134,319	29,711,852	-	1,137,846,171
4 to 7 - Standard Monitoring	4,930,967,690	832,764,301	-	5,763,731,991
8 - Watchlist	199,101,489	3,113,404,773	-	3,312,506,262
Unrated	989,731,754	67,393,892	-	1,057,125,646
Non-performing				
9 - Default	-	62,282,039	644,938,858	707,220,897
	7,227,935,252	4,105,556,857	644,938,858	11,978,430,967

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 9 are customers which have been defaulted on a prudent basis. The bank does not extend credit to clients categorised as Grade 8 or 9.

The carrying amounts of loans and advances whose terms have been renegotiated during the financial year 2022 is nil. (There was MUR 9,439,080 loans & advances renegotiated in 2021, however, was no loan and advances whose terms have been renegotiated during the year 2020).

All cash and cash equivalents, loans and placements with banks and loans and receivables – investment securities are held with financial institutions having grades 1 to 6.

The above table includes loans and advances and off balance sheet items only. For an analysis of credit exposures on investment securities using the bank's credit grading system, refer to Note 13(a).

Internal credit risk ratings

In order to minimise credit risk, the bank has tasked its Risk Management Committee to develop and maintain the bank's credit risk grading to categorise exposures according to their degree of risk of default. The bank's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The bank assesses each credit facility request on its own merits by analysing the credit history of the potential client, the latter's cash flow history, future projections of the business or income capacity of the individual, the availability and type of collateral that will secure the facility, the repayment capacity of the business or individual and the character of the individual. The bank will also consider individual factors that would represent strengths in favour of or weaknesses against the approval of credit facilities.

The bank collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the bank's internal credit risk grades to external ratings.

External Credit Assessment institutions (ECA) Institutions Ratings	Internal credit risk grades	Internal Risk Descriptions
Aaa/AAA	1	Investment Grade
Aa1/AA+ to Aa3/AA-	2	Investment Grade
A1/A+ to A3/A-	3	Investment Grade
Baa1/BBB+ to Baa3/BBB-	4	Standard Monitoring
Ba1/BB+ to Ba3/BB-	5	Standard Monitoring
B1/B+ to B3/B-	6	Standard Monitoring
Caa1/CCC+ to Caa3/CCC-	7	Standard Monitoring
Ca/ CC/ C	8	Watchlist
D	9	Default
NR	Unrated	Unrated

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Irrespective of the outcome of the above assessment, the bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the bank has reasonable and supportable information that demonstrate otherwise.

The bank has monitoring procedures in place to ensure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes more than 30 days past due. The bank performs periodic back-testing of its ratings to consider whether the drivers of credit-risk that led to default were accurately reflected in the rating in a timely manner.

Impairment assessment

It is the bank's policy to regularly monitor its loan portfolio.

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

Furthermore the bank assesses at each reporting date, whether there is any objective evidence that a financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The bank's impairment methodology for assets carried at amortised cost comprises individual impairment losses and collective impairment.

Individually assessed allowances (Stage 3)

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

Collectively assessed allowance (Stage 1 and Stage 2)

1. Inputs, assumptions and techniques used in estimating impairment

Refer to Note 5.7 Impairment of financial assets.

2. Significant increase in credit risk

The bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the bank will measure the loss allowance based on lifetime rather than 12-month expected credit loss. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the bank's historical experience and expert credit assessment including forward-looking information.

For corporate lending, forward-looking information includes the future prospects of the industries in which the bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly to certain industries, as well as internally generated information of customer payment behaviour. The bank allocated its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk.

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

Collectively assessed allowance (Stage 1 and Stage 2) (Cont'd)

2. Significant increase in credit risk (Cont'd)

The qualitative factors that indicate a significant increase in credit risk are reflected in probability default models on a timely basis. However, the bank still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e., the loss allowance is measured as the lifetime expected credit loss.

3. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.
When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the bank performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.
When assessing whether or not to derecognise a loan to a customer, amongst others, the bank considers factors including change in currency of the loan, introduction of an equity feature, change in counterparty, and whether the modification is such that the instrument would no longer meet the SPPI criterion, among other factors. If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition.
When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- its remaining lifetime probability default at the reporting date based on the modified terms; with
- the remaining lifetime probability default estimated based on data at initial recognition and the original contractual terms.

The bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

Generally, modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit Impaired Measurement (see below) before the exposure is no longer considered to be credit-impaired/ in default.

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.
Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the bank, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.
Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

4. Incorporation of forward-looking information

The bank incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit loss.

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for year ended 30 June 2022: GDP index, unemployment as a percentage of total labour force, and total government expenditure as a percentage of total GDP.

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

Collectively assessed allowance (Stage 1 and Stage 2) (Cont'd)

4. Incorporation of forward-looking information (Cont'd)

The bank considers three macro economic scenarios in its probability default model namely baseline, upside and downside which is detailed as per below table :

			Actual			Forecasted		
Key drivers	**Expected credit loss Scenario**	**Assigned Weightage**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
GDP Index	Upside	30%	106.9	91.0	94.7	100.8	106.7	111.3
	Base case	40%	106.9	91.0	94.5	100.3	105.9	110.2
	Downside	30%	106.9	91.0	94.3	99.8	105.1	109.1
Change in unemployment rate, as a percentage of total labour force	Upside	30%	-2.9%	37.3%	-10.2%	-31.3%	-17.3%	-16.1%
	Base case	40%	-2.9%	37.3%	3.3%	-17.9%	-3.8%	-2.7%
	Downside	30%	-2.9%	37.3%	16.7%	-4.5%	9.6%	10.7%
Change in general government total expenditure, as a percentage of GDP	Upside	30%	25.7%	7.9%	0.5%	2.3%	10.1%	5.5%
	Base case	40%	25.7%	7.9%	-8.0%	-6.3%	1.5%	-3.0%
	Downside	30%	25.7%	7.9%	-16.5%	-14.8%	-7.0%	-11.6%

Analysis of inputs to the expected credit loss model under multiple economic scenarios
The following tables outline the impact of multiple scenarios on the allowance.
This table shows both the contribution to total expected credit loss of each probability weighted scenario in addition to the total incremental effect on expected credit loss of applying multiple economic scenarios compared to the expected credit loss that would have resulted from applying a 100% weighting to the base case scenario:

30 June 2022	Corporate lending	Retail lending	Financial guarantees	Undrawn credit facilities	Investment securities at FVOCI	Investment securities at amortised cost	Other assets	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Upside (30%)	58,569,234	4,782,822	53,576	2,013,268	1,207,042	1,203,822	503,057	68,332,821
Base case (40%)	81,289,064	8,838,882	78,146	3,084,894	1,609,391	1,605,098	670,740	97,176,215
Downside (30%)	64,321,859	11,117,500	65,353	2,847,466	1,207,042	1,203,822	503,056	81,266,098
Total	204,180,157	24,739,204	197,075	7,945,628	4,023,475	4,012,742	1,676,853	246,775,134
Effect of multiple economic scenarios	957,498	2,641,998	1,710	233,392	-	-	-	3,834,598

The following table outline the impact on expected credit loss from applying a 100% weighting to each scenario:

30 June 2022	Corporate lending	Retail lending	Financial guarantees	Undrawn credit facilities	Investment securities at FVOCI	Investment securities at amortised cost	Other assets	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Gross exposure	**7,486,247,731**	**2,756,618,590**	**35,671,805**	**1,916,325,200**	**1,801,390,754**	**4,539,030,067**	**968,352,343**	**19,503,636,490**
Expected credit loss								
Upside	195,230,780	15,942,739	178,588	6,710,893	4,023,475	4,012,742	1,676,853	227,776,070
Base case	203,222,659	22,097,206	195,365	7,712,236	4,023,475	4,012,742	1,676,853	242,940,536
Downside	214,406,198	37,058,333	217,843	9,491,554	4,023,475	4,012,742	1,676,853	270,886,998

Measurement of expected credit loss : The key inputs into the measurement of expected credit loss are the following:
(i) probability of default (probability default);
(ii) loss given default (LGD);
(iii) exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

Collectively assessed allowance (Stage 1 and Stage 2) (Cont'd)

5. Measurement of expected credit loss

Probability default estimates are estimated at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the probability default for large corporate counterparties.

Probability default estimates are calculated on a collective basis by incorporating borrower-specific information and forward-looking macroeconomic information in the models.

The bank groups its exposures into segments on the basis of shared credit risk characteristics with the different segments reflecting differences in probability defaults.

In addition, the bank performs procedures to ensure that the groups of exposures continue to share credit characteristics, and to re-segment the portfolio when necessary, in light of changes in credit characteristics over time.

A first level of probability default segmentation performed by the bank is in terms of customer type: corporate, retail, investment in sovereign securities and investment in financial institutions.

The corporate probability default segment is further segmented by the economic sector in which an obligor operates while the retail probability default segment takes into consideration the number of years that an obligor has been a client of the bank as a variable for segmentation.

Loss given default is the magnitude of the likely loss if there is a default. The bank estimates loss given default parameters based on BASEL prescribed loss given default estimates as per following table.

	Minimum LGD
Eligible financial collateral (such as cash collateral)	0%
Receivables	35%
Commercial Real Estate/Residential Real Estate	35%
Other collateral	40%
Unsecured	45%

Exposure at default represents the expected exposure in the event of a default. The bank derives the exposure at default from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The exposure at default of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the bank includes the amount drawn based on BASEL prescribed Credit Conversion Factor.

BASEL prescribed Credit Conversion Factor	Credit Conversion Factor
Direct credit substitutes	100%
Sales and repurchase agreements and assets sales with recourse	100%
Lending of banks' securities or the posting of securities as collateral	100%
Forward asset purchases	100%
Placements of forward deposits	100%
Partly-paid shares and securities	100%
Transaction-related contingent items	50%
Note-issuance facilities (NIFs) and revolving underwriting facilities (RUFs)	50%
Trade-related contingent items	
(a) Maturity ≤ 3 months	20%
(b) 3 months < Maturity ≤ 9 months	50%
(c) 9 months < Maturity ≤ 12 months	75%
(d) Maturity > 12 months	100%
Other commitments	
(i) Commitments with an original maturity up to one year	20%
(ii) Commitments with an original maturity over one year	50%
(iii) Commitments that can be unconditionally cancelled at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration	0%

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

Collectively assessed allowance (Stage 1 and Stage 2) (Cont'd)

5. Measurement of expected credit loss (Cont'd)

Collateral and other credit enhancements

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

The main kinds of collateral and credit enhancements for each class of asset subject to credit risk are set below:

(i) Loans and advances to customers
a. Corporate loans
Various forms of collateral may be sought for these loans from a fixed charge over the borrower's property to a floating charge over the current assets of a corporate borrower. Loan covenants may be put in place to safeguard the financial position of the borrower.

b. Residential mortgage loans
Residential mortgage loans are secured by a first rank fixed charge over the borrower's property.

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

(ii) Trading assets and financial assets held at FVPL
No collateral or enhancement are obtained.

(iii) Derivatives financial instruments
Collaterals for derivatives are similar to those taken for wholesale and corporate loans. In addition, International Swaps and Derivatives Association (ISDA) agreement is sought from customers to comfort the Bank's position.

(iv) Balances and loans to banks
Due to the nature of the counterparties, no collateral is sought on these balances. In general, the bank does not seek collateral or other enhancements for these loans given their high credit quality. The exposures relate to reputable and financially sound banks.

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

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

	2022	2021	2020	Principal type of collateral held
	MUR	MUR	MUR	
Fund based exposures:				
Cash and cash equivalents	3,081,422,961	4,854,106,202	1,266,003,669	Unsecured
Due from banks	966,675,490	-	14,819,085	Unsecured
Derivative financial assets	50,004,747	10,228,424	2,183,441	Unsecured
Loans and advances to customers	10,013,946,960	10,180,812,563	9,769,375,208	Real estate
Investment securities	6,336,408,079	6,440,645,837	7,071,798,564	Unsecured
Other assets	909,690,935	939,041,015	880,404,170	Unsecured
Non-fund based exposures:				
Financial guarantees	35,671,805	52,909,454	605,266,761	Unsecured
Letter of credit and other obligations on account of customers	-	-	11,000,000	Unsecured
Undrawn credit facilities	1,916,325,200	1,638,467,897	1,193,184,899	Unsecured

In addition to the collateral included in the table above, the bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.
Fund based exposures do not include cash in hand and investment in equity.
The exposures do not include impact on collateral.

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

6. Impact of COVID-19 on expected credit loss calculation

Since the start of the Covid-19 pandemic, the bank has continuously put more emphasis on reaching out to our clients to understand the situation that they are in, explain to them what measures are in place that they can take advantage of, understand what actions they are taking if they are in financial difficulty, and assess if and how the bank can provide further assistance in any way. This has been an ongoing process which the bank is convinced has helped mitigate the risk of default of the customers.

For those clients and sectors that are considered to be significantly impacted by the situation, the bank has classified those clients as Stage 2 in the IFRS 9 model. These clients, being watch-listed are closely monitored to ensure minimum impact on the bank. Given that these reclassifications occurred at the start of the pandemic and given that the economy is now recovering since the opening of our borders, we can see that the impact on the ECL figure for this financial year has been significantly less than in the preceding two financial years.

Furthermore, forward-looking information, such as probability of default forecasts of macroeconomic information obtained from reputable sources, for example, the International Monetary Fund, are used as inputs in the IFRS 9 model ensuring that the current and forecasted global macroeconomic outlook following the pandemic is adequately factored in the model parameter estimates.

Credit quality by class of financial assets

	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
2022				
Cash and cash equivalents	3,081,422,961	-	-	3,081,422,961
Due from banks	966,675,490	-	-	966,675,490
Derivative financial assets	50,004,747	-	-	50,004,747
Loans and advances to customers	7,590,780,280	1,851,864,313	571,302,367	10,013,946,960
Investment securities	5,626,944,747	551,896,672	157,566,660	6,336,408,079
Other assets	909,690,935	-	-	909,690,935
	18,225,519,160	2,403,760,985	728,869,027	21,358,149,172

	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
2021				
Cash and cash equivalents	4,854,106,202	-	-	4,854,106,202
Due from banks	-	-	-	-
Derivative financial assets	10,228,424	-	-	10,228,424
Loans and advances to customers	7,109,972,601	2,742,019,302	328,820,660	10,180,812,563
Investment securities	5,834,199,321	606,446,516	-	6,440,645,837
Other assets	939,041,015	-	-	939,041,015
	18,747,547,563	3,348,465,818	328,820,660	22,424,834,041

	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
2020				
Cash and cash equivalents	1,266,003,669	-	-	1,266,003,669
Due from banks	14,819,085	-	-	14,819,085
Derivative financial assets	2,183,441	-	-	2,183,441
Loans and advances to customers	5,778,774,280	3,720,871,796	269,729,132	9,769,375,208
Investment securities	7,071,798,564	-	-	7,071,798,564
Other assets	880,404,170	-	-	880,404,170
	15,013,983,209	3,720,871,796	269,729,132	19,004,584,137

Ageing analysis of past due but not impaired loans by class of financial assets

	Amount in arrears			
	Less than 30 days MUR	31 to 89 days MUR	More than or equal to 90 days MUR	Total MUR
2022				
Loans and advances to customers				
Loans and overdrafts				
Retail	64,786,630	159,000	-	64,945,630
Corporate	162,109,895	2,153,847	-	164,263,742
	226,896,525	2,312,847	-	229,209,372

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	Amount in arrears			
	Less than 30 days	31 to 89 days	More than or equal to 90 days	Total
	MUR	MUR	MUR	MUR
Investment in finance leases				
Retail	18,618,821	1,969,615	-	20,588,436
Corporate	55,708,755	4,796,825	-	60,505,580
	74,327,576	6,766,440	-	81,094,016
	301,224,101	9,079,287	-	310,303,388

	Amount in arrears			
	Less than 30 days	31 to 89 days	More than or equal to 90 days	Total
	MUR	MUR	MUR	MUR
2021				
Loans and advances to customers				
Loans and overdrafts				
Retail	305,127	13,554	-	318,681
Corporate	245,912,641	-	-	245,912,641
	246,217,768	13,554	-	246,231,322
Investment in finance leases				
Retail	701,247	1,076,041	-	1,777,288
Corporate	1,699,881	711,532	4,442	2,415,855
	2,401,128	1,787,573	4,442	4,193,143
	248,618,896	1,801,127	4,442	250,424,465

	Amount in arrears			
	Less than 30 days	31 to 89 days	More than or equal to 90 days	Total
	MUR	MUR	MUR	MUR
2020				
Loans and advances to customers				
Loans and overdrafts				
Retail	233,069	141,106	-	374,175
Corporate	41,677,112	62,208,315	1,589,351	105,474,778
	41,910,181	62,349,421	1,589,351	105,848,953
Investment in finance leases				
Retail	658,494	2,241,698	51,477	2,951,669
Corporate	4,370,075	23,017,984	3,584,454	30,972,513
	5,028,569	25,259,682	3,635,931	33,924,182
	46,938,750	87,609,103	5,225,282	139,773,135

Under the bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes more than 30 days past due. The table below provides an analysis of the gross carrying amount of receivables by past due status:

	2022	
	Gross Carrying	Loss Allowance
	MUR	MUR
0 - 30 days (Stage 1)	7,648,778,382	57,998,103
0 - 30 days (Stage 2)	1,793,306,939	41,588,797
31 - 89 days (Stage 2)	103,409,916	3,263,744
	9,545,495,237	102,850,644

	2021	
	Gross Carrying	Loss Allowance
	MUR	MUR
0 - 30 days (Stage 1)	7,177,111,251	67,138,646
0 - 30 days (Stage 2)	2,744,436,388	52,898,436
31 - 89 days (Stage 2)	51,711,738	1,230,392
	9,973,259,377	121,267,474

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	2020	
	Gross Carrying	Loss Allowance
	MUR	MUR
0 - 30 days (Stage 1)	5,814,893,339	36,119,057
0 - 30 days (Stage 2)	2,672,126,495	64,607,188
31 - 89 days (Stage 2)	1,146,142,931	32,790,442
	9,633,162,765	133,516,687

Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, indicate that the account may be impaired.

The carrying amount of impaired financial assets and stage 3 expected credit losses or specific allowance held are shown below:

	2022	2021	2020
	MUR	MUR	MUR
Loans and advances (Note 12(c))	697,371,084	433,833,352	70,992,311
Expected Credit Losses on loans and advances under Stage 3 (Note 12(c))	126,068,717	105,012,692	68,449,568
	126,068,717	105,012,692	68,449,568

(c) Liquidity risk

Liquidity risk is the risk that the bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The types of liquidity risk that the bank faces can be categorized into two main types:

- Funding liquidity risk appears when the bank cannot fulfil its payment obligations because of an inability to obtain new funding.
- Market liquidity risk appears when the bank is unable to sell or transform its liquidity buffer into cash without significant losses.

Liquidity risk management encompasses the processes and strategies the bank uses to:

- Assess its ability to meet its cash flow needs (under both normal and stressed conditions) both on a short term and long term horizon.
- Mitigate that risk by developing strategies and taking appropriate actions designed to ensure that necessary funds are available when needed.

As a measure to limit the liquidity risk that the bank faces, the bank maintains a liquidity contingency plan which is tested regularly to ensure its viability. The liquidity contingency plan consists of mainly of a stock of high quality liquid assets that can be easily liquidated in the event of liquidity stress conditions. The bank also runs liquidity stress tests to determine the level of liquidity that should be kept to meet financial obligations under stress conditions.

The liquidity coverage ratio providing an overview of how the bank would behave under stress conditions has been implemented as from the year 2018 and since then, the bank remains highly liquid reflecting an average of 368% for the year 2022 (2021: 616%, 2020: 332%)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the bank's financial liabilities at end of period based on undiscounted contractual repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the bank expect that many customers will not request repayment on the earliest date the bank could be required to pay and the table does not reflect the expected cash flows indicated by the bank's deposit retention history.

42. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

Maturity analysis of financial liabilities

	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Total MUR
2022						
Derivative financial liabilities	-	5,128,104	4,276,742	-	-	9,404,846
Deposits from customers	-	1,465,814,484	3,629,031,116	3,304,629,899	10,854,639,351	19,254,114,850
Subordinated debts	-	-	26,063,356	552,126,712	-	578,190,068
Other liabilities	66,266,481	314,289,599	86,190,470	700,087	-	467,446,637
Total financial liabilities	66,266,481	1,785,232,187	3,745,561,684	3,857,456,698	10,854,639,351	20,309,156,401
Contingent liabilities and commitments	-	1,541,018,320	81,201,712	-	329,776,974	1,951,997,006
2021						
Derivative financial liabilities	-	2,366,807	6,569,802	-	-	8,936,609
Deposits from customers	-	2,163,914,939	4,418,015,943	2,964,098,711	10,574,322,997	20,120,352,591
Preference shares*	-	142,809,030	-	-	-	142,809,030
Subordinated debts*	-	-	25,625,000	51,250,000	525,625,000	602,500,000
Other liabilities	79,885,363	10,792,963	558,428,559	-	25,132,893	674,239,778
Total financial liabilities	79,885,363	2,319,883,739	5,008,639,304	3,015,348,711	11,125,080,890	21,548,838,008
Contingent liabilities and commitments	-	1,402,225,241	275,047,000	14,105,111	-	1,691,377,352
2020						
Derivative financial liabilities	-	9,561,965	197,675	-	-	9,759,640
Deposits from customers	-	1,753,847,725	2,294,603,517	4,030,704,212	9,001,322,348	17,080,477,801
Preference shares*	-	6,278,104	-	142,809,030	-	149,087,134
Subordinated debts*	-	-	25,625,000	51,250,000	551,250,000	628,125,000
Other liabilities	76,030,528	19,379	240,357,550	-	12,622,475	329,029,932
Total financial liabilities	76,030,528	1,769,707,173	2,560,783,742	4,224,763,242	9,565,194,823	18,196,479,507
Contingent liabilities and commitments	-	1,241,298,254	-	-	568,153,406	1,809,451,660

**Prior year figures have been amended to reflect contractual payment obligations on undiscounted basis for disclosure purposes only. There is no impact on the financial statements figures.*

(d) Market risk

(i) Interest rate risk

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

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

	2022	
Currency	Increase/(decrease) in basis points	Effect on profit before tax and Equity MUR m
EUR	50	8.7
USD	50	20.1
MUR	50	6.6

42. RISK MANAGEMENT (CONT'D)

(d) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

2021

Currency	Increase/(decrease) in basis points	Effect on profit before tax and Equity MUR m
EUR	50	11.9
USD	50	24.7
MUR	50	4.6

2020

Currency	Increase/(decrease) in basis points	Effect on profit before tax and Equity MUR m
EUR	50	14.0
USD	50	16.2
MUR	50	4.6

(ii) Price risk

Price risk is the risk that the fair values of securities change as the result of changes in the levels of indices and the value of individual securities. The non-trading security price risk exposure arises from the bank's investment portfolio.

The effect on changes in net assets as a result of a change in the fair value of investment instruments held as fair value through other comprehensive income , due to a reasonably possible change in indices, with all other variables held constant, is as follows:

	Change in price	2022	2021	2020
	%	MUR	MUR	MUR
Statement of other comprehensive income	+10	60,706,743	175,869,666	128,352,525
Statement of other comprehensive income	-10	(60,706,743)	(175,869,666)	(128,352,525)

(iii) Foreign exchange risk

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

Value at Risk ('VaR') is a statistical risk measure used to estimate the potential loss from adverse market moves in a normal market environment. The bank has a single VaR framework used as a basis for calculating Risk Management VaR.

The framework is employed across the bank using historical simulation based on data for the previous 12 months. The framework's approach assumes that historical changes in market values are representative of the distribution of potential outcomes in the immediate future. The bank believes the use of Risk Management VaR provides a stable measure of VaR that is closely aligned to risk management decisions made by the lines of business, and provides the appropriate information needed to respond to risk events.

The VaR that the bank measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR as at 30 June 2022 amounted to MUR 104,870 (2021 : MUR 95,304, 2020 : MUR 746,565).

We markedly reduced our open FX positions as a result of increased volatility in the markets and the rupee depreciated towards end of June. Accordingly, our VaR estimates remained at a comfortable level. The FX market is still characterized by short supply and regular Bank of Mauritius interventions to provide liquidity. However, uncertainty remains a risk factor, leading to a reviewed position management, in line with our risk appetite and control framework.

The following table demonstrate the sensitivity to a reasonable possible change in exchange rate, with all other variables held constant, and the impact on the bank's profit and equity:

Change in currency by:	Impact on profit after tax and equity		
	EUR	GBP	USD
30 June 2022	31,423,834	(3,713,799)	(12,266,353)

42. RISK MANAGEMENT (CONT'D)

(d) Market risk (Cont'd)

(iii) Foreign exchange risk (Cont'd)

The bank's monetary assets and liabilities as at 30 June is as follows:

2022

	EUR MUR	GBP MUR	USD MUR	Others MUR	Total MUR
Cash and cash equivalents	1,153,524,466	640,786,627	755,025,409	257,989,277	2,807,325,779
Due from banks	238,586,564	-	729,765,779	-	968,352,343
Derivative financial assets	49,592,703	-	37,528	368,521	49,998,752
Loans and advances to customers	1,467,705,232	-	1,446,050,943	-	2,913,756,175
Investment securities	426,715,046	-	2,118,623,377	-	2,545,338,423
Other assets	76,677,982	23,201,081	192,487,063	4,570,886	296,937,012
	3,412,801,993	663,987,708	5,241,990,099	262,928,684	9,581,708,484
Derivative financial liabilities	8,791,983	-	597,574	15,289	9,404,846
Deposits from customers	2,307,706,402	756,900,285	5,990,734,348	253,359,337	9,308,700,372
Other liabilities	53,027,222	22,778,291	121,516,734	3,516,004	200,838,251
	2,369,525,607	779,678,576	6,112,848,656	256,890,630	9,518,943,469
Net position	1,043,276,386	(115,690,868)	(870,858,557)	6,038,054	62,765,015

2021

	EUR MUR	GBP MUR	USD MUR	Others MUR	Total MUR
Cash and cash equivalents	727,882,712	655,136,343	2,814,346,177	270,828,080	4,468,193,312
Due from banks	-	-	-	-	-
Derivative financial assets	95	10,131,659	96,670	-	10,228,424
Loans and advances to customers	1,851,628,322	-	2,276,617,006	-	4,128,245,328
Investment securities	1,132,398,291	-	786,996,271	-	1,919,394,562
Other assets	105,549,930	17,575,713	237,290,662	1,638,723	362,055,028
	3,817,459,350	682,843,715	6,115,346,786	272,466,803	10,888,116,654
Derivative financial liabilities	21,659	8,908,120	6,830	-	8,936,609
Deposits from customers	2,613,761,677	966,677,807	7,104,230,867	260,196,256	10,944,866,607
Other liabilities	61,891,611	11,115,084	443,427,664	8,094,823	524,529,182
	2,675,674,947	986,701,011	7,547,665,361	268,291,079	11,478,332,398
Net position	1,141,784,403	(303,857,296)	(1,432,318,575)	4,175,724	(590,215,744)

2020

	EUR MUR	GBP MUR	USD MUR	Others MUR	Total MUR
Cash and cash equivalents	151,647,126	47,870,395	431,882,183	383,149,992	1,014,549,696
Due from banks	54,466,964	20,818,935	78,943,703	-	154,229,602
Derivative financial assets	392,470	188,237	1,291,874	310,860	2,183,441
Loans and advances to customers	1,724,288,282	-	2,281,755,228	-	4,006,043,510
Investment securities	1,016,664,037	-	1,909,788,507	1	2,926,452,545
Other assets	99,732,631	20,789,716	211,475,859	1,447,540	333,445,746
	3,047,191,510	89,667,283	4,915,137,354	384,908,393	8,436,904,540
Derivative financial liabilities	5,805,142	3,587,294	248,320	118,884	9,759,640
Deposits from customers	2,191,506,298	496,828,966	5,231,227,451	370,675,151	8,290,237,866
Other liabilities	34,455,153	526,026	148,999,006	12,119,499	196,099,684
	2,231,766,593	500,942,286	5,380,474,777	382,913,534	8,496,097,190
Net position	815,424,917	(411,275,003)	(465,337,423)	1,994,859	(59,192,650)

(e) Maturities of assets and liabilities

		2022							
	Notes	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	3,094,610,118	-	3,094,610,118	-	-	-	3,094,610,118
Due from banks	10	-	-	966,675,490	966,675,490	-	-	-	966,675,490
Derivative financial assets	11	-	24,053,141	25,951,606	50,004,747	-	-	-	50,004,747
Loans and advances to customers	12	716,931,450	1,922,232,736	1,781,513,445	3,703,746,181	2,384,140,400	3,438,048,292	5,822,188,692	10,242,866,323
Investment securities	13	71,099,086	561,087,049	823,105,616	1,384,192,665	2,227,866,354	2,728,361,802	4,956,228,156	6,411,519,907
Other assets	14	929,581,796	-	-	-	-	-	-	929,581,796
Property and equipment	15	587,085,644	-	-	-	-	-	-	587,085,644
Intangible assets	16	98,455,590	-	-	-	-	-	-	98,455,590
Deferred tax assets	17	7,574,450	-	-	-	-	-	-	7,574,450
Total		2,410,728,016	5,601,983,044	3,597,246,157	9,199,229,201	4,612,006,754	6,166,410,094	10,778,416,848	22,388,374,065
Less allowance for credit impairment									(232,932,105)
									22,155,441,960
Liabilities									
Derivative financial liabilities	11	-	5,128,104	4,276,742	9,404,846	-	-	-	9,404,846
Deposits from customers	18	-	13,738,605,836	2,449,586,078	16,188,191,914	1,801,228,933	1,027,330,967	2,828,559,900	19,016,751,814
Preference shares	19	-	-	-	-	-	-	-	-
Subordinated debts	20	-	-	4,821,233	4,821,233	-	500,000,000	500,000,000	504,821,233
Current tax liabilities		-	-	10,250,861	10,250,861	-	-	-	10,250,861
Other liabilities	22	132,207,564	314,289,599	86,190,470	400,480,069	700,087	-	700,087	533,387,720
Total		132,207,564	14,058,023,539	2,555,125,384	16,613,148,923	1,801,929,020	1,527,330,967	3,329,259,987	20,074,616,474
Net liquidity gap		2,278,520,452	(8,456,040,495)	1,042,120,773	(7,413,919,722)	2,810,077,734	4,639,079,127	7,449,156,861	2,313,757,591
Less allowance for credit impairment									(232,932,105)
									2,080,825,486
Contingent liabilities and commitments	35								
Contingent liabilities									
Financial guarantees		-	15,433,195	7,989,389	23,422,584	-	257,945	257,945	23,680,529
Letter of credit and other obligations on account of customers		-	-	-	-	-	-	-	-
		-	15,433,195	7,989,389	23,422,584	-	257,945	257,945	23,680,529
Commitments									
Undrawn credit facilities		-	1,525,585,125	73,212,323	1,598,797,448	-	329,519,029	329,519,029	1,928,316,477
		-	1,541,018,320	81,201,712	1,622,220,032	-	329,776,974	329,776,974	1,951,997,006

42. RISK MANAGEMENT (CONT'D)

(e) Maturities of assets and liabilities (Cont'd)

		2021							
	Notes	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	4,871,775,378	-	4,871,775,378	-	-	-	4,871,775,378
Due from banks	10	-	-	-	-	-	-	-	-
Derivative financial assets	11	-	10,228,424	-	10,228,424	-	-	-	10,228,424
Loans and advances to customers	12	451,736,636	1,796,168,145	1,959,658,858	3,755,827,003	2,753,140,219	3,446,388,871	6,199,529,090	10,407,092,729
Investment securities	13	63,602,192	966,938,198	1,529,173,649	2,496,111,847	2,187,264,797	1,760,990,679	3,948,255,476	6,507,969,515
Other assets	14	952,457,252	-	-	-	-	-	-	952,457,252
Property and equipment	15	586,761,003	-	-	-	-	-	-	586,761,003
Intangible assets	16	41,793,082	-	-	-	-	-	-	41,793,082
Deferred tax assets	17	11,598,877	-	-	-	-	-	-	11,598,877
Total		2,107,949,042	7,645,110,145	3,488,832,507	11,133,942,652	4,940,405,016	5,207,379,550	10,147,784,566	23,389,676,260
Less allowance for credit impairment									(230,001,652)
									23,159,674,608
Liabilities									
Due to banks	18	-	-	-	-	-	-	-	-
Derivative financial liabilities	11	-	2,366,807	6,569,802	8,936,609	-	-	-	8,936,609
Deposits from customers	18	-	14,740,539,321	3,221,827,959	17,962,367,280	1,332,047,331	551,808,414	1,883,855,745	19,846,223,025
Preference shares	19	-	4,629,030	-	4,629,030	138,180,000	-	138,180,000	142,809,030
Subordinated debts	20	-	-	4,762,329	4,762,329	-	500,000,000	500,000,000	504,762,329
Current tax liabilities		-	-	9,220,699	9,220,699	-	-	-	9,220,699
Other liabilities	22	124,824,449	10,792,963	558,428,559	569,221,522	-	25,132,893	25,132,893	719,178,864
Total		124,824,449	14,758,328,121	3,800,809,348	18,559,137,469	1,470,227,331	1,076,941,307	2,547,168,638	21,231,130,556
Net liquidity gap		1,983,124,593	(7,113,217,976)	(311,976,841)	(7,425,194,817)	3,470,177,685	4,130,438,243	7,600,615,928	2,158,545,704
Less allowance for credit impairment									(230,001,652)
									1,928,544,052
Contingent liabilities and commitments	35								
Contingent liabilities									
Financial guarantees		-	2,656,469	37,411,354	40,067,823	12,841,632	-	12,841,632	52,909,455
Letter of credit and other obligations on account of customers		-	-	-	-	-	-	-	-
		-	2,656,469	37,411,354	40,067,823	12,841,632	-	12,841,632	52,909,455
Commitments									
Undrawn credit facilities		-	1,399,568,772	237,635,646	1,637,204,418	1,263,479	-	1,263,479	1,638,467,897
		-	1,402,225,241	275,047,000	1,677,272,241	14,105,111	-	14,105,111	1,691,377,352

42. RISK MANAGEMENT (CONT'D)

(e) Maturities of assets and liabilities (Cont'd)

		2020							
	Notes	No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	1,280,041,690	-	1,280,041,690	-	-	-	1,280,041,690
Due from banks	10	-	14,839,238	-	14,839,238	-	-	-	14,839,238
Derivative financial assets	11	-	1,871,869	311,572	2,183,441	-	-	-	2,183,441
Loans and advances to customers	12	576,502,217	1,903,466,912	2,086,137,872	3,989,604,784	2,554,448,512	3,059,423,794	5,613,872,306	10,179,979,307
Investment securities	13	42,657,771	1,959,456,996	947,553,255	2,907,010,251	1,960,106,607	2,210,174,455	4,170,281,062	7,119,949,084
Other assets	14	891,377,784	-	-	-	-	-	-	891,377,784
Property and equipment	15	600,843,664	-	-	-	-	-	-	600,843,664
Intangible assets	16	8,922,365	-	-	-	-	-	-	8,922,365
Deferred tax assets	17	23,084,417	-	-	-	-	-	-	23,084,417
Total		2,143,388,218	5,159,676,705	3,034,002,699	8,193,679,404	4,514,555,119	5,269,598,249	9,784,153,368	20,121,220,990
Less allowance for credit impairment									(416,117,001)
									19,705,103,989
Liabilities									
Derivative financial liabilities	11	-	9,561,965	197,675	9,759,640	-	-	-	9,759,640
Deposits from customers	18	-	12,278,086,650	1,286,808,526	13,564,895,176	2,709,025,941	525,810,677	3,234,836,618	16,799,731,794
Preference shares	19	-	6,354,198	-	6,354,198	138,180,000	-	138,180,000	144,534,198
Subordinated debts	20	-	-	4,762,329	4,762,329	-	500,000,000	500,000,000	504,762,329
Current tax liabilities		-	-	28,244,435	28,244,435	-	-	-	28,244,435
Other liabilities	22	2,805,057	18,051,491	220,278,718	238,330,209	-	140,179,064	140,179,064	381,314,330
Total		2,805,057	12,312,054,304	1,540,291,683	13,852,345,987	2,847,205,941	1,165,989,741	4,013,195,682	17,868,346,726
Net liquidity gap		2,140,583,161	(7,152,377,599)	1,493,711,016	(5,658,666,583)	1,667,349,178	4,103,608,508	5,770,957,686	2,252,874,264
Less allowance for credit impairment									(416,117,001)
									1,836,757,263
Contingent liabilities and commitments	35								
Contingent liabilities									
Financial guarantees		-	273,436,059	-	273,436,059	-	331,830,702	331,830,702	605,266,761
Letter of credit and other obligations on account of customers		-	11,000,000	-	11,000,000	-	-	-	11,000,000
		-	284,436,059	-	284,436,059	-	331,830,702	331,830,702	616,266,761
Commitments									
Undrawn credit facilities		-	956,862,195	-	956,862,195	-	236,322,704	236,322,704	1,193,184,899
		-	1,241,298,254	-	1,241,298,254	-	568,153,406	568,153,406	1,809,451,660

(f) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the bank is able to manage those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

CAUTIONARY NOTE

CAUTIONARY NOTE:

This report contains several forward-looking statements with respect to the financial position and business strategy of ABC Banking Corporation Ltd. By their very nature, forward-looking statements are based on a number of assumptions and management's current views and are thus subject to inherent risks and uncertainties. Hence, there is a significant risk that the statements contained herein may not prove to be accurate.

Readers of this report are thus cautioned not to place undue reliance on the forward-looking statements as numerous factors could cause future results and actions to differ materially from the declarations of future expectations expressed herein. A number of factors ranging from the evolution of the economic and political landscape to technological headway, regulatory developments, interest rate and currency value fluctuations, management actions, level of competition in the local and global industry, are bound to influence the future outcomes that relate to forward-looking statements.

ABC Banking Corporation Ltd does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of Shareholders of ABC Banking Corporation Ltd (the “Company”) will be held at the Company’s premises on 4th Floor, Plantation House, Duke of Edinburg Avenue, Place d’Armes, Port Louis, on Thursday 15 December 2022 at 14.00 to transact the following business:

1. To consider the Annual Report for the financial year ended 30 June 2022.

2. To receive the report of Messrs. **ERNST & YOUNG**, External Auditors of the Company.

3. To consider and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2022.

4. To re-elect (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, in accordance with Section 138 (6) of the Companies Act 2001 the following persons[2] who have been nominated by the Board on the recommendation of the Nominations and Remuneration Committee:

    (i) Hon. Ah Foon **CHUI YEW CHEONG**

    (ii) Professor Donald **AH-CHUEN**, G.O.S.K

    (iii) Mr. Lakshmana **LUTCHMENARRAIDOO**

    (iv) Mr. André Kwet-Tsong **TZE SEK SUM**

5. To re-elect (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, the following persons[2] who have been nominated by the Board on the recommendation of the Nominations and Remuneration Committee:

    (v) Mr David Brian **AH-CHUEN**

    (vi) Mr Patrick Andrew Dean **AH-CHUEN**

    (vii) Mr. Bhanu Pratabsingh **JADDOO**

    (viii) Mr. Michel Bruno **LALANNE**

6. To fix the remuneration of the Directors

7. To re-appoint **ERNST & YOUNG** as External Auditors of the Company for the financial year ending 30 June 2023 pursuant to recommendation of the Audit Committee through the Board of Directors and to authorize the Board of Directors to fix their remuneration.

By order of the Board.
Mahesh Ittoo, *ACG MCSI*

Company Secretary

15 November 2022

Note 1 A member of the Company entitled to attend and vote at this meeting but who is unable to attend may appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. The appointment should be made in writing and the instrument (copy annexed) must be deposited with the Secretary, Mr. Mahesh Ittoo, c/o ABC Banking Corporation Ltd, WEAL HOUSE, Duke of Edinburgh Avenue, Place d’Armes, 11328 Port Louis not less than 24 hours before the meeting.

Note 2 The profiles and categories of the directors proposed for re-election are set out in the Annual Report 2022.

Note 3 For the purpose of this meeting and in compliance with Section 120 of the Companies Act 2001, the shareholders who are entitled to receive notice and attend the meeting shall be those shareholders whose names are registered in the Company’s register as at 5 November 2022.

Note 4 The minutes of proceedings of the Annual Meeting of Shareholders held on 17 December 2021 are available for inspection at the Registered Office of the Company during normal office hours

Note 5 The minutes of proceedings of the Annual Meeting of Shareholders to be held on 15 December 2022 shall be available for inspection at the Registered Office of the Company as from 10 January 2023 during normal office hours.

PROXY FORM

I / We .... of .... being a member / members of ABC Banking Corporation Ltd, hereby appoint .... of .... or failing him / her .... of .... as my / our proxy to vote for me / us on my / our behalf at the Annual Meeting of the Company to be held on Thursday 15 December 2022 or at any adjournment thereof.

I/We desire my/our vote(s) to be cast on the Ordinary Resolutions as follows:

		For	Against	Abstain
1	To consider the Annual Report for the financial year ended 30 June 2022			
2	To receive the report of Ernst & Young, External Auditors of the Company			
3	To consider and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2022.			
4	To re-elect (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, in accordance with Section 138 (6) of the Companies Act 2001 the following persons who have been nominated by the Board on the recommendation of the Nominations and Remuneration Committee: (i) Hon. Ah Foon CHUI YEW CHEONG (ii) Professor Donald AH-CHUEN, G.O.S.K (iii) Mr. Lakshmana LUTCHMENARRAIDOO (iv) Mr. André Kwet-Tsong TZE SEK SUM			
5	To re-appoint (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, the following persons who have been nominated by the Board on the recommendation of the Nominations and Remuneration Committee: (i) Mr. David Brian AH-CHUEN (ii) Mr. Patrick Andrew Dean AH-CHUEN (iii) Mr. Bhanu Pratabsingh JADDOO (iv) Mr. Michel Bruno LALANNE			
6	To fix the remuneration of the Directors			
7	To re-appoint ERNST & YOUNG as External Auditors of the Company for the financial year ending 30 June 2023 pursuant to recommendation of the Audit Committee through the Board of Directors and to authorize the Board of Directors to fix their remuneration			

Signature: ....

Signed this .... day of 2022

NOTES

2022 - DESIGNED BY #COUNTONUS STUDIO

ABC BANKING CORPORATION
count on us

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