ABC BANKING CORPORATION LTD

(a public company with limited liability incorporated on 21 November 1997 in Mauritius)

(Company Number C18920)

LEC/OS/01/2024

PROSPECTUS IN RESPECT OF THE ISSUE AND LISTING BY WAY OF AN OFFER FOR SUBSCRIPTION ON THE OFFICIAL LIST OF THE STOCK EXCHANGE OF MAURITIUS LTD OF UP TO MAURITIUS RUPEES SEVEN HUNDRED MILLION (MUR 700,000,000) OF UNSECURED FIXED RATE NOTES AND UNSECURED FLOATING RATE NOTES

The terms and conditions of the Notes are described under Section 6 of this prospectus (this 'Prospectus') entitled 'Terms and Conditions of the Notes'. Unless otherwise defined in this Prospectus, all capitalised terms used in this Prospectus bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

IMPORTANT NOTICE

The following applies to this Prospectus, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of this Prospectus. In accessing this Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

In the event this Prospectus is delivered to or comes into the possession of any Person at any time after the date hereof, it is the responsibility of that Person to ascertain whether any supplement or amendment of the information herein contained has been made or issued, or whether updated information is available. Reliance on this Prospectus at any time subsequent to the date hereof shall be at that Person's risk.

This Prospectus is for distribution within Mauritius only.

This Prospectus may not be reproduced in any manner whatsoever. Any reproduction of this Prospectus in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act 2005 or the laws of Mauritius.

A hard copy of this Prospectus was delivered to you within Mauritius. Alternatively, to the extent that the Prospectus was sent to you electronically, you consent to delivery of this Prospectus by electronic transmission and you represent to us that you are within Mauritius. If you are not within Mauritius, you are not allowed to access or make any other use of this Prospectus.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities being offered, in any jurisdiction other than Mauritius. Recipients of this Prospectus who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in this Prospectus. A copy of this Prospectus is available from the registered office of the Issuer.

This Prospectus may have been sent to you in an electronic form. If so, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer (or any Person appointed by it to distribute this Prospectus) nor any Person who controls any of them nor any director, officer, employee or agent of the Issuer nor any affiliate of any such Person, accepts any liability or responsibility whatsoever in respect of any difference between this Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer or its appointed representatives.

The Issuer has appointed and authorised the Corporate Finance Adviser and Arranger to circulate this Prospectus and the Applicable Pricing Supplements in respect of a specific Series of Notes.

The Notes will be offered by the Issuer through the Corporate Finance Adviser and Arranger.

This Prospectus provides information to the general public pertaining to the subscription of the Notes and includes information given in compliance with Chapter 9 of the Listing Rules. The Notes will be admitted on the Official List of SEM by way of an offer for subscription.

Neither the delivery of this Prospectus nor any subscription or acquisition made in connection with it shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this Prospectus or that the information is correct as of any subsequent date.

Neither this Prospectus and the Applicable Pricing Supplements, nor any other information supplied in connection with the Notes:

(i) is intended to provide the basis of any credit or other evaluation; or

(ii) should be considered as a recommendation by the Issuer, Corporate Finance Adviser and Arranger, Issuing and Paying Agent, Noteholders' Representative, legal advisers of the Issuer in connection with the issue of the Notes named in Section 3 (the 'Legal Advisers to the Issue'), or any of their respective directors, affiliates, advisers or agents, that any recipient of this Prospectus should purchase any Notes.

Any information on taxation contained in this Prospectus is a summary of certain tax considerations but is not intended to be a complete discussion of all tax considerations. The contents of this Prospectus are not to be construed as investment, legal or tax advice. Prospective Investors should consult their own lawyer, accountant, or investment advisor as to legal, tax and related matters concerning their investment.

Prospective investors should carefully consider Condition 9, which, in accordance with the requirements of the the Guideline on Scope of Application of Basel III and Eligible Capital issued by the BoM in June 2014 and revised in June 2021 (the 'Guidelines on Eligible Capital'), provides for the mandatory conversion of the Notes into ordinary shares of the Issuer upon the occurrence of a Trigger Event from the BoM.

None of the Listing Executive Committee ('LEC') of SEM, SEM or the Financial Services Commission ('FSC') assumes any responsibility for the contents of this Prospectus. The LEC, SEM and the FSC make no representation as to the accuracy or completeness of any of the statements made or opinions expressed in this Prospectus and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon the whole or any part thereof. The FSC will not be liable to any action in damages suffered as a result of the registration of this Prospectus by the FSC.

None of the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue, any other professional adviser, and any of their respective directors, employees, affiliates, advisers or agents, have independently or separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, expressed or implied, is made, and no responsibility is accepted by the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue, any other professional adviser, and any of their respective directors, employees, affiliates, advisers or agents, with respect to the accuracy or completeness of the information contained in the Prospectus or any supplement to the Prospectus, or any other information provided by the Issuer, at any time. The Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue, any other professional adviser, and any of their respective directors, employees, affiliates, advisers or agents do not accept any liability in relation to such information.

Nothing contained in this Prospectus is, shall be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or to the future, by the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue or any of their respective directors, employees, affiliates, advisers or agents, in any respect.

Furthermore, none of the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue and any other professional adviser makes any representation or warranty or assumes any responsibility, liability or obligation in respect of the legality, validity or enforceability of any Notes, or the performance and observance by the Issuer of its obligations in respect of any Notes, or the recoverability of any sums due or to become due from the Issuer under any Notes.

No Person is authorised to give any information or make any representation not contained in this Prospectus or any supplement hereto in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, Corporate Finance Adviser and Arranger, Issuing and Paying Agent, Noteholders' Representative, Legal Advisers to the Issue, any other professional adviser or any of their respective directors, affiliates, advisers or agents.

The distribution of this Prospectus and any Applicable Pricing Supplement and the offering, sale and delivery of Notes is restricted to within Mauritius. Persons having possession of this Prospectus and any Applicable Pricing Supplements are required to inform themselves about and observe such restrictions.

This Prospectus should be read in conjunction with all documents specifically stated to be incorporated in this Prospectus or referred to in this Prospectus, and should be read and understood on the basis that such other documents are incorporated in and form part of this Prospectus.

Investing in the Notes involves a certain degree of risk. Prospective investors should carefully consider the matters set out under Section 7 of this Prospectus. Prospective investors who are in any doubt about the contents of this Prospectus should consult an independent qualified person such as a banker, stockbroker, legal advisor or accountant, who may advise them accordingly.

It is strongly recommended that any Person interested in purchasing the Notes obtains independent tax advice in relation to any purchase, dealings or disposal of the Notes and in respect of all payments (including all principal, interest and other amounts (if any)) payable under or in respect of the Notes.

This Prospectus does not purport to be all-inclusive or to contain all the information that a prospective investor may desire in evaluating the Issuer. Each investor contemplating purchasing any Notes should make its own independent investigation and appraisal of the financial condition and affairs, and of the creditworthiness of, the Issuer, and the terms of the offering, including the merits and risks involved in making an investment decision with respect to the Notes. The investment activities of some investors may be subject to investment laws and regulations, or review or regulation by certain authorities. Investors are advised to consult their investment adviser, investment dealer, tax adviser or legal advisers to ensure compliance with their investment policy and before making any investment decision in relation to the Notes.

The recipient of this Prospectus acknowledges and agrees that the Issuer may amend this Prospectus (including the Terms and Conditions) from time to time without the consent of the Noteholders pursuant to Condition 17.

This Prospectus is not to be redistributed, reproduced, or used, in whole or in part, for any other purpose.

Furthermore, nothing in this Prospectus shall be construed as a recommendation by the Issuer, the Corporate Finance Adviser and/or the other professional advisers that any recipient thereof should purchase the Notes.

Unless otherwise specified herein, the statements and information contained in this Prospectus have been compiled as of 31 December 2023. Neither the delivery of this Prospectus nor any allotment or issue of any Notes shall under any circumstances create an implication or constitute a representation that the information given in this Prospectus is correct as at any time subsequent to the date thereof.

FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance, and the assumptions underlying these forward-looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those which the Issuer identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include, but are not limited to:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Mauritius and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects; and
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate.

Any forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate as from the date on which dealings in the Notes commence on the Official List of SEM, any updates or revisions to any forward-looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward-looking statement is based.

ABC BANKING CORPORATION LTD

(a public company with limited liability incorporated on 21 November 1997 in Mauritius)

(Company Number C18920)

LEC/OS/01/2024

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The terms and conditions of the Notes are described under Section 6 of this prospectus (this 'Prospectus') entitled 'Terms and Conditions of the Notes'. Unless otherwise defined in this Prospectus, all capitalised terms used in this Prospectus bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

IMPORTANT INFORMATION

ABC BANKING CORPORATION LTD (the 'Issuer'), whose shares are listed on the Development and Enterprise Market of The Stock Exchange of Mauritius Ltd proposes to issue notes (the 'Notes') having an aggregate nominal amount of up to MUR 500,000,000 (with a permitted oversubscription of not more than MUR 200,000,000). Kindly refer to Section 4.33 regarding the corporate reorganisation of the Issuer and the eventual cancellation of the listing of the shares of the Issuer from the Development and Enterprise Market of SEM.

A summary of the Notes is set at Appendix C.

In the event of an oversubscription of any Series, additional Notes may be allotted, at the sole discretion of the Issuer, up to a maximum amount specified in the Applicable Pricing Supplement. The supplementary proceeds will be utilised for the same purposes specified in this Prospectus or the Applicable Pricing Supplement.

This Prospectus (i) has been prepared in compliance with the relevant laws of Mauritius as being in force on the date of this Prospectus, including (a) the Companies Act 2001, (b) the Securities Act 2005, (c) the Securities (Public Offer) Rules 2007, (d) the revised Guidelines for Issue of Corporate and Green Bonds in Mauritius issued by the FSC in December 2021 and revised in April 2022 (the 'Bond Guidelines'), (e) the Guidelines on Eligible Capital, and (f) the Listing Rules made by SEM for the listing of securities on the Official List of SEM as amended in July 2023 (the 'Listing Rules'); and (ii) shall constitute the Listing Particulars for the purpose of the Listing Rules.

This Prospectus has been granted provisional registration by the FSC pursuant to the Securities Act 2005 and the rules and regulations made thereunder. The Issuer will apply to the FSC for effective registration of this Prospectus. No Note will be issued under this Prospectus: (i) prior to the FSC granting effective registration to this Prospectus; and (ii) more than six (6) months after the date on which the Prospectus is granted effective registration with the FSC.

The Issuer has applied for the listing of and permission to deal in the Notes on the Official List of SEM. A listing has not been sought for the Notes on any other stock exchange. On the first day of listing and trading of the Notes on the Official List of SEM, the Issuer undertakes to make available 200 Notes in each Series at an indicative price of MUR 10,000 per Note.

The Issuer is regulated under the Banking Act 2004 by the BoM. In accordance with guideline 8 of the Guidelines on Eligible Capital, a copy of this Prospectus and the Applicable Pricing Supplements will be submitted to the BoM at the time the Issuer seeks the approval of the BoM to apply the net proceeds from the issue of the Notes as Tier 2 Capital.

Details of each Series of Notes (including their aggregate nominal amount, the status of the Notes, the issue price and any other terms and conditions not contained in the Terms and Conditions) will be specified in the Applicable Pricing Supplement issued in connection with that Series.

The Notes have been rated by CARE Ratings (Africa) Private Limited ('CRAF') and have been awarded a rating of CARE MAU A+; Stable.

The sale or transfer of Notes are freely transferable, subject to the following:

(a) the Listing Rules;

(b) the Securities (Central Depository, Clearing and Settlement) Act 1996, CDS Rules and Procedures if the Notes are held in the Central Depository System;

(c) the Stock Exchange (Conduct of Trading Operations) Rules 2001 and Automated Trading System Schedule of Procedures;

(d) the provisions of this Prospectus;

(e) the provisions of the IPA Agreement; and/or

(f) the Bond Guidelines.

There are currently no other restrictions on the sale or transfer of Notes under Mauritian law.

Applications for participation may be processed in accordance with the procedure set out in Section 8 of this Prospectus.

Given that the Notes will be listed on the Official List of SEM, the Issuer will file such periodic reports (including financial reports) as are required of it under the Listing Rules, or as may otherwise be required by SEM.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus:

(i) all supplements to this Prospectus circulated by the Issuer from time to time; and

(ii) each Applicable Pricing Supplement relating to any Series of Notes issued under this Prospectus.

The above documents shall, where appropriate, modify and supersede the contents of this Prospectus. The Issuer will provide copies of the documents incorporated by reference, without any charge.

A statement signed by all the directors of the Issuer as required by the Securities Act 2005 and the Securities (Public Offer) Rules is set out in Appendix D to this Prospectus.

UPDATING THIS PROSPECTUS

The Issuer reserves the right to amend this Prospectus prior to the issuance of the Notes if, and to the extent only, required by (i) the FSC to grant effective registration to this Prospectus; and/or (ii) the LEC to approve, or maintain the approval to, the application for listing of the Notes. Where the Issuer so amends this Prospectus, the Issuer will publish a communiqué on its website to that effect, together with a copy of the amended Prospectus. It is the responsibility of Persons accessing or making any use of this Prospectus to ascertain whether this Prospectus has been amended.

The Issuer is under no obligation and assumes no responsibility to update this Prospectus (whether to reflect a change in its financial or trading position or otherwise) as from the date on which dealings in the Notes commence on the Official List of SEM.

This Prospectus is dated 23 February 2024 and will be published on 04 March 2024.

CONTENTS

1 DIRECTORS' DECLARATION

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 1 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

This Prospectus includes particulars given in compliance with the Stock Exchange of Mauritius Ltd Rules Governing the Official Listing of Securities for the purpose of giving information with regard to the Issuer. The directors, whose names appear in Section 4.20 of this Prospectus:

- accept responsibility for the contents of the Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect the import of such information; and

- collectively and individually accept full responsibility for the accuracy or completeness of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The directors of the Issuer hereby declare that, save as disclosed in this Prospectus:

- the Notes will be issued by way of a public offer and, subject to the LEC approval of SEM, the Notes will be listed on the Official List of SEM;

- there has been no material change to the business of the Group since the last audited accounts for the year ended 30 June 2023 and the interim financial statements as at 30 September 2023. Although there has been no material change in the financial or trading position of the Group, the Issuer would like to draw the attention of potential subscribers of Notes that, as disclosed in the cautionary announcement dated 28 November 2023, the board of directors has approved on 28 November 2023 a corporate reorganisation which aims to segregate the non-banking activities of the Issuer from its banking business. See Section 4.33 for more information;

- no changes are anticipated in the nature of the business of the Issuer; and

- the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next twelve (12) months from the date of issue of this Prospectus.

Ah Foon Chui Yew Cheong
Independent Director and Chairperson

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

Port Louis
Mauritius

2 GENERAL DESCRIPTION AND USE OF PROCEEDS OF THE NOTES

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 2 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

2.1 GENERAL DESCRIPTION

The Issuer, subject to compliance with the laws of Mauritius, will issue the Notes. The applicable terms of the Notes will be set out in the Terms and Conditions incorporated by reference into the Notes, as modified and supplemented by the Applicable Pricing Supplement relating to this Prospectus and any supplementary Prospectus.

The Issuer has applied to the LEC of SEM for the listing of the Notes on the Official List of SEM.

Notice of the aggregate nominal amount, the issue price, and any other terms and conditions not contained herein which are applicable to each Series of Notes, will be specified in the Applicable Pricing Supplement. The Notes shall be issued in such denominations and minimum subscription amounts as are specified in the Applicable Pricing Supplement.

In the event of an oversubscription of any Series, additional Notes may be allotted, at the sole discretion of the Issuer, up to a maximum amount specified in the Applicable Pricing Supplement. The supplementary proceeds will be utilised for the same purposes specified in this Prospectus or the Applicable Pricing Supplement.

2.2 USE OF PROCEEDS OF THE NOTES

The proceeds of the Notes will be added to the general funds of the Issuer and utilised for general banking purposes.

The estimated total proceeds is MUR 500,000,000 and the estimated net proceeds of the Notes is MUR 495,040,000 after deduction of the fees set out in Section 4.35 of this Prospectus, assuming the Aggregate Nominal Amount is raised.

3 NAMES AND CONTACT DETAILS OF THE ISSUER AND THE INITIAL FUNCTIONARIES

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 3 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

The names and contact details of the Issuer and the functionaries are as follows:

Issuer	**ABC BANKING CORPORATION LTD** WEAL House, Duke of Edinburgh Avenue Place D'Armes Port Louis Mauritius Tel: +230 206 8000 Fax: +230 208 0088
Corporate Finance Adviser and Arranger	**IZAR Ltd** Suite 1, The Business Exchange, Ground Floor, Tower A, 1 Exchange Square, Ebène Mauritius Tel: +230 460 6674
Sponsor	**IZAR Ltd** Suite 1, The Business Exchange, Ground Floor, Tower A, 1 Exchange Square, Ebène Mauritius Tel: +230 460 6674
Issuing and Paying Agent	**DTOS Registry Services Ltd** 10th Floor, Standard Chartered Tower, 19 Cybercity, Ebène 72201 Mauritius Tel: +230 404 6000 Fax: +230 454 1600
Noteholders' Representative	**Amrit Dassyne, Etude Dassyne** PCL Building, 43 Sir William Newton Street, Port Louis Mauritius Tel: +230 212 2204
Auditor	**Ernst & Young** 6th Floor, IconEbène Rue de L'Institut Ebène Mauritius Tel: +230 403 4777
Legal Adviser to the Issue of the Notes	**Benoit Chambers** Level 9 Orange Tower, Cybercity, Ebène 72201 Mauritius Tel: + 230 403 69 00

Rating Agency	**CARE Ratings (Africa) Private Limited** 5th Floor MTML Square, 63 Cybercity, Ebène 72201 Mauritius Tel: + 230 5862 6551 Fax: + 230 5862 6551

4 DESCRIPTION OF THE ISSUER – CORPORATE AND GENERAL INFORMATION

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 4 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

4.1 OVERVIEW

The Issuer was incorporated as a private company providing leasing facilities under the name 'ABC Finance & Leasing Ltd'. The Issuer changed its name to 'ABC Banking Corporation Ltd' on 21 April 2010. On 01 June 2010, the Issuer obtained a banking licence from the BoM pursuant to the Banking Act 2004 and started its operations as a commercial bank on 09 December 2010 with a deposit base of approximately MUR 2 billion.

With its headquarters and banking operations strategically located at the heart of Port Louis, the Issuer has pursued a strategy that has enabled it to evolve into an established and trusted bank. The Issuer is organised around four main business clusters: Retail & Corporate Banking, Private Banking, International Banking and Treasury.

ABC Banking Corporation Ltd reached a major milestone in January 2016 when the Issuer opened its shareholding to the public and was listed on the Development and Enterprise Market of the SEM. In February 2017, ABC Banking Corporation Ltd progressed in its long-term expansion plan with the opening of a representative office in Hong Kong and in April 2021 another representative office was opened in Dubai.

The Issuer is the first banking institution in Africa to launch the UnionPay premium debit card. Additionally, the bank also launched the UPI QR code payment process which allows users to perform transactions via their mobile phones.

The Issuer is part of the ABC group of companies. Founded in 1931 by Sir Jean Etienne Moilin Ah-Chuen, the ABC group of companies has grown from a single store in Port- Louis to now have a diversified footprint spanning trading, insurance, foods, manufacturing, logistics, automobile distribution and financial services. The ABC group of companies has a significant impact within the Mauritian economy being ranked 22nd among the Top 100 companies by turnover.

To date, ABC Banking Corporation Ltd continues to pursue a growth strategy which has contributed to the increase of its deposit base to MUR 20.4 billion as at 30 June 2023.

4.2 ACTIVITIES

The Issuer is a bank regulated by the BoM. The Issuer's organisation structure is broken down into 19 business units across three distinctive categories (Revenue Centres, Back Office, and Support Services). The four strategic business lines within 'Revenue Centres' include:

- Retail & Corporate Banking;
- Private Banking;
- International Banking; and
- Treasury.

The Issuer offers a range of traditional and innovative banking products and services to its clients ranging from traditional deposits & lending to trade finance, cards, leasing and treasury products.

4.3 SIGNIFICANT TRENDS

In 2021, the Issuer launched a new internet banking platform to provide secure transaction execution and reporting to its customers. This platform was recently upgraded with additional operational enhancements that position the Issuer very competitively in the Mauritian banking landscape.

As part of its international growth and private banking strategy, the Issuer opened a representative office in Dubai to complement its other representative office in Hong Kong, with the aim of attracting and servicing international corporates and high net worth individuals. The Issuer is continuously working to improve its products and services through digitalization. Some of the projects currently being implemented include enhancement of the customer onboarding journey, automation of reporting to BoM, and implementation of an intranet as the Issuer now has 247 staff.

Despite the banking industry being impacted by the COVID pandemic (as a result of the difficulties faced by clients), the Issuer generated MUR 120 million net profit after tax for the financial year ended 30 June 2021. This grew to MUR 201 million net profit after tax for the financial year ended 30 June 2022 and MUR 298 million net profit after tax for the financial year ended 30 June 2023.

In the financial year ended 30 June 2023, a higher interest rate environment in Mauritius and growth in the loan portfolio together contributed to a sizeable increase in interest income for the Issuer, whilst higher interest rates in G7 countries enhanced the income from placements with banks and investments in T-bills. Additionally, the support mechanisms introduced by the BoM during the pandemic years have laid the foundation for stronger balance sheets for borrowers.

Since the last audited financial statements for the year ended 30 June 2023, the asset book of the Issuer has grown from MUR 17.3 billion to reach MUR 18.5 billion as at 30 September 2023.

4.4 RESEARCH AND DEVELOPMENT

The Issuer's mission statement is to focus on the continuous development of the bank. Additionally, the Issuer strives to remain competitive within the Mauritian banking industry by constantly assessing avenues for improvement of its offering whilst continuing to align with evolving international developments and regulations.

Any new product distributed or service offered by the Issuer undergoes a thorough review and approval process to ensure alignment with the Issuer's vision, strategy, procedures,policies, BoM regulations, and to make sure the financial return or benefits to the Issuer are commensurate with the level of investment and indeed the expected time taken to deploy such an initiative.

4.5 BUSINESS INTERRUPTION

The Issuer has not had any interruptions in its business within the last 12 months.

Despite the activities of the Issuer being affected by the COVID 19 pandemic as a result of the associated lock downs and the significantly reduced trading activity that impacted turnover, cashflow, and profitability of Mauritian corporates, it has continued to operate in line with the regulations set by BoM.

During the COVID period (2020 & 2021), the Mauritian government & BoM implemented various policies and support mechanisms to support both Mauritian corporates and individuals with the assistance of the Mauritian banking industry. The Issuer has supported its clients throughout this time and is therefore well positioned to continue its growth by leveraging the quality of its relationships and the size of its balance sheet.

4.6 INCORPORATION

The Issuer was incorporated on 21 November 1997 in Mauritius under the authority of the Registrar of Companies of Mauritius as a private company limited by shares under the Companies Act 2001 (company number C18920 and Business Registration Number C07018920). The Issuer converted to a public company limited by shares with unlimited life on 13 October 1998.

4.7 REGISTERED OFFICE AND PLACE WHERE STATUTORY RECORDS ARE KEPT

Address of registered office	Place where statutory records are kept
Weal House, Duke of Edinburgh Avenue, Place D'Armes, Port Louis Mauritius	Weal House, Duke of Edinburgh Avenue, Place D'Armes, Port Louis Mauritius

Administration

Functionary	Name and address
Share Registry and Transfer Office	ABC Professional & Secretarial Services Ltd ABC Centre, Military Road Port Louis, Mauritius

4.8 REGULATORY COMPLIANCE

The Issuer is a public company. It is governed by a modern constitution based on the provisions of the Companies Act 2001.

The Issuer holds a banking license issued by the BoM to carry out banking business. It is therefore subject to the application of the Banking Act 2004 as well as the regulations and guidelines issued by the BoM from time to time.

The Issuer is a reporting issuer as defined under section 86(1) of the Securities Act 2001 and is duly registered with the FSC. It also holds an Insurance Agent (Company) licence and a Distribution of Financial Products licence from the FSC.

4.9 CONSTITUTION

The Issuer has adopted a constitution dated 09 April 2010 (the 'Constitution'). As permitted by the Companies Act 2001, the Constitution does not specify any particular object for the Company. A summary of the relevant provisions of the Constitution, as required by the Listing Rules, are set out below and the full version of the Constitution is available on the Issuer's website.

Article 6. Shares

6.4 Issue of Further Shares

6.4.1. Board may issue shares

Subject to the Companies Act 2001, the Constitution and the terms of issue of any existing Shares, the Board may issue Shares (and rights or options to acquire Shares, including Redeemable Shares) of any Class to any person and in such numbers as the Board may think fit.

6.6. Transfer of Shares

6.6.1. Freedom to Transfer

Subject to the laws of the Republic of Mauritius (including but not limited to the provisions of the Banking Act 2004) and to the provisions of the Constitution, there shall be no restrictions on the transfer of fully paid up shares in the Company and transfers and other documents relating to or affecting the title to any shares shall be registered with the Company without payment of any fee.

6.6.2. Transmission

(a) Shares of the company depending from the estate of a deceased shareholder shall be transferred by the Board to the said shareholder's heirs, legatees, widow or widower, as the case may be, on the Board being satisfied that the party applying for the transfer is entitled thereto; likewise, shares of the Company depending from the bankruptcy or insolvency of a shareholder, or from its winding up, or from a reduction of its share capital, if such shareholder is a company or a partnership, shall be transferred to such persons who shall satisfy the Board of their right to have such transfer in their names.

(b) Pending the division of shares of the Company, depending from the estate and succession of a deceased shareholder, or from the bankruptcy or insolvency, or winding up or reduction of capital of a shareholder, and the registration thereof in the share register in the name of the party or in the names of the parties respectively entitled thereto, such party or parties shall have to appoint an agent for the purpose of receiving all dividends declared on such shares and of acting as their representative at all meetings of the Company.

6.6.3. Transfer of shares in pledge

(a) Any share or debenture may be given in pledge in all civil and commercial transactions in accordance with the Code Civil Mauricien.
(b) The Company shall keep a share register in which -
    (i) The transfer of shares or debentures given in pledge may be inscribed;
    (ii) It shall be stated that the pledgee holds the share or debenture not as owner but in pledge of a debt the amount of which shall, in the case of a civil pledge, be mentioned.
(c) A pledge shall be sufficiently proved by a transfer inscribed in the register.
(d) The transfer shall be signed by the pledger and by the pledgee and by the Secretary of the Company.

6.7. Directors' right to refuse registration of transfers

Subject to the compliance with sections 87 to 89 of the Companies Act 2001, the Board may refuse or delay the registration of any transfer of any share to any person whether that person be an existing shareholder or not, where:-

(a) So required by law;
(b) Registration would impose on the transferee a liability to the Company and the transferee has not signed the transfer;
(c) A holder of any such share has failed to pay on the due date any amount payable thereon either in terms of the issue thereof or in accordance with the Constitution (including any call made thereon);
(d) The Board acting in good faith decides in its sole discretion that registration of the transfer would not be on the best interests of the company and/or of its shareholders.

Article 9. Remuneration of Directors

The remuneration of Directors shall be determined in accordance with section 159(1) of the Companies Act 2001 and the provisions of the Banking Act 2004.

Article 13. Indemnity and Insurance

13.1 Indemnity of Directors, Secretary and Employees

(a) The Board shall cause the Company to indemnify a director or employee of the company or a related company for any costs incurred by him or the Company in respect of any proceedings-
    a) that relates to liability for any act or omission in his capacity as a director or employee; and
    b) in which judgement is given in his favour, or in which he is acquitted, or which is discontinued.

(b) The Board shall cause the Company to indemnify a director or employee of the company or a related company in respect of –
    a) liability to any person, other than the company or a related company, for any act or omission in his capacity as a director or employee; or
    b) costs incurred by that director or employee in defending or settling any claim or proceedings relating to any such liability.

13.2. Insurance of Directors, Secretary and Employees

(a) The Board shall cause the Company to effect insurance for a director or employee of the company or a related company in respect of –
    a) Liability, not being criminal liability, for any act or omission in his capacity as a director or employee;
    b) Costs incurred by that director or employee in defending or settling any claim or proceeding relating to any such liability; or
    c) Costs incurred by that director or employee in defending any criminal proceedings:
        i) That have been brought against the director or employee in relation to any act or omission in that person's capacity as a director or employee;
        ii) In which that person is acquitted; or
        iii) In relation to which a nolle prosequi is entered.

(b) The directors who vote in favour of a decision to effect insurance under paragraph 13.2(a) shall sign a certificate stating that, in their opinion, the cost of effecting the insurance is fair to the Company.

(c) The Board shall ensure that particulars of any indemnity given to, or insurance effected for, any Director or employee of the Company or related Company are forthwith entered in the Interests Register.

Article 15. Distributions and Dividends

15.2. Dividends

15.2.3. Unclaimed Dividends

All dividends unclaimed for one year after having been authorized may be invested or otherwise made use of by the Board for the benefit of the Company, until claimed, and all dividends unclaimed for five years after having been declared may be forfeited by the Board for the benefit of the Company. The Board may, however, annul any such forfeiture and agree to pay a claimant who produces evidence of entitlement to the Board's satisfaction of the amount due to such claimant unless in the opinion of the Board such payment would embarrass the Company.

4.10 GROUP STRUCTURE

The Issuer does not have any holding company or any subsidiary.

4.11 SUMMARY OF SHAREHOLDING IN SUBSIDIARIES

The Issuer does not have any subsidiaries.

4.12 STATED CAPITAL

The stated capital of the Issuer is MUR 940,495,472.

4.13 SHARE CAPITAL

The issued share capital of the Issuer is as follows:

Description	Number of shares	Amount paid up on shares MUR
Issued Capital	76,271,872 ordinary shares of MUR 10 each	940,495,472

4.14 ALTERATIONS IN CAPITAL

Alterations in share capital

There have been no changes in the number of shares issued since 2020. The Issuer issued 19,067,968 new ordinary shares of MUR 10 each at an issue price of MUR 16 each on 10 June 2016.

Increase of capital

As at the date of this Prospectus, the Issuer does not intend to increase, nor does it foresee any increase in, its capital.

4.15 INFORMATION ON SHAREHOLDERS AS AT 31 DECEMBER 2023

Description	Number of ordinary shares	% shareholding
ABC Car Rental Limited	7,341,938	9.63%
ABC Motors Company Limited	7,251,043	9.51%
Chue Wing & Company Limited	7,208,576	9.45%
Good Harvest Limited	4,112,599	5.39%
Intake Limited	3,700,000	4.85%
Everpro Mauritius Limited	3,539,824	4.64%
Union Shipping Limited	3,383,372	4.44%
LAI Chi Wai Kenneth	2,714,933	3.56%
MAXCITY Investments Ltd	2,383,269	3.12%
Fleetleader (Mauritius) Ltd	1,515,502	1.99%
Other ordinary shareholders	33,120,816	43.42%
Total	**76,271,872**	**100%**

As at the date of this Prospectus, no persons, directly or indirectly, jointly or severally, exercise or could exercise control over the Issuer.

4.16 RIGHTS ATTACHED TO ORDINARY SHARES

Ordinary shares of the Issuer confer upon its holders the rights set out in section 46(2) of the Companies Act 2001 together with any other rights conferred to it by its constitution.

Voting

Each ordinary share confers the right to one vote on a poll at a meeting of the Issuer on any resolution.

Entitlement to share in dividend and capital distributions

Each ordinary share confers the right to an equal share in dividends authorised by the board of directors and the right to an equal share in the distribution of the surplus assets of the company.

Redemption

The Issuer's ordinary shares are not redeemable however the Board of the Issuer may, subject to an approved ordinary resolution, issue redeemable shares.

Creation or issue of further securities ranking in priority to or *pari passu* with the ordinary shares referred to in Condition 9

Subject to the Companies Act 2001, the constitution of the Issuer and the terms of issue of any existing shares, the board of directors may issue shares (and right or options to acquire shares, including redeemable shares) of any class to any person and in such numbers as the board may think fit.

Any other special rights

The Constitution does not confer special rights on the holders of ordinary shares.

Consents necessary for the variation of rights

If at any time the capital of the Issuer is divided into different classes of shares, the Issuer, conformably to the provisions of section 114 of the Companies Act 2001, shall not take any action which varies the rights attached to a class of shares unless that variation is approved by special resolution or by consent in writing of the holders of seventy five percent (75%) of the shares of the said class. To any such meeting, all the provisions of this constitution relating to meetings of shareholders shall apply *mutatis mutandis*.

4.17 DIVIDEND POLICY

Payment of dividends is subject to the bank's profitability, cash flow, and capital expenditure requirements. In September 2020, the BoM implemented the Guideline on Payment of Dividend which requires that any dividend payment by a deposit taking institution be approved by the BoM.

Details of the dividends paid by the Issuer within the last three (3) years are set out below. No dividend was declared or paid in 2021 as a result of the COVID 19 pandemic.

Year	Date of payment	Dividend per ordinary share (MUR)	Total dividend paid (MUR)
2021	N/A	Nil	Nil
2022	31 March 2022	0.54	41,186,811
2023	19 January 2023	0.61	46,525,838

On 27 December 2023, the board of directors of the Issuer has declared a dividend of MUR 0.90 per ordinary share totalling MUR 68,644,685 in respect of the financial year ended 30 June 2023. The dividend will be paid in full on or about 14 February 2024.

Waiver of Future Dividends

The Issuer typically announces a dividend after it has finalised the accounts for the financial year in question and has sought approval from both the Board and BoM for the proposed dividend to shareholders. There is no fixed date for the announcement of dividends and the Issuer has not entered into any arrangement under which future dividends are waived or have agreed to be waived.

4.18 EARNINGS PER SHARE

The earnings per ordinary share of the Issuer for the financial years ended 30 June 2021, 2022 and 2023 are MUR 1.57, MUR 2.64 and MUR 3.91 respectively.

4.19 SHARE OPTION SCHEME

As at the date of this Prospectus, no capital of any member of the Group is under option, nor has any member of the Group agreed, conditionally or unconditionally, to be put under option.

4.20 BOARD OF DIRECTORS AND COMPANY SECRETARY

The Issuer's constitution provides that the board of directors shall consist of not less than 6 but no more than 10 Directors. As at 31 December 2023, in accordance with the provisions of the Banking Act 2004 and the BoM Guideline on Corporate Governance, the Issuer has a board of directors which comprises of 10 directors: 2 executives, 1 non-executive and 7 independents. The board is ultimately responsible for ensuring that the business is and remains a going concern and to this end, effectively controls the Issuer and its management. The board is involved in all decisions that are material for the Issuer.

Board meetings are held on a quarterly basis and additionally whenever there is a need to consider and decide on important issues relating to the Issuer's business.

A summary profile of all directors of the Issuer is set out below:

Director's full name	Nationality	Address	Date of appointment	Date of Expiry of Term of Office
Donald Ah-Chuen#	Mauritian	9th Floor, Gateway Penthouse, St. Jean Road, Quatre Bornes	29 November 2004	Not applicable
David Brian Ah-Chuen#	Mauritian	Mount Ory Road, Moka	28 March 2000	Not applicable
Patrick Andrew Dean Ah-Chuen#	Mauritian	Riverwalk Helvetia, St Pierre, Mauritius	13 May 2019	Not applicable
Ah Foon Chui Yew Cheong*	Mauritian	43 John Kennedy Avenue, Floreal	30 April 2018	Not applicable
Max Danny Kim Shian Fon Sing	Mauritian	B47 Bois Cheri Road, Moka	01 June 2023	Not applicable
Bhanu Pratabsingh Jaddoo	Mauritian	Eureka Road, 23 Moka	23 November 2018	Not applicable
Michel Bruno Lalanne^	Mauritian	10A, Henri Koenig Street, Curepipe, Mauritius	22 June 2021	Not applicable
Lakshmana Lutchmenarraidoo	Mauritian	Royal Road, Gentilly, Moka	26 October 2020	Not applicable

André Kwet-Tsong Tze Sek Sum	Mauritian	Beach Lane, Pereybere	01 December 2020	Not applicable
Laura Yeung Sik Yuen*	Mauritian	21 Queen Mary Avenue, Floreal	02 January 2023	Not applicable

^ On 01 January 2024, Michel Bruno Lalanne stepped down as a director to be appointed as Chief Operating Officer.

Donald Ah-Chuen, David Brian Ah-Chuen and Patrick Andrew Dean Ah-Chuen are family related.
*Ah Foon Chui Yew Cheong and Laura Yeung Sik Yuen are family related.

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 and later became Secretary and Head of Administration of the same organization. He played an important role in bringing stability in the company's state of Industrial Relations and securing a durable long-term Wages and Employment Conditions Agreement with the Workers' Union. He obtained the MBA Degree from University of Strathclyde in July 1968 and joined the University of Mauritius two years later to head the Centre of Professional Studies. In 1975, he became the first Mauritian to be appointed Professor of Management and Head of the School of Administration of the University and subsequently served as Pro-Vice Chancellor of the University. Professor Donald worked for a period of 12 years in Sydney in both Academia & Industry. During that time, he was the CEO of Graham Group of Companies, and later became 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 and was its Chairman for the year 2018. 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. 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 Issuer which was originally set up by him as the ABC Finance & Leasing Company. 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.

Directorship in other companies:

ABC Motors Company Limited, P.O.L.I.C.Y Limited, The Stock Exchange of Mauritius Ltd, ABC Autotech Ltd, ABC BPO Ltd, ABC Car Rental Limited, ABC Coach Works Limited, ABC East Africa Investment, ABC Group Corporate Services Ltd, ABC Marketing Ltd, ABC Professional & Secretarial Services Ltd, ABC Properties Ltd, ABC Realty Ltd, ABC Training Centre Ltd, ABC Customer Survey & Analysis Ltd, Chue Wing & Company Limited, Team Investment Limited, Aladdin Tours Ltd, All-Star Limited, Monte Cristo Automobile Ltd, Paragon Motors Ltd, Stamford Third Ltd, Stuttgart Motors Ltd, Torino Ltd, Xin Motors

Ltd, JEMLAC Investment Ltd, Ocean View Hotels Limited, Premium Brands Ltd, Transpeed Ltd, Margadon Ltd, Meiling Investment Ltd

David Brian Ah-Chuen

Executive Director

Currently the Issuer's Executive Director, Mr. Brian Ah-Chuen holds a BBA Honours from Schulich School of Business, York University, Toronto, Canada. During his tenure as Strategic Business Executive, he was in charge of the overall strategy of the bank which culminated in the opening of the ABC Banking Representative Office in Hong Kong, the setting up of the Private Banking arm and the opening of the Private Banking Lounge. He has previously held senior positions in various organisations of the ABC Group in the automobile, FMCG and hospitality clusters. Mr. Brian Ah-Chuen is a Board member of Business Mauritius' Africa Strategy Committee and is also a fellow member of the Mauritius Institute of Directors (MIOD).

Directorship in other companies:

MUA Ltd, ABC Motors Company Ltd, ABC Autotech Ltd, ABC BPO Ltd, ABC Coach Works Limited, ABC East Africa Investment, ABC Group Corporate Services Ltd, ABC Properties Ltd, ABC Training Centre Ltd, Chue Wing & Company Limited, Team Investment Limited, Aladdin Tours Ltd, MUA Life Ltd, The MUA CY Ltd, Monte Cristo Automobile Ltd, Paragon Motors Ltd, GinMori Auto Ltd, Stuttgart Motors Ltd, Torino Ltd, Xin Motors Ltd, Orange Eight Ltd, Costa Del Sol Invesment Ltd, Devlin Investments Ltd, Sir J.E. Moi Lin Ah Chuen Memorial Ltd, Oriental Foods Limited, West Coast Living Ltd, Globe Freight Ltd, Speed Autoparts Ltd, Supreme Logistics Management Services Ltd, Le Pallisandre Ltee, Meiling Investment Ltd, V & V Company Limited

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 and has overall responsibility for the automobile cluster. He is 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 low-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.

Directorship in other companies:

ABC Motors Company Limited, Harel Mallac & Co. Ltd, Fleetleader (Mauritius) Ltd, ABC Autotech Ltd, ABC BPO Ltd, ABC Car Rental Limited, ABC Coach Works Limited, ABC East Africa Investment, ABC Group Corporate Services Ltd, ABC Marketing Ltd, ABC Properties Ltd, ABC Training Centre Ltd, Union Shipping Limited, Meijiang Investments Ltd, Stamford Third Ltd, Stuttgart Motors Ltd, GinMori Auto Ltd, Aladdin Tours Ltd, Monte Cristo Automobile Ltd, Paragon Motors Ltd, Torino Ltd, Xin Motors Ltd, JEMLAC Investment Ltd, Premium Brands Ltd, Margadon Ltd, Meiling Investment Ltd, Costa Del Sol Investment Ltd, Devlin Investments Ltd, Sir J.E. Moi Lin Ah Chuen Memorial Ltd, Globe Freight Ltd

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 the holding of the office of Director of Public Prosecutions from 1999 to 2003 and presiding over the newly set up Mediation Division of the Supreme Court from 2010 to 2014. In her capacity as Chair of the Board of the Institute for Judicial and Legal Studies since its inception in 2011 up to February 2021, she devised and initiated many courses and workshops for the legal profession and judiciary. In October and November 2022, at the request of the Judiciary, she gave presentations to judicial officers on Judgement writing and Ethics. As president of the local branch of the Association Henri Capitant, she contributes regularly to the online publication of #AHCualités of the Association, which gives highlights of the current legislative texts and judicial decisions in the 40 member countries. 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-type care to children who have lost or are in danger of losing parental care. 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 Issuer's board of directors.

Directorship in other companies: None

Max Danny Kim Shian Fon Sing

Independent Director

Mr. Max Danny Kim Shian Fon Sing holds a BA Management Sciences from the London School of Economics and Political Science. He is qualified as Chartered Accountant from the Institute of Chartered Accountants in England since 1993. Mr. Fon Sing is the CEO of MaxCity Group since 1994 and has more than 25 years of experience in Property Development, Property Funds, Real Estate Finance, and Smart City development. Throughout his career, he has assumed several directorship positions and has played an active role in setting up MaxCity Property Fund, which has over Rs 7 billion of property assets under management.

Directorship in other companies:

Danmary Investments Ltd, Denham Ltd, Double Eight Properties Ltd, GB La Salette Development Ltd, Go Solar Ltd, Happy Max Ltd, Hanwell Ltd, ITSolvz Ltd, IT Solvz Realty Ltd, ITS Mada Ltd, La Residence Ltd, La Salette PDS Ltd, Logiparks Riche Terre Ltd, MaxCity Asset Managers Ltd, MaxCity Corporate Services Ltd, MaxCity Cote d'Or Ltd, MaxCity ESD V Ltd, MaxCity ESD 6 & 7 Ltd, MaxCity Investments Ltd, MaxCity Land Holdings Ltd, MaxCity La Salette Ltd, MaxCity La Salette (4A) Ltd, MaxCity Poudrière Ltd, MaxCity Properties Ltd, MaxCity Property Fund Ltd, MaxCity Projects Ltd, MaxCity Properties (GB) Ltd, MaxCity Trianon Ltd, MaxCity Properties (R.Ollier) Ltd, MC BOC 1 Ltd, MC EP1 Ltd, MC EP16 Ltd, MC EP127 Ltd, MC Naia 1 Ltd, MC Naia 3 Ltd, Montebello Smart City Management Ltd, Montebello Retail Ltd, Montebello R1 Ltd, Montebello Smart City Ltd, MSD Ltd, MSPV One Ltd, MSPV Two Ltd, NMDL One Ltd, One CCEP Ltd, SDL Hospitality GB Ltd, Sottise Development Ltd, Stuhor Ltd, Zone T One Ltd, Zone Eleven Ltd

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 was previously the Managing Director of the Board of Investment between 2005 and 2010 and has also been 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.

Directorship in other companies: Investcorp (Holdings) Ltd, India Capital Management, Everstone Capital Partners II, Ocorian Corporation Services Ltd

Michel Bruno Lalanne

Independent Director

Mr. Michel Bruno Lalanne is a Certified Anti-Money Laundering Specialist with significant local and international managerial experience. Mr. Lalanne has enjoyed a successful career at HSBC Mauritius where he held several positions including Head of Corporate Banking, Chief Operating Officer, Area Compliance Officer and Head of Financial Crime Compliance & Regulatory Compliance. Mr. Lalanne also spent 2 years in the Asia Pacific region as Senior Regulatory Compliance Assurance Manager for 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. Over and above the extensive managerial positions held by Mr. Lalanne, he has been a member of Executive and Risk Management Committees during the past 15 years.

Directorship in other companies: None

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 in the setup of 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 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.

Directorship in other companies: Kwale International Sugar Company Limited

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.

Directorship in other companies: Port Louis Management Services Ltd

Laura Yeung Sik Yuen

Independent Director

Mrs. Laura Yeung Sik Yuen is a Fellow Member of the Institute of Chartered Accountants in England and Wales (FCA) and holds a BSc (Hons) Business Studies from City University, London, United Kingdom. She trained and qualified as a Chartered Accountant and spent six years with KPMG in London before coming back to Mauritius and joining Deloitte. She has more than 35 years of audit and advisory experience which includes 25 years as partner of Deloitte Mauritius. She was the lead client partner of some of the top listed companies and multinationals in Mauritius and has experience working with clients in a wide variety of sectors. During her career, Mrs. Laura has held a number of leadership positions within the firm, including the roles of Talent Partner, Learning Partner, Director of Independence, and Ethics Leader. She served as Audit Leader, responsible for managing and leading the audit function with 6 audit partners and more than 200 professionals until her retirement in July 2022.

Directorship in other companies: BlueLife Limited

Company Secretary's Full Name	Nationality	Address
Mahesh Ittoo	Mauritian	Morcellement Merry Town, Helvetia, St.Pierre

Mr. Mahesh Ittoo, the Company Secretary, is responsible for the management of corporate secretarial and governance affairs. 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 (exICSA) and a Member of the Chartered Institute for Securities and Investment. Mr. Ittoo has more than 12 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 Issuer, acting as the link between the Issuer and its shareholders.

4.21 BOARD COMMITTEES

As at the date of this Prospectus, the Board of the Issuer is assisted in its function by six (6) main sub committees: (i) the Board Credit Committee, (ii) the Audit Committee, (iii) the Risk Management Committee, (iv) the Conduct Review Committee, (v) the Corporate Governance Committee, and (vi) the Nominations and Remuneration Committee.

The composition, scope of function and powers of the committees of the Board, as at 31 December 2023, are as set out below:

Board Credit Committee	
Scope of function and powers	The Board Credit Committee has been established by the board of directors of the Issuer 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.
Composition	Mr. Michel Bruno Lalanne (Chairperson) Prof. Donald Ah-Chuen Mr. Lakshmana Lutchmenarraidoo The Executive Director, the General Manager, and the Head of Risk are in attendance at all Committee meetings.

Audit Committee	
Scope of function and powers	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 Issuer's audited financial statements and quarterly results before they are approved by the 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 Issuer'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.
Composition	Mr. Bhanu Pratabsingh Jaddoo (Chairperson) Mr. Michel Bruno Lalanne Mrs. Laura Yeung Sik Yuen The 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	
Scope of function and powers	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.
Composition	Mr. Lakshmana Lutchmenarraidoo (Chairperson) Prof. Donald Ah-Chuen Mr. Michel Bruno Lalanne

Conduct Review Committee	
Scope of function and powers	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 Issuer's best interests; • reviewing and approving each credit exposure to related parties; • ensuring market terms and conditions are applied to all related party transactions.
Composition	Mr. Lakshmana Lutchmenarraidoo (Chairperson) Mr. Max Danny Kim Shian Fon Sing Mr. André Kwet-Tsong Tze Sek Sum

Corporate Governance Committee	
Scope of function and powers	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 Issuer remains effective and complies with prevailing corporate governance principles. The Committee is constituted to ensure the reporting requirements with regards to corporate governance, whether in the annual report or on an on-going basis, are in accordance with the guidelines set out by the BoM and the National Code of Corporate Governance.
Composition	Mr. André Kwet-Tsong Tze Sek Sum (Chairperson) Prof. Donald Ah-Chuen Mr. Max Danny Kim Shian Fon Sing

Nominations and Remuneration Committee	
Scope of function and powers	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 Issuer's succession plan; • establishing the procedures for identification, selection and recommendation of new directors; • establishing and monitoring the Issuer's remuneration policy and recommending appropriate remuneration for directors.
Composition	Mr. André Kwet-Tsong Tze Sek Sum (Chairperson) Prof. Donald Ah-Chuen Mr. Max Danny Kim Shian Fon Sing

Further details on the roles and responsibilities of the committees can be found in the Issuer's annual report and on its website.

4.22 DIRECTORS' INTERESTS

As at 31 December 2023, the direct or beneficial interests of the directors of the Issuer in the stated unimpaired capital and shares of the Issuer are as set out below:

Directors name	Direct	Indirect
Donald Ah-Chuen	1.85%	3.52%
David Brian Ah-Chuen	0.48%	0.04%
Patrick Andrew Dean Ah-Chuen	0.32%	1.04%
Ah Foon Chui Yew Cheong	Nil	Nil
Max Danny Kim Shian Fon Sing	Nil	1.96%
Bhanu Pratabsingh Jaddoo	Nil	Nil
Michel Bruno Lalanne	Nil	Nil
Lakshmana Lutchmenarraidoo	0.03%	Nil
André Kwet-Tsong Tze Sek Sum	Nil	Nil
Laura Yeung Sik Yuen	Nil	Nil

As at 31 December 2023, the directors and chief executive officer (and their respective associates, as known to them after having made all reasonable enquiries) have no direct or beneficial interests in the debt securities of the Issuer or the Group.

Directors' remuneration and benefits in kind

Directors' remuneration and benefits in kind for the year ended 30 June 2023	
Name of Director	Remuneration and Benefit (MUR)
Donald Ah-Chuen	10,310,000
David Brian Ah-Chuen	7,401,000
Patrick Andrew Dean Ah-Chuen	383,350
Ah Foon Chui Yew Cheong	841,500
Max Danny Kim Shian Fon Sing	23,375
Bhanu Pratabsingh Jaddoo	481,525
Michel Bruno Lalanne	565,675
Lakshmana Lutchmenarraidoo	659,175
André Kwet-Tsong Tze Sek Sum	575,025
Laura Yeung Sik Yuen	205,700
Total	**21,446,325**

The remuneration of executive, non-executive and independent directors is reviewed and recommended for approval to the board on an annual basis by the Nominations and Remuneration Committee. The estimated aggregate amount payable and benefits in kind to be granted to the directors of the Issuer by the Issuer and subsidiaries of the Issuer, for the current financial year, under the arrangements in force on the date on which the offer is first made is MUR 21,903,475.

Directors' service contracts

There is no service contract between the Issuer or any of its subsidiaries, and any director of the Issuer. Apart from the payments of directors' fees, the directors have no other dealings or transactions with the Issuer. There are no arrangements whereby any of the directors have or have agreed to waive future emoluments and there are no arrangements for the waiver of emoluments during the past financial year.

There are no contracts or arrangements as at the date of this Prospectus in which a director of the Issuer is materially interested.

Loans and guarantees in favour of Directors

As at 31 December 2023, the outstanding loans provided by the Issuer in favour of any Director are as set out below:

Name of Director	Outstanding loans (MUR)
Bhanu Pratabsingh Jaddoo	6,318,844
Donald Ah-Chuen	1,004,402

To the best of our knowledge and as at 31 December 2023, there are no guarantees provided by any member of the Group in favour of any Director.

4.23 SENIOR EXECUTIVE TEAM

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 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).

Patrick Andrew Leong Son

Head of Finance

Mr. Patrick Andrew Leong Son has over 15 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 worked in Corporate Finance and was involved in capital raising, listing and deal matching. Mr. Leong Son also acquired international experience while working in London as a Manager in the Investment Team of the British Business Bank Investments Ltd and as well as working as an external auditor for KPMG 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.

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 and PwC. He is qualified from the Association of Chartered Certified Accountants.

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).

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.

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.

Abdullah Nurmahomed, CFA
Head of Treasury
Mr. Abdullah Nurmahomed has 20 years' experience in the financial services industry, including 13 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, is a CFA Charterholder and has completed the ACI Dealing Certificate from the Financial Markets Association.

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.

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).

4.24 HUMAN RESOURCES

As at 31 December 2023, the Issuer employs 247 persons. The breakdown of the persons employed by main categories is as set out below:

Department	Number of employees
Managing Director Office	7
Regulatory and Control	46
Front Office	79
Back Office	66
Support Divisions	49

4.25 AUDITOR

Ernst & Young has acted as the statutory auditor of the Issuer for the financial years ended 30 June 2021, 2022 and 2023 and in respect of these years, issued unqualified audit reports in respect of the Issuer (the 'Audit Reports'). Ernst & Young holds no shareholding in the Issuer or any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Ernst & Young does not audit any holding or subsidiary of the Issuer.

Ernst & Young has given and has not withdrawn its consent (the 'Auditor's Consent') to the issue of this Prospectus and to the inclusion herein of the Audit Reports dated 18 October 2021, 27 September 2022 and 25 September 2023 in the form and context in which they appear. Ernst & Young has also specifically consented to all references to its name in this Prospectus. A copy of the Auditor's Consent has been filed with the FSC.

The Audit Reports were prepared pursuant to, *inter alia*, the Companies Act 2001 and the Banking Act 2004, and not for the specific purpose of incorporation in this Prospectus.

The Audit Reports are set out at Section 5.1 of this Prospectus.

As at the date of this Prospectus, Ernst & Young is no longer the auditor of the Issuer. KPMG has been appointed as the auditor of the Issuer for the financial year ended 30 June 2024.

4.26 LEGAL ADVISERS

As at the date of this Prospectus, the legal advisers of the Issuer are:

Name	Address
Mr. Dev Erriah	ERRIAH CHAMBERS, Level 2 Hennessy Court, Cnr of Pope Hennessy & Suffren Streets, Port Louis
Mr. Michael King Fat	St James Court, St Dennis Street, Port Louis
Mr. Ghanshyam Bhanji Soni	Sterling House, Lislet Geoffroy Street, Port Louis

4.27 CAPITAL EXPENDITURE ITEMS

As at the date of this Prospectus, the significant capital expenditure items in progress or authorised by the directors are as set out below:

Capital expenditure item	Estimated cost (MUR)
Enhancement of customer onboarding	4,006,695
Automation of BoM reporting	2,025,000
Implementation of an intranet	1,150,000
Development of internet and mobile banking	15,465,590

4.28 BORROWING LIMITS

The Issuer does not have any borrowing limits. The Issuer's Asset and Liabilities Committee is responsible for reviewing and assessing the management of funding undertaken by bank and formulating appropriate actions to be taken. This includes reviewing the Issuer's funding profile and considering:

- the diversification, cost and robustness of funding sources,
- funding needs (both actual and projected),
- current and new funding structures e.g., deposits, bonds, etc

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.

4.29 THE ISSUER'S AND THE GROUP'S COMPREHENSIVE INDEBTEDNESS

Prior to the issue of Notes, the indebtedness of the Issuer and of the Group as at 31 December 2023 is as follows:

Type	Status	Maturity date	Outstanding amount (MUR)
Bond	Subordinated unsecured	25 April 2025	500,000,000

As at 31 December 2023, the Issuer does not have any bank borrowings outstanding.

Following the issue of Notes, the indebtedness of the Issuer is estimated to be as follows:

Type	Status	Maturity date	Outstanding amount (MUR)
Bond	Subordinated unsecured	25 April 2025	500,000,000
Bond	Subordinated unsecured	29 March 2034	500,000,000
Total			**1,000,000,000**

As at 31 December 2023, the Issuer has not created any mortgages or charges over its assets.

As at 31 December 2023, the contingent liabilities of the Issuer are as set out below:

Description	Amount (MUR)
Guarantees on account of customers	23,095,217
Letter of credit and other obligations on account of customers	543,499
Commitments	3,960,602,787
Total	**3,984,241,503**

4.30 BUSINESS DEPENDENCE

The licences that are of fundamental importance to the business of the Group are listed in Section 4.8. The Issuer does not have any particular customers or suppliers or patents or trademarks or other intellectual or industrial property rights, other licences or particular contracts which are of fundamental importance to its business operations or to the business of the Group.

4.31 MATERIAL CONTRACTS

No contracts (not being entered into in the ordinary course of business) have been entered into by any member of the Group within the two (2) years immediately preceding the date of publication of this Prospectus, and are, or may be, material, and contain provisions under which the Issuer has an obligation or entitlement which is, or may be, material to the ability of the Issuer to meet its obligations in respect of the Notes issued.

4.32 LITIGATION, ARBITRATION AND OTHER PROCEEDINGS

The Issuer is not engaged (whether as defendant or otherwise) in any governmental, legal, arbitration or other proceedings, the results of which might have or have had during the twelve (12) months prior to the date of this Prospectus a significant effect on the financial position or the operations of the Group, nor is it aware of any such proceedings being threatened or pending.

4.33 MATERIAL CHANGE SINCE 30 SEPTEMBER 2023

There has been no material adverse change in the financial or trading position of the Group since the last audited financial statement for the year ended 30 June 2023 and the interim financial statements for the period ended 30 September 2023.

On 28 November 2023, the Issuer released a cautionary announcement with respect to a corporate reorganisation which was approved by the board of directors on 28 November 2023. The reorganisation will involve segregating the non-banking activities of the Issuer from its banking business and therefore provide a more efficient group structure. The proposed structure is expected to enable the bank to continue growing its banking business.

The reorganisation will involve the setting up of a new legal entity, namely ABCB Holdings Ltd, to act as the holding company of the Issuer and a court-sanctioned scheme of arrangement will be implemented under sections 261 to 264 of the Companies Act 2001 (the 'Scheme'). The Scheme will comprise the exchange of the ordinary shares held by the shareholders of the Issuer for new ordinary shares in ABCB Holdings Ltd on a ratio of 1:1 and the transfer of the Issuer's property portfolio to a newly created wholly-owned subsidiary of ABCB Holdings Ltd. The reorganisation, including the Scheme, are subject to the approval of the shareholders of the Issuer and the BoM, and to the sanction of the Supreme Court.

Subject to the Scheme becoming effective, the admission of the ordinary shares of the Issuer on the Development and Enterprise Market ('DEM') of SEM will be cancelled in line with Rule 37 of the rules for DEM companies amended in July 2023 by SEM, and subject to the approval of LEC, the ordinary shares of ABCB Holdings Ltd will be listed on the Official List of SEM.

The reorganisation described above, pursuant to the Scheme, will not alter the Terms and Conditions. ABC Banking Corporation Ltd shall remain the issuer of the Notes post the reorganisation mentioned above.

The ordinary shares of ABCB Holdings Ltd will carry the same voting and economic rights as those of the Issuer.

4.34 REMITTANCE OF PROFITS OR REPATRIATION OF CAPITAL

There are no restrictions, that are relevant for the Issuer, affecting the remittance of profits or repatriation of capital into Mauritius from outside Mauritius.

4.35 FEES

Type of Fees	Advisor/Service Provider	Amount (MUR)
Total advisory fees	Legal Advisers to the Issue, Corporate Finance Adviser and Arranger, Noteholders' Representative, Issuing and Paying Agent	4,160,000
Total rating fees	Rating Agency	400,000
SEM fees	SEM	300,000
FSC fees	FSC	100,000

The estimated fees described above are borne by the Issuer.

4.36 AUTHORISATION

This Prospectus has been approved pursuant to the meeting of the board of directors of the Issuer held on 13 February 2024.

All consents, approvals, authorisations or other permissions of the Issuer as well as of all regulatory authorities required by the Issuer under all laws of Mauritius have been obtained for the issue of the Notes and for the Issuer to undertake and perform its obligations under this Prospectus.

In accordance with guideline 8 of the Guidelines on Eligible Capital, a copy of this Prospectus and the Applicable Pricing Supplements will be submitted to the BoM at the time the Issuer seeks the approval of the BoM to apply the net proceeds from the issue of the Notes as Tier 2 Capital.

5 DESCRIPTION OF THE ISSUER - FINANCIAL INFORMATION

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 5 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

5.1 AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE LAST THREE (3) YEARS

The directors, whose names appear in Section 4.20 of this Prospectus, collectively and individually, (i) confirm that the audited financial statements of the Issuer for the financial years ended 30 June 2021, 2022 and 2023 have been prepared in accordance with the Securities Act 2005 and the relevant accounting standards, and (ii) accept responsibility for them.

The last audited financial statements of the Issuer was for the financial year ended 30 June 2023.

5.1.1 AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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 106 to 202 which comprise the statement of financial position as at 30 June 2023, 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 2023, 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 11.3 billion at 30 June 2023, net of total allowance for credit impairment of MUR 169.1 million. Credit impaired facilities amounted to a total net balance of MUR 157.7 million, after taking into account a total allowance of MUR 94.9 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.	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:

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

Key Audit Matter	How the matter was addressed in the audit
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. Because of the significant judgement and estimation uncertainties described above, we have identified expected credit losses on impaired facilities as a key audit matter.	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. 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. 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. 6. Ensured adequate disclosures have been made in financial statements as set out in Note 11 and Note 41.
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 11.3 billion at 30 June 2023, net of total allowance for credit impairment of MUR 169.1 million. Non-credit impaired facilities amount to a net balance of MUR 11.1 billion after taking into account a total allowance of MUR 74.1 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. 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). 3. 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 (cont'd)	
4. Consideration of different economic scenarios incorporating different assumptions relating to the evolution of Covid-19 and the measures taken to contain the pandemic.	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.
5. 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.	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 modelling specialists. This included an assessment of the expected economic outlook. 8. Tested the accuracy and completeness of the ECL model by reperformance. 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 11 and Note 41.

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 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.

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

Responsibilities of the Directors for the Financial Statements (Cont'd)

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 OTHER LEGAL AND REGULATORY REQUIREMENTS

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

ERNST & YOUNG
Ebene, Mauritius

David Ng Man Chuen

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

Date: 25 September 2023

5.1.2 AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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.	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.
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.	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.
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 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

5.1.3 AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 106 to 204 which comprise the statement of financial position as at 30 June 2021 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 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 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, 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 audit 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 an 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.

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KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Expected credit losses (ECL) - Impaired facilities As explained in the accounting policies, these loans and advances are carried at amortised cost. The bank has a total net loans and advances portfolio of MUR 10.2 billion at 30 June 2021 net of total allowance for credit impairment of MUR 226.3 million. Credit impaired facilities has a total net balance of MUR 328.8 million after taking into account a total allowance of MUR 105.0 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 and Supervisory & Monitoring 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
Expected credit losses (ECL) - Impaired facilities (Cont'd) 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 collaterals 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. Where future cash flows are estimated based on a valuation of the loan counterparty's underlying business, we have tested these valuations with reference to available market information and counterparty specific information. We have utilised our valuation specialists for a sample of more complex assessments. 6. Where borrowers have been given moratoriums in the context of Covid-19, we have assessed whether such concessions have been given to address short term liquidity needs of the obligors (for example due to the impact of the lockdown) or whether they would relate to the borrowers' financial distress indicating a credit impairment event. 7. We reviewed the disclosures about significant estimates and critical judgements made by management in the financial statements in respect of the impairment on financial assets in Note 6.3. 8. We have also ensured adequate disclosures have been made in financial statements as set out in Note 12 and Note 42.
Expected credit losses (ECL) – facilities which are not credit impaired As explained in the accounting policies, these loans and advances are carried at amortised cost. The bank has a total net loans and advances portfolio of MUR 10.2 billion at 30 June 2021 net of total allowance for credit impairment of MUR 226.3 million. Non-credit impaired facilities has a net balance of MUR 9.9 billion after taking into account a total allowance of MUR 121.3 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).	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.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
4. Use of forward looking information to determine the likelihood of future losses being incurred. 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 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 used for credit grading and the approval of credit 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. We reviewed the disclosures about significant estimates and critical judgements made by management in the financial statements in respect of the impairment on financial assets in Note 6.3. 10. We have also 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 information included in the document titled Financial Highlights, Director's report, Corporate Profile, Corporate Information, Corporate Governance Report, Statement of Compliance, Other Statutory Disclosures, Secretary's Certificate, Statement of Director's Responsibilities, Management Discuss Analysis, Risk Report and the Statement of Management's Responsibility for Financial Reporting. 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 and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above (other than the Corporate Governance Report) 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.

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.

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 Financial Reporting Standards and the requirements of the Companies Act 2001, 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with or interests in the bank other than in our capacity as auditor, tax advisor 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.

ERNST & YOUNG
Ebène, Mauritius

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

Date: 18 October 2021

5.1.4 STATEMENT OF FINANCIAL POSITION

	2023	2022	2021
	MUR	*MUR*	*MUR*
ASSETS			
Cash and cash equivalents	5,570,184,787	3,094,610,118	4,871,775,378
Due from banks	-	966,675,490	-
Derivative financial assets	26,136,555	50,004,747	10,228,424
Loans and advances to customers	11,271,884,668	10,013,946,960	10,180,812,563
Investment securities	5,952,304,559	6,407,507,165	6,504,248,029
Property, equipment and right-of-use assets	555,659,704	587,085,644	586,761,003
Intangible assets	82,645,706	98,455,590	41,793,082
Deferred tax assets	4,245,128	7,574,450	11,598,877
Other assets	175,642,217	929,581,796	952,457,252
Total assets	**23,638,703,324**	**22,155,441,960**	**23,159,674,608**
LIABILITIES			
Deposits from customers	20,354,310,098	19,016,751,814	19,846,223,025
Derivative financial liabilities	25,518,459	9,404,846	8,936,609
Preference shares	-	-	142,809,030
Subordinated debts	505,379,452	504,821,233	504,762,329
Current tax liabilities	39,972,753	10,250,861	9,220,699
Other liabilities	415,935,254	533,387,720	719,178,864
Total liabilities	**21,341,116,016**	**20,074,616,474**	**21,231,130,556**
Shareholders' Equity			
Issued capital	940,495,472	940,495,472	940,495,472
Retained earnings	1,121,404,334	920,289,820	791,848,897
Other reserves	235,687,502	220,040,194	196,199,683
Capital and reserves	**2,297,587,308**	**2,080,825,486**	**1,928,544,052**
Total liabilities and equity	**23,638,703,324**	**22,155,441,960**	**23,159,674,608**

The notes to these financial statements should be read together with the financial statements disclosed in this Section 5.1. The notes for the financial year ended 30 June 2023 can be found in Section 5.1.8.

The notes for the financial years ended 30 June 2021 and 30 June 2022 can be found in the Issuer's annual reports which are available on the Issuer's website:

https://www.abcbanking.mu/wp-content/uploads/2022/12/Annual_Report_2022_web_version.pdf
https://www.abcbanking.mu/wp-content/uploads/2021/11/AR2021_2022_WEB.pdf

Copies of the annual reports containing the notes for the financial years ended 30 June 2021 and 30 June 2022 are also available upon request or for consultation at the registered office of the Issuer.

5.1.5 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2023	2022	2021
	MUR	*MUR*	*MUR*
Interest income using the effective interest method	926,075,953	669,713,560	719,014,532
Interest expense using the effective interest method	(329,727,500)	(221,027,736)	(251,090,916)
Net interest income	**596,348,453**	**448,685,824**	**467,923,616**
Fee and commission income	132,836,647	122,486,446	110,250,797
Fee and commission expense	(41,495,813)	(35,434,019)	(29,057,422)
Net fee and commission income	**91,340,834**	**87,052,427**	**81,193,375**
Net trading income	87,115,107	57,700,029	51,678,809
Net (loss)/ gain on derecognition of financial assets measured at fair value through other comprehensive income	-	(224,965)	5,852,597
Net gain on derecognition of financial assets measured at amortised cost	-	23,480,210	104,267,812
Net gain on derecognition of financial assets measured at fair value through profit or loss	-	-	5,470
Other operating income	1,768,244	1,709,706	2,393,259
Total other income	**88,883,351**	**82,664,980**	**164,197,947**
Operating Income	**776,572,638**	**618,403,231**	**713,314,938**
Personnel expenses	(263,301,267)	(224,562,919)	(191,048,787)
Depreciation and amortisation	(54,570,916)	(45,703,298)	(36,599,430)
Other operating expenses	(166,557,945)	(117,697,488)	(102,169,854)
Non interest expenses	**(484,430,128)**	**(387,963,705)**	**(329,818,071)**
Operating profit before impairment	**292,142,510**	**230,439,526**	**383,496,867**
Allowance for credit impairment on financial assets	51,275,100	(3,342,995)	(232,006,978)
Operating profit before tax	**343,417,610**	**227,096,531**	**151,489,889**
Income tax expense	(45,258,555)	(26,053,939)	(31,386,583)
Profit for the year	**298,159,055**	**201,042,592**	**120,103,306**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax:			
Net (loss)/ gain on investments in equity instruments designated at fair value through other comprehensive income	(19,605,087)	7,883,548	14,566,769
Gain on disposal on equity instruments at fair value through other comprehensive income	-	932,408	2,492,190
Remeasurement of retirement benefit obligation	(5,794,845)	(2,190,877)	9,852,397
Total of items that will not be reclassified subsequently to profit or loss, net of tax	**(25,399,932)**	**6,625,079**	**26,911,356**
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	(1,900,610)	(2,376,443)	(35,025)

Net loss on investments in debt instruments designated at fair value through other comprehensive income	(7,570,853)	(11,822,983)	(55,192,848)
Total of items that may be reclassified subsequently to profit or loss, net of tax	**(9,471,463)**	**(14,199,426)**	**(55,227,873)**
Other comprehensive loss for the year	**(34,871,395)**	**(7,574,347)**	**(28,316,517)**
Total comprehensive income for the year	**263,287,660**	**193,468,245**	**91,786,789**

5.1.6 STATEMENT OF CHANGES IN EQUITY

	Issued capital	Retained earnings	Statutory reserve	Fair value reserve	Total
	MUR	*MUR*	*MUR*	*MUR*	*MUR*
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 income/ (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	-	(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
At 1 July 2022	940,495,472	920,289,820	212,734,803	7,305,391	2,080,825,486
Profit for the year	-	298,159,055	-	-	298,159,055
Other comprehensive loss	-	(5,794,845)	-	(29,076,550)	(34,871,395)
Total comprehensive income for the year	-	292,364,210	-	(29,076,550)	263,287,660
Transfer to statutory reserve	-	(44,723,858)	44,723,858	-	-
Transfer to general banking reserve	-	-	-	-	-
Equity dividends	-	(46,525,838)	-	-	(46,525,838)
At 30 June 2023	940,495,472	1,121,404,334	257,458,661	(21,771,159)	2,297,587,308

5.1.7 STATEMENT OF CASH FLOWS

	2023	2022	2021
	MUR	*MUR*	*MUR*
Cash flows from operating activities			
Profit before taxation	343,417,610	227,096,531	151,489,889
Adjustments for:			
Depreciation	38,669,952	34,982,219	34,736,532
Amortisation	15,900,964	10,721,079	1,862,898
Allowance for credit impairment on financial assets	(51,275,100)	3,342,995	232,006,978
Employee benefit costs	14,904,821	3,011,005	2,425,776
Exchange difference	(78,872,226)	12,582,947	(330,834,332)
Loss/ (profit) on disposal of property and equipment	-	108,200	(619,218)
Profit on disposal of investment securities	-	(23,255,245)	(110,125,879)
Cash flows before the net changes in operating assets and liabilities	282,746,021	268,589,731	(19,057,356)
Net changes in operating assets and liabilities			
(Increase)/ Decrease in loans and advances to customers	(1,212,129,991)	164,346,744	(566,712,209)
Decrease/ (Increase) in other assets	753,939,579	22,875,456	(61,079,468)
Decrease/ (Increase) in derivative financial instruments	39,981,805	(39,308,086)	(8,868,014)
Decrease/ (Increase) in due from banks	969,679,916	(968,395,388)	14,573,863
Increase/ (Decrease) in deposits from customers	1,337,558,284	(829,471,211)	3,046,491,231
Increase/ (Decrease) in interest on preference shares and subordinated debts	558,219	(4,570,126)	(1,725,168)
(Decrease)/ Increase in other liabilities	(135,721,089)	(188,212,686)	266,741,483
	2,036,612,744	**(1,574,145,566)**	**2,670,364,362**
Income tax paid	(11,804,489)	(20,847,043)	(39,643,386)
Net cash generated from/ (used in) operating activities	**2,024,808,255**	**(1,594,992,609)**	**2,630,720,976**
Cash flows from investing activities			
Purchase of investment securities	(1,012,430,630)	(2,634,366,812)	(2,884,293,611)
Proceeds from sale and redemption of investment securities	1,440,537,774	2,751,064,639	3,568,265,175
Purchase of property and equipment	(7,244,012)	(35,941,150)	(16,503,067)
Purchase of intangible assets	(91,080)	(67,383,587)	(34,733,615)
Proceeds from sale of property and equipment	-	219,130	1,072,968
Net cash generated from investing activities	**420,772,052**	**13,592,220**	**633,807,850**

Cash flows from financing activities			
Redemption of preference shares	-	(138,180,000)	-
Repayment of principal portion of lease liabilities	(2,352,026)	(3,815,113)	(3,629,470)
Dividend Paid	(46,525,838)	(41,186,811)	-
Net cash used in financing activities	**(48,877,864)**	**(183,181,924)**	**(3,629,470)**
Net increase/(decrease) in cash and cash equivalents	2,396,702,443	(1,764,582,313)	3,260,899,356
Net foreign exchange difference	78,872,226	(12,582,947)	330,834,332
Net cash and cash equivalents at beginning of year	3,094,610,118	4,871,775,378	1,280,041,690
Net cash and cash equivalents at end of year	**5,570,184,787**	**3,094,610,118**	**4,871,775,378**
Operational cashflows from interest and dividend			
Interest paid	383,180,884	274,481,120	203,822,101
Interest received	942,581,978	686,219,585	729,109,786
Dividend received	1,504,714	1,503,955	1,763,890

5.1.8 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

ABC BANKING CORPORATION LTD
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 MUR	2022 MUR	2021 MUR
ASSETS				
Cash and cash equivalents	8	5,570,184,787	3,094,610,115	4,671,775,378
Due from banks	9	-	966,675,490	-
Derivative financial assets	10	26,136,555	50,004,747	10,228,424
Loans and advances to customers	11	11,271,884,668	10,013,946,960	10,180,812,563
Investment securities	12	5,952,304,559	6,407,507,165	6,504,248,029
Property, equipment and right-of-use assets	14	555,659,704	587,085,644	586,751,003
Intangible assets	15	82,645,706	98,455,590	41,793,082
Deferred tax assets	16	4,245,128	7,574,450	11,596,877
Other assets	13	175,642,217	929,581,796	952,457,252
Total assets		23,638,703,324	22,155,441,960	23,159,674,608
LIABILITIES				
Deposits from customers	17	20,354,310,098	19,016,751,814	19,846,223,025
Derivative financial liabilities	10	25,518,459	9,404,846	8,936,609
Preference shares	18	-	-	142,809,050
Subordinated debts	19	505,379,452	504,621,233	504,762,329
Current tax liabilities		39,972,753	10,250,861	9,220,699
Other liabilities	21	415,935,254	533,387,720	719,178,864
Total liabilities		21,341,116,016	20,074,616,474	21,231,130,556
Shareholders' Equity				
Issued capital	22	940,495,472	940,495,472	940,495,472
Retained earnings		1,121,404,334	920,289,820	791,848,897
Other reserves	23	235,687,502	220,040,194	196,199,683
Capital and reserves		2,297,587,308	2,080,825,486	1,928,544,052
Total liabilities and equity		23,638,703,324	22,155,441,960	23,159,674,608

These financial statements have been approved and authorised for issue by the Board of Directors on 25 September 2023.

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

The notes set out on pages 84 to 163 form part of these financial statements.
Auditor's report on pages 73 to 79.

ABC BANKING CORPORATION LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 MUR	2022 MUR	2021 MUR
Interest income using the effective interest method		926,075,953	669,713,560	719,014,532
Interest expense using the effective interest method		(329,727,500)	(221,027,736)	(251,090,916)
Net interest income	24	596,348,453	448,685,824	467,923,616
Fee and commission income		132,836,647	122,486,446	110,250,797
Fee and commission expense		(41,495,813)	(35,434,019)	(29,057,422)
Net fee and commission income	25	91,340,834	87,052,427	81,193,375
Net trading income	26	87,115,107	57,700,029	51,678,809
Net (loss)/gain on derecognition of financial assets measured at fair value through other comprehensive income	27	-	(224,965)	5,852,597
Net gain on derecognition of financial assets measured at amortised cost	27	-	23,180,210	104,267,812
Net gain on derecognition of financial assets measured at fair value through profit or loss	27	-	-	5,470
Other operating income	27	1,768,244	1,709,706	2,393,259
Total other income		88,883,351	82,664,980	164,197,947
Operating income		776,572,638	618,403,231	713,314,938
Personnel expenses	29	(263,301,267)	(224,562,919)	(191,048,787)
Depreciation and amortisation	14, 15	(54,570,916)	(45,703,298)	(36,599,430)
Other operating expenses	30	(166,557,945)	(117,697,488)	(102,169,854)
Non interest expenses		(484,430,128)	(387,963,705)	(329,818,071)
Operating profit before impairment		292,142,510	230,439,526	383,496,867
Allowance for credit impairment on financial assets	28	51,275,100	(3,342,995)	(232,006,978)
Operating profit before tax		343,417,610	227,096,531	151,489,889
Income tax expense	20	(45,258,555)	(26,053,939)	(31,386,583)
Profit for the year		298,159,055	201,042,592	120,103,306
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax:				
Net (loss)/gain on investments in equity instruments designated at fair value through other comprehensive income	23	(19,605,087)	7,883,548	14,566,769
Gain on disposal on equity instruments at fair value through other comprehensive income	12(b)	-	932,408	2,492,190
Remeasurement of retirement benefit obligation	36	(5,794,845)	(2,190,877)	9,852,397
Total of items that will not be reclassified subsequently to profit or loss, net of tax		(25,399,932)	6,625,079	26,911,356
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	23	(1,900,610)	(2,376,443)	(35,025)
Net loss on investments in debt instruments designated at fair value through other comprehensive income	23	(7,570,853)	(11,822,983)	(55,192,848)
Total of items that may be reclassified subsequently to profit or loss, net of tax		(9,471,463)	(14,199,426)	(55,227,873)
Other comprehensive loss for the year		(34,871,395)	(7,574,347)	(28,316,517)
Total comprehensive income for the year		263,287,660	193,468,245	91,786,789
Earnings per share				
Basic and diluted	31	3.91	2.64	1.57

The notes set out on pages 84 to 163 form part of these financial statements.
Auditor's report on pages 73 to 79.

ABC BANKING CORPORATION LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Issued capital MUR	Retained earnings MUR	Statutory reserve MUR	Fair value reserve MUR	Total MUR
At 1 July 2020		940,495,472	677,416,810	164,562,918	54,282,373	1,836,757,263
Profit for the year		-	120,103,306	-	-	120,103,306
Other comprehensive income/(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	1,928,544,032
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	32	-	(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
At 1 July 2022		940,495,472	920,289,820	212,734,803	7,305,391	2,080,825,486
Profit for the year		-	298,159,055	-	-	298,159,055
Other comprehensive loss		-	(5,794,845)	-	(29,076,550)	(34,871,395)
Total comprehensive income for the year		-	292,364,210	-	(29,076,550)	263,287,660
Transfer to statutory reserve		-	(44,723,858)	44,723,858	-	-
Transfer to general banking reserve		-	-	-	-	-
Equity dividends	32	-	(46,525,838)	-	-	(46,525,838)
At 30 June 2023		940,495,472	1,121,404,334	257,458,661	(21,771,159)	2,297,587,308

The notes set out on pages 84 to 163 form part of these financial statements.
Auditor's report on pages 73 to 79.

ABC BANKING CORPORATION LTD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 MUR	2022 MUR	2021 MUR
Cash flows from operating activities				
Profit before taxation		343,417,610	227,096,531	151,489,889
Adjustments for:				
Depreciation	14	38,669,952	34,962,219	34,736,532
Amortisation	15	15,900,964	10,721,079	1,862,898
Allowance for credit impairment on financial assets	28	(51,275,100)	3,342,995	232,006,978
Employee benefit costs	36	14,904,871	3,011,005	2,425,776
Exchange difference		(78,872,226)	12,562,947	(330,834,332)
Loss/(profit) on disposal of property and equipment	27, 30	-	108,300	(619,218)
Profit on disposal of investment securities	27	-	(23,255,245)	(110,125,879)
Cash flows before the net changes in operating assets and liabilities		282,746,021	258,589,731	(19,057,356)
Net changes in operating assets and liabilities				
(Increase)/Decrease in loans and advances to customers		(1,212,129,991)	164,346,744	(566,712,209)
Decrease/(Increase) in other assets		753,939,579	22,875,456	(61,079,468)
Decrease/(Increase) in derivative financial instruments		39,981,805	(39,308,086)	(8,868,014)
Decrease/(Increase) in due from banks		969,679,916	(958,395,388)	14,573,863
Increase/(Decrease) in deposits from customers		1,337,558,284	(829,471,211)	3,046,491,231
Increase/(Decrease) in interest on preference shares and subordinated debts		558,219	(4,570,126)	(1,725,168)
(Decrease)/Increase in other liabilities		(135,721,089)	(188,712,686)	266,741,483
		2,036,612,744	(1,574,115,566)	2,670,364,362
Income tax paid		(11,804,489)	(20,847,043)	(39,643,386)
Net cash generated from/ (used in) operating activities		2,024,808,255	(1,594,992,609)	2,630,720,976
Cash flows from investing activities				
Purchase of investment securities		(1,012,430,630)	(2,634,366,812)	(2,884,293,611)
Proceeds from sale and redemption of investment securities		1,440,537,774	2,731,064,639	3,568,265,175
Purchase of property and equipment	14	(7,244,012)	(35,941,150)	(16,503,067)
Purchase of intangible assets	15	(91,080)	(57,383,587)	(34,733,615)
Proceeds from sale of property and equipment		-	219,130	1,072,968
Net cash generated from investing activities		420,772,052	13,592,220	633,807,850
Cash flows from financing activities				
Redemption of preference shares	18	-	(138,180,000)	-
Repayment of principal portion of lease liabilities		(2,352,026)	(3,815,113)	(3,629,470)
Dividend paid	32	(46,525,838)	(41,186,811)	-
Net cash used in financing activities	39	(48,877,864)	(183,181,924)	(3,629,470)
Net increase/(decrease) in cash and cash equivalents		2,396,702,443	(1,764,582,313)	3,260,899,356
Net foreign exchange difference		78,872,226	(12,582,947)	330,834,332
Net cash and cash equivalents at beginning of year		3,094,610,118	4,871,775,378	1,280,041,690
Net cash and cash equivalents at end of year	8	5,570,184,787	3,094,610,118	4,871,775,378
Operational cashflows from interest and dividend				
Interest paid		363,180,884	224,461,120	203,822,101
Interest received		942,581,978	686,219,585	729,109,786
Dividend received		1,504,714	1,503,955	1,763,890

The changes in liabilities arising from financing activities are disclosed in Note 39.
The notes set out on pages 84 to 163 form part of these financial statements.
Auditor's report on pages 73 to 79.

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 2023 were authorised for issue in accordance with a resolution of the Directors on 25 September 2023.

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 41(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2. Finance leases (Cont'd)

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.

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).

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

5.4. Financial assets and liabilities (cont'd)

5.4.1. Due from banks and Loans and advances (cont'd)

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.

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

As a second step of its classification process, the bank assesses the contractual terms of financial asset 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4. Financial assets and liabilities (Cont'd)

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.

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

5.4. Financial assets and liabilities (Cont'd)

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 34.

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.

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 in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 34.

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.

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.

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)

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 41(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 41(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 41(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.
- 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.

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 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 41(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 41(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 41(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.

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

5.7. Impairment of financial assets (Cont'd)

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.

5.7.6. Forward-looking information

In its ECL models, the bank considers a broad range of forward-looking information as economic inputs, such as GDP index/growth rate, inflation rates, unemployment rates, among others.

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 41(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.

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

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 41(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.

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.

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

5.14. Interest income and expense (cont'd)

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.

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

The bank earns fee and commission income from a diverse range of financial services it provides to its customers. These principally include international banking and interbank transaction fees, card and related fees, and processing fees on financial instruments (loans and advances).

Fee and commission income is recognised at an amount that reflects the consideration to which the bank expects to be entitled in exchange for providing the services. The bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The performance obligations and the timing of their satisfaction are identified and determined at the inception of the contract. The bank's revenue contracts do not include multiple performance obligations. When the bank provides a service to its customers, consideration is charged and generally due immediately upon satisfaction of a service provided at a point in time.

Fee income from banking services provided to customers

The bank recognises fee income on international banking and interbank transactions, card and related fee income, and fee income from other banking services (for example, account maintenance service fee, confirmation statements, cheque issuing fees, etc.) at the point in time the service is provided, under IFRS 15. Payment of fees is generally received at the same time the service is provided.

Fee income forming an integral part of the corresponding financial instrument

Processing 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 processing fees (together with any incremental costs) form an essential part of the effective interest rates of the corresponding financial instruments under IFRS 9, with the exception that when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry. However, these are recognised under fee and commission income, and not classified under interest income, in order to align with the presentation requirements of the Guideline on Public Disclosure of Information as issued by the Bank of Mauritius.

5.16. Dividend income
Dividend income is recognized 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

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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
• 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 residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

5.18. Property and equipment (cont'd)

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.

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. Types 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

Lease liabilities

At the commencement date of the lease, the bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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.

5.21. Post-employment benefits

Retirement gratuities

Post-employment benefits relate to retirement gratuities payable under the Workers' Rights Act 2019. The obligations arising under this item are determined by actuarial valuation carried out every year.

Defined contribution plan

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 50J 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 2022 (unless otherwise stated) and that are relevant to the bank. The bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 - Effective for annual periods beginning on or after 1 Jan 2022

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the bank first applies the amendment (the date of initial application).

These amendments had no impact on the bank's financial statements as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities - Effective for annual periods beginning on or after 1 Jan 2022

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the bank applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the bank first applies the amendment (the date of initial application). These amendments had no impact on the bank's financial statements as there were no modifications of the bank's financial instruments during the year.

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:
- IFRS 17 Insurance Contracts	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
- International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01-Jan-23
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1	01-Jan-24
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01-Jan-24
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01-Jan-24
-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)

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 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

The bank is currently assessing the impact of the amendments.

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.

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.

Impairment losses on financial assets are further explained on Note 41(b). For impairment losses on non-financial asset, refer to Note 5.20.

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 5.12.

6.4 Effective interest rate (EIR) method

The bank's EIR methodology, as explained in Note 5.13, 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 25 and Note 40(c).

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

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 judgment 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 14.

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 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 36.

6.9. Climate risk

The bank and its clients maybe exposed to physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transition risks:

1. Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL.
2. Fair value measurement: The bank may assume that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13Fair Value Measurement.

In line with the new Bank of Mauritius guideline on Climate-Related and Environmental Financial Risk, the bank has already submitted its Climate Related and Environmental risk roadmap and the first progress report in March 2023 to the regulator and is on track to deliver on the implementation of the Climate Related and Environmental risk framework by end of December 2023. Training on climate risk has been dispensed by leading international experts to relevant staff, senior management and board members.

7. 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.

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. Details on stated capital is disclosed in Note 22. 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 2023 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:

	2023	2022	2021
	%	%	%
CET1 capital ratio	13.6	12.9	12.0
Tier 1 capital ratio	13.6	12.9	12.0
Total capital ratio	15.3	15.6	15.3

Minimum capital adequacy ratios under the Guideline on Scope of Application of Basel III and Eligible Capital:

	2023	2022	2021
	%	%	%
CET1 capital ratio	6.5	6.5	6.5
CET1 capital ratio plus Capital Conservation Buffer	9.0	9	8.375
Tier 1 capital ratio	8.0	8	8.0
Total capital ratio	10.0	10	10.0
Total capital ratio plus Capital Conservation Buffer	12.5	12.5	11.875

8. CASH AND CASH EQUIVALENTS

	2023	2022	2021
	MUR	MUR	MUR
Cash in hand	9,587,864	13,187,157	17,669,176
Unrestricted balances with Central Bank	1,231,302,402	480,327,095	821,777,037
Balances with banks	1,524,877,950	1,364,847,985	1,528,853,236
Loans to and placements with banks	2,804,416,571	1,236,217,881	2,503,475,929
	5,570,184,787	3,094,610,118	4,871,775,378

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 13 for more information.

9. DUE FROM BANKS

	2023	2022	2021
	MUR	MUR	MUR
Placement with banks	-	968,352,343	-
Less: Expected credit losses	-	(1,676,853)	-
	-	966,675,490	-

9.1 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 41(b):

	2023	2022	2021
Internal rating grade	MUR	MUR	MUR
Performing			
Investment grade	-	455,269,494	-
Standard Monitoring	-	45,554,535	-
Unrated	-	467,528,314	-
Gross carrying amount	-	968,352,343	-
Expected Credit Losses	-	(1,676,853)	-
	-	966,675,490	-

An analysis of changes in the gross carrying amount is as follows:

	2023	2022	2021
	MUR	MUR	MUR
Gross carrying amount as at 1 July	968,352,343	-	14,839,238
New assets originated or purchased	-	968,352,343	-
Assets derecognised or repaid (excluding write offs)	(968,352,343)	-	(14,839,238)
At 30 June	-	968,352,343	-

ECL allowance	2023	2022	2021
	MUR	MUR	MUR
Internal rating grade			
Performing			
Investment grade	-	721,926	-
Standard Monitoring	-	213,563	-
Unrated	-	741,364	-
Total	-	1,676,853	-

An analysis of changes in the ECL amount is as follows:

	2023	2022	2021
	MUR	MUR	MUR
ECL allowance as at 1 July	1,676,853	-	20,153
Increase in expected credit losses	-	1,676,853	-
Assets derecognised or repaid (excluding write offs)	(1,676,853)	-	(20,153)
At 30 June	-	1,676,853	-

There has been no change in staging classification during the financial year. All dues from banks were classified in stage 1 in 2023, 2022 and 2021.

10. 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 benefiting 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 and 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 2023	**Notional amount**	**Assets**	**Liabilities**
Foreign exchange contracts	1,254,810,303	26,136,555	25,518,459
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

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 forward 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.

	2023	2022	2021
	MUR	MUR	MUR
Assets			
Level 2	26,136,555	50,004,747	10,228,424
	26,136,555	50,004,747	10,228,424
Liabilities			
Level 2	25,518,459	9,404,846	8,936,609
	25,518,459	9,404,846	8,936,609

11. LOANS AND ADVANCES TO CUSTOMERS

	2023	2022	2021
	MUR	MUR	MUR
Loans and overdrafts			
Retail	2,490,851,524	1,808,414,572	1,234,030,245
Corporate	6,650,068,162	6,466,936,245	7,226,824,302
	9,140,919,686	8,275,350,817	8,460,854,547
Less: Allowance for impairment losses (Note 11(c))	(151,391,914)	(204,495,458)	(201,988,925)
	8,989,527,772	8,070,855,359	8,258,865,622
Investment in finance leases			
Retail	1,098,864,024	948,204,018	949,247,080
Corporate	1,201,185,328	1,019,311,486	996,991,102
	2,300,049,352	1,967,515,504	1,946,238,182
Less: Allowance for impairment losses (Note 11(c))	(17,692,456)	(24,423,903)	(24,291,241)
	2,282,356,896	1,943,091,601	1,921,946,941
Net loans and advances to customers	11,271,884,668	10,013,946,960	10,180,812,563
Total Corporate	7,851,253,490	7,486,247,731	8,223,815,404
Less: Allowance for impairment losses (Note 11(c))	(149,426,569)	(204,180,157)	(204,840,399)
Net corporate lending	7,701,826,921	7,282,067,574	8,018,975,005
Total Retail	3,589,715,548	2,756,618,590	2,183,277,325
Less: Allowance for impairment losses (Note 11(c))	(19,657,801)	(24,739,204)	(21,439,767)
Net retail lending	3,570,057,747	2,731,879,386	2,161,837,558
	11,271,884,668	10,013,946,960	10,180,812,563

(a) Investment in finance leases

	2023	2022	2021
Future minimum lease payments can be analysed as follows:	MUR	MUR	MUR
Gross investment in finance leases:			
Up to 1 year	730,673,150	640,304,882	601,388,347
Over 1 year and up to 2 years	600,163,846	532,250,169	531,275,470
Over 2 years and up to 3 years	489,763,344	407,429,616	418,186,404
Over 3 years and up to 4 years	377,488,409	292,929,550	293,440,758
Over 4 years and up to 5 years	271,631,145	179,577,336	273,858,386
Over 5 years	218,619,453	137,854,029	43,512,107
	2,688,339,347	2,190,345,582	2,161,661,472
Allocation of unearned finance income	(388,289,995)	(222,830,078)	(215,423,290)
Present value of minimum lease payments	2,300,049,352	1,967,515,504	1,946,238,182

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.

11. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(b) Credit concentration of risk by industry sectors

	2023 MUR	2022 MUR	2021 MUR
Sectorial concentration of loans and advances (gross of impairment)			
Manufacturing	846,097,528	906,316,461	1,136,804,078
Construction	715,505,771	699,045,212	1,592,711,049
Professional	43,314,819	46,740,253	13,785,346
Traders	1,343,988,684	1,077,675,614	768,086,365
Tourism	1,468,490,344	1,714,188,399	1,981,945,420
Transport	363,362,859	348,760,241	361,931,004
Financial and business services	1,435,998,042	1,351,151,322	1,270,936,691
Personal	3,560,145,805	2,744,040,637	1,139,278,732
Agriculture	142,503,517	70,065,090	342,530,633
Global Business Licence holders	180,789,930	562,180,598	914,641,357
Information and communication technology	61,200,271	440,232,075	378,646,642
Others	1,279,571,468	282,470,439	505,795,412
	11,440,969,038	10,242,866,321	10,407,092,729

Others consists of the following industry sectors: Education, Infrastructure, Health Development Certificate Holders and Media, Entertainment and Recreational Activities.

	2023 MUR	2022 MUR	2021 MUR
Analysed as follows:			
Loans and overdrafts	9,140,919,686	8,275,350,817	8,460,854,547
Investment in finance leases	2,300,049,352	1,967,515,504	1,946,238,182
	11,440,969,038	10,242,866,321	10,407,092,729

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:

	2023 MUR	2022 MUR	2021 MUR
Manufacturing	47,248,384	811,334,264	512,971,859
Construction	14,868	10,023,010	45,804,651
Traders	448,918,340	395,780,419	420,937,968
Tourism	1,385,078,041	1,933,530,635	2,606,124,957
Transport	112,983,242	152,065,131	238,974,800
Financial and business services	663,668,350	959,277,440	1,654,157,747
Agriculture	133,129,276	-	365,602,768
Global Business Licence holders	-	354,881,537	683,228,982
Information and communication technology	20,991,346	230,144,147	334,908,456
Others	1,683,119,858	1,093,603,619	681,785,964
	4,495,151,705	5,940,640,202	7,544,498,152

11. 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 41(b).

Corporate Lending

Gross carrying amount Internal rating grade	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	2,574,256,708	-	-	2,574,256,708
Standard Monitoring	3,542,339,297	49,010,600	-	3,591,349,897
Watchlist	-	1,397,350,708	-	1,397,350,708
Unrated	51,207,774	2,657,736	-	53,865,510
Non - performing				
Default	-	-	234,430,667	234,430,667
Total	6,167,803,779	1,449,019,044	234,430,667	7,851,253,490

An analysis of changes in the gross carrying amount is as follows:

	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	4,973,308,508	1,832,593,930	680,145,296	7,486,217,731
New assets originated or purchased	5,056,244,467	302,678,346	52,264,501	5,411,187,314
Assets derecognised or repaid (excluding write offs)	(4,462,046,098)	(493,600,890)	(129,192,969)	(5,074,839,957)
Transfers to Stage 1	1,840,167,800	(1,840,949,009)	(5,218,791)	-
Transfers to Stage 2	(1,271,322,175)	1,674,686,599	(403,164,424)	-
Transfers to Stage 3	-	(39,473,312)	39,473,312	-
Amounts written off		(2,800,959)	(14,608,511)	(17,409,470)
Foreign exchange adjustments	23,451,237	15,884,336	4,732,239	44,067,832
At 30 June 2023	6,167,803,779	1,449,019,044	234,430,667	7,851,253,490

ECL allowance Internal rating grade	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	13,054,659	-	-	13,054,659
Standard Monitoring	16,333,802	982,586	-	17,316,388
Watchlist	-	30,276,213	-	30,276,213
Unrated	277,682	23,105	-	300,787
Non - performing				
Default	-	-	88,178,522	88,178,522
Total	29,666,143	31,281,904	88,178,522	149,126,569

An analysis of changes in the ECL amount is as follows:

	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	46,358,555	43,219,827	114,401,775	204,180,157
Additional provisions during the year	48,329,536	42,644,591	32,871,620	123,845,747
Assets derecognised or repaid (excluding write offs)	(61,359,813)	(23,586,060)	(48,111,193)	(136,057,066)
Transfers to Stage 1	32,316,651	(32,312,597)	(4,057)	-
Transfers to Stage 2	(11,368,339)	11,394,118	(25,779)	-
Transfers to Stage 3		(1,210,194)	1,210,194	-
Changes to model parameters	(21,692,660)	(9,056,968)	-	(30,749,628)
Amounts written off	-	(120,251)	(11,864,018)	(11,984,269)
Foreign exchange adjustments	52,210	139,418	-	191,628
At 30 June 2023	29,666,143	31,281,904	88,178,522	149,126,569

The gross carrying amount of the corporate portfolio increased during the year while the ECL allowance decreased during the same period. This is mainly due to the recalibration of the bank's IFRS 9 models which include more recent favourable internal and macroeconomic data.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(c) Impairment allowance for loans and advances (Cont'd)

Corporate Lending (Cont'd)

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
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			680,145,295	680,145,295
Total	4,973,508,508	1,832,593,930	680,145,295	7,486,247,733

An analysis of changes in the gross carrying amount is as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	(391,273,403)	(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	(17,296,288)	11,607,688
At 30 June 2022	4,973,508,508	1,832,593,930	680,145,295	7,486,247,733

	2022			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	10,242,355			10,242,355
Standard Monitoring	35,058,305	1,551,021		36,609,326
Watchlist	-	41,644,656	-	41,644,656
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

An analysis of changes in the ECL amount is as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	52,292,356	51,304,115	101,243,928	204,840,399
Additional provisions during the year	61,213,515	59,827,183	24,286,885	145,327,583
Assets derecognised or repaid (excluding write offs)	(71,853,684)	(56,732,367)	(32,900,050)	(161,486,101)
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 model parameters	7,034,461	8,117,551		15,152,012
Amounts written off				
Foreign exchange adjustments	(131,733)	488,217	-	356,484
At 30 June 2022	46,558,555	43,219,827	114,401,775	204,180,157

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(c) Impairment allowance for loans and advances (Cont'd)

Corporate Lending (Cont'd)

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	3,265,361,226	1,962,887,659	5,362,326	5,233,611,211
Assets derecognised or repaid (excluding write offs)	(3,224,043,647)	(2,383,369,958)	(141,668,183)	(5,749,081,788)
Transfers to Stage 1	1,363,577,291	(1,325,196,855)	(38,380,436)	-
Transfers to Stage 2	(947,976,500)	1,085,105,286	(137,129,786)	-
Transfers to Stage 3	(1,323,424)	(449,344,864)	450,668,288	-
Amounts written off	-	(20,067)	(340,093,021)	(340,113,088)
Foreign exchange adjustments	190,116,553	98,025,783	13,272,931	301,415,267
At 30 June 2021	5,164,353,242	2,718,519,318	340,942,844	8,223,815,404

	2021			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	3,261,883	-	-	3,261,883
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	24,425,753	91,561,690	270,348,767	386,336,210
New assets originated or purchased	33,794,397	134,647,771	247,656,658	416,098,826
Assets derecognised or repaid (excluding write offs)	(42,049,738)	(127,963,657)	(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 model parameters	21,928,631	(34,144,164)	118,157	(12,097,376)
Amounts written off		(197)	(336,096,217)	(336,096,414)
Foreign exchange adjustments	2,346,631	2,364,590		4,711,221
At 30 June 2021	52,292,356	51,304,115	101,243,928	204,840,399

11. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(c) Impairment allowance for loans and advances (Cont'd)

Retail Lending

	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	1,976,781,348	17,036,243	-	1,993,817,591
Standard Monitoring	1,451,513,849	47,433,081	-	1,498,946,930
Watchlist	-	102,936,993	-	102,936,993
Unrated	363,762,962	10,046,280	-	373,809,242
Non - performing				
Default	-	-	18,204,792	18,204,792
Total	3,792,058,159	177,452,597	18,204,792	3,987,715,548

An analysis of changes in the gross carrying amount is as follows:

	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	2,675,269,874	64,122,925	17,225,791	2,756,618,590
New assets originated or purchased	1,363,411,443	16,802,059	187,150	1,380,400,652
Assets derecognised or repaid (excluding write offs)	(727,243,527)	(35,963,589)	(1,072,252)	(764,279,368)
Transfers to Stage 1	366,599,526	(363,120,590)	(3,178,936)	-
Transfers to Stage 2	(493,470,204)	499,263,234	(5,793,030)	-
Transfers to Stage 3	-	(11,138,057)	11,138,057	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	14,491,059	2,484,615	-	16,975,674
At 30 June 2023	3,792,058,159	177,452,597	18,204,792	3,987,715,548

	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	5,285,436	326,816	-	5,610,252
Standard Monitoring	4,392,457	582,160	-	4,974,617
Watchlist	-	1,284,670	-	1,284,670
Unrated	1,247,838	83,891	-	1,331,729
Non - performing				
Default	-	-	6,456,533	6,456,533
Total	10,925,731	2,277,537	6,456,533	19,657,801

An analysis of changes in the ECL amount is as follows:

	2023 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	11,439,547	1,632,714	11,666,912	24,739,203
Additional provisions during the year	17,675,434	6,948,592	3,400,635	28,025,061
Assets derecognised or repaid (excluding write offs)	(18,736,142)	(1,804,739)	(8,780,981)	(23,321,862)
Transfers to Stage 1	6,170,931	(6,170,931)	-	-
Transfers to Stage 2	(2,642,511)	2,642,511	-	-
Transfers to Stage 3	-	(169,937)	169,937	-
Changes to model parameters	(3,030,491)	(820,983)		(3,851,474)
Amounts written off	-	-	-	-
Foreign exchange adjustments	46,963	19,910	-	66,873
At 30 June 2023	10,925,731	2,277,537	6,456,533	19,657,801

During the year, certain gross exposures were transferred from Stage 3 to Stage 1 and to Stage 2, which did not carry an associated ECL allowance.
The ECL allowance for the retail portfolio decreased during the year due to the ECL models recalibration which include newly derived internal variables.

11. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(c) Impairment allowance for loans and advances (Cont'd)

Retail Lending (Cont'd)

	2022 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	1,216,355,552	2,039,999	-	1,218,395,551
Standard Monitoring	1,066,955,943	18,248,502	-	1,085,204,445
Watchlist	3,027,722	37,350,656	-	40,378,378
Unrated	388,930,657	6,483,768	-	395,414,425
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	-
Foreign exchange adjustments	(12,235,889)	-	-	(12,235,889)
At 30 June 2022	2,675,269,874	64,122,925	17,225,791	2,756,618,590

	2022 Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
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

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	14,846,290	2,824,713	4,968,754	22,639,767
New assets originated or purchased	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	(1,468,653)	1,486,532	(17,879)	-
Transfers to Stage 3	-	(170,510)	170,510	-
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

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11. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(c) Impairment allowance for loans and advances (Cont'd)

Retail Lending (Cont'd)

2021	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	816,896,907	3,659,345	-	820,556,252
Standard Monitoring	791,566,037	7,236,595	-	798,802,632
Watchlist	825,327	55,477,797	-	56,303,124
Unrated	413,460,733	11,253,076	-	424,713,809
Non - performing				
Default	-	-	92,890,508	92,890,508
Total	2,012,758,004	77,626,813	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	11,098,713	1,022,577,041
Assets derecognised or repaid (excluding write offs)	(354,661,405)	(13,964,696)	(11,512,365)	(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	31,878,082	-	7,417,575	39,295,657
At 30 June 2021	2,012,758,004	77,626,813	92,890,508	2,183,277,325

2021	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance				
Internal rating grade				
Performing				
Investment grade	5,377,844	26,340	-	5,404,184
Standard Monitoring	3,024,702	99,852	-	3,124,554
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	11,695,309	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 model parameters	(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

11. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(d) Allowance for credit impairment by industry sectors

2023	Gross amount of loans MUR	Non performing loans MUR	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total Expected Credit Losses MUR
Manufacturing	846,097,928	3,951	2,599,821	336,196	-	2,936,017
Construction	715,305,771	76,684,152	4,233,774	166,830	76,684,152	81,084,756
Professional	43,314,819	-	128,641	-	-	128,641
Traders	1,343,988,684	22,177,717	2,849,535	186,760	11,792,970	14,829,265
Tourism	1,468,490,344	35,378,485	6,128,496	25,216,560	-	31,345,056
Transport	363,362,859	5,268,452	2,912,629	2,647,241	1,400	5,561,270
Financial and business services	1,435,998,042	14,741,891	4,844,530	340,000	-	5,184,530
Personal	3,560,145,805	18,204,794	10,864,988	2,277,537	6,456,533	19,599,058
Agriculture	142,503,517	1,411,751	388,554	47,921	-	436,475
Global Business Licence holders	180,799,930	78,288,452	78,115	2,058,485	-	2,136,600
Information and communication technology	61,200,271	-	307,619	16,162	-	323,781
Others*	1,279,571,468	473,905	5,252,872	265,749	-	5,518,621
Total	11,440,969,038	252,633,550	40,589,674	33,539,441	94,935,055	169,064,370

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	906,316,481	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	23,888,721	6,293,948	497,827	11,325,995	18,117,770
Tourism	1,714,188,399	439,037,804	73,891	32,649,027	2,266,355	34,989,273
Transport	348,760,241	12,994,623	1,468,966	2,529,721	-	3,998,687
Financial and business services	1,361,151,322	15,262,924	9,967,090	731,517	-	10,698,607
Personal	2,744,040,637	17,225,292	11,412,031	1,632,914	11,666,942	24,711,887
Agriculture	70,063,090	1,531,033	433,061	31,173	63,387	529,621
Global Business Licence holders	562,190,598	76,898,236	4,427,451	4,149,064		8,576,515
Information and communication technology	440,232,075		5,880,036	78,047		5,958,083
Others*	282,470,439	2,145,810	4,166,630	1,827,286		5,993,916
Total	10,242,866,321	697,371,087	57,998,102	44,652,540	126,068,717	228,919,361

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	6,890,370	620,183	11,470,728	18,954,281
Construction	1,592,711,019	89,735,093	15,199,662	2,264,756	76,474,070	93,938,488
Professional	13,795,346	-	182,977	-	-	182,977
Traders	768,096,365	25,182,760	4,196,639	714,229	11,391,269	16,302,130
Tourism	1,981,945,470	88,589,894	85,822	39,461,157	2,706,765	42,253,744
Transport	361,931,004	15,966,679	1,157,863	2,646,298	70,749	3,874,910
Financial and business services	1,270,936,691	32,132,367	6,276,661	6,518,634		12,795,295
Personal	1,139,278,732	81,824,492	7,083,916	722,799	899,111	8,705,816
Agriculture	342,330,633	-	2,682,382	-	-	2,682,382
Global Business Licence holders	914,641,357	86,278,203	13,866,335	138,838	-	14,005,173
Information and communication technology	378,646,642		5,298,152	87,085		5,386,537
Others*	505,795,412	2,352,686	6,211,868	956,265		7,168,133
Total	10,407,092,729	433,533,352	67,136,648	54,125,826	105,012,692	226,290,166

*Industry sectors under 'Others' include: Education, Infrastructure, Health Development Certificate Holders and Media, Entertainment and Recreational Activities

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12. INVESTMENT SECURITIES

		2023	2022	2021
		MUR	MUR	MUR
Debt instruments at FVOCI	12(a)	1,313,378,943	1,801,290,754	3,318,930,361
Equity instruments at FVOCI	12(b)	51,782,458	71,799,056	63,802,192
Debt instruments at amortised cost	12(c)	4,587,113,158	4,535,217,325	3,121,545,456
		5,952,301,559	6,407,307,135	6,504,240,029

(a) Debt instruments at FVOCI

	Up to 3 months MUR	3-12 months MUR	1 to 3 years MUR	Over 3 years MUR	2023 MUR
Bank of Mauritius bonds and notes	150,984,119	-	-	-	150,884,119
Foreign sovereign bonds	135,760,592	91,620,540	132,290,812	-	359,672,744
Corporate bonds	49,263,950	235,698,379	372,729,530	145,130,182	802,822,087
	335,908,691	327,318,719	505,020,351	145,130,182	1,313,378,943

	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	19,995,000	-	-	-	19,995,000
Foreign sovereign bonds	-	205,761,949	314,815,760	41,864,061	565,441,770
Corporate bonds	119,997,560	182,994,330	594,457,835	136,649,736	1,054,097,491
	139,485,560	388,756,279	1,061,132,118	181,513,797	1,801,290,751

	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	174,510,750	719,178,744	-	-	893,759,494
Bank of Mauritius bonds and notes	-	-	148,940,678	-	148,940,678
Foreign sovereign bonds	129,173,730	390,440,124	421,302,202	137,571,392	1,078,487,508
Corporate bonds	122,206,500	110,921,140	479,373,835	455,073,150	1,167,576,701
	425,890,130	1,220,540,008	1,049,616,715	592,644,525	3,318,930,381

12. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

	2023			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR	MUR	MUR	MUR
Performing				
Investment grade	841,068,145	-	-	841,068,145
Standard Monitoring	222,580,610	-	-	222,580,610
Watchlist	-	249,266,771	-	249,266,771
Unrated	-	163,417	-	163,417
Non - performing				
Default	-	-	-	-
Total	1,063,648,755	249,430,188	-	1,313,378,943

Total gross carrying amount of MUR 1,313 m includes the fair value loss of MUR 7.6m (Note 25). The fair value loss of MUR 7.6 m is included in the line gross carrying amount in the following reconciliation.

An analysis of changes in the gross carrying amount is as follows:

	2023			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,301,528,197	389,709,519	110,153,038	1,801,390,754
New assets originated or purchased	162,843,701	16,316,541	-	179,160,242
Assets derecognised or repaid (excluding write offs)	(422,591,103)	(147,140,303)	(110,153,038)	(681,038,748)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(192,520)	192,520	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	22,480,580	(9,603,889)	-	12,876,691
At 30 June 2023	1,063,948,755	249,430,188	-	1,313,378,943

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	688,347	-	-	688,347
Standard Monitoring	364,542	-	-	364,542
Watchlist	-	1,069,681	-	1,069,681
Unrated	-	295	-	295
Non - performing				
Default	-	-	-	-
Total	1,052,889	1,069,976	-	2,122,865

An analysis of changes in the ECL amount is as follows:

	2023			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	1,150,597	2,615,864	257,214	4,023,675
Increase in expected credit losses	455,505	-	-	455,505
Assets derecognised or repaid (excluding write offs)	(553,555)	(1,506,365)	(257,214)	(2,317,134)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(877)	877	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	3,219	(41,960)	-	(38,741)
At 30 June 2023	1,052,889	1,069,976	-	2,122,865

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12. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	1,271,396,805	-	-	1,271,396,805
Standard Monitoring	-	-	-	-
Watchlist	-	269,709,519	-	269,709,519
Unrated	30,131,302	-	-	30,131,302
Non - performing				
Default	-	-	110,153,208	110,153,208
Total	1,301,528,107	269,709,519	110,153,208	1,801,390,734

Total gross carrying amount of MUR 1,80bn includes the fair value loss of MUR 11.8m (Note 25). The fair value loss of MUR 11.8m is included in the line gross carrying amount in the following reconciliation.

An analysis of changes in the gross carrying amount is as follows:

2022	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Gross carrying amount as at 1 July	2,957,530,120	361,170,261	-	3,318,800,381
New assets originated or purchased	776,077,809	50,177,911	-	796,255,720
Assets derecognised or repaid (excluding write offs)	(1,819,514,156)	(1,062,868)	(10,232,888)	(1,830,709,912)
Transfers to Stage 1				
Transfers to Stage 2	(130,615,437)	130,615,437	-	-
Transfers to Stage 3	-	(114,356,000)	114,356,000	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	18,049,861	(26,834,252)	5,528,106	17,044,545
At 30 June 2022	1,301,528,107	389,709,519	110,153,208	1,801,390,734

2022	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	1,023,452	-	-	1,023,452
Standard Monitoring	-	-	-	-
Watchlist	-	2,615,664		2,615,664
Unrated	127,115			127,115
Non - performing				
Default	-	-	257,214	257,214
Total	1,150,567	2,615,664	257,214	4,023,475

An analysis of changes in the ECL amount is as follows:

2022	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	2,531,825	3,768,093	-	6,299,918
Increase in expected credit losses	525,180	597,914	-	1,123,094
Assets derecognised or repaid (excluding write offs)	(1,179,809)	(1,739,452)	(499,001)	(3,418,262)
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	1,150,567	2,615,664	257,214	4,023,475

12. INVESTMENT SECURITIES (CONT'D)

(a) Debt instruments at FVOCI (Cont'd)

2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	1,513,847,207	-	-	1,513,847,207
Standard Monitoring	1,120,276,107	-	-	1,120,276,107
Watchlist	-	381,170,261	-	381,170,261
Unrated	297,406,806	-	-	297,406,806
Non - performing				
Default	-	-	-	-
Total	2,957,530,120	361,170,261	-	3,318,800,381

Total gross carrying amount of MUR 3,319m includes the fair value loss of MUR 55.2m (Note 25). 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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Gross carrying amount as at 1 July	3,608,184,295			3,608,184,295
New assets originated or purchased	1,890,523,337		-	1,890,523,337
Assets derecognised or repaid (excluding write offs)	(2,274,826,867)	(5,115,075)	-	(2,277,041,942)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(314,809,213)	314,809,213	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	68,558,268	39,476,123		108,134,391
At 30 June 2021	2,957,530,120	381,170,261	-	3,318,800,381

2021	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	403,912	-	-	403,912
Standard Monitoring	1,053,365	-	-	1,053,365
Watchlist	-	3,768,093	-	3,768,093
Unrated	1,082,350	-	-	1,082,350
Non - performing				
Default	-	-	-	-
Total	2,531,825	3,768,093		6,299,918

An analysis of changes in the ECL amount is as follows:

2021	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	6,434,985	-	-	6,434,985
Increase in expected credit losses	623,462	69,118	-	692,580
Assets derecognised or repaid (excluding write offs)	(1,186,872)	-	-	(1,186,872)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(3,323,196)	3,323,196	-	-
Transfer to Stage 3				
Amounts written off	-	-	-	-
Foreign exchange adjustments	83,488	375,779	-	459,267
At 30 June 2021	2,531,825	3,768,093		6,299,918

(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 27 for dividend income on equity instruments at FVOCI.

As at 30 June 2023, the bank had corporate shares of MUR [illegible] (2022: MUR [illegible] 2021: MUR [illegible]) classified as equity instruments at FVOCI.

The bank did not have any disposal in equity instruments at FVOCI during the financial year 2023. In June 2022, the bank disposed an equity instrument at FVOCI for MUR [illegible] due to favourable market conditions to realise a gain amounting to MUR [illegible].

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12. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2023
	MUR	MUR	MUR	MUR	MUR
Bank of Mauritius treasury bills	299,779,844	-	-	-	299,779,844
Government of Mauritius bonds and notes	254,437,238	-	476,916,890	1,280,354,217	2,011,708,345
Foreign sovereign bonds	113,721,645	318,511,343	408,087,463	94,373,743	934,693,194
Corporate bonds	-	163,785,446	281,909,688	899,300,908	1,344,996,036
Gross carrying amount	667,937,727	482,296,787	1,166,910,067	2,273,530,868	4,591,075,420
Expected credit losses	(548,285)	(116,571)	(797,176)	(2,370,229)	(3,932,262)
	667,389,437	481,180,216	1,166,112,871	2,271,160,636	4,587,143,158

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2022
	MUR	MUR	MUR	MUR	MUR
Government of Mauritius bonds and notes	254,480,860	25,201,716	730,709,206	1,204,720,495	2,215,099,680
Foreign sovereign bonds	135,118,120	361,547,272	227,705,900	413,990,227	1,139,080,925
Corporate bonds	-	47,590,849	208,240,550	928,420,283	1,184,260,662
Gross carrying amount	390,098,959	434,349,237	1,166,734,256	2,546,540,005	4,539,030,067
Expected credit losses	(123,990)	(276,083)	(1,558,305)	(2,054,368)	(4,012,742)
	390,974,869	434,073,154	1,165,175,951	2,544,293,147	4,535,017,325

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2021
	MUR	MUR	MUR	MUR	MUR
Government of Mauritius bonds and notes	313,030,865	99,059,556	530,909,857	483,173,540	1,427,224,596
Foreign sovereign bonds			240,615,720	308,363,540	678,281,500
Corporate bonds	-	208,081,307	260,122,805	347,286,071	811,080,287
Gross carrying amount	313,030,865	308,655,041	1,137,648,082	1,108,346,151	3,123,560,943
Expected credit losses	(681,256)	(644,082)	(2,069,459)	(823,678)	(3,721,506)
	312,254,797	307,489,559	1,135,578,623	1,107,522,473	3,121,945,436

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	1,790,480,584	-	-	1,790,480,584
Standard Monitoring	2,496,928,409	-	-	2,496,928,409
Watchlist	-	-	-	-
Unrated	139,877,033	163,785,444	-	303,662,477
Non - performing				
Default	-	-	-	-
Total	4,427,289,976	163,785,444	-	4,591,075,420

An analysis of changes in the gross carrying amount is as follows:

2023	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Gross carrying amount as at 1 July	4,328,199,691	163,230,527	47,599,849	4,539,030,067
New assets originated or purchased	919,197,435	181,790	-	919,379,225
Assets derecognised or repaid (excluding write offs)	(828,419,879)	-	(47,599,849)	(876,019,728)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	8,312,729	373,127	-	8,685,856
At 30 June 2023	4,427,289,976	163,785,444	-	4,591,075,420

2023	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	703,739	-	-	703,739
Standard Monitoring	2,412,950	-	-	2,412,950
Watchlist	-	-	-	-
Unrated	469,660	345,913	-	815,573
Non - performing				
Default	-	-	-	-
Total	3,586,349	345,913	-	3,932,262

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12. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost (cont'd)

An analysis of changes in the ECL amount is as follows:

2023	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	2,783,141	1,043,374	186,227	4,012,742
Increase in expected credit losses	1,536,744	-	-	1,536,744
Assets derecognised or repaid (excluding write offs)	(741,684)	-	(186,227)	(927,911)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes in model	-	(698,414)	-	(698,414)
Amounts written off	-	-	-	-
Foreign exchange adjustments	8,148	953	-	9,101
At 30 June 2023	3,586,349	345,913	-	3,932,262

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Internal rating grade	MUR	MUR	MUR	MUR
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Gross carrying amount as at 1 July	2,898,121,911	226,945,002	-	3,125,066,913
New assets originated or purchased	2,968,075,603	15,983	-	2,968,091,586
Assets derecognised or repaid (excluding write offs)	(1,468,275,787)	(17,917,363)	(2,116,403)	(1,488,309,573)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(151,010,841)	151,010,841	-	-
Transfers to Stage 3	-	(17,271,661)	17,271,661	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	79,018,805	10,449,715	2,544,591	92,013,111
At 30 June 2022	4,328,199,691	163,230,527	17,699,849	4,539,030,067

2022	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	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

An analysis of changes in the ECL amount is as follows:

2022	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	2,052,731	1,468,775	-	3,721,506
Increase in expected credit losses	1,899,760	57,056	-	1,956,816
Assets derecognised or repaid (excluding write offs)	(981,826)	(503,707)	(258,122)	(1,873,655)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(251,612)	451,612	-	-
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

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12. INVESTMENT SECURITIES (CONT'D)

(c) Debt instruments at amortised cost (cont'd)

	2021			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR	MUR	MUR	MUR
Performing				
Investment grade	995,063,028	-	-	995,063,028
Standard Monitoring	1,627,724,614	-	-	1,627,724,614
Watchlist	-	226,945,032	-	226,945,032
Unrated	274,833,269	-	-	274,833,269
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Gross carrying amount as at 1 July	3,270,862,716	-	-	3,270,862,716
New assets originated or purchased	980,230,074	885,716	-	981,115,790
Assets derecognised or repaid (excluding write offs)	(1,196,111,530)	-	-	(1,196,111,530)
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

	2021			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	308,460	-	-	308,460
Standard Monitoring	593,663	-	-	593,663
Watchlist	-	1,668,775	-	1,668,775
Unrated	1,340,589	-	-	1,340,589
Non - performing				
Default	-	-	-	-
Total	2,242,712	1,668,775	-	3,911,487

An analysis of changes in the ECL amount is as follows:

	2021			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	5,292,747	-	-	5,292,747
Increase in expected credit losses	910,435	-	-	910,435
Assets derecognised or repaid (excluding write offs)	(2,173,724)	(326,054)	-	(2,499,778)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,925,883)	1,925,883	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	49,137	68,946	-	118,083
At 30 June 2021	2,242,712	1,668,775	-	3,911,487

13. OTHER ASSETS

	2023	2022	2021
	MUR	MUR	MUR
Restricted balances with the Central bank	-	750,600,323	764,214,206
Deposits	114,562,978	94,456,023	151,377,228
Less: Expected credit losses	(17,817)	(1,343,580)	(1,707,345)
Non-banking assets acquired in satisfaction of debts	3,101,307	5,069,770	3,999,408
Other receivables	57,996,119	81,131,172	24,670,585
	175,642,217	929,581,790	951,457,232

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 2023, 2022 and 2021.
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 those repossessed assets through various car auctions.

Other receivables comprise mainly prepaid expenses.
There was a change in the guideline for Cash Reserve Ratio ("CRR") whereby the daily requirement on both the rupee and foreign currency CRR, previously standing at 6.5% and 6.0% respectively, has been discontinued with effect from 27 January 2023. To this effect, there was no amount reported in other assets at 30 June 2023.

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14. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

	Freehold land	Buildings	Improvement to buildings	Computer equipment	Motor vehicles	Fixtures & fittings	Right of use assets: Motor vehicles	Right of use assets: Offices	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
COST									
At 1 July 2020	123,455,858	338,087,456	106,954,611	57,544,649	16,111,757	79,825,312	4,675,974	5,303,476	771,491,157
Additions	-	-	-	11,309,126	4,225,000	468,941	25,895	4,577,458	21,107,621
Transfer	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(3,325,107)	-	-	-	(3,325,107)
Termination	-	-	-	-	-	-	-	(3,078,848)	(3,078,848)
At 30 June 2021	123,455,858	338,087,456	106,954,611	68,853,775	17,011,757	80,294,253	4,645,823	6,802,418	745,097,920
At 1 July 2021	123,455,858	338,087,456	106,954,611	68,853,775	17,011,757	80,294,253	4,645,823	6,802,418	745,097,920
Additions	-	-	-	33,943,805	-	1,997,345	-	-	35,941,150
Transfer	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(96,330)	(1,006,250)	-	-	-	(1,102,580)
Termination	-	-	-	-	-	-	(1,085,310)	(1,205,531)	(2,290,841)
At 30 June 2022	123,455,858	338,087,456	106,954,611	101,301,367	16,005,500	82,291,598	3,560,513	5,596,887	778,041,950
At 1 July 2022	123,455,858	338,087,456	106,954,611	101,301,367	16,005,500	82,291,598	3,560,513	5,596,887	778,041,950
Additions	-	-	-	5,906,492	-	1,337,520	-	-	7,244,012
Transfer									-
Disposals	-	-	-	-	-	-	-	-	-
Termination	-	-	-	-	-	-	-	(4,276,034)	(4,276,034)
At 30 June 2023	123,455,858	338,087,456	106,954,611	107,207,859	16,005,500	83,629,118	3,560,513	1,320,853	781,009,958
DEPRECIATION									
At 1 July 2020	-	15,601,442	31,400,861	38,510,659	9,464,594	33,276,715	1,132,968	4,347,946	133,656,323
Charge for the year	-	6,575,709	3,308,756	9,159,894	3,258,188	6,023,031	1,141,244	2,467,711	34,356,502
Disposals	-	-	-	-	(2,871,250)	-	-	-	(2,871,250)
Termination	-	-	-	-	-	-	-	(3,778,878)	(3,778,878)
At 30 June 2021	-	22,177,151	34,809,617	47,670,553	9,851,532	39,301,746	2,274,212	3,036,779	159,123,587
At 1 July 2021	-	22,177,151	34,809,617	47,670,553	9,851,532	39,301,746	2,274,212	3,036,779	159,123,587
Charge for the year	-	6,777,709	3,285,071	10,969,060	2,851,058	5,897,991	918,001	2,312,328	34,962,219
Disposals	-	-	-	(21,771)	(773,167)	-	-	-	(794,938)
Termination	-	-	-	-	-	-	(780,351)	(1,205,531)	(1,985,882)
At 30 June 2022	-	29,155,860	41,094,688	58,609,862	11,977,623	45,199,737	2,411,862	4,137,576	190,958,306
At 1 July 2022	-	29,155,860	41,094,688	58,609,862	11,977,623	45,199,737	2,411,862	4,137,576	190,958,306
Charge for the year	-	6,775,709	3,348,238	16,672,779	2,215,100	5,773,806	808,379	1,206,008	36,060,952
Disposals	-	-	-	-	-	-	-	-	-
Termination	-	-	-	-	-	-	-	(4,276,034)	(4,276,034)
At 30 June 2023	-	35,930,569	44,442,951	75,262,401	14,192,558	51,263,543	3,217,241	1,067,650	227,732,274
NET BOOK VALUE									
At 30 June 2023	123,455,858	302,554,869	62,511,680	31,946,158	1,812,942	32,365,575	343,269	253,203	553,266,704
At 30 June 2022	123,455,858	308,731,578	65,859,923	42,711,505	4,027,987	36,591,861	1,150,645	1,559,311	587,083,664
At 30 June 2021	123,455,858	316,910,287	72,144,994	21,183,122	7,159,225	41,292,507	2,371,608	3,765,639	586,374,333

Management has reviewed the carrying value of the property and equipment and is of the opinion that as at 30 June 2023, the carrying value has not suffered any impairment.

14. 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 (2022 & 2021: nil).

The carrying amounts of lease liabilities (included under 'Other liabilities') and the movements during the year are analysed below.

	2023	2022	2021
	MUR	MUR	MUR
As at 1 July	3,052,113	6,867,226	5,892,142
Additions	-	-	4,604,551
Accretion of interest	74,818	237,519	325,785
Payments	(2,426,844)	(4,052,632)	(3,955,253)
At 30 June (Note 21)	700,087	3,052,113	6,867,225

The following are the amounts recognised in profit or loss:	2023	2022	2021
	MUR	MUR	MUR
Depreciation on right-of-use-assets	2,092,467	3,250,329	3,608,955
Interest expense on lease liability (Note 24)	74,818	237,519	325,785
Low value leases being expensed	251,040	253,040	263,040
Short term leases being expensed	2,011,537	1,857,821	-
Total amounts recognised in profit or loss	4,429,862	5,598,709	4,197,778

Lease liability	Up to 1 year	1 to 3 years	After 3 years	Total
	MUR	MUR	MUR	MUR
As at 30 June 2023				
Undiscounted cash flows	685,460	25,959	-	711,419
As at 30 June 2022				
Undiscounted cash flows	2,411,498	711,419	-	3,122,917
As at 30 June 2021				
Undiscounted cash flows	3,682,854	3,079,074	-	6,761,928

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 4,674,075 (2022: MUR 5,790,865 and 2021: MUR 3,575,212)

15. INTANGIBLE ASSETS

Computer software

	2023	2022	2021
COST	MUR	MUR	MUR
At 1 July	135,913,011	68,529,424	33,795,809
Additions	91,080	67,383,587	34,733,615
At 30 June	136,004,091	135,913,011	68,529,424
AMORTISATION			
At 1 July	37,457,421	26,736,342	24,873,444
Charge for the year	15,900,964	10,721,079	1,862,898
At 30 June	53,358,385	37,457,421	26,736,342
NET BOOK VALUE			
At 30 June	82,645,706	98,455,590	41,793,082

None of the intangible assets is internally generated.
All intangibles are tested for impairment on an annual basis and the intangible assets have not been impaired during the years under review.

16. DEFERRED TAX ASSETS

The deferred tax included in the statements of financial position and changes recorded in the income tax expense are as follows:

	2023	2022	2021
	MUR	MUR	MUR
As at 1 July	7,574,450	11,598,877	23,084,417
Accelerated tax depreciation	(353,488)	(4,105,160)	(1,631,128)
Impairment allowance	(4,319,825)	(247,742)	(9,293,481)
Retirement benefit obligations	1,323,991	328,475	(560,931)
As at 30 June	4,245,128	7,574,450	11,598,877

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2023	2022	2021	2023	2022	2021
	MUR	MUR	MUR	MUR	MUR	MUR
Accelerated tax depreciation	(11,211,963)	(10,878,475)	(6,773,315)	(353,488)	(4,105,160)	(1,631,128)
Impairment allowance	12,537,350	16,857,175	17,104,917	(4,319,825)	(247,742)	(9,293,481)
Retirement benefit obligations	2,919,741	1,595,750	1,267,275	1,323,991	328,475	(560,931)
	4,245,128	7,574,450	11,598,877	(3,329,322)	(4,024,427)	(11,485,540)

Movement of deferred tax to profit or loss and other comprehensive income analysed as follows:

	2023	2022	2021
	MUR	MUR	MUR
Profit or loss (Note 20)	(3,732,172)	(4,176,734)	(10,766,933)
Other comprehensive income	402,850	152,307	(718,607)
	(3,329,322)	(4,024,427)	(11,485,540)

17. DEPOSITS FROM CUSTOMERS

	2023	2022	2021
	MUR	MUR	MUR
Retail customers			
Savings accounts	3,888,132,183	4,123,253,665	3,697,600,501
Current accounts	866,839,628	1,183,230,568	909,167,845
Term deposits with remaining term to maturity:			
Up to 3 months	551,255,762	217,311,835	716,339,995
Over 3 months and up to 6 months	526,397,621	361,974,990	757,597,545
Over 6 months and up to 12 months	955,480,501	547,747,373	679,804,144
Over 1 year and up to 5 years	3,290,790,744	2,351,965,341	1,477,117,172
Corporate customers			
Savings accounts	189,290,993	158,153,294	122,281,405
Current accounts	6,967,566,829	7,825,516,051	8,928,935,692
Term deposits with remaining term to maturity:			
Up to 3 months	792,309,098	201,110,423	366,213,885
Over 3 months and up to 6 months	730,741,744	844,644,803	1,073,993,810
Over 6 months and up to 12 months	1,075,372,897	695,219,013	710,432,461
Over 1 year and up to 5 years	520,112,098	476,394,338	406,738,571
	20,354,310,098	19,016,751,814	19,846,223,025

The bank receives cash collaterals as security on various loan arrangements. As at 30 June 2023, an amount of MUR 170.9m (2022: MUR 97.9m and 2021: MUR 152.1m) held as cash collaterals were included in deposit from customers.

18. PREFERENCE SHARES

	2023 MUR	2022 MUR	2021 MUR
At 1 July	-	142,809,030	144,504,198
Interest accrued	-	-	4,555,783
Dividend paid	-	(4,629,030)	(6,250,951)
Redemption of principal amount	-	(138,180,000)	-
At 30 June	-	-	142,809,030

On 28 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.

19. SUBORDINATED DEBTS

	2023 MUR	2022 MUR	2021 MUR
Issue of shares	500,000,000	500,000,000	500,000,000
Interest accrued	5,379,452	4,821,233	4,762,329
At 30 June	505,379,452	504,821,233	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.

20. INCOME TAX EXPENSE

Income tax is calculated at the rate of 5% (2022: 5% & 2021: 5%) on the profit for the year.

The components of income tax expense for the years ended 30 June are:

	2023 MUR	2022 MUR	2021 MUR
Current income tax	40,436,676	21,877,205	21,082,667
Under/(over) provision in previous years	1,089,707		(463,017)
Deferred tax charge	3,732,172	4,176,734	10,766,933
Income tax expense	45,258,555	26,053,939	31,386,583

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:

	2023 MUR	2022 MUR	2021 MUR
Accounting profit before tax	343,417,610	227,096,531	151,469,889
At statutory income tax rate of 5% (2022: 5% and 2021: 5%)	17,170,881	11,354,827	7,574,494
Non-deductible expenses	4,826,071	2,244,243	2,530,911
Exempt income	(6,208,810)	(6,671,154)	(18,496,988)
Corporate social responsibility	4,569,732	1,405,277	1,003,834
Special levy	20,078,832	20,078,832	20,078,832
Income tax under/(over) provision for the previous year	1,089,707	-	(463,017)
Tax loss	-	-	8,391,584
Deferred tax charge	3,732,172	1,176,734	10,766,933
Tax loss utilised	-	(6,534,820)	-
Tax expense	45,258,555	26,053,939	31,386,583

Non-deductible expenses consist mainly of provision for impairment and depreciation.

20. 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.

21. OTHER LIABILITIES

	2023 MUR	2022 MUR	2021 MUR
Unallocated receipts	140,969,013	303,970,662	517,234,508
Employee benefit liability (Note 36)	41,919,080	21,519,086	19,496,327
Bankers' drafts	62,143,511	55,072,575	40,417,275
Deferred income	43,513,193	32,673,730	25,432,262
Other payables	115,623,316	105,923,912	93,885,765
ECL on contingent liabilities (Note 28 and 34)	8,067,024	8,142,703	15,878,301
Lease liability (Note 14)	700,087	3,052,113	6,867,226
	415,935,234	533,387,720	719,178,864

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 and VAT payable.

22. ISSUED CAPITAL

	2023 MUR	2022 MUR	2021 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

	2023 MUR	2022 MUR	2021 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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23. OTHER RESERVES

	2023 MUR	2022 MUR	2021 MUR
Net unrealised investment fair value reserve	(21,771,159)	7,305,391	13,621,269
Statutory reserve	257,458,661	212,734,803	182,578,414
	235,687,502	220,040,194	196,199,683

Net unrealised investment fair value reserve

	2023 MUR	2022 MUR	2021 MUR
At 1 July	7,305,391	13,621,269	54,282,373
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	(1,900,610)	(2,376,443)	(35,025)
Net gain on investments in equity instruments designated at fair value through other comprehensive income	(19,605,067)	7,883,548	14,566,769
Net loss on investments in debt instruments designated at fair value through other comprehensive income	(7,570,853)	(11,822,983)	(55,192,848)
At 30 June	(21,771,159)	7,305,391	13,621,269

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 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
At 1 July 2022	212,734,803
Transfer to statutory reserve	44,723,858
At 30 June 2023	257,458,661

24. NET INTEREST INCOME

	2023 MUR	2022 MUR	2021 MUR
Interest income using the effective interest method			
Finance leases	135,000,397	100,800,844	98,161,159
Loans and advances to customers (excluding finance leases)	489,103,930	326,281,106	358,949,705
Loans to and placements with banks	81,891,861	11,331,499	2,947,682
Investment securities:			
At FVOCI	47,879,402	78,290,966	62,335,387
At amortised cost	172,200,363	153,009,145	196,620,599
	926,075,953	660,713,560	719,014,532

	2023 MUR	2022 MUR	2021 MUR
Interest expense			
Deposits from customers	301,508,342	193,800,564	220,023,666
Preference shares	-	-	4,535,783
Subordinated debts	27,930,651	25,645,034	25,562,500
Borrowed funds*	213,689	1,284,619	643,184
Lease liabilities (Note 14)	74,818	237,519	325,783
	329,727,500	221,027,736	251,090,916
	596,348,453	448,685,824	467,923,616

* Interest expense was incurred on borrowed funds which were repaid during the year.

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25. NET FEE AND COMMISSION INCOME

	2023 MUR	2022 MUR	2021 MUR
Fee and commission income			
Card and related fee income	38,960,152	34,905,578	30,608,445
Processing fees	13,917,161	11,295,923	11,103,437
International banking	53,257,905	55,814,534	51,424,094
Interbank transaction fees	6,827,091	4,690,760	3,780,016
Others	19,874,338	15,779,451	13,336,805
	132,836,647	122,486,446	110,252,797
Fee and commission expense			
Card and related fee expense	23,801,413	21,919,701	20,263,823
Interbank transaction fees	17,694,400	13,514,318	8,793,599
	41,495,813	35,434,019	29,057,422
Net fee and commission income	91,340,834	87,052,427	81,195,375

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.

26. NET TRADING INCOME

	2023 MUR	2022 MUR	2021 MUR
Net foreign exchange gain	87,115,107	57,700,079	51,675,309

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.

27. OPERATING INCOME

	2023 MUR	2022 MUR	2021 MUR
Net (loss)/gain on derecognition of investment securities measured at fair value through other comprehensive income	-	(724,965)	5,873,597
Net gain on derecognition of investment securities measured at amortised cost	-	33,480,710	104,297,812
Net gain on derecognition of investment securities measured at fair value through profit or loss	-	-	5,470
	-	32,755,745	110,176,879

	2023 MUR	2022 MUR	2021 MUR
Other operating income			
Dividend income from equity investments at FVOCI	1,504,714	1,503,955	1,763,890
Profit on disposal of property and equipment	-	-	619,218
Others	263,530	205,751	10,151
	1,768,244	1,709,706	2,393,259

28. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2023 MUR	2022 MUR	2021 MUR
Due from banks and restricted balances with Central bank	(3,004,426)	1,719,898	245,722
Loans and advances to customers*	(45,807,717)	2,518,859	155,271,654
Investment in securities	(1,981,090)	(2,106,188)	(1,806,286)
Provision on guarantee (Note 34)	(481,867)	1,109,426	78,293,188
	(51,275,100)	3,241,995	232,004,278

*An ECL charge of MUR 1.4m on repossessed assets has been included in the allowance for credit impairment on loans and advances to customers (2022: ECL release of MUR 182k, 2021: ECL charge of MUR 11.1k).

	2023 MUR	2022 MUR	2021 MUR
Loans and advances to customers			
Provision for credit impairment	119,396,960	204,176,832	435,849,197
Provision released	(165,378,923)	(201,719,949)	(279,223,286)
Bad debts recovered	(491,465)	(437,382)	(1,371,099)
Bad debts written off for which no provision was made	665,716	499,358	-
	(45,807,717)	2,518,859	155,271,654

	2023 MUR	2022 MUR	2021 MUR
Expected Credit Losses - Debt instruments at FVOCI	(1,900,610)	(2,376,443)	(35,025)
Expected Credit Losses - Debt instruments at amortised cost	(80,480)	270,255	(1,771,261)
	(1,981,090)	(2,106,188)	(1,806,286)

28. 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:

	2023			
	Stage 1	Stage 2	Stage 3	Total
	Collective	Collective	Individual	
	MUR	MUR	MUR	MUR
Financial assets				
Due from banks and restricted balances with Central bank	(3,004,426)	-	-	(3,004,426)
Loans and advances to customers	(17,408,228)	(11,172,869)	(17,226,620)	(45,807,717)
Investment securities				
Debt instruments at amortised cost	803,208	(697,461)	(186,227)	(80,480)
Debt instruments at fair value through OCI	(97,708)	(1,545,688)	(257,214)	(1,900,610)
	705,500	(2,243,149)	(443,441)	(1,981,090)
	(19,707,154)	(13,416,018)	(17,670,061)	(50,793,233)
Contingent liabilities	(481,867)	-	-	(481,867)
	(20,189,021)	(13,416,018)	(17,670,061)	(51,275,100)

	2022			
	Stage 1	Stage 2	Stage 3	Total
	Collective	Collective	Individual	
	MUR	MUR	MUR	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	Stage 2	Stage 3	Total
	Collective	Collective	Individual	
	MUR	MUR	MUR	MUR
Financial assets				
Due from banks and restricted balances with Central bank	245,222	-	-	245,222
Loans and advances to customers	37,726,275	(45,630,194)	163,181,774	155,274,855
Investment securities				
Debt instruments at amortised cost	(3,440,035)	1,664,774	-	(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

29. PERSONNEL EXPENSES

	2023	2022	2021
	MUR	MUR	MUR
Wages and salaries	197,673,663	179,782,011	150,586,077
Retirement benefit costs (Note 36)	14,904,821	3,011,005	2,425,776
Others	50,722,763	41,769,903	38,036,934
	263,301,267	224,562,919	191,048,787

Others include mainly travelling allowances, directorship fees, medical benefits, training costs and other allowances.

30. OTHER OPERATING EXPENSES

	2023	2022	2021
	MUR	MUR	MUR
Motor vehicle expenses and insurance	7,068,097	6,869,030	6,344,035
Rates	768,805	711,573	632,628
Advertising and marketing	5,590,995	2,292,331	2,117,841
Information technology costs	68,584,964	44,549,238	31,210,463
Licences	3,933,728	4,432,158	4,842,512
Loss on disposal of property and equipment	-	108,200	-
Communication costs	11,075,403	11,341,070	11,317,598
Legal and professional fees	21,693,644	11,958,310	14,703,264
Maintenance costs	6,435,923	6,193,886	6,398,001
Others	41,406,386	29,241,692	24,603,511
	166,557,945	117,697,488	102,169,854

Others consist of postage and stationary, utilities, security, overseas travelling, subscription, lease of low-value assets being expensed and other operating costs.

31. 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.

	2023	2022	2021
	MUR	MUR	MUR
Profit after tax	298,159,055	201,042,592	120,103,306
Weighted average number of ordinary shares	76,271,872	76,271,872	76,271,872
Earnings per share			
Basic and diluted earnings per share	3.91	2.64	1.57

32. DIVIDENDS

	2023	2022	2021
	MUR	MUR	MUR
Dividends on ordinary shares:			
Declared and paid dividend: MUR 0.61 per share (2022: MUR 0.54 per share, 2021: Nil)	46,525,838	41,186,811	-

Dividends for distribution to shareholders were approved by the Board of Directors in December 2022, and were paid in January 2023.

35. 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	2023	20,992,250	23,720,508	348,201	191,582,308	4,789,320	304,825	23,720,508	191,582,308
	2022	-	6,005,019	132,575	194,811,197	2,909,040	1,745,116	6,005,019	194,811,197
	2021	-	6,718,651	222,599	162,833,784	2,530,717	2,676,649	6,718,651	162,833,784
Corporate shareholders with significant influence	2023	88,505,835	298,437,626	14,486,749	21,710,716	-	1,704,130	298,637,626	21,710,716
	2022	-	252,558,429	9,924,933	82,288,317	-	1,258,194	252,558,429	82,288,317
	2021	13,550,000	199,755,821	11,266,221	61,636,671	-	9,178,546	199,755,821	64,635,671
Enterprises that have a number of directors in common	2023	59,156,300	145,114,123	8,572,753	33,909,210	17,160	8,296,986	145,114,123	33,909,240
	2022	-	90,826,731	4,914,337	15,945,089	131	9,854,290	90,826,731	15,945,089
	2021	48,074,568	104,651,271	5,688,679	19,770,766	-	8,001,131	104,651,271	19,770,766
Total	2023	165,684,385	467,272,257	23,307,704	247,202,264	4,506,450	10,305,841	467,272,257	247,202,264
	2022		349,390,179	14,971,245	293,044,603	2,909,171	12,857,500	349,390,179	293,044,605
	2021	61,624,568	311,125,743	17,157,499	247,241,221	2,530,717	19,816,226	311,125,743	247,241,221

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose from the ordinary course of business. Credit facilities are secured except for short term money market lines. An amount of MUR 16,500,000 has been provided as guarantee to the related party for the year ended 30 June 2023. There have been no guarantees received for any related party receivables or payables for the year ended June 2022 and June 2023. For the year ended 30 June 2023, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2022 and 2021: 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.

*Other expenditure includes principally insurance, training, marketing and communication costs.

(b) **Compensation of key management personnel**

	2023	2022	2021
	MUR	MUR	MUR
Short term employee benefits	40,906,260	39,111,780	37,399,240
Long term employee benefits	1,799,944	1,695,372	1,703,201

(c) The bank's top six exposures to related parties amount to MUR 346,662,378 (2022: 308,367,424 and 2021: MUR 265,620,449). These represent 16% of Tier 1 Capital. None of these facilities were non performing (2022 & 2021: Nil). Allowance for impairment losses amount to MUR 1,659,007 (2022: MUR 2,103,105 and 2021: MUR 2,497,800).

34. CONTINGENT LIABILITIES

		2023	2022	2021
		MUR	MUR	MUR
(a)	**Instruments**			
(i)	Financial guarantees	27,087,930	35,671,805	52,909,454
	Less: Allowance for impairment losses*	(65,435)	(197,075)	(8,972,034)
	Net financial guarantees	27,022,495	35,474,730	43,937,420
(ii)	Letters of credit and other obligations on account of customers	-	-	-
	Less: Allowance for impairment losses	-	-	-
	Net letters of credit and other obligations on account of customers	-	-	-
(b)	**Commitments**			
(i)	Undrawn credit facilities	3,162,936,570	1,916,325,200	1,638,467,997
	Less: Allowance for impairment losses*	(8,001,590)	(7,945,628)	(6,853,267)
	Net undrawn credit facilities	3,154,934,980	1,908,379,572	1,631,614,630
	Net contingent liabilities	3,181,957,475	1,943,854,302	1,675,552,050

The reconciliation of allowance for impairment on guarantees and undrawn credit facilities takes into consideration total payments amounting MUR 406,159 made during the financial year (Note 28).

(a) (i) **Financial guarantees**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	19,710,000	-	-	19,710,000
Standard Monitoring	7,377,930	-	-	7,377,930
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non-performing				
Default	-	-	-	-
Total	27,087,930	-	-	27,087,930

An analysis of changes in the gross carrying amount is as follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	27,087,930		-	27,087,930
Exposures derecognised or repaid (excluding write offs)	(38,251,314)	(1,521,746)	(13,136,395)	(52,909,455)
At 30 June 2023	27,087,930	-	-	27,087,930

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	32,297	-	-	32,297
Standard Monitoring	33,138	-	-	33,138
Watchlist	-		-	-
Unrated	-	-	-	-
Non-performing				
Default	-	-	-	-
Total	65,435	-	-	65,435

An analysis of changes in the ECL amount is as follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	130,937	66,138	-	197,075
New exposures originated or purchased	65,435	-	-	65,435
Exposures derecognised or repaid (excluding write offs)	(130,937)	(66,138)	-	(197,075)
At 30 June 2023	65,435	-	-	65,435

34. CONTINGENT LIABILITIES (CONT'D)

(a) **Instruments (cont'd)**

(a) (i) **Financial Guarantees (cont'd)**

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
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

An analysis of changes in the ECL amount is as follows:

2022	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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

34. CONTINGENT LIABILITIES (CONT'D)

(a) **Instruments (cont'd)**

(a) (i) **Financial Guarantees (cont'd)**

2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
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

2021	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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

34. CONTINGENT LIABILITIES (CONT'D)

(a) **Instruments (cont'd)**

(a) (ii) **Letter of credit and other obligations on account of customers**

	2023			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non-performing				
Default	-	-	-	-
Total	-	-	-	-

The bank had no letter of credit at 30 June 2023

	2023			
	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 2023	-	-	-	-

	2023			
	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	-	-	-	-
Total	-	-	-	-

	2023			
	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 2023	-	-	-	-

34. CONTINGENT LIABILITIES (CONT'D)

(a) **Instruments (cont'd)**

(a) (ii) **Letter of credit and other obligations on account of customers**

	2022			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount				
Internal rating grade				
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non - performing				
Default	-	-	-	-
Total	-	-	-	-

	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	-	-	-	-

	2022			
	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	-	-	-	-
Total	-	-	-	-

	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	-	-	-	-

34. CONTINGENT LIABILITIES (CONT'D)

(a) **Instruments (cont'd)**

(a) (ii) **Letter of credit and other obligations on account of customers**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non - performing				
Default	-	-	-	-
Total	-	-	-	-

	2021			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	-	-	-	-

	2021			
ECL allowance	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR	MUR	MUR	MUR
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non-performing				
Default	-	-	-	-
Total	-	-	-	-

	2021			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	-	-	-	-

34. CONTINGENT LIABILITIES (CONT'D)

(a) **Instruments (cont'd)**

(b) **Commitments**

(b) (i) Undrawn credit facilities

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	2,011,889,380	-	-	2,011,889,380
Standard Monitoring	1,088,747,281	4,105,000	-	1,092,852,281
Watchlist		43,890,896	-	43,890,896
Unrated	14,304,013	-	-	14,304,013
Non performing				
Default	-	-	-	-
Total	3,114,940,674	47,995,896	-	3,162,936,570

An analysis of changes in the gross carrying amount is as follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Gross carrying amount as at 1 July	1,821,603,161	94,722,039	-	1,916,325,200
New exposures originated or purchased	3,114,940,674	47,995,896	-	3,162,936,570
Exposures derecognised or repaid (excluding write offs)	(1,821,603,161)	(94,722,039)	-	(1,916,325,200)
At 30 June 2023	3,114,940,674	47,995,896	-	3,162,936,570

	2023			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	4,106,563	-	-	4,106,563
Standard Monitoring	3,506,265	32,480	-	3,538,745
Watchlist	-	317,476	-	317,476
Unrated	38,806	-	-	38,806
Non-performing				
Default	-	-	-	-
Total	7,651,634	349,956	-	8,001,590

An analysis of changes in the ECL amount is as follows:

	2023			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	7,410,260	535,368	-	7,945,628
New exposures originated or purchased	7,651,634	349,956	-	8,001,590
Exposures derecognised or repaid (excluding write offs)	(7,410,260)	(535,368)	-	(7,945,628)
At 30 June 2023	7,651,634	349,956	-	8,001,590

(b) **Commitments**

(b) (i) **Undrawn credit facilities**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
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

34. CONTINGENT LIABILITIES (CONT'D)

(b) Commitments (cont'd)

(b) (i) Undrawn credit facilities (cont'd)

An analysis of changes in the gross carrying amount is as follows:

2022	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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

2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	MUR	MUR	MUR	MUR
Internal rating grade				
Performing				
Investment grade	668,343,163	-	-	668,343,163
Standard Monitoring	804,933,112	-	-	804,933,112
Watchlist	-	162,724,921	-	162,724,921
Unrated	2,466,702	-	-	2,466,702
Non-performing				-
Default				
Total	1,475,742,977	162,724,921	-	1,638,467,898

An analysis of changes in the gross carrying amount is as follows:

2021	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	Stage 2	Stage 3	Total
ECL allowance	MUR	MUR	MUR	MUR
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	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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

35. PLEDGED ASSETS

The assets that have been pledged to secure the credit facilities with other commercial banks are as follows:

	2023	2022	2021
	MUR	MUR	MUR
Government of Mauritius bonds, notes and bills	125,000,000	353,000,000	340,000,000

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

36. RETIREMENT BENEFIT OBLIGATION

(a) Defined contribution plan

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 plan 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 12,027,332 (2022: MUR 10,720,280, 2021: MUR 10,180,410) 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 plan, 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.

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:

	2023	2022	2021
	MUR	MUR	MUR
Present value of retirement benefit obligation	45,110,914	24,588,442	19,496,527
Fair value of plan assets	(191,834)	(38,456)	-
	44,919,080	24,549,986	19,496,527

Amounts recognised in the statement of profit or loss in respect of the retirement gratuities obligation are as follows:

	2023	2022	2021
	MUR	MUR	MUR
Current service cost	4,635,414	2,154,616	1,704,777
Net interest cost	1,091,553	856,389	720,999
Past service costs*	9,731,979	-	-
Curtailment/Settlement gain/loss	(554,125)	-	-
Net cost for the year recognised in profit and loss	14,904,821	3,011,005	2,425,776
Remeasurement recognised in other comprehensive income	6,197,695	2,343,184	(10,571,004)
Net cost for the year	21,102,516	5,354,189	(8,145,228)

*Following a change in legislation in August 2022 as per the Workers' Rights Act 2019 and the Finance (Miscellaneous Provisions) Act 2022, the bank must pay a lump sum equivalent to 15/26 times the average monthly remuneration in the last 12 months for each year of service with the bank at retirement to those employees working 6-day weeks, or 15/22 times the average monthly remuneration in the last 12 months for each year of service with the bank at retirement to those employees working 5-day weeks.

Certain employees at the bank work 5-day weeks and the change in the retirement gratuity formula was applied in respect of all service retrospectively for those employees retiring, passing away or leaving on or after 1 July 2022. The past service costs of MUR 9.7m represent the increase in liability due to the change in the retirement gratuity formula as at 30 June 2023.

36. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Gratuity on retirement (Cont'd)

	2023 MUR	2022 MUR	2021 MUR
Changes in the present value of the obligation			
Present value of obligation at start of period	24,588,442	19,496,527	28,126,242
Interest cost	1,091,553	856,389	720,999
Current service cost	4,635,414	2,154,616	1,704,777
Past service costs	9,731,979	-	-
Benefits paid	(580,044)	(262,274)	(484,487)
Curtailment/Settlement gain/loss	(554,125)	-	-
Expected obligation at end of period	38,913,219	22,245,258	30,067,531
Present value of obligation at end of period	45,110,914	24,588,442	19,496,527
Remeasurement recognised in other comprehensive income at end of period - gain/(losses)	(6,197,695)	(2,343,184)	10,571,004
Deferred tax	402,850	152,307	(718,607)
Retirement pension net of deferred tax	(5,794,845)	(2,190,877)	9,852,397
Changes in the fair value of the plan assets			
Fair value of plan assets at start of period	38,456	-	-
Restatement	-	-	-
Contributions to plan assets *	733,422	44,583	-
Benefits paid out of plan assets	(580,044)	(6,127)	-
Fund expenses and life insurance	-	-	-
Expected fair value at end of period	191,834	38,456	-
Fair value of plan assets at end of period	191,834	38,456	-

*The plan asset relates to contributions made to the Portable Retirement Gratuity Fund ("PRGF") introduced in January 2022 under the Workers' Rights Act 2019.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2023	2022	2021
Normal retirement age	65	65	65
Discount rate	5.47%	4.48%	3.95%
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:

	2023 MUR	2022 MUR	2021 MUR
Opening retirement gratuities obligation	24,588,442	19,496,527	28,126,242
Current service cost	4,635,414	2,154,616	1,704,777
Past service cost	9,731,979	-	-
Interest cost	1,091,553	856,389	720,999
Benefits paid	(580,044)	(262,274)	(484,487)
Curtailment/Settlement gain/loss	(554,125)	-	-
Net actuarial gain recognised in other comprehensive income	6,197,695	2,343,184	(10,571,004)
Present value of obligation at end of year	45,110,914	24,588,442	19,496,527

36. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Gratuity on retirement (Cont'd)

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.

	2023 MUR	2022 MUR	2021 MUR
Sensitivity			
Effect on present value of obligations:			
1% increase in discount rate	(36,811,058)	(20,015,443)	(16,253,742)
1% decrease in discount rate	55,679,398	30,475,011	23,975,971
1% increase in salary increase assumption	54,257,292	29,455,363	23,158,642
1% decrease in salary increase assumption	(37,956,154)	(20,846,480)	(16,805,853)
Effect of changing longevity - one year up	44,616,852	22,432,788	19,205,321
Effect of changing longevity - one year down	(45,575,200)	(23,162,836)	(19,772,154)

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.

37. CAPITAL COMMITMENT

	2023 MUR	2022 MUR	2021 MUR
Amount contracted for but not yet incurred	9,807,750	6,500,000	85,730,740

The above expenditure relates to IT projects.

38. 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.

39. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Subordinated debts* MUR	Preference shares* MUR	Lease liabilities MUR	Ordinary Dividend MUR	Total MUR
At 1 July 2020	500,000,000	138,180,000	5,892,141	-	644,072,141
New leases	-	-	-	-	-
Dividend declared	-	-	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
New leases	-	-	-	-	-
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
At 1 July 2022	500,000,000	-	3,052,112	-	503,052,112
Dividend declared	-	-	-	46,525,838	46,525,838
Cash flows	-	-	(2,352,026)	(46,525,838)	(48,877,864)
At 30 June 2023	500,000,000	-	700,086	-	500,700,086

*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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 | 140

40. 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.

However, even though this is reporting as such for the purpose of the Bank of Mauritius guideline, Senior Management being responsible for the operating performance of the bank manages the bank in relation to making decisions about resource allocation and performance assessment as one single business.

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.

Statement of financial position

	Notes	2023 Total MUR	2023 Segment A MUR	2023 Segment B MUR	2022 Total MUR	2022 Segment A MUR	2022 Segment B MUR	2021 Total MUR	2021 Segment A MUR	2021 Segment B MUR
ASSETS										
Cash and cash equivalents	40(i)	5,330,184,287	3,525,007,018	1,805,177,269	3,098,631,110	1,658,251,576	1,440,383,342	4,903,275,273	2,553,786,102	2,349,489,371
Due from banks	40(j)	-	-	-	966,675,400	455,155,930	511,489,500	-	-	-
Derivative financial assets		26,136,535	856,130	25,480,405	50,004,747	364,025	49,640,722	10,228,421	96,650	10,131,771
Loans and advances to customers	40(k)	11,271,684,068	3,706,980,635	1,385,324,033	10,173,945,950	8,486,688,226	1,546,260,724	10,150,122,563	7,662,598,834	2,487,523,729
Investment securities		5,952,304,599	4,544,901,041	1,407,403,558	6,407,507,159	4,902,172,424	1,505,430,731	6,504,248,019	4,504,255,808	1,999,992,211
Other assets		175,642,217	50,962,797	124,679,420	929,301,706	825,524,883	103,776,823	952,457,252	812,381,456	140,075,796
Property and equipment		535,659,706	406,744,770	128,914,926	587,005,646	440,234,233	146,771,481	586,761,063	440,070,772	146,690,251
Intangible assets		82,645,706	82,645,706	-	99,155,590	99,155,590		31,750,082	31,750,082	
Deferred tax assets		4,245,128	4,245,128	-	7,374,450	7,374,450	-	11,598,877	11,598,877	-
Total assets		23,658,283,328	14,381,423,253	9,297,260,075	22,155,441,980	16,481,841,447	5,673,600,533	21,155,674,603	16,011,485,436	5,144,289,112
LIABILITIES										
Derivative financial liabilities		35,910,459	-	35,910,459	9,484,946	7,445	9,477,471	8,956,609	-	8,956,609
Deposits from customers	40(l)	20,384,350,090	12,904,778,448	7,479,571,650	19,017,674,180	11,119,917,032	7,897,531,112	19,046,525,025	13,513,752,306	5,567,560,699
Preference shares		-	-	-				112,800,000	112,800,000	
Subordinated debts		325,379,457	325,379,457	-	564,891,795	564,891,795	-	534,765,509	534,765,509	-
Current tax liabilities		79,572,553	79,572,553	-	30,570,041	30,570,041	-	9,220,689	9,378,569	-
Other liabilities		445,535,254	274,962,543	140,572,711	533,347,720	335,226,470	198,150,250	729,175,844	210,320,159	518,856,695
Total liabilities		21,341,316,076	13,999,373,196	7,656,342,858	20,174,615,456	11,999,504,683	8,105,111,883	21,291,190,755	14,494,834,575	6,291,756,018
Shareholders' Equity										
Issued capital		940,195,472			940,195,472			940,195,472		
Retained earnings		1,121,484,334			951,288,820			791,848,897		
Other reserves		225,687,502			225,094,154			156,199,683		
Capital and reserves		2,287,367,308			2,080,826,490			1,888,244,052		
Total liabilities and equity		23,628,283,328			22,155,441,980			23,179,674,603		

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41. SEGMENTAL REPORTING (CONT'D)

Statement of profit or loss and other comprehensive income

	Notes	2023 Total MUR	2023 Segment A MUR	2023 Segment B MUR	2022 Total MUR	2022 Segment A MUR	2022 Segment B MUR	2021 Total MUR	2021 Segment A MUR	2021 Segment B MUR
Interest income using the effective interest method		926,077,353	746,735,382	179,345,971	669,713,562	530,758,365	119,555,197	719,014,757	576,005,157	143,008,600
Interest expense		(329,728,900)	(289,688,162)	(40,040,738)	(221,027,738)	(211,738,933)	(9,289,143)	(251,098,016)	(242,015,481)	(9,082,535)
Net interest income	40(a)	596,348,453	457,047,220	139,302,633	448,685,824	318,998,730	110,086,054	467,917,216	333,990,681	133,926,535
Fee and commission income		172,838,647	48,308,551	52,525,098	177,456,446	31,798,336	90,993,450	110,251,297	36,003,073	14,248,725
Fee and commission expense		(81,495,813)	(1,711,271)	(29,785,442)	(35,424,013)	(2,596,780)	(32,737,398)	(29,055,422)	(3,108,632)	(25,946,790)
Net fee and commission income	40(b)	91,342,834	38,598,580	52,744,254	87,052,432	28,997,706	58,154,221	81,195,875	32,896,441	48,299,435
Net trading income	40(c)	87,115,107	66,680,934	20,435,173	57,730,035	41,194,919	16,561,120	71,675,400	38,875,751	32,800,036
Net gain on sale of investment securities	40(d)	-	-	-	23,255,747	23,255,406	(361)	110,175,078	104,700,003	5,419,070
Other operating income	40(e)	1,766,244	1,766,244	-	1,229,708	1,493,708	-	2,235,259	2,235,259	-
Total other income		88,881,351	68,465,178	20,448,173	82,664,960	66,204,021	16,560,759	184,197,947	155,979,012	28,219,935
Operating income		776,572,624	564,105,978	212,485,060	618,401,221	473,381,867	184,881,754	733,314,330	494,864,136	218,450,895
Personnel expenses	40(f)	(253,301,207)	(157,475,550)	(95,825,212)	(224,582,915)	(160,423,109)	(36,141,738)	(191,048,787)	(143,296,598)	(47,752,190)
Depreciation and amortisation		(64,871,916)	(40,928,187)	(13,942,729)	(46,713,298)	(36,277,833)	(11,426,826)	(36,395,430)	(27,288,572)	(9,105,858)
Other operating expenses	40(g)	(106,252,965)	(120,047,267)	(46,501,682)	(117,697,480)	(98,526,290)	(31,071,158)	(102,169,354)	(74,637,198)	(27,531,160)
Non-interest expenses		(484,431,120)	(318,451,003)	(125,958,729)	(387,993,705)	(289,326,812)	(98,657,058)	(329,816,571)	(245,228,568)	(84,425,215)
Operating profit before impairment		292,142,810	215,604,178	86,488,232	230,425,525	181,275,055	86,164,661	385,498,667	209,671,280	134,032,386
Allowance for credit impairment on financial assets	40(h)	51,275,100	49,730,610	3,523,484	(3,342,995)	(10,524,430)	7,181,413	(232,000,479)	(94,940,704)	(147,059,270)
Operating profit before tax		343,417,810	251,407,794	52,009,816	227,096,530	135,750,475	93,349,256	151,489,889	164,521,576	(13,030,687)
Income tax expense		(45,238,808)	(39,211,511)	(5,910,041)	(26,053,935)	(31,971,939)	5,918,010	(31,390,383)	(25,695,803)	(2,691,283)
Profit for the year		298,179,058	212,097,283	86,095,772	201,042,595	101,778,536	99,294,066	170,107,506	175,879,776	(15,729,270)
Other comprehensive income										
Items that will not be reclassified subsequently to profit or loss, net of tax:										
Net (loss) / gain on investments in equity instruments designated at fair value through other comprehensive income		(19,605,087)	(19,605,087)	-	7,083,548	11,255,888	(4,172,340)	14,566,769	14,566,769	
Gain on disposal on equity instruments at fair value through other comprehensive income		-	-	-	932,408	332,408		2,492,190	2,492,190	
Remeasurement of retirement pension net of deferred tax		(5,791,845)	(5,791,845)	-	(2,130,877)	(2,393,877)	-	9,852,397	9,852,397	-
		(25,396,932)	(25,396,932)	-	5,625,079	10,297,419	(4,672,340)	26,911,356	26,911,356	-
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		(1,900,610)	(1,774,445)	(126,165)	(2,376,447)	(5,250,300)	682,357	(35,225)	132,520	(167,545)
Net (loss) / gain on investments in debt instruments designated at fair value through other comprehensive income		(7,571,853)	(17,598,591)	10,335,126	(11,822,982)	(5,303,579)	(6,822,040)	(55,192,648)	(23,569,511)	(31,623,337)
Total of items that may be reclassified subsequently to profit or loss, net of tax		(9,471,463)	(19,684,436)	10,212,973	(14,129,429)	(10,393,259)	(6,140,157)	(55,227,873)	(23,410,991)	(31,818,882)
Other comprehensive (loss)/ income for the year		(34,871,995)	(45,084,568)	10,212,973	(7,504,347)	34,170	(7,672,497)	(28,316,717)	3,500,565	(31,816,882)
Total comprehensive income		263,307,063	167,008,915	96,308,745	193,438,247	101,316,706	91,621,569	141,790,789	179,380,091	47,545,307

ABC BANKING CORPORATION LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

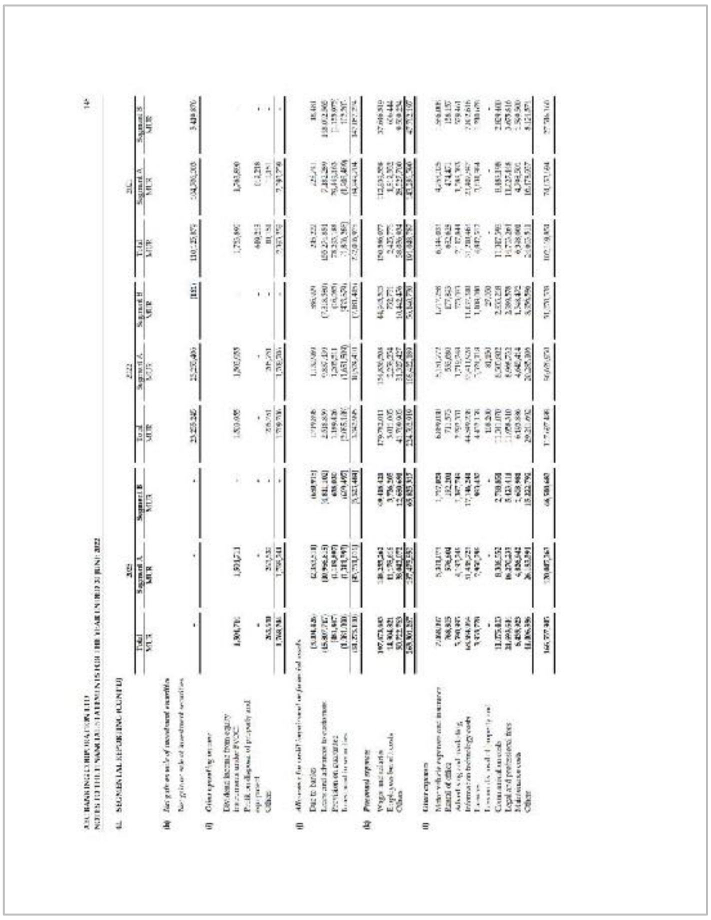
40. SEGMENTAL REPORTING (CONT'D)

	2023 Total	2023 Segment A	2023 Segment B	2022 Total	2022 Segment A	2022 Segment B	2021 Total	2021 Segment A	2021 Segment B
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
(a) *Cash and cash equivalents*									
Cash in hand	9,587,864	7,569,108	2,018,756	13,187,157	8,259,623	4,927,534	17,569,175	7,705,215	9,873,961
Unrestricted balances with Central Bank	1,234,302,402	1,234,302,402	-	180,327,095	180,327,095		821,777,037	821,777,037	
Balances with banks	1,524,877,950	65,184,819	1,459,693,131	1,364,347,085	350,238,567	1,014,109,383	1,728,853,200	24,151,765	1,504,701,471
Due from banks	2,804,415,771	2,770,990,089	33,425,682	1,776,747,001	[illegible]	[illegible]	2,303,473,975	1,668,561,980	834,913,979
	5,573,184,787	3,878,047,018	1,495,137,769	3,094,610,018	1,648,291,596	1,406,318,342	4,871,773,579	2,522,286,007	2,349,489,371
(b) *Due from banks*									
Placement with banks	-	-	-	908,352,313	135,289,474	813,062,839	-	-	-
Deposits with the Central Bank	-	-	-						
Less Expected credit losses	-	-	-	(1,876,864)	(215,864)	(1,163,204)	-	-	-
	-	-	-	906,675,391	135,055,930	811,519,362	-	-	-
(c) *Loans and advances to customers*									
Loans and overdrafts									
Retail	2,490,851,524	1,937,641,340	553,210,184	1,808,414,372	1,476,280,603	332,133,769	1,234,232,247	828,605,199	405,355,046
Corporate	6,650,165,162	5,629,128,223	1,020,936,939	6,466,935,965	5,245,197,021	1,221,739,724	7,225,324,300	5,108,605,416	2,118,250,858
	9,140,915,686	7,566,769,563	1,574,150,123	8,275,350,817	6,721,497,624	1,553,883,193	8,460,854,547	5,937,208,615	2,523,505,904
Less Allowance for impairment losses	(150,590,914)	(131,652,369)	(18,730,545)	(204,495,456)	(179,939,146)	(24,566,312)	(201,588,925)	(170,156,926)	(31,853,999)
	8,989,327,772	7,435,117,194	1,554,410,578	8,070,855,359	6,541,558,478	1,529,296,881	8,258,905,622	5,767,183,687	2,491,721,955
Investment in finance leases									
Retail	1,098,664,021	1,093,639,614	5,221,400	948,201,018	932,148,013	16,056,005	949,247,080	948,122,168	1,124,912
Corporate	1,201,185,328	1,195,383,998	5,801,330	1,019,311,186	1,016,209,029	3,012,157	996,391,102	991,835,709	5,156,393
	2,300,149,352	2,289,023,612	11,025,740	1,967,512,804	1,948,447,042	19,068,462	1,945,638,182	1,939,956,877	6,281,305
Less Allowance for impairment losses	(17,592,451)	(17,580,171)	(112,245)	(24,425,910)	(28,317,264)	(106,816)	(24,391,241)	(24,115,730)	(275,511)
	2,282,756,901	2,271,443,441	10,913,495	1,943,091,601	1,920,129,778	18,961,645	1,921,246,941	1,915,841,147	6,105,794
	11,271,584,665	9,706,560,635	1,565,324,033	10,013,946,960	8,465,688,256	1,548,258,724	10,180,312,563	7,682,986,834	2,497,825,729

ABC BANKING CORPORATION LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

40. SEGMENTAL REPORTING (CONT'D)

	2023 Total	2023 Segment A	2023 Segment B	2022 Total	2022 Segment A	2022 Segment B	2021 Total	2021 Segment A	2021 Segment B
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
(d) *Deposits from customers*									
Retail customers									
Savings accounts	3,588,132,184	3,689,669,812	199,462,371	4,123,253,665	3,967,856,121	155,397,544	3,997,302,500	3,614,580,439	382,820,062
Current accounts	566,539,628	261,733,583	108,206,018	1,183,293,364	378,665,400	804,596,866	303,167,813	201,006,146	705,121,379
Term deposits with remaining term to maturity									
Up to 3 months	551,255,762	459,791,544	91,464,218	217,311,855	203,730,155	13,581,700	715,833,995	525,097,680	193,296,316
Over 3 months and up to 6 months	520,597,621	503,559,299	17,038,322	361,974,690	331,798,850	30,176,060	757,597,545	722,221,359	35,376,166
Over 6 months and up to 12 months	955,480,500	923,620,349	31,860,150	347,767,373	345,724,640	2,042,733	679,804,144	667,911,387	11,892,757
Over 1 year and up to 5 years	3,290,790,744	3,234,194,715	56,596,029	2,277,965,341	2,257,067,074	19,898,307	1,477,117,177	1,451,106,275	26,010,869
Corporate customers									
Savings accounts	180,290,095	180,290,095	-	158,155,294	158,155,294	-	122,281,605	122,281,605	-
Current accounts	6,967,580,828	1,120,119,109	5,847,467,720	7,825,815,051	1,350,215,349	6,475,500,702	8,528,335,692	1,154,279,460	7,374,156,232
Term deposits with remaining term to maturity									
Up to 3 months	792,308,098	628,294,623	164,014,675	201,110,423	96,418,859	104,591,328	366,213,885	191,841,546	174,372,339
Over 3 months and up to 6 months	730,740,744	514,929,698	215,812,046	344,664,803	232,905,239	111,749,564	1,073,997,910	964,214,586	107,779,324
Over 6 months and up to 12 months	1,075,572,899	887,984,193	188,288,707	765,219,013	509,661,998	155,557,065	733,412,460	641,247,329	89,055,152
Over 1 year and up to 5 years	520,112,096	496,770,737	23,341,360	476,994,558	430,736,547	45,258,011	405,734,571	352,612,448	60,121,123
	20,558,510,096	12,914,758,448	7,436,551,650	19,016,751,814	11,119,221,622	7,897,530,182	19,845,223,025	11,582,202,526	9,263,060,669



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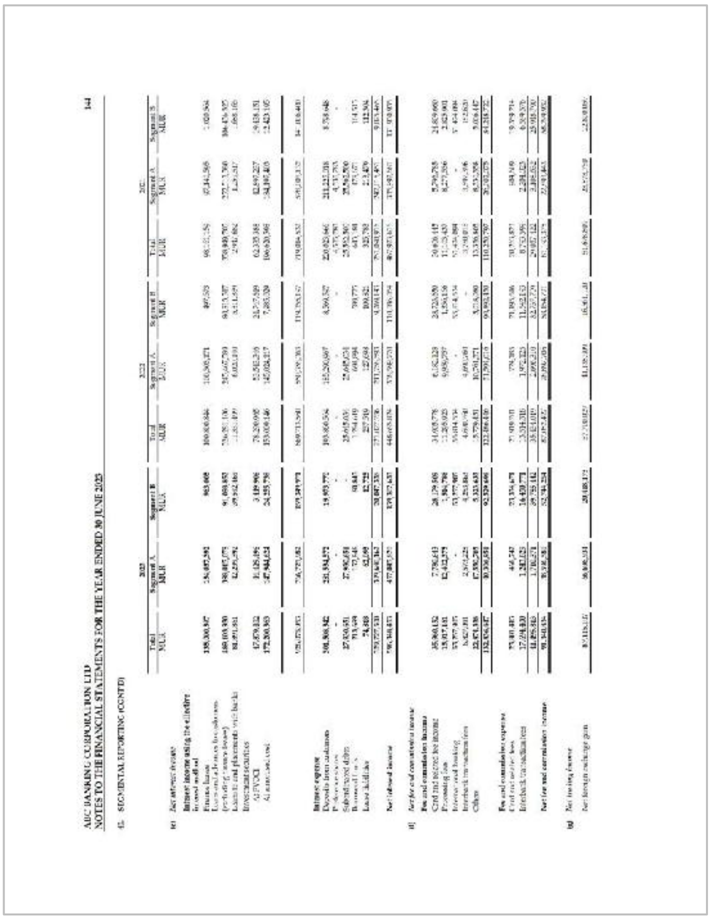
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 145

43. SEGMENTAL REPORTING (CONT'D)

	2023 Total MUR	2023 Segment A MUR	2023 Segment B MUR	2022 Total MUR	2022 Segment A MUR	2022 Segment B MUR	2021 Total MUR	2021 Segment A MUR	2021 Segment B MUR
(h) Net gain on sale of investment securities									
Net gain on sale of investment securities	-	-	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(i) Other operating income									
Dividend income from equity instruments under FVOCI	1,504,711	1,504,711	-	[illegible]	[illegible]		[illegible]	[illegible]	
Profit on disposal of property and equipment	-	-	-	-	-	-	[illegible]	[illegible]	-
Others	263,530	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]	-
	1,768,241	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]	-
(j) Allowance for credit impairment on financial assets									
Due to banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loans and advances to customers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Provision on guarantee	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment in securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(k) Personnel expenses									
Wages and salaries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Employee benefit costs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(l) Other expenses									
Motor vehicle expenses and insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rental of office	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Advertising and marketing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Information technology costs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Licences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loss on disposal of property and equipment	-	-	-	[illegible]	[illegible]	[illegible]	-	-	-
Communication costs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Legal and professional fees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Maintenance costs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



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43. SEGMENTAL REPORTING (CONT'D)

	2023 Total MUR	2023 Segment A MUR	2023 Segment B MUR	2022 Total MUR	2022 Segment A MUR	2022 Segment B MUR	2021 Total MUR	2021 Segment A MUR	2021 Segment B MUR
(e) Net interest income									
Interest income using the effective interest method									
Finance leases	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loans and advances to customers (excluding finance leases)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loans to and placements with banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment securities									
At FVOCI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At amortised cost	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interest expense									
Deposits from customers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Preference shares	-	-	-	-	-	-	[illegible]	[illegible]	-
Subordinated debts	[illegible]	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]	
Borrowed funds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lease liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net interest income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(f) Net fee and commission income									
Fee and commission income									
Card and related fee income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Processing fees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
International banking	[illegible]	-	[illegible]	[illegible]	-	[illegible]	[illegible]	-	[illegible]
Interbank transaction fees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fee and commission expense									
Card and related fees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank transaction fees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net fee and commission income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(g) Net trading income									
Net foreign exchange gain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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41. 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 Executive 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 risks relate 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.

	2023 Carrying Value	2023 Fair Value	2022 Carrying Value	2022 Fair Value	2021 Carrying Value	2021 Fair Value
	MUR	MUR	MUR	MUR	MUR	MUR
Financial assets						
Cash and cash equivalents at amortised cost	5,570,184,707	5,570,184,707	3,094,610,110	3,094,610,110	4,071,779,779	4,071,779,779
Due from banks at amortised cost	-	-	966,615,190	966,375,000	-	-
Derivative financial assets at FVPL	26,136,555	26,136,555	50,004,747	50,004,747	10,228,424	10,228,424
Loans and advances to customers at amortised cost	11,271,484,160	10,718,918,090	10,013,946,480	10,161,214,167	10,183,...	[illegible]
Investment in securities	5,952,304,599	5,463,641,070	6,407,507,165	6,293,190,880	6,730,343,079	[illegible]
Debt instruments at FVOCI	1,313,378,943	1,313,378,943	1,801,390,754	1,801,390,754	3,318,800,381	3,318,800,381
Debt instruments at amortised cost	4,587,143,158	4,098,479,619	4,535,017,323	4,421,707,045	3,171,845,457	3,217,812,771
Equity instruments at FVOCI	51,782,488	51,782,488	71,099,086	71,099,086	63,602,192	63,602,192
Other assets at amortised cost	149,006,605	149,006,605	909,690,325	909,690,325	935,011,015	935,011,015
	22,969,772,174	21,907,487,017	21,442,435,417	21,475,150,345	22,505,107,409	22,700,752,500
Financial liabilities						
Derivative financial liabilities at FVTPL	25,518,459	25,518,459	9,404,846	9,404,846	8,976,609	8,976,609
Deposits from customers at amortised cost	20,454,810,098	20,101,059,596	19,016,751,611	18,925,117,281	19,815,228,122	19,947,315,813
Preference shares at amortised cost	-	-			142,800,000	142,800,000
Subordinated debts at amortised cost	505,379,452	505,379,452	504,821,233	504,821,233	501,762,329	501,762,329
Other liabilities at amortised cost	327,292,515	327,292,515	481,460,549	481,460,549	674,236,778	674,236,778
	21,312,500,524	20,962,260,022	20,012,438,239	19,920,108,235	21,179,873,971	21,279,083,549

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41. 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
2023				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities	829,832,204	150,884,119	332,662,620	1,313,378,943
- Equity securities	50,049,735	-	1,732,723	51,782,458
Derivatives - Foreign exchange contracts	-	26,136,555	-	26,136,555
	879,881,939	177,020,674	334,395,343	1,391,297,956
Financial liabilities				
Derivatives - Foreign exchange contracts	-	25,518,459	-	25,518,459

	Level 1	Level 2	Level 3	Total
	MUR	MUR	MUR	MUR
2022				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities	1,106,050,939	201,851,525	493,488,290	1,801,390,754
- Equity securities	69,654,823		1,444,263	71,099,086
Derivatives - Foreign exchange contracts	-	50,004,747	-	50,004,747
	1,175,705,762	251,856,272	494,932,553	1,922,494,587
Financial liabilities				
Derivatives - Foreign exchange contracts	-	9,404,846	-	9,404,846

	Level 1	Level 2	Level 3	Total
	MUR	MUR	MUR	MUR
2021				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities	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		8,976,609		8,976,609

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.

In prior years, debt securities previously included those debt instruments accounted at amortised cost.

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41. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

Fair value measurement hierarchy (Cont'd)

(i) Valuation principles (Cont'd)

Reconciliation of fair value measurement of level 3 investments

	Total
	MUR
As at July 2022	**494,932,553**
Remeasurement recognised in OCI	**(10,104,296)**
Additions	**289,636**
Accrued interest	**(14,244)**
Disposal	**(150,708,306)**
As at June 2023	**334,395,343**

	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

The following table shows the reconciliation of the opening and closing amounts of Level 3 financial assets & liabilities measured at fair value:

	At July 2022 MUR	Additions MUR	Accrued interest MUR	Disposal MUR	Other comprehensive income MUR	At June 2023 MUR
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI	493,488,290	1,176	(14,244)	(150,708,306)	(10,104,296)	332,662,620
- Equity securities	1,444,263	288,460	-	-	-	1,732,723
	494,932,553	289,636	(14,244)	(150,708,306)	(10,104,296)	334,395,343

	At July 2021 MUR	Additions MUR	Accrued interest MUR	Disposal MUR	Other comprehensive income MUR	At June 2022 MUR
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI	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 MUR	Additions MUR	Accrued interest MUR	Disposal MUR	Other comprehensive income MUR	At June 2021 MUR
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI	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

41. 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.
Equity instruments in non-listed entities are initially recognised at transaction price and re-measured to the extent information is available, and valued on a case-by-case basis, and are classified as Level 3.

(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 these 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 5.04% to 6.78% (2022: 0.06% to 4.30%) and credit spreads ranging from 0.37% to 2.04% (2022: 0.28% to 1.55%) 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 0.02m (2022: MUR 4.9m), while a decrease of 0.5% in discount rates would result in a higher fair value by MUR 0.02m (2022: 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 3.81m (2022: MUR 0.8m), while a decrease of 10% in credit spreads would result in a higher fair value by MUR 3.93m (2022: MUR 0.8m).

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41. 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		
	2023	2022	2021
	MUR	MUR	MUR
Fund based exposures			
Cash and cash equivalents	3,500,590,923	3,081,422,001	4,834,106,202
Due from banks	-	366,075,400	-
Derivative financial assets	26,136,355	50,084,747	11,228,428
Loans and advances to customers	11,271,891,088	10,[illegible]	10,[illegible]
Investment securities	5,900,522,121	6,326,400,079	6,440,345,837
Other assets	149,006,685	[illegible]	[illegible]
Total credit risk exposure	22,908,146,852	21,358,149,172	22,424,834,041
Non-fund based exposures			
Financial guarantees	27,087,930	35,671,805	52,409,454
Letter of credit and other obligations on account of customers	-	-	-
Undrawn credit facilities	3,112,936,370	1,216,325,200	1,536,467,897
Total credit risk exposure	3,140,024,300	1,251,997,005	1,588,877,351

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 5, 11, 12 and 24.

Fund based exposures do not include cash in hand and investment in equity.

The table below shows the sectoral split by industry sector of the bank's financial assets:

	2023	2022	2021
	MUR	MUR	MUR
Manufacturing	843,603,089	899,604,973	1,307,798,169
Construction	676,287,757	547,992,991	1,541,531,520
Professional	43,227,322	46,066,267	15,884,796
Traders	1,382,872,305	1,061,718,603	734,733,031
Tourism	1,773,406,185	2,178,826,986	2,549,514,010
Transport	360,157,771	391,562,051	558,036,094
Financial and Business services	6,963,511,087	6,332,793,993	6,211,680,010
Personal	3,345,759,441	2,724,292,124	1,130,572,015
Agriculture	382,178,777	346,768,007	790,578,194
Global Business Licence Holders	231,832,316	665,331,804	1,059,063,169
Government	4,912,507,151	5,[illegible]	6,[illegible]
Information and communication technology	183,342,865	557,661,673	561,257,566
Others	1,745,508,686	308,082,174	537,124,551
	22,908,146,852	21,358,149,172	22,424,834,041

The table below shows the sectoral split by industry sector of financial guarantees and other commitments:

	2023	2022	2021
	MUR	MUR	MUR
Manufacturing	436,468,355	445,085,401	775,343,773
Construction	12,032,485	11,159,670	275,441,135
Professional	14,731,860		-
Traders	314,339,730	373,178,111	365,095,480
Tourism	79,326,909	68,013,980	122,373,535
Transport	30,072,157	27,081,611	5,247,590
Financial and Business services	351,724,184	326,994,121	297,135,481
Personal	1,345,935,966	771,130,668	25,373,813
Agriculture	1,325,746	79,447,355	7,371,541
Others	661,035,028	59,103,088	54,241,105
	3,140,024,300	1,251,997,005	1,588,877,351

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:

	2023			
	Stage 1	Stage 2	Stage 3	Total
Grades	MUR	MUR	MUR	MUR
Performing				
1 to 3 - Investment Grade	6,189,637,435	12,036,243	-	6,221,673,678
4 to 7 - Standard Monitoring	6,084,478,357	105,048,681	-	6,130,527,038
8 - Watchlist		1,911,178,590	-	1,911,178,590
Unrated	429,274,749	12,704,017	-	441,978,766
Non-performing				
9 - Default	-	-	252,135,459	252,635,459
	12,703,390,541	1,174,907,337	252,135,459	14,650,993,357

	2022			
	Stage 1	Stage 2	Stage 3	Total
Grades	MUR	MUR	MUR	MUR
Performing				
1 to 3 - Investment Grade	3,205,859,365	2,034,890	-	3,217,805,364
4 to 7 - Standard Monitoring	5,769,071,177	45,217,788	-	5,888,978,418
8 - Watchlist	8,924,817	1,344,203,246	-	1,957,028,063
Unrated	505,656,800	8,073,467	-	513,730,366
Non-performing				
9 - Default			597,371,084	617,371,084
	9,489,056,246	2,207,533,095	597,371,084	12,114,063,325

	2021			
	Stage 1	Stage 2	Stage 3	Total
Grades	MUR	MUR	MUR	MUR
Performing				
1 to 3 - Investment Grade	1,490,875,569	3,070,345	-	1,444,935,084
4 to 7 - Standard Monitoring	6,155,278,797	15,151,169	-	6,170,430,911
8 - Watchlist	826,527	2,427,631,066	-	2,928,256,465
Unrated	421,008,674	11,363,569		439,352,343
Non-performing				
9 - Default	-	-	165,995,076	465,895,976
	8,471,908,292	2,961,605,840	165,995,076	12,468,470,097

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41. RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

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 2023 was MUR 294,556,159. (There was no loan and advances whose terms have been renegotiated during the year 2022, however, there was MUR 9,439,050 loans & advances renegotiated in 2021.)

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 12(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 borrower 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 (ECAI) 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

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 demonstrates 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 advance 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.

The qualitative factors that indicate a significant increase in credit risk are reflected in probability of 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 or 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.

41. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

Collectively assessed allowance (Stage 1 and Stage 2) (Cont'd)

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. [illegible]

[illegible] 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 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 at such stipulated times [illegible]
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 at such stipulated times for a continuous period of [illegible] months, [illegible] 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 local GDP index has been considered for year ended 30 June 2023.

The bank considers three macro economic scenarios in its probability default model namely baseline, upside and downside which is tabulated as per below table:

Key drivers	Expected Credit Loss Scenario	Assigned Weightage	Actual 2021	Actual 2022	Actual 2023	Forecast 2024	Forecast 2025	Forecast 2026
GDP Index	Upside	20%	94.5	102.4	106.6	114.5	120.2	125.9
	Base case	40%	94.5	102.2	109.2	111.6	115.6	119.5
	Downside	40%	95.5	102.5	109.8	108.6	111.1	[illegible]

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 2023	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 (20%)	[illegible]	[illegible]	15,108	2,106,942	[illegible]	1,179,579	[illegible]	[illegible]
Base case (40%)	57,663,540	7,817,159	13,317	2,052,573	849,135	1,572,905	7,196	70,377,474
Downside (20%)	51,386,021	6,514,178	36,106	2,782,074	576,881	1,179,578	5,248	65,521,796
Total	149,426,599	19,657,501	65,455	5,001,569	2,122,665	3,932,262	17,616	183,224,337
Effect of multiple economic scenarios								

The following table outlines the impact on expected credit loss from applying a 100% weighting to each scenario:

30 June 2023	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	7,651,393,440	3,989,715,918	22,087,436	3,162,936,570	1,311,378,913	4,591,075,120	77,965,000	20,613,082,905
Expected credit loss								
Upside	126,990,711	17,754,080	47,029	7,299,007	2,122,805	3,332,282	17,616	156,733,290
Base case	144,156,372	19,542,857	38,042	7,631,433	2,122,865	3,332,282	17,816	177,443,667
Downside	181,289,071	21,713,920	120,304	8,200,915	2,122,865	3,332,282	17,616	218,308,821

Measurement of expected credit loss : The key inputs into the measurement of expected credit loss are the following:
(i) probability of default (PD);
(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.

41. 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 asset 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%

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41. 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.

The Bank's policy is to dispose of any repossessed asset at its market value within a reasonable timeframe. In its normal course of business, the bank does not physically repossess properties or other assets, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

	2023	2022	2021	Principal type of collateral held
	MUR	MUR	MUR	
Fund based exposures				
Cash and cash equivalents	5,560,596,923	3,081,422,961	4,854,106,202	Unsecured
Due from banks	-	966,675,490		Unsecured
Derivative financial assets	26,136,535	50,004,747	10,228,424	Unsecured
Loans and advances to customers	11,271,884,868	10,013,946,960	10,180,812,563	Real estate
Investment securities	5,900,522,101	6,335,408,079	6,440,645,837	Unsecured
Other assets	149,006,605	909,690,935	939,041,015	Unsecured
Non-fund based exposures				
Financial guarantees	27,867,930	35,671,505	52,909,454	Unsecured
Letter of credit and other obligations on account of customers	-			Unsecured
Undrawn credit facilities	3,102,536,570	1,905,325,200	1,638,467,897	Unsecured

In addition to the types of collaterals 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.

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41. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Credit quality by class of financial assets

	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
2023				
Cash and cash equivalents	5,560,596,923	-	-	5,560,596,923
Due from banks	-	-	-	-
Derivative financial assets	26,136,555	-	-	26,136,535
Loans and advances to customers	9,526,272,064	1,587,912,200	157,700,404	11,271,884,868
Investment securities	5,487,652,382	412,869,719	-	5,900,522,101
Other assets	149,006,605	-	-	149,006,605
	20,749,664,529	2,000,781,919	157,700,404	22,908,146,852

	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	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	Stage 2	Stage 3	Total
2021	MUR	MUR	MUR	MUR
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	22,124,834,041

Ageing analysis of past due but not impaired loans by class of financial assets

	Amount in arrears			
	Less than 30 days	31 to 89 days	More than or equal to 90 days	Total
	MUR	MUR	MUR	MUR
2023				
Loans and advances to customers				
Loans and overdrafts				
Retail	609,064	275,599	-	884,663
Corporate	17,752,219	676,785	-	18,429,004
	18,361,283	952,384	-	19,313,667

	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	1,058,315	849,793	-	1,908,108
Corporate	2,921,417	1,601,091	-	4,522,508
	3,979,732	2,450,884	-	6,430,616
	22,341,015	3,403,268		25,744,283

ABC BANKING CORPORATION count on us

41. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

2022	Amount in arrears Less than 30 days	31 to 89 days	More than or equal to 90 days	Total
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
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

2021	Amount in arrears Less than 30 days	31 to 89 days	to 90 days	Total
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	250,434,465

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:

2023	Gross Carrying MUR	Loss Allowance MUR
0 - 30 days (Stage 1)	9,566,861,937	40,589,874
0 - 30 days (Stage 2)	1,460,439,685	31,333,861
31 - 89 days (Stage 2)	161,028,877	2,225,572
	11,188,330,499	74,149,307

2022	Gross Carrying MUR	Loss Allowance MUR
0 - 30 days (Stage 1)	7,648,775,382	57,998,103
0 - 30 days (Stage 2)	1,793,306,959	41,768,797
31 - 89 days (Stage 2)	103,409,916	3,263,744
	9,545,495,257	102,850,644

2021	Gross Carrying MUR	Loss Allowance MUR
0 - 30 days (Stage 1)	7,177,111,251	67,138,646
0 - 30 days (Stage 2)	2,714,436,388	52,898,436
31 - 89 days (Stage 2)	51,711,738	1,230,392
	9,973,259,377	121,267,474

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:

	2023 MUR	2022 MUR	2021 MUR
Loans and advances (Note 11(c))	252,635,459	697,371,084	433,633,352
Expected Credit Losses on loans and advances under Stage 3 (Note 11(c))	94,935,055	126,065,717	105,012,692
	94,935,055	126,065,717	105,012,692

41. RISK MANAGEMENT (CONT'D)

(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 a quarterly average of 553% for financial year 2023 (2022: 368%, 2021: 616%).

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.

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
2023						
Derivative financial liabilities	-	21,383,063	1,135,396	-	-	23,518,459
Deposits from customers	-	2,223,170,622	4,411,328,246	3,021,522,544	11,340,728,315	20,996,749,727
Subordinated debts	-	-	28,982,877	328,982,877	-	357,965,754
Other liabilities	75,862,960	170,121,362	72,846,176	700,087	-	319,530,605
Total financial liabilities	75,862,960	2,417,675,267	4,514,292,695	3,351,205,508	11,340,728,315	21,699,764,745
Contingent liabilities and commitments		2,178,385,086	622,739,932	2,745,972	386,153,610	3,190,024,500
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*		-	28,083,356	552,126,712		578,190,068
Other liabilities	66,266,481	314,289,999	58,190,470	700,087	-	467,446,637
Total financial liabilities	66,266,481	1,785,232,187	3,715,581,684	3,857,456,698	10,854,639,351	20,309,156,401
Contingent liabilities and commitments		1,541,016,320	81,201,712		334,776,974	1,951,997,106
2021						
Derivative financial liabilities		2,366,807	6,569,802			8,936,609
Deposits from customers		2,163,914,939	4,418,015,945	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

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41. RISK MANAGEMENT (CONT'D)

(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.

2023

Currency	Increase/ (decrease) in basis points	Effect on profit before tax and Equity
		MUR m
EUR	50	9.6
USD	50	16.5
MUR	50	7.5

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

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

(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 %	2023 MUR	2022 MUR	2021 MUR
Statement of other comprehensive income	+10	44,625,446	60,706,743	175,869,666
Statement of other comprehensive income	-10	(44,625,446)	(60,706,743)	(175,869,666)

41. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(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 2023 amounted to MUR 239,794 (2022 : MUR 104,670, 2021 : MUR 95,304).

The bank kept a very low open FX position amid market volatility to minimize FX risks. Despite the economy recovering further from 2022, sale of FX remained subdued leading to a depreciating pressure on the MUR. The Bank of Mauritius FX interventions helped smoothen excess volatility, but the bank nevertheless opted for cautiousness.

The following table demonstrate the sensitivity to a reasonable possible change in exchange rate of the major currencies of the bank, 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 2023	51,510,794	8,929,064	19,994,503

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)

Change in currency by:	Impact on profit after tax and equity		
	EUR	GBP	USD
30 June 2021	23,930,485	(9,187,276)	(32,690,565)

41. 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:

2023

	EUR	GBP	USD	Others	Total
	MUR	MUR	MUR	MUR	MUR
Cash and cash equivalents	1,721,622,799	427,700,085	2,193,404,675	247,245,270	4,589,972,829
Due from banks	-	-	-	-	-
Derivative financial assets	25,160,560	4,697	377,085	594,213	26,136,555
Loans and advances to customers	1,381,619,505	-	1,605,996,868	-	2,987,616,373
Investment securities	273,364,622	-	1,664,465,460	-	1,937,830,082
Other assets	77,547,189	1,787,714	48,221,144	4,306,153	131,862,200
	3,479,314,675	429,492,496	5,512,465,232	252,145,636	9,673,418,039
Derivative financial liabilities	25,180,331	1,356	336,772	-	25,518,459
Deposits from customers	2,186,876,836	627,974,547	6,448,579,790	248,027,785	9,511,458,958
Other liabilities	30,762,839	765,433	106,789,898	6,354,005	144,672,175
	2,242,820,006	628,741,336	6,555,706,460	254,381,790	9,681,649,592
Net position	1,236,494,669	(199,248,840)	(1,043,241,228)	(2,236,154)	(8,231,553)

2022

	EUR	GBP	USD	Others	Total
	MUR	MUR	MUR	MUR	MUR
Cash and cash equivalents	1,153,524,465	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	-	1,446,090,943	-	2,913,796,175
Investment securities	426,718,046	-	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	262,928,681	9,581,708,481
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)	6,038,051	62,765,015

2021

	EUR	GBP	USD	Others	Total
	MUR	MUR	MUR	MUR	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	-	786,986,271	-	1,919,384,562
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)

41. RISK MANAGEMENT (CONT'D)

(e) Maturities of assets and liabilities

[illegible]

	Notes	No specific maturity	Less than 3 months	3 to 12 months	Sub-total less than 12 months	1 to 3 years	Over 3 years	Sub-total more than 12 months	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and cash equivalents	9	-	[illegible]	-	[illegible]	-	-	-	[illegible]
Derivative financial assets	10	-	[illegible]	[illegible]	[illegible]	-	-	-	[illegible]
Loans and advances to customers	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment securities	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other assets	13	[illegible]	-	-	-	-	-	-	[illegible]
Total		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less allowance for credit impairment									[illegible]
									[illegible]
Liabilities									
Derivative financial liabilities	10	-	[illegible]	[illegible]	[illegible]	-	-	-	[illegible]
Deposits from customers	17	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subordinated debts	19	-	-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Other liabilities	21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Total		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net liquidity gap		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less allowance for credit impairment			-	-		-	-		[illegible]
									[illegible]
Contingent liabilities and commitments	33								
Contingent liabilities									
Financial guarantees		-	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Commitments									
Undrawn credit facilities		-	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]
		-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

31. RISK MANAGEMENT (CONT'D)

(c) Maturities of assets and liabilities

2022

	Notes	No specific maturity	Less than 3 months	3 to 12 months	Sub-total less than 12 months	1 to 5 years	Over 5 years	Sub-total more than 12 months	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and cash equivalents	8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Due from banks	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Derivative financial assets	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loans and advances to customers	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment securities	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other assets	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less allowance for credit impairment									[illegible]
									[illegible]
Liabilities									
Derivative financial liabilities	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deposits from customers	17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subordinated debts	19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other liabilities	21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net liquidity gap		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less allowance for credit impairment									[illegible]
									[illegible]
Contingent liabilities and commitments	24								
Contingent liabilities									
Financial guarantees		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commitments									
Undrawn credit facilities		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ABC BANKING CORPORATION LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

31. RISK MANAGEMENT (CONT'D)

(c) Maturities of assets and liabilities

2021

	Notes	No specific maturity	Less than 3 months	3 to 12 months	Sub-total less than 12 months	1 to 5 years	Over 5 years	Sub-total more than 12 months	Total
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Assets									
Cash and cash equivalents	8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Due from banks	9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Derivative financial assets	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loans and advances to customers	11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment securities	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other assets	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less allowance for credit impairment									[illegible]
									[illegible]
Liabilities									
Derivative financial liabilities	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deposits from customers	17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Preference shares	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subordinated debts	19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other liabilities	2[?]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net liquidity gap		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less allowance for credit impairment									[illegible]
									[illegible]
Contingent liabilities and commitments	24								
Contingent liabilities									
Financial guarantees		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commitments									
Undrawn credit facilities		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(f) Operational risk

[illegible]

5.2 ABRIDGED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2023

5.2.1 STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	Unaudited Sep-23	Unaudited Sep-22
	MUR	*MUR*
ASSETS		
Cash and cash equivalents	4,852,772,220	4,268,596,707
Due from banks	156,484,890	817,974,134
Derivative financial assets	62,932,912	53,034,513
Loans and advances to customers	12,563,163,570	9,916,869,129
Investment securities	5,739,490,732	6,132,963,451
Other assets	169,568,080	947,111,285
Property, equipment and right-of-use assets	549,595,763	578,598,797
Intangible assets	78,676,089	94,562,066
Deferred tax assets	3,145,827	6,183,237
Total assets	**24,175,830,083**	**22,815,893,319**
LIABILITIES		
Deposits from customers	20,677,031,358	18,948,326,646
Derivative financial liabilities	23,743,077	8,257,295
Subordinated debts	512,657,534	511,398,116
Current tax liabilities	50,275,553	30,643,187
Other liabilities	524,472,896	1,192,816,479
Total liabilities	**21,788,180,418**	**20,691,441,723**
Shareholders' Equity		
Issued capital	940,495,472	940,495,472
Retained earnings	1,204,043,073	985,831,190
Other reserves	243,111,120	198,124,934
Capital and reserves	**2,387,649,665**	**2,124,451,596**
Total liabilities and equity	**24,175,830,083**	**22,815,893,319**

5.2.2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Unaudited Quarter ended Sep-23	Unaudited Quarter ended Sep-22
	MUR	*MUR*
Interest income	293,806,216	184,375,876
Interest expense	(135,286,498)	(54,449,755)
Net interest income	**158,519,718**	**129,926,121**
Fee and commission income	32,726,282	36,074,846
Fee and commission expense	(12,003,788)	(10,749,831)
Net fee and commission income	**20,722,494**	**25,325,015**
Total other income	20,668,368	18,118,925
Operating Income	199,910,580	173,370,061
Non interest expenses	(121,468,922)	(103,159,244)
Operating profit before impairment	**78,441,658**	**70,210,817**
Allowance for credit impairment	15,599,183	5,046,553
Operating profit before tax	**94,040,841**	**75,257,370**
Income tax expense	(11,402,101)	(9,716,000)
Profit for the period	**82,638,740**	**65,541,370**
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Net gain/(loss) on investments in equity instruments designated at fair value through other comprehensive income	1,418,294	(7,837,382)
	1,418,294	**(7,837,382)**
Items that may be reclassified subsequently to profit or loss:		
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	(131,953)	(275,292)
Net gain on investments in debt instruments designated at fair value through other comprehensive income	6,137,279	(13,802,586)
	6,005,326	**(14,077,878)**
Other comprehensive income/(loss) for the period	**7,423,620**	**(21,915,260)**
Total comprehensive income for the period	**90,062,360**	**43,626,110**

5.2.3 STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Issued capital	Retained earnings	Statutory reserve	Other reserves	Total
	MUR	*MUR*	*MUR*	*MUR*	*MUR*
At 01 July 2022	940,495,472	920,289,820	212,734,803	7,305,391	2,080,825,486
Profit for the period	-	65,541,370	-	-	65,541,370
Other comprehensive loss	-	-	-	(21,915,260)	(21,915,260)
Total comprehensive income for the period	-	65,541,370	-	(21,915,260)	43,626,110
At 30 September 2022	940,495,472	985,831,190	212,734,803	(14,609,869)	2,124,451,596
At 01 July 2022	940,495,472	920,289,820	212,734,803	7,305,391	2,080,825,486
Profit for the period	-	298,159,055	-	-	298,159,055
Other comprehensive loss	-	(5,794,845)	-	(29,076,550)	(34,871,395)
Total comprehensive income for the period	-	292,364,210	-	(29,076,550)	263,287,660
Transfer to statutory reserve	-	(44,723,858)	44,723,858	-	-
Equity dividends	-	(46,525,838)	-	-	(46,525,838)
At 30 June 2023	940,495,472	1,221,404,334	257,458,661	(21,771,159)	2,297,587,308
At 01 July 2023	940,495,472	1,121,404,334	257,458,661	(21,771,159)	2,297,587,308
Profit for the period	-	82,638,739	-	-	82,638,739
Other comprehensive gain	-	-	-	7,423,618	7,423,618
Total comprehensive income for the period	-	82,638,739	-	7,423,618	90,062,357
At 30 September 2023	940,495,472	1,204,043,073	257,458,661	(14,347,541)	2,387,649,665

5.2.4 STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Unaudited Quarter ended Sep-23	Unaudited Quarter ended Sep-22
	MUR	*MUR*
Net cash (used in)/generated from operating activities	(780,543,608)	1,044,522,139
Net cash generated from investing activities	218,164,026	251,215,971
Net cash generated/(used in) from financing activities	266,556	(539,729)
Net (decrease)/ increase in cash and cash equivalents	**(562,113,025)**	**1,295,198,380**
Net foreign exchange difference	(155,299,542)	(121,211,791)
Net cash and cash equivalents at beginning of period	5,570,184,787	3,094,610,118
Net cash and cash equivalents at end of period	**4,852,772,220**	**4,268,596,707**

5.3 AVAILABILITY OF ANNUAL AND INTERIM REPORTS

Annual and interim financial reports (published at quarterly intervals) are available on the following websites:

- ABC Banking Corporation Ltd (www.abcbanking.mu); and
- The Stock Exchange of Mauritius (www.stockexchangeofmauritius.com)

and are available upon written request made to the Company Secretary.

5.4 PROSPECTS / FINANCIAL OUTLOOK

In 2023 the Bank of Mauritius confirmed that the global economic recovery was underway and that divergences were noted across regions. Growth of the US economy remained strong, supported by robust consumption and investment figures. Economic activity in the euro area had strengthened in Q2 2023 amidst signs of receding inflation, however there was a weakening outlook for its manufacturing sector in the second half of the year. The UK economy had started the year strongly with a broad-based pick-up in economic activity and encouraging household consumption and services however it failed to grow in the second half of 2023.

In the July 2023 edition of the World Economic Outlook (WEO) update, the IMF adopted a more optimistic outlook for the global recovery by revising its projection for 2023 upward by 0.2 percentage points to 3.0%, relative to its April 2023 projection. Growth prospects for advanced economies were also revised upwards to 1.5% (representing 0.2 percentage point revision). Emerging and developing economies saw their growth prospects revised upwards to 4.0% (representing 0.1 percentage point revision). The IMF nonetheless flagged that the balance of risks to global growth was tilted to the downside.

The monetary policy tightening cycle seem to have topped out across major economies with the US Federal Reserve pausing at 5.50% since July 2023, the European Central Bank (ECB) on pause at 4.50% since September 2023, and the Bank of England (BoE) on pause at 5.25% since August 2023. Policy rates in the UK and US are expected to stay high for a longer though Europe may see rates coming down sooner.

Economic growth in Mauritius remained broad-based reflecting buoyant economic activity across a wide spectrum of sectors, including 'Accommodation and food service activities', 'Financial and insurance activities', 'Transportation' and 'Wholesale and retail trade' most of which are now close to their pre-pandemic levels. The sustained growth in the 'Accommodation and food service activities' sector has trickled down positively to other sectors of the economy, including retail trade, real estate and construction.

In US dollar terms, tourism earnings totalled nearly USD 1.1 billion for the first seven months of 2023, well above 2019 levels. Furthermore, the average length of stay of tourists stood at 11.5 nights over the period January to August 2023. Prospects for the sector remained strong for 2023 and is expected to continue into 2024.

The resilience, soundness and robustness of the banking sector has been underpinned by strong solvency and liquidity buffer figures. At 19.9% as at end-June 2023, the Capital Adequacy Ratio of the banking sector as a whole stood well-above the minimum regulatory requirements imposed by BoM and were deemed by the MPC to provide enough of a buffer against materialization of shocks. Banks in Mauritius also continue to hold sufficient unencumbered high-quality liquid assets. The Liquidity Coverage Ratio (LCR), both, aggregate and in material foreign currencies, stood at 257.1% and 191.9% respectively in June 2023, largely exceeding the safety floor of 100%. Banks in Mauritius were therefore assessed to be sufficiently resilient with respect to withstanding 30-day liquidity stresses, both, domestically and from outside.

The domestic economy grew at a commendable pace in 2023. Economic activity was expected to have been bolstered by broad-based dynamism across key economic sectors. Tourist arrivals have continued to pick up steadily, reverting to pre-pandemic levels, with positive spillover effects onto related sectors. 'Financial and insurance activities' also maintained a solid performance, as Mauritius consolidated its position as a trusted IFC. The 'Construction' sector maintained its growth momentum, driven by various ongoing large-scale infrastructural projects, including the extension of metro express. On the demand front, private and public sector spending continued to catalyze demand. Household consumption expenditure was expected to remain robust, underpinned by the support measures extended by the government and healthy growth in wages. Investment spending gathered steam, supported by major development projects in the pipeline. BoM projected growth for 2023 in the range of 6.5 – 7.5%. However, as a small open economy, the growth outlook in Mauritius is scenario-based and is contingent on global developments. Risk factors stemming from outside can cloud the growth outlook, with the balance of risks tilted to the downside.

The resilience, soundness and robustness of the Issuer is seen in its strong solvency and liquidity buffer figures. At 14.9% as at 30 September 2023, the Capital Adequacy Ratio of the Issuer stood well-above the minimum regulatory requirement of 12.5% imposed by BoM and provided enough buffer against materialization of shocks. The Issuer also holds sufficient unencumbered high-quality liquid assets. The Liquidity Coverage Ratio (LCR) stood at 564% whereas the quarterly average of bi-monthly observations for the Quarter ended 30 September 2023 was 515%, mainly due to the significant investment in eligible securities. The bank's high-quality liquid assets (HQLA) are primarily made up of sovereign and central bank securities and the weighted value as at end of September was MUR 4.3 billion and the quarterly average of bi-monthly observations for the Quarter ended 30 September 2023 was at MUR 3.8 billion, largely exceeding the safety floor of 100%. The Issuer is therefore assessed to be sufficiently resilient to withstand 30-day liquidity stresses, both, domestically and from outside.

Looking forward, the Issuer intends to leverage the Mauritian jurisdiction and its strong capital and liquidity position to attract more deposits and grow its balance sheet. Given the robust Mauritian economy, the performance of the Issuer's loan book is expected to remain strong and indeed grow further. The Issuer is committed to a prudent management of and growth in its balance sheet.

If the global economy slows significantly (due to the tight monetary policy in developed markets), the performance of the Mauritian economy and the Issuer is likely to be more muted.

6 TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which shall be incorporated by reference into each Note. The Applicable Pricing Supplement in relation to any Series of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Series of Notes.

1. DEFINITIONS AND INTERPRETATION

1.1. Unless the context otherwise requires, terms used in these Terms and Conditions shall have the meanings given to them as follows:

Act of Insolvency in respect of a person:

(a) a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (other than pursuant to a consolidation, amalgamation or merger with the consent of the Noteholders' Representative);

(b) a composition, compromise, assignment or arrangement with any creditor; or

(c) the appointment of any liquidator, trustee in bankruptcy, judicial custodian or manager, compulsory manager, receiver, administrative receiver, administrator or other similar official, in each case, appointed in any jurisdiction in relation to all or substantially all of its assets;

Additional Tier 1 Capital such regulatory capital of the Issuer that, in the opinion of the BoM, qualifies as such under the Guidelines on Eligible Capital;

Applicable Law any laws or regulations of any governmental or other regulatory authority which govern these Terms and Conditions and the Notes issued thereunder in accordance with which the same are to be construed;

Announcement Date the announcement date, as specified in the Applicable Pricing Supplement;

Applicable Pricing Supplement the pricing supplement issued in relation to each Series of Notes (substantially in the form set out in Appendix A) as a supplement to this Prospectus and:

(i) giving details of that particular Series of Notes and the Terms and Conditions applicable to each Note of that Series of Notes; and

(ii) any additional information as may be required to be included in the pricing supplement by any regulatory or supervisory body.

	References in this Prospectus to the 'Applicable Pricing Supplement' shall, in relation to any Series of Notes, be references to the Applicable Pricing Supplement in respect of that Series of Notes;
BoM	Bank of Mauritius, or any replacement entity, authority or institution having regulatory powers over banks in Mauritius;
Business Day	a day (other than a Saturday or Sunday or public holiday in Mauritius) which is a day on which commercial banks settle MUR payments in Mauritius;
Call Option	the call option on the Notes which may be provided to the Issuer in respect of Notes, as specified in the Applicable Pricing Supplement;
Call Option Exercise Period	a period, as specified in the Applicable Pricing Supplement;
Call Option Notice Period	a notice period, as specified in the Applicable Pricing Supplement;
CFA Agreement	the agency agreement entered into, or to be entered into, between the Issuer and the Corporate Finance Adviser and Arranger in relation to a particular Series of Notes;
Condition	a condition as contained in the Terms and Conditions;
Control	has the meaning set out in section 5 of the Companies Act 2001;
Common Equity Tier 1 Capital	such regulatory capital of the Issuer that, in the opinion of the BoM, qualifies as such under the Guidelines on Eligible Capital;
Corporate Finance Adviser and Arranger	IZAR Ltd or such other entity appointed from time to time under the CFA Agreement;
Day Count Fraction	either: (a) if 'Actual/Actual' is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365); or (b) if 'Actual/365' is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365; or

(c) if '30/360', '360/360' or 'Bond Basis' is specified in the Applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve (12) 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

Early Redemption	the early redemption of a Note prior to its Maturity Date (other than a redemption pursuant to Condition 9);
Early Redemption Amount	the amount, calculated in accordance with Condition 8.4.1, at which the Notes shall be redeemed by Early Redemption;
Early Redemption Date	the date upon which Notes are redeemed by the Issuer in terms of Condition 8.2.1 or Condition 8.3.1, as the case may be;
Exercise Notice	the formal notification by the Issuer of the exercise of a Call Option;
Final Redemption	the final redemption of a Note on the Maturity Date;
Final Redemption Amount	the amount payable in respect of a Note upon its Final Redemption which, unless otherwise specified in the Applicable Pricing Supplement, is its Nominal Amount;
Fixed Rate Notes	Notes entitled to a fixed rate of Interest, as specified in the Applicable Pricing Supplement;
Floating Rate Notes	Notes entitled to a floating rate of Interest, as specified in the Applicable Pricing Supplement;
Group	the Issuer and its subsidiaries, if any;
IPA Agreement	the agreement entered into, or to be entered into, between the Issuer and the Issuing and Paying Agent in relation to a particular Series of Notes;
Interest	the interest payable on a Note;
Interest Commencement Date(s)	the date(s) on which Interest on a Note commences its accrual, as specified in the Applicable Pricing Supplement;
Interest Determination Date	the date upon which the Interest Rate is calculated for a specified Interest Period, as specified in the Applicable Pricing Supplement;

Interest Payment Date(s)	the interest payment date(s) specified in the Applicable Pricing Supplement, provided that notwithstanding anything to the contrary specified in the Applicable Pricing Supplement, the last Interest Payment Date shall, subject to Condition 6.3, be the Redemption Date;
Interest Period	(i) the first Interest Period shall commence on the Issue Date and shall end on the day preceding the next-occurring Interest Payment Date; (ii) each subsequent Interest Period shall commence on the day following the expiry of the last Interest Period and shall end on the day preceding the next-occurring Interest Payment Date; and (iii) the last Interest Period shall commence on the day following the expiry of the preceding Interest Period and shall end on the Redemption Date;
Interest Rate	(i) in respect of the Fixed Rate Notes, the interest rate specified in the Applicable Pricing Supplement; and (ii) in respect of the Floating Rate Notes, the interest rate determined in the manner specified in Condition 6.2.2, and if a Rate Multiplier is specified in the Applicable Pricing Supplement, adjusted in the manner set out in Condition 6.2.3;
Issue Date	the date of issuance of a Note, as specified in the Applicable Pricing Supplement;
Issue Price	the price at which the Notes may be issued, as specified in the Applicable Pricing Supplement;
Issuer	ABC BANKING CORPORATION LTD, a company registered under the laws of Mauritius under registration number C18920 and business registration number C07018920;
Issuing and Paying Agent	DTOS Registry Services Ltd, or such other entity appointed from time to time under the IPA Agreement;
Last Day to Register	the time at which trading closes on the Business Day before an Interest Payment Date or a Redemption Date, as the case may be;
Margin	the margin, if any, by which the Reference Rate shall be increased or decreased to calculate an Interest Rate in respect of a Floating Rate Note, as specified in the Applicable Pricing Supplement;
Maturity Date	in respect of a Series of Notes, the date upon which the Notes are to be finally redeemed and all amounts due on the Notes are to be repaid by the Issuer, as specified in the Applicable Pricing Supplement provided however that such date shall be a date that

	occurs after the fifth (5th) anniversary of the Issue Date of such Notes;
Mauritius	the Republic of Mauritius;
Maximum Interest Rate	the maximum rate of interest that may be payable on a Floating Rate Note, if any, as specified in the Applicable Pricing Supplement;
Minimum Interest Rate	the minimum rate of interest that may be payable on a Floating Rate Note, if any, as specified in the Applicable Pricing Supplement;
'MUR' or 'Rs' or 'Rupee'	the lawful currency of Mauritius, currently being the Mauritian rupee or any successor currency;
Nominal Amount	(i) the par value of any Note, or (ii) in relation to any Note that is not issued at its par value, the total amount, excluding Interest and any adjustment on account of any formula, owing by the Issuer under the Note;
Notes	the notes issued or to be issued by the Issuer pursuant to this Prospectus and the Applicable Pricing Supplement;
Noteholder	the holder of a Note from time to time and recorded as such in the Register;
Noteholders' Representative	the Person acting as Noteholders' representative or agent appointed from time to time under the Noteholders' Representative Agency Agreement;
Noteholders' Representative Agency Agreement	the agency agreement entered into between the Issuer and the Noteholders' Representative in respect of any Series of Notes;
Ordinary Resolution	a resolution passed at a properly constituted meeting of Noteholders duly convened and held in accordance with the Conditions: (i) upon a show of hands, by a majority of the Noteholders present in person and voting thereat, or (ii) if a poll is duly demanded, by a majority of the votes cast at such poll by the Noteholders present in person or by proxy;
Person	any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality;

Rate Multiplier	a multiplier of the Reference Rate and Margin specified in the Applicable Pricing Supplement to be utilised in calculating the Interest Rate for Floating Rate Notes;
Redemption	a Final Redemption or Early Redemption, as the case may be;
Redemption Amount	the Final Redemption Amount or the Early Redemption Amount, as the case may be;
Redemption Date	the Maturity Date or the Early Redemption Date, as the case may be;
Reference Rate	in respect of the Floating Rate Notes, the benchmark interest rate specified in, and determined in the manner specified in, the Applicable Pricing Supplement or such applicable replacement interest rate pursuant to Conditions 6.2.5 or 6.2.6;
Register	the register of Noteholders maintained by the Issuing and Paying Agent as agent of the Issuer;
Related Person	a person Controlling, Controlled by, or under the Common Control of, the Issuer;
Relevant Date	in respect of any payment relating to the Notes, the date on which such payment first becomes due;
Relevant Time	the time on the Interest Determination Date, if any, specified in the Applicable Pricing Supplement for calculating the Interest Rate on a Note;
Section	a section of this Prospectus;
SEM	the Stock Exchange of Mauritius Ltd or any successor exchange;
Series	all Notes which are identical in all respects;
Special Resolution	a resolution passed at a properly constituted meeting of Noteholders duly convened and held in accordance with the Conditions (i) upon a show of hands, by a majority consisting of not less than seventy-five (75) percent of the Noteholders present in person or by proxy and voting thereat or (ii) if a poll is duly demanded, by a majority consisting of not less than seventy-five (75) percent of the votes cast at such poll by the Noteholders present in person or by proxy;
Taxes	has the meaning set out in Condition 14.1;
Terms and Conditions	the terms and conditions set forth and incorporated in this Section 6 of this Prospectus titled 'Terms and Conditions of the Notes' and in accordance with which the Notes shall be issued provided that such terms and conditions may be amended by a supplementary Prospectus and an Applicable Pricing Supplement.

Tier 2 Capital	such regulatory capital of the Issuer that, in the opinion of the BoM, qualifies as such under the Guidelines on Eligible Capital; and
Trigger Event	has the meaning set out in Condition 9.8.

1.2. Where any term is defined within the context of any particular Condition or Section in this Prospectus, the term so defined, unless it is clear from the Condition or Section in question that the term so defined has limited application to the relevant Condition or Section, shall bear the same meaning as ascribed to it for all purposes in terms of this Prospectus, notwithstanding that that term has not been defined in this Condition 1.

1.3. Words denoting the singular number only shall include the plural number also and vice versa; words importing a particular gender shall include all genders; and words denoting persons only shall include firms and corporations and vice versa.

1.4. Any reference in this Prospectus to an enactment is to that enactment as at the date of this Prospectus and as amended or re-enacted from time to time and shall include any succeeding statute.

1.5. All references in this Prospectus to an agreement, instrument or other document (including, without limitation, the Prospectus, the Notes, and any terms and conditions appertaining thereto) shall be construed as a reference to that agreement, instrument or document as the same may be amended, modified, varied, restated, superseded, supplemented, replaced or novated from time to time.

1.6. The use of the word 'including' followed by a specific example or examples shall not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule shall not be applied in the interpretation of such general wording or such specific example or examples.

1.7. The rule of construction that, in the event of ambiguity, the contract shall be interpreted against the party responsible for the drafting or preparation of the agreement, shall not apply.

1.8. If any provision in a definition in this Prospectus is a substantive provision imposing rights or obligations on any Person, notwithstanding that it is only in the definition, effect shall be given to it as if it were a substantive provision in the body of this Prospectus.

1.9. Where figures are referred to in this Prospectus in numerals and in words, if there is any conflict between the two, the words shall prevail.

1.10. If any date referred to in these Conditions falls on a day that is not a Business Day, such date shall be postponed to the next day that is a Business Day.

1.11. Any reference to time means the local time in Port Louis, Mauritius.

2. ISSUE

2.1. The Issuer shall issue Notes having an aggregate Nominal Amount of MUR 500 million (with a permitted oversubscription of not more than MUR 200 million), in the maximum, pursuant to this Prospectus and the Applicable Pricing Supplements.

2.2. The Notes shall be issued by the Issuer in accordance with, and subject to, the Terms and Conditions.

2.3. Each Note shall be held subject to the Terms and Conditions, which Terms and Conditions shall be binding on the Issuer and each Noteholder.

2.4. The Notes shall be offered by way of public offer. The Issuer may issue Notes to such recipients and on such dates as the Issuer deems fit.

2.5. The Issuer reserves the right, in its sole discretion, to refuse any application in whole or in part, or to accept some applications for Notes in full and others in part, or to refuse all applications for Notes on any basis determined by it.

2.6. In the event that any application is refused, in whole or in part, pursuant to Condition 2.5, the monies already paid by prospective investors in connection with the whole application or that part of the application that has been refused, as the case may be, shall be returned to such prospective investors without interest and net of bank charges. Refunds shall be made within three (3) Business Days after the Issue Date by bank transfer to the account specified in the application form. Prospective investors must be aware that any refunds may be subject to applicable bank charges by their own banks.

2.7. The Nominal Amount of each Note issued by the Issuer shall be as specified in the Applicable Pricing Supplement.

2.8. The Noteholders are, by virtue of their subscription for or purchase of the Notes, deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Noteholders' Representative Agency Agreement.

2.9. Each Note shall be issued fully paid up in cash. Unless otherwise agreed with the Noteholders' Representative, the Issuer shall apply the proceeds of the subscription of the Notes in accordance with the use specified in this Prospectus and/or the Applicable Pricing Supplement.

2.10. The Issuer shall not, and shall procure that no Related Person shall, purchase a Note or directly or indirectly fund the purchase of a Note.

2.11. The issue of the Notes is not underwritten.

3. FORM, DENOMINATION AND TITLE

3.1. The Notes shall be issued in the form of debentures under the Companies Act 2001.

3.2. Each Note shall be a Fixed Rate Note or a Floating Rate Note as specified in the Applicable Pricing Supplement.

3.3. The Notes shall be issued in such denomination of aggregate Nominal Amounts as specified in the Applicable Pricing Supplement.

3.4. The Notes shall be issued in registered form as specified in the Applicable Pricing Supplement. The Notes shall not be certificated.

3.5. Notwithstanding anything to the contrary in an Applicable Pricing Supplement, the Maturity Date of any Series shall be a date falling more than three hundred and sixty-five (365) days after the Issue Date.

3.6. Notes are serially numbered with an identifying number that shall be recorded in the Register and are issued without interest coupons attached. Unless otherwise expressly provided by the rules, regulations and procedures of SEM, entries in the Register in relation to a Note constitute conclusive evidence that the Person so entered is the registered owner of the Note, subject to rectification for fraud or error.

3.7. Title to the Notes shall pass in accordance with the rules, regulations and procedures of SEM, unless the laws of Mauritius provide otherwise or provide for additional formalities for transfer of title.

3.8. Unless otherwise expressly provided by the requirements of SEM, the Issuer and the Issuing and Paying Agent shall ecognize a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of change of ownership) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which the Notes may be subject.

4. STATUS OF THE NOTES

4.1. The Notes shall be subordinated in the manner set out at Condition 4.3 and unsecured. The Issuer shall procure that the Notes are neither secured nor covered by a guarantee issued by a Related Person or other arrangement that legally or economically enhances the seniority of a claim under the Notes *vis-à-vis* depositors and general creditors of the Issuer.

4.2. All Notes shall rank *pari passu* among themselves.

4.3. In a conservatorship, receivership or liquidation of the Issuer, the Notes shall be subordinated to all other creditors of the Issuer, whether secured or unsecured, but:

4.3.1. rank *pari passu* with any other Tier 2 Capital instrument issued by the Issuer or any claim against the Issuer that is stated to be subordinated and to rank *pari passu* with the Notes; and

4.3.2. rank in priority to instruments forming part of Common Equity Tier 1 Capital instruments and instruments forming part of Additional Tier 1 Capital of the Issuer.

The intention of the Issuer and the effect of this Condition 4.3 are to fulfil the requirements of guideline 18(b) of the Guidelines on Eligible Capital.

5. NO ACCELERATION AND LIMITED REMEDIES UPON NON-PAYMENT

5.1. Subject to Condition 5.2 but notwithstanding any other Condition, there can be no mandatory or voluntary acceleration or prepayment of the Notes. For the avoidance of doubt, this applies even if the Issuer defaults on any payment to the Noteholders.

5.2. Notwithstanding Condition 5.1 but subject to Condition 9, if there is an Act of Insolvency in relation to the Issuer, the Notes shall immediately become due and repayable at their Early Redemption Amount together with Interest accrued to the Redemption Date.

5.3. If the Issuer defaults on its payment obligations under these Conditions and such default is continuing for a period of more than twenty (20) Business Days, either:

5.3.1. the Noteholders' Representative may, at his discretion and subject to being indemnified and/or secured to its satisfaction; or

5.3.2. the Noteholders' Representative may, if so directed by a Special Resolution by such Series to which such default relates, and subject to being indemnified and/or secured to its satisfaction,

commence proceedings for the winding up and/or prove in the winding up of the Issuer, provided that the Noteholders' Representative may not, upon the occurrence of such a default, declare the principal amount of any outstanding Notes due and payable.

6. INTEREST

6.1. **Fixed Rate Notes**

6.1.1. Subject to Condition 6.3, each Fixed Rate Note bears Interest on its outstanding Nominal Amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such Interest being payable in arrears on each Interest Payment Date up to (and including) the Redemption Date.

6.2. **Floating Rate Notes**

6.2.1. Subject to Condition 6.3, each Floating Rate Note bears Interest on its outstanding Nominal Amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such Interest being payable in arrears on each Interest Payment Date up to (and including) the Redemption Date.

6.2.2. Subject to Conditions 6.2.3 and 6.2.4, the Interest Rate in respect of Floating Rate Notes for each Interest Period shall be determined by the Issuer on each Interest Determination Date as the rate equal to the arithmetic sum of the Reference Rate and the Margin, calculated by either:

(i) adding the absolute value of the Margin (if a positive number) to the Reference Rate; or

(ii) subtracting the absolute value of the Margin (if a negative number) from the Reference Rate,

unless a different method of determination is specified in the Applicable Pricing Supplement, in which case such different method of determination shall apply.

6.2.3. Subject to Condition 6.2.4, if any Rate Multiplier is specified in an Applicable Pricing Supplement in respect of an Interest Period, an adjustment shall be made to the rate obtained pursuant to Condition 6.2.2 applicable to Floating Rate Notes for that Interest Period by multiplying the rate obtained pursuant to Condition 6.2.2 by the Rate Multiplier.

6.2.4. If any Maximum Interest Rate or Minimum Interest Rate is specified in the Applicable Pricing Supplement in respect of the Floating Rate Notes, then the Interest Rate applicable to the Floating Rate Notes, determined in the manner specified in Condition 6.2.2 and, if any Rate Multiplier is specified in an Applicable Pricing Supplement, adjusted in the manner specified in Condition 6.2.3, shall in no event be greater than the Maximum Interest Rate or be less than the Minimum Interest Rate.

6.2.5. If the Reference Rate is not available for the relevant Interest Period(s), the Reference Rate for the relevant Interest Period(s) shall, at the option of the Issuer, be either:

(i) the successor of the Reference Rate; or

(ii) such other rate, expressed as a percentage rate per annum,

as notified to the Noteholders by the Issuer as soon as practicable and in any event within five (5) Business Days of the first day of the relevant Interest Period(s).

6.2.6. If Condition 6.2.5 applies, and the Noteholders' Representative so require(s), the Noteholders' Representative and the Issuer shall enter into negotiations (for a period (the 'Negotiation Period') of not more than twenty (20) Business Days or such other period as may be agreed, as from the date the Issuer issues a notice pursuant to Condition 6.2.5) with a view to agree a proposal for an alternative Reference Rate. Any proposal for an alternative Reference Rate agreed pursuant to this Condition 6.2.6 shall require the prior consent of a Special Resolution for such alternative Reference Rate to be binding on all Noteholders. If there is no Special Resolution to approve an alternative Reference Rate, the alternative Reference Rate for the relevant Interest Period(s) shall be:

(i) determined by an independent accounting firm of good international repute nominated jointly by the Noteholders' Representative and the Issuer; or

(ii) if no independent accounting firm of good international repute is jointly nominated pursuant to Condition 6.2.6(i) within a period (the 'Discussion Period') of ten (10) Business Days or such other period as may be agreed, as from the expiry of the Negotiation Period, the alternative Reference Rate shall be the average of:

(a) the rate that is determined by an independent accounting firm of good international repute appointed by the Issuer; and

(b) the rate that is determined by an independent accounting firm of good international repute appointed by the Noteholders' Representative.

For the purpose of this Condition 6.2.6(ii), if a Person fails to procure that an independent accounting firm of good international repute determines a rate for the purposes of Condition 6.2.6(ii) within thirty (30) Business Days or such other period as may be agreed, of the expiry of the Discussion Period, that Person shall be deemed to have adopted the rate proposed by the other Person pursuant to Condition 6.2.6(ii).

6.3. Interest shall cease to accrue on each Note on the Redemption Date unless payment of the Nominal Amount is improperly withheld or refused, in which event Interest shall continue to accrue (before as well as after judgment) at the Interest Rate in the manner provided in this Condition 6 to the date of actual payment.

6.4. For the avoidance of doubt, the Noteholders shall not be entitled to additional Interest in the event that any date referred to in these Terms and Conditions is adjusted in accordance with the Condition 1.10.

6.5. For the purposes of any calculations of Interest required pursuant to these Terms and Conditions (unless otherwise specified in the Applicable Pricing Supplement):

6.5.1. all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up); and

6.5.2. all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, 'unit' means the lowest amount of the currency.

6.6. The amount of Interest payable in respect of any Note for any Interest Period shall be calculated by multiplying the Day Count Fraction by the product of the Interest Rate and the outstanding Nominal Amount of such Note, unless a formula for the calculation of Interest is specified in the Applicable Pricing Supplement in respect of such Interest Period, in which case the amount of Interest payable in respect of such Note for such Interest Period shall be calculated in accordance with such formula.

6.7. As soon as practicable after the Relevant Time (or at any time, if no Relevant Time is specified in the Applicable Pricing Supplement) on each Interest Determination Date (and in any event not later than five (5) Business Days prior to the relevant Interest Payment Date), the Issuer shall cause the Interest Rate to be notified to the Noteholders' Representative.

6.8. The determination of any rate or amount and the making of each determination or calculation by the Issuer shall (in the absence of manifest error) be final and binding upon all Noteholders.

7. PAYMENT

7.1. Payments of Interest and the relevant Redemption Amount in respect of the Notes shall be made by the Issuing and Paying Agent on behalf of the Issuer.

7.2. Interest and Redemption Amounts due on Redemption shall only be payable, in respect of Interest, to Noteholders registered as such on the Last Day to Register immediately preceding the Interest Payment Date in question, and in respect of the relevant Redemption Amount, to Noteholders registered as such on the Last Day to Register prior to the relevant Redemption Date in question. The Issuing and Paying Agent, on behalf of the Issuer, must pay the Redemption Amount due in respect of Notes on the Redemption Date of such Notes.

7.3. Payments of Interest and Redemption Amounts shall be made by the Issuing and Paying Agent on behalf of the Issuer via electronic funds transfer to the bank account linked to the CDS account of the Noteholder, or, where the Issuing Paying Agent has received written instructions from a Noteholder to effect to another bank account, such other bank account.

7.4. All payments of Nominal Amount and Interest in respect of the Notes are subject in all cases to the laws of Mauritius, fiscal or otherwise in the place of payment, but without prejudice to the provisions of Condition 14. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

7.5. Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) shall be initiated on the due date for payment (or, if that is not a Business Day, on the first following day which is a Business Day).

7.6. If at any time a partial payment of the Nominal Amount and/or Interest is made in respect of any Note, the Issuing and Paying Agent shall endorse the Register with a statement indicating the amount and date of such payment.

7.7. In the event that, for any reason, payment by means of electronic funds transfer is not possible and unless prevented by the Applicable Law or other rules applicable to securities listed on the Official List of SEM, payment shall be made by cheque in the manner set out in the remainder of this Condition 7.

7.8. Cheques in payment of Interest and Redemption Amounts shall be drawn on the Issuer and issued by the Issuer. Payment of cheques shall be a valid discharge by the Issuer of the obligation upon it to pay Interest or the Redemption Amount on Redemption, as the case may be.

7.9. Cheques shall be made payable to the order of:

7.9.1. the Noteholder; or

7.9.2. such other Person as may have been notified in writing to the Issuing and Paying Agent by the Noteholder (accompanied by the address of that Person and such proof of authority as the Issuer or the Issuing and Paying Agent may require).

7.10. Cheques shall be dated with the relevant Interest Payment Date or Redemption Date, as the case may be, and shall therefore be payable on that date. Cheques shall be posted to the Noteholder entitled thereto in terms of Condition 7.9.1 at the address of the Noteholder in the Register (or such other address as may have been notified in writing to the Issuing and Paying Agent by the Noteholder not later than the relevant Last Day to Register) or to the Person referred to in Condition 7.9.2 at the address given in the notice referred to in Condition 7.9.2.

7.11. Subject to Condition 7.12, cheques shall be posted by registered post, provided that neither the Issuer nor its agents shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 7.

7.12. If written notice of the intention to collect a cheque is given to the Issuing and Paying Agent at least five (5) Business Days before the relevant Interest Payment Date or the Redemption Date, the cheque shall be available for collection by the Noteholder entitled thereto in terms of Condition 7.9.1 or the Person entitled thereto in terms of Condition 7.9.2 or their respective duly authorised representatives at the office of the Issuing and Paying Agent.

7.13. If a cheque is not collected within three (3) Business Days after the relevant Interest Payment Date or the Redemption Date, the cheque shall be posted to the Noteholder entitled thereto in terms of Condition 7.9.1 at his address set out in the Register (or to such other address as may have been notified in writing to the Issuing and Paying Agent by the Noteholder not later than the relevant Last Day to Register) or to the Person notified in terms of Condition 7.9.2, at the address given in the notice referred to in Condition 7.9.2.

7.14. The Issuer shall be deemed to satisfy its payment obligations under these Conditions by completing any of the following, as applicable:

7.14.1. effecting payment by electronic funds transfer;

7.14.2. posting of a cheque for the relevant amount; or

7.14.3. making a cheque for the relevant amount available for collection at the office of the Issuing and Paying Agent.

8. REDEMPTION

8.1. Redemption at Maturity

8.1.1. Unless previously redeemed and cancelled as provided in this Condition 8 or Condition 9, each Note shall be finally redeemed on the Maturity Date specified thereon at its Final Redemption Amount.

8.2. Redemption due to a change in law

8.2.1. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than thirty (30) nor more than sixty (60) Business Days' notice to the Noteholders' Representative (which notice shall be irrevocable) if the Notes will cease to qualify as Tier 2 Capital as a result of a change in, or amendment to, the laws or regulations of Mauritius, or any political subdivision or any authority thereof having regulatory oversight of the Issuer, or any change in the application or official interpretation of such laws or regulations (including a decision of a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the Notes.

8.2.2. Prior to the issue of any notice of Redemption pursuant to Condition 8.2.1, the Issuer shall deliver to the Noteholders' Representative either:

(i) a certificate signed by two (2) directors of the Issuer stating that the Issuer is entitled to effect such Redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred; or

(ii) an opinion of independent legal advisers of recognised standing appointed by the Issuer to the effect that the Notes will cease to qualify as 'Tier 2 Capital' as a result of a change in, or amendment to, the laws or regulations of Mauritius, or any political subdivision or any authority thereof having regulatory oversight of the Issuer, or any change in the application or official interpretation of such laws or regulations (including a decision of a court of competent jurisdiction).

8.2.3. The Issuer shall have the sole discretion to elect whether to deliver a certificate under Condition 8.2.2(i) or an opinion under Condition 8.2.2(ii). The certificate referred to in Condition 8.2.2(i) or the opinion referred to in Condition 8.2.2(ii), as the case may be, shall be sufficient evidence of the satisfaction of the circumstances set out in Condition 8.2.1 and shall be conclusive and binding on the Noteholders. Upon expiry of any such notice as referred to in Condition 8.2.1, the Issuer shall be bound to redeem the Notes in accordance with Condition 8.2.1.

8.3. **Early Redemption at the option of the Issuer**

8.3.1. If a Call Option is specified in respect of a Series of Notes in the Applicable Pricing Supplement, the Issuer may, subject to any Applicable Law and the conditions set out in Condition 8.3.2, and on giving not less than thirty (30) nor more than ninety (90) Business Days' irrevocable notice to the Noteholders' Representative (or such other Call Option Notice Period as may be specified in the Applicable Pricing Supplement), redeem all, or, if so provided, some of the Notes on the Early Redemption Date specified in the Exercise Notice. The Issuer may only issue an Exercise Notice during the Call Option Exercise Period. Any such redemption of Notes shall be at their Early Redemption Amount together with Interest accrued to the Early Redemption Date. If any third party approval is necessary, it shall be specified in the Applicable Pricing Supplement and/or the Exercise Notice.

8.3.2. Notwithstanding Condition 8.3.1, the Issuer shall not exercise any Call Option specified in an Applicable Pricing Supplement for a Series of Notes:

(i) before the expiry of the fifth (5^{th}) anniversary of the Issue Date of the Notes;

(ii) unless the Issuer has received the prior written approval of the BoM; and

(iii) unless either:

(a) the Issuer has replaced the Notes with capital of the same or better quality and such replacement is done at conditions which are sustainable for the income capacity of the Issuer; or

(b) the Issuer is satisfied that the capital position of the Issuer will be above the minimum capital requirements after the redemption of the Notes pursuant to the Call Option.

8.3.3. The Issuer undertakes not to do anything which creates an expectation that that Issuer will exercise a Call Option that is specified in an Applicable Pricing Supplement.

8.3.4. All Notes in respect of which an Exercise Notice is given pursuant to a Call Option shall be redeemed, on the date specified in such notice in accordance with this Condition.

8.3.5. In the case of partial Redemption of Notes forming part of one Series only, each Note in that Series shall be redeemed in the same percentage of its Nominal Amount outstanding. In the case of partial Redemption of two or more Series of Notes, each of those Series shall be redeemed in that percentage of the funds available for payment in redemption as the aggregate Nominal Amount outstanding in that Series bears to the aggregate Nominal Amount of all Notes outstanding in those Series, and each Note in those Series shall be redeemed in the same percentage of Nominal Amount outstanding, subject to compliance with any Applicable Law.

8.4. **Early Redemption Amount**

8.4.1. The Early Redemption Amount payable in respect of any Note upon it becoming due and payable as provided in Condition 5.2, or upon Early Redemption of such Note pursuant to Condition 8.2.1 or Condition 8.3.1, shall be calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Nominal Amount, at the Final Redemption Amount thereof; or

(ii) in the case of Notes with a Final Redemption Amount which is or may be less or greater than the Issue Price, to be determined in the manner specified in the Applicable Pricing Supplement, at that Final Redemption Amount or, if no such amount or manner is so specified in the Applicable Pricing Supplement, at their Nominal Amount.

8.4.2. Where any calculation is to be made for a period which is not a whole number of years, it shall be calculated on Day Count Fraction.

9. MANDATORY BAIL-IN AT THE REQUEST OF BOM

9.1. Within five (5) Business Days of such a request or directive, as the case may be, due to a Trigger Event from the BoM, the Issuer shall redeem such number of Notes as may be requested or directed by giving written notice to the Noteholders (which notice shall be irrevocable). Unless otherwise specified in a request or directive of the BoM, in the case of a partial redemption of the Notes pursuant to this Condition 9, the provisions of Condition 8.3.5 shall apply to such partial Redemption.

9.2. The notice referred to in Condition 9.1 shall be accompanied by a certificate signed by two (2) directors of the Issuer stating that a Trigger Event has occurred and that the Issuer is required to effect a redemption pursuant to Condition 9 and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred.

9.3. The certificate referred to in Condition 9.2 shall be sufficient evidence of the satisfaction of the circumstances set out in Condition 9.1 and shall be conclusive and binding on the Noteholders. Upon expiry of any such notice as referred to in Condition 9.1, the Issuer shall be bound to redeem the Notes in accordance with Condition 9.1.

9.4. In consideration for the redemption of the Notes pursuant to this Condition 9, the Issuer shall issue such number of ordinary shares of the Issuer to each Noteholder as is determined in accordance with the following formula: [**A** / **B**]

where:

9.4.1. **A** is equal to the aggregate Nominal Amount of all Notes that are held by that Noteholder and are being redeemed pursuant to this Condition 9; and

9.4.2. **B** is equal to the fair value of one (1) ordinary share of the Issuer that is:

(i) determined by an independent accounting firm of good international repute nominated jointly by the Noteholders' Representative and the Issuer; or

(ii) if no independent accounting firm of good international repute is jointly nominated pursuant to Condition 9.4.2(i) within twenty (20) Business Days or such other period as may be agreed, as from date of the written notice referred to in Condition 9.1, the average of:

(a) the fair value of one (1) ordinary share of the Issuer that is determined by an independent accounting firm of good international repute appointed by the Issuer; and

(b) the fair value of one (1) ordinary share of the Issuer that is determined by an independent accounting firm of good international repute appointed by the Noteholders' Representative.

For the purpose of this Condition 9.4.2(ii), if a Person fails to procure that an independent accounting firm of good international repute determines a rate for the purposes of Condition 9.4.2(ii) within fifty (50) Business Days or such other period as may be agreed, as from date of the written notice referred to in Condition 9.1, that Person shall be deemed to have adopted the fair value proposed by the other Person pursuant to Condition 9.4.2(ii).

9.5. The Issuer undertakes to maintain at all times all internal corporate authorisations (e.g resolutions of directors and shareholders) necessary to immediately issue such number of ordinary shares as is required pursuant to Condition 9.4.

9.6. The Issuer undertakes that it shall complete the issuance of ordinary shares referred to in Condition 9.4 prior to any public sector injection of capital in the Issuer so that the capital provided by the public sector is not diluted.

9.7. Notwithstanding anything to the contrary in Condition 8, if the Issuer has elected to redeem Notes pursuant to Condition 8 but, prior to the payment of the redemption amount with respect to such redemption, the Issuer issues a notice pursuant to this Condition 9, the redemption notice(s) issued pursuant to Condition 8 shall be automatically rescinded and shall be of no force and effect, and the Issuer shall not make any payment in respect of such redemption notice(s).

9.8. For the purpose of this Prospectus, 'Trigger Event' means the earlier to occur of either of the following two (2) events:

9.8.1. a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the BoM; and

9.8.2. the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the BoM.

10. CANCELLATION OF NOTES

All Notes which are redeemed shall automatically be cancelled.

11. PRESCRIPTION

11.1. Except where otherwise expressly provided for in the Listing Rules and/or trading procedures established by SEM and to the extent that payment of principal and Interest is outstanding, a Noteholder can only claim such payment within a period of three (3) years after the Relevant Date.

11.2. Each Noteholder undertakes not to do any of the following three (3) years, or later, after the Relevant Date:

11.2.1. commence any proceedings in relation to the outstanding payment;

11.2.2. lodge any claim whatsoever in the event of the bankruptcy, administration, insolvency or liquidation of the Issuer;

11.2.3. not to demand or receive payment of or any distribution in respect of the outstanding payment in cash or in kind from the Issuer or apply any money or property of the Issuer in or towards the discharge of the outstanding payment; and

11.2.4. discharge the outstanding payment by means of any self-help remedy, including by way of set off, any right of combination of accounts or otherwise.

12. REGISTER AND TRANSFER OF NOTES

12.1. **Register**

12.1.1. The Register of Noteholders:

(i) shall be kept at the office of the Issuing and Paying Agent;

(ii) shall contain the names and address of the Noteholders;

(iii) shall contain the total Nominal Amount of the Notes held by the Noteholders;

(iv) shall show the dates upon which each of the Noteholders was registered as such; and

(v) shall be open for inspection at a reasonable time during business hours on Business Days by any Noteholder or any Person authorised in writing by a Noteholder.

12.1.2. The Issuing and Paying Agent shall alter the Register in respect of any change of name or address of any of the Noteholders upon receipt of notification from the Noteholder.

12.1.3. Except as provided for in these Terms and Conditions or as required by law, the Issuer:

(i) shall only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register; and

(ii) shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive).

12.2. **Transfer of the Notes**

12.2.1. Subject to the terms of the IPA Agreement, transfers of Notes shall be free from any restriction on the rights of transfer and shall be effected through the Automated Trading System in accordance with the trading procedures established by SEM.

13. AGENTS GENERALLY

13.1. Except for the Noteholders' Representative, any third party appointed by the Issuer shall act solely as the agent of the Issuer and shall not assume any obligation towards or relationship of agency for or with any Noteholders.

13.2. The Issuer shall be entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts.

14. TAXATION

14.1. All payments in respect of the Notes shall be made without withholding or deducting for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ('Taxes') imposed or levied by, or on behalf of Mauritius, (or any political subdivision of) or any authority in, or of, Mauritius having power to tax, unless such withholding or deduction of Taxes is required by Applicable Law.

14.2. Each Noteholder acknowledges and agrees that the Issuer shall base its decision whether to withhold or deduct Taxes from payments to that Noteholder on information to be provided by that Noteholder. In that respect, each Noteholder shall promptly upon becoming the holder of a Note make appropriate enquiry into whether the Issuer must withhold or deduct Taxes when effecting payments to that Noteholder.

14.3. Each Noteholder shall, not later than twenty (20) Business Days before the date of the first payment to which it is entitled in respect of the Notes or anytime thereafter upon the occurrence of a change or basis of withholding or deducting Taxes or a change in circumstances of the Noteholder, notify the Issuer in accordance with Condition 16 whether the Issuer is required to withhold or deduct Taxes when effecting payments to the Noteholder. If a Noteholder fails to notify the Issuer accordingly, the Issuer shall, until such time as the Noteholder notifies the Issuer to the contrary, consider that the Issuer is not required to withhold or deduct Taxes from payments to be made to that Noteholder.

14.4. Each Noteholder shall (within three (3) Business Days of demand by the Issuer) pay to the Issuer an amount equal to the loss, liability or cost which the Issuer determines will be or has been (directly or indirectly) suffered for or on account of Taxes that ought to have been withheld or deducted by the Issuer from any payment by the Issuer to that Noteholder. This Condition 14.4 shall be a personal liability of a Noteholder and shall continue to bind a Noteholder who has received a payment from the Issuer even after, and the liability of a Noteholder under this Condition 14.4 shall not be extinguished by: (i) the Redemption of all or some of the Notes held by that Noteholder and/or (ii) the transfer of all or some of the Notes held by that Noteholder.

15. WARRANTIES

The Issuer hereby certifies and warrants that all acts and conditions required to be done and performed and to have happened prior to the creation and issuance of each Note and to constitute the same as the legal, valid and binding obligations of the Issuer enforceable in accordance with their terms, if any, have been done and performed and have happened in due compliance with all Applicable Law.

16. NOTICES

16.1. Any notice to Noteholders shall be in writing in the English language and shall, unless delivered to a Noteholder personally, be sent by registered post or sent by email to:

16.1.1. if the Noteholder has submitted an application form and subscribed for Notes at issuance, the contact details provided by the Noteholder in its application form used to apply for the purchase of Notes; or

16.1.2. if the Noteholder did not subscribe for Notes at issuance, the contact details of the Noteholder that are shown on its account with the Central Depository System established under the Securities (Central Depository, Clearing and Settlement) Act 1996.

16.2. A notice shall be deemed to have been served:

16.2.1. at the time of delivery if delivered personally or left at an address;

16.2.2. if sent by registered post, three (3) Business Days after the date of posting; or

16.2.3. if sent by email, at the time of completion of transmission by the sender.

16.3. If the deemed time of service is not during normal business hours, the notice shall be deemed served at the opening of business on the next Business Day.

16.4. In proving service, it shall be sufficient to prove:

16.4.1. in the case of personal service, that it was handed to the recipient or delivered to or left in an appropriate place for receipt of letters at its address;

16.4.2. in the case of a letter sent by registered post, that the letter was properly addressed, stamped and posted as a registered letter; or

16.4.3. in the case of an email, that the email was transmitted to the correct email address, whether or not opened or read by the recipient.

16.5. A Noteholder may notify the Issuing and Paying Agent (with copy to the Issuer and Noteholders' Representative) of a change to its name, relevant person, address or email address for the purposes of this Condition 16 provided that such notification shall only be effective on:

16.5.1. the date specified in the notification as the date on which the change is to take place, provided such date is on or after the receipt of such notice by the Issuing and Paying Agent; or

16.5.2. if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is deemed to have been served on the Issuing and Paying Agent, the date falling five (5) Business Days after notice of any such change is deemed to have been given to the Issuing and Paying Agent.

17. AMENDMENT OF THIS PROSPECTUS OR THESE TERMS AND CONDITIONS

17.1. This Prospectus (including the Terms and Conditions) may be amended from time to time by the Issuer without the consent of the Noteholders:

17.1.1. to the extent mandatorily required by SEM as a condition to consider, accept or maintain the listing of the Notes;

17.1.2. to the extent mandatorily required by the FSC in order to comply with Bond Guidelines, whether as a result of amendments to the Bond Guidelines or otherwise;

17.1.3. for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein, provided that the interests of the Noteholders are not prejudiced by any such amendment; or

17.1.4. to the extent otherwise expressly permitted by this Prospectus.

17.2. In addition to where otherwise provided in this Condition 17, the Issuer may, with the prior sanction of a Special Resolution of the Noteholders, amend these Terms and Conditions.

17.3. These Terms and Conditions set out all the rights and obligations relating to the Notes and, subject to this Condition 17, no addition, variation or consensual cancellation of these Conditions shall be of any force or effect unless reduced to writing and signed by or on behalf of the Issuer.

18. MEETINGS OF NOTEHOLDERS AND NOTEHOLDERS' REPRESENTATIVE

18.1. The provisions of this Condition 18 shall apply *mutatis mutandis* to the calling and conduct of meetings of any Series of Notes, or class of Noteholders, as the case may be.

18.2. A Noteholders' Representative shall be appointed and the Noteholders' Representative Agency Agreement shall be entered into with the aim, *inter alia*, of providing for the protection and enforcement of the rights and entitlements, and the implementation of the obligations, of the Noteholders. Accordingly, all such rights, entitlements and obligations of the Noteholders shall be protected, enforced and implemented, as the case may be, through the office of the Noteholders' Representative.

18.3. The provisions of the Noteholders' Representative Agency Agreement deal with the conditions under which the Noteholders' Representative may be replaced.

18.4. The Issuer or the Noteholders' Representative may at any time convene a meeting of the Noteholders or a meeting of Noteholders of any Series of Notes, as the case may be, subject to prior written notice to such Noteholders in accordance with the Noteholders' Representative Agency Agreement.

18.5. Subject to the Noteholders' Representative Agency Agreement, a director or duly appointed representative of the Issuer may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or representative of a Noteholder.

18.6. Meetings of the Noteholders, or of the Noteholders of any Series shall be convened and requisitioned in accordance with the provisions of the Noteholders' Representative Agency Agreement. The procedures (including, without limitation, the appointment of a chairperson, the required quorum and voting method and threshold) pertaining to the conduct of meetings of the Noteholders, or of the Noteholders of any Series shall be as set out in the Noteholders' Representative Agency Agreement.

18.7. An Ordinary Resolution or a Special Resolution passed at a meeting of the Noteholders duly convened and held in accordance with this Condition 18 shall be binding on all the Noteholders, whether or not present at the meeting. Each of the Noteholders shall be bound to give effect to it accordingly.

19. GOVERNING LAW

The provisions of these Terms and Conditions, this Prospectus and the Notes and all rights and obligations to the Notes, are governed by, and shall be construed in accordance with, the laws of Mauritius in force from time to time.

20. DISPUTE RESOLUTION

20.1. Any question, dispute or difference arising out of or in connection with the Notes, including any question regarding its existence, validity or termination ('Dispute') shall, so far as possible, be settled amicably. If there is no amicable settlement to any Dispute, such Dispute shall be referred to arbitration under the arbitration rules of the Mauritius International Arbitration Centre (the 'Rules') in force at the time of commencement of the arbitration, which Rules are deemed to be incorporated by reference into this Condition 20.

20.2. There shall be one (1) arbitrator.

20.3. The seat, or legal place, of arbitration shall be Port-Louis, Mauritius.

20.4. All communications in the course of and during the arbitration process and proceedings shall be in the English language. The acceptance by any arbitrator of his or her appointment shall be deemed to include and convey the consent and agreement of such arbitrator that the English language shall be used in the arbitration process and proceedings.

20.5. The award of the arbitrator shall be final and binding. The Issuer and Noteholders hereby irrevocably and unconditionally exclude any right of application or appeal to any court in the course of any arbitration in respect of any award made. The costs of any arbitration shall be borne in accordance with the determination of the arbitrator.

20.6. The mandate of the arbitrator shall remain in effect until a final arbitration award has been issued. For such purpose, the term of the mandate of the arbitrator shall be extended for as long as necessary for the issuance of a final arbitration award as required by this Condition 20.

21. DATA PROTECTION

21.1. The Issuer, Corporate Finance Adviser and Arranger, Noteholders' Representative and/or Issuing and Paying Agent (each being a 'Data Processor') shall, for the performance of their respective obligations, collect and, where necessary or required, process, information voluntarily communicated by a prospective Noteholder (the 'Personal Data').

21.2. The consent may at any time be withdrawn, but, notwithstanding the foregoing, any Personal Data processed by the Data Processor (or such other person to whom the Personal Data has been disclosed in compliance with this Condition 21) prior to the consent being withdrawn shall at all times be authorised and be lawful. The Data Processor shall treat the Personal Data confidentially and securely in line with the provisions of the Data Protection Act 2017, as amended from time to time.

21.3. A Noteholder has the right of access to, the possibility of correction of and destruction of, the Personal Data which is in the custody or control of a Data Processor. The Personal Data shall be stored for a minimum period of seven (7) years, unless destroyed earlier by the Data Processor at the request of the Noteholder in accordance with the Data Protection Act 2017. Each Noteholder acknowledges and agrees that the ability of a Data Processor to destroy Personal Data may be restricted by the applicable laws relating to the combating of money-laundering and financing of terrorism.

21.4. Save as otherwise herein provided, a Data Processor shall not reveal or otherwise disclose the Personal Data to any external body, except where:

21.4.1. the Data Processor has obtained the express consent of the Noteholder;

21.4.2. the Data Processor is under either a legal obligation or any other duty to do so; or

21.4.3. the Data Processor discloses the Personal Data to any agent, service provider or adviser of the Issuer or of that Data Processor, such person is providing services or other assistance to the Issuer or the Data Processor and such person has undertaken an obligation of confidentiality in respect of the Personal Data disclosed to it.

21.5. It is possible that the foregoing disclosures may require that Personal Data be transferred to persons located in countries which do not offer the same level of data protection as Mauritius.

21.6. Where personal information relating to the officers, employees and directors of any Noteholder is, or is required to be, collected by a Data Processor, the Noteholder expressly shall procure to do all such things that may be required by the Data Processor to ensure that the officers, employees and directors of the Noteholder are made aware of the data protection provisions herein and that such officers, employees and directors give their consent with regards to the collection, processing and transfer of such personal information by the Data Processor.

21.7. A Noteholder has the right to lodge a complaint with the Data Protection Commissioner for breach of the Data Protection Act 2017 by a Data Processor.

7 RISK FACTORS

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 7 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

Prior to making an investment decision, prospective investors in the Notes should consider carefully, along with the information contained in this Prospectus, the following risk factors associated with an investment in Mauritius, the Issuer and the Notes.

The risks and uncertainties below are not the only ones the Issuer and the Notes face. Additional risks and uncertainties not presently known to the Issuer, or that it currently believes are immaterial, could also impair the Issuer's business operations and, as a result, its ability to service its payment obligations under the Notes. Investors should pay particular attention to the fact that the Issuer is governed by the legal and regulatory environment in Mauritius which may differ from that prevailing in other countries.

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

In addition to this Section 7, prospective investors should also read the detailed information set out in other Sections of this Prospectus to reach their own views prior to making any investment decision. The information given below is as at the date of this Prospectus.

7.1 RISKS RELATED TO THE ISSUER

In the course of its business activities, the Issuer is subject to a variety of risks including credit risks, operational risks, market risks and country risks. While the Issuer believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks, based on information currently available to it, other risks which the Issuer may not currently be able to anticipate may arise and these could adversely affect its financial condition, results of operations, prospects and reputation.

The investments, business, profitability and results of operations of the Issuer may be adversely affected as a result of the difficult conditions in the Issuer's operating environment.

Political, social and economic risks in Mauritius and/or other countries

The Issuer's operations are concentrated in Mauritius and its revenues derive from operations primarily in Mauritius. Operations in this market are subject to various risks that need to be assessed in comparison to jurisdictions elsewhere. These include political, social and economic risks specific to

Mauritius, such as general economic volatility, recession, inflationary pressure, exchange rate risks and exchange controls, which could affect an investment in the Notes. General economic volatility could be influenced by global political events such as terrorist acts, war and other hostilities, as well as market specific events, such as shifts in consumer confidence and consumer spending, rates of unemployment, industrial output, labour or social unrest and political uncertainty. The existence of such factors may have an impact on Mauritius and the results of the Issuer in ways that cannot be predicted. Income streams derived from foreign investments may be exposed to political, social and economic risks associated to these jurisdictions.

Credit risk

The Issuer's business is subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the finance systems could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts. In addition, given that the Issuer provides loans to its customers on an unsecured basis, market turmoil, economic recession and increasing unemployment coupled with declining consumer spending could materially adversely affect the liquidity, business and/or financial conditions of the Issuer's customers, which could in turn further increase the Issuer's non-performing loans. The Issuer has established credit quality management policies and actively monitors credit exposure on an on-going basis to mitigate such risks.

Liquidity risk

The Issuer's ability to access funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside its control, such as liquidity constraints applicable across the economy on a systemic basis, general market conditions and confidence in the Mauritius banking sector as a whole.

Although the Issuer believes that its level of access to domestic and international interbank and capital markets and its liquidity risk management policy allows and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and results of operations. Furthermore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms or at all.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk. Operational risk exists in the normal course of business activity given that it is inherent in all banking products, activities, processes and systems. Although the Issuer has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures, it is not possible to eliminate all operational risks.

The Issuer's risk management policies and procedures may not have identified or anticipated all potential risk exposures

The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, liquidity and operational risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all type of risks, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risks are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than historical measures indicated. Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure arising out of the Issuer's risk management techniques may have an adverse effect on its results of operations and financial condition.

The Issuer may not be able to recruit, retain and motivate key personnel

The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Issuer for a substantial period of time and have helped develop the business of the Issuer. The Issuer's continued ability to compete effectively and further develop its business also depends on its ability to attract new employees. The loss of key members of its senior management or the inability to attract and retain qualified professional staff generally may interfere with the Issuer's business and could result in a material adverse effect on the Issuer's business. In relation to the development and training of new staff, the Issuer is reliant on the continued development of the educational sector in Mauritius, including access to facilities and educational programmes by its future employees. The Issuer has a policy directed towards the attraction and retention of existing and new employees and equipping them with appropriate skills.

Country risk

Country risk arises when the Issuer is unable to receive payments from customers as a result of political or economic events in a particular country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, foreign exchange controls and currency depreciation or devaluation, amongst others. While the Issuer believes that it has adopted a sound management of country risk via the identification, measurement and proactive monitoring of country risk exposures against country risk limits, a deterioration in the political, social or macroeconomic environment in the home countries of the Issuer's customers may adversely affect the business, financial condition and results of operations of the Issuer.

Concentration risk

The Issuer has exposure to concentration risk where its business activities focus particularly on a similar type of customer, product, sector or geographic location, including the Mauritian market. Any adverse changes affecting these business activities may have a negative impact on the Issuer's loan and asset portfolio, and as a result, on its financial condition and results of its operations.

Increased competition may have an adverse effect

The Issuer is subject to competition from other banks and non-banking financial institutions operating in Mauritius, including competitors that may have greater financial and other resources. Many of these banks and other financial institutions operating in the Issuer's markets compete for substantially the same customers as the Issuer. Competition may decrease the Issuer's principal market and may have an adverse effect on its financial condition and results of operations.

Environmental, social and governance risks

Environmental, social and governance risks focus on the environmental, social and governance issues, which may impact the Issuer's ability to successfully and sustainably implement its business strategy. Any failure to control these risks adequately or unexpected developments in the future economic environment could have an adverse effect on the financial condition and reputation of the Issuer.

General Market Risk

The risk arising from a change in the market value of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, affecting the ability of counterparties in that country to meet their financial obligations.

Foreign exchange risk

The Issuer is exposed to the risk that the exchange rate of the Mauritian Rupee relative to foreign currencies may change in a manner which has a material effect on the reported values of the Issuer's assets and liabilities. The Issuer undertakes certain transactions denominated in foreign currencies and hence, exposures to exchange rate fluctuations arise. It is mainly exposed to the United States Dollar (USD), Euro (EUR) and Great British Pound (GBP).

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 Issuer reviews and assesses the management of funding while considering the diversification, cost and robustness of funding sources, the funding needs, funding structure, and the impact of structural investments.

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 an inability to fulfill lending obligations and a failure to meet liquidity regulatory requirements. The Issuer manages its liquidity risk in accordance with the Guideline on Liquidity Risk Management issued by the BoM and within the risk appetite and tolerance for liquidity risk of the Issuer.

Strategic and business risk

The risk to current or prospective earnings arising from inappropriate business decisions or inadequate future business strategies in relation to the operating environment. The risk is, usually, caused by inflexible cost structures, changes in the business environment, Government or international regulatory decisions, client's behaviour, technological change, and Issuer-specific factors such as poor choice of strategy.

Reputational risk

The risk of loss resulting from reputational damage to the Group's image caused by a negative media coverage, compliance failures, litigation or underperformance. Such damage may result in a breakdown of trust, confidence and business relationships, which may impair the Group's ability to retain and generate business. This may also result in withdrawals of customers' deposits.

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. The Issuer manages this risk by conducting repricing gap analysis for individual currencies. The treasury department tracks and reviews the gap analysis to recommend strategies for reduction in the repricing mismatches and manages the interest rate risk.

Other price risks

The Issuer is exposed to price risks arising from investments in locally and internationally quoted securities for trading and non-trading purposes.

The Issuer's operations may be adversely affected by litigation

The Issuer, in its normal course of business, may be subject to litigation, claims from tax authorities or claims arising from the conduct of its business. The occurrence of potential proceedings, or other claims leading to a substantial legal liability could have a material adverse effect on the Issuer's business, results, operations, reputation and financial condition.

The Issuer endeavours to act within the laws of Mauritius and thus whilst litigation may arise in the conduct of its business, none would have a material impact on the business.

If the Issuer is unable to attract new consumers and retain and grow its relationships with its existing consumers, its business, results of operations, financial condition, and future prospects would be materially and adversely affected.

The Issuer's success depends on its ability to increase transaction volume from existing consumers and to attract new consumers. The Issuer generates revenue, inter alia, when consumers borrow money from the Issuer. The Issuer's ability to retain and grow its relationships with consumers depends on the willingness of consumers to use the Issuer's products. The attractiveness of the Issuer's products to consumers depends upon, among other things: the number and variety of products; the Issuer's brand and reputation; consumer experience and satisfaction; consumer trust and perception of the Issuer's solutions; technological innovation; and services and products offered by competitors. If the Issuer fails to retain its relationship with existing consumers, if the Issuer does not attract new consumers to its products, or if the Issuer does not continually expand volume from consumers, the Issuer's business, results of operations, financial condition, and prospects would be materially and adversely affected.

If the Issuer fails to maintain a consistently high level of consumer satisfaction and trust in its brand, its business, results of operations, financial condition, and future prospects would be materially and adversely affected.

If consumers do not trust the Issuer's brand or have a positive experience, they will not avail of or continue to use the Issuer's products. The Issuer has invested heavily in technology to provide a positive experience. If the Issuer is unable to maintain a consistently high level of positive consumer experience, the Issuer will lose existing consumers. In addition, its ability to attract new consumers is highly dependent on its reputation and on positive recommendations from its existing consumers. Any failure to maintain a consistently high level of consumer service, or a market perception that the Issuer does not maintain high-quality consumer service, would adversely affect the Issuer's reputation and the number of positive consumer referrals that the Issuer receives. As a result, the Issuer's business, results of operations, financial condition, and future prospects would be materially and adversely affected.

Changes in market interest rates could have an adverse effect on the Issuer's business.

Increased interest rates may adversely impact the ability and willingness of customers to avail themselves of banking facilities. Higher interest rates often lead to higher payment obligations, which may reduce the ability of consumers to remain current on their obligations and, therefore, lead to increased delinquencies, defaults, consumer bankruptcies and charge-offs, and decreasing recoveries, all of which could have an adverse effect on the Issuer's business. Certain of the Issuer's funding arrangements bear a variable interest rate and some funding arrangements bear a fixed interest rate. These loans are used to finance the Issuer's asset book which contains exposure to both fixed and floating interest rates. Changes in the benchmark rate by the BoM can therefore affect the interest margin earned in these funding arrangements potentially reducing the income earned by the Issuer. Dramatic increases in interest rates may make some forms of funding nonviable. In addition, certain of the Issuer's loan agreements are repriced on a recurring basis using a mechanism tied to interest rates. The Issuer's approach to treasury management aims to limit exposure to broad changes in prevailing interest rates but will not eliminate all interest rate risk.

The Issuer's revenue is impacted, to a significant extent, by the general economy.

The Issuer's business and the banking industry are sensitive to macroeconomic conditions. Economic factors such as interest rates, changes in monetary and related policies, market volatility, consumer confidence, and unemployment rates are among the most significant factors that impact consumer spending behaviour. Weak economic conditions or a significant deterioration in economic conditions reduce the amount of disposable income consumers have, which in turn reduces consumer spending and the willingness of qualified consumers to avail themselves of banking facilities. Such conditions are also likely to affect the ability and willingness of consumers to pay amounts owed under the loans due to the Issuer, each of which would have an adverse effect on the Issuer's business, results of operations, financial condition, and future prospects.

In addition, the COVID-19 pandemic has had, and continues to have, a significant impact on the national economy and the communities in which the Issuer operates. While the pandemic's effect on the macroeconomic environment has yet to be fully determined and could continue for months or years, any prolonged economic downturn with sustained high unemployment rates would lead to decreased retail consumption and may materially decrease the volume of lending by the Issuer or increase defaults and delinquencies. Such effects, if they continue for a prolonged period, would have a material adverse effect on the Issuer's business, results of operations, financial condition, and future prospects.

7.2 RISKS RELATED TO THE NOTES

Regulatory and compliance risk

The risk that is primarily linked to the impact of changes in legislation and regulations on the operation and functioning of the Issuer. It is the risk of statutory or regulatory sanction and material financial loss or reputational damage, which eventually results in the risk of losses, fines or penalties linked to the failure to comply with any applicable laws, regulations or supervisory requirements.

The Issuer, being a bank, operates in a highly regulated environment. Changes in regulations may materially affect the Issuer's business, its products and services and net worth.

The Issuer is subject to capital adequacy guidelines adopted by the BoM and with reference to the third Capital Accord developed by the Basel Committee on Banking Supervision and any successors thereto, which provide for a minimum ratio of capital to risk-adjusted assets. Any failure by the Issuer to maintain its ratios may result in action taken in respect of the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes.

The Issuer will ensure that the Notes comply with the requirements of the Guidelines on Eligible Capital. In accordance with guideline 8 of the Guidelines on Eligible Capital, a copy of this Prospectus and the

Applicable Pricing Supplements will be submitted to the BoM at the time the Issuer seeks the approval of the BoM to apply the net proceeds from the issue of the Notes as Tier 2 Capital.

Subordinated obligations

All payments in connection with the Notes will be made only if the Issuer has made the relevant funds available to the Issuing and Paying Agent. The Notes are subordinated and unsecured obligations. Prospective investors should note that the payment obligations of the Issuer are subordinated to the claims of the senior creditors of the Issuer. Potential investors should note that payment of all amounts by the Issuer under the Notes is conditional upon (a) the Issuer being solvent at the time of payment; and (b) the Issuer being capable of making payment under the Notes and any other payment required to be made to a creditor in respect of all senior obligations, and still be solvent immediately thereafter.

Further, the payment obligations of the Issuer under the Notes are unsecured and no collateral is or will be given by the Issuer in relation thereto. If the Issuer were wound up, liquidated or dissolved the liquidator would apply the assets of the Issuer to satisfy all claims of the senior creditors first. In such a situation, and if the condition as to solvency set out above is not satisfied, Noteholders shall not be entitled to receive any amounts under the Notes.

Deferral of interest

Any actual or anticipated deferral of interest payments will likely have an adverse effect on the market price of the Notes and may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such deferral and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Early Redemption

The Notes will, subject to the Terms and Conditions, be redeemed on the Maturity Date, as set out in Condition 8.1.1 (Redemption at Maturity).

However:

- if a change, as described in Condition 8.2.1, occurs as a result of which the Notes will cease to qualify as Tier 2 Capital, the Notes may, subject to any Applicable Law and the conditions set out in Condition 8.2.2, be capable of being redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than thirty (30) nor more than sixty (60) Business Days' notice to the Noteholders; and

- if the Call Option referred to in Condition 8.3.1 is specified as applicable in the Applicable Pricing Supplement, the Notes may, subject to any Applicable Law and the conditions set out in Condition 8.3.2, be capable of being redeemed at the option of the Issuer on giving not less than thirty (30) nor more than ninety (90) Business Days' irrevocable notice to the Noteholders (or such other Call Option Notice Period as may be specified in the Applicable Pricing Supplement).

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

Mandatory conversion at the option of the BoM

In order for the proceeds of the issuance of any Notes to qualify as Tier 2 Capital, the Notes must comply with the requirements of the Guidelines on Eligible Capital.

One of those requirements is that the Notes shall, at the option of the BoM, be either written off or converted into ordinary shares upon the occurrence of a Trigger Event.

Accordingly, there is always a risk that prior to the maturity date of the Notes, the BoM requires that the Notes be either written off or converted into ordinary shares of the Issuer as a result of the occurrence of a Trigger Event.

Change in Regulation by BoM and/or FSC

Investors should be aware that the Issuer is a bank regulated by the BoM and the FSC. It is the duty of the BoM to oversee the banking system and put in place regulations that align with international best practice and protect depositors. It is the duty of the FSC to oversee the non-bank financial services sector, and license, regulate, monitor and supervise the conduct of business activities in these sectors. As such, the BoM and/or the FSC may change legislation that will affect the Notes issued under this Prospectus.

The Notes may not be a suitable investment for all investors

Each potential investor must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;

- be aware that the Notes will be unsecured and no security or guarantee *in rem* or *in personam* is being granted by the Issuer or any third party and that by purchasing the Notes, they are subject to the credit risk of the Issuer; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Listing

The Notes will be listed on the Official List of SEM. The Notes issued may not be widely distributed. The continued listing of any Series of Notes on SEM and/or on such other securities exchange(s) is subject to the rules of SEM and/or such other securities exchange prevailing at that time. There can, accordingly, be no assurance that the listing of any Series of Notes will continue until the Maturity Date of such Series of Notes. Accordingly, there is no assurance as to the development or liquidity of any active trading market for the Notes. If the Notes are traded, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Rating

The Notes issued under this Prospectus is currently rated by CRAF and holds a CARE MAU A+ rating with a Stable outlook. A rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension, reduction or withdrawal at any time by the rating agency. Any adverse change in the rating of the Issuer and/or the Notes, as the case may be, could adversely affect the price of the Notes.

Legal restrictions on certain investments

The investment activities of some potential investors may be subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Notes Interest rate risk

The rate of interest applicable to the Floating Rate Notes will be based on the Reference Rate and allows the Noteholder to benefit from any increase in the Reference Rate. Noteholders may suffer from a decrease in coupon income due to a reduction in interest rates.

The rate of interest applicable to the Fixed Rate Notes will be based on the fixed rate determined by the Issuer at issuance. This will allow the Noteholder to potentially benefit from an increase in market value of the security as a result of a reduction in interest rates in Mauritius. Noteholders may also suffer from a decrease in the market value of their securities due to an increase in interest rates in Mauritius.

Inflation rate risk

Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns in real terms on Noteholders' investments.

Meetings of Noteholders and modification

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including those who did not attend and vote at the relevant meeting and those who voted in a manner contrary to the majority.

In addition, the Issuer may, in accordance with Condition 17, make any modification to the Notes and to its Terms and Conditions.

Minimum subscription

The Notes may be issued in such denominations and minimum subscription amounts as are specified in the Applicable Pricing Supplement. As such, where the minimum subscription amount is not achieved, the Issuer will not proceed to allot any Notes.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in MUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the 'Investor's Currency') other than MUR.

These include the risk that exchange rates may significantly change (including changes due to devaluation of MUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to MUR would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Similarly, the Issuer may be exposed to potential losses if MUR were to depreciate against major currencies in which the Issuer's revenues are based, which may have an adverse effect on its financial condition and results of operations.

7.3 GENERAL CONSIDERATIONS

Amendment or review of prevailing laws

This Prospectus, the Notes and the Terms and Conditions, are governed by, and will be construed in accordance with, the laws of Mauritius. No assurance can be given as to the impact of any possible judicial decision or amendment and, or review of the laws of Mauritius or administrative practice in Mauritius after the date of this Prospectus.

Force majeure

An event of force majeure is an event which is not within the control of the party affected, which that party is unable to prevent, avoid or remove and shall include war and acts of terrorism, riot and disorders, natural catastrophes and others. Force majeure events do not include economic downturn, non-availability or insufficient or lack of financing on the part of the Issuer. The occurrence of a force majeure event and responses to such event may create economic and political uncertainties, which could have a negative impact on Mauritius, and international economic conditions generally, and more specifically on the business and results of operations of the Issuer in ways that cannot be predicted.

Cyber threats and IT

Cyber threats are increasing in the business landscape given the higher technology and online presence business have. This does leave businesses exposed to the risk of paralysis and downtime of operations, ransom ware threats, loss of confidential data and business intelligence, loss of critical and confidential data in the event of IT system failure or theft of data or indeed piracy of electronic devices.

The Issuer is cognizant of these risks and has taken significant precautionary measures in line with guidelines set by the BoM. This includes creating a robust cyber and IT risk mitigation framework and securing advanced cybersecurity measures to protect data and systems.

Pandemic risks

Pandemics could have a negative impact on the Issuer's business activities and operations. The outbreak of contagious diseases might cause Governments around the world to impose restrictions, such as quarantines, travel restrictions, sanitary curfew and complete lockdown of non-essential activities which could result in a general or acute decline in economic activity in countries and regions where the Issuer is exposed to.

A lockdown situation in the country where the Issuer operates might impact the working environment of the Issuer's business and the Issuer would need to implement a work-from-home policy amongst other policies for the majority, or all, of its employees in order to ensure business continuity. Digitalization of the Issuer's operations has been accelerated so as to ensure that the Issuer is well equipped for this situation.

A pandemic might also increase the challenges the Issuer faces when assessing the credit quality of borrowers. Uncertainties relating to a pandemic, including but not limited to economic downturn, travel restrictions, quarantines, lockdowns, might result in an increase in the non-performing assets and the allowances for credit impairment and general provisions linked to the increased credit risk in exposures affected by a pandemic. These increases might negatively impact the financial performance of the Issuer. The Issuer has adopted a risk framework to ensure that its exposures are not overly concentrated and have certain limits.

8 SUBSCRIPTION AND SELLING RESTRICTIONS

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 8 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

The Notes will be offered from time to time by the Issuer through the Corporate Finance Adviser and Arranger as may be appointed from time to time in respect of any Series of Notes. The application form for the subscription of Notes will, inter alia, make provision for the Terms and Conditions, the price at which such Notes will be purchased or offered for placement by such Corporate Finance Adviser and Arranger and the commissions or placement fees payable or allowable by the Issuer in respect of such purchase or placement activities and the form of any indemnity to the Corporate Finance Adviser and Arranger against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes will be delivered to the subscriber for Notes in accordance with the Terms and Conditions. There will be no trading in the Notes prior to the designated date for payment of subscription monies.

8.1 APPLICATION PROCEDURE

Application forms (a template of which is set out in Appendix B) for the Notes may be obtained from the registered office of the appointed Corporate Finance Adviser and Arranger. Applications must be submitted directly to the Corporate Finance Adviser and Arranger stated below:

IZAR Ltd
Debt Capital Markets Team, IZAR Ltd, The Business Exchange, Ground Floor Tower A, 1 Exchange Square, Ebène Mauritius Email: enquiries@izar.mu Tel: +230 460 6674

An application must arrive no later than 12h00 (Mauritius time) on the date specified in the Applicable Pricing Supplement. Successful applicants will be notified by the Corporate Finance Adviser and Arranger of the amount of Notes issued to them as from the Announcement Date.

8.2 PAYMENT FOR THE NOTES

Payment for the Notes is to be made in full to the Issuer in cleared funds by the date specified in the Applicable Pricing Supplement.

8.3 SELLING RESTRICTIONS

General

No action has been, or will be, taken by the Issuer or the Corporate Finance Adviser and Arranger, that would permit a public offering of Notes, or possession or distribution of this Prospectus or any other offering material in any jurisdiction other than Mauritius. Accordingly, the Notes may not be offered or sold, directly or indirectly outside of Mauritius, and this Prospectus or any circular, prospectus, form of application, advertisement or other material relating to the Notes may not be distributed in or from, or published in, any jurisdiction other than Mauritius.

No Note will be issued under this Prospectus more than six (6) months after the date on which the Prospectus is granted effective registration with the FSC.

Mauritius

Neither the Issuer nor the Corporate Finance Adviser and Arranger will solicit any offers for subscription for the Notes in contravention of any of the applicable laws and/or regulations of Mauritius, including the Companies Act 2001, the Securities Act 2005, and/or the Guidelines for Issue of Corporate and Green Bonds in Mauritius.

The offering will be via a public offer of Notes by the Issuer.

The Issuer and the Corporate Finance Adviser and Arranger will not offer, sell, distribute and/or issue any Note to the public unless: (a) the Issuer and the Corporate Finance Adviser and Arranger have received the relevant regulatory approval; and (b) such offer, sale, distribution and/or issue is in compliance with applicable laws.

Selling restrictions may be supplemented or modified by the Issuer. Any such supplement or modification will be specified in the Applicable Pricing Supplement (in the case of a supplement or modification relevant only to a particular Series of Notes) or in a supplement to this Prospectus.

9 DOCUMENTS AVAILABLE FOR INSPECTION

Unless otherwise defined in this Prospectus, all capitalised terms used in this Section 9 bear the same meaning as used in Section 6 of this Prospectus, except to the extent that they are clearly inappropriate from the context.

For a period not less than fifteen (15) calendar days from the date of this Prospectus and for as long as Notes are in issue, copies of the following documents will, when published, be available during normal business hours (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer:

(i) this Prospectus;

(ii) the Constitution of the Issuer;

(iii) the audited Annual Financial Statements for the years ended 30 June 2021, 2022 and 2023, prepared in accordance with IFRS;

(iv) the latest publicly available audited consolidated annual and unaudited interim financial statements (if any) of the Issuer, prepared in accordance with IFRS; and

(v) the CFA Agreement, IPA Agreement and, Noteholders' Representative Agency Agreement.

Appendix A: FORM OF APPLICABLE PRICING SUPPLEMENT

DATE: [•] 2024

ABC BANKING CORPORATION LTD

(a public company with limited liability incorporated on 21 November 1997 in Mauritius)

(Company Number C18920)

Issue of MUR 500,000,000 (with a permitted oversubscription of not more than MUR 200,000,000) Notes

The [Title of Notes] Unsecured [Fixed / Floating] Rate Notes

This document constitutes the Applicable Pricing Supplement relating to the issue of the Series of Notes described herein. Unless otherwise defined in the Prospectus dated 23 February 2024 (the 'Prospectus'), all capitalised terms used in this Applicable Pricing Supplement bear the same meaning as used in Section 6 of the Prospectus, except to the extent that they are clearly inappropriate from the context. The Notes described in this Applicable Pricing Supplement are subject to the Terms and Conditions in the Prospectus and this Applicable Pricing Supplement must be read in conjunction with such Prospectus. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Prospectus, the provisions of this Applicable Pricing Supplement shall prevail.

In addition to this Applicable Pricing Supplement, the Issuer has also issued an Applicable Pricing Supplement of even date in relation to a Series of [Fixed / Floating Rate] Notes (the 'Other Series').

Applications will be considered only from Persons within Mauritius.

1.	**DESCRIPTION OF THE NOTES**	
1.1.	**Issuer**	ABC BANKING CORPORATION LTD
1.2.	**Series name**	[•]
1.3.	**ISIN number**	[•]
1.4.	**Credit rating**	[•]
1.5.	**Important dates**	
	(i) Offer opens	[•]
	(ii) Offer closes	[•]

(iii) Allotment date	[•]
(iv) Announcement date	[•]
(v) Payment date	[•]
(vi) Issue Date	[•]
(vii) Listing Date	[•]
(viii) Maturity Date	[•]
1.6. **Nominal Amount, minimum subscription, issue price and amount raised**	
(i) Nominal Amount	[•]
(ii) Aggregate Nominal Amount	[•]
(iii) [Permitted oversubscription (if applicable)]	[•]
(iv) Minimum subscription	For the issue to be successful, a minimum of [•]% of the Aggregate Nominal Amount must be raised.
(v) Specified Denomination of Notes	[•]
(vi) Minimum subscription per Noteholder	[•]
(vii) Issue Price	[•]
(viii) Actual amount raised (if applicable)	[•]
1.7. **Status of the Notes**	[•]
1.8. **Form of the Notes**	[•]
1.9. **Final Redemption Amount**	[•]
1.10. **Notification of Allotment**	All applicants will be notified by email and/or telephone of their allotment as from the Announcement Date.
1.11. **Method of Sale**	Public offer
1.12. **Exchange (if applicable)**	[•]
1.13. **Use of proceeds**	[•]

1.14. **Functionaries**	
(i) Corporate Finance Advisor	[•]
(ii) Issuing and Paying Agent	[•]
(iii) Noteholders' Representative (if applicable)	[•]
(iv) Book Runner	[•]
2. [PROVISIONS RELATING TO INTEREST PAYABLE ON FIXED RATE NOTES	
2.1. **Interest Rate**	[•]
2.2. **Formula to calculate Interest (if applicable)**	[•]
2.3. **Day Count Fraction**	[•]
2.4. **Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on the Fixed Rate Notes, if different from those set out in the Conditions**	[•]
2.5. **Party responsible for calculating the Interest (if not the Issuer) (if applicable)**	[•]
2.6. **Interest Commencement Date**	[•]
2.7. **Interest Payment Date(s)**	[•]
2. PROVISIONS RELATING TO INTEREST PAYABLE ON FLOATING RATE NOTES	
2.1. **Margin**	[[•] basis points]
2.2. **Reference Rate**	[details of applicable benchmark]
2.3. **Manner in which Reference Rate is to be determined**	[details]
2.4. **Method to determine the Interest Rate (if applicable)**	[•]

2.5. **Rate Multiplier (if applicable)**	[•]
2.6. **Day Count Fraction**	[•]
2.7. **Minimum Interest Rate (if applicable)**	[•] per annum
2.8. **Maximum Interest Rate (if applicable)**	[•] per annum
2.9. **Formula to calculate Interest (if applicable)**	[•]
2.10. **Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions**	[•]
2.11. **Interest Determination Date**	[•]
2.12. **Relevant Time (if applicable)**	[•]
2.13. **Party responsible for calculating the Interest Rate and Interest Amounts (if not the Issuer) (if applicable)**	[•]
2.14. **Interest Commencement Date**	[•]
2.15. **Interest Payment Date(s)**	[•]]
3. PROVISIONS REGARDING EARLY REDEMPTION	
3.1. **Call Option**	[Applicable / Not Applicable]
3.2. **Call Option Notice Period**	[•]
3.3. **Call Option Exercise Period**	[•]
3.4. **Third party approvals required**	[•]
In addition to the provisions relating to early redemption, within five (5) Business Days of such a request or directive, as the case may be, due to a Trigger Event from the BoM, the Issuer shall redeem such number of Notes as may be requested or directed by giving written notice to the Noteholders (which notice shall be irrevocable). In consideration for the redemption of the Notes pursuant to	

Condition 9, the Issuer shall issue such number of ordinary shares of the Issuer to each Noteholder as is determined in accordance with Condition 9.4.

4. GENERAL	
4.1. Additional selling restrictions	[•]
4.2. Settlement procedures and settlement instructions	[•]
4.3. Details of bank account(s) to which payments are to be made in respect of the Notes settlement procedures and settlement instructions	[•]
4.4. Notices	[•]

5. MATERIAL ADVERSE CHANGE STATEMENT
[•]

6. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER
[•]

7. PROSPECTUS
[•]

8. RESPONSIBILITY AND STATEMENT OF COMPLIANCE
[•]

ABC BANKING CORPORATION LTD

Signed at [•] on [•]

By:
Duly authorised signatory who warrants his authority hereto

By:
Duly authorised signatory who warrants his authority hereto

Appendix B: FORM OF APPLICATION FORM

ABC BANKING CORPORATION LTD

(a public company with limited liability incorporated on 21 November 1997 in Mauritius)

(Company Number C18920)

Issue of Up to [MUR] [•] unsecured [Floating Rate / Fixed Rate] Notes Due 20[•]

APPLICATION FORM

The terms and conditions of the Notes are described under Section 6 of the prospectus dated 23 February 2024 (the 'Prospectus') entitled 'Terms and Conditions of the Notes'. All capitalised terms used in this application form (the 'Application Form') bear the same meaning as used in Section 6 of the Prospectus, unless otherwise stated, or except to the extent that they are separately defined in the Prospectus or in this Application Form, or clearly inappropriate from the context.

YOU ARE ADVISED TO READ THE NOTICES ENTITLED 'IMPORTANT NOTICE' AND 'FORWARD LOOKING STATEMENT' ON PAGES [•] TO [•] OF THIS APPLICATION FORM CAREFULLY BEFORE (I) READING, ACCESSING OR MAKING ANY OTHER USE OF THE PROSPECTUS; AND (II) READING, ACCESSING, COMPLETING, SUBMITTING OR MAKING ANY OTHER USE OF THIS APPLICATION FORM.

This completed Application Form should be forwarded by hand or by electronic mail to the Corporate Finance Adviser and Arranger at the following address:

IZAR Ltd
Debt Capital Markets Team, IZAR Ltd, The Business Exchange, Ground Floor, Tower A, 1 Exchange Square, Ebène Mauritius Contact: Dean D'Sa Tel: +230 5502 7667 E-mail: enquiries@izar.mu

Applicants must complete all sections of the Application Form. Please read the notes overleaf before completing this form. Application lists will close at [•] on [•].

Please use **BLOCK CAPITALS** to complete this Application Form

Name of Applicant (s)	
Name of Applicant (s) as it should appear on	

the bondholder register	
Postal Address (Preferably P.O. Box Address)	
Physical Address	
Contact Name	
Email address	
Telephone Number and Code	

I/We, the undersigned hereby apply to purchase the amount specified below of the Notes to be issued by ABC BANKING CORPORATION LTD upon the terms and conditions set out in this Application Form.

Amount of Fixed Rate Notes Applied for in Figures:

Hundreds of millions	Tens of millions	Millions	Hundreds of thousands	Tens of thousands

MUR

Amount of Fixed Rate Notes Applied for in Words:

____

____

Amount of Floating Rate Notes Applied for in Figures:

Hundreds of millions	Tens of millions	Millions	Hundreds of thousands	Tens of thousands

MUR

Amount of Floating Rate Notes Applied for in Words:

Interest Payments and Principal Repayment Instruction

(a) Details of CDS account to which notes will be credited

Applicants are requested to input details of CDS account to which they would request the registrar to credit the allocated securities to.

CDS Account Number (Shown on CDS Statement) ______________________________

Investment Dealer / Custodian Bank (Shown on CDS Statement) ______________________________

Account Holder (same as applicant) ______________________________

Address of Applicant (shown on CDS Statement) ______________________________

(b) By way of a MUR bank account with a Bank in Mauritius

Interest and principal is to be paid to: ______________________________

Bank account number: ______________________________

Bank name and branch: ______________________________

Address: ______________________________

Sort Code: ______________________________

Please ensure that the bank account provided above is the same as the bank account used for your CDS Account.

(c) Status of Withholding Tax/Tax Deduction at Source (Please tick (✓) as appropriate and fill in the blanks, where necessary)

☐ Payments to be made to the undersigned are exempt from withholding Tax/ deduction of Tax at source (please attach a certified copy of the certificate of exemption to this application, if any)

☐ Payments to be made to the undersigned are not exempt from withholding Tax/ Deduction of Tax at Source, and such Tax must be deducted at the following rate from payment(s) to be made to the undersigned:

____ percent (_________%) in respect of payment of the Redemption Amount

____ percent (_________%) in respect of payment of Interest

Declarations

1. I/We, the undersigned, hereby confirm that we have carefully read and understood the Prospectus and the Applicable Pricing Supplement(s) in connection with the Notes that I/we am/are subscribing for in this Application Form, including the notices entitled 'Important Notice' and 'Forward Looking Statement' on pages [•] to [•] of this Application Form.

2. I/We, the undersigned, hereby apply to purchase the amount specified above of the Notes to be issued by ABC BANKING CORPORATION LTD upon the terms and conditions set out in this Application Form.

3. I/We, the undersigned, represent and warrant that I/we have the necessary authority and power to purchase and hold the Notes in accordance with this Application Form, the Prospectus and the Applicable Pricing Supplement(s), and have taken any and all necessary corporate action to approve such purchase and to authorise the person signing this Application Form to bind me/us in accordance with the terms hereof.

4. I/We, the undersigned, hereby represent that none of the funds to be invested in the notes is derived from the proceeds of crime or a source deemed to be suspicious. We further confirm that we are fully compliant with all applicable money laundering and anti-corruption laws that may be applicable to us.

5. I/We hereby agree that the section entitled 'Conditions for application' set out below form an integral part of this Application Form, and I/we agree to be bound by the terms and conditions set out therein.

6. I/We hereby agree that this Application Form, the Prospectus, all documents stated to be incorporated by reference in the Prospectus, and the Applicable Pricing Supplement(s), as such documents may be amended from time to time in accordance with their respective terms, set out the entire agreement and understanding among me/us, the Issuer and the Noteholders' Representative relating to the Notes, and supersedes all past and future agreements, understandings or arrangements (whether oral or written) in respect of their subject matter.

Conditions for application:

1. Completing the form

(a) Application lists will close at 12h00 (Mauritius time) on [•]. Applications must be for a minimum of MUR [•] ([•] notes) and in integral multiples of MUR [•].

(b) All alterations to this Application Form must be authenticated by full signature. All applications must be made without any conditions stated by applicants.

(c) Under no circumstances whatsoever may the name of the applicant be changed and if this is done then the Application Form will be invalid.

(d) Applications are made subject to the provisions of the Prospectus and the Applicable Pricing Supplement to which this form is attached.

(e) Applications are irrevocable and may not be withdrawn or amended without the written consent of ABC BANKING CORPORATION LTD.

(f) Individual applicants must be 18 years of age or older.

2. Payment

By signing an Application Form the applicant undertakes to pay to ABC BANKING CORPORATION LTD on the payment date specified in the Applicable Pricing Supplement(s) in same-day funds the purchase price for the Notes allotted to it.

3. Allotment

On the allotment date, the Corporate Finance Adviser and Arranger will analyse the demand generated at various price levels and, in consultation with ABC BANKING CORPORATION LTD, finalise the allocations to each applicant. Allocation confirmation notices will be sent to successful applicants thereafter by the Issuing and Paying Agent as from the Announcement Date.

4. Settlement procedure

Payment of the purchase price for the Notes may be made only by bank transfer/remittance to be made on the instructions of the successful applicant to his bank of the funds for credit of ABC BANKING CORPORATION LTD's MUR Bank Account, details of which are set out below, not later than 16h00 (Mauritius time) on [•].

Bank name and branch: [•]

Address: [•]

Bank account number: [•]

IBAN: [•]

SWIFT: [•]

Sort Code: [•]

5. General

The Prospectus and any contracts resulting from an acceptance of an application for the Notes shall be governed and construed in accordance with Mauritian law.

6. KYC documentation to accompany application

In line with anti-money laundering legislation, prospective investors are required to provide, as a minimum, the following documents along with their Application Form. Applications will be rejected if the documents listed below are not submitted together with the Application Form.

The Issuer, the Corporate Finance Adviser and Arranger and/or the Issuing and Paying Agent may request additional documents and information on prospective investors in order to comply with their respective legal obligations. Applications will be rejected if such requests for information are not met to the reasonable satisfaction of the Issuer, the Corporate Finance Adviser and Arranger and/or the Issuing and Paying Agent, as the case may be.

Individual prospective investor / joint prospective investor

For each individual prospective investor:

- An original of a National Identity Card or of a valid passport or of birth certificate (for minors);
- An original of a recent (dated within the last three months) utility bill (CEB, CWA, Mauritius Telecom); and
- An original of a recent (dated within the last three months) bank statement showing the Prospective Investor's name and bank account number
- Declaration of source of funds and source of wealth, in the form attached

Corporate prospective investor:

- Official documents certifying the legal existence of the Prospective Investor;
- Register of directors;
- Documents certifying the identity of at least two directors (same as for an individual prospective investor – see above);
- List of authorised signatories of the Prospective Investor;
- Documents certifying the identity of the signatories on the application form (same as for an individual prospective investor – see above); and
- A resolution of the Board of Directors or managing body, granting the relevant authority to the signatories.
- Declaration of source of funds and source of wealth, in the form attached

Funds:

- Trust Deed, if applicable;
- Prospectus of the fund; and
- FSC authorization.
- Declaration of source of funds and source of wealth, in the form attached

Trust:

- Certificate of registration;
- Trust deed or equivalent document; and
- Documents certifying the identity of the Trustee, Settlor, and Beneficiaries (same as for an individual prospective investor – see above)
- Declaration of source of funds and source of wealth, in the form attached

A prospective investor may call personally at the Issuer with the stipulated original documents and its officers will certify the copies accordingly.

Alternatively, the required documents may be certified as true copies by any one of the following persons: a lawyer, a notary, an actuary, an accountant holding a recognised professional qualification, a member of the judiciary, a civil servant or a director of a regulated financial services business in Mauritius.

[*The remainder of this page has been intentionally left blank*]

IMPORTANT NOTICE

The following applies to the Prospectus and this Application Form, and you are therefore advised to read this notice carefully before (i) reading, accessing or making any other use of the Prospectus; and (ii) reading, accessing, completing, submitting or making any other use of this Application Form. In accessing the Prospectus and this Application Form, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

In the event the Prospectus and/or this Application Form is delivered to or comes into the possession of any Person at any time after the date hereof, it is the responsibility of that Person to ascertain whether any supplement or amendment of the information herein contained has been made or issued, or whether updated information is available. Reliance on the Prospectus at any time subsequent to the date of the Prospectus shall be at that Person's risk.

This Prospectus and Application Form are for distribution within Mauritius only.

This Prospectus and/or Application Form may not be reproduced in any manner whatsoever. Any reproduction of this Prospectus and/or Application Form in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act 2005 or the laws of Mauritius.

A hard copy of this Prospectus and/or Application Form was delivered to you within Mauritius. Alternatively, to the extent that the Prospectus and/or Application Form was sent to you electronically, you consent to delivery of this Prospectus and/or Application Form, as the case may be, by electronic transmission and you represent to us that you are within Mauritius. If you are not within Mauritius, you are not allowed to access or make any other use of this Prospectus and/or Application Form.

Under no circumstances shall the Prospectus or this Application Form constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities being offered, in any jurisdiction other than Mauritius. Recipients of the Prospectus or this Application Form who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus. A copy of the Prospectus is available from the registered office of the Issuer.

The Prospectus and/or this Application Form may have been sent to you in an electronic form. If so, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer (or any Person appointed by it to distribute the Prospectus and this Application Form) nor any Person who controls any of them nor any director, officer, employee or agent of the Issuer nor any affiliate of any such Person, accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus and/or this Application Form distributed to you in electronic format and the hard copy version available to you on request from the Issuer or its appointed representatives.

The Issuer has appointed and authorised the Corporate Finance Adviser and Arranger to circulate the Prospectus and this Application Form.

The Notes will be offered by the Issuer through the Corporate Finance Adviser and Arranger.

The Prospectus provides information to the general public pertaining to the subscription of the Notes and includes information given in compliance with Chapter 9 of the Listing Rules. The Notes will be admitted on the Official List of SEM by way of an offer for subscription.

Neither the delivery of the Prospectus and this Application Form, nor any subscription or acquisition made in connection with the Prospectus shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of the Prospectus or that the information is correct as of any subsequent date.

Neither the Prospectus and the Applicable Pricing Supplements, nor any other information supplied in connection with the Notes:

(iii) is intended to provide the basis of any credit or other evaluation; or

(iv) should be considered as a recommendation by the Issuer, Corporate Finance Adviser and Arranger, Issuing and Paying Agent, Noteholders' Representative, legal advisers of the Issuer in connection with the issue of the Notes named in Section 3 (the 'Legal Advisers to the Issue'), or any of their respective directors, affiliates, advisers or agents, that any recipient of the Prospectus should purchase any Notes.

Any information on taxation contained in the Prospectus is a summary of certain tax considerations but is not intended to be a complete discussion of all tax considerations. The contents of the Prospectus are not to be construed as investment, legal or tax advice. Prospective Investors should consult their own lawyer, accountant, or investment advisor as to legal, tax and related matters concerning their investment.

None of the LEC, SEM or the FSC assumes any responsibility for the contents of the Prospectus. The LEC, SEM and the FSC make no representation as to the accuracy or completeness of any of the statements made or opinions expressed in the Prospectus and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon the whole or any part thereof. The FSC will not be liable to any action in damages suffered as a result of the registration of the Prospectus by the FSC.

None of the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue, any other professional adviser, and any of their respective directors, employees, affiliates, advisers or agents, have independently or separately verified the information contained in the Prospectus. Accordingly, no representation, warranty or undertaking, expressed or implied, is made, and no responsibility is accepted by the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue, any other professional adviser, and any of their respective directors, employees, affiliates, advisers or agents, with respect to the accuracy or completeness of the information contained in the Prospectus or any supplement to the Prospectus, or any other information provided by the Issuer, at any time. The Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue, any other professional adviser, and any of their respective directors, employees, affiliates, advisers or agents do not accept any liability in relation to such information.

Nothing contained in the Prospectus is, shall be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or to the future, by the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue or any of their respective directors, employees, affiliates, advisers or agents, in any respect.

Furthermore, none of the Corporate Finance Adviser and Arranger, the Issuing and Paying Agent, the Noteholders' Representative, the Legal Advisers to the Issue and any other professional adviser makes any representation or warranty or assumes any responsibility, liability or obligation in respect of the legality, validity or enforceability or any Notes, or the performance and observance by the Issuer of its obligations in respect of any Notes, or the recoverability of any sums due or to become due from the Issuer under any Notes.

No Person is authorised to give any information or make any representation not contained in the Prospectus or any supplement thereto in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any of the Issuer, Corporate Finance Adviser and Arranger, Issuing and Paying Agent, Noteholders' Representative, Legal Advisers to the Issue, any other professional adviser or any of their respective directors, affiliates, advisers or agents.

The distribution of the Prospectus and this Application Form, and the offering, sale and delivery of Notes is restricted to within Mauritius. Persons having possession of the Prospectus and this Application Form are required to inform themselves about and observe such restrictions.

The Prospectus should be read in conjunction with all documents specifically stated to be incorporated in the Prospectus or referred to in the Prospectus, and should be read and understood on the basis that such other documents are incorporated in and form part of the Prospectus.

Investing in the Notes involves a certain degree of risk. Prospective investors should carefully consider the matters set out under Section 7 of the Prospectus. Prospective investors who are in any doubt about the contents of the Prospectus should consult an independent qualified person such as a banker, stockbroker, legal advisor or accountant, who may advise them accordingly.

It is strongly recommended that any Person interested in purchasing the Notes obtains independent tax advice in relation to any purchase, dealings or disposal of the Notes and in respect of all payments (including all principal, interest and other amounts (if any)) payable under or in respect of the Notes.

The Prospectus does not purport to be all-inclusive or to contain all the information that a prospective investor may desire in evaluating the Issuer. Each investor contemplating purchasing any Notes should make its own independent investigation and appraisal of the financial condition and affairs, and of the creditworthiness of, the Issuer, and the terms of the offering, including the merits and risks involved in making an investment decision with respect to the Notes. The investment activities of some investors may be subject to investment laws and regulations, or review or regulation by certain authorities. Investors are advised to consult their investment adviser, investment dealer, tax adviser or legal advisers to ensure compliance with their investment policy and before making any investment decision in relation to the Notes.

The recipient of the Prospectus acknowledges and agrees that the Issuer may amend the Prospectus (including the Terms and Conditions) from time to time without the consent of the Noteholders pursuant to Condition 17.

The Prospectus and/or this Application Form are not to be redistributed, reproduced, or used, in whole or in part, for any other purpose.

Furthermore, nothing in the Prospectus and/or this Application Form shall be construed as a recommendation by the Issuer, the Corporate Finance Adviser and/or the other professional advisers that any recipient thereof should purchase the Notes.

Unless otherwise specified herein, the statements and information contained in the Prospectus have been compiled as of 31 December 2023. Neither the delivery of the Prospectus, and/or this Application Form nor any allotment or issue of any Notes shall under any circumstances create an implication or constitute a representation that the information given in the Prospectus is correct as at any time subsequent to the date thereof.

FORWARD-LOOKING STATEMENTS

Some statements in the Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance, and the assumptions underlying these forward-looking statements. When used in the Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of the Prospectus, if one or more of the risks or uncertainties materialise, including those which the Issuer identified in the Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include, but are not limited to:

- the Issuer's ability to achieve and manage the growth of its business;
- the performance of the markets in Mauritius and the wider region in which the Issuer operates;
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects; and
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate.

Any forward-looking statements contained in the Prospectus speak only as at the date of the Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate as from the date on which dealings in the Notes commence on the Official List of SEM, any updates or revisions to any forward-looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward-looking statement is based.

[*Signature page follows*]

Signature

Individuals

Name(s): 1. .... 2. ....

Signature(s): 1. .... 2. ....

Identification (*)

....

Dated: .... 20[•]

Companies or Institutions

Name: ....

Signature(s): 1. .... 2. ....

(Authorised Signatory) *(Authorised Signatory)*

Address of Registered Office:

....

Dated: .... 20[•]

All joint holders must sign. In the case of a company, the company stamp must be affixed. Institutions must sign in accordance with their constitutional documents (charter, bye-laws, etc.) and evidence of the authority of the persons signing on behalf of the institution must be attached. In the case of individuals, a copy of identification must be attached.

ABC BANKING CORPORATION LTD

(a public company with limited liability incorporated on 21 November 1997 in Mauritius)

(Company Number C18920)

Issue of Up to [MUR] [•] unsecured [Floating Rate / Fixed Rate] Notes Due 20[•]

DECLARATION OF SOURCE OF FUNDS AND SOURCE OF WEALTH FORM

The terms and conditions of the Notes are described under Section 6 of the prospectus dated [•] (the 'Prospectus') entitled 'Terms and Conditions of the Notes'. All capitalised terms used in this declaration of source of funds and source of wealth form bear the same meaning as used in Section 6 of the Prospectus, unless otherwise stated, or except to the extent that they are separately defined in the Prospectus or in the Application Form, or clearly inappropriate from the context.

Name:	
Name of ultimate beneficial owner ('UBO') (if applicable):	
Estimated Net Worth of UBO (if applicable):	

1 Source of Funds

I/We, the undersigned, hereby confirm that the funds that will be used for the purchase of the Notes (as this term is defined in the Application Form dated __________________) (the 'Funds') represent funds emanated from:

Source of Funds
(Please select/tick the appropriate box(es)

- ☐ Inheritance or divorce settlement
- ☐ Sale of company or assets
- ☐ Company ownership and profits
- ☐ Income from profession/employment
- ☐ Sale of shares
- ☐ Investments (e.g. dividend / distribution) or savings
- ☐ Property sale
- ☐ National lotteries
- ☐ Compensation payment
- ☐ Loan
- ☐ Trade/business
- ☐ Gift
- ☐ Maturity or surrender of life policy
- ☐ Other income

The origin of the Funds is from ____.

(Please insert name of country)

The Funds or any part thereof are from legitimate sources and do not originate from money laundering, terrorist financing, financing of proliferation of weapons of mass destruction or from criminal proceeds or other illegal activities.

2 Source of wealth

My/Our source of wealth is from:

- ☐ Inheritance or Divorce Settlement
- ☐ Company Ownership and Sale of Company or Assets
- ☐ Company Ownership and Profits
- ☐ Income from Profession/Employment
- ☐ Sale of Shares
- ☐ Investments (e.g. Dividend / Distribution) or Savings
- ☐ Property Sale
- ☐ National Lotteries
- ☐ Compensation Payment
- ☐ Loan
- ☐ Trade/business
- ☐ Gift
- ☐ Other Income (Please specify: ____)

3 Declaration by prospective investor

I/We confirm that I/we am/are acting in my/our own name and not on behalf of a third party. I/We further confirm that the above statements are true and correct in all respects.

I/We declare that the information provided in and attached to this form is, to the best of my/our knowledge and belief, accurate, complete.

I/We undertake to inform the Issuer, the Corporate Finance Adviser and Arranger and the Issuing and Paying Agent of any change in the above statements prior to the change and submit an amended Declaration of Source of Funds and Source of Wealth to the Corporate Finance Adviser and Arranger forthwith.

Signature:

Name:

Capacity:

Date:

Appendix C: SUMMARY OF THE NOTES

THE FOLLOWING SUMMARY HIGHLIGHTS SELECTED INFORMATION ABOUT THE NOTES. THE SUMMARY MAY NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD CAREFULLY READ THIS ENTIRE PROSPECTUS, THE APPLICABLE PRICING SUPPLEMENT(S) AS WELL AS THE DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS, TO REACH YOUR OWN VIEWS PRIOR TO MAKING ANY INVESTMENT DECISION.

Selling Restrictions	The Notes may not be offered or sold, directly or indirectly outside of Mauritius, and this Prospectus or any circular, prospectus, form of application, advertisement or other material relating to the Notes may not be distributed in or from, or published in, any jurisdiction other than Mauritius. No Note will be issued under this Prospectus more than six (6) months after the date on which the Prospectus is granted effective registration with the FSC. The Issuer and the Corporate Finance Adviser and Arranger will not offer, sell, distribute and/or issue any Note to the public unless: (a) the Issuer and the Corporate Finance Adviser and Arranger have received the relevant regulatory approval; and (b) such offer, sale, distribution and/or issue is in compliance with applicable laws. Selling restrictions may be supplemented or modified by the Issuer. Any such supplement or modification will be specified in the Applicable Pricing Supplement (in the case of a supplement or modification relevant only to a particular Series of Notes) or in a supplement to this Prospectus.
Risk Factors	Investing in the Notes involves certain risks. Please refer to Section 7 of the Prospectus titled ‘Risk Factors’.
Notes	Each Note shall be a Fixed Rate Note or a Floating Rate Note as specified in the Applicable Pricing Supplement. Fixed Rate Notes are entitled to a fixed rate of Interest, as specified in the Applicable Pricing Supplement. Floating Rate Notes are entitled to a floating rate of Interest, as specified in the Applicable Pricing Supplement.
Terms and conditions	The Terms and Conditions of the Notes are set out in Section 6 headed ‘Terms and Conditions of the Notes’.
Noteholder	The holder of a Note from time to time and recorded as such in the Register.
Form of Notes	The Notes shall be issued in the form of debentures under the Companies Act 2001. The Notes shall be issued in registered form as specified in the Applicable Pricing Supplement. The Notes shall not be certificated.

Status of Notes	The Notes shall be subordinated in the manner set out at Condition 4.3 and unsecured. The Issuer shall procure that the Notes are neither secured nor covered by a guarantee issued by a Related Person or other arrangement that legally or economically enhances the seniority of a claim under the Notes *vis-à-vis* depositors and general creditors of the Issuer. All Notes shall rank *pari passu* among themselves. In a conservatorship, receivership or liquidation of the Issuer, the Notes shall be subordinated to all other creditors of the Issuer, whether secured or unsecured, but: (i) rank *pari passu* with any other Tier 2 Capital instrument issued by the Issuer or any claim against the Issuer that is stated to be subordinated and to rank *pari passu* with the Notes; and (ii) rank in priority to instruments forming part of Common Equity Tier 1 Capital instruments and instruments forming part of Additional Tier 1 Capital of the Issuer. The intention of the Issuer and the effect of the above are to fulfil the requirements of guideline 18(b) of the Guidelines on Eligible Capital.
Register	The Register shall be maintained by the Issuing and Paying Agent as agent of the Issuer.
Specified Denomination of Notes	The Notes shall be issued in such denomination of aggregate Nominal Amounts as specified in the Applicable Pricing Supplement.
Issue Price	The Issue Price shall be as specified in the Applicable Pricing Supplement. Each Note shall be issued fully paid up in cash.
Interest	The Notes shall be interest bearing. Each Note bears Interest on its outstanding Nominal Amount at a fixed rate or a floating rate, as specified in the Applicable Pricing Supplement. Interest shall cease to accrue on each Note on the Redemption Date unless payment of the Nominal Amount is improperly withheld or refused, in which event Interest shall continue to accrue (before as well as after judgment) at the Interest Rate in the manner provided in Condition 6 to the date of actual payment.
Interest Payment Date(s) and Interest Period(s)	The interest payment date(s) shall be specified in the Applicable Pricing Supplements. Notwithstanding anything to the contrary specified in the Applicable Pricing Supplements, the last Interest Payment Date shall, subject to Condition 6.3, be the Redemption Date. The first interest period shall commence on the Issue Date and shall end on the day preceding the next-occurring Interest Payment Date. Each subsequent Interest Period shall commence on the day following the expiry of the last Interest Period and shall end on the day preceding the next-occurring Interest Payment Date. The last Interest Period shall

	commence on the day following the expiry of the preceding Interest Period and shall end on the Redemption Date.
Payment	Payments of Interest and Redemption Amounts shall be made by the Issuing and Paying Agent on behalf of the Issuer via electronic funds transfer to the account designated for the purpose by the Noteholder.
Taxation	All payments in respect of the Notes shall be made without withholding or deducting for, or on account of, any present or future Taxes imposed or levied by, or on behalf of Mauritius, (or any political subdivision of) or any authority in, or of, Mauritius having power to tax, unless such withholding or deduction of Taxes is required by Applicable Law. The Issuer shall base its decision whether to withhold or deduct Taxes from payments to Noteholders on information to be provided by that such Noteholders.
Remedies upon non-payment	Other than as provided in Condition 5 in the event of an Act of Insolvency in relation to the Issuer, there can be no mandatory or voluntary acceleration or prepayment of the Notes. This applies even if the Issuer defaults on any payment to the Noteholders. Notwithstanding Condition 5.1 but subject to Condition 9, if there is an Act of Insolvency in relation to the Issuer, the Notes shall immediately become due and repayable at their Early Redemption Amount together with Interest accrued to the Redemption Date. If the Issuer defaults on its payment obligations under the Terms and Conditions and such default is continuing for a period of more than twenty (20) Business Days, either: (i) the Noteholders' Representative may, at his discretion and subject to being indemnified and/or secured to its satisfaction; or (ii) the Noteholders' Representative may, if so directed by a Special Resolution by such Series to which such default relates, and subject to being indemnified and/or secured to its satisfaction, commence proceedings for the winding up and/or prove in the winding up of the Issuer, provided that the Noteholders' Representative may not, upon the occurrence of such a default, declare the principal amount of any outstanding Notes due and payable.
Redemption	**Redemption at Maturity**: Unless previously redeemed and cancelled as provided in Condition 8 or Condition 9, each Note shall be finally redeemed on the Maturity Date specified thereon at its Final Redemption Amount. **Redemption due to a change in law:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than thirty (30) nor more than sixty (60) Business Days' notice to the Noteholders' Representative (which notice shall be irrevocable) if the Notes will cease to qualify as Tier 2 Capital as a result of a change in, or amendment to, the laws or regulations of Mauritius, or any political subdivision or any authority thereof having regulatory oversight of the Issuer, or any change in the application or official interpretation of such

	laws or regulations (including a decision of a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the Notes. The Early Redemption Amount is payable in respect of the Early Redemption of the Notes due to a change in law or at the option of the Issuer. **Early Redemption at the option of the Issuer**: If a Call Option is specified in respect of a Series of Notes in the Applicable Pricing Supplement, the Issuer may, subject to any Applicable Law and the conditions set out in Condition 8.3.2, and on giving not less than thirty (30) nor more than ninety (90) Business Days' irrevocable notice to the Noteholders' Representative (or such other Call Option Notice Period as may be specified in the Applicable Pricing Supplement), redeem all, or, if so provided, some of the Notes on the Early Redemption Date specified in the Exercise Notice. The Issuer may only issue an Exercise Notice during the Call Option Exercise Period. Any such redemption of Notes shall be at their Early Redemption Amount together with Interest accrued to the Early Redemption Date. If any third party approval is necessary, it shall be specified in the Applicable Pricing Supplement and/or the Exercise Notice. The Early Redemption Amount is payable in respect of the Early Redemption of the Notes at the option of the Issuer. **Mandatory bail-in at the request of BoM**: Within five (5) Business Days of such a request or directive, as the case may be, due to a Trigger Event from the BoM, the Issuer shall redeem such number of Notes as may be requested or directed by giving written notice to the Noteholders (which notice shall be irrevocable). In consideration for the redemption of the Notes pursuant to Condition 9, the Issuer shall issue such number of ordinary shares of the Issuer to each Noteholder as is determined in accordance with Condition 9.4.
Meetings	Meetings of the Noteholders, or of the Noteholders of any Series shall be convened and requisitioned in accordance with the provisions of the Noteholders' Representative Agency Agreement.
Amendments	The Prospectus (including the Terms and Conditions) may be amended from time to time by the Issuer without the consent of the Noteholders: (i) to the extent mandatorily required by SEM as a condition to consider, accept or maintain the listing of the Notes; (ii) to the extent mandatorily required by the FSC in order to comply with Bond Guidelines, whether as a result of amendments to the Bond Guidelines or otherwise; (iii) for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein, provided that the interests of the Noteholders are not prejudiced by any such amendment; or (iv) to the extent otherwise expressly permitted by this Prospectus.

	In addition to where otherwise provided in Condition 17, the Issuer may, with the prior sanction of a Special Resolution of the Noteholders, amend the Terms and Conditions.
Governing Law and dispute resolution	The provisions of the Terms and Conditions, this Prospectus and the Notes and all rights and obligations to the Notes, are governed by, and shall be construed in accordance with, the laws of Mauritius in force from time to time. Any Dispute shall, so far as possible, be settled amicably. If there is no amicable settlement to any Dispute, such Dispute shall be referred to arbitration under the arbitration rules of the Mauritius International Arbitration Centre in force at the time of commencement of the arbitration.

Appendix D: DIRECTORS' STATEMENT

ABC BANKING CORPORATION LTD

(a public company with limited liability Incorporated on 21 November 1997 in Mauritius)

(Company Number C18920)

STATEMENT MADE BY THE DIRECTORS OF ABC BANKING CORPORATION LTD (THE 'COMPANY') PURSUANT TO SECTION 71(2)(b) OF THE SECURITIES ACT 2005 IN CONNECTION WITH THE ISSUE AND LISTING BY WAY OF AN OFFER FOR SUBSCRIPTION ON THE OFFICIAL LIST OF THE STOCK EXCHANGE OF MAURITIUS LTD OF UP TO MAURITIUS RUPEES SEVEN HUNDRED MILLION (MUR 700,000,000) OF UNSECURED FIXED RATE NOTES AND UNSECURED FLOATING RATE NOTES

We, the undersigned, being the directors of the Company, accept responsibility for the contents of the prospectus of the Company dated 23 February 2024 (the 'Prospectus') and confirm that, to the best of our knowledge and belief, and after making reasonable inquiries, the Prospectus complies with the Securities Act 2005 ('SA 05'), any regulations made under SA 05 and any Rules made by the Financial Services Commission.

This statement may be executed in multiple counterparts, each of which when so executed shall be deemed an original and all of which together shall constitute one and the same instrument.

Dated: 26 February 2024

Ah Foon Chui Yew Cheong
Independent Director and Chairperson

David Brian Ah-Chuen
Executive Director

Max Danny Kim Shian Fon Sing
Independent Director

Laura Yeung Sik Yuen
Independent Director

André Kwet-Tsong Tze Sek Sum
Independent Director

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

Patrick Andrew Dean Ah-Chuen
Non-Executive Director

Bhanu Pratabsingh Jaddoo
Independent Director

Lakshmana Lutchmenarraidoo
Independent Director