CRAFTING YOUR FUTURE

TODAY, TOMORROW, ALWAYS

ANNUAL REPORT 2021

ABC BANKING CORPORATION

count on us

About the cover:

We stand by our commitment to offer #timelessbanking by seamlessly connecting to you ... and the world.

ABC BANKING CORPORATION

count on us

CORPORATE INFORMATION

REGISTERED OFFICE, HEAD OFFICE

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

Tel: (230) 206 8000
Fax: (230) 208 0088 / 217 1908
www.abcbanking.mu
BRN: C07018920

EXTERNAL AUDITORS

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Cybercity, Ebene
Mauritius.

LEGAL SERVICES

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

MAIN CORRESPONDENT BANKS

Abu Dhabi Commercial Bank
Bank of China (Shanghai RMB Trading Unit)
Crown Agents Bank Limited
Mizuho Bank Ltd
Société Générale, France
Standard Chartered Bank, Germany
Standard Bank of South Africa Limited
Standard Chartered Bank, London
Standard Chartered Bank, New York
Yes Bank Limited

BOARD OF DIRECTORS FOR THE YEAR END 30 JUNE 2021

CHAIRPERSON

Hon. Yeung Kam John (Bernard) Yeung Sik Yuen, G.O.S.K.
(Retired as director and Chairperson on 22 December 2020)

Mrs. Ah Foon Chui Yew Cheong
(Appointed as Chairperson on 22 December 2020)

MANAGING DIRECTOR

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

STRATEGIC BUSINESS EXECUTIVE & DIRECTOR

Mr. David Brian Ah-Chuen

MEMBERS

Mr. Sydney Ah Yoong

Mr. Bhanu Pratabsingh Jaddoo

Mr. André Kwet-Tsong Tze Sek Sum
(Director as from 1 December 2020)

Mr. Michel Bruno Lalanne
(Director as from 22 June 2021)

Mr. Lakshmana Lutchmenarraidoo
(Director as from 26 October 2020)

Mr. Patrick Andrew Dean Ah-Chuen

Me. Marie Danielle Low Kwan Sang
(Retired as director on 22 December 2020)

COMPOSITION AS AT 30 JUNE 2021

SUPERVISORY & MONITORING COMMITTEE *(Discontinued on 31 May 2021)*

Professor Donald Ah-Chuen *(Chairperson)*
Mr Sydney Ah Yoong
Mr David Brian Ah-Chuen

BOARD CREDIT COMMITTEE (AS FROM 1 JUNE 2021)

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

AUDIT COMMITTEE

Mr Bhanu Pratabsingh Jaddoo *(Appointed as Chairperson on 22 December 2020)*
Mr Lakshmana Lutchmenarraidoo *(Member as from 22 December 2020)*
Mr André Kwet-Tsong Tze Sek Sum *(Member as from 22 December 2020)*
Mr Sydney Ah Yoong *(Member and Chairperson until 22 December 2020)*
Mrs Ah Foon Chui Yew Cheong *(Member until 22 December 2020)*

RISK MANAGEMENT COMMITTEE

Mr Lakshmana Lutchmenarraidoo *(Member and Chairperson as from 22 December 2020)*
Prof. Donald Ah-Chuen
Mr David Brian Ah-Chuen *(Member as from 22 December 2020)*
Mr Sydney Ah Yoong
Mr Bhanu Pratabsingh Jaddoo *(Chairperson until 22 December 2020)*
Mr Patrick Andrew Dean Ah-Chuen *(Member until 22 December 2020)*

CONDUCT REVIEW COMMITTEE

Mr Sydney Ah Yoong *(Chairperson)*
Mr Bhanu Pratabsingh Jaddoo
Mr Lakshmana Lutchmenarraidoo *(Member as from 22 December 2020)*
Mrs Ah Foon Chui Yew Cheong *(Member until 22 December 2020)*

CORPORATE GOVERNANCE COMMITTEE

Mr André Kwet-Tsong Tze Sek Sum *(Appointed as Chairperson on 22 December 2020)*
Mrs Ah Foon Chui Yew Cheong *(Member as from 22 December 2020)*
Prof. Donald Ah-Chuen
Me. Marie Danielle Low Kwan Sang *(Chairperson and Member until 22 December 2020)*
Hon. Yeung Kam John (Bernard) Yeung Sik Yuen *(Member until 22 December 2020)*

NOMINATION AND REMUNERATION COMMITTEE

Mr André Kwet-Tsong Tze Sek Sum *(Appointed as Chairperson on 22 December 2020)*
Mrs Ah Foon Chui Yew Cheong *(Member as from 22 December 2020)*
Prof. Donald Ah-Chuen
Me. Marie Danielle Low Kwan Sang *(Chairperson and Member until 22 December 2020)*
Hon. Yeung Kam John (Bernard) Yeung Sik Yuen *(Member until 22 December 2020)*

BUSINESS STRATEGY COMMITTEE

Mr Bhanu Pratabsingh Jaddoo *(Chairperson)*
Prof. Donald Ah-Chuen
Mr David Brian Ah-Chuen
Mr Patrick Andrew Dean Ah-Chuen *(Member as from 22 December 2020)*
Mr Lakshmana Lutchmenarraidoo *(Member as from 22 December 2020)*
Mr Sydney Ah Yoong *(Member until 22 December 2020)*

COMPANY SECRETARY & SHARE REGISTRY

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

ABOUT THE REPORT

This Annual Report of ABC Banking Corporation Ltd (the "bank") has been prepared with the aim of providing all our stakeholders with material information relating to the bank's strategy and business model, material risks, stakeholder interests, performance, prospects and governance, for the period spanning from 1 July 2020 to 30 June 2021. Material events after this date and up to 18 October 2021, the date of approval by the Board of Directors of the bank, have also been considered for this report.

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

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

The report is therefore split as follows:

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

FORWARD-LOOKING STATEMENT

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

01 STRATEGIC SECTION

02 REGULATORY SECTION

We have laid a solid foundation built on our people and genuine customer relationships.

MRS AH FOON CHUI YEW CHEONG

CHAIRPERSON

As uncertainty over the pandemic and its impact on the economies of the world still loom, we are strongly reminded of the importance of the well tested principle of good governance and of the necessity of resilience in the banking sector. For the past year, ever more so, good governance and a solid foundation have been at the centre of the deliberations and decisions of the Board.

Indeed, the path for the new Board and its new Chairperson has already been traced out by the strong leadership of the past Chairman. It is my privilege to thank, on behalf of the Board and in my own name, Honourable Bernard Yeung Sik Yuen for having shown the way. We also stress the invaluable contribution and unstinting support of Me. Danielle Low Kwan Sang to the Board during the past 6 years.

As the bank celebrates its 10th anniversary this year, we also wish to thank our shareholders and other key stakeholders for their unwavering support during a decade which has been one of consistent growth and continued prosperity. Since our humble beginnings, the Shareholders' Equity has multiplied sixfold and increased from MUR 300 million to about MUR 1.9 billion.

Unfortunately, this tenth anniversary has coincided with the worst pandemic and economic recession of the modern world and the bank has had the daunting task of striking a balance between supporting the recovery of our national economy, which has been severely impacted by a second Covid-related lockdown, and protecting and enhancing shareholders' value. Whilst the level of Expected Credit Losses across the banking sector has soared over the last 12 months as the various confinement and sanitary measures heaped additional stress on local traditional businesses, the Board is confident that the bank's right fundamentals will enable it to weather the storm.

During the past year, the bank has also reassessed its portfolio and taken the strategic decision of exiting certain exposures so that attention and resources are not diverted but rather be fully focussed towards growth in the "new normal" era. The return on equity has been an unfortunate collateral damage of that decision; for financial years ended June 2021 and June 2020, the return on equity stood at 6.2% and 6.6% respectively compared to pre-Covid levels of 12.6% for the financial year ended June 2019. But with the strategic decrease in Non-Performing loans, the bank is able to allocate resources on growing the balance sheet steadily and responsibly in the coming years. The Board remains committed to enhancing shareholders' value through dividend yield and capital appreciation. The Capital Adequacy Ratio of the bank, standing at 15.3% as at 30 June 2021 (2020: 17.3%), demonstrates that the bank is well capitalised to sustain its growth strategy.

Firmly committed to our strategy, we look with confidence at the future of the bank. Fully convinced that Board leadership is a key pillar of the bank's corporate governance framework, it is my privilege and pleasure to welcome to our Board, as independent directors, Messrs L. Lutchmenarraidoo, A. Tze Sek Sum and B. Lalanne who will be very valuable reinforcement to the existing team. As such, we are fortunate to have within our Board the right mix of experiences and competences to assist and guide Management as we all embark on a journey through the unknown of the "new normal".

Finally, I extend my great appreciation to all my fellow directors for their dedication to the Company and for their support to the Chair during the financial year. I also wish to convey my thanks to the Management Team and members of staff who have displayed the necessary courage and tenacity in the face of the pandemic adversity and who, with much determination and perseverance, have ensured a continued service of excellence during this unprecedented year.

Ah Foon Chui Yew Cheong
Independant Chairperson

BOARD OF DIRECTORS

1	Mrs Ah Foon Chui Yew Cheong
2	Professor Donald Ah-Chuen
3	Mr David Brian Ah-Chuen
4	Mr Patrick Andrew Dean Ah-Chuen
5	Mr Sydney Ah Yoong
6	Mr Bhanu Pratabsingh Jaddoo
7	Mr Michel Bruno Lalanne
8	Mr Lakshmana Lutchmenarraidoo
9	Mr André Kwet-Tsong Tze Sek Sum
10	Hon. Yeung Kam John (Bernard) Yeung Sik Yuen, G.O.S.K
11	Me Marie Danielle Low Kwan Sang

CORPORATE PROFILE

ABC Banking Corporation is a fully-fledged commercial bank regulated by the Bank of Mauritius that received its banking license in 2010.

Strategically headquartered at WEAL House, a historical building located at the heart of the emblematic Place d'Armes in Port Louis, the capital city of Mauritius, ABC Banking Corporation is part of the ABC Group, a leading Mauritian conglomerated founded by Sir Jean Etienne Moilin Ah-Chuen in 1931.

In 2021, the bank's main branch was inaugurated at Plantation House, an iconic colonial building adjacent to WEAL House, and now offers an innovative and optimised banking experience to its wide client base.

Listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius (SEM) since 2016, ABC Banking Corporation has, over the years, established itself as key player in the banking landscape of Mauritius owing to its solid reputation, stringent integrity, service excellence and the quality of its products.

The bank ranks today amongst the most performing enterprises on the DEM, having achieved significant percentage increases since its introduction on the stock market. ABC Banking Corporation has, since its inception, created a deposit base of MUR 18.6 billion, with a Shareholders' Equity currently standing at MUR 1.9 billion.

Moreover, ABC Banking Corporation is the sole Mauritian banking institution to operate a Representative Office in Hong Kong, one of the world's major financial centres, with the firm objective of connecting Asia to Africa.

Structured around four main pillars, namely Retail & Corporate Banking, Private Banking, International Banking and Treasury Operation, the bank is run by a team of dedicated and experienced professionals led by a visionary, talented and creative management team.

ABC Banking Corporation has been praised by renowned international publications and has received several prestigious trophies during the past years. In 2015, 2016 and 2017, the bank won the "Best International Bank Indian Ocean" award from Capital Finance International (CFI) Magazine. In 2016, Global Brands Magazine conferred the 'Fastest Growing Banking Brand – Mauritius' title to the bank and in 2018, ABC Banking Corporation was awarded with the 'Most Innovative & Fastest Growing International Bank in the Indian Ocean 2018' title by CFI Magazine.

In 2020, it was awarded the " Decade of Excellence in Banking" by Global Banking and Finance Review.

OUR VISION

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

OUR MISSION

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

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

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

OUR VALUES

Integrity

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

Loyalty

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

Tenacity

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

Spirit of innovation

The zest to continuously come up with new and creative solutions amidst changing times.

Service excellence

The dedication to deliver the utmost level of customer experience.

PRODUCT AND SERVICES

DOMESTIC BANKING

CORPORATE BANKING

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

PRIVATE BANKING

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

RETAIL BANKING

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

INTERNATIONAL BANKING

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

TREASURY

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

E-BUSINESS

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

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

MANAGING DIRECTOR

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

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

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

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

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

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

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

MANAGING DIRECTOR'S REPORT

Dear Valued Shareholders,

Overview of the economy

In September last year when the Annual Report for the financial year 30 June 2020 was being finalized, and when the whole world was still reeling from the knock-out blow inflicted by Covid-19, I gladly passed on the comforting news of the long-awaited break-through achieved by the top medical scientists of the planet in the development of the vaccines which would protect the world's population against the pandemic. By December 2020, hopes were high as the clinical trials were successfully concluded followed by the formal approval of the WHO, the manufacture of the vaccines and the beginning of the vaccination of the population in many countries like China, Russia and USA etc. The number of infected cases started to recede as the vaccination program increased. Unfortunately, the early re-opening of the borders by some countries was short-lived as the virus came back unexpectedly accompanied by the Delta variant. For Mauritius, we had a second national lock down, a phased deconfinement which has lasted over half of the year, and an increasing number of Covid-19 cases in the country; it can be said that this year feels like a sequel of 2020 in terms of what can be described as the most difficult social and economic period of a generation. It was not anticipated that there would have been a second or even in some cases a third wave that would hamper the road to recovery.

Locally, the impact of the Covid-19 pandemic cannot be underestimated with an unemployment rate reaching 9.2% in 2020 and a number of small local businesses closing down following the second national lockdown. After 16 months of the borders being closed, the country has lost over MUR 80 billion in terms of foreign currency leading to the depreciation of the rupee and the inevitable increase in inflation. The re-opening of the borders brought a slight air of optimism or at the very least a small window of opportunity to put the economy back on track. It is anticipated that the country would welcome about 250,000 tourists in the last quarter of the year following the re-opening of the borders. We can only hope that this is the case and can act as a catalyst for a quick recovery.

One of the reasons why the country has been able to be bold on re-opening the borders is the rate at which the population has been able to get vaccinated. The fact that over 60% of the population had already had their first vaccination as at August 2021 is a credit to the will of the Mauritian nation in wanting to take control of the situation from this pandemic. We should also be proud of the fact that 95% of the bank has been vaccinated.

Financial Performance

Even in these challenging times, the bank managed to show a Profit after Tax of MUR 120 million, a performance consistent to that of last year's where again the Covid-19 was the main actor. The bank's operating income of MUR 713 million saw a decrease of 6.5% compared to the prior year and this is in direct reflection of the difficult year with regard to growing the loan book and trading income in relation to foreign currency transactions. Indeed, with business activity being at a low and the interest rate environment being at its lowest, the net interest income was impacted dropping from MUR 516 million in 2020 to MUR 468 million this year. With the scarcity of foreign currencies (most importantly USD) on the market, FX transactions were very selective and the margin negatively impacted. It should be pointed out that thanks to our country's national reserves of several billions of US dollars, the Bank of Mauritius was able to intervened with a handful injections of US dollars in the market.

> The fact that the bank's NPL has gone from 5.4% to 4.2% shows how strongly the management feels committed to the quality of the loan book.

The bank has put a lot of emphasis on the management of the allowance for credit impairment which was at MUR 232 million this year compared to MUR 311 million. The Expected Credit Loss (ECL) under IFRS 9 ensures that the bank proactively caters for any potential loss well in advance of an event of default to minimise that impact on its financial health. Therefore, even though this allowance figure has been quite significant in the past two years, we have succeeded through the existing rigorous credit risk assessment combined with a proactive portfolio management execution and most importantly the ability to take hard decisions to reduce the impact of potential ECL in the coming years. The fact that the bank's NPL has gone from 5.4% to 4.2% shows how strongly the management feels committed to the quality of the loan book. We should also mention that throughout the past year, our bank has continued to support its customers through the extension of the moratorium period, specifically those operating in the tourism industry.

In January of 2021, the Bank of Mauritius announced the deferment of the implementation of the capital conservation buffer of 2.5% until April 2022, thereby maintaining the regulatory minimum of the Capital Adequacy Ratio (CAR) at 11.875%. With a CAR at 15.3%, the bank is able to demonstrate a robust capital base to allow the bank to have a sustained and steady growth.

Outlook

As already mentioned, the opening of the borders is a key milestone in the recovery of the economy. We expect business activity to pick up and projects that were put on hold to come back to the table. The one thing that can give us hope is the track record of the Mauritian economy on knowing how to reinvent itself. Positioning Mauritius as a "Covid-free" tourism destination has been a key strategy in attracting tourists back to the island. Private and public sector collaboration have allowed the creation of "hotel bubbles" where the tourists can freely enjoy their stay.

It is most important for the authorities to ensure the preservation and safety of our country's fauna and flora, its wild life, its coastal lines and its reefs and its beautiful beaches. Mauritius has a few years ago been victim of a cargo ship breaking down close to the beach of Le Bouchon in the south, which could have resulted in a serious oil spill. Last year, the island suffered the tragedy of the cargo ship Wakashio crashing on the reefs of Pointe D'Esny again in the south. I therefore make a strong appeal to the authorities to ensure that such a terrible ecological disaster does not happen again and that ship movements near or within the exclusive maritime zones of our country be closely monitored particularly during bad weather conditions.

In terms of the economic recovery, we have seen a shift in business behaviour where online shopping is becoming even more accepted. The Bank of Mauritius has already announced the launch of the National QR Code and the Central Bank Digital Currency – both innovative projects that will inevitably change the landscape of the payment industry. For a few years now we have seen the emergence of crowd funding platform and fintech companies. Investing in the bank's digital transformation over the last few years has enabled the bank to be an effective participant in the new areas of development and innovation.

Another positive news this year is that Mauritius is currently going through the final stage of the assessment by the FATF of its application for its potential removal from the grey list and subsequently the EU blacklist. A number of key reforms were done during the year to address the initial findings of FATF and ESAMLAG on the country's Anti Money-Laundering and Counter Financing Terrorism (AML/CFT) regime.

While the past two years have been nothing short of challenging and in a sense reactive, we believe that if the work is done properly, there are certain opportunities out there in the market that the bank can capitalise on.

The 10-year anniversary

We celebrated our 10-year anniversary on 8th December 2020. What a milestone! From a leasing company to now a full-fledged bank with a capital base of MUR 1.9 billion, I need to thank all the shareholders, the current and previous members of the Board, the management team and the personnel and most importantly the clients for the trust that they place in us. The bank grew steadily and consistently over the last decade and we strongly believe that the new strategy will guide us into the next decade of growth.

The launch of the new internet banking platform ensures that we provide an even more user friendly and secure platform for our customers to transact on. The relocation of the Retail Branch to Plantation House incorporates a number of new features in line with providing a digital journey for our customers. Another milestone was the opening of a Representative Office in Dubai in April of the year. This Office will allow us to be closer to international clients using Dubai as an International Financial Centre.

With the banking sector being so dynamic, the bank cannot afford to rest on its laurels. That is why the bank has embarked on a number of projects – some already coming to completion in the past year and others to be completed in the coming years with the objective of enhancing the capabilities of the bank.

Acknowledgement

It remains for me to thank all members of the Management Team and Staff for their continued commitment, initiatives, relentless efforts and perseverance, resilience and drive and their infringing support. Our thanks are also due to their families where the realities of working from home during the confinement period may not have been always free of inconvenience and strain. I also wish to place on record my sincere thanks to the Bank of Mauritius for their valuable advice and kind guidance throughout the year. We are privileged to have the wise leadership, independence and impartiality, and immense patience and support of our Chairperson. Finally, I am grateful for the support of our shareholders, customers and stakeholders who together with our Human Capital constitute our bank's strong fundamentals.

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

BRIAN AH-CHUEN

STRATEGIC BUSINESS EXECUTIVE & DIRECTOR

STRATEGY REPORT

Reflecting over the past 10 years, I can definitely say that it has been an amazing journey! From a leasing company to full-fledged commercial bank; from domestic banking to now having two representative offices overseas; we have certainly come a long way. The 10-year mark is an important milestone for the bank and we took the opportunity to reflect back but also think about how we can apply what we have learnt going forward. The #countonus Strategy is key to guide us into the next chapter for the bank's development.

CUSTOMER CONVENIENCE

The customer is key in every decision we take and the launch of our new Internet Banking platform was a necessary step to improve the customer journey. One important aspect of our strategy is the ongoing improvement in everything we do and that is why the customer can expect incremental upgrades on the Internet Banking platform.

The recent shift of our branch to Plantation House is another example on the emphasis we place on customers. This branch was designed thinking about what the customer needs and wants in this ever-changing banking world. Having the digital kiosk area to assist the customer is a must in this new era but having trained personnel walking a customer through that digital journey is how we show that we care.

EFFICIENCY IS CAPITAL

It is important for a bank like ours to be smart with our capital. Although we are selective in what we do, I believe that once we set ourselves a target, we do go all-in. In our quest to promote ***#techficiency*** – the efficient use of technology to bring about convenient and effective solutions, we embarked on various projects to equip the bank with the latest technological solutions geared at enhancing our product and service offering.

We also seized the opportunity during these difficult times to put a lot of emphasis internally and set out a bank-wide program of operational efficiency which will certainly benefit the service level to our customers.

OUR MARKET IS GLOBAL

The bank reached a key milestone in its development with the opening of its Representative Office in Dubai in April of the year. Dubai is an important International Financial Centre (IFC) where major international players structure their business. Being close to the game and players was an important strategic move to be in a position to bring the banking business to Mauritius. We have seen the deposit balance grow to MUR 19.8 billion (2020: MUR 16.8 billion) and the new Representative Office has played a key role in reaching this goal.

SUSTAINABILITY

It is important when taking decisions to grow the business to think about the long-term impact and not to take any shortcuts. Being a partner and not just a banker to our customers is an obvious win-win scenario which is key to our long-term success. Understanding the client's needs has been an important element of how we have been able to limit the damages caused by Covid-19.And being proactive through open dialogue with them is what is helping us weather difficult patches.

US CULTURE

I strongly believe that the most important aspect of any strategy is its people. How the people interact, how the people learn and how the people get engaged – this is how a culture is built. Even in these challenging times of lockdown or having most of the personnel working from home, we have put a lot of emphasis on understanding our people so that we can do even more for their well-being and development. You cannot expect to grow your business if you do not grow your people.

OUTLOOK FOR THE BANK

We never imagined closing off the first decade of our bank's history with such unprecedented circumstances as that of the Covid-19 pandemic.

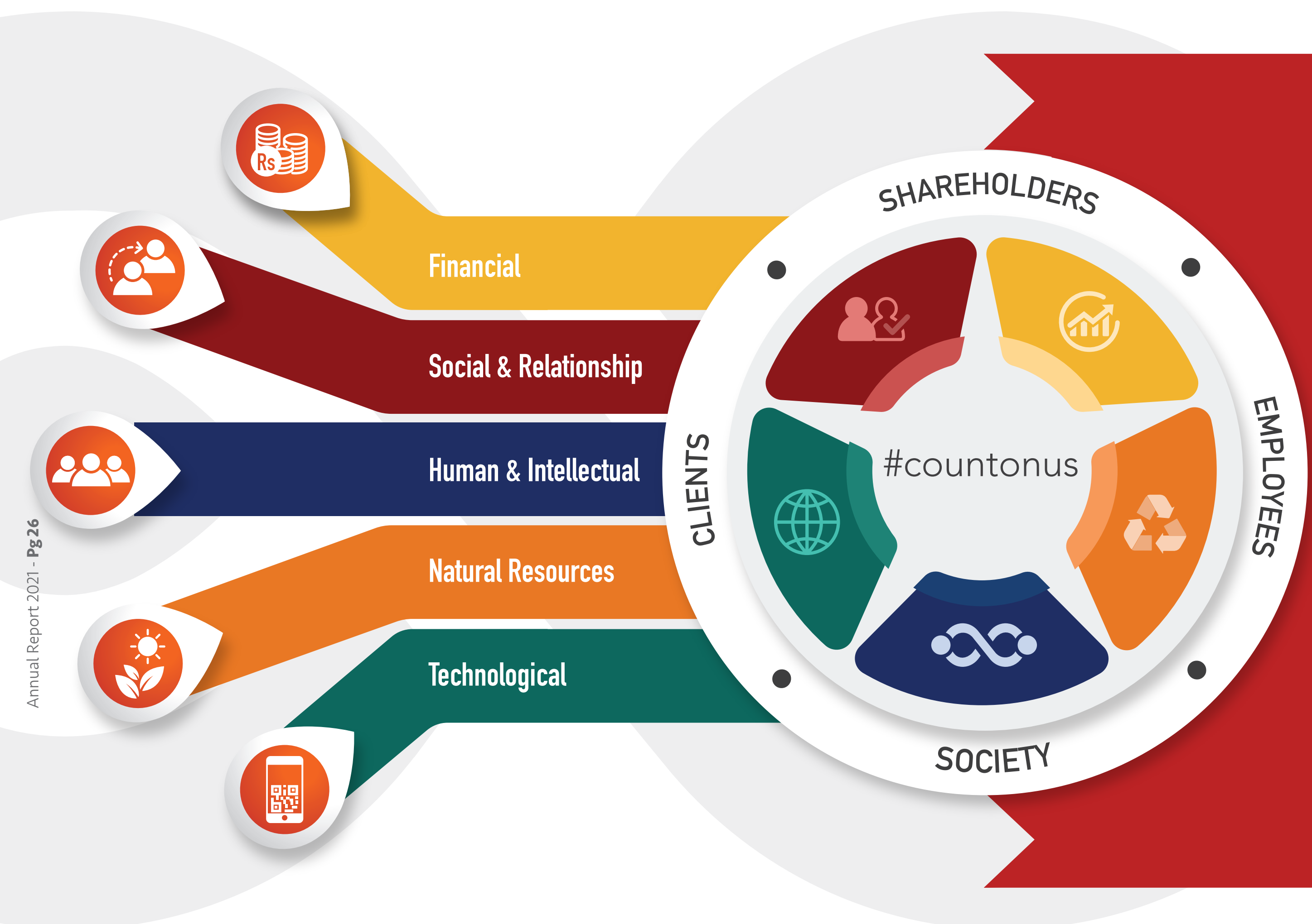
And though many factors still remain unknown going forward, what we do know is how much things have changed already. Online shopping and working from home are behavioural changes that we need to get used to. The bank is carrying on its efforts in its digital transformation journey, both from an internal perspective to achieve operational efficiency as well as externally to reach customer convenience. Decreasing the bank's NPL was a necessary calculated action to allow us to fully focus on our growth strategy.

With the imminent opening of our borders, and having accepted that we now live in the "new normal", the bank is ready to approach this next phase of its history with optimism. We believe we have put together all the right ingredients to enable our business to reach new heights!

Brian Ah-Chuen
Strategic Business Executive & Director

OUR BUSINESS MODEL

INPUT
OUR CAPITALS



OUTPUT
VALUE DRIVEN BY STAKEHOLDERS

Customers
- Loan and advances increased by 4.2%
- Revamp Private Banking offering
- Implementation of phase 1 - Digital transformation program

Staff
- The learning & development of staff represents 5235 man hours
- Male : Female ratio = 1.1 : 1.0

Shareholders / Investors
- No dividend declared
- PAT of MUR 120M
- Strong CAR of 15.3%
- Capital & reserves grew to MUR 1.93Bn

Society
- MUR 2m CSR Contibution (refer to page 54 for more information)
- Over 200 clients assisted through BOM COVID-19 support programme

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

OUTCOMES
OUTCOMES DRIVEN BY OUR CAPITALS

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

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

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

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

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

MATERIAL MATTERS IN OUR ENVIROMENT

THE COVID-19 PANDEMIC AND THE RE-OPENING OF THE BORDERS

The Covid-19 pandemic has had a significant impact on the country's economic activity. With tourism contributing to almost 20% of GDP ahead of the pandemic, the closure of borders left hotel operators, restaurants, travel tours and many other related businesses, struggling.

As a ray of hope, the reopening of borders 16 months after the initial closure, is seen as the debut of the economic recovery. With the gradual and sustained increase in tourist arrival and the high level of vaccinated individuals amongst the population, we can finally envision light at the end of the tunnel.

Moreover, the bank has been keeping a close eye on the hospitality sector and is keen to show its support to a sector that has been a pillar of the Mauritian economy for decades. It is expected that, with the pick up of the hospitality sector, there will be a general subsequent pick up in business activities across various sectors. Projects that have been put on hold should come back on the agenda and the discussion should lean more towards expansion as opposed to being defensive. These are conversations the bank is looking forward to have.

FINANCIAL TECHNOLOGY

Central Bank Digital Currencies (CBDCs) are currencies issued by the central bank of a country. They are not the same as fiat currencies, which are also backed by the credit of a central bank but refer to another obligation of the institution, which can only be used in an electronic format through online systems.

While central banks worldwide are examining the possibility of having a digital currency with concerns around compliance, security and privacy, China's supercharged approach towards rolling this out could eventually accelerate the process worldwide.

In the same vein, the Bank of Mauritius aims to launch its own CBDC by the end of this year. Mauritius is one of the first countries in the world to benefit from the IMF's technical assistance for the design of CBDC. "CBDCs will be here to complement and address gaps that the traditional monetary system is not able to fulfil," said Harvesh Seegolam, the Governor of the Bank of Mauritius. He also emphasised the formidable potential of CBDCs in terms of boosting innovation, product and services, as well as reinforcing the anti-money laundering framework.

ABC Banking Corporation Ltd is looking forward to working with the Bank of Mauritius on such innovations, to increase its portfolio of innovative products and bring major value to its customers, a practice that aligns with its "banking anytime, anywhere" strategy.

MACROECONOMIC ENVIRONMENT

The Covid-19 pandemic put a halt to the economy in 2020, with a contraction figure of -3.3%. Although the pandemic continues to significantly affect people's lives when it comes to the health, sanitary and social aspects, luckily from a global standpoint 2021 is expected to see a growth of 6%. This thanks to a combination of the global vaccination programme, a number of support initiatives by various governments and regulators, and innovation across many sectors - so much so that we can now see the economy maintaining a positive momentum.

Locally, while the economy was heavily impacted by the second national lockdown and a phased deconfinement, the reopening of borders is a very good news and represents a boost to the economy. A number of the budgetary measures announced during the year provided a much needed lift to certain sectors, such as the changes made to the Invest Hotel Scheme for the property and hospitality sector, or the introduction of the biomass framework that will benefit sugarcane growers.

Although there have been some positive economic indicators on the market as well as positive news such as the possible removal of Mauritius from the EU Blacklist, the pace of recovery is still unknown. The bank expects business activity to remain low in the short-term and hopes for an improvement in the second half of the year, when demand for traditional banking services should pick up. Given the shift in consumption patterns and social behaviours, the bank has been focused on making sure its products and services will be the best tools available to its customers.

LIBOR TRANSITION

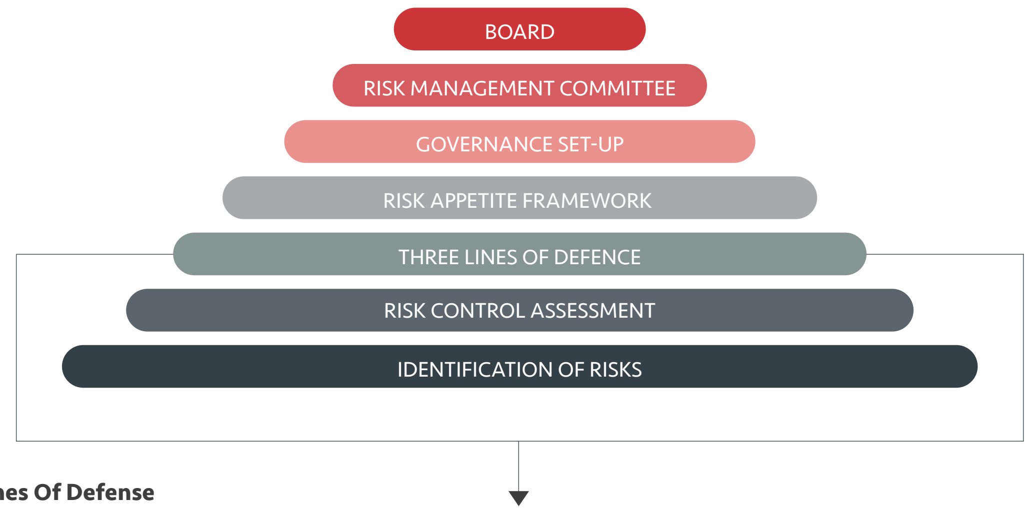
After decades of prime use, regulatory authorities in the UK announced in mid-2021 that they will no longer request panel banks to submit LIBOR settings and, as such, the world's mostly used benchmark is expected to be phased out as from 2021. The disappearance of LIBOR is the result of rigging scandals and the aftermath of the 2008 financial crisis, following which the interbank market started to dry up. Banks worldwide have embarked on a transition programme to replace LIBOR, taking into account the possible legal, regulatory, valuation and IT systems ramifications, amongst others.

Domestically, a similar exercise is being carried out by banks to meet the Bank of Mauritius' deadline, scheduled on 31 December 2021. Exotic deals and derivatives referencing the LIBOR, are considered to be the most challenging ones to migrate, although much guidance has been given by international forums and high-level committees, such as the International Swaps and Derivatives Association [ISDA], on how to effectively transition without much disruptions. Working groups have been set up at the regulator and Mauritius Bankers Association levels, to provide support and exchange best practice amongst member banks. Moving towards the December deadline, it appears most banks, if not all, are on track to successfully phase out of LIBOR, towards alternative reference rates considered better benchmarks to price financial products.

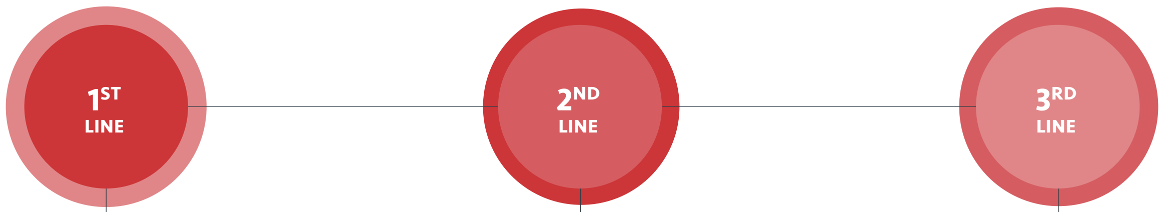
RISKS FOR THE BANK

1. RISK MANAGEMENT FRAMEWORK

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



Three Lines Of Defense



1st Line: Process and control owners in customer facing segments and Group functions which are responsible for managing end-to-end risks and controls in their businesses.

2nd Line: Independent risk, compliance, legal and control functions which formulate risk and control policies, and review the first line's adherence to these.

3rd Line: Internal audit function test and review controls to determine that the first and second lines execute their responsibilities effectively and consistently.

2. RISK RATIOS AT A GLANCE

LCR Consolidated **593%**	MUR **390%**
USD: **225%**	EUR: **214%**

CAR: **15.3%**

Tier 1 Capital: **12.0%**

NPL: **4.2%**

3. RISK HIGHLIGHTS

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

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

Low

High

ANDY LEONG SON

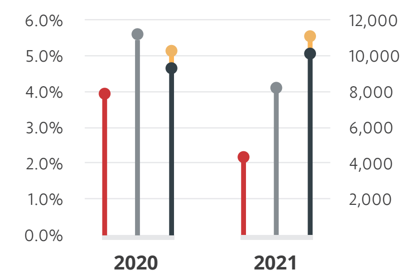
HEAD OF FINANCE

FINANCIAL HIGHLIGHTS

It was another difficult year where the results were again impacted by the Covid-19 pandemic. Despite the challenging economic environment, the bank achieved a Profit after tax of MUR 120 million. Not only was the result consistent with that of last year, but again the Expected Credit Loss (ECL) level played a big factor. Here are some of the highlights of the year.

EXPECTED CREDIT LOSS AND QUALITY OF THE BOOK

The bank registered an Allowance for credit impairment on financial assets of MUR 232 million compared to MUR 311 million last year. However, it can be observed that the quality of the loan portfolio improved with the proportion of ECL for the book improving to 2.2% in 2021 compared to 4.0% in the prior year. This is also consistent with the Non-Performing Loan ratio going down from 5.4% to 4.2%. That improvement in the quality of the book is the result of a strategic and proactive decision by the bank to reduce or exit certain exposures that no longer met its risk appetite.



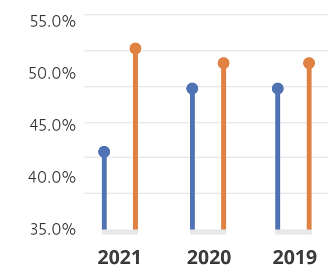
OPERATING PERFORMANCE AND BUSINESS ACTIVITY

Moreover, the decrease in Operating income is reflective of the reduction in business activities seen in the market. With growth plans put on hold, we have seen that opportunities for financing are low compared to pre-Covid-19 levels. The re-opening of the borders is expected to have a positive impact on the non-interest income lines, which contracted slightly this year. The hospitality sector is expected to see an influx of foreign currencies and this should open up the market for more trades and less intervention from the Bank of Mauritius.

On another note, the bank decided to have a buffer in terms of liquidity and capital reserves in the period of uncertainty during the year, following the second national lockdown. The bank therefore sold a number of fixed income papers from the investment securities portfolio to create this buffer and, by making the best of the existing market conditions, the bank also managed to make a healthy profit from these sales.

PRIOR YEAR RESTATEMENT

It should be noted that the prior year Restatement only relates to the reclassification of the Special Levy and has no impact on the bottom-line P&L or the Net Asset of the balance sheet. MUR 20 million has been reclassified from the Operating expense to the Tax expense line. Given that the Special levy by substance is indeed a tax expense, this reclassification



now gives a fairer reflection of the bank's Cost to Income ratio.

Although the recovery of the economy will be a tough challenge, we look at this new financial year with a bit more optimism than the previous two years. The re-opening of the borders, the potential removal of the country from the EU blacklist, the recently opened Dubai Representative Office and the focus of having a quality loan book to grow; are some of the positives where we will put our energy in this year to achieve a better performance going forward.

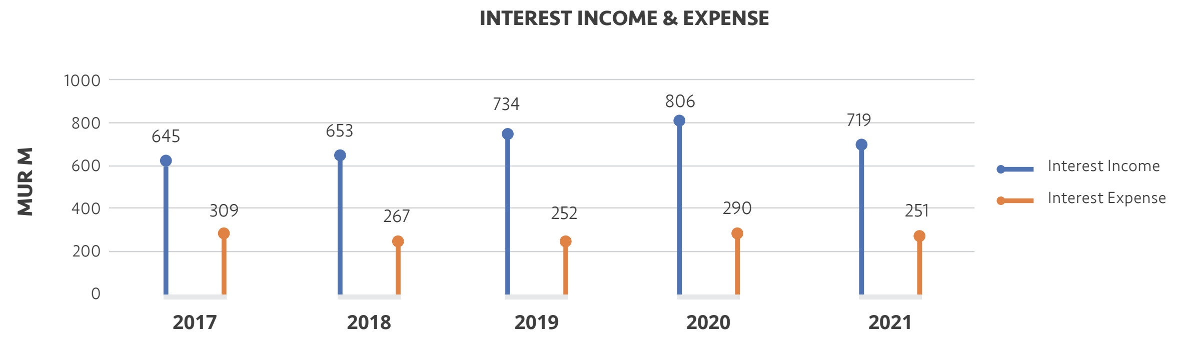
Andy Leong Son
Head of Finance

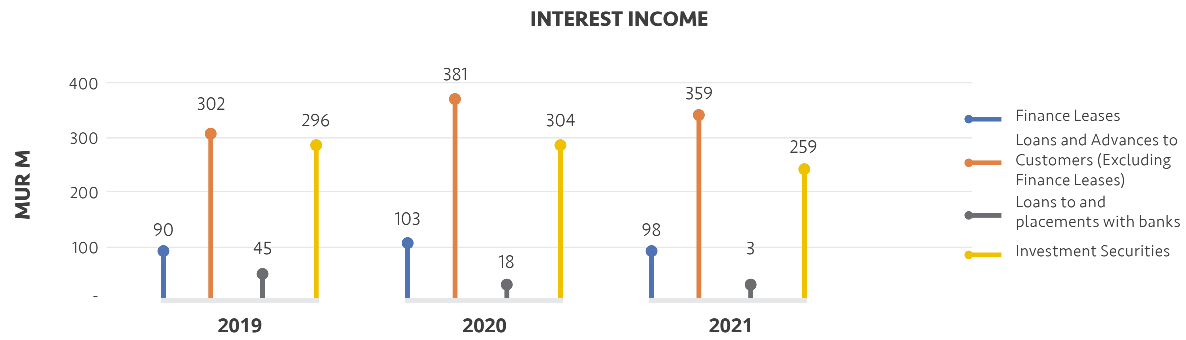
ECL to Book (%)
NPL (%)
Loans and Advances to Customers (MUR'm)
ECL Provision (MUR'm)
Cost to Income Ratio With Prior Year Restatement
Cost to Income Ratio

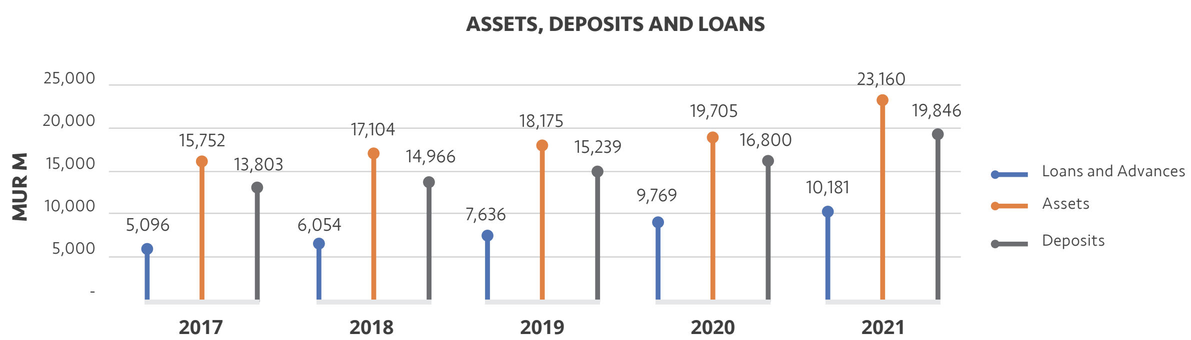
FINANCIAL HIGHLIGHTS

	BANK		
	2021	2020 Restated	2019 Restated
INCOME STATEMENT (MUR M)			
Net Interest Income	**467.9**	516.4	482.5
Operating Income	**713.3**	762.9	652.3
Profit before impairment	**383.5**	452.1	348.1
Profit before tax	**151.5**	141.4	291.4
Profit after tax	**120.1**	120.4	223.9
STATEMENTS OF FINANCIAL POSITION (MUR M)			
Total assets	**23,159.7**	19,705.1	18,175.0
Net loans and advances portfolio	**10,180.8**	9,769.4	7,635.9
Total deposit	**19,846.2**	16,799.7	15,239.5
Shareholders' fund	**1,928.5**	1,836.8	1,771.2
Tier 1 Capital	**1,875.2**	1,804.8	1,759.2
Total net capital	**2,401.4**	2,444.8	2,358.8
Risk- weighted assets	**15,655.4**	14,124.5	12,361.9
PERFORMANCE RATIOS (%)			
Return on average total assets*	**0.5**	0.6	1.2
Return on equity*	**6.2**	6.6	12.6
Non-interest income to operating income	**34.4**	32.3	26.0
Loans and advances to deposit ratio	**52.4**	60.6	51.2
Cost to income ratio	**46.2**	40.7	46.6
CAPITAL ADEQUACY RATIOS (%)			
Capital & Reserves/Total assets	**8.3**	9.3	9.7
Capital adequacy ratio	**15.3**	17.3	19.1
Tier 1 ratio	**12.0**	12.8	14.2
INVESTOR DATA			
Earnings per share (MUR)**	**1.6**	1.6	2.9

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







We value and crave innovation and believe that this spirit should be nurtured in the way that we approach our clients and our business in general.

CORPORATE GOVERNANCE REPORT

Corporate Governance has been at the centre of academic and professional discussions for a few decades. Today, it is evident that it is increasingly important to embrace the best governance practices. It has been demonstrated that, during dire moments like the current Covid-19 pandemic, companies which operate with strong governance frameworks are the ones more likely to make it through the storm.

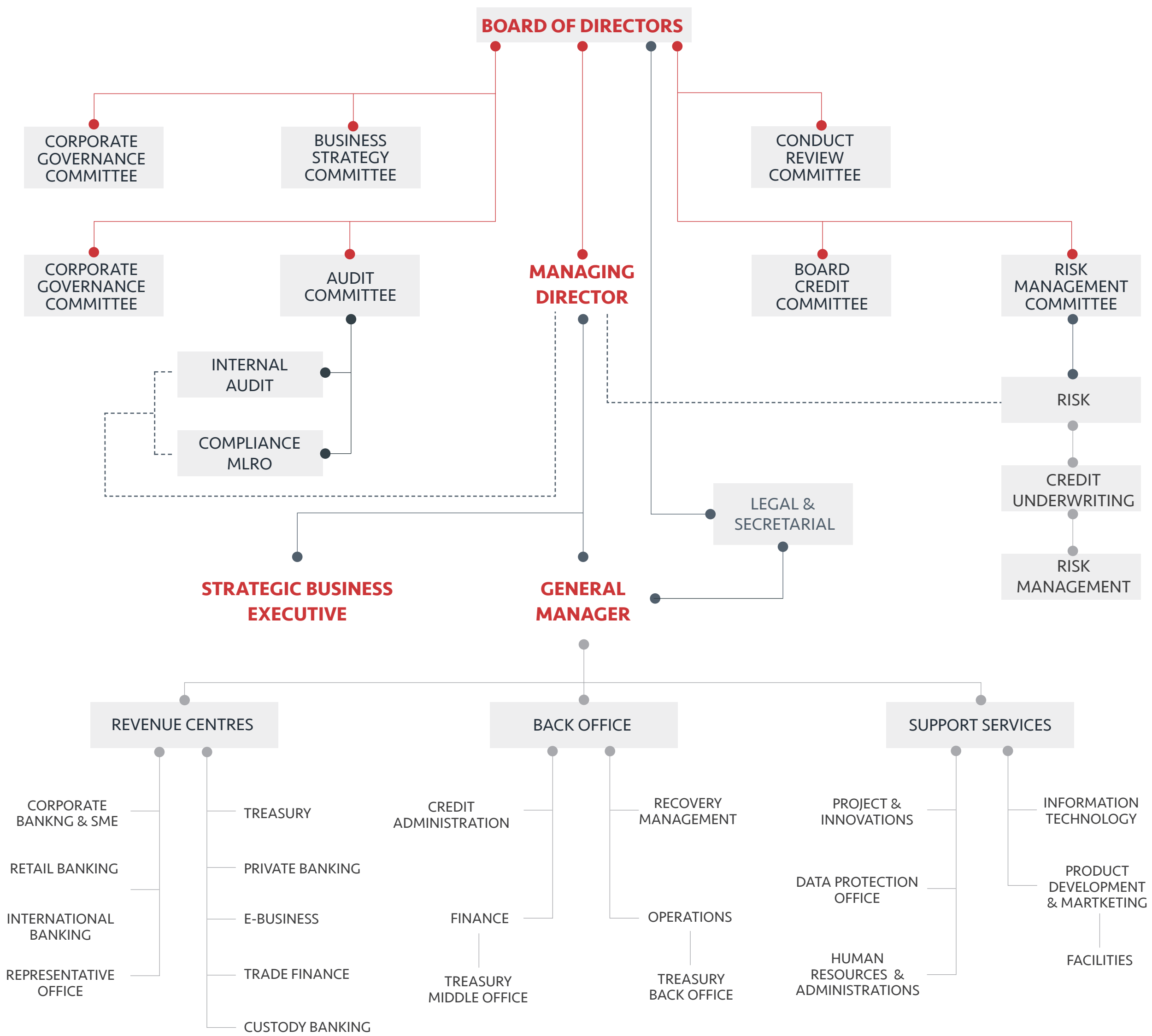
The Board of Directors of the bank is fully cognisant of the above and has always been committed to attaining and sustaining high standards of corporate governance, with the objective of enhancing shareholders' value while also improving the service and benefits to stakeholders at large.

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

CORPORATE GOVERNANCE FRAMEWORK

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

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



THE BOARD AND ITS ROLE

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

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

The bank's Constitution provides that the Board of Directors shall consist of not less than 6 but no more than 10 directors. In accordance with the provisions of the Banking Act 2004 and the Bank of Mauritius' Guideline on Corporate Governance, the Board of the bank had a maximum of 9 directors in office during the year ended 30 June 2021, of which two were Executive Directors, one was a Non-Executive Director and 6 were Independent Directors, including the Chairperson of the Board. The bank's Board of Directors has always been a strong advocate of gender diversity in the Boardroom, and it has been through some very unfortunate circumstances that the percentage of female directors has decreased to 11.1%. The Board however vows to improve this ratio in the coming years. As the Board is ultimately responsible for the bank's affairs, all directors are appointed by the bank's shareholders to serve on the Board at the Annual Meeting of Shareholders.

The above composition enables the Board to function effectively and independently under the guidance of the Chairperson, Mrs Ah Foon Chui Yew Cheong. Professor Donald Ah-Chuen and Mr David Brian Ah-Chuen, the two Executive Directors, ensure the policies and strategies approved at Board level are cascaded through the organisation.

The Board comprised a maximum of 9 members during the year ended 30 June 2021.

Their profiles can be viewed on pages 40 – 43:

DIRECTOR	CATEGORY
Mrs Ah Foon Chui Yew Cheong	Independent Chairperson (As from 22 December 2020)
Prof. Donald Ah-Chuen	Executive (Managing Director)
Mr David Brian Ah-Chuen	Executive (Strategic Business Executive)
Mr Patrick Andrew Dean Ah-Chuen	Non-Executive Director
Mr Sydney Ah Yoong	Independent
Mr Bhanu Pratabsingh Jaddoo	Independent
Mr Michel Bruno Lalanne (Appointed on 24 June 2021)	Independent
Mr Lakshmana Lutchmenarraidoo (Appointed on 26 October 2020)	Independent
Mr André Kwet-Tsong Tze Sek Sum (Appointed on 1 December 2020)	Independent
Hon. Yeung Kam John (Bernard) Yeung Sik Yuen *(Retired as director and Chairperson on 22 December 2020)*	Independent Chairperson
Me. Marie Danielle Low Kwan Sang (Retired as director on 22 December 2020)	Independent

All the directors of the bank as at 30 June 2021 are residents in Mauritius.

PROFILE OF DIRECTORS

MRS AH FOON CHUI YEW CHEONG
INDEPENDENT DIRECTOR AND CHAIRPERSON

Mrs Ah Foon Chui Yew Cheong retired as Judge of the Supreme Court of Mauritius in 2017. Her career in the legal and judicial service spanned over 40 years, including an appointment as Director of Public Prosecutions. She also chaired the Institute for Judicial and Legal Studies (IJLS) since its inception in 2011, up until February 2021. She devised and initiated many courses and workshops for the benefit of the legal profession and the judiciary. She still maintains an interest in the sharing and enrichment of Mauritian civil law and was recently an independent expert witness on Mauritian law in the case of UCP Plc v Nectrus (2019), before the High Court of England and Wales.

She is a member of the Wildlife Justice Commission (WJC) Council. She is, since 2017, the Chairperson of the Board of SOS Children's Villages (Mauritius), which provides family care to needy children.

Her extensive legal and judicial knowledge and experience, along with her strong leadership skills and values, set her as the perfect profile to act as the Independent Chairperson of the bank's Board of Directors.

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

Professor Donald Ah-Chuen holds an M.B.A (University of Strathclyde, UK). He is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants of Australia and holds an M.C.I.P.D (Chartered Institute of Personnel & Development, UK). In March 2009, he was conferred 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 in the sectors of Banking & Financial Services and Tertiary Education.

Professor Donald is a director of the Stock Exchange of Mauritius Ltd (SEM). He is also a director of ABC MOTORS COMPANY LIMITED and P.O.L.I.C.Y Limited, listed on the DEM and SEM respectively. He is a former Board Director of the Development Bank of Mauritius and the Bank of Mauritius. His other previous responsibilities include the Presidency of the Mauritius Chamber of Commerce and Industry and the Chairmanship of the Tertiary Education Commission of Mauritius. He was also Pro-Vice Chancellor of the University of Mauritius and Chairman of the Mauritius Broadcasting Corporation.

MR DAVID BRIAN AH-CHUEN
STRATEGIC BUSINESS EXECUTIVE & DIRECTOR

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

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

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

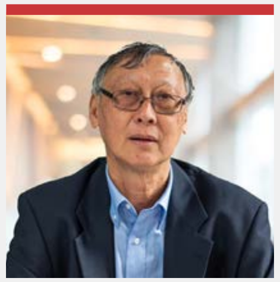
Mr. Brian Ah-Chuen has formerly been the President of the Chinese Chamber of Commerce and Board Member of the Mauritius Chamber of Commerce & Industry (MCCI). He is currently Alternate Director of the Mauritius Union Group (which is listed on the SEM) and Board Member of the Risk Management Association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

MR PATRICK ANDREW DEAN AH-CHUEN
NON-EXECUTIVE DIRECTOR

Mr Patrick Andrew Dean Ah-Chuen holds a Bachelor of Arts from the University of Sydney, Australia, and an MBA in International Business from the University of Western Sydney.

Mr Dean Ah Chuen worked within the IT Division of Westpac Banking Corporation in Australia, as well as for Toyota, before returning to Mauritius in 1994, where he joined ABC Motors Co Ltd as Business Development Manager. As at date, he is the Managing Director of the Automobile Division, the Shipping and Logistics cluster and the Insurance cluster of the ABC Group. He is an Independent Director on the Board of Harel Mallac & Co Ltd and a Board Member of Lovebridge Ltd, a joint private/public project to assist low income families. He is also a member of the Board of Directors of the Trust Fund for Excellence in Sports, an organisation set up by the Government of Mauritius, and a Benefactor of the Court of the University of Mauritius since May 2019. He was previously a Director of the Mauritius Post & Cooperative Bank Ltd.

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



MR SYDNEY AH YOONG
INDEPENDENT DIRECTOR

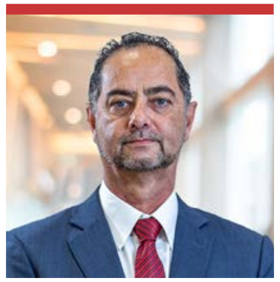
Mr Sydney Ah Yoong has been a Fellow Member of the Association of Chartered Certified Accountants (ACCA) since 1987. He has worked at Deloitte for over 38 years and retired as a Partner in December 2012. He is currently an Independent Director of P.O.L.I.C.Y Limited, an investment company listed on the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

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

MR BHANU PRATABSINGH JADDOO
INDEPENDENT DIRECTOR

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

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



MR MICHEL BRUNO LALANNE

INDEPENDENT DIRECTOR AS FROM 22 JUNE 2021

Mr. Michel Bruno Lalanne is a Certified Anti-Money Laundering Specialist with significant local and international managerial experience. He has a deep knowledge of Compliance (including AML/CFT) procedures, models and operations, which he acquired during the three decades he spent at HSBC Mauritius, where he held several positions such as Head of Corporate Banking, Chief Operating Officer & Area Compliance Officer and Head of Financial Crime Compliance & Regulatory Compliance. Mr. Lalanne is currently a Consultant pertaining to Regulatory and Financial Crime Compliance.

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

Due to his extensive managerial experience, he has been a Member of various Executive and Risk Management Committees for the past 15 years. Mr. Lalanne has a track record for designing and implementing multiple risk management strategies, including in jurisdictions with important global business and gaming sectors.

Based on the above key attributes, Mr. Lalanne brings to the boardroom a thorough understanding and expert perspective of the banking and operational imperatives.

MR LAKSHMANA LUTCHMENARRAIDOO

INDEPENDENT DIRECTOR APPOINTED ON 26 OCTOBER 2020

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 that of Assistant General Manager. He then contributed to the setting up of the Mauritius Leasing Company, of which he was General Manager, before being appointed Managing Director in 1997 and promoted as President of the Financial Services arm of the British American Group from 1999 to 2002.

Mr. Lutchmenarraidoo was appointed as the Executive Chairman of The Mauritius Post Ltd in 2002 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 and La Prudence (Mauricienne) Assurances Ltée, as General Manager of the General Insurance Department. 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 hired as Group Managing Director of Phoenix of East Africa Assurance Company Limited 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. Mr. Lutchmenarraidoo is also an Independent Director and Chairman of the Board of Kwale International Sugar Company Limited, a company based in Kwale County, Kenya.

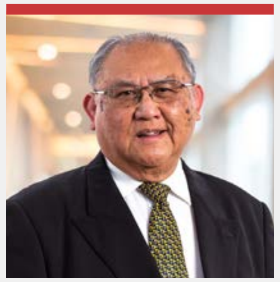
MR ANDRÉ KWET-TSONG TZE SEK SUM

INDEPENDENT DIRECTOR APPOINTED ON 1 DECEMBER 2020

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.



HONOURABLE YEUNG KAM JOHN (BERNARD) YEUNG SIK YUEN, G.O.S.K.

INDEPENDENT CHAIRPERSON UNTIL 22 DECEMBER 2020

Honourable Yeung Kam John (Bernard) Yeung Sik Yuen, G.O.S.K. was appointed Judge of the Supreme Court in 1989 and Senior Puisne Judge in 1995. In June 2007, he was appointed Chief Justice of Mauritius - he retired from that position on 31 December 2013. He is the holder of the Honorary Freedom of the City of Port Louis and that of the City of Curepipe, and an Honorary Bencher of two Inns of Court, the Middle Temple and the Lincoln's Inn.

Honourable Bernard Sik Yuen served on the Sub-Commission for the Promotion and Protection of Human Rights at the Office of the High Commissioner for Human Rights of the United Nations (OHCHR) in Geneva, from 1998 to 2002. Since 2007, he has served as a Commissioner of the African Commission on Human and Peoples' Rights, and is also serving on the United Nations Committee on the Elimination of Racial Discrimination (CERD) since June 2013.

Honourable Bernard Sik Yuen was awarded the Gusi Peace Prize by the Gusi Peace Prize Foundation in 2012, as well as the International Jurists Award in 2013.

ME MARIE DANIELLE LOW KWAN SANG

INDEPENDENT DIRECTOR UNTIL 22 DECEMBER 2020

Me Marie Danielle Low Kwan Sang holds a Master's degree in Law (specialisation in business law) from Aix – Marseille III University, France.

After her Tertiary Studies in France, she returned to Mauritius to undertake a 3-year term of training in Notary Practice, following which she qualified as a Notary and was awarded the Chamber of Notaries prize for the 1987 Notaries' Examinations, organised by the Council of Legal Education of Mauritius. She was commissioned and began practicing as a Notary in 1988.

Me Danielle Low was elected Reporter (1989), Secretary (1990 – 1991) and Chairperson (2006 – 2007) of the then Chamber of Notaries of Mauritius, before moving to the Association of Notaries of Mauritius in 2008. She is also the Notary of many leading companies from both the private and public sectors of Mauritius, as well as that of international corporations. She is deeply involved in the application of civil and commercial laws, and has also been closely associated with the legal setup of many innovative projects and has collaborated with eminent jurists, both local and international.

Me Danielle Low is currently the Secretary and Director of SOS Children's Villages (Mauritius), a company formed to promote the alleviation of poverty and the well-being of distressed children and families.

PROFILE OF MANAGEMENT TEAM

The day-to-day management and operation of the bank's business has been delegated to the Senior Management Team. The Senior Management Team comprises of the Managing Director, the Strategic Business Executive and the General Manager. The departmental heads and the managers have been delegated the task of implementing the strategies and policies approved by the Board and ensuring that same are communicated to all relevant staff. They are also responsible for the design and monitoring of the internal control systems, ensuring that there exists an adequate segregation of duties, with prevalence of dual control in all areas where required. The Senior Management Team ensures that the Board is provided with timely, relevant and complete information on the affairs of the bank on a regular basis to enable it to periodically review the performance of the bank and to make appropriate decisions for its future course of action and development.

MR YASHODAREN UMANEE
GENERAL MANAGER

Mr Yashodaren Umanee is a banker with over 41 years' experience. He worked for the Barclays Bank PLC as International Banking Division Director, and has also been the Corporate Director of Barclays Seychelles for the last 9 months, prior to joining the bank.

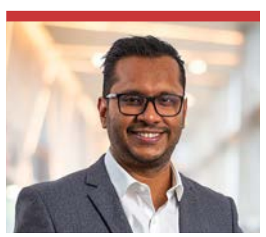
In July 2011, Mr Umanee joined the bank as Head of Banking – Domestic and International. He was promoted to the post of General Manager in January 2012.

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

MR P. ANDREW LEONG SON
HEAD OF FINANCE

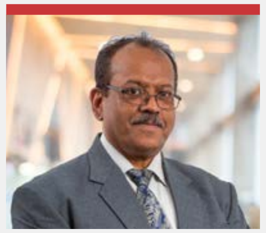
Mr Andrew (Andy) Leong Son has over 11 years' experience in the accountancy and financial sectors, both in Mauritius and in the UK. Prior to joining the bank as Head of Finance, he was the Head of the Advisory division of Perigeum Capital, a Corporate Finance House. He previously worked at KPMG, London, and at the British Business Bank Investments Ltd, a national economic bank based in London.

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



MR ABDOOL WAHAB KHADAROO
HEAD OF RISK

Mr Abdool Wahab Khadaroo has over 24 years' experience in the financial services industry. Before joining the bank in October 2016 as Head of Risk, he worked for 13 years in different departments (Corporate Credit Risk, International Banking, Internal Audit) across Barclays Bank Mauritius Ltd and acquired international exposure with ABSA Bank South Africa, within the Corporate & Investment Banking space, where he was seconded for duty in 2016. He won the Gold Medal in 2016 for "Net Interest Income performance across Southern Africa countries". Mr Khadaroo also had 6 years exposure in external audit with Deloitte & PwC. He is qualified from the Association of Chartered Certified Accountants.



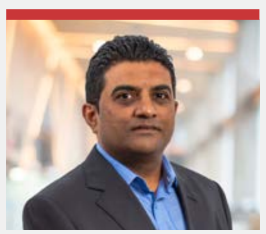
MR VEERAMDEVE NEM
HEAD OF COMPLIANCE

Mr Veeramdeve Nem has over 35 years' experience in the financial services sector. Prior to joining the bank, he held several positions in the banking sector in Mauritius and abroad. He started his career at the Bank of Mauritius in 1983, where he occupied several positions before retiring as Senior Bank Examiner in 2007. Mr Nem was employed as Head of Compliance & MLRO at AfrAsia Bank from 2007 to 2009, a position which he held afterwards at Banque des Mascareignes from 2009 to 2011. Between 2011 and 2016, he held various positions at entities like Capital Horizons Ltd, Bank Internasional Indonesia (Mauritius branch), Banque Privée de Fleury Limited and Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq), before joining the bank in August 2017. Mr Nem is a member of the Association of Certified Fraud Examiners, the Association of Certified Anti-Money Laundering Specialists and the Mauritius Institute of Professional Accountants. He holds an MSc in Finance and is also a Fellow member of the Association of Chartered and Certified Accountant (FCCA).

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

Mrs Christine Ng has over 20 years' experience acquired on the local and international market. She was appointed as Head of Internal Audit of the bank in June 2012, prior to which she worked in the risk advisory and consulting divisions of Ernst & Young Ltd (EY) for 11 years.

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



MR KUSHAL BAJNATHSINGH
HEAD OF INTERNATIONAL BANKING

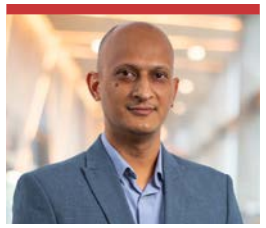
Mr Kushal Bajnathsingh has over 18 years' experience in the Global Business and International Banking field. He joined the bank in August 2011, overseeing its International Banking operations and liabilities division.

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

MR ASHEES MAUNICK
HEAD OF PRIVATE BANKING

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

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



MR ABDULLAH NURMAHOMED
HEAD OF TREASURY

Mr Abdullah Nurmahomed has 15 years' experience in the financial services industry, including 9 years in treasury. Prior to joining the bank, he worked for 4 years as Money Market, Fixed Income and Interbank & Forex Dealer at the State Bank of Mauritius (SBM), and as Treasurer at SBM Madagascar Branch from 2012 to 2013. He also worked for 4 years as Trader (Shift/Team Leader) at Superfund Asset Management Mauritius, and for 3 years as Credit Support Staff at HSBC Mauritius.

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

MRS NATASHA JADE WONG CHUNG KI
HEAD OF CORPORATE BANKING

Mrs Natasha Wong has over 18 years' experience in the financial services sector. She joined the bank in 2015, prior to which she was an Executive Director at the Mauritian Eagle Leasing (previously a member of the IBL Group) for over 10 years.

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

MRS LAURA LI SHEN PIN
HEAD OF DEBT ADMINISTRATION & RECOVERY

Mrs Laura Li Shen Pin has more than 15 years of experience in the banking sector. She was previously he an Accountant at the MCB Group for 7 years where she acquired significant experience in the finance department.

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

BOARD STRUCTURE AND ITS CONDUCT OF AFFAIRS

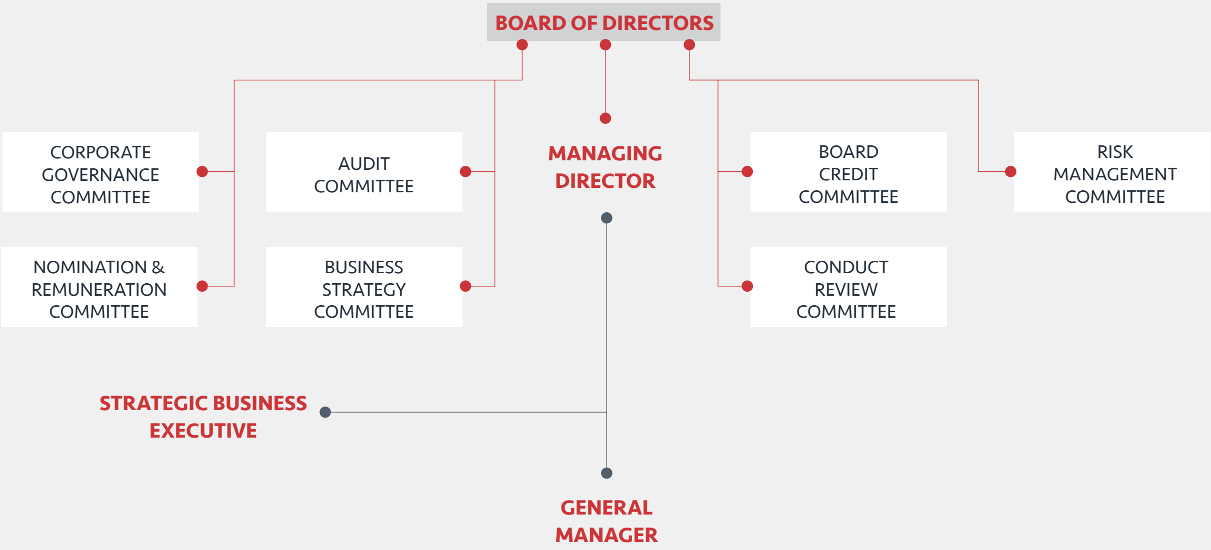
Our corporate governance framework provides that a unitary Board of Directors shall be entrusted with the relevant powers to direct and supervise the management of the bank's business and affairs in an ethical and responsible manner, in line with the guidelines of the Bank of Mauritius and the National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

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

BOARD COMMITTEE

The Board has set up 7 committees to facilitate the effective and efficient discharge of its duties and responsibilities, namely the Board Credit Committee established in June 2021, the Audit Committee, the Risk Management Committee, the Conduct Review Committee, the Nomination and Remuneration Committee, the Corporate Governance Committee and the Business Strategy Committee. The Company Secretary acts as secretary for all meetings of the Board of Directors and its Committees. The terms of reference and composition of the Board Committees are summarised below.

The below diagram depicts the organisation of the Board:



SUPERVISORY & MONITORING COMMITTEE (DISCONTINUED ON 31 MAY 2021)

The Supervisory & Monitoring Committee (SMC) had been delegated the responsibility of implementing and realising the bank's policies, strategies and directives, as set out by the Board. The primary attributions of the Committee were:

- submitting to the Board the bank's development strategy;
- delegating authority to the Managing Director for the bank's day-to-day operations and supervising and monitoring its management;
- liaising with all Board committees as required;
- setting out the corporate values and principal policies, including the credit policy, in respect of the conduct of the business;
- reporting to the Board on the progress of the bank's operations.

Members of the SMC:

- Professor Donald Ah-Chuen (Chairperson)
- Mr David Brian Ah-Chuen
- Mr Sydney Ah Yoong

The General Manager was in attendance at weekly-held SMC meetings.

BOARD CREDIT COMMITTEE (ESTABLISHED IN JUNE 2021)

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

Members of the BCC:

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

The General Manager and the Head of Risk shall be in attendance at all Committee meetings.

THE AUDIT COMMITTEE

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

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

Members of the Audit Committee:

- Mr Bhanu Pratabsingh Jaddoo (Appointed as Chairperson as from 22 December 2020)
- Mr Lakshmana Lutchmenarraidoo (Member as from 22 December 2020)
- Mr André Kwet-Tsong Tze Sek Sum (Member as from 22 December 2020)
- Mrs Ah Foon Chui Yew Cheong (Member until 22 December 2020)
- Mr Sydney Ah Yoong (Member until 22 December 2020)

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

RISK MANAGEMENT COMMITTEE

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

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

Members of the Risk Management Committee:

- Mr Lakshmana Lutchmenarraidoo (Member and Chairperson as from 22 December 2020)
- Mr Sydney Ah Yoong
- Mr Bhanu Pratabsingh Jaddoo (Chairperson until 22 December 2020)
- Mr David Brian Ah-Chuen (Member as from 22 December 2020)
- Prof. Donald Ah-Chuen
- Mr Patrick Andrew Dean Ah-Chuen (Member until December 2020)

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

CONDUCT REVIEW COMMITTEE

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

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

Members of the Conduct Review Committee:

- Mr Sydney Ah Yoong (Chairperson)
- Mr Bhanu Pratabsingh Jaddoo
- Mr Lakshmana Lutchmenarraidoo (Member as from 22 December 2020)
- Mrs Ah Foon Chui Yew Cheong (Member until 22 December 2020)

NOMINATION AND REMUNERATION COMMITTEE

The Nomination 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 Nomination and Remuneration Committee are defined in its terms of reference. They include but are not limited to:

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

Members of the Nomination and Remuneration Committee:

- Mr André Kwet-Tsong Tze Sek Sum (Appointed as Chairperson on 22 December 2020)
- Mrs Ah Foon Chui Yew Cheong (Member as from 22 December 2020)
- Prof. Donald Ah-Chuen
- Me. Marie Danielle Low Kwan Sang (Chairperson and Member until 22 December 2020)
- Hon. Yeung Kam John (Bernard) Yeung Sik Yuen (Member until 22 December 2020)

CORPORATE GOVERNANCE COMMITTEE

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

Members of the Corporate Governance Committee:

- Mr André Kwet-Tsong Tze Sek Sum (Appointed as Chairperson on 22 December 2020)
- Hon. Ah Foon Chui Yew Cheong (Member as from 22 December 2020)
- Prof. Donald Ah-Chuen
- Me. Marie Danielle Low Kwan Sang (Chairperson and Member until 22 December 2020)
- Hon. Yeung Kam John (Bernard) Yeung Sik Yuen (Member until 22 December 2020)

BUSINESS STRATEGY COMMITTEE

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

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

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

Members of the Business Strategy Committee:

- Mr Bhanu Pratabsingh Jaddoo (Chaiperson)
- Mr Lakshmana Lutchmenarraidoo (Member as from 22 December 2020)
- Mr Patrick Andrew Dean Ah-Chuen (Member as from 22 December 2020)
- Mr David Brian Ah-Chuen
- Prof. Donald Ah-Chuen
- Mr Sydney Ah Yoong (Member until 22 December 2020)

COMPANY SECRETARY

The Board has appointed Mr. Mahesh Ittoo as Secretary, to carry out the management of corporate secretarial and governance affairs in-house.

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

Mahesh has 10 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 & Secretarial Services Ltd between 2016 and 2020, before being appointed Company Secretary of ABC Banking Corporation Ltd on 1 September 2020.

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

KEY ACTIVITIES OF THE BOARD

Strategic Planning And Monitoring

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

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

At the bank, strategic management is not just another cyclical task, it is a dynamic and continuous exercise. While the executive team has been tasked to implement the strategic plan, the Business Strategic Committee has the responsibility to oversee and monitor the implementation of the plan on a half yearly basis. Over and above the works of the Business Strategy Committee, the Board as a whole, on a quarterly basis, questions, challenges and clarifies the plan submitted by management, to ensure it is well thought out, realistic, market-appropriate and compatible with the organisation's mission, vision and values.

Succession Planning

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

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

Appointment of New Directors and Senior Officers

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

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

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

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

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

BOARD EVALUATION AND REMUNERATION

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

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

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

APPROVAL OF REMUNERATION POLICY

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

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

Attendance at Committee and Board Meetings

FYE 30 June 2021

	Board Meeting	SMC	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Nomiattions and Remunerations Committee	Business Strategy Committee	Board Credit Committee
AH-CHUEN David Brian	10	39	-	2	-	-	-	3	2
AH-CHUEN Donald	10	38	-	6	-	4	5	3	1
AH-CHUEN Patrick Andrew Dean	10	-	-	4	-	-	-	2	-
AH-YOONG Sydney	10	39	3	6	12	-	-	1	2
CHUI YEW CHEONG Ah Foon *(Appointed as Chairperson on 22 December 2020)*	10	-	3	-	5	2	2	-	-
JADDOO Bhanu Pratabsingh	10	-	5	6	12	-	-	3	2
LUTCHMENARRAIDOO Lakshmana *(Appointed on 26 October 2020)*	8	-	2	2	7	-	-	2	2
TZE SEK SUM Andre *(Appointed on 1 December 2020)*	6	-	2	-	-	2	2	-	-
LALANNE Michel Bruno *(Appointed on 22 June 2021)*	-	-	-	-	-	-	-	-	-
LOW KWAN SANG Marie Danielle *(Retired as director on 22 December 2020)*	4	-	-	-	-	2	3	-	-
YEUNG SIK YUEN Bernard *(Retired as director and Chairperson on 22 December 2020)*	4	-	-	-	-	2	3	-	-
Total Number of Meetings	**10**	**39**	**5**	**6**	**12**	**4**	**5**	**3**	**2**

DIRECTORS' REMUNERATION

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

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

With respect to remuneration, the Board has determined that Non-Executive Directors shall be remunerated based on attendance at Board and Committee meetings during the year. Non-Executive Directors are not subjected to any other sort of emoluments or long-term incentive plans.

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

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

RISK GOVERNANCE AND INTERNAL CONTROL

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

The Board has established a risk appetite framework where its business objectives are articulated in contrast with the level of risk it is willing to assume to achieve its targets. The framework offers a platform for the Board of Directors to be actively engaged in the improvement of risk governance and discussion of risk from a strategic point of view. The clear definition of risk tolerance and desired risk profiles helps cascade the risk strategy approved by the Board to individual business unit levels.

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

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

INFORMATION GOVERNANCE

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

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

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

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

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

REPORTING WITH INTEGRITY

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

ABC Group's Corporate Social Responsibility (CSR) programme is carried out through the Sir Jean Etienne Moilin Ah-Chuen Foundation (referred to as "the Foundation"), a not-for-profit entity named after the Founder and which implements CSR projects of companies of the Group under one common programme.

Since its creation in 2013, the Foundation intervenes in four main areas, namely Community Empowerment, Education, Health & Sports and Environment and has over the past year disbursed Rs.2M, primarily aimed at supporting NGOs and the community.

Community empowerment

The fight against poverty and the social integration of vulnerable communities is high on the Foundation's agenda.

In this regard, the Foundation has maintained its collaboration with its long-standing partners with the objective of empowering vulnerable communities and promoting inclusive growth.

The Foundation has, over the past year, adopted an enhanced human approach to its actions and has increased its involvement in initiatives carried out by its partner NGOs.

In line with the United Nations Development Goals that aim at eradicating extreme poverty, the Foundation has assisted vulnerable segments of the population in obtaining a housing unit. To facilitate low-income families' access to a household Rs.667,000, of which Rs.117,000 was obtained through a fund- raising exercise carried out among employees of ABC Group, was donated to Caritas Ile Maurice for two social housing projects, namely Résidence Tulipe and Un Toit pour Noël.

Moreover, the Foundation renewed its partnership with Caritas Ile Maurice for the School Feeding Project, which provides breakfast to needy primary school children attending Emmanuel Anquetil Government School.

The Foundation also reaffirmed its support to SOS Children's Village for the alternative care project, where vulnerable children are placed under the responsibility of caregivers while residing in family houses provided by SOS Children's Villages, and to Mouvement Pour le Progrès de Roche Bois for the social and empowerment support of out-of-school children and their parents.

In the same vein, the Foundation has joined hands with the NGO APPEL for the ARCH Project, that mainly caters for the rehabilitation of male homeless, and for the Djiboute lor nou prop lipié project, that consists in entrepreneurship and self-sustainability activities for homeless people in a bid to encourage their social integration.

The Covid-19 pandemic has undeniably affected several households albeit those already living below the poverty line. In this context, the Foundation has united with partner NGOs to aid vulnerable groups and accompany them in these difficult times, namely Lovebridge, an NGO that plays an active role in the fight against poverty in Mauritius, and SAFIRE, an association that aims at rehabilitating street-connected young people.

Education

The United Nations Development goals state that inclusive and quality education for all is one of the most powerful and proven vehicles for sustainable development. Education has, in fact, a critical role in the development of a country's economy and society and in that regard, the Foundation has increased its contribution in education-related initiatives.

In the past year, 15 deserving students, enrolled in undergraduate courses at the University of Mauritius, were offered a scholarship under the Sir Jean Etienne Moilin Ah-Chuen Foundation Scholarship Scheme, a scheme that aims at allowing full-time students originating from disadvantaged socio-economic backgrounds to pursue tertiary and vocational training in Mauritius.

Additionally, three students had enrolled at the Collège Technique St Gabriel, a long-time partner of the Foundation and were given the opportunity to pursue their technical training.

The Foundation also extended its support to Terrain for Interactive Pedagogy Through Arts (TIPA) for its interactive pedagogy programme in ZEP schools and to Emmanuel Anquetil Government School for the purchase of equipment for the storage and distribution of drinking water.

Health & sports

Sport fosters values that are essential for society and is an important medium for social integration. The Foundation and ABC Group have accompanied several Mauritian athletes over the years and have contributed to their success on the international scene.

In this regard, the Foundation has renewed its partnership with the Magic Club Quatre Bornes to support the para-athlete and gold medalist Noemi Alphonse, the national flag bearer for the 2020 Summer Paralympics in Tokyo.

The Foundation also reiterated its partnership with the Trust Fund for Excellence in Sports to support local athletes and contribute to their success in international competitions.

To better promote the social integration of people with disabilities, the Foundation continued its collaboration with its long-standing partner, Global Rainbow Foundation, a charitable trust founded in 2011 that aims at advocating for the inclusiveness and integration of people with disabilities.

Environment

At ABC Group, we firmly believe in the protection environment and sustainable development as we aspire to offer a better world to generations to come.

The protection of our natural heritage and local wildlife is sacrosanct if we want to pass on nature's treasures to the next generation. Therefore, and in line with United Nations Sustainable goal 15 that calls for urgent action to reduce the loss of natural habitats and biodiversity, we have renewed our commitment towards the Mauritius Wildlife Foundation for the Echo Parakeet Conservation Project and onboarded the Rodrigues Conversation Project, an initiative that aims at preserving Rodrigues' endemic flora and fauna.

The Foundation reiterated its support towards We-Recycle, an NGO that collects and prepares PET plastic bottle waste for recycling, to contribute to a greener Mauritius. Moreover, recycle bins, crafted by the employees of ABC Group, were installed across the Group to encourage staff to recycle PET plastic bottles, following which nearly 1,000 bottles were collected and remitted to We-Recycle.

The Foundation also collaborated with another NGO, Mission Verte, for the recycling of shredded paper collected across the Group. Over 60 bags of wastepaper have been collected and remitted to the NGO to date, showing our will to make recycling a new norm at ABC Group.

In line with our commitment to sustainable development, we have continued our partnership with Association des Planteurs de Pandanus du Sud-Est, to encourage the production of reusable pandanus (vacoas) shopping bags, to contribute in replacing the use of plastic by organic materials and, at the same time, promote local handicraft.

Social issues / employee involvement

The Foundation has always encouraged employee involvement in its social mission and has to date always received active participation in its initiatives.

In August 2020, employees of the Group, through Staff Welfare Committees, joined hands to protect the pristine beach of Pointe d'Esny during the MV Wakashio oil spill, the most dramatic ecological disaster the country has witnessed to date. Sea booms crafted by staff of the Group, nets and barrels were dispatched to the disaster zone, with employees volunteering onsite to protect the southeast coast of Mauritius.

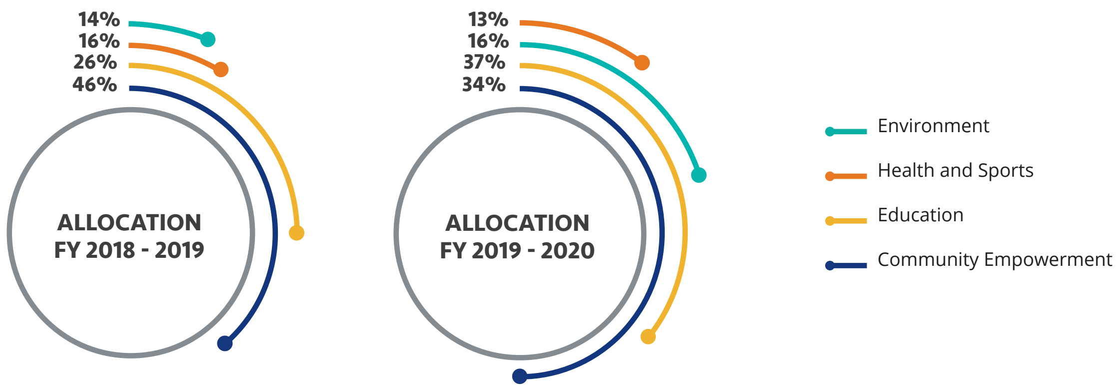
Later that month, ABC Group employees donated used clothing during an initiative launched by the Foundation following which several cartons of used clothing were handed to partner NGOs, namely Couvent Mère Teresa, Abri de Nuit and Caritas Roche Bois. Subsequently, a collection of food items was carried out across the Group where employees showed their generosity by offering 500kg of foodstuff to needy families affected by the Covid-19 pandemic via Caritas, Foyer Père Laval, Couvent Mère Teresa and Abri de Nuit.

In December, a gift distribution was organised for 200 needy children with the support of Caritas Tranquebar, Caritas Roche Bois and Ki Fer Pas Mwa. Like previous years, the initiative benefitted from the support of employees of the ABC Group who donated toys and stationery following an internal gift donation operation carried out across the Group.

The 2021 national lockdown has had significant impact on families already living in difficult conditions, leaving many in extreme financial distress. In this context, the Foundation organized a food packs distribution in collaboration with Caritas Abris de Nuit, Foyer Père Laval, Couvent Mère Teresa and Caritas Ile Maurice to support these families.

Allocation by area of intervention

	FYE 2018/19	FYE 2019/20
	MUR	MUR
Education	450,000	750,000
Health & Sports	300,000	250,000
Community Empowerment	850,000	675,000
Environment	250,000	325,000
	1,850,000	2,000,000



AUDIT AND REPORTING

Internal Audit

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

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

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

To ensure the independence of the internal audit function, the Head of Internal Audit is appointed by the Audit Committee and directly reports to the latter, while reporting only administratively to the Managing Director, as illustrated in the Organigram on page 47.

External Audit

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

Following the amendment of the Banking Act 2004 in 2016, the bank was required to rotate its external auditors. As such, a tender exercise was launched in late 2016 to three of the big four audit firms in Mauritius. Following submissions of their proposals, Ernst & Young Mauritius was selected by a committee consisting of the members of the Audit Committee as well as that of the management team. Ernst & Young Mauritius' final proposal was recommended to the Board by the Audit Committee. The Board subsequently appointed Ernst & Young Mauritius as external auditors following the approval of the Bank of Mauritius. Since then, Ernst & Young Mauritius have been reappointed five times as External Auditors of the bank at the Annual Meeting of Shareholders.

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

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

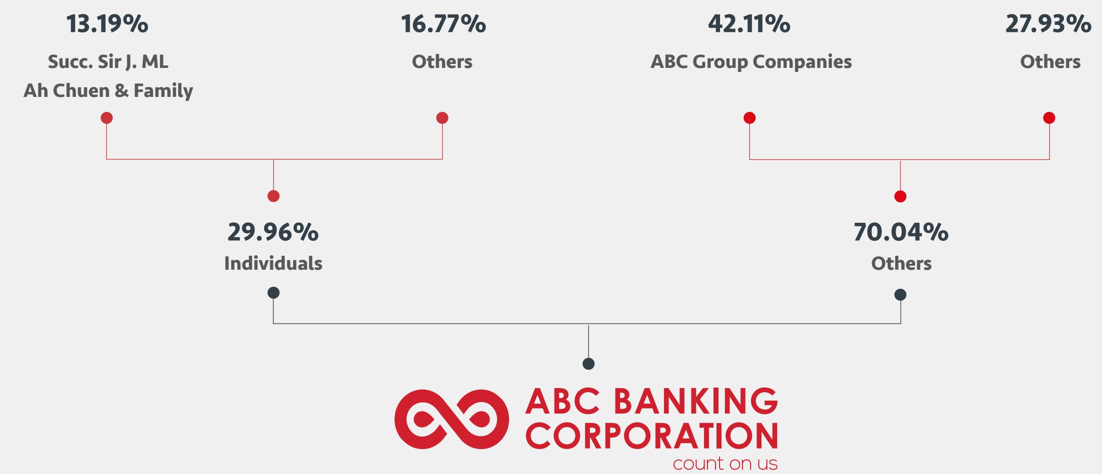
As such, for non-audit services, limited to tax services, the team involved was not part of any decision-making process within Ernst & Young's audit team, and it is ensured that the amount of fees paid for this service is significantly lower than the audit fees. Moreover, with different teams involved,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

Relations With Shareholders And Other Key Stakeholders

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

Shareholders

The bank forms part of the ABC Group of Companies and, as at 30 June 2021, its shareholding structure was as follows:



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

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

List of Shareholders Holding More Than 5% In The Bank

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

Breakdown of shareholding

NO. OF SHARES	NO. OF SHAREHOLDERS
1 – 999	180
1,000 – 9,999	163
10,000 – 19,999	45
20,000 – 49,999	53
50,000 – 99,999	29
100,000 – 499,999	49
500,000 – 999,999	9
1,000,000 – 4,999,999	14
Above 5,000,000	3

Share Option Plans

The bank has no share option plan.

Shareholders' Agreement

The bank is not aware of any agreement among the shareholders

Management Agreement

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

Dividend Policy

Payment of dividends is subject to the bank's profitability, cash flow and capital expenditure requirements. In line with the regulator's prudent advice to encourage capital conservation in an environment of heightened uncertainty, and given its crucial role in supporting the economy during a period of economic disruption, the bank has, in the best interest of all stakeholders, proactively decided not to declare any dividend for the year ended 30 June 2020.

STAKEHOLDERS

Regulators

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

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

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

Customers

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

Employees

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

The bank aims to develop excellence by creating a supportive environment within which all employees are given the opportunity to learn, develop and grow, to achieve their full potential. The learning and development programme for the preceding year represents 5,235 man-hours. These include induction courses, regular training and team building activities. During the financial year ended June 2021, the bank has also conducted staff engagement surveys and feedback on the bank's performance, and hosted social and cultural events to enhance staff welfare. Internal newsletters and electronic communication are regularly circulated to staff to keep them abreast of the bank's performance, outlook and its *#countonus* strategy.

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

The bank is an equal opportunity employer and supports the principle of equal employment opportunity for all staff, at all levels of employment. It is committed to providing a working environment which is free from discrimination and strives for equal treatment and respect of all employees at the workplace. The bank employs 198 employees, including approximately 49.5% women.

LEGAL DUTIES

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

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

ETHICAL CONDUCT

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

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

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

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

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

During the financial year ended 30 June 2021, the Board has revised the Code of Ethics for Staff and has adopted a new Code of Ethics for Directors. The latter document was reviewed by the Corporate Governance Committee and has been adopted by the Board to ensure it complies with the Code.

Workshops have been organised for all staff to ensure they are apprised of the contents of the Code of Ethics and the consequences of its non-compliance. The document has also been published on the bank's website.

DIRECTORS' INTERESTS AND DEALINGS IN SHARES

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

The following table shows Directors' interests in the bank's share capital as at 30 June 2021, together with Directors' dealings in shares during the year ended 30 June 2021:

DIRECTORS	NO. OF SHARES	NO. OF SHARES SOLD	DIRECT HOLDING	INDIRECT HOLDING
AH-CHUEN Brian	-	-	0.37%	0.02%
AH-CHUEN Donald	-	-	1.84%	3.47%
AH-CHUEN Patrick Andrew Dean	-	-	0.30	1.04%
AH YOONG Sydney	-	-	NIL	NIL
CHUI YEW CHEONG Ah Foon	-	-	NIL	NIL
JADDOO Bhanu Pratabsingh	-	-	NIL	NIL
LALANNE Michel Bruno	-	-	NIL	NIL
LUTCHMENARRAIDOO Lakshmana	-	-	NIL	NIL
TZE SEK SUM Kwet-Tsong André	-	-	NIL	NIL

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

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

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

Related party transactions are carried by the bank in accordance with the BOM's Guideline on Related Party Transactions. Such transactions are reviewed and approved by the Conduct Review Committee of the Board and taken note of at quarterly Board meetings.

All situations of conflicts of interest and related party transactions during the year ended 30 June 2021 have been conducted in accordance with the above guidelines and the bank's Code of Ethics.

STATEMENT OF COMPLIANCE

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

Name of Public Interest Entity: ABC Banking Corporation Ltd

Reporting Period: 30 June 2021

Throughout the year ended 30 June 2021, to the best of the Board's knowledge, the Organisation has complied with the Corporate Governance Code for Mauritius (2016). The Organisation has applied all the principles set out in the Code and explained how these principles have been applied.

Date: 18 October 2021

Ah Foon Chui Yew Cheong
Chairperson

David Brian Ah-Chuen
Strategic Business Executive & Director

OTHER STATUTORY DISCLOSURES

(Pursuant to section 221 of the Companies Act 2001)

Principal Activity

The bank is the holder of a banking licence from the Bank of Mauritius and provides the full range of banking products to the public at large.

Directors & Interests

The directors of the bank as at 30 June 2021 were as follows:

Mrs Ah Foon Chui Yew Cheong (Chairperson as from 22 December 2020)
Prof. Donald Ah-Chuen
Mr David Brian Ah-Chuen
Mr Patrick Andrew Dean Ah-Chuen
Mr Sydney Ah Yoong
Mr Bhanu Pratabsingh Jaddoo
Mr Michel Bruno Lalanne (Appointed on 22 June 2021)
Mr Lakshmana Lutchmenarraidoo (Appointed on 26 October 2020)
Mr André Kwet-Tsong Tze Sek Sum (Appointed on 1 December 2020)

Directors' interests in shares of the bank are set out on page 23 of the annual report. No directors have any service contract with the bank.

Directors' Emoluments

During the financial year ended 30 June 2021, the executive received emoluments amounting to MUR 13,446,000.00 (2020: MUR 18,983,866.67) and non-executive directors received MUR 4,315,500 (2020: MUR 3,112,000).

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

Director	Remuneration (MUR)
Mrs Ah Foon Chui Yew Cheong	621,000
Prof. Donald Ah-Chuen	7,795,000
Mr David Brian Ah-Chuen	5,651,000
Mr Patrick Andrew Dean Ah-Chuen	263,500
Mr Sydney Ah Yoong	1,443,500
Mr Bhanu Pratabsingh Jaddoo	748,500
Mr Michel Bruno Lalanne *(Appointed on 22 June 2021)*	-
Mr Lakshmana Lutchmenarraidoo *(Appointed on 26 October 2020)*	330,500
Mr André Kwet-Tsong Tze Sek Sum *(Appointed on 1 December 2020)*	201,000
Hon. Yeung Kam John (Bernard) Yeung Sik Yuen *(Retired as Director and Chairperson on 22 December 2020)*	487,500
Me. Marie Danielle Low Kwan Sang *(Retired as director on 22 December 2020)*	220,000

Directors' Service Contract

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

Directors and Officers Liability Insurance

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

Donations

Donations made during the year were as follows:

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

Auditors

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

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

Note: Other services include review of tax.

Date: 18 October 2021

Ah Foon Chui Yew Cheong
Chairperson

David Brian Ah-Chuen
Strategic Business Executive & Director

COMPANY SECRETARY'S CERTIFICATE

We certify that, to the best of our knowledge and belief, the company has filed with the Registrar of Companies, in respect of the financial year ended 30 June 2021, all such returns as are required of the company under the Companies Act 2001 in terms of section 166(d).

Mahesh Ittoo, ACIS MCSI
Company Secretary
18 October 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

The Board of Directors considers that the bank has complied in all material aspects with the provisions of the National Code of Corporate Governance for the year ended 30 June 2021.

Approved by the Board of Directors on 18 October 2021 and signed on its behalf by

Ah Foon Chui Yew Cheong
Chairperson

Bhanu Pratabsingh Jaddoo
Chairman - Audit Committee

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The year was another challenging one with a second national lockdown due to the COVID- 19 Pandemic having a negative impact on businesses across multiple sectors. While the various government support schemes have been helpful to the economy, we have also observed an increase in the number of companies going into administration and also an increase in the rate of unemployment. The re-opening of the borders was a much-awaited news that will hopefully act as a catalyst to boost the economy.

As for the bank, a Profit for the year of MUR 120.1 million was achieved compared to MUR 120.4 million in the prior year. The result was again impacted by the allowance for credit impairment on financial assets amounting to MUR 232 million (2020: MUR 311 million) with the tourism sector being a focused segment from an IFRS 9 perspective. Moreover, Operating Income decreased from MUR 763 million to MUR 713 million as a result of the reduction in business activities due to the pandemic.

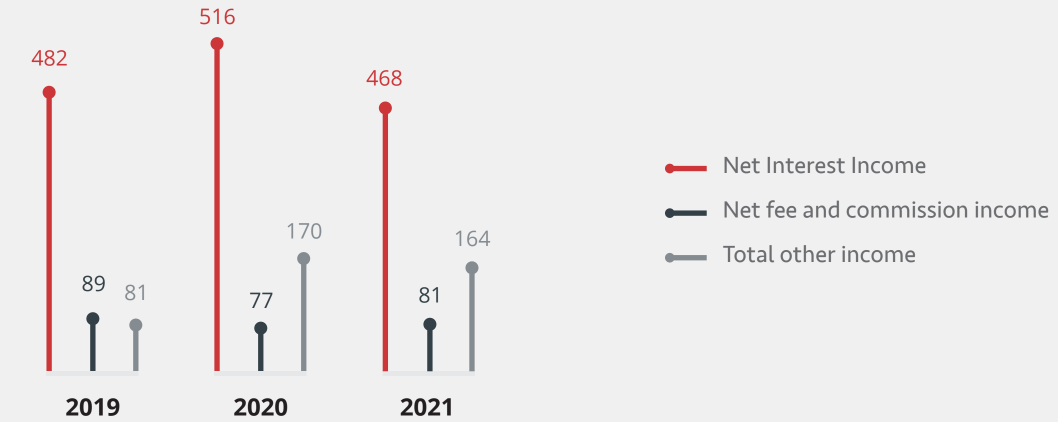
PERFORMANCE AGAINST OBJECTIVES

AREA OF PERFORMANCE	OBJECTIVES FOR FY 2020/21	ACTUAL FOR FY 2020/21	OBJECTIVES FOR FY 2021/22
Net Interest Income	Given the slowdown in the economy, Net Interest Income is expected to contract slightly in the coming year.	In line with market expectation, interest income contracted by 11% this year due to the low interest rate environment and the decreased market activity.	Given that the pace of the pick-up in the economy is still unknown, any change in the interest income is likely to be marginal
Non-Interest Expense	The bank expects to continue spending in the core areas of technology and human capital.	Non-Interest expenses increased by 6% in line with expected spending as part of the digital transformation of the bank.	While the bank expects to continue spending in the core areas of technology and human capital, we also expect to see some operational efficiencies from these investments.
Productivity (Non-interest expense as a % of the sum of Other income and Net interest income before impairment)	It is anticipated that the cost to income ratio will increase to above 50% next year due to an expected challenging year on Operating income and planned increased expenditure on technology and human capital.	The cost to income ratio was 46% due to the reclassification of the Bank Special Levy from Operational expenses to Tax expense.	With the expected slow restart of economic activities together with the bank's planned investment in technology and human capital, the cost to income ratio is expected to increase above 50%.
Return on Equity (Net profit/Equity)	Given the expected challenging year ahead, the bank expects a minimum ROE of 10%.	The ROE of 6.2% was short of the expectation as a second lock-down and its effects were not anticipated.	Despite the fact that 2022 will be another challenging year, the bank is targeting an ROE of 10%
Return on Average Total Assets	The bank aims to keep ROA above 0.5% for the year 2020/21	An ROA of 0.6% was achieved in line with expectation.	The bank aims to increase ROA to about 1%.
Portfolio Quality	Notwithstanding the difficult global economy, the bank aim to keep lowering its NPL ratio.	The NPL ratio reduced from 5.4% to 4.2%.	Notwithstanding the difficult global economy, the bank aims to keep lowering its NPL ratio.
Deposit from Customers	Given the expected reduced growth of the loan book due to the slowdown in the economy, the growth in the deposit base will be adjusted accordingly.	Deposits grew from MUR 16.8bn to MUR 19.8bn.	With the opening of the Dubai Representative office, we expect deposits for international banking to contribute to the growth on the deposit base.
Loans and other Advances portfolio	In this economic environment, the bank expected the portfolio to grow by a minimum of 10%.	The loan and advances portfolio grew by 4% in the year reflecting the difficult economic environment.	Despite the expected persistent low business activity environment, the bank is expecting the growth of loan book to be in line with the prior year.

REVIEW OF CORE FINANCIAL PERFORMANCE

OPERATING INCOME

Operating income stood at MUR 713 million for the year ended 30 June 2021 representing a decrease of 6.5% compared to last year MUR 763 million. Net interest income decreased by 9.4% primarily due to the low-interest rate environment as well as the difficult market conditions. Net fees and commission income soared by 5.5% while other income decreased by 3.1% this year.

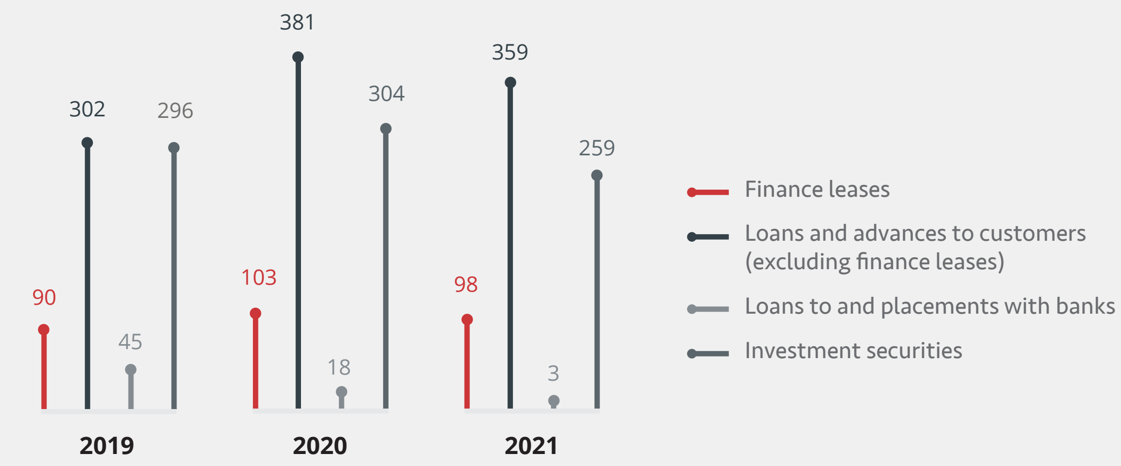


Operating Income (MUR m)

NET INTEREST INCOME

The bank's interest income of MUR 719 million for the year was a 10.8% decrease compared to previous year figure of MUR 806 million. With the low interest rate environment, it was expected that interest income would be negatively impacted even though the loan book grew by 4.2%. Similarly, interest expense has decreased by 13.4% from MUR 290 million to MUR 251 million. The bank witnessed a decrease in Net interest income with the figure for the year being MUR 468 million compared to MUR 516 million the previous year.

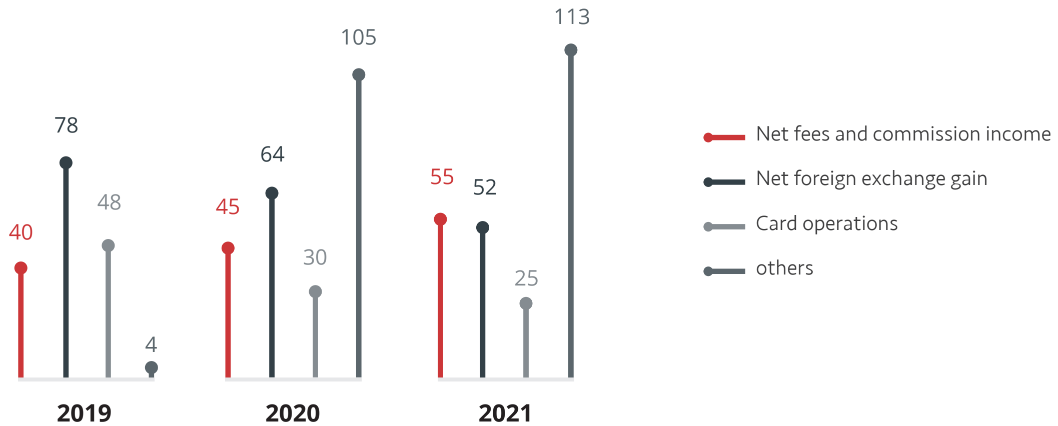
The chart below shows the yearly progress of Interest Income over the last 3 years:



Interest Income (MUR m)

NON-INTEREST INCOME

Non-Interest Income of the bank was consistent at MUR 245 million. While the Covid-19 pandemic affected a number of activities such as the supply of foreign currencies to the market from the hospitality sector or the use of debit cards from international banking customers not able to travel, the bank was able to leverage on certain opportunities such as trade finance deals or gain from sale of securities to compensate for these shortfalls.



Non-Interest Income (MUR m)

ASSET MIX

The bank's total assets grew by 17.5% from MUR 19.7 billion at 30 June 2020 to attain MUR 23.2 billion as at 30 June 2021 mainly driven by an increase in Cash and cash equivalents of MUR 3.6 billion. This is a direct result of the excess liquidity that can be seen in the banking sector due to the current economic environment. The loans and advances portfolio and investment securities represent 44% and 28% respectively of the bank's asset mix for the year ended 30 June 2021.

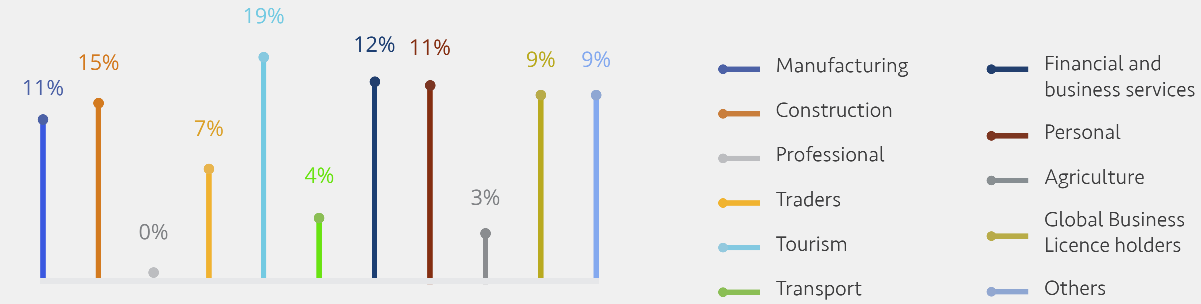
The following chart represents the Bank's asset mix for the year ended 30 June 2021 and 30 June 2020 respectively:

INVESTMENT SECURITIES

The bank's investment portfolio stood at MUR 6.5 billion as at 30 June 2021, which represents a decrease of 8.6% compared to 30 June 2020 at MUR 7.1 billion. During the year, the bank took advantage of the volatile condition to dispose of some securities at the peak of the market.

CREDIT EXPOSURE

The bank's gross loans portfolio grew by 4.2% to reach MUR 10.2 billion as at 30 June 2021 compared to last year's MUR 9.8 billion. As expected with the difficult economic conditions marked by COVID-19, the bank continued to follow its strategy of having a diversified portfolio in order to mitigate its level of credit concentration risk across different economic sectors. Its major borrowers remained in the sectors of Tourism at 19.1%, Construction at 14.7% and Financial and business services at 12.3%.



CREDIT EXPOSURE BY SECTOR AS AT 30 JUNE 2021

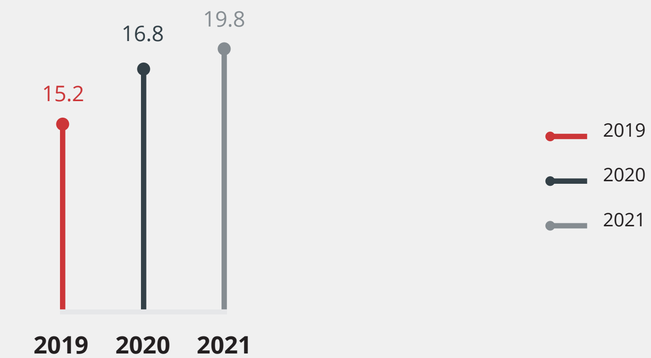
PROVISIONING AND ASSET QUALITY

The bank's allowance for credit impairment on financial assets decreased from MUR 311 million to MUR 232 million as a result of the bank's decision to strategically exit certain exposures during the year. The bank continued on this prudent approach of treating tourism and exposures related to that segment with significant increase in credit risk as Stage 2 ECL.

The bank's non-performing loan ratio improved from 5.4% last year to 4.2% this year.

DEPOSITS

The bank's deposit base experience a rise of 18.1% to reach MUR 19.8 billion as at 30 June 2021 (2020: MUR 16.8 billion). In line with the current macro-economic environment, there is an excess of liquidity in the banking sector as projects and expansions are put on hold. The growth of the international banking business with the opening of the Dubai Representative office also contributed to this increase with foreign currency deposits.

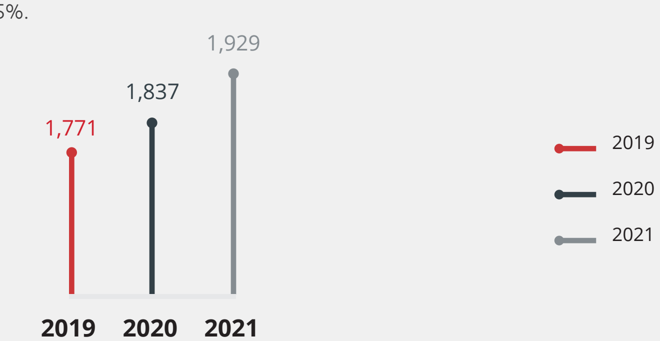


Deposits (MUR m)

CAPITAL RESOURCES

As at 30 June 2021, the bank's Shareholders' equity stood at MUR 1,929 million (2020: MUR 1,837 million). The increase in mainly explained by the profit generated for the year under review.

On the regulatory side, with Tier 1 of MUR 1,875.2 million and Total Capital base of MUR 2,401.4 million coupled with total risk weighted assets of MUR 15,665.4 million, the bank achieved a satisfactory total capital adequacy ratio of 15.34% well above the regulatory requirement of 11.875%.



Shareholders' equity (MUR m)

The client shall remain central to all our undertakings as we continuously look for ways to create novel 'wow' experiences;

RISK REPORT

1. HIGHLIGHTS FOR FINANCIAL YEAR ENDED JUNE 2021

Asset Quality

Non-Performing Loans (NPL) ratio reduced from 5.4% to 4.2% on the back of the write off of a one-off exposure, which resulted in a decrease in specific provision from MUR 277.1 million as at June 2020 to MUR 105.0 million as at June 2021.

The watchlist portfolio, which stood at MUR 3.5 billion as at June 2021, mainly relating to clients impacted by Covid-19, is being closely monitored with a reduced exposure strategy adopted by the bank for clients considered high-risk.

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

Sovereign risk

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

In a time presenting significant global challenges, the bank has adopted a prudent approach to leverage investment grade rated securities for its sovereign portfolio.

Country Risk

Domestic exposure as a percentage of total exposure remained stable compared to last year, while overseas exposures are well-diversified, in line with the bank's country risk management framework.

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

Bank risk

An overall increase in balances with banks is noted, from MUR 381.7 million as at June 2020 to MUR 2.8 billion as at June 2021.

This can be attributed to the bank's initiatives towards deploying its FCY liquidity to bank counterparties, essentially in terms of money market lines and participation in syndicated deals in the financial institution space.

Sector Concentration

The top 4 sectors, namely Manufacturing, Tourism, Construction and Financial & Business Services, make up 63.1% of total credit exposures. The weightage of the bank's loan book remained stable, with 20.9% in tourism, 15.6% in Financial & Business Services, 14.7% in Construction and 11.9% in Manufacturing, reflecting a well-diversified portfolio.

Funding Mix and Loan to deposit ratio

The split between MUR and FCY deposits stood at 44% and 56% respectively. On the back of an increase in the bank's deposit base, net loan to deposit ratio stood at 51.3%, compared to 58.2% last year.

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

Operational risk

No material operational loss reported for the financial year ended June 2021, which is testimony of the robustness of the internal controls in place at the bank.

2. RISK GOVERNANCE STRUCTURE

The risk management process comprises of the following steps:

Risk Identification — **Risk Assessment** — **Risk Control** — **Risk Monitoring** — **Risk Reporting**

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

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

LIMIT STRUCTURE

Regulatory Limits				
Liquidity Coverage Ratio	Capital Adequacy Ratio	Credit Concentration	Related Party Transactions	Cash Reserve Ratio

Internal Limits								
Liquidity Coverage Ratio	Cumulative Liquidity Gap	Country Limit	Bank Limit	Sectorwise Concentration	Credit Concentration	Top Depositor	Top 20 Depositors	Group Depositor

CREDIT RATING TOOL

RETAIL CLIENTS

The rating assesses factors such as repayment capacity of the client, track record and type of security provided

CORPORATE CLIENTS

The model takes into account qualitative and quantitative factors to generate a rating

3. RISK GOVERNANCE FRAMEWORK

3.1 Board oversight and management of risks and internal control

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

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

The Board is principally responsible for:

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

3.2 RISK MANAGEMENT COMMITTEE

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

Responsibilities include:

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

3.3 CONDUCT REVIEW COMMITTEE

The responsibilities of the Conduct Review Committee include:

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

3.4 Assets and Liabilities Committee (ALCO)

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

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

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

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

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

- Capital structure and related matters
- Funding
- Liquidity

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

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

ALCO is also responsible for:

Interest Rate Risk

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

Funding

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

Liquidity

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

Balance Sheet Management

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

3.5 Audit Committee

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

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

The Audit Committee is also responsible to recommend the (re)appointment of external auditors to the shareholders, through the Board of Directors.

3.6 Line of defence

3.7 Risk department

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

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

4. CREDIT RISK

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

4.1 Credit Risk Management Approach

The Credit Underwriting and Risk function is segregated from the Origination and Sales function. Credit granting and approval authority are in compliance with the delegation of authority, as set out in the credit policies.

The credit risk management process at the bank can be summarised as follows:

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

4.2 Credit Policies

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

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

Credit Approval Process

Front Office

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

Credit Underwriting

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

Approval Process

- Approval by Credit Underwriting/ Management Credit Committee/ Executive Committee/Conduct Review Committee/Board Credit Committee depending on type of deal and amount

4.3 Concentration Risk and Credit Risk Profile

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

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

4.3.1 Sovereign Risk

Sovereign risk is a type of credit risk specific to government debt. A decrease in exposure is noted in total investments in Bank of Mauritius and Government notes and bonds, from MUR 2.1 billion as at June 2020 to MUR 1.8 billion as at June 2021. Investment in local treasury bills dropped from MUR 948.9 million to MUR 893.8 million as at June 2021.

The investment book is split between local and foreign investment at MUR 4.7 billion and MUR 1.8 billion respectively. Investment in foreign government securities amounted to MUR 1.76 billion accounts for the bulk of foreign investment carrying sovereign risk, while investment in foreign corporates stood at MUR 83.7 million, being mainly investment grade counterparties.

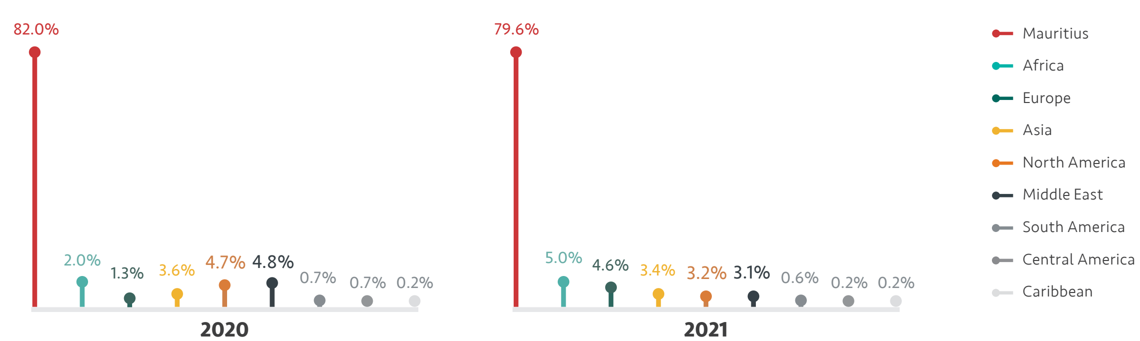
Local investment in domestic top tier corporates and investment in Government of Mauritius and Bank of Mauritius securities amounted to MUR 2.0 billion and MUR 2.7 billion respectively, reflecting an acceptable risk profile of the portfolio.

4.3.2 Country Risk

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

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

The following chart shows the distribution of exposure by country.



Domestic exposure as a percentage of total exposure remained stable compared to last year, while overseas exposures are well diversified in line with the bank's country risk management framework. Increase in exposure to Africa relates mainly to additional bank placements in Egypt and Rwanda.

Exposure in Europe rose from MUR 256.8 million as at June 2020 to MUR 975.8 million as at June 2021, mainly due to new placements in the UK.

Exposure in other geographical regions remained stable as at end of financial year.

Country Limit

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

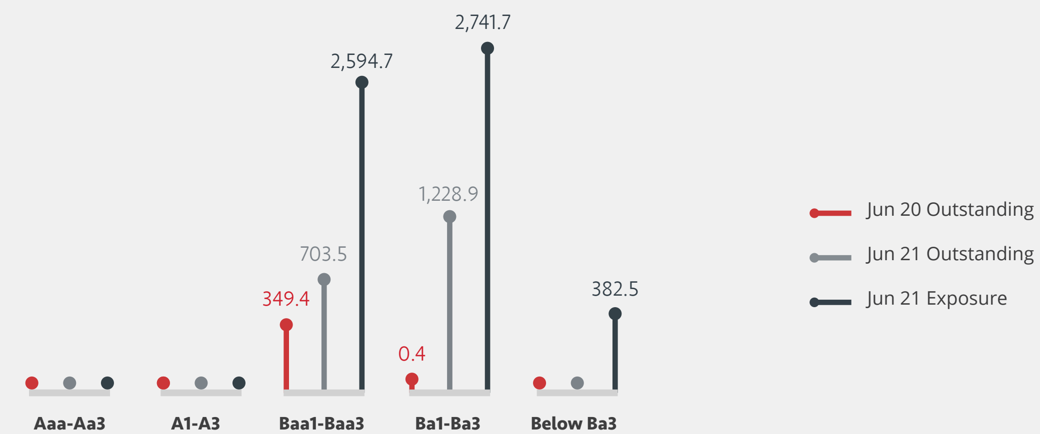
- The bank's strategic intent
- The country's risk rating
- Macro economic indicators
- Business opportunities available in the country
- Exposure to the bank's Tier 1 capital

4.3.3 Bank risk

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

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

Exposures to banks by rating are reflected below.



Bank Risk Classification by External Credit Rating (MUR m)

In terms of bank risk, we note an overall increase in exposure, which can be attributed to the bank's initiatives towards deploying its FCY liquidity to bank counterparties, essentially in terms of money market lines and participation in syndicated deals in the financial institution space.

A significant increase in exposure to banks can be observed for ratings Baa1-Baa3, from MUR 349.4 million to MUR 703.5 million, while exposure to banks in rating range Ba1-Ba3 also rose by MUR 1.2 billion.

4.3.4 Sector Concentration

Tourism is the sector with the highest exposure, at 20.9%. 63.1% of total exposures was concentrated in 4 top sectors: Manufacturing, Tourism, Construction and Financial & Business Services. All sector exposures are within the respective internal limits approved by the Board. Prudential limits for the Tourism and Transport (car rental) sectors were reduced to reflect the impact of Covid-19 on the Mauritian economy.

SECTOR	Exposure Jun 20						**Exposure Jun 21**						Prudential limits	"Concentration Direction *(% of total exposure)*"	"Real GDP Growth by Sectors (2021)"
	Segment A		Segment B		TOTAL		**Segment A**		**Segment B**		**TOTAL**				
	(MUR m)	% of Total SEG A Exposure	(MUR m Equiv.)	% of Total SEG B Exposure	(MUR m Equiv.)	% of Total Exposure	**(MUR m)**	**% of Total SEG A Exposure**	**(MUR m Equiv.)**	**% of Total SEG B Exposure**	**(MUR m Equiv.)**	**% of Total Exposure**			
Agriculture and Fishing	866.7	7.7%	-	0.0%	866.7	6.1%	**461.0**	**4.1%**	**-**	**0.0%**	**461.0**	**3.3%**	15.0%	↓	+6.8%
Manufacturing	1,453.2	12.9%	44.1	1.5%	1,497.2	10.5%	**1,601.2**	**14.4%**	**51.2**	**1.9%**	**1,652.9**	**11.9%**	16.5%	↑	+11.3%
Tourism	2,159.9	19.2%	659.2	21.9%	2,819.2	19.8%	**2,215.3**	**19.9%**	**688.0**	**25.1%**	**2,903.3**	**20.9%**	25.0%	↑	+2.9%
Transport	422.7	3.8%	0.5	0.0%	423.2	3.0%	**416.2**	**3.7%**	**0.1**	**0.0%**	**416.3**	**3.0%**	10.0%	↑	+0.0%
Construction	1,844.0	16.4%	296.6	9.9%	2,140.6	15.0%	**1,590.0**	**14.3%**	**455.3**	**16.6%**	**2,045.3**	**14.7%**	16.0%	↓	+25.2%
of which Commercial, Residential and Land Parcelling	*771.2*	*6.9%*	-	*0.0%*	*771.2*	*5.4%*	*520.5*	*4.7%*	-	*0.0%*	*520.5*	*3.7%*	*12.5%*	↓	
Global Business Licence Holders	-	0.0%	1,081.1	36.0%	1,081.1	7.6%	**-**	**0.0%**	**1,074.5**	**39.2%**	**1,074.5**	**7.7%**	10.0%	↑	+5.0%
Traders	1,134.9	10.1%	-	0.0%	1,134.9	8.0%	**1,161.6**	**10.4%**	**-**	**0.0%**	**1,161.6**	**8.4%**	30.0%	↑	+4.1%
Information Communication and Technology	176.6	1.6%	356.6	11.9%	533.1	3.7%	**168.3**	**1.5%**	**316.7**	**11.5%**	**485.0**	**3.5%**	10.0%	↓	+7.0%
Financial and Business Services	2,100.5	18.7%	43.3	1.4%	2,143.8	15.0%	**2,131.7**	**19.1%**	**32.4**	**1.2%**	**2,164.0**	**15.6%**	26.0%	↑	+3.8%
Infrastructure	10.8	0.1%	-	0.0%	10.8	0.1%	**3.2**	**0.0%**	**-**	**0.0%**	**3.2**	**0.0%**	15.0%	↓	
Professional	12.9	0.1%	-	0.0%	12.9	0.1%	**13.2**	**0.1%**	**-**	**0.0%**	**13.2**	**0.1%**	5.0%	↑	+5.2%
Health Development Certificate Holders	1.9	0.0%	-	0.0%	1.9	0.0%	**1.1**	**0.0%**	**-**	**0.0%**	**1.1**	**0.0%**	5.0%	↓	+1.9%
Education	9.8	0.1%	-	0.0%	9.8	0.1%	**9.3**	**0.1%**	**-**	**0.0%**	**9.3**	**0.1%**	10.0%	↓	+1.3%
Media, Entertainment and Recreational Activities	18.2	0.2%	-	0.0%	18.2	0.1%	**18.9**	**0.2%**	**-**	**0.0%**	**18.9**	**0.1%**	5.0%	↑	-0.8%
Other	266.2	2.4%	413.2	13.8%	679.4	4.8%	**311.4**	**2.8%**	**-**	**0.0%**	**311.4**	**2.2%**	10.0%	↓	+3.0%
Personal	764.1	6.8%	109.2	3.6%	873.4	6.1%	**1,040.7**	**9.3%**	**125.2**	**4.6%**	**1,165.9**	**8.4%**	12.5%	↑	
Total	11,242.6	100.0%	3,003.7	100.0%	14,246.3	100.0%	**11,143.2**	**100.0%**	**2,743.3**	**100.0%**	**13,886.5**	**100.0%**			

Table 1: Sector-wise distribution

4.3.5 Credit Concentration Risk for large exposures

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

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

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

GROUP AND SINGLE EXPOSURE	NET EXPOSURE INCL COMMITMENTS AT 30.06.21 (MUR M)	EXPOSURE AND UNDRAWN COMMITMENTS AS A % OF TIER 1
1	646.2	34.5%
2	635.8	33.9%
3	581.2	31.0%
4	564.6	30.1%
5	516.4	27.5%
6	423.3	22.6%
7	411.8	22.0%
8	398.4	21.2%
9	393.8	21.0%
10	367.1	19.6%
11	363.7	19.4%
12	329.0	17.5%
13	321.7	17.2%
14	316.7	16.9%
15	298.2	15.9%
16	297.9	15.9%
17	272.1	14.5%
18	263.5	14.1%
19	252.9	13.5%
20	250.5	13.4%
21	226.0	12.1%
22	223.1	11.9%
23	213.6	11.4%
24	187.9	10.0%
Total	**8,755.2**	**466.9%**

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

As at 30 June 2021, 18 groups of connected counterparties and 6 single customers had exposures exceeding 10% of the bank's Tier 1 capital. The aggregate of the exposures is within the regulatory limit of 800% of the bank's Tier 1 capital.

4.3.6 Related Party Transactions

The bank adheres to the Bank of Mauritius Guideline on Related Party Transactions. As at 30 June 2021, the bank's exposure to related parties in category 1 and category 2 represented 31.4% of Tier 1 capital, well within the regulatory limits of 150% of Tier 1 Capital. The bank's exposures to non-exempt related parties aggregated to MUR 564.6 million (30.1% of Tier 1 Capital) as at June 2021, compared to MUR 522.2 million (28.9% of Tier 1 Capital) as at June 2020. Same was within the regulatory limit set by the Bank of Mauritius.

The top 6 exposures to non-exempt related parties aggregated MUR 434.7 million (23.2% of Tier 1 capital) as at 30 June 2021, compared to MUR 377.6 million (20.9% of Tier 1 capital) as at 30 June 2020.

TOP 6 EXPOSURE TO RELATED PARTIES NON-EXEMPT	NET EXPOSURE INCL COMMITMENTS AT 30.06.21 (MUR M)	% OF TIER 1 CAPITAL
1	141.34	7.5%
2	102.73	5.5%
3	102.27	5.5%
4	32.79	1.7%
5	29.66	1.6%
6	25.89	1.4%
Total	**434.7**	**23.2%**

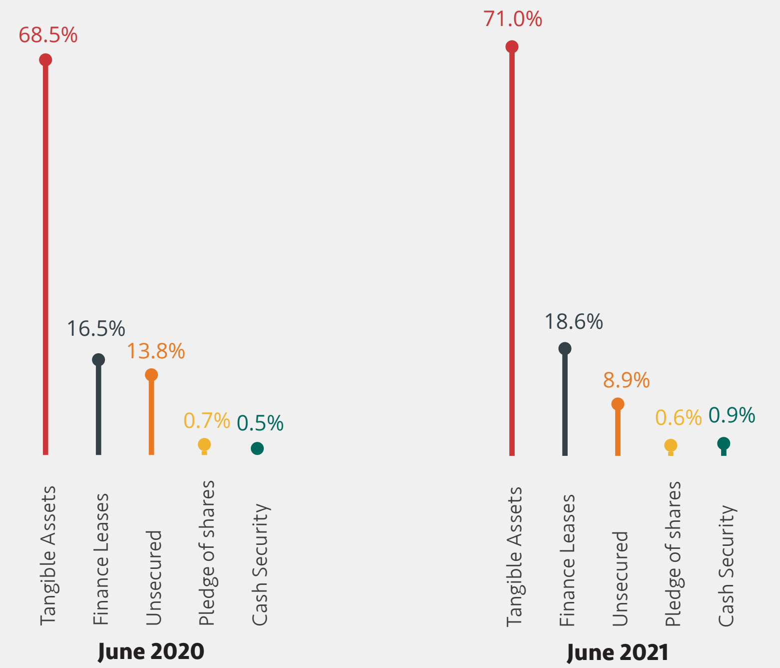
Table 3: Top 6 exposures to non-exempt related parties

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

4.3.5 Credit Risk Mitigation

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

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



71.0% of exposure was secured against fixed/floating charges as at June 2021, compared to 68.5% as at June 2020. The proportion of unsecured facilities dropped to 8.9% as at end of financial year.

4.5 Account Monitoring and Recovery

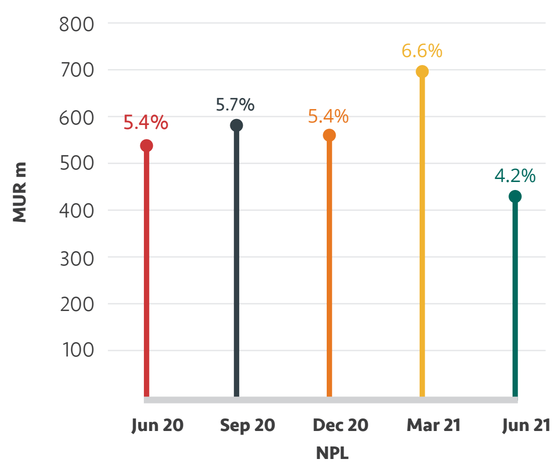
Credit granted and borrowers are monitored on an ongoing basis. The restructuring of facilities is undertaken on a case-to-case basis, taking into account the borrower's repayment capacity.

Key Indicators of Credit Quality

RATIO	AS AT 30 JUNE 2019	AS AT 30 JUNE 2020	AS AT 30 JUNE 2021
Non-Performing Loans (NPLs)/Gross loans and advances	0.9%	5.4%	**4.2%**

Table 4: Key indicators of asset quality

NPLs as a percentage of gross loans and advances decreased from 5.4% as at 30 June 2020 to 4.2% as at 30 June 2021, on the back of the write off of a one-off exposure which resulted in a decrease in specific provision, from MUR 277.1 million as at June 2020 to MUR 105.0 million as at June 2021.



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

5. Market Risk Management

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

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

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

- **Gap analysis**

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

- **Value at Risk (VaR)**

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

The framework is employed across the bank using historical simulation based on data for the previous 12 months. The framework's approach assumes historical changes in market value are representative of the distribution of potential outcomes in the immediate future. The use of risk management VaR provides a stable measure of VaR that is closely aligned to risk management decisions made by the lines of business, and provides the appropriate information needed to respond to risk events.

- **Earnings-at-risk (EAR)**

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

5.1 Liquidity risk

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

5.1.1 Liquidity risk Management

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

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

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

5.1.2 Funding Risk

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

The primary funding sources are from deposits from retail and corporate clients, comprising savings, call and term deposits. Deposits (including accrued interest) increased to MUR 19.8 billion as at June 2021. FCY deposits (excluding accrued interest) increased from 49.7% as at June 2020 to 55.6% as at June 2021, while MUR deposits decreased from 50.3% to 44.4% over the same period.

Net loan to deposit ratio dropped from 58.2% as at June 2020 to 51.3% as at June 2021, due to an increase in deposits.

41.5% of deposits were individual consumer deposits as at June 2021. Although savings accounts and call deposits are repayable on demand, these are considered fairly stable sources of funding at the bank.

5.1.3 Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR) represents a standard designed to ensure a bank has an adequate inventory of unencumbered High-Quality Liquid Assets (HQLA), consisting of cash or assets convertible into cash at little or no loss of value in market, to meet its liquidity requirements for a 30 days' liquidity stress period, by which time management and the Bank of Mauritius will be able to take appropriate corrective actions to resolve the stress situation in an orderly manner. The LCR was at 593% on a consolidated basis as at 30 June 2021 (June 2020: 299%).

5.1.4 Contingent Liquidity Risk

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

5.2 Interest Rate Risk

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

The tables below provide an analysis of the bank's interest rate risk exposure. As at 30 June 2021, currencies accounting for 5% or more of total assets or liabilities included MUR, EUR and USD. The up-to-3 months column includes assets and liabilities bearing floating rates of interests that do not reprice at set dates but whenever the underlying interest rate changes.

Repricing Gap – Bank

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

As at June 2020	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	11,489.4	472.5	651.1	1,386.4	2,325.2	577.1	3,220.5	20,122.3
Liabilities	5,089.2	495.8	894.4	2,028.8	1,494.6	-	7,865.5	17,868.3
On Balance sheet interest rate repricing gap	6,400.3	(23.3)	(243.3)	(642.4)	830.6	577.1	(4,645.1)	2,253.9
Cumulative repricing gap	6,400.3	6,376.9	6,133.6	5,491.2	6,321.9	6,899.0	2,253.9	
As a % of total assets	**32.5%**	**32.4%**	**31.1%**	**27.9%**	**32.1%**	**35.0%**	**11.4%**	

Repricing Gap – MUR

As at June 2021	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	6,319.5	346.7	732.8	501.8	1,690.7	271.6	1,785.3	11,648.6
Liabilities	4,655.2	936.2	1,274.8	716.2	1,373.3	-	797.0	9,752.8
On Balance sheet interest rate repricing gap	1,664.3	(589.5)	(542.0)	(214.4)	317.4	271.6	988.3	1,895.8
Cumulative repricing gap	1,664.3	1,074.8	532.8	318.4	635.8	907.5	1,895.8	
As a % of total MUR assets	**14.3%**	**9.2%**	**4.6%**	**2.7%**	**5.5%**	**7.8%**	**16.3%**	

Repricing Gap – EUR

As at June 2021	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	2,096.3	45.1	-	133.0	151.7	-	534.3	2,960.4
Liabilities	2.3	17.8	10.1	7.6	-	-	2,637.9	2,675.7
On Balance sheet interest rate repricing gap	2,094.1	27.3	(10.1)	125.4	151.7	0.0	(2,103.6)	284.7
Cumulative repricing gap	2,094.1	2,121.4	2,111.2	2,236.6	2,388.3	2,388.8	284.7	
As a % of total EUR assets	**70.7%**	**71.7%**	**71.3%**	**75.6%**	**80.7%**	**80.7%**	**9.6%**	

Repricing Gap – USD

As at June 2021	Up to 3 months	3-6 months	6-12 months	1-2years	2-5 years	Over 5 years	Non interest sensitive	Total
	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m	MUR m
Assets	4,533.7	151.0	325.0	326.5	1,066.4	-	1,219.2	7,621.9
Liabilities	433.9	846.0	50.3	93.4	53.4	-	6,070.7	7,547.7
On Balance sheet interest rate repricing gap	4,099.9	(695.0)	274.7	233.2	1,013.0	0.0	(4,851.5)	74.2
Cumulative repricing gap	4,099.9	3,404.8	3,679.5	3,912.6	4,925.7	4,925.7	74.2	
As a % of total USD assets	**53.8%**	**44.7%**	**48.3%**	**51.3%**	**64.6%**	**64.6%**	**1.0%**	

Tables 5: Repricing gap

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

Interest Rate Sensitivity Analysis

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

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

The table also indicates that a 100-basis points change in interest rate for MUR will have an impact of MUR 9.1 million on our profits and losses, as at 30 June 2021 (MUR 8.4 million as at 30 June 2020). The increase in EaR is explained by a marginal rise in our interest rate gap over the period.

Currency	Change in Basis Points	Sensitivity of Profit or Loss and Equity MUR m
MUR	50	4.6
	100	9.1
EUR	50	11.9
USD	50	24.7

5.3 Foreign Exchange Risk

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

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

5.4 Price Risk

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

5.5 Value at Risk (VaR)

Another market risk measure used within the bank is Value at Risk (VaR). VaR is used to determine the potential loss from adverse currency movements under normal conditions. VaR is based on a 12-month historical observation period, using a one-day holding period and a confidence interval of 99%. VaR is calculated based on exposure at close of business. There is the risk that intra-day trading and exposures may vary from close of day level, but given the volume is low, the risk is mitigated. VaR was MUR 95k as at 30 June 2021, as compared to MUR 0.7 million as at 30 June 2020.

5.6 Risk Appetite Framework

The purpose of the risk appetite framework is to help align the bank's risk profile and strategic orientation. It is the key success factor of the risk management strategy, that determines the level and type of risk the bank is willing to take and sustain while executing its business strategies.

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

The bank's risk appetite is defined by a risk appetite framework set by the Board. It lays emphasis on a strong risk culture and defines the threshold to manage aggregate risks through an acceptable scale and in line with the Bank of Mauritius Guidelines on Credit and Country Risk Management and Cross Border Lending.

6 OPERATIONAL RISK MANAGEMENT

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

6.1 Key types of Operational Risk

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

6.2 Management of Operational Risk

The bank identifies and manages operational risks as follows:

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

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

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

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

No material operational loss has been reported for the quarter ended June 2021, a testament of the robustness of the bank's internal control.

7 INFORMATION TECHNOLOGY (IT) RISK

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

8 STRATEGIC RISK

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

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

9 REPUTATIONAL RISK

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

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

10 PENSION OBLIGATION RISK

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

The bank launched its pension scheme in July 2014. The pension plan is a Defined Contribution pension plan (DC). The pension scheme administrator is MUA Pension Ltd and the investment manager is ABC Capital Markets Ltd.

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

There will be little risk borne by the bank under the DC pension plan.

11 COMPLIANCE AND ANTI MONEY LAUNDERING

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

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

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

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

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

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

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

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

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

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

12 INTERNAL AUDIT

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

To accomplish its duties, the Internal Audit team has unrestricted access to the bank's records and employees. Its process includes an in-depth review of the bank's policies and procedures and a risk assessment exercise, to identify key risk areas and relevant mitigating controls. Internal audit's main role is to test the design and operating effectiveness of these controls through walk-throughs and substantive testing. At the end of fieldwork, audit findings are risk rated (high, moderate and low) and discussed with the Head/Manager in charge during a closing meeting. The draft audit report is then circulated to them for feedback. The final audit report includes management's action plan and timing for implementation, and is circulated to the Audit Committee, Strategic Business Executive, General Manager and relevant Head/Manager.

Key responsibilities of the Internal Audit function include the following:

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

For the quarter ended June 2021, Internal Audit completed its reviews of the following main areas: related party transactions, sample check on the Bank of Mauritius' risk-based supervision returns, liquidity risk management framework and IT reviews, including follow-up on vulnerability assessment and database SYS logs. The new internal audit plan for the financial year 2022, was also approved by the Audit Committee on 28 June 2021.

13 CAPITAL ADEQUACY AND MANAGEMENT

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

Regulatory capital adequacy is measured through the Capital Adequacy Ratio (CAR), which measures the capital supply relative to capital demand, as measured by risk weighted assets.

Risk Weighted Assets

Risk weighted assets are worked out by applying risk weights from prescribed risk parameters. The bank has adopted the standardised approach to credit and market risks and the basic indicator approach to operational risks.

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

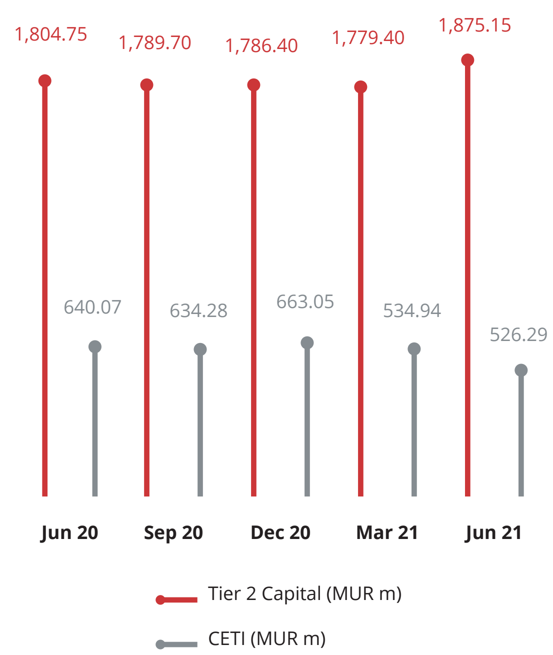
For operational risk, the basic indicator approach is used by the bank. Under the basic indicator approach, the capital charge of the bank is calculated by multiplying the 3-year average gross income to a beta factor of 15%.

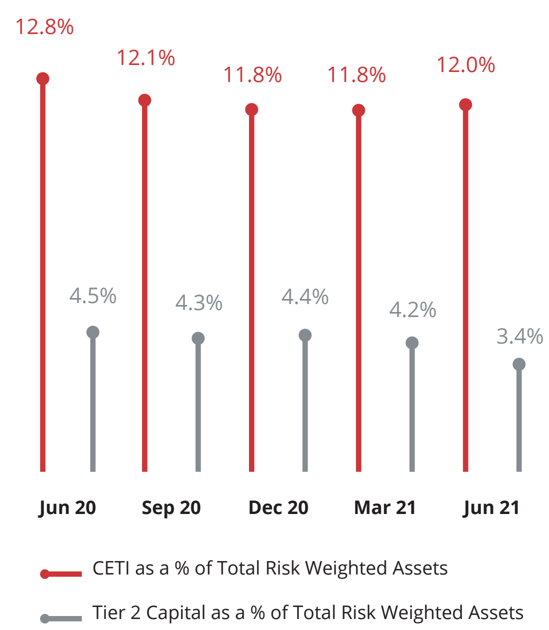
CAPITAL RATIOS

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

Capital Ratios (%)	As at June 2019	As at June 2020	As at June 2021
Capital Base	**MUR m**	**MUR m**	**MUR m**
Tier 1 Capital	1,759.2	1,804.8	1,875.2
Tier 2 Capital	599.6	640.1	526.3
Total Capital Base	**2,358.8**	**2,444.8**	**2,401.4**
Total Risk Weighted Assets	**12,361.0**	**14,124.5**	**15,655.4**
CET1 CAR	14.2%	12.8%	12.0%
Tier 1 CAR	14.2%	12.8%	12.0%
CAR	19.1%	17.3%	15.3%
Buffers			**MUR m**
Tier 1 Buffer			622.7
Total Capital Buffer			835.9
Total Capital Buffer with Minimum Capital Conservation Buffer			444.5

Table 6: Capital Ratios





Tier 1 CAR and CAR were within the regulatory limits as at end of June 2021.

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

MONITORING

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

The ICAAP report serves the following main purposes:

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

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

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

	Jun-21	Jun-20	Jun-19
	MUR M	MUR M	MUR M
Common Equity Tier 1 capital: instruments and reserves			
Ordinary shares capital	762.7	762.7	762.7
Share premium	177.8	177.8	177.8
Retained earnings	671.1	557.0	641.0
Accumulated other comprehensive income and other disclosed reserves	196.2	218.8	189.7
Current year's interim profits (subject to certification by the bank's external auditors)	120.1	120.4	-
Common Equity Tier 1 capital before regulatory adjustments	**1,928.5**	**1,836.8**	**1,771.2**
Common Equity Tier 1 capital: regulatory adjustments			
Other intangible assets	(41.8)	(8.9)	(2.3)
Deferred tax assets	(11.6)	(23.1)	(9.7)
Total regulatory adjustments to Common Equity Tier 1 capital	**(53.4)**	**(32.0)**	**(12.0)**
Common Equity Tier 1 capital (CET1)	**1,875.2**	**1,804.8**	**1,759.2**
Tier 1 capital (T1 = CET1 + AT1)	**1,875.2**	**1,804.8**	**1,759.2**
Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital	400.0	500.0	500.0
Provisions or loan-loss reserves	126.3	140.1	99.6
Tier 2 capital before regulatory adjustments	**526.3**	**640.1**	**599.6**
Tier 2 capital (T2)	526.3	640.1	599.6
Total Capital (capital base)	**2,401.4**	**2,444.8**	**2,358.8**
Risk Weighted Assets			
Total on-balance sheet risk-weighted credit exposures	14,203.0	12,626.7	11,132.8
Total non-market-related off-balance sheet risk-weighted credit exposures	368.1	444.4	343.6
Total market-related off-balance sheet risk-weighted credit exposures	13.5	10.7	13.1
Risk weighted assets for operational risk	1,064.2	987.3	852.4
Aggregate net open foreign exchange position	6.5	55.4	20.0
Total risk weighted assets	**15,655.4**	**14,124.5**	**12,361.9**
Capital ratios (as a percentage of risk weighted assets)			
CET1 capital ratio	12.0%	12.8%	14.2%
Tier 1 capital ratio	12.0%	12.8%	14.2%
Total capital ratio	15.3%	17.3%	19.1%

Risk Weighted Assets Risk weighted of On-Balance Sheet assets	Jun-21 Amount	Weight	Weighted amount	Jun-20 Weighted amount	Jun-19 Weighted amount
	MUR M	%	MUR M	MUR M	MUR M
Cash items	17.7	0-20	-	-	-
Claims on sovereigns	3,385.0	0-100	108.5	122.1	317.5
Claims on central banks	2,634.2	0-100	-	-	151.0
Claims on banks	4,083.9	20-100	1,730.1	258.5	1,079.3
Claims on corporates	7,640.1	100	7,100.5	7,350.7	6,250.2
Claims on regulatory retail	1,639.2	75	1,229.4	925.7	437.9
Claims secured by residential property and commercial estate	1,240.6	35-125	1,408.0	1,207.7	1,000.4
Past due claims	298.0	50-150	441.7	273.5	0.4
Others	2,184.9	100	2,184.9	2,488.5	1,896.1
Total On-Balance Sheet	**23,123.6**		**14,203.0**	**12,626.7**	**11,132.8**

Risk weighted of Off-Balance Sheet assets	Jun-21 Amount	Credit conversion factor	Credit equivalent amount	Weight	Weighted amount	Jun-20 Weighted amount	Jun-19 Weighted amount
	MUR M	%	MUR M	%	MUR M	MUR M	MUR M
Trade related contingencies	52.9	20%	40.4	20-100	40.4	157.0	79.2
Outstanding commitments	1,638.5	20%	327.7	100	327.7	287.4	264.4
Total Off-Balance Sheet	**1,691.4**		**368.1**		**368.1**	**444.4**	**343.6**

	Jun-21	Jun-20	Jun-19
Risk weighted Assets for Operational risk	MUR M	MUR M	MUR M
Average gross income for last 3 years	709.5	658.2	568.3
Capital Charge	106.4	98.7	85.2
Risk weighted assets for operational risk	1,064.2	987.3	852.4

LIQUIDITY COVERAGE RATIO FOR QUARTER ENDED JUNE 2021

	LCR common disclosure template	TOTAL UNWEIGHTED VALUE (quarterly average of bi-monthly observations) (MUR. M)	TOTAL WEIGHTED VALUE (quarterly average of bi-monthly observations) (MUR. M)
	HIGH-QUALITY LIQUID ASSETS		
1	Total high-quality liquid assets (HQLA)	4,914	4,836
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	-	-
4	Less stable deposits	4,753	475
5	Unsecured wholesale funding, of which:	410	41
6	Operational deposits (all counterparties)	8,099	2,025
7	Non-operational deposits (all counterparties)	128	53
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	296	296
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1,276	231
14	Other contractual funding obligations	17	17
15	Other contingent funding obligations	96	5
16	**TOTAL CASH OUTFLOWS**	**15,074**	**3,142**
	CASH INFLOWS		
17	Secured funding (e.g. reverse repos)	-	
18	Inflows from fully performing exposures	2,640	2,499
19	Other cash inflows	295	295
20	**TOTAL CASH INFLOWS**	2,935	2,794
			"TOTAL ADJUSTED VALUE (MUR. M)"
21	**TOTAL HQLA**		4,836
22	**TOTAL NET CASH OUTFLOWS**		785
23	**LIQUIDITY COVERAGE RATIO (%)**		616%
24	**QUARTERLY AVERAGE OF DAILY HQLA**		**4,937**

NOTES:

1. The reported values for 'quarterly average of bi-monthly observations' are based on the 15 April, 30 April, 15 May, 31 May, 15 June and 30 June 2021 figures. The number of data points used for the calculations are 6.

2. The reported values for 'quarterly average of daily HQLA' are based on end of daily figures over the 1 April 2021 to 30 June 2021's period. The number of data points used for the calculations are 91.

As at 30 June 2021, the bank's LCR stood at 593% whereas the quarterly average of bi-monthly observations for the Quarter ended 30 June 2021 was 616%, mainly due to the significant investment in eligible securities. The bank's high-quality liquid assets (HQLA) is primarily made up of sovereign and central bank securities and the weighted value as at end of June was MUR 4.8 billion and the quarterly average of bi-monthly observations for the Quarter ended 30 June 2021 was at MUR 4.9 billion. The bank continues to monitor its liquidity position and will adjust its investment strategy to meet the prescribed requirement.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

Ah Foon Chui Yew Cheong
Chairperson

David Brian Ah-Chuen
Strategic Business Executive & Director

Bhanu Pratabsingh Jaddoo
Chairman Audit Committee

Date: 18 October 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.

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

Being Agile is part of our DNA. We will continuously adjust our offerings to create a greater level of convenience and satisfaction.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	2021	2020 Restated	2019 Restated
		MUR	MUR	MUR
ASSETS				
Cash and cash equivalents	9	**4,871,775,378**	1,280,041,690	2,732,131,072
Due from banks	10	**-**	14,819,085	698,739,467
Derivative financial assets	11	**10,228,424**	2,183,441	3,763,559
Loans and advances to customers	12	**10,180,812,563**	9,769,375,208	7,635,939,083
Investment securities	13	**6,504,248,029**	7,114,456,335	6,479,991,942
Other assets	14	**952,457,252**	891,377,784	99,997,305
Property, equipment and right-of-use assets	15	**586,761,003**	600,843,664	512,458,466
Intangible assets	16	**41,793,082**	8,922,365	2,263,140
Deferred tax assets	17	**11,598,877**	23,084,417	9,710,148
Total assets		**23,159,674,608**	19,705,103,989	18,174,994,182
LIABILITIES				
Derivative financial liabilities	11	**8,936,609**	9,759,640	5,812,757
Deposits from customers	18	**19,846,223,025**	16,799,731,794	15,239,475,798
Preference shares	19	**142,809,030**	144,534,198	145,202,573
Subordinated debts	20	**504,762,329**	504,762,329	505,070,890
Current tax liabilities*		**9,220,699**	28,244,435	44,058,393
Other liabilities*	22	**719,178,864**	381,314,330	464,196,006
Total liabilities		**21,231,130,556**	17,868,346,726	16,403,816,417
Shareholders' Equity				
Issued capital	23	**940,495,472**	940,495,472	940,495,472
Retained earnings		**791,848,897**	677,416,500	640,979,429
Other reserves	24	**196,199,683**	218,845,291	189,702,864
Capital and reserves		**1,928,544,052**	1,836,757,263	1,771,177,765
Total liabilities and equity		**23,159,674,608**	19,705,103,989	18,174,994,182

* These line items have been restated for 2019 and for 2020. Refer to note 5.23.1 and note 43 for additional details.

These financial statements have been approved and authorised for issue by the Board of Directors on 18 October 2021

Ah Foon Chui Yew Cheong
Chairperson

David Brian Ah-Chuen
Strategic Business Executive & Director

Bhanu Pratabsingh Jaddoo
Chairperson of Audit Committee

The notes set out on pages 110 to 204 form part of these financial statements.
Auditor's report on pages 98 to 102.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021	2020 Restated	2019 Restated
		MUR	MUR	MUR
Interest income using the effective interest method		**719,014,532**	806,413,125	734,009,109
Interest expense		**(251,090,916)**	(290,014,171)	(251,525,883)
Net interest income	25	**467,923,616**	516,398,954	482,483,226
Fee and commission income		**110,250,797**	99,664,534	117,765,876
Fee and commission expense		**(29,057,422)**	(22,677,240)	(29,062,998)
Net fee and commission income	26	**81,193,375**	76,987,294	88,702,878
Net trading income	27	**51,678,809**	64,092,741	77,535,761
Net gain on derecognition of financial assets measured at fair value through other comprehensive income	28	**5,852,597**	45,313,979	39,475
Net gain on derecognition of financial assets measured at amortised cost	28	**104,267,812**	57,500,278	-
Net gain on derecognition of financial assets measured at fair value through profit or loss	28	**5,470**	1,233,374	2,254,236
Other operating income	28	**2,393,259**	1,334,486	1,282,895
Total other income		**164,197,947**	169,474,858	81,112,367
Operating income		**713,314,938**	762,861,106	652,298,471
Personnel expenses	30	**(191,048,787)**	(192,884,473)	(192,124,468)
Depreciation and amortisation	15, 16	**(36,599,430)**	(34,058,940)	(24,528,399)
Other operating expenses*	31	**(102,169,854)**	(83,715,021)	(87,565,949)
Non interest expenses		**(329,818,071)**	(310,715,434)	(304,218,816)
Operating profit before impairment		**383,496,867**	452,145,672	348,079,655
Allowance for credit impairment on financial assets	29	**(232,006,978)**	(310,708,038)	(56,721,957)
Operating profit before tax*		**151,489,889**	141,437,634	291,357,698
Income tax expense*	21	**(31,386,583)**	(21,049,792)	(67,469,458)
Profit for the year*		**120,103,306**	120,387,842	223,888,240
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax:				
Net gain on investments in equity instruments designated at fair value through other comprehensive income	24	**14,566,769**	6,190,622	3,147,386
Fair value gain on disposal in equity		**2,492,190**	-	-
Remeasurement of retirement pension	37	**9,852,397**	(7,163,254)	(2,935,360)
Total of items that may be reclassified subsequently to profit or loss, net of tax		**26,911,356**	(972,632)	212,026
Items that may be reclassified subsequently to profit or loss, net of tax:				
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	24	**(35,025)**	3,300,152	571,457
Net (loss)/gain on investments in debt instruments designated at fair value through other comprehensive income	24	**(55,192,848)**	1,593,477	60,047,001
Total of items that may be reclassified subsequently to profit or loss, net of tax		**(55,227,873)**	4,893,629	60,618,458
Other comprehensive (loss)/income for the year		**(28,316,517)**	3,920,997	60,830,484
Total comprehensive income for the year		**91,786,789**	124,308,839	284,718,724
Earnings per share				
Basic and diluted	33	**1.57**	1.58	2.94

* These line items have been restated for 2019 and for 2020. Refer to note 5.23.1 and note 43 for additional details.
The notes set out on pages 110 to 204 form part of these financial statements.
Auditor's report on pages 98 to 102.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Issued capital	Retained earnings	Statutory reserve	Fair Value reserve	Total
		MUR	MUR	MUR	MUR	MUR
At 1 July 2018		940,495,472	509,288,252	112,921,506	(20,567,722)	1,542,137,508
Profit for the year		-	223,888,240	-	-	223,888,240
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income		-	-	-	571,457	571,457
Other comprehensive income		-	(2,935,360)	-	63,194,387	60,259,027
Total comprehensive income for the year		-	220,952,880	-	63,765,844	284,718,724
Transfer to statutory reserve		-	(33,583,236)	33,583,236	-	-
Equity dividends	33	-	(55,678,467)	-	-	(55,678,467)
At 30 June 2019		940,495,472	640,979,429	146,504,742	43,198,122	1,771,177,765
At 1 July 2019		940,495,472	640,979,429	146,504,742	43,198,122	1,771,177,765
Profit for the year		-	120,387,842	-	-	120,387,842
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income		-	-	-	3,300,152	3,300,152
Other comprehensive income		-	(7,163,254)	-	7,784,099	620,845
Total comprehensive income for the year		-	113,224,588	-	11,084,251	124,308,839
Transfer to statutory reserve		-	(18,058,176)	18,058,176	-	-
Equity dividends	33	-	(58,729,341)	-	-	(58,729,341)
At 30 June 2020		940,495,472	677,416,500	164,562,918	54,282,373	1,836,757,263
At 1 July 2020		**940,495,472**	**677,416,500**	**164,562,918**	**54,282,373**	**1,836,757,263**
Profit for the year		**-**	**120,103,306**	**-**	**-**	**120,103,306**
Other comprehensive loss		**-**	**12,344,587**	**-**	**(40,661,104)**	**(28,316,517)**
Total comprehensive income for the year		**-**	**132,447,893**	**-**	**(40,661,104)**	**91,786,789**
Transfer to statutory reserve		**-**	**(18,015,496)**	**18,015,496**	**-**	**-**
At 30 June 2021		**940,495,472**	**791,848,897**	**182,578,414**	**13,621,269**	**1,928,544,052**

The notes set out on pages 110 to 204 form part of these financial statements.
Auditor's report on pages 98 to 102.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021	2020 Restated	2019 Restated
		MUR	MUR	MUR
Cash flows from operating activities				
Profit before taxation*		**151,489,889**	141,437,634	291,357,698
Adjustments for:				
Depreciation	15	**34,736,532**	31,803,749	22,439,667
Amortisation	16	**1,862,898**	2,255,191	2,088,732
Allowance for credit impairment on financial assets	29	**232,006,978**	310,708,038	56,721,957
Employee benefit costs	37	**2,425,776**	4,625,465	7,777,144
Exchange difference		**(330,834,332)**	51,561,476	39,143,390
(Profit)/loss on disposal of property and equipment	28, 31	**(619,218)**	-	63,167
Profit on disposal of investment securities	28	**(110,125,879)**	(104,066,571)	(2,293,711)
Cashflow before the net changes in operating assets and liabilities		**(19,057,356)**	438,324,982	417,298,044
Net changes in operating assets and liabilities				
Increase in loans and advances to customers		**(566,712,209)**	(2,428,452,256)	(1,597,744,023)
Increase in other assets		**(61,079,468)**	(792,417,448)	(5,971,717)
(Increase)/decrease in derivative financial instruments		**(8,868,014)**	5,527,001	3,564,034
Decrease in due from banks		**14,573,863**	684,962,604	326,935,958
Increase in deposits from customers		**3,046,491,231**	1,560,255,996	273,281,480
Decrease on interest on preference shares and subordinated debts*		**(1,725,168)**	(976,936)	-
Increase/(decrease) in other liabilities**		**266,741,483**	(101,508,219)	116,093,596
		2,670,364,362	(634,284,276)	(466,542,628)
Income tax paid**		**(39,643,386)**	(49,740,039)	(49,215,494)
Net cash generated from/ (used in) operating activities**		**2,630,720,976**	(684,024,315)	(515,758,122)
Cash flows from investing activities				
Purchase of investment securities		**(2,884,293,611)**	(3,076,040,778)	(6,768,127,756)
Proceeds from sale and redemption of investment securities		**3,568,265,175**	2,552,104,311	6,582,928,901
Purchase of property and equipment	15	**(16,503,067)**	(120,188,947)	(140,099,722)
Purchase of intangible assets	16	**(34,733,615)**	(8,914,416)	-
Proceeds from sale of property and equipment		**1,072,968**	-	-
Net cash generated from / (used in) investing activities		**633,807,850**	(653,039,830)	(325,298,577)
Cash flows from financing activities				
Repayment of debt securities issued and due to banks		**-**	-	(110,061,479)
Issue of subordinated debts	20	**-**	-	500,000,000
Repayment of principal portion of lease liabilities		**(3,629,470)**	(4,734,420)	-
Dividend paid	33	**-**	(58,729,341)	(55,678,467)
Net cash (used in)/generated from financing activities		**(3,629,470)**	(63,463,761)	334,260,054
Net increase / (decrease) in cash and cash equivalents		**3,260,899,356**	(1,400,527,906)	(506,796,645)
Net foreign exchange difference		**330,834,332**	(51,561,476)	(37,813,869)
Net cash and cash equivalents at beginning of year		**1,280,041,690**	2,732,131,072	3,276,741,586
Net cash and cash equivalents at end of year	9	**4,871,775,378**	1,280,041,690	2,732,131,072
Operational cashflows from interest and dividends				
Interest paid		**203,822,101**	293,512,178	234,304,674
Interest received		**729,109,786**	792,036,496	726,410,754
Dividend received		**1,763,890**	1,314,895	1,282,397

*These line items have been restated for 2019 and for 2020. Refer to note 43 (b) for additional details

**These line items have been restated for 2019 and for 2020. Refer to note 5.23.1 and note 43 (a) for additional details

The changes in liabilities arising from financing activities has been disclosed on Note 40.
The notes set out on pages 110 to 204 form part of these financial statements.
Auditor's report on pages 98 to 102.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. CORPORATE INFORMATION

ABC Finance and 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 2021 were authorised for issue in accordance with a resolution of the Directors on 18 October 2021.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for equity and debt instruments measured at fair value through other comprehensive income (FVTOCI), derivative financial instruments, financial assets held for trading and financial assets designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value. The financial statements are presented in Mauritian Rupees (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 IASB, and in the manner required by the Companies Act 2001, Financial Reporting Act 2004, Banking Act 2004, and Guidelines and Guidance Notes as issued by the Bank of Mauritius.

4. PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1. Foreign currency translation

The transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

5.2.2. 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 FVTPL, 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;
- FVTOCI, as explained in Notes 5.4.2 and 5.4.3; and
- FVTPL.

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

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

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

The bank classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes 5.4.4 and 5.4.5. The bank may designate financial instruments at FVTPL, 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 FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 5.4.6.

5.4. Financial assets and liabilities

5.4.1. Due from banks and loans and advances

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

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

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

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

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

5.4.1.1. Business model assessment

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

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

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

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

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

5.4. Financial assets and liabilities(Cont'd)

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

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

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

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

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

5.4.2. Debt instruments at FVTOCI

The bank applies the category under IFRS 9 of debt instruments measured at FVTOCI 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.

FVTOCI 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 FVTOCI is explained in Note 5.7.3. Where the bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

5.4.3. Equity instruments at FVTOCI

Upon initial recognition, the bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVTOCI 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 FVTOCI 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

5.4. Financial assets and liabilities (Cont'd)

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 FVTPL 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 FVTPL 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 FVTPL 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 FVTPL 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 earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate as explained in Note 5.14. Dividend income from equity instruments measured at FVTPL 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 FVTPL, are classified as liabilities under debt issued and other borrowed funds, where the substance of the contractual arrangement results in the bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

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

The premium received is recognised in the income statement in Net fees 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 on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 35.

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

5.4. Financial assets and liabilities (Cont'd)

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 recogntion, 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 liabilites 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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)

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

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

5.6.2. Financial liabilities

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

5.7. Impairment of financial assets

5.7.1. Overview of ECL principles

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

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

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The bank's policy for grouping financial assets measured on a collective basis is explained in Note 42(b).
The bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 42(b).

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

- Stage 1: When loans are first recognised, the bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 42(b)).The bank records an allowance for the LTECLs.
- 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 monitoring per account on a monthly as part of IFRS 9 workings to ensure DPD have improved in the following brackets:

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 interval to determine improvement in credit profile.

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. Impairment of financial assets (Cont'd)

5.7.2. The calculation of ECLs

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

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

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

When estimating the ECLs, the bank considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs. 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 four 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 and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired (as defined in Note 42(b)), the bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
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 four 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 four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
	For revolving facilities that include both a loan 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 four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

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

5.7. Impairment of financial assets (Cont'd)

5.7.3. Debt instruments measured at fair value through OCI

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

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

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

5.7.5. Overdraft and other revolving facilities

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

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 42(b), but greater emphasis is also given to qualitative factors such as changes in usage.

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.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 43(b), on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

5.7.6. Forward looking information

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

- GDP growth
- Inflation rates

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

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

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.

5.9. Collateral repossessed (Cont'd)

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

5.10. Write-offs

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

5.11. Forborne loans

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

When the loan has been renegotiated or modified but not derecognised, the bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 42(b). The bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contract that is more than 30 days past due.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

5.12. Determination of fair value (Cont'd)

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

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

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

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

5.13. The effective interest rate method

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

5.14. Interest income and expense

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

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

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

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

5.15. Fee and commission income

Fee income forming an integral part of the corresponding financial instrument

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

5.16. Dividend income

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

5.17. Cash and cash equivalents

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

5.18. Property and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the bank depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 6) and provisions (Note 5.22) for further information about the recognised decommissioning provision.

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
• Other fixed assets (comprising office furniture and equipment and vault)	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.

Bank as a lessee - as from 01 July 2019

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 applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value recognition exemption to leases that are considered to be low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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 Employment Rights Act 2008 and provided for. The obligations arising under this item are determined by actuarial valuation carried out every year.

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

5.22. Provisions

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

5.23. Taxes

5.23.1. Current tax

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

Special levy

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

During the financial years end 30 June 2020 and 30 June 2019, the special levy was accounted under IFRIC 21 *Levies*. In January 2021, the Bank of Mauritius advised all banks that the special levy should be treated as a tax expense. As a result, the bank has changed its accounting policy during the financial year to account for the special levy under IAS 12 *Income Taxes* (IAS 12). Management are of the view that this change in accounting policy will provide a better appreciation of how the operating expenses attributable to the bank' operation are evolving in relation to the income of the bank and also the adoption of IAS 12 will achieve comparability of the cost to income ratio in the banking industry.

The special levy was charged to other operating expenses in the statement of profit and loss and accounted under other liabilities in the statement of financial position in the financial years ended 30 June 2020 and 30 June 2019. These have been reclassified under income tax expense and current tax liabilities for the respective years.

On the basis as set out under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors paragraph 14 (b)* and as advised by the BOM, the change in accounting policy will result in the financial statements providing reliable and more relevant information about the effect of the special levy on the bank's financial position and financial performance. Refer to Note 43 for more information.

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 FVTOCI, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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 team.

5.26. Operating lease (policy applicable before 1 July 2019)

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

5.27. Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, the bank has applied all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the bank's operations and effective for accounting period beginning on or after 1 July 2020.

- Amendments to References to the Conceptual Framework in IFRS Standards (effective 01 January 2020);
- Definition of Material -Amendments to IAS 1 and IAS 8 (effective 01 January 2020)

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The bank has adopted early the requirements of 'Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) which is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted. The bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective other than IBOR reform Phase 2.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the bank's consolidated financial statements.

IBOR reform Phase 2

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

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

5.27. Application of New and Revised International Financial Reporting Standards (IFRS) (Cont'd)

IBOR reform Phase 2(Cont'd)

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

As indicated in the accounting policies, the bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

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

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

The application of this Standard does not have any significant impact on the bank.

Relevant new and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

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

- 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 amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.Given that the bank do not hold any subsidiaries or associates, the amendments will have no impact on the bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

5.27. Application of New and Revised International Financial Reporting Standards (IFRS) (Cont'd)

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

6. USE OF ESTIMATES AND JUDGEMENTS

In the process of applying the bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

6.1 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

6. USE OF ESTIMATES AND JUDGEMENTS (CONT'D)

6.1. Fair value of financial instruments (Cont'd)

from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 5.13. This will be relevant for note 11, and note 42(a).

6.2. Effective interest rate (EIR) method

The bank's EIR methodology, as explained in Note 5.14, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the country's base rate and other fee income/expense that are integral parts of the instrument.

This will be relevant for note 26 and note 42(e).

6.3. Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets 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 criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP, inflation rate and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Following the impact of COVID-19, the bank has revised the existing model by using index values instead of percentage change to provide feasible outputs on the adverse economic scenarios.
Impairment losses on financial assets is explained on Note 42(b).

6.4. Incremental borrowing rate of leases

The bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the bank 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The bank estimates the IBR using observable inputs which has been derived from the board rate on lease products and latest borrowing rate on local currency lease liabilities and overdraft rate one year on foreign currency lease liabilities. This will be relevant for note 15.

6.5. Special Levy

The bank is liable to pay a special levy on its leviable income derived in every accounting period in accordance with section 53J of the Value Added Tax Act. The rate currently applicable to the bank is 5.5%. In the past years the bank has been accounting for the special levy within "other operating expenses" in the statement of profit or loss. During the financial year the Bank of Mauritius issued a communique advising on the treatment of special levy after consultation with the Mauritius Revenue Authority, such that the special levy should be treated as a tax expense. As a result, the bank's management has applied its judgement in assessing the current financial year accounting treatment of the special levy. Management has assessed that the special levy should henceforth be accounted within income tax in the statement of profit or loss and in accordance with IAS 12 – Income taxes on the basis that the special levy is being calculated on the bank's net interest income plus other income before deduction of expenses.

6.6. Going concern

Management has assessed the impact of COVID-19 on the bank's ability to continue as a going concern.
This is detailed in the following note.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. COVID-19 PANDEMIC – ASSESSMENT OF GOING CONCERN

The COVID-19 pandemic continued in 2021, with again significant number of cases and another national lockdown. The Government and Regulators continued to give their support to businesses given the persisting difficult market conditions:

- The second lockdown has seen a number of the bank's customers not being able to operate and as such earn income; and
- Due to the lack of economic activity, demand for new projects and therefore new credit facilities are scarce.

The Government implemented a number government assistance measures to individuals and economic operators to support the economy. Below is a summary of some of the main initiatives:

1 Reduction of Cash Reserve Ratio ("CRR") requirement

In March 2020, the Bank of Mauritius ("BOM") announced a reduction in the fortnightly average CRR on MUR deposits from 9% to 8% to allow banks to use these funds for any facility to be granted to any impacted economic operator.

2 The Government Wage Assistance Scheme ("GWAS")

In March 2020, the Government through the Mauritius Revenue Authority ("MRA") announced a scheme to ensure that all employees earning up to MUR 50,000 are duly paid their salary by providing assistance to the employers. The scheme has been extended to December 2021 for sectors still impacted by the closure of the borders, such as the hospitality sector.

3 Moratorium schemes

Commercial banks will provide a moratorium on capital repayment for existing loans for economic operators that are being affected by COVID-19. These moratoriums aim at temporarily alleviating the financial constraints of those businesses, households and individuals currently experiencing difficulties over the scheduled repayment of loans as a direct result of the COVID-19 pandemic. The moratorium period has now been extended to June 2022.

4 Special Relief

The Bank of Mauritius has introduced a Special Relief Amount of MUR 5 Billion through commercial banks to meet cash flow and working capital requirements of economic operators which are being directly impacted by COVID-19. Disbursements will be effected through commercial banks and the Bank of Mauritius is capping interest on these advances to impacted economic operators at the fixed rate of 1.5 per cent per annum. The repayment period is extended from 30 months to 48 months, with a moratorium period of up to 9 months.

5 The Mauritius Investment Corporation ("MIC")

MIC was set up with the objective of mitigating contagion of the ongoing economic downturn to the banking sector, thus limiting macro-economic and financial risks. MIC will provide support through a range of equity/quasi-equity instruments in view of ensuring that domestic systemic economic operators are kept afloat during these challenging times and that jobs are preserved. In the year, MIC has started deploying funds to a number of corporate entities.

6 Easing of banking guidelines

The Bank of Mauritius has put on hold the Guideline on Credit Impairment Measurement and Income Recognition, which was effective since January 2020. This decision has been taken to allow commercial banks to continue supporting enterprises facing cash flow and working capital difficulties in the context of COVID-19.

BOM also announced the delay in the increase of the regulatory minimum requirements with regards to the Capital Adequacy Ratio ("CAR") of banks to March 2022.

7 Reduction in Key Repo Rate ("KRR")

On 10 March 2020, the MPC voted to reduce the KPP by 50 bps to 2.85% followed by another 100bps cut on 16 April 2020 to 1.85%. The MPC considered that an accommodative monetary policy was deemed appropriate to support domestic economic activity.

8 Re-opening of the borders

The Mauritian borders have been opened since 15 July 2021 to both unvaccinated and vaccinated tourists subject to certain conditions. Whereas unvaccinated visitors have to stay for 14 days in quarantine hotels (with no access to the hotels facilities such as the beach etc.), vaccinated tourists are required to quarantine at a covid-safe hotels for 14 days with free access to all hotel facilities. Effective as from 1 September, the quarantine period for vaccinated tourists was revised to 7 days and as from 1 October, vaccinated tourists with a negative PCR test will be allowed on the Mauritian territory without any restrictions. This has been a key milestone to kick start economic activities in the country.

7. COVID-19 PANDEMIC – ASSESSMENT OF GOING CONCERN (CONT'D)

Management has taken into consideration these measures when assessing the impact of COVID-19 on the going concern of the bank and has also done significant work to mitigate the risk of the COVID-19 pandemic.

A. Assumptions over the bank's 3-year budget

The bank has done extensive work to do the 3-year budget taking into consideration the COVID-19 implications. The bank has taken a very prudent view on the expected disbursement in the forecast taking into consideration the difficult market conditions. Projects have been put on hold, market opportunities are scarce and the borrower's profile given the economic outlook is no longer what it was pre-COVID-19. The re-opening of the borders can only be a positive news for businesses. However, the bank has been prudent with its forecast with regards to its provisioning for impairment assumptions.

The 3-year budget shows that even though affected by the expected market condition, the bank is still profitable and continues to operate as a going concern.

B. Managing the bank's CAR

CAR is a key metric to assess the robustness of a bank and one of the main purposes of Basel III was to ensure that banks are robust enough to sustain drops in the economic cycle. That being said, the measure from the Central Bank to delay the increase in the minimum regulatory limit to next year was well received in the market.

The bank's current CAR level compared to the regulatory limits are as per below:

	June 2021	Regulatory Limit
CET1 Ratio	11.98%	8.38%
Tier 1 Capital	11.98%	8.00%
Total CAR	15.34%	11.88%

Given the healthy growth of the retained earnings in the past years as well as the bond issue done in 2019, it can be observed from the figures above that the bank is well capitalised and has a healthy buffer over the regulatory limit. On top of that, the bank actively monitors the CAR at management level and additionally, this is regularly discussed as part of the bank's Asset and Liability Committee ("ALCO") which occurs on a monthly basis.

Given that buffer, it is seen as very unlikely that the bank would incur losses significant enough to breach the regulatory limits. Taking into consideration the 3-year budget as well as stressed scenarios, the bank is comfortable with its CAR level and that there are no issues with the going concern assessment.

C. Management of the bank's liquidity

The Treasury department actively manages the liquidity position of the bank, and has enhanced its surveillance ever since the COVID-19 pandemic broke out. Strict regulatory liquidity ratios are adhered to and the bank has also internally increased its buffer of high quality liquid assets above the minimum requirements. The bank's LCR levels are monitored by the Central Bank on a fortnightly basis. Below are the measures taken to ensure that the bank has enough liquidity for the next 12 months:

- Raise internal liquidity buffers

In addition to the fortnightly LCR submission, the bank actively monitors its liquidity position. On top of adhering to the minimum regulatory requirement, the bank has added internal buffers to act as warning triggers. The bank also conducts frequent stress tests to make sure that it remains highly liquid. This will ensure that decisions can be taken ahead of any breach of regulation or significant drop in liquidity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

7. COVID-19 PANDEMIC – ASSESSMENT OF GOING CONCERN (CONT'D)

- Access to Highly Liquid Asset

The bank has access to highly liquid assets as per the table below.

	MUR'm	USD'm	EUR'm	GBP'm	TOTAL MUR'm
HQLA1					
Investment	2,650.00	28.00	-	-	
Coins & Bank notes	7.80	0.06	0.10	0.02	
Central bank reserves in excess of daily CRR	393.90	7.70	1.30	0.62	
HQLA2	-	12.40	-	-	
TOTAL STOCK HQLA (MUR'm)	**3,051.70**	**2,046.80**	**70.81**	**37.68**	**5,206.98**

- Borrowing lines

The bank currently has access to borrowing lines amounting to around MUR 1.4 billion through a number of banks.

- Reduction in CRR requirement

The bank has been supporting of the recovery of the economy by making use of the release of 1% of CRR requirement from the Central Bank with regard to the Stimulus package. To date, the bank has deployed about MUR 70 million.

- Access to the Debt Capital Market

In 2019, the bank issued bonds through the MUR 2,000,000,000 Multi-Currency Medium Term Programme. It has been observed that the debt capital market has been active over the last 12 months with a number of successful bond issues being indicative of the demand for fixed income products. The bank has the option of issuing new bonds through the same Programme if such need arises.

D. Impact on ECL

The business operations of certain industries such as airlines, tourism & hospitality and retail have been directly impacted by the travel restrictions and social distancing requirements. A number of government measures have been put in place to assist these businesses in financial/ liquidity difficulties.

From the bank's perspective, it was important to distinguish between a temporary liquidity constraint on a borrower (e.g. no revenue during lockdown) from a SICR over the lifetime of the exposure. Therefore, taking into consideration all the government measures was an important factor in this assessment. For example, while the bank has assisted over 200 clients with regards to measures mentioned above, this event does not necessarily mean that the client will be moved to Stage 2 and result in an increased ECL.

Below is the Loans and advances to customer portfolio as at 30 June 2021 split by sector.

Sector	%
Manufacturing	11%
Construction	15%
Professional	0%
Traders	7%
Tourism	19%
Transport	4%
Financial and business services	12%
Personal	11%
Agriculture	3%
Global Business Licence holders	9%
Others	9%
	100%

7. COVID-19 PANDEMIC – ASSESSMENT OF GOING CONCERN (CONT'D)

While it is observed that the top 3 sectors are Tourism, Construction and Financial and Business Services, it is also noted that there is a relatively good diversification within the portfolio. Of the top 3 sectors mentioned, we note how integral those sectors are for the national economy and also note a number of measures already announced by the Government to support these sectors.

With 19% of the portfolio in the Tourism sector, the bank has been proactive to properly assess the risks in that sector. The re-opening of the borders has been good news with a number of customers demonstrating an increased number of bookings for the last quarter of the year. However the bank has been very prudent in its approach and has kept the exposure in the hospitality sector as Stage 2 and in cases where it was deemed necessary, has been added a management overlay.

Therefore, given the above, even in a stressed scenario, it is highly unlikely that the increase in ECL would result in the significantly enough reduction of retained earnings so as to affect the bank's capital adequacy or going concern.

E. Managing the relationship

The most important element of banking is the management of the relationship with the customer and that is even more important in challenging times. Ever since the COVID-19 pandemic broke out, the bank has put even more emphasis on reaching out to its clients to:

- understand the situation that they are in;
- understand the impact of COVID-19 on them;
- explain to them what measures are in place that they can take advantage of;
- understand what actions they are taking if they are in financial difficulty; and
- see if and how the bank can assist in any way.

This has been an on-going process and one that the bank is convinced will help mitigate the risk of default of the customers.

Based on the above, management has assessed the impact of COVID-19 and concluded that the bank is still operating as a going concern.

8. CAPITAL MANAGEMENT

The bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Bank of Mauritius in supervising the bank.

During the past year, the bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the bank's capital management are to ensure that the bank comply with externally imposed capital requirements and that the bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The capital structure of the bank consists of issued capital, reserves and retained earnings. Note on stated capital is disclosed in Note 23. The bank has to comply with the Banking Act 2004 in respect of both its stated capital and reserves which is detailed in the notes. For the year ended 30 June 2021 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:

	2021	2020	2019
	%	%	%
CET1 capital ratio	12.0	12.8	14.2
Tier 1 capital ratio	12.0	12.8	14.2
Total capital ratio	15.3	17.3	19.1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

8. CAPITAL MANAGEMENT (CONT'D)

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

	2021	2020	2019
	%	%	%
CET1 capital ratio	6.5	6.5	6.5
CET1 capital ratio plus Capital Conservation Buffer	8.375	8.375	8.375
Tier 1 capital ratio	8.0	8.0	8.0
Total capital ratio	10.0	10.0	10.0
Total capital ratio plus Capital Conservation Buffer	11.875	11.875	11.875

9. CASH AND CASH EQUIVALENTS

	2021	2020	2019
	MUR	MUR	MUR
Cash in hand	17,669,176	14,038,021	11,296,564
Unrestricted balances with Central Bank	821,777,037	475,470,513	293,415,551
Balances with banks	1,528,853,236	509,345,980	823,261,756
Loans to and placements with banks	2,503,475,929	281,187,176	1,604,157,201
	4,871,775,378	1,280,041,690	2,732,131,072

Cash and cash equivalent comprise of cash at banks and on hand and Loans to and placements with banks with an original maturity of less than 3 months.

Unrestricted balances with Central Bank represents amounts above the minimum cash reserve requirement.
The minimum cash reserve requirement has been reported under 'Other assets'.

Refer to Note 14 for more information.

10. DUE FROM BANKS

	2021	2020	2019
	MUR	MUR	MUR
Deposits with the Central Bank	-	14,839,238	39,075,842
Restricted balances with the Central Bank	-	-	660,726,000
Less: Expected credit losses	-	(20,153)	(1,062,375)
	-	14,819,085	698,739,467

For restricted balances with the Central Bank, refer to Note 14.

10.1 Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the bank's internal grading system are explained and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 42(b):

10. DUE FROM BANKS (CONT'D)

10.1 Impairment allowance for due from banks (Cont'd)

	2021	2020	2019
	MUR	MUR	MUR
Performing			
Investment grade	-	-	-
Standard Monitoring	-	-	-
Watchlist	-	-	-
Unrated	-	14,839,238	39,075,842
Gross carrying amount	-	14,839,238	39,075,842
Expected Credit Losses	-	(20,153)	(52,885)
	-	14,819,085	39,022,957

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	2021	2020	2019
	MUR	MUR	MUR
Gross carrying amount as at 1 July	14,839,238	39,075,842	422,240,976
New assets originated or purchased	-	14,839,238	39,075,842
Assets derecognised or repaid (excluding write offs)	(14,839,238)	(39,075,842)	(422,240,976)
At 30 June	-	14,839,238	39,075,842
	2021	2020	2019
	MUR	MUR	MUR
ECL allowance as at 1 July	20,153	52,885	5,113,737
Increase in expected credit losses	-	20,153	52,885
Assets derecognised or repaid (excluding write offs)	(20,153)	(52,885)	(5,113,737)
At 30 June	-	20,153	52,885

There has been no change in staging classification during the financial year. All dues from banks were classified in stage 1 in 2021, 2020 and 2019.

11. DERIVATIVE FINANCIAL INSTRUMENTS

The bank enters into derivatives for the optimal deployment of its liability base in foreign currencies and for liquidity risk management. The bank may also take positions with the expectation of profiting from favourable movements in rates.

Derivative products valued using a valuation methodology with market observable inputs include forward foreign exchange contracts, interest rate swaps and option contracts across several asset classes, including but not limited to foreign currencies, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using discounted cash flow methodology based on market conventions. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves, market volatilities and other feeds from appointed valuation/calculation agents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

	MUR	MUR	MUR
30 June 2021	**Notional amount**	**Assets**	**Liabilities**
Foreign exchange contracts	**354,227,830**	**10,228,424**	**8,936,609**
30 June 2020	Notional amount	Assets	Liabilities
Foreign exchange contracts	959,127,612	2,183,441	9,759,640
30 June 2019	Notional amount	Assets	Liabilities
Foreign exchange contracts	1,002,700,103	3,763,559	5,812,757

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 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 done on a daily basis , hence 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 is done on a daily basis , hence providing an up to date mark to market of our exposures.

	2021	2020	2019
	MUR	MUR	MUR
Assets			
Level 2	**10,228,424**	2,183,441	3,763,559
	10,228,424	2,183,441	3,763,559
Liabilities			
Level 2	**8,936,609**	9,759,640	5,812,757
	8,936,609	9,759,640	5,812,757

12. LOANS AND ADVANCES TO CUSTOMERS

	2021	2020	2019
	MUR	MUR	MUR
Loans and overdrafts			
Retail	**1,234,030,245**	744,930,675	413,226,908
Corporate	**7,226,824,302**	7,695,236,365	5,855,264,879
	8,460,854,547	8,440,167,040	6,268,491,787
Less: Allowance for impairment losses (Note 12(c))	**(201,988,925)**	(379,850,609)	(90,944,557)
	8,258,865,622	8,060,316,431	6,177,547,230
Investment in finance leases			
Retail	**949,247,080**	756,984,832	632,249,977
Corporate	**996,991,102**	982,827,435	898,055,843
	1,946,238,182	1,739,812,267	1,530,305,820
Less: Allowance for impairment losses (Note 12(c))	**(24,291,241)**	(30,753,490)	(71,913,967)
	1,921,946,941	1,709,058,777	1,458,391,853
Net loans and advances to customers	**10,180,812,563**	9,769,375,208	7,635,939,083
Total Corporate	**8,223,815,404**	8,678,063,800	6,753,320,723
Less: Allowance for impairment losses (Note 12(c))	**(204,840,399)**	(386,333,210)	(109,185,385)
Net corporate lending	**8,018,975,005**	8,291,730,590	6,644,135,338
Total Retail	**2,183,277,325**	1,501,915,507	1,045,476,884
Less: Allowance for impairment losses (Note 12(c))	**(21,439,767)**	(24,270,889)	(53,673,139)
Net retail lending	**2,161,837,558**	1,477,644,618	991,803,745
	10,180,812,563	9,769,375,208	7,635,939,083

(a) Investment in finance leases

	2021	2020	2019
Future minimum lease payments can be analysed as follows:	MUR	MUR	MUR
Gross investment in finance leases:			
Up to 3 months	**162,168,372**	171,589,122	172,974,560
Over 3 months and up to 6 months	**149,714,391**	131,407,513	114,321,051
Over 6 months and up to 12 months	**289,505,584**	256,452,908	216,822,055
Over 1 year and up to 5 years	**1,516,761,019**	1,365,083,849	1,216,349,545
Over 5 years	**43,512,106**	12,924,689	31,494,593
	2,161,661,472	1,937,458,081	1,751,961,804
Allocation of unearned finance income	**(215,423,290)**	(197,645,814)	(221,655,984)
Present value of minimum lease payments	**1,946,238,182**	1,739,812,267	1,530,305,820

There is no significant changes in the carrying amount of the net investment in finance leases.

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

(b) Credit concentration of risk by industry sectors

	2021 MUR	2020 MUR	2019 MUR
Sectorial concentration of loans and advances (gross of impairment)			
Manufacturing	1,136,804,078	1,126,834,093	969,359,285
Construction	1,592,711,049	1,376,462,738	1,082,781,648
Professional	13,785,346	12,908,935	15,751,150
Traders	768,086,365	798,358,572	975,320,638
Tourism	1,981,945,420	1,777,553,356	1,519,765,901
Transport	361,931,004	410,628,408	378,466,313
Financial and business services	1,270,936,691	1,440,085,940	1,085,495,637
Personal	1,139,278,732	780,553,720	598,632,516
Agriculture	342,530,633	510,356,118	99,820,890
Global Business Licence holders	914,641,357	853,353,264	554,355,809
Others	884,442,054	1,092,884,163	519,047,820
	10,407,092,729	10,179,979,307	7,798,797,607
Analysed as follows:			
Loans and overdrafts	8,460,854,547	8,440,167,040	6,268,491,787
Investment in finance leases	1,946,238,182	1,739,812,267	1,530,305,820
	10,407,092,729	10,179,979,307	7,798,797,607

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:

	2021 MUR	2020 MUR	2019 MUR
Manufacturing	512,971,859	541,021,649	460,855,570
Construction	45,804,651	27,888,667	67,446,459
Traders	420,937,968	329,970,299	286,985,236
Tourism	2,606,124,957	1,493,982,280	1,002,116,944
Transport	238,974,800	216,296,557	240,898,408
Financial and business services	1,654,157,747	1,904,833,925	1,082,764,783
Agriculture	365,602,768	351,571,360	-
Global Business Licence holders	683,228,982	686,575,147	27,580,858
Others	1,016,694,420	1,951,883,991	27,384,683
	7,544,498,152	7,504,023,875	3,196,032,941

(c) Impairment allowance for loans and advances

The table below shows the credit quality and the maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the bank's internal grading system and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 42(b).

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

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

Corporate Lending

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	409,173,594	-	-	409,173,594
Standard Monitoring	4,529,370,128	7,915,073	-	4,537,285,201
Watchlist	-	2,700,089,299	-	2,700,089,299
Unrated	225,809,520	10,514,946	-	236,324,466
Non - performing				-
Default	-	-	340,942,844	340,942,844
Total	5,164,353,242	2,718,519,318	340,942,844	8,223,815,404

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	4,418,626,741	3,730,726,334	528,710,726	8,678,063,801
New assets originated or purchased	3,385,581,228	1,962,587,659	5,362,325	5,353,531,212
Assets derecognised or repaid (excluding write offs)	(3,234,043,647)	(2,383,369,958)	(141,668,183)	(5,759,081,788)
Transfers to Stage 1	1,363,572,291	(1,325,191,855)	(38,380,436)	-
Transfers to Stage 2	(947,976,500)	1,085,106,286	(137,129,786)	-
Transfers to Stage 3	(1,523,424)	(449,344,864)	450,868,288	-
Amounts written off	-	(20,067)	(340,093,021)	(340,113,088)
Foreign exchange adjustments	180,116,553	98,025,783	13,272,931	291,415,267
At 30 June 2021	5,164,353,242	2,718,519,318	340,942,844	8,223,815,404

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	24,425,753	91,561,690	270,345,767	386,333,210
Additional provisions during the year	35,594,392	134,645,571	245,858,863	416,098,826
Assets derecognised or repaid (excluding write offs)	(42,049,738)	(127,963,637)	84,095,696	254,109,071
Transfers to Stage 1	14,141,747	(14,102,693)	(39,054)	-
Transfers to Stage 2	(4,080,790)	4,596,746	(515,956)	-
Transfers to Stage 3	(14,273)	(5,653,781)	5,668,064	-
Changes to models	21,928,631	(34,144,164)	118,157	(12,097,376)
Amounts written off	-	(197)	(336,096,217)	(336,096,414)
Foreign exchange adjustments	2,346,634	2,364,590	-	4,711,224
At 30 June 2021	52,292,356	51,304,115	101,243,928	204,840,399

The provisions as a percentage of the total corporate portfolio decreased from July 2020 to June 2021 mainly due to the write-off of an exposure during the year.

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FOR THE YEAR ENDED 30 JUNE 2021

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

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

Corporate Lending

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	161,219,292	103,306,420	-	264,525,712
Standard Monitoring	3,435,489,158	554,621,413	-	3,990,110,571
Watchlist	357,053,341	3,024,828,236	-	3,381,881,577
Unrated	464,864,950	47,970,265	-	512,835,215
Non - performing				
Default	-	-	528,710,725	528,710,725
Total	4,418,626,741	3,730,726,334	528,710,725	8,678,063,800

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	6,298,980,148	420,998,208	33,342,367	6,753,320,723
New assets originated or purchased	4,605,455,806	349,356	-	4,605,805,162
Assets derecognised or repaid (excluding write offs)	(2,325,580,056)	(334,606,509)	(1,396,796)	(2,661,583,361)
Transfers to Stage 1	4,658,652	(4,658,652)	-	-
Transfers to Stage 2	(3,665,468,313)	3,665,468,313	-	-
Transfers to Stage 3	(499,419,493)	(16,824,382)	516,243,875	-
Amounts written off	(3)	-	(19,478,721)	(19,478,724)
At 30 June 2020	4,418,626,741	3,730,726,334	528,710,725	8,678,063,800

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	73,378,085	4,149,727	31,657,571	109,185,383
New assets originated or purchased	343,462,118	29,670	38,667	343,530,455
Assets derecognised or repaid (excluding write offs)	(42,719,260)	(3,934,487)	(255,595)	(46,909,342)
Transfers to Stage 1	49,694	(49,694)	-	-
Transfers to Stage 2	(91,367,181)	91,367,181	-	-
Transfers to Stage 3	(258,377,703)	(707)	258,378,410	-
Amounts written off	-	-	(19,473,286)	(19,473,286)
At 30 June 2020	24,425,753	91,561,690	270,345,767	386,333,210

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

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

Corporate Lending	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	1,137,994,134	-	-	1,137,994,134
Standard Monitoring	2,932,818,790	-	-	2,932,818,790
Watchlist	186,387,206	413,581,324	-	599,968,530
Unrated	2,041,780,018	7,416,884	-	2,049,196,902
Non - performing				
Default	-	-	33,342,367	33,342,367
Total	6,298,980,148	420,998,208	33,342,367	6,753,320,723

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	5,074,337,128	301,092,573	43,570,970	5,419,000,671
New assets originated or purchased	3,586,289,529	352,645,229	-	3,938,934,758
Assets derecognised or repaid (excluding write offs)	(2,299,075,532)	(293,325,776)	(1,429,232)	(2,593,830,540)
Transfers to Stage 1	2,275,310	(2,275,310)	-	-
Transfers to Stage 2	(62,874,145)	62,874,145	-	-
Transfers to Stage 3	(1,972,142)	(12,653)	1,984,795	-
Amounts written off	-	-	(10,784,166)	(10,784,166)
At 30 June 2019	6,298,980,148	420,998,208	33,342,367	6,753,320,723

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	25,829,609	9,942,558	42,210,341	77,982,508
New assets originated or purchased	53,868,771	19,556,990	1,198,925	74,624,686
Assets derecognised or repaid (excluding write offs)	(5,874,144)	(25,993,588)	(68,605)	(31,936,337)
Transfers to Stage 1	59,124	(59,124)	-	-
Transfers to Stage 2	(473,966)	473,966	-	-
Transfers to Stage 3	(8,088)	-	8,088	-
Impact on year end ECL of exposures transferred between stages during the year	(23,220)	228,927	291,912	497,619
Recoveries	-	-	(1,198,925)	(1,198,925)
Amounts written off	-	-	(10,784,166)	(10,784,166)
At 30 June 2019	73,378,086	4,149,729	31,657,570	109,185,385

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financila statements figures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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

Retail Lending

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Performing				
Investment grade	816,896,907	3,659,345	-	820,556,252
Standard Monitoring	781,566,037	7,236,595	-	788,802,632
Watchlist	825,327	55,477,797	-	56,303,124
Unrated	413,469,733	11,255,076	-	424,724,809
Non - performing				
Default	-	-	92,890,508	92,890,508
Total	2,012,758,004	77,628,813	92,890,508	2,183,277,325

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Gross carrying amount as at 1 July	1,396,266,600	87,543,092	18,105,815	1,501,915,507
New assets originated or purchased	1,005,796,852	5,681,476	11,099,213	1,022,577,541
Assets derecognised or repaid (excluding write offs)	(354,661,485)	(13,961,686)	(11,515,395)	(380,138,566)
Transfers to Stage 1	122,830,592	(118,330,562)	(4,500,030)	-
Transfers to Stage 2	(189,352,617)	215,014,386	(25,661,769)	-
Transfers to Stage 3	-	(98,317,893)	98,317,893	-
Amounts written off	-	-	(372,794)	(372,794)
Foreign exchange adjustments	31,878,062	-	7,417,575	39,295,637
At 30 June 2021	2,012,758,004	77,628,813	92,890,508	2,183,277,325

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
ECL allowance as at 1 July	11,693,309	5,835,939	6,741,641	24,270,889
Additional provisions during the year	15,157,261	9,776,918	374,301	25,308,210
Assets derecognised or repaid (excluding write offs)	(14,390,635)	(4,924,134)	(5,799,416)	(25,114,185)
Transfers to Stage 1	4,252,433	(3,951,171)	(301,262)	-
Transfers to Stage 2	(1,447,477)	2,089,729	(642,252)	-
Transfers to Stage 3	-	(3,907,324)	3,907,324	-
Changes to models	(616,538)	(2,095,244)	-	(2,711,782)
Amounts written off	-	-	(511,302)	(511,302)
Foreign exchange adjustments	197,937	-	-	197,937
At 30 June 2021	14,846,290	2,824,713	3,768,764	21,439,767

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

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

Retail Lending

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	383,624,638	-	-	383,624,638
Standard Monitoring	3 82,380,541	16,837,251	-	399,217,792
Watchlist	217,808	51,282,214	-	51,500,022
Unrated	6 30,043,613	19,423,627	-	649,467,240
Non - performing				
Default	-	-	18,105,815	18,105,815
Total	1,396,266,600	87,543,092	18,105,815	1,501,915,507

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	988,788,082	19,038,858	37,649,944	1,045,476,884
New assets originated or purchased	724,867,974	50,831	11,036	724,929,841
Assets derecognised or repaid (excluding write offs)	(230,180,210)	(7,158,734)	(648,370)	(237,987,314)
Transfers to Stage 1	3,943,589	(3,922,716)	(20,873)	-
Transfers to Stage 2	(85,599,079)	85,599,079	-	-
Transfers to Stage 3	(5,553,669)	(6,064,226)	11,617,895	-
Amounts written off	(87)	-	(30,503,817)	(30,503,904)
At 30 June 2020	1,396,266,600	87,543,092	18,105,815	1,501,915,507

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	16,576,387	304,754	36,791,998	53,673,139
New assets originated or purchased	11,392,634	511,004	-	11,903,638
Assets derecognised or repaid (excluding write offs)	(10,079,656)	(155,083)	(574,281)	(10,809,020)
Transfers to Stage 1	24,880	(24,770)	(110)	-
Transfers to Stage 2	(5,807,603)	5,807,603	-	-
Transfers to Stage 3	(413,333)	(607,569)	1,020,902	-
Amounts written off	-	-	(30,496,868)	(30,496,868)
At 30 June 2020	11,693,309	5,835,939	6,741,641	24,270,889

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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

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

Retail Lending

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	14,751,624	-	-	14,751,624
Standard Monitoring	20,692,984	-	-	20,692,984
Watchlist	-	6,541,544	-	6,541,544
Unrated	953,343,474	12,497,314	-	965,840,788
Non - performing				
Default	-	-	37,649,944	37,649,944
Total	988,788,082	19,038,858	37,649,944	1,045,476,884

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	746,991,484	7,404,337	39,107,369	793,503,190
New assets originated or purchased	484,984,407	1,971,864	18,881	486,975,152
Assets derecognised or repaid (excluding write offs)	(230,374,284)	(2,844,834)	(853,099)	(234,072,217)
Transfers to Stage 1	2,007,498	(2,007,498)	-	-
Transfers to Stage 2	(14,821,023)	14,821,023	-	-
Transfers to Stage 3	-	(306,034)	306,034	-
Amounts written off	-	-	(929,241)	(929,241)
At 30 June 2019	988,788,082	19,038,858	37,649,944	1,045,476,884

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	2,903,092	53,427	36,647,990	39,604,509
New assets originated or purchased	14,159,341	30,292	1,918,522	16,108,155
Assets derecognised or repaid (excluding write offs)	(382,836)	(290,135)	(542,325)	(1,215,296)
Transfers to Stage 1	20,349	(20,349)	-	-
Transfers to Stage 2	(113,693)	113,693	-	-
Transfers to Stage 3	-	(3,090)	3,090	-
Impact on year end ECL of exposures transferred between stages during the year	(9,866)	420,916	202,944	613,994
Recoveries	-	-	(508,982)	(508,982)
Amounts written off	-	-	(929,241)	(929,241)
At 30 June 2019	16,576,387	304,754	36,791,998	53,673,139

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

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

(d) Allowance for credit impairment by industry sectors

	2021					
	Gross amount of loans MUR	Non performing loans MUR	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total Expected Credit Losses MUR
Manufacturing	1,136,804,078	11,470,728	6,893,370	620,183	11,470,728	18,984,281
Construction	1,592,711,049	89,735,093	13,199,662	2,264,756	78,474,070	93,938,488
Professional	13,785,346	-	182,977	-	-	182,977
Traders	768,086,365	25,182,760	4,196,638	714,223	11,391,269	16,302,130
Tourism	1,981,945,420	88,889,894	85,822	39,461,157	2,706,765	42,253,744
Transport	361,931,004	15,966,629	1,157,863	2,646,298	70,749	3,874,910
Financial and business services	1,270,936,691	32,132,367	6,278,661	6,516,634	-	12,795,295
Personal	1,139,278,732	81,824,492	7,083,916	722,789	899,111	8,705,816
Agriculture	342,530,633	-	2,682,382	-	-	2,682,382
Global Business Licence holders	914,641,357	86,278,703	13,866,335	138,838	-	14,005,173
Others	884,442,054	2,352,686	11,511,020	1,043,950	-	12,554,970
Total	10,407,092,729	433,833,352	67,138,646	54,128,828	105,012,692	226,280,166

	2020					
	Gross amount of loans MUR	Non performing loans MUR	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total Expected Credit Losses MUR
Manufacturing	1,126,834,093	12,002,028	4,994,151	8,989,318	11,546,052	25,529,521
Construction	1,376,462,738	83,786,599	10,853,461	7,809,268	53,177,639	71,840,368
Professional	12,908,935	-	51,564	7,724	-	59,288
Traders	798,358,572	28,319,996	3,231,073	4,545,441	3,436,630	11,213,144
Tourism	1,777,553,356	-	156,291	62,525,316	-	62,681,607
Transport	410,628,408	5,048,408	2,271,234	8,322,490	1,001,074	11,594,798
Financial and business services	1,440,085,940	-	1,894,291	1,062,001	-	2,956,292
Personal	780,553,720	4,732,150	4,200,417	981,215	1,934,155	7,115,787
Agriculture	510,356,118	-	1,239,807	41,764	-	1,281,571
Global Business Licence holders	853,353,264	-	87,221	-	-	87,221
Others	1,092,884,163	412,926,959	7,139,547	3,113,093	205,991,862	216,244,502
Total	10,179,979,307	546,816,140	36,119,057	97,397,630	277,087,412	410,604,099

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

(d) Allowance for credit impairment by industry sectors (Cont'd)

	2019					
	Gross amount of loans MUR	Non performing loans MUR	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total Expected Credit Losses MUR
Manufacturing	969,359,285	13,566,173	8,211,102	70,932	13,553,520	21,835,554
Construction	1,082,781,648	14,039,821	17,127,085	166,683	13,939,821	31,233,589
Professional	15,751,150	-	157,513	-	-	157,513
Traders	975,320,638	8,674,537	8,884,459	720,073	7,002,395	16,606,927
Tourism	1,519,765,901	394,016	19,409,005	2,682,231	394,015	22,485,251
Transport	378,466,313	7,867,602	3,481,243	12,763	7,867,602	11,361,608
Financial and business services	1,085,495,637	15,837	10,701,438	4,666	15,837	10,721,941
Personal	598,632,516	22,553,189	11,013,116	174,614	22,553,189	33,740,919
Agriculture	99,820,890	251,147	392,190	598,411	251,146	1,241,747
Global Business Licence holders	554,355,809	-	5,543,728	-	-	5,543,728
Others	519,047,820	3,629,989	5,033,594	24,110	2,872,043	7,929,747
Total	7,798,797,607	70,992,311	89,954,473	4,454,483	68,449,568	162,858,524

13. INVESTMENT SECURITIES

		2021	2020	2019
		MUR	MUR	MUR
Debt instruments at FVTOCI	13(a)	3,318,800,381	3,638,084,595	3,190,321,497
Equity instruments at FVTOCI	13(b)	63,602,192	42,657,771	36,467,145
Debt instruments at amortised cost	13(c)	3,121,845,456	3,234,369,969	3,253,203,300
Debt instruments at FVTPL		-	199,344,000	-
		6,504,248,029	7,114,456,335	6,479,991,942

(a) Debt instruments at FVTOCI

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2021
	MUR	MUR	MUR	MUR	MUR
Bank of Mauritius treasury bills	174,616,750	719,178,744	-	-	893,795,494
Bank of Mauritius bonds and notes	-	-	148,940,678	-	148,940,678
Government of Mauritius treasury bills	-	-	-	-	-
Government of Mauritius bonds and notes	-	-	-	-	-
Foreign sovereign bonds	129,173,790	390,440,124	421,302,202	137,571,392	1,078,487,508
Corporate bonds	152,208,593	110,921,140	479,373,835	455,073,133	1,197,576,701
	455,999,133	1,220,540,008	1,049,616,715	592,644,525	3,318,800,381

13. INVESTMENT SECURITIES (CONT'D)

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

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2020
	MUR	MUR	MUR	MUR	MUR
Bank of Mauritius treasury bills	599,670,001	-	-	-	599,670,001
Bank of Mauritius bonds and notes	-	-	-	-	-
Government of Mauritius treasury bills	1,043,171,079	-	-	-	1,043,171,079
Government of Mauritius bonds and notes	-	76,438,063	-	-	76,438,063
Foreign sovereign bonds	-	366,879,050	468,989,934	43,586,767	879,455,751
Corporate bonds	-	-	315,970,039	723,379,663	1,039,349,702
	1,642,841,080	443,317,113	784,959,973	766,966,430	3,638,084,596

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2019
	MUR	MUR	MUR	MUR	MUR
Bank of Mauritius treasury bills	425,687,115	-	-	-	425,687,115
Bank of Mauritius bonds and notes	40,770,640	25,040,608	-	-	65,811,248
Government of Mauritius treasury bills	249,719,500	-	-	-	249,719,500
Government of Mauritius bonds and notes	-	206,846,759	177,510,936	-	384,357,695
Foreign sovereign bonds	-	110,675,381	755,986,972	533,454,025	1,400,116,378
Corporate bonds	-	-	311,404,334	353,225,227	664,629,561
	716,177,255	342,562,748	1,244,902,242	886,679,252	3,190,321,497

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

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FOR THE YEAR ENDED 30 JUNE 2021

13. INVESTMENT SECURITIES (CONT'D)

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

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR	**MUR**	**MUR**	**MUR**
Performing				
Investment grade	1,513,947,208	-	-	1,513,947,208
Standard Monitoring	1,126,276,107	-	-	1,126,276,107
Watchlist	-	381,170,260	-	381,170,260
Unrated	297,406,806	-	-	297,406,806
Default	-	-	-	-
Total	2,937,630,121	381,170,260	-	3,318,800,381

2021: Total gross carrying amount of MUR 3,319M includes the fair value loss of MUR 55,193M (note 24). The fair value loss of MUR 55,193M is included in the line gross carrying amount in the below reconciliation.

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR	**MUR**	**MUR**	**MUR**
Gross carrying amount as at 1 July	3,638,084,595	-	-	3,638,084,595
New assets originated or purchased	1,850,523,337	-	-	1,850,523,337
Assets derecognised or repaid (excluding write offs)	(2,274,826,867)	(3,115,075)	-	(2,277,941,942)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(344,809,213)	344,809,213	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	68,658,268	39,476,123	-	108,134,391
At 30 June 2021	2,937,630,120	381,170,261	-	3,318,800,381

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR	**MUR**	**MUR**	**MUR**
ECL allowance as at 1 July	6,434,943	-	-	6,434,943
Increase in expected credit losses	623,462	69,118	-	692,580
Assets derecognised or repaid (excluding write offs)	(1,186,872)	-	-	(1,186,872)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(3,323,196)	3,323,196	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off 2021	-	-	-	-
Foreign exchange adjustments	83,488	375,779	-	459,267
At 30 June 2021	2,631,825	3,768,093	-	6,399,918

13. INVESTMENT SECURITIES (CONT'D)

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Performing				
Investment grade	2,110,197,364	-	-	2,110,197,364
Standard Monitoring	564,533,466	-	-	564,533,466
Watchlist		-	-	-
Unrated	963,353,766	-	-	963,353,766
Default	-	-	-	-
Total	3,638,084,596	-	-	3,638,084,596

2020:Total gross carrying amount of MUR 3,638M includes the fair value gain of MUR 1,593M (note 24). The fair value gain of MUR 1,593M is included in the line gross carrying amount in the below reconciliation.

	2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Gross carrying amount as at 1 July	3,190,321,497	-	-	3,190,321,497
New assets originated or purchased	2,298,544,350	-	-	2,298,544,350
Assets derecognised or repaid (excluding write offs)	(2,099,369,429)	-	-	(2,099,369,429)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	248,588,178	-		248,588,178
At 30 June 2020	3,638,084,596	-	-	3,638,084,596

	2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
ECL allowance as at 1 July	3,134,792	-	-	3,134,792
Increase in expected credit losses	4,120,520	-	-	4,120,520
Assets derecognised or repaid (excluding write offs)	(1,269,041)	-	-	(1,269,041)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	448,675	-	-	448,675
At 30 June 2020	6,434,946	-	-	6,434,946

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

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FOR THE YEAR ENDED 30 JUNE 2021

13. INVESTMENT SECURITIES (CONT'D)

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

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	1,273,412,337	-	-	1,273,412,337
Standard Monitoring	1,158,019,609	-	-	1,158,019,609
Watchlist	-	-	-	-
Unrated	758,889,551	-	-	758,889,551
Default	-	-	-	-
Total	3,190,321,497	-	-	3,190,321,497

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

(b) Equity instruments at FVTOCI

As at **30 June 2021,** the bank had corporate shares of **MUR 63,602,192** (30 June 2020 ; MUR 42,657,771 and 30 June 2019 ;MUR 36,467,145) classified as Equity instruments at FVTOCI.

(c) Debt instruments at amortised cost

	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	510,939,065	99,952,334	533,909,857	482,923,340	1,627,724,596
Foreign sovereign bonds	-	-	340,615,720	338,165,840	678,781,560
Corporate bonds	-	208,681,307	263,122,505	347,256,971	819,060,787
Gross carrying amount	510,939,065	308,633,641	1,137,648,082	1,168,346,151	3,125,566,943
Expected Credit Losses	(184,268)	(644,082)	(2,069,459)	(823,678)	(3,721,487)
	510,754,797	307,989,559	1,135,578,623	1,167,522,473	3,121,845,456

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2020
	MUR	MUR	MUR	MUR	MUR
Government of Mauritius bonds and notes	-	-	887,807,253	1,096,317,681	1,984,124,934
Foreign sovereign bonds	-	-	-	-	-
Corporate bonds	316,615,916	304,892,142	287,339,381	346,890,342	1,255,737,781
Gross carrying amount	316,615,916	304,892,142	1,175,146,634	1,443,208,023	3,239,862,715
Expected Credit Losses	(249,475)	(1,059,211)	(2,046,951)	(2,137,109)	(5,492,746)
	316,366,441	303,832,931	1,173,099,683	1,441,070,914	3,234,369,969

13. INVESTMENT SECURITIES (CONT'D)

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

	Up to 3 months	3-12 months	1 to 3 years	Over 3 years	2019
	MUR	MUR	MUR	MUR	MUR
Government of Mauritius bonds and notes	-	-	712,119,537	1,627,445,222	2,339,564,759
Foreign sovereign bonds	-	-	-	-	-
Corporate bonds	25,275,685	-	481,201,322	411,331,539	917,808,546
Gross carrying amount	25,275,685	-	1,193,320,859	2,038,776,761	3,257,373,305
Expected Credit Losses	(89,014)	-	(1,915,316)	(2,165,675)	(4,170,005)
	25,186,671	-	1,191,405,543	2,036,611,086	3,253,203,300

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	2021 MUR
Performing				
Investment grade	995,963,928	-	-	995,963,928
Standard Monitoring	1,627,724,614	-	-	1,627,724,614
Watchlist	-	226,945,032	-	226,945,032
Unrated	274,933,369	-	-	274,933,369
Total	2,898,621,911	226,945,032	-	3,125,566,943

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	3,239,862,716	-	-	3,239,862,716
New assets originated or purchased	980,030,074	883,716	-	980,913,790
Assets derecognised or repaid (excluding write offs)	(1,156,111,430)	-	-	(1,156,111,430)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(216,231,325)	216,231,325	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	51,071,876	9,829,991	-	60,901,867
At 30 June 2021	2,898,621,911	226,945,032	-	3,125,566,943

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

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FOR THE YEAR ENDED 30 JUNE 2021

13. INVESTMENT SECURITIES (CONT'D)

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

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
ECL allowance as at 1 July	5,492,747	-	-	5,492,747
Increase in expected credit losses	610,435	-	-	610,435
Assets derecognised or repaid (excluding write offs)	(2,173,724)	(324,054)	-	(2,497,778)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,925,853)	1,925,853	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	49,107	66,976	-	116,083
At 30 June 2021	2,052,712	1,668,775	-	3,721,487

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	500,093,314	-	-	500,093,314
Standard Monitoring	1,984,124,934	-	-	1,984,124,934
Watchlist	-	-	-	-
Unrated	755,644,467	-	-	755,644,467
Total	3,239,862,715	-	-	3,239,862,715

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	3,257,373,305	-	-	3,257,373,305
New assets originated or purchased	283,059,400	-	-	283,059,400
Assets derecognised or repaid (excluding write offs)	(381,573,138)	-	-	(381,573,138)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	81,003,148	-	-	81,003,148
At 30 June 2020	3,239,862,715	-	-	3,239,862,715

13. INVESTMENT SECURITIES (CONT'D)

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

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	4,170,005	-	-	4,170,005
Increase in expected credit losses	1,428,882	-	-	1,428,882
Assets derecognised or repaid (excluding write offs)	(314,279)	-	-	(314,279)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	208,138	-	-	208,138
At 30 June 2020	5,492,746	-	-	5,492,746

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	175,183,600	-	-	175,183,600
Standard Monitoring	2,339,564,759	-	-	2,339,564,759
Watchlist	-	-	-	-
Unrated	742,624,946	-	-	742,624,946
Total	3,257,373,305	-	-	3,257,373,305

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

14. OTHER ASSETS

	2021	2020	2019
	MUR	MUR	MUR
Restricted balances with the Central bank	769,714,298	693,741,733	-
Deposits	151,375,228	173,041,341	81,673,917
Non banking assets acquired in satisfaction of debts	3,999,488	2,623,184	75,000
Other receivables	28,670,583	23,008,495	18,248,388
Less: Expected credit losses	(1,302,345)	(1,036,969)	-
	952,457,252	891,377,784	99,997,305

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 cars being repossessed in relation to finance leases given by the bank. The bank's policy is to sell these repossessed assets through the various car auctions.

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. This was previously reported under 'Due from banks'. To be in line with the Bank of Mauritius Guideline, the bank has classified the amount in other assets in 2020. The ECL allowances calculated are raised on the restricted balances with the Central Bank.

There has been no change in staging classification during the financial year. All dues from banks were classified in stage 1 in 2021, 2020 and 2019.
Other receivables comprises mainly prepaid expenses.

15. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Freehold land	Buildings	Improvement to buildings	Computer equipment	Motor vehicles	Other fixed assets	Work in Progress	Right-of -use assets: Motor vehicles	Right-of -use assets: Offices	Total
	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
COST										
At 1 July 2018	123,435,858	127,872,234	105,954,058	32,581,689	15,111,757	38,861,963	27,486,194	-	-	471,303,753
Additions	-	12,048,739	-	17,220,381	1,000,000	2,536,063	107,294,539	-	-	140,099,722
Transfer	-	28,910,753	-	-	-	1,512,503	(30,423,256)	-	-	-
Disposals	-	-	-	-	-	(98,235)	-	-	-	(98,235)
At 30 June 2019	123,435,858	168,831,726	105,954,058	49,802,070	16,111,757	42,812,294	104,357,477	-	-	611,305,240
At 1 July 2019	123,435,858	168,831,726	105,954,058	49,802,070	16,111,757	42,812,294	104,357,477	-	-	611,305,240
Effect of adoption of IFRS 16	-	-	-	-	-	-	-	4,622,924	4,994,771	9,617,695
Additions	-	1,755,058	1,010,553	5,742,579	-	10,482,605	90,571,590	-	1,008,867	110,571,252
Transfer	-	168,298,654	-	-	-	26,630,413	(194,929,067)	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	123,435,858	338,885,438	106,964,611	55,544,649	16,111,757	79,925,312	-	4,622,924	6,003,638	731,494,187
At 1 July 2020	123,435,858	338,885,438	106,964,611	55,544,649	16,111,757	79,925,312	-	4,622,924	6,003,638	731,494,187
Additions	-	-	-	11,309,126	4,225,000	968,941	-	-	4,604,554	21,107,621
Transfer	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(3,325,000)	-	-	-	-	(3,325,000)
At 30 June 2021	**123,435,858**	**338,885,438**	**106,964,611**	**66,853,775**	**17,011,757**	**80,894,253**	**-**	**4,622,924**	**10,608,192**	**749,276,808**
DEPRECIATION										
At 1 July 2018	-	8,133,436	19,790,189	21,076,945	3,188,625	24,252,980	-	-	-	76,442,175
Charge for the year	-	3,240,103	5,297,703	6,707,132	3,189,018	4,005,711	-	-	-	22,439,667
Disposals	-	-	-	-	-	(35,068)	-	-	-	(35,068)
At 30 June 2019	-	11,373,539	25,087,892	27,784,077	6,377,643	28,223,623	-	-	-	98,846,774
At 1 July 2019	-	11,373,539	25,087,892	27,784,077	6,377,643	28,223,623	-	-	-	98,846,774
Charge for the year	-	4,226,903	5,322,967	8,726,522	3,097,351	5,055,092	-	1,132,968	4,241,946	31,803,749
Disposals	-	-	-	-	-	-	-	-	-	-
At 30 June 2020	-	15,600,442	30,410,859	36,510,599	9,474,994	33,278,715	-	1,132,968	4,241,946	130,650,523
At 1 July 2020	-	15,600,442	30,410,859	36,510,599	9,474,994	33,278,715	-	1,132,968	4,241,946	130,650,523
Charge for the year	-	6,777,709	5,398,758	9,159,894	3,268,185	6,523,031	-	1,141,244	2,467,711	34,736,532
Disposals	-	-	-	-	(2,871,250)	-	-	-	-	(2,871,250)
At 30 June 2021	**-**	**22,378,151**	**35,809,617**	**45,670,493**	**9,871,929**	**39,801,746**	**-**	**2,274,212**	**6,709,657**	**162,515,805**
NET BOOK VALUE										
At 30 June 2021	**123,435,858**	**316,507,287**	**71,154,994**	**21,183,282**	**7,139,828**	**41,092,507**	**-**	**2,348,712**	**3,898,535**	**586,761,003**
At 30 June 2020	123,435,858	323,284,996	76,553,752	19,034,050	6,636,763	46,646,597	-	3,489,956	1,761,692	600,843,664
At 30 June 2019	123,435,858	157,458,187	80,866,166	22,017,993	9,734,114	14,588,671	104,357,477	-	-	512,458,466

15. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

Other fixed assets consist of office furniture, office equipment, fixtures and fittings and security and vault. There is no restriction on title or asset pledged as securities for liabilities at reporting date (2020 and 2019: nil). Following completion of the renovation project of Plantation House, the bank transferred the relevant cost from Work in Progress to Buildings and Other fixed assets.

Tabled below are the carrying amounts of lease liabilities (included under 'other liabilities') and the movements during the year.

	2021	2020
	MUR	MUR
As at 1 July	**5,892,142**	9,617,694
Additions	**4,604,554**	1,008,867
Accretion of interest	**325,783**	402,851
Payments	**(3,955,253)**	(5,137,270)
At 30 June	**6,867,226**	5,892,142
The following are the amounts recognised in profit or loss:		
	MUR	MUR
Depreciation on right-of-use-assets	**3,608,955**	5,374,914
Interest expense on lease liability (note 25)	**325,783**	402,851
Low value leases being expensed	**263,040**	263,040
Total amounts recognised in profit or loss	**4,197,778**	6,040,805

Lease Liability	Up to 1 year	1 to 3 years	after 3 years	Total
Undiscounted cash flows	3,682,854	3,079,074	-	6,761,928

Lease activities consist of rental of motor vehicles, Disaster Recovery site and overseas representative offices in Hong-Kong and Dubai.

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery amd equipment (i.e, those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payment on short-term leases and leases of low-value assets are recongnised as expense on a straight-line basis over the lease term.

The bank had total cash outflows of MUR 3,575,212 (2020: MUR 5,114,445, 2019: Nil)

16. INTANGIBLE ASSETS

Computer Software

	2021	2020	2019
COST	**MUR**	MUR	MUR
At 1 July	**33,795,809**	24,881,393	24,881,393
Additions	**34,733,615**	8,914,416	-
At 30 June	**68,529,424**	33,795,809	24,881,393
AMORTISATION			
At 1 July	**24,873,444**	22,618,253	20,529,521
Charge for the year	**1,862,898**	2,255,191	2,088,732
At 30 June	**26,736,342**	24,873,444	22,618,253
NET BOOK VALUE			
At 30 June	**41,793,082**	8,922,365	2,263,140

None of the intangible assets are internally generated

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17. DEFERRED TAX ASSETS

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

	2021	2020	2019
	MUR	MUR	MUR
As at 1 July	23,084,417	9,710,148	21,307,487
Impact of IFRS 9	-	-	(6,648,770)
	23,084,417	9,710,148	14,658,717
Accelerated tax depreciation	(1,631,128)	(1,786,268)	2,401,195
Impairment allowance	(9,293,481)	14,361,902	(7,710,328)
Retirement benefit obligations	(560,931)	798,635	360,564
As at 30 June	11,598,877	23,084,417	9,710,148

Analysed as:

	Statement of financial position			Statement of profit or loss and other comprehensive income		
	2021	2020	2019	2021	2020	2019
	MUR	MUR	MUR	MUR	MUR	MUR
Accelerated tax depreciation	(6,773,315)	(5,142,187)	(3,355,919)	(1,631,128)	(1,786,268)	2,401,195
Impairment allowance	17,104,917	26,398,398	12,036,496	(9,293,481)	14,361,902	(7,710,328)
Retirement benefit obligations	1,267,275	1,828,206	1,029,571	(560,931)	798,635	360,564
	11,598,877	23,084,417	9,710,148	(11,485,540)	13,374,269	(4,948,569)

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

	2021	2020	2019
	MUR	MUR	MUR
Profit or loss (Note 21)	(10,766,933)	12,876,289	(5,120,005)
Other comprehensive income	(718,607)	497,980	171,436
	(11,485,540)	13,374,269	(4,948,569)

18. DEPOSITS FROM CUSTOMERS

	2021	2020	2019
	MUR	MUR	MUR
Retail customers			
Savings accounts	3,697,600,501	3,394,409,759	3,706,678,411
Current accounts	909,167,845	1,066,917,821	585,452,777
Term deposits with remaining term to maturity:			
Up to 3 months	716,339,996	335,479,281	211,530,574
Over 3 months and up to 6 months	757,597,545	119,578,500	216,167,570
Over 6 months and up to 12 months	679,804,144	255,734,790	218,694,244
Over 1 year and up to 5 years	1,477,117,172	2,097,778,434	1,491,774,855
Corporate customers			
Savings accounts	122,281,403	157,680,717	320,060,866
Current accounts	8,928,935,692	6,763,218,928	6,414,327,204
Term deposits with remaining term to maturity:			
Up to 3 months	366,213,885	560,380,144	482,545,683
Over 3 months and up to 6 months	1,073,993,810	360,735,014	634,366,120
Over 6 months and up to 12 months	710,432,461	550,760,222	402,522,714
Over 1 year and up to 5 years	406,738,571	1,137,058,184	555,354,780
	19,846,223,025	16,799,731,794	15,239,475,798

19. PREFERENCE SHARES

	2021	2020	2019
	MUR	MUR	MUR
At 1 July	144,534,198	145,202,573	145,340,753
Interest accrued	4,535,783	6,240,625	6,909,000
Dividend paid	(6,260,951)	(6,909,000)	(7,047,180)
At 30 June	142,809,030	144,534,198	145,202,573

On 25 June 2015, the bank issued cumulative redeemable preference shares at floating rate (Repo+1.5%) with a maturity of six years for a total consideration of MUR 138,180,000. The shareholders do not have the option to redeem the preference shares before maturity date.

The preference shares have been fully redeemed after year end.

20. SUBORDINATED DEBTS

	2021	2020	2019
	MUR	MUR	MUR
Issue of shares	500,000,000	500,000,000	500,000,000
Interest accrued	4,762,329	4,762,329	5,070,890
At 30 June	504,762,329	504,762,329	505,070,890

On 25 April 2019, the bank issued subordinated notes MUR 375,000,000 at fixed rate (5.60%) and MUR 125,000,000 at floating rate (Repo + 1.8%) with a maturity of six years. The notes are eligible as Tier II Capital.

21. INCOME TAX EXPENSE

Income tax is calculated at the rate of 5% (2020: 5% & 2019: 15%) on the profit for the year.
The components of income tax expense for the years ended 30 June are:

	2021	2020 Restated	2019 Restated
	MUR	MUR	MUR
Current income tax*	21,082,667	40,737,517	63,790,877
Over provision in previous years	(463,017)	(6,811,436)	(1,441,424)
Deferred tax charge/(credit)	10,766,933	(12,876,289)	5,120,005
Income tax expense	31,386,583	21,049,792	67,469,458

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:

	2021	2020 Restated	2019 Restated
	MUR	MUR	MUR
Accounting profit before tax	151,489,889	141,437,634	291,357,698
At statutory income tax rate of 5% (2020: 5% and 2019: 15%)	7,574,494	7,071,882	43,703,655
Non-deductible expenses	2,530,911	14,944,329	9,775,872
Exempt income	(18,496,988)	(5,244,251)	(192,360)
Corporate social responsibility	1,003,834	3,886,724	4,388,836
Special Levy*	20,078,832	20,078,832	20,078,832
Income tax (over) provision for the previous year	(463,017)	(6,811,436)	(1,441,424)
Tax loss	8,391,584	-	-
Deemed credit on segment B profits	-	-	(18,926,590)
Deferred tax charge/ (credit)	10,766,933	(12,876,288)	10,082,637
Tax expense	31,386,583	21,049,792	67,469,458

Non-deductible expenses consist mainly of provision for impairment and depreciation.
* The special levy has been reclassified from other liabilities to tax expense. Refer to Note 43 for more information.

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FOR THE YEAR ENDED 30 JUNE 2021

21. INCOME TAX EXPENSE (CONT'D)

Corporate Social Responsibility (CSR) Tax

Corporate Social Responsibility (CSR) was legislated by the Government of Mauritius in July 2009. The bank is required to allocate 2% of its Segment A chargeable income of the preceding financial year to Government approved CSR Non- Governmental.

Special Levy

The bank is liable to pay a special levy as per VAT Act. It is calculated as a percentage of the bank's leviable income from residents excluding Global Business Licence holders. In the past years, the bank has been accounting for the special levy within "other operating expenses" in the statement of profit or loss. In year 2021, the Regulator after consultation with the Mauritius Revenue Authority advised banks to treat it as a tax expense as it is an unauthorised deduction as per Income Tax Act and management have used significnat judgement to classify it as a tax expense.

22. OTHER LIABILITIES

	2021	2020 Restated	2019 Restated
	MUR	MUR	MUR
Unallocated receipts	517,254,508	189,133,405	300,845,767
Employee benefit liability (Note 37)	19,496,527	28,126,242	15,839,543
Bankers' drafts	40,417,275	26,176,584	39,136,982
Deferred income	25,432,262	24,098,435	18,441,117
Other payables*	109,711,066	107,887,522	89,932,597
Lease liability (Note 15)	6,867,226	5,892,142	-
	719,178,864	381,314,330	464,196,006

Other payables include provision for expenses, accrued staff related costs, advance fee income, VAT payable and ECL allowance on contingent liabilities.

* The special levy has been reclassified from other liabilities to tax expense. Refer to Note 43 for more information.

Refer to Note 42(c) for the maturity analysis of lease liability.

23. ISSUED CAPITAL

	2021	2020	2019
	MUR	MUR	MUR
Ordinary shares of MUR 10 each			
Issued, authorised and fully paid capital	762,718,720	762,718,720	762,718,720
Share premium	177,776,752	177,776,752	177,776,752
At 30 June	940,495,472	940,495,472	940,495,472

	2021	2020	2019
	MUR	MUR	MUR
Issued, authorised and fully paid			
At 30 June	940,495,472	940,495,472	940,495,472
Number of shares			
At 30 June	76,271,872	76,271,872	76,271,872

Rights conferred to an ordinary share are the following: right to one vote on a poll at a meeting of the bank on any resolution, right to an equal share in dividends authorised by the Board and right to an equal share in the distribution of the surplus assets of the bank.

On 28 November 2014, the bank issued 12,000,000 Ordinary Shares at MUR 12.50 per share for a total consideration of MUR 150,000,000. The new ordinary shares rank pari passu with the existing ordinary shares in the capital of the bank.

On 23 October 2015, the bank issued 9,533,984 Ordinary Shares of par value of MUR 10.00 each of the bank at a price of MUR 13.50 per share for a total consideration of MUR 128,708,784. The new ordinary shares rank pari passu with the existing ordinary shares in the capital of the bank.

On 10 June 2016, the bank issued 19,067,968 Ordinary Shares of par value of MUR 10.00 each of the bank at a price of MUR 16.00 per share for a total consideration of MUR 305,087,488. The new ordinary shares of par value of MUR 10.00 each of the bank rank pari passu with the existing ordinary shares in the capital of the bank.

24. OTHER RESERVES

	2021	2020	2019
	MUR	MUR	MUR
Net unrealised investment fair value reserve	13,621,269	54,282,373	43,198,122
Statutory reserve	182,578,414	164,562,918	146,504,742
	196,199,683	218,845,291	189,702,864

Net unrealised investment fair value reserve

	2021	2020	2019
	MUR	MUR	MUR
At 1 July	54,282,373	43,198,122	(21,606,550)
Impact of adopting IFRS 9	-	-	1,038,828
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	(35,025)	3,300,152	571,457
Net gain on investments in equity instruments designated at fair value through other comprehensive income	14,566,769	6,190,622	3,147,386
Net loss on investments in debt instruments designated at fair value through other comprehensive income	(55,192,848)	1,593,477	60,047,001
At 30 June	13,621,269	54,282,373	43,198,122

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 2018	112,921,506
Transfer to statutory reserve	33,583,236
At 30 June 2019	146,504,742
At 1 July 2019	146,504,742
Transfer to statutory reserve	18,058,176
At 30 June 2020	164,562,918
At 1 July 2020	**164,562,918**
Transfer to statutory reserve	**18,015,496**
At 30 June 2021	**182,578,414**

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FOR THE YEAR ENDED 30 JUNE 2021

25. NET INTEREST INCOME

	2021 MUR	2020 MUR	2019 MUR
Interest income using the effective interest method			
Finance leases	98,161,159	103,448,633	90,354,837
Loans and advances to customers (excluding finance leases)	358,949,705	381,387,357	302,470,846
Loans to and placements with banks	2,947,682	17,755,453	44,921,449
Investment securities	258,955,986	303,821,682	296,261,977
	719,014,532	806,413,125	734,009,109

	2021 MUR	2020 MUR	2019 MUR
Interest expense			
Deposits from customers	220,023,666	252,948,197	237,493,913
Preference shares	4,535,783	6,240,625	6,909,000
Subordinated debts	25,562,500	27,078,938	5,070,890
Borrowed funds	643,184	3,343,560	2,052,080
Lease liabilities	325,783	402,851	-
	251,090,916	290,014,171	251,525,883
Net interest income	467,923,616	516,398,954	482,483,226

26. NET FEE AND COMMISSION INCOME

	2021 MUR	2020 MUR	2019 MUR
Fee and commission income			
Card and related fee income	30,606,445	36,186,483	56,977,576
Processing fees	11,103,437	11,277,329	6,996,216
International banking	51,424,094	34,405,883	41,446,135
Interbank transaction fees	3,780,016	2,469,049	5,053,653
Others	13,336,805	15,325,790	7,292,296
	110,250,797	99,664,534	117,765,876
Fee and commission expense			
Card and related fee expense	20,263,823	15,824,905	21,681,969
Interbank transaction fees	8,793,599	6,852,335	7,381,029
	29,057,422	22,677,240	29,062,998
Net fee and commission income	81,193,375	76,987,294	88,702,878

27.NET TRADING INCOME

	2021 MUR	2020 MUR	2019 MUR
Net foreign exchange gain	51,678,809	64,092,741	77,535,761

28. OPERATING INCOME

	2021 MUR	2020 MUR	2019 MUR
Net gain on derecognition of investment securities measured at fair value through other comprehensive income	5,852,597	45,313,979	39,475
Net gain on derecognition of investment securities measured at amortised cost	104,267,812	57,500,278	-
Net gain on derecognition of investment securities measured at fair value through profit or loss	5,470	1,233,374	2,254,236
	110,125,879	104,047,631	2,293,711
Other Operating Income			
Dividend income from equity instruments under FVTOCI	1,763,890	1,314,895	1,282,397
Profit on disposal of property and equipment	619,218	-	-
Others	10,151	651	498
Fair value gain on revaluation	-	18,940	-
	2,393,259	1,334,486	1,282,895
	112,519,138	105,382,117	3,576,606

Net gain on sale of investment securities are mainly on Bank of Mauritius, Government of Mauritius securities (Bonds, notes and bills) and foreign securities. During the period, the bank sold investment securities measured at amortised cost to cater for the liquidity and capital management of the bank in a time of uncertainty due to the second national lock-down. It should be noted that all investments securities were sold at a gain.

29. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS

	2021 MUR	2020 MUR	2019 MUR
Due from banks and restricted balances with central bank	245,222	(5,253)	(4,073,538)
Loans and advances to customers	155,274,854	295,016,131	55,174,756
Investment in securities	(1,806,286)	4,622,894	492,152
Provision on guarantee	78,293,188	11,074,266	5,128,587
	232,006,978	310,708,038	56,721,957

Reconciliation of the ECL allowances calculated are set out in Note 12(c) for loans and advances to customers and Note 13(c) for Investment in securities.

	2021 MUR	2020 MUR	2019 MUR
Loans and advances to customers			
Provision for credit impairment	435,849,139	355,583,844	103,448,760
Provision released	(279,223,256)	(57,706,627)	(46,572,947)
Bad debts recovered	(1,351,029)	(2,898,922)	(1,707,907)
Bad debts written off for which no provision was made	-	37,840	6,850
	155,274,854	295,016,135	55,174,756

	2021 MUR	2020 MUR	2019 MUR
Investment in securities			
Expected Credit Losses - Debt instruments at FVTOCI	(35,025)	3,300,152	571,457
Expected Credit Losses - Debt instruments at amortised cost	(1,771,261)	1,322,742	(79,305)
	(1,806,286)	4,622,894	492,152

NOTES TO THE FINANCIAL STATEMENTS

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29. ALLOWANCE FOR CREDIT IMPAIRMENT ON FINANCIAL ASSETS (CONT'D)

The table below shows the ECL charges on financial instruments for the year recorded in the profit or loss:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	MUR	**MUR**	**MUR**	**MUR**
Financial assets				
Due from banks	245,222	-	-	245,222
Loans and advances to customers	37,726,275	(45,633,194)	163,181,774	155,274,855
Investment securities				
Debt instruments at amortised cost	(3,440,035)	1,668,774	-	(1,771,261)
Debt instruments at fair value through OCI	(3 803,118)	3,768,093	-	(35,025)
	(7,243,153)	5,436,867	-	(1,806,286)
	30,728,344	(40,196,327)	163,181,774	153,713,791
Contingent liabilities	78,293,188	-	-	78,293,188
	109,021,532	(40,196,327)	163,181,774	232,006,979

	2020			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Financial assets				
Due from banks	(5,253)	-	-	(5,253)
Loans and advances to customers	(53,636,088)	92,943,148	255,709,071	295,016,131
Investment securities				
Debt instruments at amortised cost	3,300,152	-	-	3,300,152
Debt instruments at fair value through OCI	1,322,742	-	-	1,322,742
	4,622,894	-	-	4,622,894
	(49,018,447)	92,943,148	255,709,071	299,633,772
Contingent liabilities	11,074,266	-	-	11,074,266
	(37,944,181)	92,943,148	255,709,071	310,708,038

	2019			
	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
Financial assets				
Due from banks	(4,073,538)	-	-	(4,073,538)
Loans and advances to customers	61,119,521	(5,541,502)	(403,263)	55,174,756
Investment securities				
Debt instruments at amortised cost	571,457	-	-	571,457
Debt instruments at fair value through OCI	(79,305)	-	-	(79,305)
	492,152	-	-	492,152
	57,538,135	(5,541,502)	(403,263)	51,593,370
Contingent liabilities	5,128,587	-	-	5,128,587
	62,666,722	(5,541,502)	(403,263)	56,721,957

30. PERSONNEL EXPENSES

	2021	2020	2019
	MUR	MUR	MUR
Wages and salaries	150,586,077	151,702,057	151,036,137
Employees benefit costs (Note 37)	2,425,776	4,625,465	7,777,144
Others	38,036,934	36,556,951	33,311,187
	191,048,787	192,884,473	192,124,468

Others consist of medical benefits, training and other allowances.

31. OTHER OPERATING EXPENSES

	2021	2020 Restated	2019 Restated
	MUR	MUR	MUR
Motor vehicle expenses and insurance	6,344,033	6,020,975	6,233,379
Rates	632,628	681,219	604,303
Advertising and marketing	2,117,844	4,375,406	5,270,456
Information technology costs	31,210,463	19,603,095	14,651,471
Licences	4,842,512	3,182,102	3,595,763
Loss on disposal of property and equipment	-	-	63,167
Communication costs	11,317,598	9,247,216	9,159,077
Legal and professional fees	14,703,264	12,112,659	17,402,699
Maintenance costs	6,398,001	6,152,958	5,699,720
Others	24,603,511	22,396,391	24,885,914
Special levy*	-	-	-
	102,169,854	83,772,021	87,565,949

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

* The special levy has been reclassified to tax expenses. Refer to Note 43 for more details.

32. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders of the bank by the weighted average number of ordinary shares during the year.

	2021	2020	2019
	MUR	MUR	MUR
Net Profit	120,103,306	120,387,842	223,888,240
Weighted average number of ordinary shares	76,271,872	76,271,872	76,271,872
Earnings per share			
Basic and diluted earnings per share	1.57	1.58	2.94

33. DIVIDENDS PAID AND PROPOSED

	2021	2020	2019
	MUR	MUR	MUR
Declared and paid during the year			
Dividends on ordinary shares:			
Final dividend for 2021: MUR 0 per share (2020:MUR 0 per share ,2019 : MUR 0.77 per share)	-	58,729,341	55,678,467
Proposed for approval at Annual General Meeting (not recognised as a liability as at 30 June 2020)			
Dividends on ordinary shares:			
Final dividend for 2021: MUR 0 per share (2020: MUR 0 per share,2019: MUR 0.77 per share)	-	-	58,729,341

34. RELATED PARTY DISCLOSURES

(a) The following table provides the total amount of transactions and balances, which have been entered into with related parties for the relevant financial years.

		LOANS AND ADVANCES			DEPOSITS FROM CUSTOMERS		OTHERS	Total amount	Total amount
		Loans and advances granted	Outstanding amount at year end	Interest receivable for the year	Deposits at year end	Interest payable for the year	Other expenditure	Owed by related party	Owed to related party
		MUR	MUR	MUR	MUR	MUR	MUR	MUR	MUR
Directors and key management personnel	2021	-	6,718,651	222,599	162,833,784	2,839,717	2,636,649	6,718,651	162,833,784
	2020	41,130,669	15,327,024	556,180	156,054,625	3,574,053	4,835,333	15,327,024	156,054,625
	2019	5,047,053	12,966,697	394,857	106,263,069	2,625,976	5,708,644	12,966,697	106,263,069
Corporate shareholders with significant influence	2021	13,550,000	199,755,821	11,246,221	64,636,671	-	9,178,946	199,755,821	64,636,671
	2020	52,639,798	244,885,055	13,653,243	28,058,597	459	3,344,044	244,885,055	28,058,597
	2019	130,818,088	220,066,590	9,459,477	1,141,281	741	2,571,154	220,066,590	1,141,281
Enterprises that have a number of directors in common	2021	48,074,868	104,651,271	5,688,679	19,770,766	-	8,001,131	104,651,271	19,770,766
	2020	52,068,096	117,490,168	7,957,967	20,280,056	45,197	8,909,571	117,490,168	20,280,056
	2019	7,434,785	120,518,480	7,981,255	11,632,711	50,272	10,109,102	120,518,480	11,632,711
Total	2021	61,624,868	311,125,743	17,157,499	247,241,221	2,839,717	19,816,726	311,125,743	247,241,221
	2020	145,838,563	377,702,247	22,167,390	204,393,278	3,619,709	17,088,948	377,702,247	204,393,278
	2019	143,299,926	353,551,767	17,835,589	119,037,061	2,676,989	18,388,900	353,551,767	119,037,061

Total amount owed by related parties MUR 311,125,743 & total amount owed to MUR 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 (gross loans, however ECL amount is in the loans and advances) are secured except for short term money market lines and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2021, the bank has not recorded any impairment of receivables relating to amounts owed by the related parties (2020 and 2019: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Equity contribution from shareholders paid in cash is disclosed in Note 23.

(b) Compensation of key management personnel

	2021	2020	2019
	MUR	MUR	MUR
Short term employee benefits	37,389,240	36,667,560	32,126,275
Long term employee benefits	1,763,201	1,717,268	1,631,836

(c) The bank's top six exposures to related parties amount to MUR 265,620,449 (30 June 2020: MUR 323,806,918 and 30 June 2019: MUR 301,195,459). These represent 15% of Tier 1 Capital. None of these facilities were non-performing (2020 and 2019: Nil). Allowance for impairment losses amount to MUR 2,497,808 (30 June 2020: MUR 6,777,829 and 30 June 2019: MUR 4,173,406)

35. CONTINGENT LIABILITIES

		2021	2020	2019
		MUR	MUR	MUR
(a)	**Instruments**			
(i)	Financial guarantees	52,909,454	605,266,761	118,138,466
	Less: Allowance for impairment losses*	(8,972,034)	(12,758,857)	(735,365)
	Net financial guarantees	43,937,420	592,507,904	117,403,101
(ii)	Letter of credit and other obligations on account of customers	-	11,000,000	3,373,422
	Less: Allowance for impairment losses	-	(64,625)	(16,871)
	Net letter of credit and other obligations on account of customers	-	10,935,375	3,356,551
(b)	**Commitments**			
(i)	Undrawn credit facilities	1,638,467,897	1,193,184,899	1,321,902,701
	Less: Allowance for impairment losses*	(6,853,267)	(5,208,631)	(6,205,610)
	Net undrawn credit facilities	1,631,614,630	1,187,976,268	1,315,697,091
	Net contingent liabilities	1,675,552,050	1,791,419,547	1,436,456,743

The reconciliation of allowance for impairment on guarantee should take into consideration total payments amounting MUR 80.5m made during the financial year (note 29).

(a) (i) Financial Guarantees

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
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 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	347,139,001	160,005,442	98,122,318	605,266,761
New exposures originated or purchased	38,251,314	1,521,746	13,136,395	52,909,455
Exposures derecognised or repaid (excluding write offs)	(347,139,001)	(160,005,442)	(98,122,318)	(605,266,761)
At 30 June 2021	38,251,314	1,521,746	13,136,395	52,909,455

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	2,067,587	893,034	576,236	3,536,857
New exposures originated or purchased	232,200	17,812	8,722,022	8,972,034
Exposures derecognised or repaid (excluding write offs)	(2,067,587)	(893,034)	(576,236)	(3,536,857)
At 30 June 2021	232,200	17,812	8,722,022	8,972,034

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35. CONTINGENT LIABILITIES (CONT'D)

(a) (i) Financial Guarantees (Cont'd)

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	-	-	-	-
Standard Monitoring	345,091,501	-	-	345,091,501
Watchlist	-	160,005,442	-	160,005,442
Unrated	2,047,500	-	-	2,047,500
Non - performing				
Default	-	-	98,122,318	98,122,318
Total	347,139,001	160,005,442	98,122,318	605,266,761

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	118,138,466	-	-	118,138,466
New exposures originated or purchased	347,139,001	160,005,442	98,122,318	605,266,761
Exposures derecognised or repaid (excluding write offs)	(118,138,466)	-	-	(118,138,466)
At 30 June 2020	347,139,001	160,005,442	98,122,318	605,266,761

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	735,365	-	-	735,365
New exposures originated or purchased	2,067,587	893,034	576,236	3,536,857
Exposures derecognised or repaid (excluding write offs)	(735,365)	-	-	(735,365)
At 30 June 2020	2,067,587	893,034	576,236	3,536,857

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	-	-	-	-
Standard Monitoring	88,950,985	-	-	88,950,985
Watchlist	-	-	-	-
Unrated	29,187,481	-	-	29,187,481
Non - performing				
Default	-	-	-	-
Total	118,138,466	-	-	118,138,466

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	32,168,218	-	-	32,168,218
New exposures originated or purchased	118,138,466	-	-	118,138,466
Exposures derecognised or repaid (excluding write offs)	(32,168,218)	-	-	(32,168,218)
At 30 June 2019	118,138,466	-	-	118,138,466

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	110,328	-	-	110,328
New exposures originated or purchased	735,365	-	-	735,365
Exposures derecognised or repaid (excluding write offs)	(110,328)	-	-	(110,328)
At 30 June 2019	735,365	-	-	735,365

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

35. CONTINGENT LIABILITIES (CONT'D)

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

The bank had no letter of credit at 30 June 2021

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
Gross carrying amount as at 1 July	-	-	11,000,000	11,000,000
New exposures originated or purchased	-	-	-	-
Exposures derecognised or repaid (excluding write offs)	-	-	(11,000,000)	(11,000,000)
At 30 June 2021	-	-	-	-

	2021			
	Stage 1 MUR	**Stage 2 MUR**	**Stage 3 MUR**	**Total MUR**
ECL allowance as at 1 July	-	-	64,625	64,625
New exposures originated or purchased	-	-	-	-
Exposures derecognised or repaid (excluding write offs)	-	-	(64,625)	(64,625)
At 30 June 2021	-	-	-	-

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	-	-	-	-
Non - performing				
Default	-	-	11,000,000	11,000,000
Total	-	-	11,000,000	11,000,000

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	3,373,422	-	-	3,373,422
New exposures originated or purchased	-	-	11,000,000	11,000,000
Exposures derecognised or repaid (excluding write offs)	(3,373,422)	-	-	(3,373,422)
At 30 June 2020	-	-	11,000,000	11,000,000

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

35. CONTINGENT LIABILITIES (CONT'D)

(a) (ii) Letter of credit and other obligations on account of customers (Cont'd)

Financial guarantees of MUR 11m originated during 2020 was classified in stage 1. During 2020, the guarantees were transferred to stage 3.

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	16,871	-	-	16,871
New exposures originated or purchased	-	-	64,625	64,625
Exposures derecognised or repaid (excluding write offs)	(16,871)	-	-	(16,871)
At 30 June 2020	-	-	64,625	64,625

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	-	-	-	-
Standard Monitoring	-	-	-	-
Watchlist	-	-	-	-
Unrated	3,373,422	-	-	3,373,422
Non - performing				
Default	-	-	-	-
Total	3,373,422	-	-	3,373,422

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	13,459,409	-	-	13,459,409
New exposures originated or purchased	3,373,422	-	-	3,373,422
Exposures derecognised or repaid (excluding write offs)	(13,459,409)	-	-	(13,459,409)
At 30 June 2019	3,373,422	-	-	3,373,422

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	42,433	-	-	42,433
New exposures originated or purchased	16,871	-	-	16,871
Exposures derecognised or repaid (excluding write offs)	(42,433)	-	-	(42,433)
At 30 June 2019	16,871	-	-	16,871

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

35. CONTINGENT LIABILITIES (CONT'D)

(b) (i) Undrawn credit facilities

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

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,065,902,913	127,281,988	-	1,193,184,901
New exposures originated or purchased	1,475,742,977	162,724,921	-	1,638,467,898
Exposures derecognised or repaid (excluding write offs)	(1,065,902,913)	(127,281,988)	-	(1,193,184,901)
At 30 June 2021	1,475,742,977	162,724,921	-	1,638,467,898

	2021			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	4,647,843	560,788	-	5,208,631
New exposures originated or purchased	6,086,047	767,220	-	6,853,267
Exposures derecognised or repaid (excluding write offs)	(4,647,843)	(560,788)	-	(5,208,631)
At 30 June 2021	6,086,047	767,220	-	6,853,267

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	610,960,867	-	-	610,960,867
Standard Monitoring	443,404,101	-	-	443,404,101
Watchlist	-	127,281,988	-	127,281,988
Unrated	11,537,943	-	-	11,537,943
Non - performing				
Default	-	-	-	-
Total	1,065,902,911	127,281,988	-	1,193,184,899

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

35. CONTINGENT LIABILITIES (CONT'D)

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

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,319,862,036	2,040,665	-	1,321,902,701
New exposures originated or purchased	1,065,902,911	127,281,988	-	1,193,184,899
Exposures derecognised or repaid (excluding write offs)	(1,319,862,036)	(2,040,665)	-	(1,321,902,701)
At 30 June 2020	1,065,902,911	127,281,988	-	1,193,184,899

	2020			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	6,199,104	6,506	-	6,205,610
New exposures originated or purchased	4,647,843	560,788	-	5,208,631
Exposures derecognised or repaid (excluding write offs)	(6,199,104)	(6,506)	-	(6,205,610)
At 30 June 2020	4,647,843	560,788	-	5,208,631

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Performing				
Investment grade	95,864,391	-	-	95,864,391
Standard Monitoring	429,096,435	-	-	429,096,435
Watchlist	-	2,040,665	-	2,040,665
Unrated	794,901,210	-	-	794,901,210
Non - performing				-
Default	-	-	-	-
Total	1,319,862,036	2,040,665	-	1,321,902,701

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
Gross carrying amount as at 1 July	1,300,121,698	-	-	1,300,121,698
New exposures originated or purchased	1,319,862,036	2,040,665	-	1,321,902,701
Exposures derecognised or repaid (excluding write offs)	(1,300,121,698)	-	-	(1,300,121,698)
At 30 June 2019	1,319,862,036	2,040,665	-	1,321,902,701

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

35. CONTINGENT LIABILITIES (CONT'D)

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

	2019			
	Stage 1 MUR	Stage 2 MUR	Stage 3 MUR	Total MUR
ECL allowance as at 1 July	1,676,497	-	-	1,676,497
New exposures originated or purchased	6,199,104	6,506	-	6,205,610
Exposures derecognised or repaid (excluding write offs)	(1,676,497)	-	-	1,676,497)
At 30 June 2019	1,319,862,036	6,506	-	6,205,610

36. PLEDGED ASSETS

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

	2021	2020	2019
	MUR	MUR	MUR
Government of Mauritius bonds, notes and bills	340,000,000	345,000,000	235,000,000

The significant terms for pledging GOM bonds, notes and bills pledged as collateral are as follows:

(1) securities cannot be traded
(2) if securities are maturing, they are to be replaced
(3) there will usually be a haircut on the credit line as compared to the pledged asset

37. RETIREMENT BENEFIT OBLIGATION

(a) Defined contribution plan

As from 1 July 2014, the bank operates a defined contribution plans for all its employees. The assets of the plans are held separately from the bank under the control of ABC Group Pension Fund. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total expenses recognised in profit or loss of MUR 10,180,410 (2020: MUR 9,948,957; 2019: MUR 8,846,042) represents contributions payable to the plan by the bank.

(b) Gratuity on retirement

The bank is required to pay gratuity in accordance with Section 99 of the Workers' Rights Act 2019. The bank has engaged Feber Associates to calculate the obligations arising out of the gratuities payable. For members of the bank's defined contribution, the obligation relates for the residual retirement gratuity and as a result 5 times the annual pension, relating to the employer's share of contributions, is offset from the retirement gratuity.

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 entity's obligation in respect of its defined benefit plans is as follows:

	2021	2020	2019
	MUR	MUR	MUR
Present value of funded defined benefit plan and liability recognised in the statement of financial position (Note 22)	19,496,527	28,126,242	15,839,543

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37. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Gratuity on retirement (Cont'd)

Amounts recognised in the statement of profit or loss in respect of these defined benefit plans are as follows:

	2021 MUR	2020 MUR	2019 MUR
Current service cost	1,704,777	2,988,396	1,823,743
Net interest cost	720,999	814,488	641,706
Past service costs	-	822,581	5,311,695
Net cost for the year recognised in profit and loss	2,425,776	4,625,465	7,777,144
Remeasurement recognised in other comprehensive income	(10,571,004)	7,661,234	3,106,796
Net cost for the year	(8,145,228)	12,286,699	10,883,940

	2021 MUR	2020 MUR	2019 MUR
Changes in the present value of the obligation			
Present value of obligation at start of period	28,126,242	15,839,543	4,955,603
Restatement	-	-	-
Interest cost	720,999	814,488	641,706
Current service cost	1,704,777	2,988,396	1,823,743
Past service costs	-	822,581	5,311,695
Benefits paid	(484,487)	-	-
Expected obligation at end of period	30,067,531	20,465,008	12,732,747
Present value of obligation at end of period	19,496,527	28,126,242	15,839,543
Remeasurement recognised in other comprehensive income at end of period - loss	10,571,004	(7,661,234)	(3,106,796)
Deferred tax	(718,607)	497,980	171,436
Retirement pension net of deferred tax	9,852,397	(7,163,254)	(2,935,360)

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

	2021	2020	2019
Normal retirement age	65	65	65
Discount rate	2.62%	2.62%	5.20%
Expected rate of return on plan assets	0.00%	0.00%	0.00%
Future salary increases	3.00%	3.00%	5.00%
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

37. RETIREMENT BENEFIT OBLIGATION (CONT'D)

(b) Gratuity on retirement (Cont'd)

Movements in the present value of the defined benefit plan in the current year is as follows:

	2021 MUR	2020 MUR	2019 MUR
Opening defined contribution obligation	28,126,242	15,839,543	4,955,603
Current service cost	1,704,777	2,988,396	1,823,743
Past service cost	-	822,581	5,311,695
Interest cost	720,999	814,488	641,706
Benefits paid	(484,487)	-	-
Net actuarial gain recognised in other comprehensive income	(10,571,004)	7,661,234	3,106,796
Present value of obligation at end of year	19,496,527	28,126,242	15,839,543

Significant actuarial assumptions for the determination of the defined benefit plan are discount rate, expected salary increase and longevity rates. The sensitivity analyses 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.

	2021 MUR	2020 MUR	2019 MUR
Sensitivity			
Effect on present value of obligations:			
1% increase in discount rate	(16,253,742)	(23,287,038)	(13,117,799)
1% decrease in discount rate	23,975,971	33,065,291	19,483,213
1% increase in salary increase assumption	23,158,642	32,258,637	18,883,461
1% decrease in salary increase assumption	(16,805,853)	(23,904,498)	(13,542,769)
Effect of changing longevity - one year up	19,205,321	27,254,946	15,644,782
Effect of changing longevity - one year down	(19,772,154)	(27,788,778)	(16,023,523)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Future cashflows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuary.

The Bank expects to make a contribution of around MUR 1.8 million to the ABC Group Pension Fund for the next financial year

The most recent actuarial valuation of the defined benefit plan was carried out at 30 June 2021 by MUA pension Ltd, actuaries and consultants.

The plan exposes the Bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary rise risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

38. CAPITAL COMMITMENT

	2021	2020	2019
	MUR	MUR	MUR
Amount contracted for but not yet incurred	85,730,740	110,325,458	121,259,366

The above expenditure relates to our new core banking and Internet banking modules.

39. EVENT AFTER REPORTING DATE

There have been no events subsequent to the reporting date which require adjustment of or disclosure in the financial statements or notes thereto.

40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease Liabilities	Due to banks	Ordinary Dividend	Preference shares	Subordinated debts	Total
	MUR	MUR	MUR	MUR	MUR	MUR
At 1 July 2018	-	110,061,479		145,340,753		255,402,232
Dividend declared	-		55,678,467			55,678,467
Cash flows	-	(110,061,479.00)	(55,678,467)		500,000,000	334,260,054
Other	-			(138,180)	5,070,890	4,932,710
At 30 June 2019	-	-	-	145,202,573	505,070,890	650,273,463
At 1 July 2019	-	-	-	145,202,573	505,070,890	650,273,463
Dividend declared	-	-	58,729,341	-	-	58,729,341
Cash flows	-	-	(58,729,341)	-	-	(58,729,341)
Other*	5 ,892,142	-	-	-	-	5 ,892,142
At 30 June 2020	5 ,892,142	-	-	145,202,573	505,070,890	656,165,605
At 1 July 2020	5 ,892,142	-	-	145,202,573	505,070,890	656,165,605
Dividend declared	-	-	-	-	-	-
Cash flows	(3,629,470)	-	-	-	-	(3,629,470)
Other*	4 ,604,554	-	-	-	-	4,604,554
At 30 June 2021	6 ,867,226	-	-	145,202,573	505,070,890	657,140,689

*The decrease on interest on preference shares and subordinated debts have been reclassified from financing activities to operating activities. There is no impact on the financial statements figures for current and prior year.
Lease Liabilities have been added in order to reflect movement in financing activities.

41. SEGMENTAL REPORTING

For management purposes, the bank is organised into one main operating segment, which is the conduct of its banking activities. Allsignificant operating decisions are based upon analysis of the bank as one segment. The financial result from this segment are equivalent to the financial statements of the bank as a whole.

In line with the Guideline on Segmental Reporting under a Single Banking Licence Regime and Guideline on Public Disclosure of Information as issued by the Bank of Mauritius, the bank classifies its assets and liabilities into two segments: Segment A and Segment B. Segment B activity is essentially directed to the provision of international financial services that give rise to "foreign source income".

Segment B assets will generally consist of placements with and advances to foreign financial institutions.

Segment B liabilities will normally arise from deposits, borrowings and funds deposited by non-residents and global business companies.

Segment A activity relates to all banking business other than Segment B activity.

Expenditure incurred by the bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

STATEMENT OF FINANCIAL POSITION

41. SEGMENTAL REPORTING

	Notes	2021			2020 (Restated)			2019 (Restated)		
		Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
ASSETS										
Cash and cash equivalents	41(a)	4,871,775,378	2,522,286,007	2,349,489,371	1,280,041,690	776,641,105	503,400,585	2,732,131,072	1,466,786,289	1,265,344,783
Due from banks	41(b)	-	-	-	14,819,085	14,819,085	-	698,739,467	698,739,467	-
Derivative financial assets		10,228,424	96,670	10,131,754	2,183,441	110,205	2,073,236	3,763,559	502,188	3,261,371
Loans and advances to customers	41(c)	10,180,812,563	7,682,986,834	2,497,825,729	9,769,375,208	7,548,106,329	2,221,268,879	7,635,939,083	6,581,631,950	1,054,307,133
Investment securities		6,504,248,029	4,504,255,818	1,999,992,211	7,114,456,335	5,103,353,191	2,011,103,144	6,479,991,942	4,680,979,288	1,799,012,654
Other assets		952,457,252	812,381,456	140,075,796	891,377,784	732,769,080	158,608,704	99,997,305	17,147,338	82,849,967
Property and equipment		586,761,003	440,070,752	146,690,251	600,843,664	450,632,748	150,210,916	512,458,466	384,343,849	128,114,617
Intangible assets		41,793,082	41,793,082	-	8,922,365	8,922,365	-	2,263,140	2,263,140	-
Deferred tax assets		11,598,877	11,598,877	-	23,084,417	23,084,417	-	9,710,148	9,710,148	-
Total assets		23,159,674,608	16,015,469,496	7,144,205,112	19,705,103,989	14,658,438,525	5,046,665,464	18,174,994,182	13,842,103,657	4,332,890,525
LIABILITIES										
Derivative financial liabilities		8,936,609	-	8,936,609	9,759,640	224,675	9,534,965	5,812,757	1,284,912	4,527,845
Deposits from customers	41(d)	19,846,223,025	10,582,262,326	9,263,960,699	16,799,731,794	9,248,246,995	7,551,484,799	15,239,475,798	8,155,884,117	7,083,591,681
Preference shares		142,809,030	142,809,030	-	144,534,198	144,534,198	-	145,202,573	145,202,573	-
Subordinated debts		504,762,329	504,762,329	-	504,762,329	504,762,329	-	505,070,890	505,070,890	-
Current tax liabilities*		9,220,699	9,220,699	-	28,244,435	28,244,435	-	44,058,393	44,058,393	-
Other liabilities		719,178,864	200,320,169	518,858,695	381,314,330	381,314,330	-	464,196,006	157,625,186	306,570,820
Total liabilities		21,231,130,556	11,439,374,553	9,791,756,003	17,868,346,726	10,307,326,962	7,561,019,764	16,403,816,417	9,009,126,071	7,394,690,346
Shareholders' Equity										
Issued capital		940,495,472			940,495,472			940,495,472		
Retained earnings		791,848,897			677,416,500			640,979,429		
Other reserves		196,199,683			218,845,291			189,702,864		
Capital and reserves		1,928,544,052			1,836,757,263			1,771,177,765		
Total liabilities and equity		23,159,674,608			19,705,103,989			18,174,994,182		

*The comparatives figures have been restated to align with the current year figures. Refer to Note 43 for more information.

41. SEGMENTAL REPORTING (CONT'D)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021			2020 (Restated)			2019 (Restated)		
		Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
Interest income using the effective interest method		719,014,532	578,008,132	141,006,400	806,413,125	650,948,411	155,464,714	734,009,109	593,940,772	140,068,337
Interest expense		(251,090,916)	(242,015,451)	(9,075,465)	(290,014,171)	(275,042,240)	(14,971,931)	(251,525,883)	(240,591,962)	(10,933,921)
Net interest income	41(e)	467,923,616	335,992,681	131,930,935	516,398,954	375,906,171	140,492,783	482,483,226	353,348,810	129,134,416
Fee and commission income		110,250,797	26,002,075	84,248,722	99,664,534	19,917,109	79,747,425	117,765,876	19,957,399	97,808,477
Fee and commission expense		(29,057,422)	(3,108,632)	(25,948,790)	(22,677,240)	(2,644,429)	(20,032,811)	(29,062,998)	(3,756,216)	(25,306,782)
Net fee and commission income	41(f)	81,193,375	22,893,443	58,299,932	76,987,294	17,272,680	59,714,614	88,702,878	16,201,183	72,501,695
Net trading income	41(g)	51,678,809	28,878,750	22,800,059	64,092,741	39,831,463	24,261,278	77,535,761	40,534,405	37,001,356
Net gain on sale of investment securities	41(h)	110,125,879	104,706,003	5,419,876	104,047,631	73,353,202	30,694,429	2,293,711	2,293,711	-
Other operating income	41(i)	2,393,259	2,393,259	-	1,334,486	1,334,486	-	1,282,895	1,282,895	-
Total other income		164,197,947	135,978,012	28,219,935	169,474,858	114,519,151	54,955,707	81,112,367	44,111,011	37,001,356
Operating income		713,314,938	494,864,136	218,450,802	762,861,106	507,698,002	255,163,103	652,298,471	413,661,004	238,637,467
Personnel expenses	41(k)	(191,048,787)	(143,286,590)	(47,762,197)	(192,884,473)	(144,663,355)	(48,221,118)	(192,124,468)	(141,209,149)	(50,915,319)
Depreciation and amortisation		(36,599,430)	(27,449,572)	(9,149,858)	(34,058,940)	(25,544,205)	(8,514,735)	(24,528,399)	(18,396,299)	(6,132,100)
Other operating expenses	41(l)	(102,169,854)	(74,653,694)	(27,516,160)	(83,772,021)	(61,004,386)	(22,767,635)	(87,565,949)	(61,912,179)	(25,653,770)
Non interest expenses		(329,818,071)	(245,389,856)	(84,428,215)	(310,715,434)	(231,211,946)	(79,503,488)	(304,218,816)	(221,517,627)	(82,701,189)
Operating profit before impairment		383,496,867	249,474,280	134,022,587	452,145,672	276,486,056	175,659,615	348,079,655	192,143,377	155,936,278
Allowance for credit impairment on financial assets	41(j)	(232,006,978)	(84,949,704)	(147,057,274)	(310,708,038)	(96,803,741)	(213,904,297)	(56,721,957)	(61,631,268)	4,909,311
Operating profit before tax		151,489,889	164,524,576	(13,034,687)	141,437,634	179,682,315	(38,244,682)	291,357,698	130,512,109	160,845,589
Income tax expense		(31,386,583)	(28,694,850)	(2,691,733)	(21,049,792)	(18,916,574)	(2,133,218)	(67,469,458)	(58,873,136)	(8,596,322)
Profit for the year		120,103,306	135,829,726	(15,726,421)	120,387,842	160,765,741	(40,377,900)	223,888,240	71,638,973	152,249,267
Other comprehensive income										
Items that will not be reclassified subsequently to profit or loss, net of tax:										
Net gain on investments in equity instruments designated at fair value through other comprehensive income		14,566,769	14,566,769	-	6,190,622	6,190,622	-	3,147,386	3,147,386	-
Fair value gain on disposal in equity		2,492,190	2,492,190	-	-	-	-	-	-	-
Remeasurement of retirement pension net of deferred tax		9,852,397	9,852,397	-	(7,163,254)	(7,163,254)	-	(2,935,360)	(2,935,360)	-
		26,911,356	26,911,356	-	(972,632)	(972,632)	-	212,026	212,026	-
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		(35,025)	152,520	(187,545)	3,300,152	3,429,334	(129,182)	571,457	787,874	(216,417)
Net gain on investments in debt instruments designated at fair value through other comprehensive income		(55,192,848)	(23,563,511)	(31,629,337)	1,593,477	21,733,156	(20,139,679)	60,047,001	942,860	59,104,141
Other comprehensive income/(loss) for the year		(28,316,517)	3,500,365	(31,816,882)	3,920,997	24,189,857	(20,268,860)	60,830,484	1,942,760	58,887,724
Total comprehensive income		91,786,789	139,330,091	(47,543,303)	124,308,839	184,955,598	(60,646,760)	284,718,724	73,581,733	211,136,991

41. SEGMENTAL REPORTING (CONT'D)

	2021			2020 (Restated)			2019 (Restated)		
	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(a) Cash and cash equivalents									
Cash in hand	17,669,176	7,795,215	9,873,961	14,038,021	5,349,235	8,688,786	11,296,564	9,296,675	1,999,889
Unrestricted balances with Central Bank	821,777,037	821,777,037	-	475,470,513	475,470,513	-	293,415,551	293,415,551	-
Balances with banks	1,528,853,236	24,151,765	1,504,701,471	509,345,980	14,634,181	494,711,799	823,261,756	26,393,634	796,868,122
Loans to and placement with banks	2,503,475,929	1,668,561,990	834,913,939	281,187,176	281,187,176	-	1,604,157,201	1,137,680,429	466,476,772
	4,871,775,378	2,522,286,007	2,349,489,371	1,280,041,690	776,641,105	503,400,585	2,732,131,072	1,466,786,289	1,265,344,783
(b) Due from banks									
Deposits with the Central Bank	-	-	-	14,839,238	14,839,238	-	39,075,842	39,075,842	-
Restricted balances with the Central Bank	-	-	-	-	-	-	660,726,000	660,726,000	-
Less: Expected credit losses	-	-	-	(20,153)	(20,153)	-	(1,062,375)	(1,062,375)	-
	-	-	-	14,819,085	14,819,085	-	698,739,467	698,739,467	-
(c) Loans and advances to customers									
Loans and overdrafts									
Retail	1,234,030,245	828,695,199	405,335,046	744,930,675	578,951,281	165,979,394	413,226,908	400,187,505	13,039,403
Corporate	7,226,824,302	5,108,603,414	2,118,220,888	7,695,236,365	5,423,311,276	2,271,925,089	5,855,264,879	4,807,334,473	1,047,930,406
	8,460,854,547	5,937,298,613	2,523,555,934	8,440,167,040	6,002,262,557	2,437,904,483	6,268,491,787	5,207,521,978	1,060,969,809
Less: Allowance for impairment losses	(201,988,925)	(170,154,926)	(31,833,999)	(379,850,609)	(156,677,472)	(223,173,137)	(90,944,557)	(80,333,711)	(10,610,846)
	8,258,865,622	5,767,143,687	2,491,721,935	8,060,316,431	5,845,585,085	2,214,731,346	6,177,547,230	5,127,188,267	1,050,358,963
Investment in finance leases									
Retail	949,247,080	948,122,168	1,124,912	756,984,832	756,984,832	-	632,249,977	632,249,977	-
Corporate	996,991,102	991,834,709	5,156,393	982,827,435	976,289,025	6,538,410	898,055,843	894,067,792	3,988,051
	1,946,238,182	1,939,956,877	6,281,305	1,739,812,267	1,733,273,857	6,538,410	1,530,305,820	1,526,317,769	3,988,051
Less: Allowance for impairment losses*	(24,291,241)	(24,113,730)	(177,511)	(30,753,490)	(30,752,614)	(876)	(71,913,967)	(71,874,086)	(39,881)
	1,921,946,941	1,915,843,147	6,103,794	1,709,058,777	1,702,521,243	6,537,534	1,458,391,853	1,454,443,683	3,948,170
	10,180,812,563	7,682,986,834	2,497,825,729	9,769,375,208	7,548,106,328	2,221,268,880	7,635,939,083	6,581,631,950	1,054,307,133

* The prior year segmental figures have been amended to reflect the correct segmental classification. The amendment has no impact on financial statements.

41. SEGMENTAL REPORTING (CONT'D)

	2021			2020 (Restated)			2019 (Restated)		
	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(d) Deposits from customers									
Retail customers									
Savings accounts	3,697,600,501	3,614,780,439	82,820,062	3,394,409,759	3,294,945,544	99,464,215	3,706,678,411	3,670,296,899	36,381,512
Other accounts	909,167,845	204,046,446	705,121,399	1,066,917,821	181,567,947	885,349,874	585,452,777	117,917,048	467,535,729
Term deposits with remaining term to maturity:									
Up to 3 months	716,339,996	523,064,650	193,275,346	335,479,281	127,806,271	207,673,010	211,530,574	195,654,336	15,876,238
Over 3 months and up to 6 months	757,597,545	722,221,359	35,376,186	119,578,500	95,358,100	24,220,400	216,167,570	213,845,865	2,321,705
Over 6 months and up to 12 months	679,804,144	667,911,387	11,892,757	255,734,790	243,891,314	11,843,476	218,694,244	218,639,105	55,139
Over 1 year and up to 5 years	1,477,117,172	1,451,106,273	26,010,899	2,097,778,434	2,077,278,063	20,500,371	1,491,774,855	1,484,261,204	7,513,651
Corporate customers									
Savings accounts	122,281,403	122,281,403	-	157,680,717	157,680,717	-	320,060,866	320,060,866	-
Other accounts	8,928,935,692	1,154,779,460	7,774,156,232	6,763,218,928	808,866,446	5,954,352,482	6,414,327,204	441,275,018	5,973,052,186
Term deposits with remaining term to maturity:									
Up to 3 months	366,213,885	191,841,546	174,372,339	560,380,144	369,944,682	190,435,462	482,545,683	197,682,385	284,863,298
Over 3 months and up to 6 months	1,073,993,810	966,214,586	107,779,224	360,735,014	203,089,505	157,645,509	634,366,120	338,373,897	295,992,223
Over 6 months and up to 12 months	710,432,461	641,397,329	69,035,132	550,760,222	550,760,222	-	402,522,714	402,522,714	-
Over 1 year and up to 5 years	406,738,571	322,617,448	84,121,123	1,137,058,184	1,137,058,184	-	555,354,780	555,354,780	-
	19,846,223,025	10,582,262,326	9,263,960,699	16,799,731,794	9,248,246,995	7,551,484,799	15,239,475,798	8,155,884,117	7,083,591,681

STATEMENT OF FINANCIAL POSITION
41. SEGMENTAL REPORTING (CONT'D)

	2021			2020 (Restated)			2019 (Restated)		
	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(e) Net interest income									
Interest income using the effective interest method									
Finance leases	98,161,159	97,140,595	1,020,564	103,448,633	102,768,135	680,498	90,354,837	90,058,421	296,416
Loans and advances to customers (excluding finance leases)	358,949,705	252,513,380	106,436,325	381,387,357	278,530,218	102,857,139	302,470,846	240,895,109	61,575,737
Loans to and placements with banks	2,947,682	1,259,517	1,688,165	17,755,453	10,334,980	7,420,473	44,921,449	18,362,368	26,559,081
Investment securities	258,955,986	227,094,640	31,861,346	303,821,682	259,315,078	44,506,604	296,261,977	244,624,874	51,637,103
	719,014,532	578,008,132	141,006,400	806,413,125	650,948,411	155,464,714	734,009,109	593,940,772	140,068,337
Interest expense									
Deposits from customers	220,023,666	211,225,018	8,798,648	252,948,197	238,075,767	14,872,430	237,493,913	227,061,410	10,432,503
Preference shares	4,535,783	4,535,783	-	6,240,625	6,240,625	-	6,909,000	6,909,000	-
Subordinated debts	25,562,500	25,562,500	-	27,078,938	27,078,938	-	5,070,890	5,070,890	-
Borrowed funds	643,184	478,671	164,513	3,343,560	3,268,011	75,549	2,052,080	1,550,662	501,418
Lease liabilities	325,783	213,479	112,304	402,851	378,899	23,952	-	-	-
	251,090,916	242,015,451	9,075,465	290,014,171	275,042,240	14,971,931	251,525,883	240,591,962	10,933,921
Net interest income	467,923,616	335,992,681	131,930,935	516,398,954	375,906,171	140,492,783	482,483,226	353,348,810	129,134,416
(f) Net fee and commission income									
Fee and commission income									
Card and related fee income	30,606,445	5,796,785	24,809,660	36,186,483	4,930,766	31,255,717	56,977,576	5,180,654	51,796,922
Processing fees	11,103,437	8,277,536	2,825,901	11,277,329	4,985,850	6,291,479	6,996,216	4,447,376	2,548,840
International banking	51,424,094	-	51,424,094	34,405,883	-	34,405,883	41,446,135	-	41,446,135
Interbank transaction fees	3,780,016	3,597,396	182,620	2,469,049	2,469,049	-	5,053,653	5,053,653	-
Others	13,336,805	8,330,358	5,006,447	15,325,790	7,531,444	7,794,346	7,292,296	5,275,716	2,016,580
	110,250,797	26,002,075	84,248,722	99,664,534	19,917,109	79,747,425	117,765,876	19,957,399	97,808,477
Fee and commission expense									
Card and related fees	20,263,823	904,609	19,359,214	15,824,905	429,030	15,395,875	21,681,969	1,155,445	20,526,524
Interbank transaction fees	8,793,599	2,204,023	6,589,576	6,852,335	2,215,399	4,636,936	7,381,029	2,600,771	4,780,258
	29,057,422	3,108,632	25,948,790	22,677,240	2,644,429	20,032,811	29,062,998	3,756,216	25,306,782
Net fee and commission income	81,193,375	22,893,443	58,299,932	76,987,294	17,272,680	59,714,614	88,702,878	16,201,183	72,501,695

41. SEGMENTAL REPORTING (CONT'D)

	2021			2020 (Restated)			2019 (Restated)		
	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR	Total MUR	Segment A MUR	Segment B MUR
(g) *Net trading income*									
Net foreign exchange gain	51,678,809	28,878,750	22,800,059	64,092,741	39,831,463	24,261,278	77,535,761	40,534,405	37,001,356
(h) *Net gain on sale of investment securities*									
Net gain on sale of investment securities	110,125,879	104,706,003	5,419,876	104,047,631	73,353,202	30,694,429	2,293,711	2,293,711	-
(i) *Other operating income*									
Dividend income from equity instruments under FVOCI	1,763,890	1,763,890	-	1,314,895	1,314,895	-	1,282,397	1,282,397	-
Profit on disposal of property and equipment	619,218	619,218	-	-	-	-	-	-	-
Others	10,151	10,151	-	19,591	19,591	-	498	498	-
	2,393,259	2,393,259	-	1,334,486	1,334,486	-	1,282,895	1,282,895	-
(j) *Allowance for credit impairment on financial assets*									
Due to banks	245,222	226,741	18,481	(5,253)	19,204	(24,457)	(4,073,538)	952,422	(5,025,960)
Loans and advances to customers	155,274,854	7,182,289	148,092,565	295,016,131	82,492,844	212,523,287	55,174,756	54,477,352	697,404
Provision on guarantee	78,293,188	79,449,163	(1,155,975)	11,074,266	9,602,527	1,471,739	5,128,587	5,132,546	(3,959)
Investment in securities	(1,806,286)	(1,908,489)	102,203	4,622,894	4,689,166	(66,272)	492,152	1,068,948	(576,796)
	232,006,978	84,949,704	147,057,274	310,708,038	96,803,741	213,904,297	56,721,957	61,631,268	(4,909,311)
(k) *Personnel expenses*									
Wages and salaries	150,586,077	112,939,558	37,646,519	151,702,057	113,776,543	37,925,514	151,036,137	110,392,901	40,643,236
Employees benefit costs	2,425,776	1,819,332	606,444	4,625,465	3,469,099	1,156,366	7,777,144	5,832,858	1,944,286
Others	38,036,934	28,527,700	9,509,234	36,556,951	27,417,713	9,139,238	33,311,187	24,983,390	8,327,797
	191,048,787	143,286,590	47,762,197	192,884,473	144,663,355	48,221,118	192,124,468	141,209,149	50,915,319
(l) *Other expenses (restated)**									
Motor vehicle expenses and insurance	6,344,033	4,758,025	1,586,008	6,020,975	4,515,731	1,505,244	6,233,379	4,675,034	1,558,345
Rental of office	632,628	474,471	158,157	681,219	510,914	170,305	604,303	453,227	151,076
Advertising and marketing	2,117,844	1,588,383	529,461	4,375,406	3,281,554	1,093,852	5,270,456	3,952,842	1,317,614
Information technology costs	31,210,463	23,407,847	7,802,616	19,603,095	14,702,321	4,900,774	14,651,471	10,988,603	3,662,868
Licences	4,842,512	3,631,884	1,210,628	3,182,102	2,386,576	795,526	3,595,763	2,696,822	898,941
Loss on disposal of property and equipment	-	-	-	-	-	-	63,167	47,375	15,792
Communication costs	11,317,598	8,488,198	2,829,400	9,247,216	6,935,412	2,311,804	9,159,077	6,869,308	2,289,769
Legal and professional fees	14,703,264	11,027,448	3,675,816	12,112,659	9,084,494	3,028,165	17,402,699	13,052,024	4,350,675
Maintenance costs	6,398,001	4,798,501	1,599,500	6,152,958	4,614,718	1,538,240	5,699,720	4,274,790	1,424,930
Others	24,603,511	16,478,937	8,124,574	22,396,391	14,972,666	7,423,725	24,885,914	14,902,154	9,983,760
Special levy*	-	-	-	-	-	-	-	-	-
	102,169,854	74,653,694	27,516,160	83,772,021	61,004,386	22,767,635	87,565,949	61,912,179	25,653,770

* The comparatives figures have been restated to align with the current year figures. Refer to Note 43 for more information.

42. RISK MANAGEMENT

Introduction

Risk is inherent in the bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the bank's continuing profitability and the bank as an entity is accountable for its risk exposures. The bank is exposed to credit risk, interest rate risk, liquidity risk and market risk. It is also subject to operating risk.

The bank manages its risk exposure through its Risk department which develops methodologies to identify, measure, mitigate and monitor the major risks. The Risk department reports to the Risk Management Committee and ultimately to the Board in a structured manner on credit, market and operational risk matters.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the bank's strategic planning process.

Risk management structure

The Board of Directors recognises that the bank encounters risk in every aspect of its business and ensures that the necessary structures, processes and methods for identifying, measuring and monitoring such risks are in place as advocated by Basel norms and relevant laws and regulations. The Risk Management Committee plays an active role in ensuring that risk-taking activities remain within the boundaries of the appetite approved by the Board. The committee receives regular reports and recommendations following work done by the Risk function, the Supervisory and Monitoring Committee and the Asset and Liability Committee. Through its Chairperson, the committee reports to the Board in a timely manner on all risk issues that could have an impact on the operations and/or reputation of the bank.

Board of Directors

The Board of Directors as well as the bank's senior management are responsible for understanding both the nature and level of risks taken by the institution and how the risk relates to adequate capital levels. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles.

(a) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

	2021		2020		2019	
	Carrying Value MUR	Fair Value MUR	Carrying Value MUR	Fair Value MUR	Carrying Value MUR	Fair Value MUR
Financial assets						
Cash and cash equivalents at amortised cost	4,871,775,378	4,871,775,378	1,280,041,690	1,280,041,690	2,732,131,072	2,732,131,072
Due from banks at amortised cost	-	-	14,819,085	14,819,085	698,739,467	698,739,467
Derivative financial assets at FVTPL	10,228,424	10,228,424	2,183,441	2,183,441	3,763,559	3,763,559
Loans and advances to customers at amortised cost	10,180,812,563	9,781,507,389	9,769,375,208	10,021,386,654	7,635,939,083	7,761,603,632
Investment in securities:	6,504,248,029	6,598,215,304	7,114,456,335	7,399,553,101	6,479,991,942	6,479,991,942
Debt instruments at FVTOCI	3,318,800,381	3,318,800,381	3,638,084,595	3,638,084,595	3,190,321,497	3,190,321,497
Debt instruments at amortised cost	3,121,845,456	3,215,812,731	3,234,369,969	3,519,466,735	3,253,203,300	3,253,203,300
Equity instruments at FVTOCI	63,602,192	63,602,192	42,657,771	42,657,771	36,467,145	36,467,145
Debt instruments at FVTPL	-	-	199,344,000	199,344,000	-	-
Other assets at amortised cost	939,041,015	939,041,015	880,404,170	880,404,170	99,997,305	99,997,305
	22,506,105,409	22,200,767,510	19,061,279,929	19,598,388,141	17,650,562,428	17,776,226,977
Financial liabilities						
Derivative financial liabilities at FVTPL	8,936,609	8,936,609	9,759,640	9,759,640	5,812,757	5,812,757
Deposits from customers at amortised cost	19,846,223,025	19,947,315,803	16,799,731,794	16,915,458,747	15,239,475,798	15,229,762,677
Preference shares at amortised cost	142,809,030	142,809,030	144,534,198	144,534,198	145,202,573	145,202,573
Subordinated debts at amortised cost	504,762,329	504,762,329	504,762,329	504,762,329	505,070,890	505,070,890
Other liabilities at amortised cost	674,239,778	674,239,778	329,029,932	329,029,932	429,794,283	429,794,283
	21,176,970,771	21,278,063,549	17,787,817,893	17,903,544,846	16,325,356,301	16,315,643,180

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42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

For loans and advances to non-bank customers, all the fixed loans and advances maturing after one year has been fair valued based on the current prevailing lending rate.

For investment securities, all the government bonds and BOM bonds have been fair valued based on the latest weighted yield rate.

For deposits from non-bank customers, all the term deposits maturing after one year has been fair valued based on the current prevailing savings rate.

The carrying amounts of cash and cash equivalents, other assets, 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 table on Fair value measurement hierarchy, the fair values of the other financial assets and financial liabilities are categorised in Level 3.

The carrying value of other assets exclude prepayment expenses as they do not meet the definition of a financial instrument.

The carrying value of other liabilities exclude RBO, 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).

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
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	-	8,936,609	-	8,936,609

42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

Fair value measurement hierarchy (Cont'd)

(i) Valuation principles (Cont'd)

	Level 1	Level 2	Level 3	Total
	MUR	MUR	MUR	MUR
2020				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities at FVOCI and FVTPL	1,250,161,349	2,054,293,749	526,538,554	3,830,993,652
- Equity securities	42,157,708	-	500,063	42,657,771
Derivatives - Foreign exchange contracts	-	2,183,441	-	2,183,441
	1,292,319,057	2,056,477,190	527,038,617	3,875,834,864
Financial liabilities				
Derivatives - Foreign exchange contracts	-	9,759,640	-	9,759,640
2019				
Financial assets				
Investment securities (debt and equity instruments)				
- Debt securities	2,467,209,260	3,600,528,321	375,787,216	6,443,524,797
- Equity securities	35,967,086	-	500,059	36,467,145
Derivatives - Foreign exchange contracts	-	3,763,559	-	3,763,559
	2,503,176,346	3,604,291,880	376,287,275	6,483,755,501
Financial liabilities				
Derivatives - Foreign exchange contracts	-	5,812,757	-	5,812,757

Reconciliation of fair value measurement of level 3 investments	**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**

	Total
	MUR
As at July 2019	376,287,275
Remeasurement recognised in OCI	9,529,738
Additions	512,504,004
Accrued interest	5,362,720
Disposal	(376,725,120)
As at June 2020	527,038,617

42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

Fair value measurement hierarchy (Cont'd)

(i) Valuation principles (Cont'd)

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

	At July 2020	Additions	Accrued interest	Disposal	Other comprehensive income	At June 2021
	MUR	MUR	MUR	MUR	MUR	MUR
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI and FVTPL	526,538,554	39,292,500	142,713	(17,010,951)	(7,144,524)	541,818,292
- Equity securities	500,063	944,198	-	-	18,153	1,462,414
	527,038,617	40,236,698	142,713	(17,010,951)	(7,126,371)	543,280,706

	At July 2019	Additions	Accrued interest	Disposal	Other comprehensive income	At June 2020
	MUR	MUR	MUR	MUR	MUR	MUR
Financial Assets						
Investment securities (debt and equity instruments)						
- Debt securities at FVOCI and FVTPL	375,787,216	512,584,004	5,362,716	(376,725,120)	9,529,738	526,538,554
- Equity securities	500,059	-	4	-	-	500,063
	376,287,275	512,584,004	5,362,720	(376,725,120)	9,529,738	527,038,617

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

(ii) Valuation techniques

Debt and Equity securities

Debt Instrument and corporate shares are actively traded on public stock exchanges with readily available active prices on a regular basis are classified as Level 1.

Government of Mauritius, Bank of Mauritius 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.

(iii) Valuation techniques Level 2 & Level 3

Valuation of Level 2 assets are based on a mix of observable inputs, such as benchmark interest rates, and data from comparable assets. The discounted cash flow model is used to estimate the present value based on those parameters.

Valuation of Level 3 assets, where needed, are 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.

42. RISK MANAGEMENT (CONT'D)

(a) Fair values (Cont'd)

(iv) Valuation methodologies (Cont'd)

Fair value of financial assets and liabilities not carried at fair value

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.

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:

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.

(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		
	2021	2020	2019
	MUR	MUR	MUR
Fund based exposures:			
Cash and cash equivalents	**4,854,106,202**	1,266,003,669	2,720,834,508
Due from banks	**-**	14,819,085	698,739,467
Derivative financial assets	**10,228,424**	2,183,441	3,763,559
Loans and advances to customers	**10,180,812,563**	9,769,375,208	7,635,939,083
Investment securities	**6,440,645,837**	7,071,798,564	6,443,524,797
Other assets	**939,041,015**	880,404,170	90,911,293
Total credit risk exposure	**22,424,834,041**	19,004,584,137	17,593,712,707
Non-fund based exposures:			
Financial guarantees	**52,909,454**	605,266,761	118,138,466
Letter of credit and other obligations on account of customers	**-**	11,000,000	3,373,422
Undrawn credit facilities	**1,638,467,897**	1,193,184,899	1,321,902,701
Total credit risk exposure	**1,691,377,351**	1,809,451,660	1,443,414,589

An analysis of the bank's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements have been disclosed in Notes 10, 12, 13 and 35.
Fund based exposures do not include cash in hand and investment in equity

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42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

	2021 MUR	2020 MUR	2019 MUR
Manufacturing	1,203,598,169	1,227,218,147	1,205,163,806
Construction	1,541,639,320	1,391,528,457	1,137,597,640
Professional	13,684,796	12,924,386	15,645,681
Traders	754,733,631	791,870,738	960,416,790
Tourism	2,545,614,010	2,704,227,375	1,947,446,148
Transport	358,056,094	400,952,800	369,624,804
Financial and Business services	6,214,689,910	3,998,905,775	5,447,323,198
Personal	1,130,572,915	777,036,811	566,794,660
Agriculture	390,674,194	760,553,391	349,984,773
Global Business Licence Holders	1,059,865,169	1,003,833,398	681,368,211
Government	6,017,323,916	5,750,663,068	4,397,323,652
Others	1,194,381,917	184,869,791	515,023,344
	22,424,834,041	19,004,584,137	17,593,712,707

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

	2021 MUR	2020 MUR	2019 MUR
Manufacturing	379,543,773	245,234,480	367,325,339
Construction	375,440,133	678,628,342	322,433,774
Traders	365,096,480	329,820,661	245,899,069
Tourism	122,578,835	15,166,089	332,525,593
Transport	9,247,590	11,571,329	30,435,726
Financial and Business services	357,135,481	297,823,707	75,201,235
Personal	28,571,813	92,824,885	47,238,572
Agriculture	2,521,841	303,717	-
Global Business Licence Holders	-	76,698,560	367,394
Others	51,241,405	61,379,890	21,987,887
	1,691,377,351	1,809,451,660	1,443,414,589

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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:

	2021 MUR	2020 MUR	2019 MUR
Grades:			
Performing			
1 to 3 - Investment Grade	1,894,535,014	1,259,111,217	1,248,610,149
4 to 7 - Standard Monitoring	6,170,430,260	5,177,823,967	3,471,559,194
8 - Watchlist	2,928,256,493	3,720,669,029	608,550,739
Unrated	439,352,344	1,175,887,896	3,842,499,803
Non - performing	665,895,976		
9 - Default	-	655,938,858	70,992,311
	12,098,470,087	11,989,430,967	9,242,212,196

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 2021 is MUR 9,439,080. (There was no loan and advances whose terms have been renegotiated during the years 2020 and 2019).

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 only.

Internal credit risk ratings

In order to minimise credit risk, the bank has tasked its Risk Management Committee to develop and maintain the bank's credit risk grading to categorise exposures according to their degree of risk of default. The bank's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The bank assesses each credit facility request on its own merits by analysing the credit history of the potential client, the latter's cash flow history, future projections of the business or income capacity of the individual, the availability and type of collateral that will secure the facility, the repayment capacity of the business or individual and the character of the individual. The bank will also consider individual factors that would represent strengths in favour of or weaknesses against the approval of credit facilities.

The bank collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the bank's internal credit risk grades to external ratings.

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Internal credit risk ratings (Cont'd)

External Credit Assessment institutions (ECA) Institutions Ratings	Internal Credit risk grades	Internal Risk Descriptions
Aaa/AAA	1	Investment Grade
Aa1/AA+ to Aa3/AA-	2	Investment Grade
A1/A+ to A3/A-	3	Investment Grade
Baa1/BBB+ to Baa3/BBB-	4	Standard Monitoring
Ba1/BB+ to Ba3/BB-	5	Standard Monitoring
B1/B+ to B3/B-	6	Standard Monitoring
Caa1/CCC+ to Caa3/CCC-	7	Standard Monitoring
Ca/ CC/ C	8	Watchlist
D	9	Default
NR	Unrated	Unrated

Irrespective of the outcome of the above assessment, the bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the bank has reasonable and supportable information that demonstrate otherwise.

The bank has monitoring procedures in place to ensure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes more than 30 days past due. The bank performs periodic back-testing of its ratings to consider whether the drivers of credit-risk that led to default were accurately reflected in the rating in a timely manner.

Impairment assessment

It is the bank's policy to regularly monitor its loan portfolio.

The main considerations for the impairment assessment of the bank's loans and advances portfolio include whether any payments of principal or interest are overdue by at least 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Furthermore the bank assesses at each reporting date, whether there is any objective evidence that a financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The bank's impairment methodology for assets carried at amortised cost comprises individual impairment losses and collective impairment.

Individually assessed allowances (Stage 3)

The bank determines the allowances appropriate for each individually significant loan and advances on an individual basis. Items considered when determining allowance amounts include an assessment of the counterparty's repayment plan, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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 ECL. 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 PD models on a timely basis. However, the bank still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the 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 PD at the reporting date based on the modified terms; with

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit Impaired Measurement (see below) before the exposure is no longer considered to be credit-impaired/ in default.

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the bank, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

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

4. Incorporation of forward-looking information

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 ECL.

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for year ended 30 June 2021: GDP index, unemployment as a percentage of total labour force, and total government expenditure as a percentage of total GDP.

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

	Actual					Forecasted		
Key drivers	**ECL Scenario**	**Assigned Weightings**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
GDP Index	Upside	30%	100.0	103.8	106.9	91.0	100.5	104.8
	Base case	40%	100.0	103.8	106.9	91.0	95.5	101.9
	Downside	30%	100.0	103.8	106.9	91.0	94.1	94.1
Change in unemployment rate, as a percentage of total labour force	Upside	30%	-2.7%	-2.8%	-2.9%	62.7%	-21.7%	-37.3%
	Base case	40%	-2.7%	-2.8%	-2.9%	62.7%	0.0%	-15.6%
	Downside	30%	-2.7%	-2.8%	-2.9%	62.7%	21.7%	6.1%
Change in general government total expenditure, as a percentage of GDP	Upside	30%	1.6%	1.4%	23.0%	3.8%	0.2%	4.1%
	Base case	40%	1.6%	1.4%	23.0%	3.8%	-7.5%	-3.6%
	Downside	30%	1.6%	1.4%	23.0%	3.8%	-15.2%	-11.3%

Analysis of inputs to the ECL 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 ECL of each probability weighted scenario in addition to the total incremental effect on ECL of applying multiple economic scenarios compared to the ECL that would have resulted from applying a 100% weighting to the base case scenario:

30 June 2021	Corporate lending	Retail Lending	Financial guarantees	Undrawn credit facilities	Investment securities at FVOCI	Investment securities at amortised cost	Other assets	Total
Upside (30%)	56,536,963	2,702,927	2,681,920	1,665,861	1,919,975	1,116,446	390,704	67,014,797
Base case (40%)	82,208,555	6,967,445	3,591,998	2,752,881	2,559,967	1,488,595	520,938	100,090,379
Downside (30%)	66,094,881	11,769,395	2,698,115	2,434,524	1,919,975	1,116,446	390,704	86,424,040
Total	204,840,399	21,439,767	8,972,033	6,853,267	6,399,918	3,721,486	1,302,345	253,529,216
Effect of multiple economic scenarios	(680,988)	4,021,155	(7,962)	(28,936)	-	-	-	3,303,269

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

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

The following table outline the impact on ECL from applying a 100% weighting to each scenario.

30 June 2021	Corporate lending	Retail Lending	Financial guarantees	Undrawn credit facilities	Investment securities at FVOCI	Investment securities at amortised cost	Other assets	Total
Gross exposure	8,223,815,409	2,183,277,324	52,909,454	1,638,467,897	3,318,800,381	3,125,566,942	821,301,104	19,364,138,512
ECL								
Upside	188,456,544	9,009,758	8,939,735	5,552,871	6,399,918	3,721,486	1,302,345	223,382,657
Base case	205,521,388	17,418,611	8,979,996	6,882,203	6,399,918	3,721,486	1,302,345	250,225,947
Downside	220,316,270	39,231,315	8,993,718	8,115,081	6,399,918	3,721,486	1,302,345	288,080,134

Measurement of ECL : The key inputs into the measurement of ECL 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.

5. Measurement of ECL

PD 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 PD for large corporate counterparties.

PD 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 PDs. 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 PD segmentation performed by the bank is in terms of customer type: corporate, retail, invesment in sovereign securities and investment in financial institutions.

The corporate PD segment is further segmented by the economic sector in which an obligor operates while the retail PD segment takes into consideration the number of years that an obligor has been a client of the bank as a variable for segmentation.

LGD is the magnitude of the likely loss if there is a default. The bank estimates LGD parameters based on BASEL prescribed LGD 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%

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

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

5. Measurement of ECL (Cont'd)

BASEL prescribed Credit Conversion Factor	Credit Conversion Factor
Direct credit substitutes	100%
Sales and repurchase agreements and assets sales with recourse	100%
Lending of banks' securities or the posting of securities as collateral	100%
Forward asset purchases	100%
Placements of forward deposits	100%
Partly-paid shares and securities	100%
Transaction-related contingent items	50%
Note-issuance facilities (NIFs) and revolving underwriting facilities (RUFs)	50%
Trade-related contingent items	
(a) Maturity ≤ 3 months	20%
(b) 3 months < Maturity ≤ 9 months	50%
(c) 9 months < Maturity ≤ 12 months	75%
(d) Maturity > 12 months	100%
Other commitments	
(i) Commitments with an original maturity up to one year	20%
(ii) Commitments with an original maturity over one year	50%
(iii) Commitments that can be unconditionally cancelled at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration	0%

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 FVPTL
No collateral or enhancement are obtained

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

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

Collateral and other credit enhancements (Cont'd)

(iii) Derivatives financial instruments
Collaterals for derivatives are similar to those taken for wholesale and corporate loans. In addition, International Swaps and Derivatives Association (ISDA) agreement is sought from customers to comfort the Bank's position

(iv) Balances and loans to banks
Due to the nature of the counterparties, no collateral is sought on these balances. In general, the bank does not seek collateral or other enhancements for these loans given their high credit quality. The exposures relate to reputable and financially sound banks.

For loans, management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the bank's policy to dispose of repossessed assets in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims.

	2021	2020	2019	Principal Type of collateral held
	MUR	MUR	MUR	
Fund based exposures:				
Cash and cash equivalents	4,854,106,202	1,266,003,669	2,720,834,508	Unsecured
Due from banks	-	14,819,085	698,739,467	Unsecured
Derivative financial assets	10,228,424	2,183,441	3,763,559	Unsecured
Loans and advances to customers	10,180,812,563	9,769,375,208	7,635,939,083	Real Estate
Investment securities	6,440,645,837	7,071,798,564	6,443,524,797	Unsecured
Other assets	939,041,015	880,404,170	90,911,293	Unsecured
Non-fund based exposures:				
Financial guarantees	52,909,454	605,266,761	118,138,466	Unsecured
Letter of credit and other obligations on account of customers	-	11,000,000	3,373,422	Unsecured
Undrawn credit facilities	1,638,467,897	1,193,184,899	1,321,902,701	Unsecured

In addition to the collateral included in the table above, the bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

Fund based exposures do not include cash in hand and investment in equity.
The exposures do not include impact on collateral.

6. Impact of COVID-19 on ECL calculation

During the year, the bank performed the annual recalibration of its ECL PD models. The bank updated the PD estimates by using one additional year of data (2020) and by adjusting the forward looking indicators used in the models. This ensures that the impact of COVID-19 is more accurately reflected in the ECL estimates.

The latest forecasts of macroeconomic infomation, from reputable sources such as IMF, are also used as inputs in the models ensuring that the current and forecasted global macroeconomic outlook following the pandemic is adequately factored in the PD estimates.

In addition, the bank has also watchlisted sectors and clients it considers as high risk in the light of COVID-19, classifying them in stage 2 and calculating lifetime ECLs for the underlying facilities.

An overlay of MUR 7.2m has been applied on the overall ECL in order to take into consideration obligor-specific information available to the bank at the time of computation but not already captured in the model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Impairment assessment (Cont'd)

Credit quality by class of financial assets

	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
2021				
Cash and cash equivalents	4,854,106,202	-	-	4,854,106,202
Due from banks	-	-	-	-
Derivative financial assets	10,228,424	-	-	10,228,424
Loans and advances to customers	7,109,972,601	2,742,019,302	328,820,660	10,180,812,563
Investment securities	5,834,199,321	606,446,516	-	6,440,645,837
Other assets	939,041,015	-	-	939,041,015
	18,747,547,563	3,348,465,818	328,820,660	22,424,834,041

	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
2020				
Cash and cash equivalents	1,266,003,669	-	-	1,266,003,669
Due from banks	14,819,085	-	-	14,819,085
Derivative financial assets	2,183,441	-	-	2,183,441
Loans and advances to customers	5,778,774,285	3,720,871,797	269,729,132	9,769,375,214
Investment securities	6,872,454,564	-	-	6,872,454,564
Other assets	880,404,170	-	-	880,404,170
	14,814,639,214	3,720,871,797	269,729,132	18,805,240,143

	Stage 1	Stage 2	Stage 3	Total
	MUR	MUR	MUR	MUR
2019				
Cash and cash equivalents	2,720,834,508	-	-	2,720,834,508
Due from banks	698,739,467	-	-	698,739,467
Derivative financial assets	3,763,559	-	-	3,763,559
Loans and advances to customers	7,197,813,757	435,582,583	2,542,743	7,635,939,083
Investment securities	6,443,524,797	-	-	6,443,524,797
Other assets	90,911,293	-	-	90,911,293
	17,155,587,381	435,582,583	2,542,743	17,593,712,707

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
2021				
Loans and advances to customers				
Loans and overdrafts				
Retail	305,127	13,554	-	318,681
Corporate	245,912,641	-	-	245,912,641
	246,217,768	13,554	-	246,231,322
Investment in finance leases				
Retail	701,247	1,076,041	-	1,777,288
Corporate	1,699,881	711,532	4,442	2,415,855
	2,401,128	1,787,573	4,442	4,193,143
	248,618,896	1,801,127	4,442	250,424,465

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	Amount in arrears			
	Less than 30 days	31 to 89 days	More than or equal to 90 days	Total
	MUR	MUR	MUR	MUR
2020				
Loans and advances to customers				
Loans and overdrafts				
Retail	233,069	141,106	-	141,106
Corporate	41,677,112	62,208,315	1,589,351	105,474,778
	41,910,181	62,349,421	1,589,351	105,848,953
Investment in finance leases				
Retail	658,494	2,241,698	51,477	2,951,669
Corporate	4,370,075	23,017,984	3,584,454	30,972,513
	5,028,569	25,259,682	3,635,931	33,924,182
	46,938,750	87,609,103	5,225,282	139,773,135
2019				
Loans and advances to customers				
Loans and overdrafts				
Retail	11,276	64,774	-	76,050
Corporate	3,393,468	-	-	3,393,468
	3,404,744	64,774	-	3,469,518
Investment in finance leases				
Retail	1,781,316	451,658	-	2,232,974
Corporate	2,439,387	473,961	-	2,913,348
	4,220,703	925,619	-	5,146,322
	7,625,447	990,393	-	8,615,840

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:

	2021	
	Gross Carrying	Loss Allowance
	MUR	MUR
0 - 30 days (Stage 1)	7,177,111,251	67,138,646
0 - 30 days (Stage 2)	2,744,436,388	52,898,436
31 - 89 days (Stage 2)	51,711,738	1,230,392
	9,973,259,377	121,267,474

	2020	
	Gross Carrying	Loss Allowance
	MUR	MUR
0 - 30 days (Stage 1)	5,814,893,339	36,119,057
0 - 30 days (Stage 2)	2,672,126,495	64,607,188
31 - 89 days (Stage 2)	1,146,142,931	32,790,442
	9,633,162,765	133,516,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

42. RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	2019	
	Gross Carrying	Loss Allowance
	MUR	MUR
0 - 30 days (Stage 1)	7,287,768,230	89,954,473
0 - 30 days (Stage 2)	420,122,868	4,168,718
31 - 89 days (Stage 2)	19,914,198	285,765
	7,727,805,296	94,408,956

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

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:

	2021	2020	2019
	MUR	MUR	MUR
Loans and advances (Note 12(c))	433,833,352	546,816,140	70,992,311
Specific allowance held in respect of impaired advances (Note 12(c))	-	-	-
Expected Credit Losses on loans and advances under Stage 3 (Note 12(c))	105,012,692	277,087,412	68,449,568
	105,012,692	277,087,412	68,449,568

42. 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 an average of 616 % for the year 2021 (2020: 332% 2019 : 423%)

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 discounted 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	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	MUR	MUR	MUR	MUR	MUR	MUR
2021						
Derivative financial liabilities	-	2,366,807	6,569,802	-	-	8,936,609
Deposits from customers	-	14,740,539,321	3,221,827,959	1,332,047,331	551,808,412	19,846,223,023
Preference shares	-	4,629,030	-	138,180,000	-	142,809,030
Subordinated debts	-	-	4,762,329	-	500,000,000	504,762,329
Other liabilities	79,885,363	10,792,963	558,428,559	-	25,132,893	674,239,778
Total financial liabilities	79,885,363	14,758,328,121	3,791,588,649	1,470,227,331	1,076,941,305	21,176,970,769
Contingent liabilities and commitments	-	1,402,225,241	275,047,000	14,105,111	-	1,691,377,352

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

42. RISK MANAGEMENT (CONT'D)

Analysis of financial liabilities by remaining contractual maturities (Cont'd)

Note: Liquidity is only for financial liabilities

2020						
Derivative financial liabilities	-	9,561,965	197,675	-	-	9,759,640
Deposits from customers	-	12,278,086,650	1,286,808,526	2,709,025,941	525,810,677	16,799,731,794
Preference shares	-	6,354,198	-	138,180,000	-	144,534,198
Subordinated debts	-	-	4,762,329	-	500,000,000	504,762,329
Other liabilities	76,030,528	19,379	240,357,550	-	12,622,475	329,029,932
Total financial liabilities	76,030,528	12,294,022,192	1,532,126,080	2,847,205,941	1,038,433,152	17,787,817,893
Contingent liabilities and commitments	-	1,241,298,254	-	-	568,153,406	**1,809,451,660**

2019						
Derivative financial liabilities	-	5,618,129	194,628	-	-	5,812,757
Deposits from customers	-	11,720,490,114	1,473,305,280	1,461,074,268	588,760,400	15,243,630,062
Preference shares	-	7,022,573	-	138,180,000	-	145,202,573
Subordinated debts	-	-	5,070,890	-	500,000,000	505,070,890
Other liabilities	370,733,819	7,331,474	51,728,989	-	-	429,794,282
Total financial liabilities	370,733,819	11,740,462,290	1,530,299,787	1,599,254,268	1,088,760,400	16,329,510,564
Contingent liabilities and commitments	-	1,350,826,617	53,671,365	38,916,607	-	1,443,414,589

The reconciliations for 2020 and 2019 have been included in the 2021 FS. These reconciliations were not presented in the 2020 audited FS. In order to align with the IFRS requirements, the bank has included the reconciliations for the comparatives. There is no impact on the financial statements figures.

(d) Market risk

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the bank's statement of profit or loss and other comprehensive income. The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 30 June.

Currency	2021 Increase/(decrease) in basis points	2021 Effect on profit before tax and Equity MUR m
EUR	50	11.9
USD	50	24.7
MUR	50	4.6

Currency	2021 Increase/(decrease) in basis points	2021 Effect on profit before tax and Equity MUR m
EUR	50	14
USD	50	16.2
MUR	50	4.6

42. RISK MANAGEMENT (CONT'D)

(d) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

	Impact of change in interest rate on profit or loss		
	Assets MUR	Liabilities MUR	Increase / (Decrease) in profit MUR
	2019		
Increase in basis point - 50 bp	20,454,170	(21,643,495)	(1,189,325)
Decrease in basis point - 50 bp	(20,454,170)	21,643,495	1,189,325

(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	2021	2020	2019
	%	MUR	MUR	MUR
Statement of other comprehensive income	+10	175,869,666	128,352,525	195,361,405
Statement of other comprehensive income	-10	(175,869,666)	(128,352,525)	(195,361,405)

(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 2021 amounted to MUR 95,304 (2020 : MUR 746,565, 2019 : MUR 104,356).

We markedly reduced our open FX positions as a result of increased volatility in the markets and the rupee depreciated towards end of June. Accordingly, our VAR estimates fell to much comfortable levels. The FX market is still characterized by short supply and regular Bank of Mauritius interventions to provide liquidity. However, uncertainty remains a risk factor, leading to a reviewed position management, in line with our risk appetite and control framework

The following table demonstrate the sensitivity to a reasonable possible change in exchange rate, with all other variables held constant, and the impact on the bank's profit and equity

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

42. RISK MANAGEMENT (CONT'D)

(d) Market risk (Cont'd)

(iii) Foreign exchange risk (Cont'd)

The bank's monetary assets and liabilities as at 30 June is as follows:

	2021				
	EUR MUR	**GBP MUR**	**USD MUR**	**Others MUR**	**Total MUR**
Cash and cash equivalents	727,882,712	655,136,343	2,814,346,177	270,828,080	4,468,193,312
Due from banks	-	-	-	-	-
Derivative financial assets	95	10,131,659	96,670	-	10,228,424
Loans and advances to customers	1,851,628,322	-	2,276,617,006	-	4,128,245,328
Investment securities	1,132,398,291	-	786,996,271	-	1,919,394,562
Other assets	105,549,930	17,575,713	237,290,662	1,638,723	362,055,028
	3,817,459,350	682,843,715	6,115,346,786	272,466,803	10,888,116,654
Derivative financial liabilities	21,659	8,908,120	6,830	-	8,936,609
Deposits from customers	2,613,761,677	966,677,807	7,104,230,867	260,196,256	10,944,866,607
Other liabilities	61,891,611	11,115,084	443,427,664	8,094,823	524,529,182
	2,675,674,947	986,701,011	7,547,665,361	268,291,079	11,478,332,398
Net position	1,141,784,403	(303,857,296)	(1,432,318,575)	4,175,724	(590,215,744)

	2020				
	EUR MUR	GBP MUR	USD MUR	Others MUR	Total MUR
Cash and cash equivalents	151,647,126	47,870,395	431,882,183	383,149,992	1,014,549,696
Due from banks	54,466,964	20,818,935	78,943,703	-	154,229,602
Derivative financial assets	392,470	188,237	1,291,874	310,860	2,183,441
Loans and advances to customers	1,724,288,282	-	2,281,755,228	-	4,006,043,510
Investment securities	1,016,664,037	-	1,909,788,507	1	2,926,452,545
Other assets	99,732,631	20,789,716	211,475,859	1,447,540	333,445,746
	3,047,191,510	89,667,283	4,915,137,354	384,908,393	8,436,904,540
Derivative financial liabilities	5,805,142	3,587,294	248,320	118,884	9,759,640
Deposits from customers	2,191,506,298	496,828,966	5,231,227,451	370,675,151	8,290,237,866
Other liabilities	34,455,153	526,026	148,999,006	12,119,499	196,099,684
	2,231,766,593	500,942,286	5,380,474,777	382,913,534	8,496,097,190
Net position	815,424,917	(411,275,003)	(465,337,423)	1,994,858	(59,192,651)

42. RISK MANAGEMENT (CONT'D)

(d) Market risk (Cont'd)

(iii) Foreign exchange risk (Cont'd)

	2019				
	EUR MUR	GBP MUR	USD MUR	Others MUR	Total MUR
Cash and cash equivalents	982,403,939	303,359,626	1,106,225,832	181,024,797	2,573,014,194
Due from banks	46,916,900	13,026,558	96,564,528	-	156,507,986
Derivative financial assets	1,144,715	330,005	976,539	1,312,300	3,763,559
Loans and advances to customers	949,152,486	-	1,808,227,874	-	2,757,380,360
Investment securities	1,054,876,995	-	1,072,025,399	-	2,126,902,394
Other assets	62,922,756	-	16,862,500	554,551	80,339,807
	3,097,417,791	316,716,189	4,100,882,672	182,891,648	7,697,908,300
Derivative financial liabilities	1,588,276	1,040,918	2,184,859	998,705	5,812,758
Deposits from customers	2,084,821,448	713,105,085	4,478,131,353	152,642,666	7,428,700,552
Other liabilities	148,773,556	6,924,951	135,154,558	14,428,957	305,282,022
	2,235,183,280	721,070,954	4,615,470,770	168,070,328	7,739,795,332
Net position	862,234,511	(404,354,765)	(514,588,098)	14,821,320	(41,887,032)

Prior year figures have been adjusted to reflect statement of financial position.These amendments have no impact on financial statements.

42. RISK MANAGEMENT (CONT'D)

(e) Maturities of assets and liabilities (Cont'd)

	Notes	2021							
		No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	4,871,775,378	-	4,871,775,378	-	-	-	4,871,775,378
Due from banks	10	-	-	-	-	-	-	-	-
Derivative financial assets	11	-	10,228,424	-	10,228,424	-	-	-	10,228,424
Loans and advances to customers	12	451,736,636	1,796,168,145	1,959,658,858	3,755,827,003	2,753,140,219	3,446,388,871	6,199,529,090	10,407,092,729
Investment securities	13	63,602,192	966,938,198	1,529,173,649	2,496,111,847	2,187,264,797	1,760,990,679	3,948,255,476	6,507,969,515
Other assets	14	952,457,252	-	-	-	-	-	-	952,457,252
Property and equipment	15	586,761,003	-	-	-	-	-	-	586,761,003
Intangible assets	16	41,793,082	-	-	-	-	-	-	41,793,082
Deferred tax assets	17	11,598,877	-	-	-	-	-	-	11,598,877
Total		2,107,949,042	7,645,110,145	3,488,832,507	11,133,942,652	4,940,405,016	5,207,379,550	10,147,784,566	23,389,676,260
Less allowance for credit impairment									(230,001,652)
									23,159,674,608
Liabilities									
Derivative financial liabilities	11	-	2,366,807	6,569,802	8,936,609	-	-	-	8,936,609
Deposits from customers	18	-	14,740,539,321	3,221,827,959	17,962,367,280	1,332,047,331	551,808,414	1,883,855,745	19,846,223,025
Preference shares	19	-	4,629,030	-	4,629,030	138,180,000	-	138,180,000	142,809,030
Subordinated debts	20	-	-	4,762,329	4,762,329	-	500,000,000	500,000,000	504,762,329
Current tax liabilities		-	-	9,220,699	9,220,699	-	-	-	9,220,699
Other liabilities	22	124,824,449	10,792,963	558,428,559	569,221,522	-	25,132,893	25,132,893	719,178,864
Total		124,824,449	14,758,328,121	3,800,809,348	18,559,137,469	1,470,227,331	1,076,941,307	2,547,168,638	21,231,130,556
Net liquidity gap		1,983,124,593	(7,113,217,976)	(311,976,841)	(7,425,194,817)	3,470,177,685	4,130,438,243	7,600,615,928	2,158,545,704
Less allowance for credit impairment									(230,001,652)
									1,928,544,052
Contingent liabilities and commitments	39								
Contingent liabilities									
Financial guarantees		-	2,656,469	37,411,354	40,067,823	12,841,632	-	12,841,632	52,909,455
Letter of credit and other obligations on account of customers		-	-	-	-	-	-	-	-
		-	2,656,469	37,411,354	40,067,823	12,841,632	-	12,841,632	52,909,455
Commitments									
Undrawn credit facilities		-	1,399,568,772	237,635,646	1,637,204,418	1,263,479	-	1,263,479	1,638,467,897
		-	1,402,225,241	275,047,000	1,677,272,241	14,105,111	-	14,105,111	1,691,377,352

42. RISK MANAGEMENT (CONT'D)

(e) Maturities of assets and liabilities (Cont'd)

	Notes	2020 Restated							
		No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	1,280,041,690	-	1,280,041,690	-	-	-	1,280,041,690
Due from banks	10	-	14,839,238	-	14,839,238	-	-	-	14,839,238
Derivative financial assets	11	-	1,871,869	311,572	2,183,441	-	-	-	2,183,441
Loans and advances to customers	12	576,502,217	1,903,466,912	2,086,137,872	3,989,604,784	2,554,448,512	3,059,423,794	5,613,872,306	10,179,979,307
Investment securities	13	42,657,771	1,959,456,996	947,553,255	2,907,010,251	1,960,106,607	2,210,174,455	4,170,281,062	7,119,949,084
Other assets	14	891,377,784	-	-	-	-	-	-	891,377,784
Property and equipment	15	600,843,664	-	-	-	-	-	-	600,843,664
Intangible assets	16	8,922,365	-	-	-	-	-	-	8,922,365
Deferred tax assets	17	23,084,417	-	-	-	-	-	-	23,084,417
Total		2,143,388,218	5,159,676,705	3,034,002,699	8,193,679,404	4,514,555,119	5,269,598,249	9,784,153,368	20,121,220,990
Less allowance for credit impairment									(416,117,001)
									19,705,103,989
Liabilities									
Derivative financial liabilities	11	-	9,561,965	197,675	9,759,640	-	-	-	9,759,640
Deposits from customers	18	-	12,278,086,650	1,286,808,526	13,564,895,176	2,709,025,941	525,810,677	3,234,836,618	16,799,731,794
Preference shares	19	-	6,354,198	-	6,354,198	138,180,000	-	138,180,000	144,534,198
Subordinated debts	20	-	-	4,762,329	4,762,329	-	500,000,000	500,000,000	504,762,329
Current tax liabilities*		-	-	28,244,435	28,244,435	-	-	-	28,244,435
Other liabilities*	22	2,805,057	18,051,491	220,278,718	238,330,209	-	140,179,064	140,179,064	381,314,330
Total		2,805,057	12,312,054,304	1,540,291,683	13,852,345,987	2,847,205,941	1,165,989,741	4,013,195,682	17,868,346,726
Net liquidity gap		2,140,583,161	(7,152,377,599)	1,493,711,016	(5,658,666,583)	1,667,349,178	4,103,608,508	5,770,957,686	2,252,874,264
Less allowance for credit impairment									(416,117,001)
									1,836,757,263
Contingent liabilities and commitments	35								
Contingent liabilities									
Financial guarantees		-	273,436,059	-	273,436,059	-	331,830,702	331,830,702	605,266,761
Letter of credit and other obligations on account of customers		-	11,000,000	-	11,000,000	-	-	-	11,000,000
		-	284,436,059	-	284,436,059	-	331,830,702	331,830,702	616,266,761
Commitments									
Undrawn credit facilities		-	956,862,195	-	956,862,195	-	236,322,704	236,322,704	1,193,184,899
		-	1,241,298,254	-	1,241,298,254	-	568,153,406	568,153,406	1,809,451,660

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

42. RISK MANAGEMENT (CONT'D)

(e) Maturities of assets and liabilities (Cont'd)

	Notes	2019 Restated							
		No specific maturity MUR	Less than 3 months MUR	3 to 12 months MUR	Sub total less than 12 months MUR	1 to 3 years MUR	Over 3 years MUR	Sub total more than 12 months MUR	Total MUR
Assets									
Cash and cash equivalents	9	-	2,732,131,072	-	2,732,131,072	-	-	-	2,732,131,072
Due from banks	10	-	259,602,357	105,176,067	364,778,424	68,493,391	266,530,027	335,023,418	699,801,842
Derivative financial assets	11	-	3,307,688	455,871	3,763,559	-	-	-	3,763,559
Loans and advances to customers	12	86,899,896	1,356,276,288	2,550,655,804	3,906,932,092	1,654,649,678	2,152,079,724	3,806,729,402	7,800,561,390
Investment securities	13	36,467,145	741,452,940	342,562,748	1,084,015,688	2,438,223,101	2,925,456,013	5,363,679,114	6,484,161,947
Other assets	14	99,997,305	-	-	-	-	-	-	99,997,305
Property and equipment	15	512,458,466	-	-	-	-	-	-	512,458,466
Intangible assets	16	2,263,140	-	-	-	-	-	-	2,263,140
Deferred tax assets	17	9,710,148	-	-	-	-	-	-	9,710,148
Total		747,796,100	5,092,770,345	2,998,850,490	8,091,620,835	4,161,366,170	5,344,065,764	9,505,431,934	18,344,848,869
Less allowance for credit impairment									(169,854,687)
									18,174,994,182
Liabilities									
Derivative financial liabilities	18	-	5,618,129	194,628	5,812,757	-	-	-	5,812,757
Deposits from customers	11	-	11,720,490,114	1,473,305,280	13,193,795,394	1,461,074,268	588,760,400	2,049,834,668	15,239,475,798
Preference shares	18	-	7,022,573	-	7,022,573	138,180,000	-	138,180,000	145,202,573
Subordinated debts	19	-	-	5,070,890	5,070,890	-	500,000,000	500,000,000	505,070,890
Current tax liabilities		-	-	4 4,058,393	4 4,058,393	-	-	-	44,058,393
Other liabilities	22	382,217,091	7,452,537	51,728,989	66,139,372	-	15,839,543	15,839,543	464,196,006
Total		382,217,091	11,740,583,353	1,574,358,180	13,317,745,115	1,599,254,268	1,104,599,943	2,703,854,211	16,403,816,417
Net liquidity gap		365,579,009	(6,647,813,008)	1,424,492,310	(5,226,124,280)	2,562,111,902	4,239,465,821	6,801,577,723	1,941,032,452
Less allowance for credit impairment									(169,854,687)
									1,771,177,765
Contingent liabilities and commitments	35								
Contingent liabilities									
Financial guarantees		-	25,550,494	53,671,365	79,221,859	38,916,607	-	38,916,607	118,138,466
Letter of credit and other obligations on account of customers		-	3,373,422	-	3,373,422	-	-	-	3,373,422
		-	28,923,916	53,671,365	82,595,281	38,916,607	-	38,916,607	121,511,888
Commitments									
Undrawn credit facilities		-	1,321,902,701	-	1,321,902,701	-	-	-	1,321,902,701
		-	1,350,826,617	53,671,365	1,404,497,982	38,916,607	-	38,916,607	1,443,414,589

**Prior year figures have been adjusted to reflect statement of financial position.The amendment has no impact on financial statements Figures have been restated for 2020 and 2019. Refer to Note 43 for more information.*

42. RISK MANAGEMENT (CONT'D)

(f) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the bank is able to manage those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

43. PRIOR YEAR RESTATEMENT

The board of directors has identified the following adjustments. These adjustments have been applied retrospectively in analogy to 'IAS 8 ***Accounting Policies, Changes in Accounting Estimates and Errors*** (IAS 8)' ' in order to achieve improved disclosures.

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

During the financial years end 30 June 2020 and 30 June 2019, the special levy was accounted under IFRIC 21 ***Levies*** . In January 2021, the Bank of Mauritius (BOM) advised all banks that the special levy should be treated as a tax expense. As a result, the bank has changed its accounting policy during the financial year to account for the special levy under IAS 12 ***Income Taxes*** (IAS 12). Management are of the view that this change in accounting policy will provide a better appreciation of how the operating expenses attributable to the bank' operation are evolving in relation to the income of the bank and also the adoption of IAS 12 will achieve comparability of the cost to income ratio in the banking industry.

The special levy was charged to other operating expenses in the statement of profit and loss and accounted under other liabilities in the statement of financial position in the financial years ended 30 June 2020 and 30 June 2019. These have been reclassified under income tax expense and current tax liabilities for the respective years.

On the basis as set out under IAS 8 paragraph 14 (b) and as advised by the BOM, the change in accounting policy will result in the financial statements providing reliable and more relevant information about the effect of the special levy on the bank's financial position and financial performance.

43. PRIOR YEAR RESTATEMENT (CONT'D)

(a) Reclassification of special levy from operating expenses to tax expenses:

	2020			2019		
	As previously stated MUR	Reclassification MUR	As restated MUR	As previously stated MUR	Reclassification MUR	As restated MUR
Statement of profit or loss and other comprehensive income						
Continuing operations						
Other operating expenses	(103,850,853)	20,078,832	(83,772,021)	(107,644,781)	20,078,832	(87,565,949)
Profit before tax	**121,358,802**	**20,078,832**	**141,437,634**	**271,278,866**	**20,078,832**	**291,357,698**
Tax expense	(970,960)	(20,078,832)	(21,049,792)	(47,390,626)	(20,078,832)	(67,469,458)
Profit for the year	**120,387,842**	**-**	**120,387,842**	**223,888,240**	**-**	**223,888,240**
Statement of financial position						
Current tax liabilities	8,165,603	20,078,832	28,244,435	23,979,561	20,078,832	44,058,393
Other liabilties	401,393,162	(20,078,832)	381,314,330	484,274,838	(20,078,832)	464,196,006
Statement of cash flow						
Profit before tax	121,358,802	20,078,832	141,437,634	271,278,866	20,078,832	291,357,698
Increase/(decrease) in other liabilities	(101,508,219)	-	(101,508,219)	136,172,428	(20,078,832)	116,093,596
Income tax paid	(29,661,207)	(20,078,832)	(49,740,039)	(49,215,494)	-	(49,215,494)

The restatement did not have any impact on the earnings or diluted earnings per share.

(b) Statement of cash flows:

In the prior year it was incorrectly classified as financing activity and corrected in the current year to be presented as part of operating activities.
The impact on the statement of cash flow is that the line item "decrease on interest on preference shares and subordinated debts" in the operating activity section had decreased while the line item in the financing activity section was increased with MUR 976,936 (2019:MUR nil).

As such the restated figures do not have a line item under the financing activity section for Net (decrease)/increase in preference shares and subordinated debts due to the reclassification.

CAUTIONARY NOTE

CAUTIONARY NOTE:

This report contains several forward-looking statements with respect to the financial position and business strategy of ABC Banking Corporation Ltd. By their very nature, forward-looking statements are based on a number of assumptions and management's current views and are thus subject to inherent risks and uncertainties. Hence, there is a significant risk that the statements contained herein may not prove to be accurate.

Readers of this report are thus cautioned not to place undue reliance on the forward-looking statements as numerous factors could cause future results and actions to differ materially from the declarations of future expectations expressed herein. A number of factors ranging from the evolution of the economic and political landscape to technological headway, regulatory developments, interest rate and currency value fluctuations, management actions, level of competition in the local and global industry, are bound to influence the future outcomes that relate to forward-looking statements.

ABC Banking Corporation Ltd does not undertake to update any forward-looking statement that may be made from time to time by the organisation or on its behalf.

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of Shareholders of ABC Banking Corporation Ltd (the "Company") will be held at the Company's premises on 4th Floor, Plantation House, Duke of Edinburg Avenue, Place d'Armes, Port Louis, on Friday 17 December 2021 at 14.00 to transact the following business:

1. To consider the Annual Report for the financial year ended 30 June 2021.
2. To receive the report of Messrs. ERNST & YOUNG, External Auditors of the Company.
3. To consider and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2021.
4. To re-elect (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, in accordance with Section 138 (6) of the Companies Act 2001 the following persons2 who have been nominated by the Board on the recommendation of the Nomination and Remuneration Committee:
   (i) Hon. Ah Foon CHUI YEW CHEONG
   (ii) Professor Donald AH-CHUEN, G.O.S.K
   (iii) Mr. Lakshmana LUTCHMENARRAIDOO
   (iv) Mr. André Kwet-Tsong TZE SEK SUM
5. To re-elect (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, the following persons2 who have been nominated by the Board on the recommendation of the Nomination and Remuneration Committee:
   (v) Mr David Brian AH-CHUEN
   (vi) Mr Patrick Andrew Dean AH-CHUEN
   (vii) Mr Sydney AH YOONG
   (viii) Mr. Bhanu Pratabsingh JADDOO
   (ix) Mr. Michel Bruno LALANNE
6. To fix the remuneration of the Directors
7. To re-appoint ERNST & YOUNG as External Auditors of the Company for the financial year ending 30 June 2022 pursuant to recommendation of the Audit Committee through the Board of Directors and to authorize the Board of Directors to fix their remuneration.

By order of the Board.
Mahesh Ittoo, ACIS MCSI

Company Secretary

Note 1 A member of the Company entitled to attend and vote at this meeting but who is unable to attend may appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. The appointment should be made in writing and the instrument (copy annexed) must be deposited with the Secretary, Mr. Mahesh Ittoo, c/o ABC Banking Corporation Ltd, WEAL HOUSE, Duke of Edinburgh Avenue, Place d'Armes, 11328 Port Louis not less than 24 hours before the meeting.

Note 2 The profiles and categories of the directors proposed for re-election are set out in the Annual Report 2021.

Note 3 For the purpose of this meeting and in compliance with Section 120 of the Companies Act 2001, the shareholders who are entitled to receive notice and attend the meeting shall be those shareholders whose names are registered in the Company's register as at 21 November 2021.

Note 4 The minutes of proceedings of the Annual Meeting of Shareholders held on 22 December 2020 are available for inspection at the Registered Office of the Company during normal office hours

Note 5 The minutes of proceedings of the Annual Meeting of Shareholders to be held on 17 December 2021 shall be available for inspection at the Registered Office of the Company as from 10 January 2022 during normal office hours.

PROXY FORM

I / We .... of .... being a member / members of ABC Banking Corporation Ltd, hereby appoint .... of .... or failing him / her .... of .... as my / our proxy to vote for me / us on my / our behalf at the Annual Meeting of the Company to be held on Friday 17 December 2021 or at any adjournment thereof.

I/We desire my/our vote(s) to be cast on the Ordinary Resolutions as follows:

		For	Against	Abstain
1	To consider the Annual Report for the financial year ended 30 June 2021			
2	To receive the report of Ernst & Young, External Auditors of the Company			
3	To consider and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2021.			
4	To re-elect (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, in accordance with Section 138 (6) of the Companies Act 2001 the following persons who have been nominated by the Board on the recommendation of the Nomination and Remuneration Committee: (i) Hon. Ah Foon CHUI YEW CHEONG (ii) Professor Donald AH-CHUEN, G.O.S.K (iii) Mr. Lakshmana LUTCHMENARRAIDOO (iv) Mr. André Kwet-Tsong TZE SEK SUM			
5	To re-appoint (by way of separate resolutions) as directors of the Company to hold office until the conclusion of the next Annual Meeting of Shareholders, the following persons who have been nominated by the Board on the recommendation of the Nomination and Remuneration Committee: (i) Mr. David Brian AH-CHUEN (ii) Mr. Patrick Andrew Dean AH-CHUEN (iii) Mr. Sydney AH YOONG (iv) Mr. Bhanu Pratabsingh JADDOO (v) Mr. Michel Bruno LALANNE			
6	To fix the remuneration of the Directors			
7	To re-appoint ERNST & YOUNG as External Auditors of the Company for the financial year ending 30 June 2022 pursuant to recommendation of the Audit Committee through the Board of Directors and to authorize the Board of Directors to fix their remuneration			

Signature: ....

Signed this .... day of 2021

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

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