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# MANAGEMENT DISCUSSION AND ANALYSIS

ABC Banking Corporation Ltd (“bank”) is pleased to present the abridged unaudited interim financial statements of the bank for the three months ended 30 September 2022.

## Review of the Economy

Global economic activity is going through a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, war in Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is expected to slow to 3.2% in 2022 and 2.7% in 2023, representing the weakest growth since 2001. Worldwide inflation is forecast to rise to 8.8% in 2022 but to decline to 6.5% in 2023 and 4.1% by 2024. On the local front, as per Statistics Mauritius, the headline inflation rate for the twelve months ending September 2022 worked out to 9.4% and the headline inflation rate for calendar year 2022 is forecasted at around 10.7%. Albeit, recent official data shows that the Mauritian economy continues to display encouraging signals, with a growth in GDP expected to be 7.6%. Additionally, resilience against external dynamics amidst re-ignited business confidence, shows that the country is steadily recuperating from the pandemic-induced downturn, while benefiting from initiatives and policies put in place by the public and private sectors to strengthen the business environment.

## Review of Financial Performance

For the first quarter ended 30 September 2022, the bank recorded profit after tax of MUR 65.5 million compared to MUR 37.8 million for the same period last year, a growth of 73%. The main highlights of the financial performance are as follows:

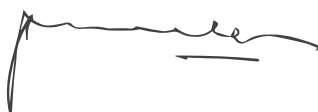
1. The bank registered a net interest income of MUR 129.9 million for quarter ended 30 September 2022 compared to MUR 107.9 million same period last year.
2. Non-interest income increased by 20.3% for the quarter ended 30 September 2022 compared to the same period last year to reach MUR 43.4 million.
3. Non-Interest Expenses ended at MUR 103.1 million for the quarter ended 30 September 2022 with personnel expenses representing 56.4% of total non-interest expenses.
4. The bank’s loans and advances portfolio balance moved to MUR 9.9 billion as at 30 September 2022 representing a drop of 0.9% compared to last quarter and an increase of 4.5% compared to last year same period.
5. Deposit from customers decreased marginally from MUR 19.4 billion to MUR 18.9 billion as at 30 September 2022, representing a drop of 2.5%.
6. The bank’s Capital Adequacy Ratio is at 14.9% compared to last year 16.2%. With the current capital base, the bank has sufficient resources to both meet its regulatory requirements of 12.5% and further expand its asset base.
7. The Liquidity Coverage Ratio stood at 650.7% as at 30 September 2022.

The bank’s financial performance throughout the quarter demonstrates our firm commitment to meeting the bank’s set objectives in a timely and effective manner, with the support of its employees and clients.

Approved by the Board of Directors on 10 November 2022



**Ah Foon Chui Yew Cheong**  
Chairperson



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



**Bhanu Pratabsingh Jaddoo**  
Chairperson Audit Committee

# STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	Unaudited Quarter ended Sep 22 MUR	Unaudited Quarter ended Sep 21 MUR	Audited Year ended Jun 22 MUR
Interest income	184,375,876	167,318,830	669,713,560
Interest expense	(54,449,755)	(59,325,794)	(221,027,736)
<b>Net interest income</b>	<b>129,926,121</b>	<b>107,993,036</b>	<b>448,685,824</b>
Fee and commission income	36,074,846	32,477,888	122,486,446
Fee and commission expense	(10,749,831)	(7,930,454)	(35,434,019)
<b>Net fee and commission income</b>	<b>25,325,015</b>	<b>24,547,434</b>	<b>87,052,427</b>
<b>Total other income</b>	<b>18,118,925</b>	<b>11,573,078</b>	<b>82,664,980</b>
<b>Operating income</b>	<b>173,370,061</b>	<b>144,113,548</b>	<b>618,403,231</b>
<b>Non interest expenses</b>	<b>(103,159,244)</b>	<b>(83,718,196)</b>	<b>(387,963,705)</b>
Operating profit before impairment	70,210,817	60,395,352	230,439,526
Allowance for credit impairment	5,046,553	(14,812,891)	(3,342,995)
<b>Operating profit before tax</b>	<b>75,257,370</b>	<b>45,582,461</b>	<b>227,096,531</b>
Income tax expense	(9,716,000)	(7,825,350)	(26,053,939)
<b>Profit for the period</b>	<b>65,541,370</b>	<b>37,757,111</b>	<b>201,042,592</b>
<b>Other comprehensive (loss)/income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Net (loss)/gain on investments in equity instruments designated at fair value through other comprehensive income	(7,837,382)	319,651	7,883,548
Fair value gain on disposal in equity	-	-	932,408
Remeasurement of retirement pension net of deferred tax	-	-	(2,190,877)
	<b>(7,837,382)</b>	<b>319,651</b>	<b>6,625,079</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	(275,292)	11,138,591	(2,376,443)
Net (loss)/gain on investments in debt instruments designated at fair value through other comprehensive income	(13,802,586)	15,887,589	(11,822,983)
	<b>(14,077,878)</b>	<b>27,026,180</b>	<b>(14,199,426)</b>
<b>Other comprehensive (loss)/income for the period</b>	<b>(21,915,260)</b>	<b>27,345,831</b>	<b>(7,574,347)</b>
<b>Total comprehensive income</b>	<b>43,626,110</b>	<b>65,102,942</b>	<b>193,468,245</b>
Weighted average number of ordinary shares	76,271,872	76,271,872	76,271,872
<b>Basic and diluted - earnings per share</b>	<b>0.86</b>	<b>0.50</b>	<b>2.64</b>

# STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	Unaudited Sep-22 MUR	Unaudited Sep-21 MUR	Audited Jun-22 MUR
<b>ASSETS</b>			
Cash and cash equivalents	4,268,596,707	4,476,663,693	3,094,610,118
Due from banks	817,974,134	213,313,776	966,675,490
Derivative financial assets	53,034,513	3,306,732	50,004,747
Loans and advances to customers	9,916,869,129	9,492,299,281	10,013,946,960
Investment securities	6,132,963,451	7,050,599,848	6,407,507,165
Property, equipment and right-of-use assets	578,598,797	581,353,266	587,085,644
Intangible assets	94,562,066	41,565,639	98,455,590
Deferred tax assets	6,183,237	12,302,098	7,574,450
Other assets	947,111,285	970,216,311	929,581,796
<b>Total assets</b>	<b>22,815,893,319</b>	<b>22,841,620,644</b>	<b>22,155,441,960</b>
<b>LIABILITIES</b>			
Due to banks	-	200,007,123	-
Deposits from customers	18,948,326,646	19,430,061,910	19,016,751,814
Derivative financial liabilities	8,257,295	271,222	9,404,846
Subordinated debts	511,398,116	511,205,479	504,821,233
Current tax liabilities	30,643,187	17,749,270	10,250,861
Other liabilities	1,192,816,479	688,678,646	533,387,720
<b>Total liabilities</b>	<b>20,691,441,723</b>	<b>20,847,973,650</b>	<b>20,074,616,474</b>
<b>Shareholders' Equity</b>			
Issued capital	940,495,472	940,495,472	940,495,472
Retained earnings	985,831,190	829,606,008	920,289,820
Other reserves	198,124,934	223,545,514	220,040,194
<b>Capital and reserves</b>	<b>2,124,451,596</b>	<b>1,993,646,994</b>	<b>2,080,825,486</b>
<b>Total liabilities and equity</b>	<b>22,815,893,319</b>	<b>22,841,620,644</b>	<b>22,155,441,960</b>
<b>Contingent liabilities</b>			
Guarantees on account of customers	24,207,334	39,890,312	35,671,805
Letter of credit and other obligations on account of customers	3,479,030	2,731,605	-
Commitments	2,286,634,564	1,934,247,615	1,916,325,200

# STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	Issued Capital MUR	Retained Earnings MUR	Statutory Reserve MUR	Other Reserves MUR	Total MUR
<b>At 01 July 2021</b>	940,495,472	791,848,897	182,578,414	13,621,269	1,928,544,052
Profit for the period	-	37,757,111	-	-	37,757,111
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	-	-	-	11,138,591	11,138,591
Other comprehensive income for the period	-	-	-	16,207,240	16,207,240
Total comprehensive income for the period	-	37,757,111	-	27,345,831	65,102,942
<b>At 30 September 2021</b>	<u>940,495,472</u>	<u>829,606,008</u>	<u>182,578,414</u>	<u>40,967,100</u>	<u>1,993,646,994</u>
<b>At 01 July 2021</b>	940,495,472	791,848,897	182,578,414	13,621,269	1,928,544,052
Profit for the year	-	201,042,592	-	-	201,042,592
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	-	-	-	(2,376,443)	(2,376,443)
Other comprehensive income for the period	-	(1,258,469)	-	(3,939,435)	(5,197,904)
Total comprehensive income for the period	-	199,784,123	-	(6,315,878)	193,468,245
Transfer to statutory reserve	-	(30,156,389)	30,156,389	-	-
Equity dividends	-	(41,186,811)	-	-	(41,186,811)
<b>At 30 June 2022</b>	<u>940,495,472</u>	<u>920,289,820</u>	<u>212,734,803</u>	<u>7,305,391</u>	<u>2,080,825,486</u>
<b>At 01 July 2022</b>	<b>940,495,472</b>	<b>920,289,820</b>	<b>212,734,803</b>	<b>7,305,391</b>	<b>2,080,825,486</b>
Profit for the period	-	65,541,370	-	-	65,541,370
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	-	-	-	(275,292)	(275,292)
Other comprehensive loss for the period	-	-	-	(21,639,968)	(21,639,968)
Total comprehensive income for the period	-	65,541,370	-	(21,915,260)	43,626,110
<b>At 30 September 2022</b>	<u>940,495,472</u>	<u>985,831,190</u>	<u>212,734,803</u>	<u>(14,609,869)</u>	<u>2,124,451,596</u>

# STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	Unaudited Quarter ended Sep 22 MUR	Unaudited Quarter ended Sep 21 MUR	Audited Year ended Jun 22 MUR
<b>Net cash generated/(used in) from operating activities</b>	<b>1,044,522,139</b>	(10,336,896)	(1,594,992,609)
<b>Net cash generated/(used in) from investing activities</b>	<b>251,215,971</b>	(546,186,160)	13,592,220
<b>Net cash (used in)/ generated from financing activities</b>	<b>(539,729)</b>	199,136,036	(183,181,924)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,295,198,380</b>	(357,387,020)	(1,764,582,313)
Net foreign exchange difference	(121,211,791)	(37,724,665)	(12,582,947)
Net cash and cash equivalents at beginning of period / year	3,094,610,118	4,871,775,378	4,871,775,378
<b>Net cash and cash equivalents at end of period / year</b>	<b>4,268,596,707</b>	4,476,663,693	3,094,610,118