AFRASIA
bank different

ANNUAL REPORT
2023

Resilience | Performance | Excellence


AFRASIA


BANK
BOWEN
SQUARE

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CHAIRPERSON'S MESSAGE

Dear Shareholders,

I am sincerely honoured and humbled to present AfrAsia Bank's annual report for the year ended 30 June 2023, as the Bank, despite operating under challenging circumstances, has posted an outstanding set of results to a level not previously achieved in the history of the Bank.

PIONEERING REFORMS FOR GROWTH AND SYNERGY

The remarkable performance achieved for the year under review is a testament to our strong commitment and the successful execution of our strategy. This is also reflective of its progress as a brand, bolstered by transformative changes and a resolute focus on consolidation. During the year, we welcomed three additional Independent Non-Executive Directors to our Board, bringing with them valuable expertise and experience across various fields such as banking, finance, audit, risk management, and corporate governance.

The Strategy Committee, set up late in the prior financial year, is responsible for reviewing and monitoring the Bank's strategic plan and initiatives, while identifying new market opportunities and challenges. This committee continues to provide a valuable platform, setting objectives in conjunction with management, and embracing a growth-centred blueprint with customers remaining at the heart of our business.

A THRIVING JOURNEY IN A VOLATILE GLOBAL ECONOMY

During the period under review, the world economy faced protracted uncertainties, with soaring inflation matching 40-year highs, leading central banks to raise interest rates and risking a global recession with emerging markets grappled with financial crises, and the bond market suffering.

During this volatile year, the Mauritian economy showed resilience, completing its recovery from the pandemic-driven contraction of 14.6% in 2020. With a strong tourism rebound, the economy accelerated further to an estimated 8.5% growth in 2022, following a 3.5% growth in 2021.

However, local inflation has remained a concern, soaring to 10.8% in 2022, the highest in over a decade, with no clear signs of reversal in 2023 due to external supply chain shocks impacting energy and food prices. As a response, the Bank of Mauritius hiked interest rates six times between March and December 2022, from 1.85% in February 2022, reaching 4.50%.

A LANDMARK PERFORMANCE

Considering the above challenges and opportunities, AfrAsia weathered the storm and thrived in this uncertain economic landscape by delivering an outstanding and unprecedented performance with a record Net Profit after Tax. This impressive outcome was primarily driven by a general uptick in yield levels, improved fee income, enhanced operational efficiency as well as higher volume of transactions. The Group's balance sheet is strengthened, with Total Assets reaching MUR 231.6bn, reflecting an 11% increase from MUR 209.0bn as at 30 June 2022. As of the year-end, the Group's capital adequacy ratio stands at 19.40%, which is above the regulatory limit. Moreover, the Group produced a commendable Return on Average Equity of 42%.

DRIVING ENDURING SUCCESS

As we strive towards ensuring an enduring AfrAsia's success, we need to acknowledge the challenges that lie ahead. While the lingering impact of the pandemic is gradually receding, Mauritius's economy is expected to further improve, with a projected real GDP growth of around 5.0% in 2023 and 4.2% in 2024, primarily supported by the recovery of the tourism sector. Nevertheless, it is crucial to remain vigilant as certain risks persist, including the potential slowdown in global demand as a result of the continuing Russia-Ukraine conflict, inflationary pressures stemming from supply chain shocks, high interest rates and the impact of climate change on natural assets.

The transition in monetary policy, with a focus on managing inflation, is shifting from reserve money targeting to liquidity management and open market operations. This change will inevitably lead to evolving interest rate dynamics which has contributed to AfrAsia's success over this financial year.

Moreover, Mauritius will continue to rely on a robust financial sector that must diversify and innovate, with evolving policies and new financial products. It is good to note that the country maintained its investment grade status according to Moody's, reflecting the country's recovery driven by a diversified and resilient economy, as well as prudent fiscal and monetary policies.

The Bank's strategic priorities encompass navigating the dynamic market conditions with prudence, upholding principles of good corporate governance, sound risk management practices, ongoing digital transformation, adopting and implementing a sound climate-related and environmental policy and delivering exceptional banking experiences to its customers. AfrAsia also remains steadfast in its dedication to its brand promise of "Bank Different."

As a key financial player in the Mauritius context, AfrAsia will consolidate its leadership position, continuing to contribute to Mauritius's economic growth and assuming a pivotal role both regionally and globally.

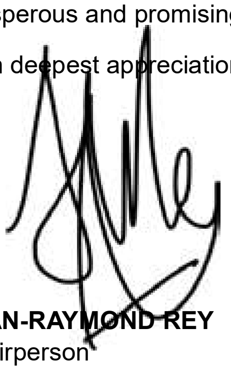
THANK YOU

To our Board members, dedicated and hard-working staff and management, I wish to express my profound gratitude to each one of you for your unwavering trust and support at times under trying conditions. This has been the cornerstone of AfrAsia's remarkable success during this period of consolidation and growth. Your dedication and confidence have propelled us forward, and I am deeply thankful for your collective contributions.

As we forge ahead, we remain committed to our brand's principles and to upholding our standards of good governance, excellence, fostering a culture of innovation, and cementing our position as an industry leader. Our strong financial standing has captured the interest of international investors, further enhancing our franchise's global appeal.

In the face of evolving challenges and opportunities, it is the spirit of unity and collaboration among our stakeholders that sets us apart. It is through our collective efforts that we will continue to shape a prosperous and promising future for AfrAsia.

With deepest appreciation,



JEAN-RAYMOND REY
Chairperson

INTERIM CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Valued Partner,

For the year under review, AfrAsia's landmark performance demonstrates the Bank's strength and resilience in a challenging economic environment amidst rising inflation and external shocks. A Net Profit after Tax of MUR 5.9bn and Total Assets of MUR 231.6bn as of June 2023 confirm our position as one of the leading banks in Mauritius. This exceptional result is a testament to the team's efforts, effective collaboration between the Board and management, and steadfast focus on our long-term goals. These factors have paved the way for a consistent and robust growth trajectory, underpinned by steady core earnings and increasing yield levels.

FROM ECONOMIC CHALLENGES TO RESILIENCE

The year was defined by a bumpy economic landscape as the global economy dealt with a turbulent recovery driven by uncertain geopolitics, inflation, recession risks in the US and Europe, asset value declines, supply chain disruptions, and talent shortages.

Despite a decline in global headline inflation to 7.0%, persistent financial stability risks posed significant growth challenges for the global economy. Advanced economies are experiencing a dwindling growth, which is projected to reach 1.5% for 2023 according to the IMF. Emerging markets are also witnessing a deceleration in growth, expected to settle at 4% for 2023, raising concerns about a potential recession for about one-third of the world economy. This situation exacerbated financial stress, leading to capital outflows, currency depreciations, and sovereign debt crises, particularly in countries with high external debt and low foreign exchange reserves.

The resulting tightening of monetary policy, aimed at curbing inflation and stabilizing currencies, further increased borrowing costs and debt burdens for banks and clients. This added immense pressure on credit demand, fee-based services, and savings, while also raising the risk of default and non-performing loans. This resulted in Fitch's downgrade of the USA and Moody's revising the outlook on large US banks' downward with a lower rating.

The Mauritian economy continued to recover in financial year 2023 with an estimated GDP growth of 5%, while inflation remained on the high side. Efforts to reduce the fiscal deficit and manage the current account imbalance continued to shape public policy during the year.

The Bank of Mauritius had to strike a balance between its monetary policy objectives and its financial stability mandate while coordinating with other authorities to support economic recovery and resilience. In response, banks had to adopt prudent risk management practices, diversify their income sources, enhance efficiency and innovation, and operate within strict regulatory standards.

SIGNIFICANT GROWTH ACROSS ALL BUSINESS LINES

Amidst this backdrop, the Bank's success and substantial business growth can be attributed to the unwavering collective effort of our team, which, within just fifteen years of existence, has become a hallmark of the AfrAsia Brand.

Acting on our commitments, all of our business lines have recorded encouraging performances during the year under review.

The improving global and local economic environment propelled Corporate Banking's loan book to a significant 37.7% increase, reaching MUR 35.2bn as of 30 June 2023, consequently boosting the Net Interest Income.

Our confirmed status as a leading player in the Mauritian IFC has positioned the Bank as a preferred partner for international corporations, resulting in a significant surge in Global Banking Business and an increase in FCY deposits.

The strategic overhaul of our Wealth Management division during the year, brought about a revamped structure now called the Investment Solutions hub. This new business line aims to offer a state-of-the-art service to our customers and encompasses the activity of Securities Services, Wealth Management and Advisory, as well as External Asset Managers. The latter has already been producing effective results, leading to remarkable growth in Assets Under Custody ("AUC") and a notable increase in Assets Under Management ("AUM"). As a result, our fee income was significantly boosted, experiencing a surge of 85%.

INTERIM CHIEF EXECUTIVE OFFICER'S MESSAGE (CONT'D)

Consumer Banking achieved notable success with a remarkable 37% growth in their assets book, an 15% increase in Fees and Commissions revenue, and a 12% rise in the Liabilities book. These remarkable results were attained by focusing on meeting client needs and providing customized solutions, which ultimately led to exceptionally high levels of customer satisfaction.

Treasury & Markets achieved a gross operating income of over MUR 6bn, driven by strong Trading and Interest Income. The FX business showed resilience, and strategic book positioning in the Money Markets/Fixed Income segment captured higher yields and interest rates in domestic and foreign markets. Syndicated lending also contributed to increased interest income. The Bank's liquidity coverage ratio of 429% at 30 June 2023 reflects our comforting position, being well above regulatory requirements.

As a result, all of the Bank's key performance indicators experienced significant growth. For the financial year under review our Net Profit after Tax ("NPAT") increased by 309%, with Net Interest Income reaching MUR 5.7bn, Net Fee and Commission Income at MUR 0.8bn, and Net Trading Income at MUR 1.5bn. Total operating income grew by 139%, while Total operating expenses rose by only 2% and a cost to income ratio down to 20% while remaining committed to invest in its talented workforce and delivery platforms.

The Bank's Total Deposits reached MUR 213.6bn, marking an 8% increase from June 2022, while Loans and Advances grew by 34% to reach MUR 52.5bn, sign of the trustworthy relationship between the clients and us.

FORGING EXCELLENCE AND GLOBAL RECOGNITION

Our strategic positioning as a conduit between Africa, Asia and the world, has allowed us to bring significant value to our customers and stakeholders, consequently elevating the AfrAsia brand within thriving markets. Our carefully crafted offerings cater to the specific needs of customers spanning across 160 countries.

Continued growth and global engagement have been at the core of AfrAsia's strategy. To achieve this, the Bank actively participates in prominent international platforms and conferences. Through such endeavours, we constantly expand our network, showcasing our commitment to staying at the forefront of the financial landscape and fostering meaningful connections worldwide.

AfrAsia Bank, with an existing office in Johannesburg, has now obtained a Category 1 Intermediary & Advisory license from the Financial Sector Conduct Authority ("FSCA"). This will enable the Bank to expand its services and products to valued clients in the region, including all major metropolitan areas in South Africa over time.

All our efforts have culminated in being voted "Best Bank in Mauritius 2023" by Global Finance for the second consecutive year. Our expertise in wealth management, advisory, and customer service has also been recognized, as we were awarded "Best Private Bank 2022" by EMEA Finance publication. Furthermore, we have been named "Best Custody Provider 2022" by Africa Global Funds for the third time, further validating our capabilities in custody and securities services.

These accolades inspire us to continue striving for excellence and delivering exceptional financial solutions to our clients worldwide.

DRIVING SUSTAINABLE FUTURES

Furthermore, as a responsible financial institution sustainability is deeply ingrained in the way we conduct our business. We are fully committed to supporting the transition to a low-carbon and resilient economy. To achieve this, AfrAsia is focused on implementing Environmental and Social Risk Management framework for credit portfolio assessment, following international standards like the Equator Principle. The framework we work on is also in line with BOM's guideline on Climate-Related and Environmental ("CR&E") Financial Risk Management.

As part of our corporate social responsibility and commitment to sustainable development, we have been actively funding green projects under the SUNREF credit line, a tailor-made green finance solution that supports investments in renewable energy, energy efficiency and environmental protection.

INTERIM CHIEF EXECUTIVE OFFICER'S MESSAGE (CONT'D)

Every AfrAsia Bank employee is deeply committed to driving our sustainability objectives. The AfrAsia Environment Squad, consisting of volunteers from diverse backgrounds, actively participates in environmental projects, events, and campaigns organized by both AfrAsia Bank and AfrAsia Foundation. Together, we strive to make a positive impact and build a brighter, sustainable future.

EMPOWERING TOMORROW

With a robust risk management framework in place, AfrAsia Bank remains well-prepared to navigate enduring headwinds, including risks arising from the global economic slowdown, inflationary pressures, interest rate hikes, financial stability concerns, and geopolitical uncertainties. We are fully committed to delivering exceptional service and value to our esteemed customers and stakeholders.

Recognizing the abundant opportunities ahead, we prioritize leveraging technology and innovation to enhance efficiency and elevate customer experience, while also focusing on retaining key talents and ensuring the security of our delivery platforms.

Our employees will remain a central focus. We are determined to continue investing in our human capital, revitalizing our work culture and fostering synergies to continually improve efficiency. We firmly believe that employee experience is a driving force behind customer experience.

We trust that the positive impact of our actions will extend beyond our valued customers, dedicated employees, and loyal shareholders, resonating with and benefiting wider communities and society at large.

In the upcoming financial year, AfrAsia is poised for an exciting array of new developments, with the completion of the AfrAsia Tower standing as a remarkable milestone for our organization.

Furthermore, we are looking forward to the much-awaited AfrAsia Bank Mauritius Open, now in its seventh edition, and scheduled from 14 to 17 December 2023 at La Réserve Golf Links, the newest championship golf course in Mauritius, which aims to be one of the best in the world, boasting a spectacular backdrop of both the ocean and the mountains. Building upon the resounding success of last year's event in December 2022, the AfrAsia Bank Mauritius Open has firmly established itself as a premier golf tournament, attracting top talents from two prestigious tours: the DP World Tour and the Sunshine Tour. With this international dimension, the tournament serves as a significant contributor to positioning Mauritius as tourist destination of international standing and a global hub for finance and golfing excellence.

THE CORNERSTONE OF OUR SUCCESS

After yet another fulfilling year, I would like to express my heartfelt thanks to all our Board Members for their active engagement and continuous support. My management team has ensured the disciplined execution of our strategy, leading us to achieving such results, and they can only be commended for bringing the Bank to this new height. Each team member has played a pivotal role – from Relationship Managers to Customer Services, cybersecurity experts to data analysts, HR to Tellers, and everyone at AfrAsia. Their exceptional commitment and team work during a challenging year has been truly remarkable and it is important that we continue to honour the values that AfrAsia Bank was founded upon which are Can-Do Attitude, Genuineness, Passionate partners and Disruptive thinking. I am grateful to our Clients, Shareholders, and our AfrAsia Foundation Team for their unwavering trust and support. I am looking forward to embracing the challenges and opportunities that lie ahead for us in this upcoming new financial year. Let's tackle them together and make this year another great one.

THIERRY VALLET
Interim Chief Executive Officer

Navigating Strong Seas, Wave by Wave
Resilience in Every Step.

Markets can be as unpredictable as the sea, but with a rock-solid foundation and a distinct ability to listen, our team of experts harness local insights and global foresights, enabling us to navigate these market waves and turn meaningful opportunities into action.

Resilience

Performance

Excellence

Management Discussion and Analysis

AFRASIA BANK'S HIGHLIGHTS AT A GLANCE

TOTAL ASSETS ▲11%

MUR 231.6bn

2022: MUR 209.0bn

LOANS AND ADVANCES TO BANKS AND CUSTOMERS ▲34%

MUR 52.5bn

2022: MUR 39.2bn

INVESTMENT SECURITIES ▲53%

MUR 108.7bn

2022: MUR 71.0bn

CASH AND BALANCES WITH BANKS AND DUE FROM BANKS ▼32%

MUR 64.4bn

2022: MUR 94.3bn

DEPOSITS FROM CUSTOMERS AND BANKS ▲8%

MUR 213.6bn

2022: MUR 197.4bn

LOANS TO DEPOSITS RATIO

25%

2022: 20%

GROSS NPA RATIO

3%

2022: 4%

COST TO INCOME RATIO

20%

2022: 48%

RETURN ON AVERAGE EQUITY

42%

2022: 16%

TOTAL COMPREHENSIVE INCOME ▲308%

MUR 5.9bn

2022: MUR 1.4bn

CAPITAL ADEQUACY RATIO

19.40%

LIMIT: 13.50%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is the management's discussion and analysis ("MDA") of the financial results of AfrAsia Bank Limited (the "Bank" or "AfrAsia Bank" or "ABL")'s operations for the year ended 30 June 2023. This report contains forward-looking statements that are based on AfrAsia Bank's management's current beliefs and expectations and these are subject to potential risks and uncertainties, as well as factors that could cause actual results to differ because of those risks and uncertainties. There is no assurance that actual results will be in line with any outlook information set forth herein and the Bank does not undertake to update any forward-looking statements.

BUSINESS SEGMENTS OVERVIEW

AfrAsia Bank's journey started with a single belief: to connect people, places, and possibilities by doing things others said could not be done and doing things differently.

In creating this banking universe, bridging Africa, Asia, and the World, the Bank has adopted an entrepreneurial approach to tailor flexible financing and investment solutions for its clients. Our experienced human capital meticulously, under the onus of our strategy, approach, values, and flagship, created specialised teams to cater for the following key client segments:

GLOBAL BUSINESS BANKING

Major Business Segment's Achievements and Performance

The collaboration within the strong relationship team, combined with favourable market conditions, has led the Global Business Desk to attain praiseworthy financial and operational performance. We have leveraged on the increase in foreign currency ("FCY") deposits to drive higher interest income. Additionally, this segment's success has been propelled by the international business operations side, with a significant growth in fee income aligning with the Bank's strategic focus to reinforce its position in providing transaction banking services.

Our Strategy and Proposition

As a part of the Mauritian International Financial Centre ("IFC"), we have established ourselves as the preferred partner for international corporations seeking to conduct business or invest in Africa and beyond. Our commitment to maintaining strong ties with our partners remains unwavering, particularly with anchor clients such as traders, investors, and private equity funds, as well as prominent regional and international corporations spanning 160 countries.

Looking Ahead

In the face of sticky inflation, potential interest rate pivots, and the looming possibility of a recession, the Bank must strategise thoughtfully. The preparation for a potential recession involves multiple stress testing while ensuring adequate capital and liquidity buffers, amongst other safeguards. Embracing digitalisation, innovation, and sustainable practices will be crucial for the Bank's future success, along with diversifying revenue streams and nurturing a skilled workforce to navigate changing market dynamics.

The Target Areas for the Next Financial Year:

- Enhancing our visibility in the market while simultaneously focusing on the development and nurturing of our existing client base;
- Boosting cross-selling opportunities, with a key focus being to position the Bank as a leading regional banking player and become a one-stop shop for our clients;
- Focusing on direct client relationships through a dedicated and ambitious team; and
- Expanding our network of introducers internationally.

CONSUMER BANKING

Major Business Segment's Achievements and Performance

Consumer Banking had a commendable year in Financial Year ("FY") 23. The assets book grew by 37%, while the fees and commission revenue increased by 15%, and the liabilities book increased by 12%. The following reasons have significantly contributed to the success of the team:

- The prioritisation of the requirements of the clients, and successfully delivering high levels of customer satisfaction;
- The team's extensive knowledge in the areas of wealth management and business solutions has been an essential component in the delivering of comprehensive solutions to customers; and
- The team helped the Bank to further develop its goodwill as a reliable financial advisor, by giving helpful tools and insightful information to our clients.

Our Strategy and Proposition

The success that was seen in FY22 has carried over into FY23. Due to the discipline and dedication of the team members, the team has been able to generate considerable results for their respective clientele. To start off, in an effort to better serve our customers, this team has worked to strengthen the synergies it shares with other departments within the Bank in order to provide the highest quality of service. In addition, during FY23, a number of client-focused theme events were planned in an effort to bring the team even closer to its clients; Resounding feedback has been received as a result of these events. Furthermore, throughout FY23, the team has been providing our niche clients with consistent updates in order to enable them to make educated decisions regarding their finances.

Looking Ahead

As a result of the challenges presented by the economy in the forthcoming fiscal year, Consumer Banking will be placing a greater emphasis on its core capabilities, which include the provision of exceptional service, wealth management services, and investment advice. Moreover, the team will be supplying its customers with up-to-date and accurate information on the state of the economy, and individualised financial solutions.

The Target Areas for the Next Financial Year:

- Maintaining our leadership in terms of providing excellent service and assisting our clients with growing their wealth;
- Holding regular events in collaboration with real estate developers and agents to target high-net-worth individuals;
- Maintaining consistent communication with the high-net-worth clients located in Africa while working closely with the South African Representative Office ("SAREPO") to organise these meetings. Also, maintaining with our six-monthly visits to Madagascar, which continues to be a specialised market;
- Finding profitable companies among the Top 600 that fall within the target market for Business Banking, and concentrating on assisting these businesses; and
- Diversifying our trade finance offerings to boost our fee-based income.

Major Business Segment's Achievements and Performance

During the financial year, the Bank saw the establishment of the new department which has been a significant factor in driving the remarkable 70% increase in net income over the last 7 months.

The significant growth was in Assets Under Custody ("AUC") - USD 100m despite market conditions, Assets Under Management ("AUM") - 110% increase, and management fees - 85% increase, which can be attributed to a number of factors, including successful investment strategies and an increased client base, among others.

Our Strategy and Proposition

Create a department that will serve as the backbone for consolidating four clusters in order to improve profitability by 70%. The team is being reorganised in order to provide a more effective investment platform that would include trade facilitation, wealth management, advisory services, security services, and external asset managers.

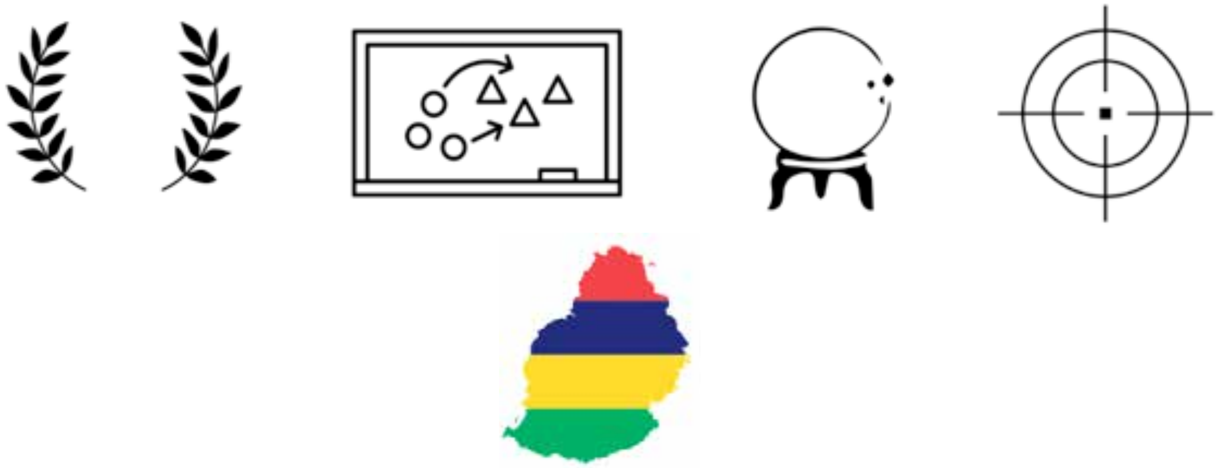
Looking Ahead

It is expected that central banks throughout the world will keep reference rates at a higher level in order to contain inflation as it continues to loom large in the economic landscape. This environment for the investment department may continue for the next 3 to 6 months, but once interest rates start to decline, it is anticipated that investments will become more appealing and compete with other options.

The Target Areas for the Next Financial Year:

- The goal is to achieve either a year-over-year growth rate of 25% or a doubling of AUC and AUM within the next 3 years; and
- Target clients from new territories, such as the Middle East, Europe, and the countries of Sub-Saharan Africa.

CORPORATE BANKING



Major Business Segment's Achievements and Performance

Domestic Corporate Banking has successfully closed the financing of some major corporate names in terms of assets during FY23. As such, the loan book has reached MUR 16.9bn as at 30 June 2023 compared to MUR 11.8bn in June 2022 (fund-based) - we have witnessed a significant increase of 43%. Additionally, in terms of non-fund based, MUR 1.6bn, mainly Garantie Financière d'Achèvement ("GFA") and bank guarantee lines, have been set up and in terms of total income, MUR 596m has been achieved in FY23.

Our Strategy and Proposition

For FY23, our main focus has been to:

- Continue to lay emphasis on our quality of service and customer experience;
- Focus on key sectors of the economy such as construction, healthcare, and real estate;
- Improve the credit quality of the asset's portfolio;
- Create more synergy between business lines; and
- Concentrate on sustainability financing.

There was a significant drive to increase assets for FY23 as both the global and local economic environment started improving post-COVID. The main drivers have been the construction, real estate, and trading sectors.

Looking Ahead

The world is definitely facing a set of risks that feel both new and familiar: inflation, interest rate hikes, and a possible recession, amongst others. On the domestic side, we will maintain to focus on diversifying our risks via sectors with continued growth, continuing to lay emphasis on our quality of service and customer experience, and consolidating our strong commercial culture.

The Target Areas for the Next Financial Year:

- Positioning ourselves as amongst the top 2 of the main bankers for some key clients;
- Maintaining the focus on key sectors such as construction, healthcare, and real estate;
- Positioning AfrAsia as one of the leading banks for sustainability financing; and
- Accompanying local clients in their expansion in regional countries and Africa.

CORPORATE BANKING

Major Business Segment's Achievements and Performance

International Corporate Book experienced an asset growth of 33% compared to FY22, with a particular focus across Africa and selected Asian markets, on the back of gradual recovery from COVID-19, continued demand for funds by the African continent to sustain its growing population in terms of food security and adequate infrastructure, gradual improvement in supply-chain disruptions and improved investor confidence in the private sector.

Our Strategy and Proposition

The focus has been on increasing our exposure in Sub-Saharan Africa and penetrating the West African market with an impactful reach. The strategy is for the Bank to make a meaningful contribution to the socioeconomic development of Africa through the deployment of funding to selected economic activities where it has developed niche expertise.

Looking Ahead

Looking ahead, with the right mix of human capital and balance sheet, our main focus will be to grow as a meaningful player in Africa and move from conventional loans to more specialised financing with an Environmental, Social, and Governance ("ESG") and impact focus. We will continue to capitalise on the expansive business connection we have cultivated with our current client base to expand our client base and foster growth. The Bank is positioned as the preferred financial partner to assist its clientele in achieving their desired financial goals.

The Target Areas for the Next Financial Year:

- Continuing to focus on the growth of the balance sheet with the right mix of risk-reward assets;
- Developing a meaningful presence in target markets as a financial partner;
- Green financing/ESG considerations;
- Funding projects and assets that will have the reach to change people's lives across Africa;
- Becoming the partner bank to accompany customers into Africa and selected markets through a segmented strategy; and
- Catering for the differentiated target markets, supported by a customised value proposition.

SOUTH AFRICAN REPRESENTATIVE OFFICE

Major Business Segment's Achievements and Performance

Corporate Banking: Increasing demand for new hard currency lending from major South African ("SA") corporate clients expanding their footprint in international markets has led to an increase in business activity in the department. Developing the East African corporate market and discussing opportunities with potential clients in that region.
Global and Private Banking: Growing fixed deposits, transactional banking, foreign exchange, and global custody are augmented by the wealth products and services we are able to offer clients through our newly acquired financial service provider licence.
Treasury & Markets and FI: Our short-term and long-term African loan book remains steady, with several opportunities arising from our new financial service provider licence.

In South Africa, this office continues to proactively promote the Bank and the Mauritian IFC to potential clients using various channels, including hosting and participating in various forums and presentations with key partners. This also necessitated the development and capturing of direct customers and introducers from East Africa and the Middle East.

Our Strategy and Proposition

Corporate Banking: A uniquely Mauritian corporate bank offering competitively priced hard currency loans to SA corporate borrowers.
Global and Private Banking: To grow our business and private client customer base by focusing on relevant forums, partnering with professionals and other referrers, hosting events, and visiting target markets. Our financial services provider licence translates into a more rounded wealth and investment solution offering to the private banking sector, wealth managers, and asset managers.
Treasury & Markets and FI: To maintain and develop relationships in the South African Financial Institution market and continue to offer Treasury-structured solutions to the broader market.

Looking Ahead

Corporate Banking: Continue to target SA corporates with international strategies and a concomitant appetite for hard currency facilities.
Global and Private Banking: Continue to target Ultra-high-net-worth individuals ("UHNWI"s) and High-net-worth individuals ("HNWI"s) with our wealth and investment solutions for wealth diversification purposes; Re-establish a physical presence in the Western Cape region; Continue to learn from, as well as adapt, our existing successful promotional strategies to enhance our outreach and flow of new business; Discovering within Sub-Saharan Africa and the Middle East new markets and obtain the necessary human capital to capitalize on those avenues.
Treasury & Markets and FI: A sustained approach to maintain and develop relationships in the South African Financial Institution market and offer Treasury-structured solutions to the broader market.

SOUTH AFRICAN REPRESENTATIVE OFFICE

The Target Areas for the Next Financial Year:

- Marketing the Bank's private banking, wealth and investment solutions to HNWIs and financial advisory business in SA
- Targeting large and premium SA & East African corporates with lending and trade finance products;
- Continuing to promote Global Banking in SA, East Africa and United Arab Emirates;
- Maintaining and enhancing existing relationships with large SA and East African financial institutions; and
- Targeting SA & East African SMEs seeking to use Mauritius as a platform to expand into other jurisdictions.

TREASURY & MARKETS

Major Business Segment's Achievements and Performance

Treasury & Markets generated a gross operating income exceeding the MUR 6bn mark, spearheaded mostly by Trading Income and Interest Income. Trading Income remained robust at MUR 1.5bn, with a resilient performance on the FX side of the business despite the still short FX domestic market. The money market/fixed income side of the business also recorded a commendable performance of above MUR 5bn due to the right positioning of our books to capture the hike in yields and interest rates both in domestic and foreign markets, on Government and foreign corporate bonds, as well as on interest rates on our interbank placements. Our syndicated lending activity generated a comfortable increase in interest income, both as a result of an increase in the volume of loans and the solid pick-up in interest rates. The balance sheet continues to remain well positioned for the potential uptick in yields, which are still expected in the medium term in the major markets.

Our Strategy and Proposition

- **Treasury**: To remain innovative and avant-gardist in treasury products and solutions.
- **Financial Institutions**: To strengthen our network of high-quality financial institution partners.

The two key clusters within the Treasury & Markets business unit are Treasury (comprising FX Sales, FX Trading, Liquidity Management/Fixed Income, and Structuring) and Financial Institutions. Our goal is to ensure that our client-facing and support functions are aligned to consistently provide our clients with best-in-class services. Treasury & Markets continues to strive to provide clients with tailored solutions (along with conventional Treasury products) by reinforcing the Bank's position as the market maker for foreign exchange, interest rates, debt, and other structured derivatives.

Its local expertise, global access, and balance sheet scale allow the bank to provide clients with a range of financial instruments to meet their risk management, investment, and trading needs. Managed by a team of experienced and skilled professionals, Treasury & Markets is committed to satisfying its clients' commercial and investment needs.

Looking Ahead

Our balance sheet remains strong and well-positioned with a commendable performance during FY23. Our focus shall continue to be on shoring up risk-taking endeavours by adopting a risk-robust approach to Treasury & Markets activities, positioning our trading and banking books, and navigating with nimbleness through the new Monetary Policy Framework, which has been implemented by the Bank of Mauritius since mid-January 2023. Our objective remains to support our stakeholders and develop a proactive strategy to capture opportunities for asset/income growth.

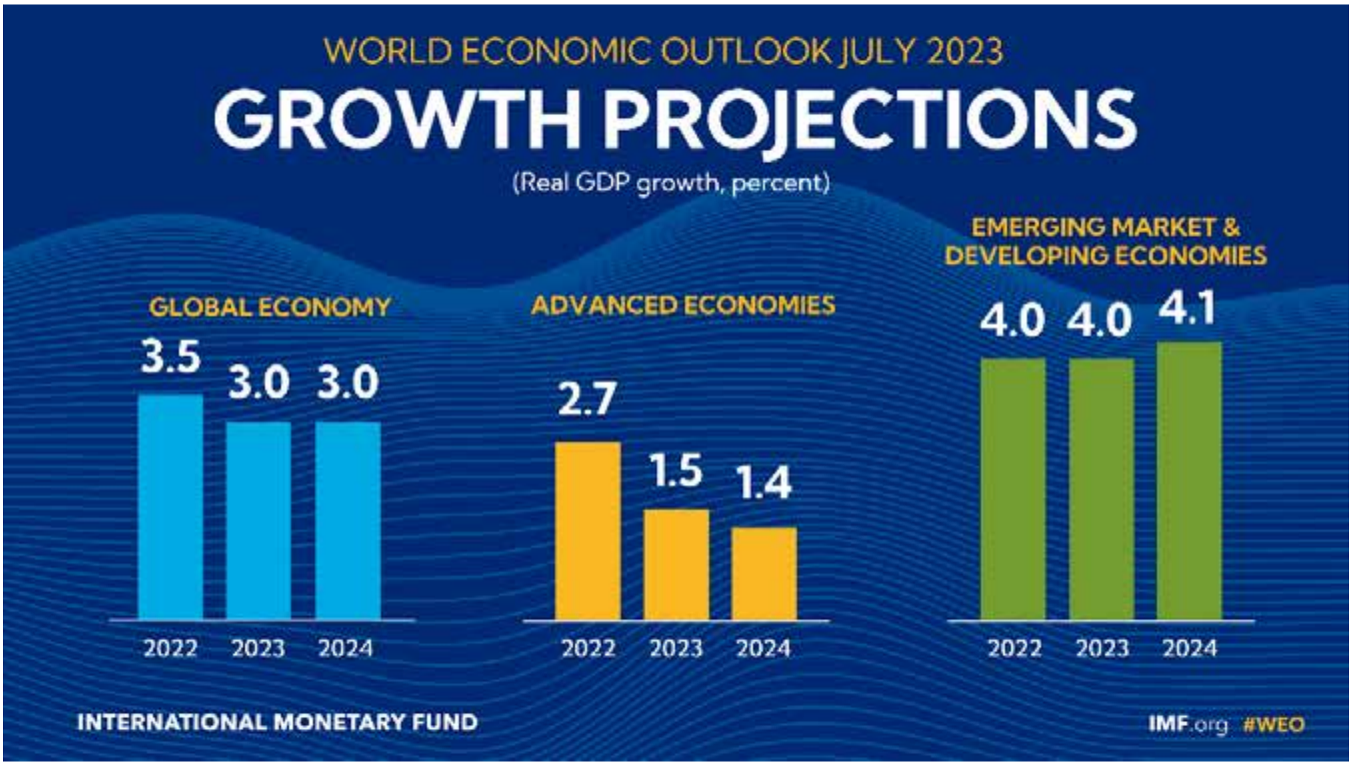
The Target Areas for the Next Financial Year:

- Positioning the liquidity books to capture the rake hikes in the major markets;
- Capturing some more opportunities in investment-grade bonds;
- Being more active in the FX markets with innovative products. Motivate traders on the FX trading desk to acquire in-depth skills to analyse markets and trends to capture opportunities in proprietary trading and FX position management and, in the same breath, provide clients with learned market information; and
- Strengthening synergies with the other business lines and providing tailor-made, structured products.

2023: Monetary policies and global growth

Halfway through 2023, the global economy is facing diverse occurrences. Expectations were for the US and Europe to slide into recession, while China was to rebound with its reopening at the beginning of the year, boosted by stimulus measures. In the face of high inflation (headline and core levels), the Federal Reserve ("Fed"), the European Central Bank ("ECB"), as well as other major central banks, have raised rates at their fastest pace in more than 30 years. Still, the US economy has shown resilience, notably due to a tight labour market and strong consumer spending. On the other hand, the euro area had two consecutive negative quarters of growth from Q4-2022, with weak industrial production and a contraction in investment. Despite a willingness from the Chinese government to ramp up fiscal and monetary policies, economic data has been disappointing there. Manufacturing activity and export growth have significantly weakened amid a slowdown in global demand, while domestic consumption has remained feeble.

As per the IMF, global growth is expected to be 3.0% for 2023 and 2024, lower than the historical average of 3.8%.

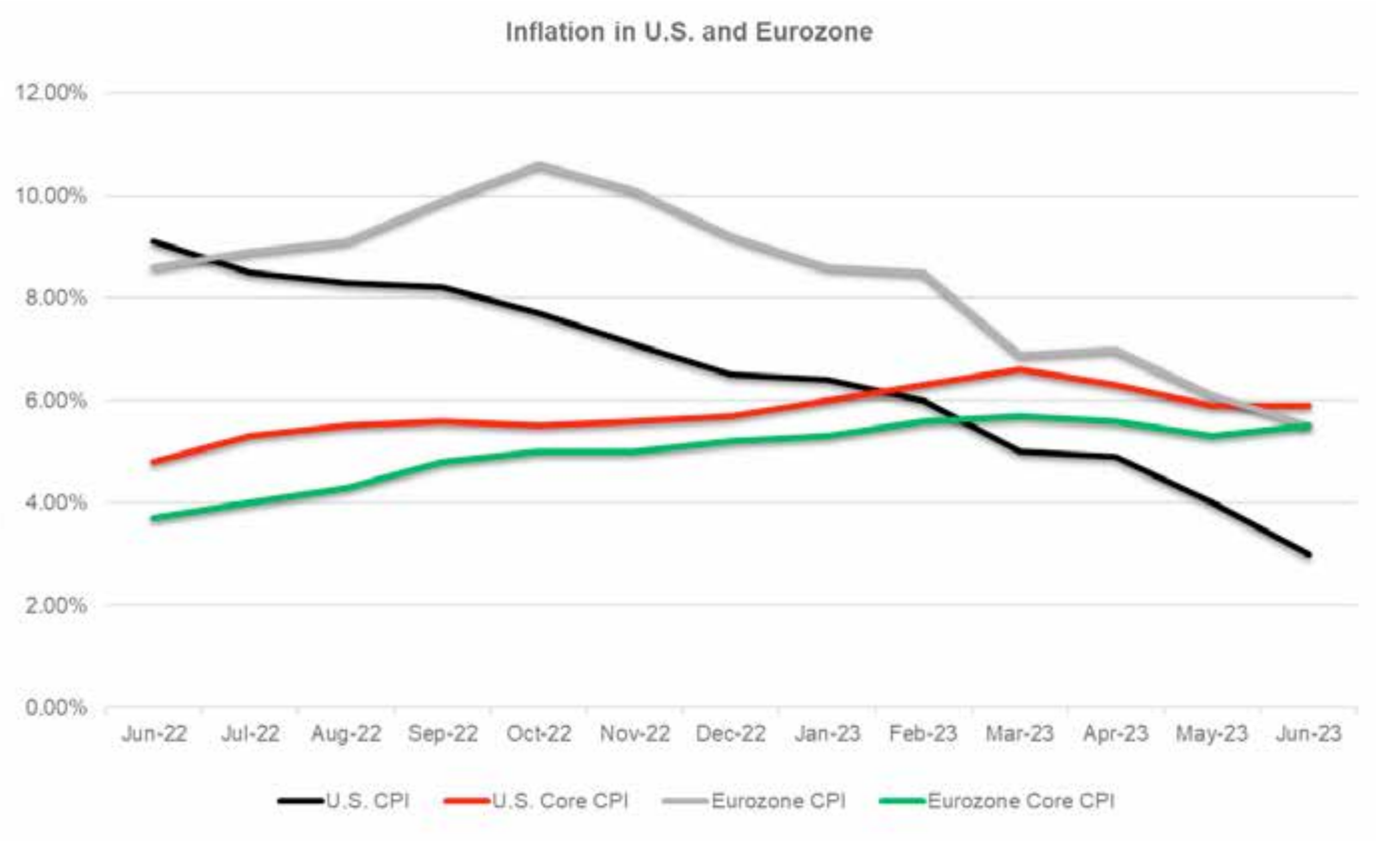


Headline inflation rates are falling in the developed economies, on the back of lower energy prices and normalizing supply chains. However, at a core level, excluding food and energy prices, inflation appears persistent and will unlikely fall to central banks' 2.0% targets in 2023, with ongoing strength witnessed in wage growth.

Economic Outlook

AT GLOBAL SCALE

2023: Monetary policies and global growth (Cont'd)



While the hiking cycles from central banks are close to the end, the peak rates are likely to be kept there over the year and market participants are only expecting cuts in central banks' rates in 2024.

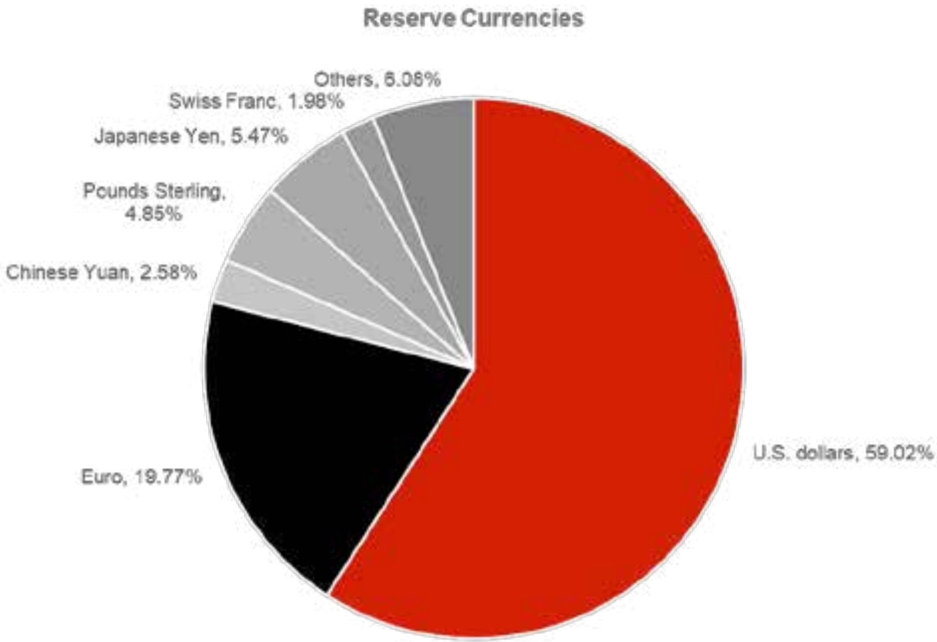
The high-interest rate environment also brings along its set of risks. In March 2023, distresses were brought on regional and mid-size US banks such as First Republic Bank, Silicon Valley Bank and Signature Bank. The contagion effect even shifted to Europe, with depositors pulling funds from Credit Suisse amid scandals and compliance failures, before being taken over by UBS. Banks in general had to improve on capitalization with the help of authorities to ensure stability in the financial system.

Externally, geopolitical risks are also still at play, with the tense US-China relations resulting in trade restrictions. The BRICS (Brazil, Russia, India, China and South Africa) countries are attempting to challenge the US dollar's dominance as the world reserve currency. The group has 42% of the world's population but delivers just 23% of total global output and only 18% of trade. On the other hand, the dollar and euro are used for 42% and 32% of currency transactions respectively. For now, any significant change will take a long time with the International Monetary Fund (IMF) estimating that 59% of global central bank reserves are in dollars, with euros at 20%, and the Chinese yuan at only 3%.

Economic Outlook

AT GLOBAL SCALE

2023: Monetary policies and global growth (Cont'd)



AI and Financial Markets

In the US, despite the headwinds of forward-looking recession indicators such as the deeply inverted yield curve and weak manufacturing activity data, markets have been on the rise in 2023. Part of the rally has been driven by the excitement around Artificial Intelligence (AI) and ChatGPT and the performance of the S&P 500 and the Nasdaq have been mostly supported by the megacap stocks.

Meanwhile, a broader part of the markets underperformed with a higher concentration to the top 8 stocks in the S&P 500. Investors have become complacent to the risk of the current business cycle with a deceleration expected over the second part of 2023. Greater volatility will be expected as a deceleration in personal consumption will weigh on the overall economy.

Economic Outlook

AT GLOBAL SCALE

AI and Financial Markets (Cont’d)

European equities also rose in 2023 though slowed down on gains with the reopening of China trade fell to a halt. Given that Europe’s exposure to the technological sector is much lower, the AI-led rally was not reflected in the indices.

With markets pricing out rate cuts this year, the bond markets and treasuries have offered high front-end yields, which have been a change from 2022.

After the drop in Oil prices in 2022, the latter has failed to take off this year despite a surprise OPEC+ cut. Headwinds continue to build up on demand, with a sharp deterioration in the growth momentum in China and the consensus calling for weaker activity in the world.

Outlook

Global growth moderation is likely ahead with the services sector activity fading amid the drags from restrictive monetary policy and tighter lending standards. While headline and core inflation are likely to cool, due to base-effects, central banks will want to maintain interest rates higher for longer as long as the target is not within the 2% range.

With cracks showing up in the labour markets as well as lending standards tightening further, corporate earnings may soon be impacted. This would likely result in some downside to the stock market with a rise in the risk of recessions. The US dollar has trended lower with investors speculating that the Fed is nearing the end of rate hikes. The currency could weaken further if markets become confident that a recession can be avoided, while other central banks keep their hawkish stance on higher inflation readings. Emerging market currencies may also benefit from more attractive valuations.

Excitement about AI and machine learning has driven a powerful equity rally in US markets. Still, the application will take time and is unlikely to spark a productivity upswing for this business cycle.

References:

- Currency reserves: https://data.imf.org/regular.aspx?key=41175 / https://data.imf.org/?sk=e6a5f467-c14b-4aa8-9f6d-5a09ec4e62a4
- IMF report (July 2023): https://www.imf.org/en/Publications/WEO/Issues/2023/07/10/world-economic-outlook-update-july-2023
- Inflation in US and Eurozone: https://www.investing.com/economic-calendar/cpi-68
- Financial market: Source from Bloomberg

Economic Outlook

AT LOCAL SCALE

The Mauritian economy continued to recover in FY23 with an estimated GDP growth of 5%. Despite the high inflation environment, the economy remained resilient with stronger-than-expected consumer spending, much higher tourist arrivals and our financial services sectors which produced strong financial results benefitting from the appreciation of the USD and higher interest rates.

Leading the recovery was the hospitality segment. Tourist arrivals reached 1.2m, closing the gap compared to pre-pandemic levels to only 18%. The average length of stay rose from 10.4 nights in FY19 to 11.5 nights in FY23 while total earnings increased from MUR 5.1bn FY19 to MUR 6.8bn FY23 on the back of the weak MUR and what we call revenge spending from our visitors. Traditional markets such as France, the United Kingdom, and Germany continue to dominate the Mauritian tourism sector and accounted for the majority of overall arrivals. The sector is expected to experience further growth benefitting from the strong EURO and the increasing number of available flights from our main markets.

Following the normalisation of global supply chains, falling global commodity prices, and the effects of policy tightening, inflation in Mauritius has been declining recently but remains at a high level. Headline inflation fell to 10.5% in June 2023 from its peak of 11.3% owing to a drop in the “Food, non-alcoholic beverages” (-0.3%), “Transportation” (-3%), and the “Housing, water, electricity, gas, and other fuel” segments. Going forward we expect inflation to maintain its downward trend and reach 6% to 7% by the end of the financial year.

The labour market remained strong with the unemployment rate falling to 6.8%. However, a shortage of skilled labour and qualified professionals is being felt across the different sectors of the economy. One of the reasons is a significant increase in young Mauritians going overseas especially to Canada and Luxembourg due to higher remuneration but also to the fact that they do not see a bright future for themselves in Mauritius. This lack of efficiency in our labour market is having a negative impact on the growth potential of the country.

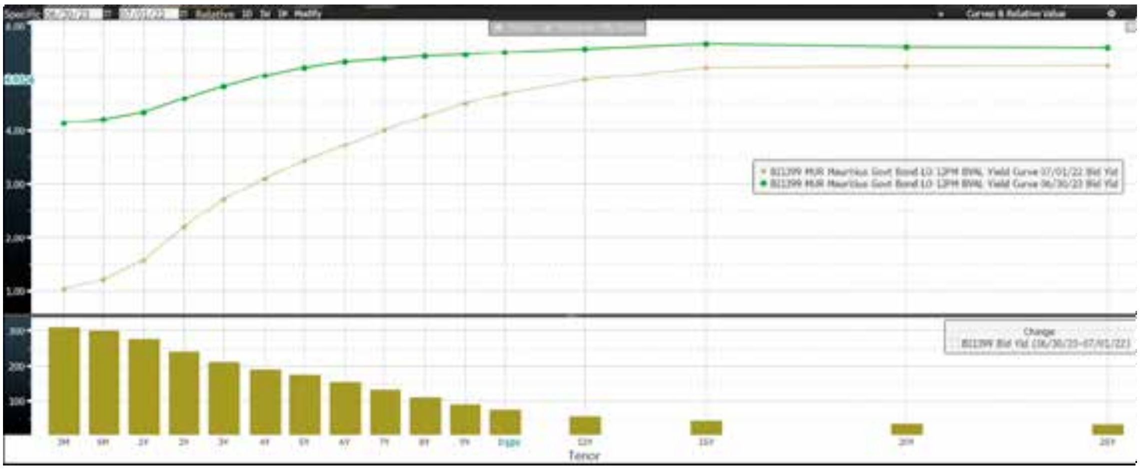
MPC and Mauritian Yield Curve

Due to the high inflation environment and in line with central banks across the world, the Bank of Mauritius pursued its rate-hiking strategy increasing its benchmark rate by 2.25%. The Repo Rate was replaced by the Key Rate which reached 4.50% in December and has not moved since, despite the interest rate differential between the US and Mauritius. In line with the new Key Rate, the Bank introduced a new Monetary Policy Framework in January 2023 where all banks (not only Primary Dealers) could bid for a 7-day paper on a full allotment basis at the Key Rate. On average, this absorbed MUR 70bn every week and set the level for the start of the yield curve to around 4.50% versus 1.00% in July 2022. However, with long term investors keeping long term inflation as their target, and with a relatively limited supply of the 10/15/20yr papers, the longer end of the curve therefore rose much less than the short end, causing a bear flattening move of the yield curve over FY23. The Bank of Mauritius recently further amended the policy framework by ending the full allotment basis and the result was a drastic fall in yields across the board of at least 1%.

Economic Outlook

AT LOCAL SCALE

MPC and Mauritian Yield Curve (Cont'd)



FX

The MUR lost only 0.4% versus our main importing currency the USD but was down 4% vs the EURO and GBP during the FY23. At its current level, the USD will continue to impact consumer spending. However, the strong EURO is adding more revenue to the top line of our major exporters. Going forward there are a few uncertainties as to what may happen. Due to the interest rate differential, the USD remains more attractive than the MUR and the result is an over-demand for the greenback putting further pressure on our local currency. We therefore need to increase the attractiveness of our MUR and at the moment there seems to be no other choice than to increase interest rates. This interest rate differential is causing other issues such as the supply of forex with a lot of speculation by those holding the FX and unwilling to convert these into MUR.

Budget

The government delivered, as expected, a budget very much focused on the social side. Consumer Spending was given a boost with the introduction of the progressive income tax, the abolition of solidarity tax, higher pension benefits as well as other measures such as the reduction in the price of Mogas.

The government expects the budget 2023/24 to contribute to the economy with an expected GDP growth of 8% and the creation of 40,000 extra jobs. Total expenditure will amount to MUR 200bn whilst total revenue will be MUR 179bn which results in a budget deficit of 2.9% of GDP.

Public sector debt is expected to go down from 86.1% in June 2022 to 79% by June 2023 and 71.5% by the end of June 2024.

<u>**Sources:**</u>

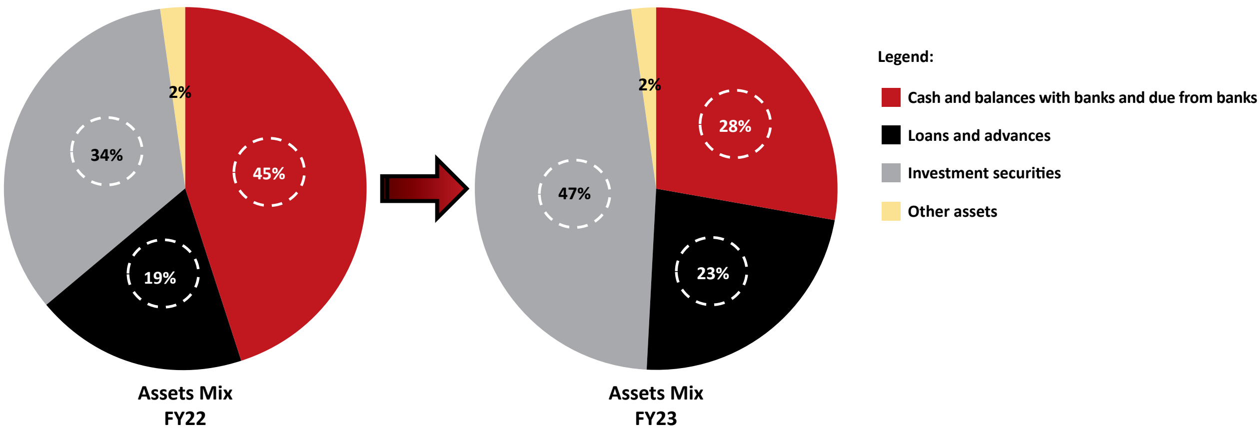
- Statistics Mauritius
- Bank of Mauritius
- Bloomberg
- Minutes from the 67th Monetary Policy Committee Meeting held on 15 June 2023

This financial year under review was marked by reminiscing headwinds, including geopolitical tensions, lingering effects of the COVID-19 pandemic, high volatility in global markets, rising commodity prices, and global inflation. Central banks around the world were forced to adopt aggressive monetary policy tightening, with rapid interest rate increases aimed at taming inflation. However, a glimpse of light has started to shine, with inflation showing signs of being under control, though central banks have also warned that they would not hesitate to keep a tight monetary policy should inflationary pressures persist, even at the cost of affecting economic growth. Despite all the geopolitical and economic challenges, AfrAsia has managed to generate record figures in this year's performance, mainly on the back of a high-interest rate environment. However, how this exceptional performance reacts once changes in the interest rate environment happen will be the true test of sustainability.

BALANCE SHEET REMAINS STRONG

The deposit base grew by 8% from MUR 197.4bn in FY22 to MUR 213.6bn in FY23. This growth was mainly achieved on fixed-term deposits, with both new inflows and shifts from current accounts, but also largely benefitting from retranslation effects with a book predominantly denominated in foreign currencies on the back of their appreciation against the Mauritian Rupee. Deposits remain the main source of funding for the Bank.

On the assets side, the total assets grew to MUR 231.6bn or by 11% with the following key movements:



- Investment securities increased by MUR 37.7bn, that is, 53%, essentially at the level of debt instruments measured at amortised cost and mostly in sovereign assets, both local and international, so as to optimise capital consumption in terms of risk-weighted assets.

- Loans and advances to banks and customers increased by 34%, or MUR 13.2bn, predominantly to financial and business services, Government and parastatal bodies in line with the Bank's risk appetite. Loans to the manufacturing sector were also on the rise during the FY.

  This prudent lending approach resulted in a drop in the allowance for impairment losses. The credit concentration of risk in the loan book remained dominated by Financial and Business Services (40%) and followed by Traders (16%).

  The maturity ladder vis-à-vis the loan book sets around 64% in the greater than 1-year bracket.

- Cash and balances with banks and due from banks represented 28% of the total assets, consisting mainly of placements with banks and nostro accounts.

- Total equity showed a solid expansion of 52% to reach MUR 15.4bn on the back of the rise in retained earnings of MUR 4.2bn and after accounting for dividend payments to the tune of MUR 482.4m to Ordinary Shareholders and MUR 144.0m to Class A Shareholders both Series 1 and Series 2 and an increase in other reserves of MUR 1.1bn post appropriation of reserves and additional provisioning.

- As at 30 June 2023, the risk-weighted assets grew by 21% to stand at MUR 78.7bn while regulatory capital grew by 49% with the capital adequacy ratio standing at 19.40%, well above the regulatory limit, which bears testimony that the Bank remains soundly capitalised.

A BANNER YEAR FOR THE INCOME STATEMENT

The Bank recorded a milestone Net Profit After Tax of MUR 5.9bn in the FY, surpassing the prior year's figure more than 4 times; the same resulted in an exceptional Return on Average Equity of 42% for this financial year. Below are some explanations about the income statement:

- Net interest income rose by MUR 4.2bn, representing a 283% increase. The Bank maintained an asset book mostly in short-term and variable instruments to benefit from the effects of rising interest rates. Indeed, the increase in Net Interest Income was primarily driven by yield surges, followed by subdued asset growth and tactical fine-tunings so as to position the balance sheet to maximise on interest rate hikes.

- Interest expense increased by 205% to MUR 1.6bn. Though overall deposit costs relative to market interest rates rose progressively during the year, the fact that the Bank maintains a high portion of non-remunerated current accounts on its balance sheet resulted in the net interest margin being on the high side in all four quarters.

- Net fee and commission income increased by 20%, driven mainly by higher international transactional volumes in USD.

- Net trading income increased by MUR 323.0m driven by efficient FX exposure management, and also some solid gains on the foreign exchange side.

- On the provisioning side, a net impairment release of MUR 243.6m was realised, resulting from improvements in exposures in the hospitality sector and refinements brought into the Expected Credit Losses ("ECL") model during the year. In addition, the total impairment credit has been further benefited by bad debts recovered.

- Operating expenses witnessed a marginal 2% increase year-on-year. However, the cost to income ratio improved on the back of the higher total operating income and stood at 20%, lower than the prior year's 48%. The main components of operating expenses with a focussed increase for the year under review are personnel expenses and IT-related expenses, as the Bank continues to improve its technological platform to enhance customer experience.

- Taxation - Following the enactment of the Finance Act 2023, a graduated tax rate was applied and a change in the methodology to calculate deferred tax from the actual rate to the effective rate which resulted in a decrease in the Bank's effective tax rate compared to last year.

OUTLOOK

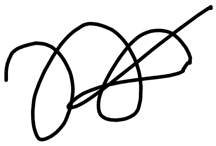
Economies around the world are still thriving on mostly healthy footings, with maintained consumer spending and businesses being generally in good shape with strong balance sheets. However, the clouds that were hovering over the past year remain on the horizon, and the turmoil that the banking industry has witnessed with some institutions collapsing, remain important risk factors. The global banking situation is, however, different from 2008, but lenders are likely to become more conservative and it is unknown if this will generate a slowdown in consumer spending.

There is also a need to be watchful of the stickiness of inflation that may command higher interest rates and geopolitical tensions, mainly with the unpredictable war in Ukraine.

AfrAsia's balance sheet is largely denominated in foreign currencies with a strong weightage in the US dollar, and this exposes the Bank to the protracted challenges to the reserve currency status of the USD. The signals of "de-dollarisation" are emerging, led by the BRICS nations threatening the greenback's long-time supremacy. The US has been considered, for decades, as an economic bunker. However, this stronghold status has been recently shaken by Fitch Rating downgrade of the Federal Government's credit rating and Moody's downgrade of multiple US banks, while at the same time adding some bigger names to the watch list, moves that were also followed by S&P Global Ratings.

CONCLUDING REMARKS

I am proud of the breadth and consistency of AfrAsia’s success in delivering value to its clients, shareholders, and all stakeholders. As we seek to manage uncertainty amidst economic challenges and volatility in financial markets and exchange rates, it is the responsibility of each and every AfrAsian to come together and identify solutions that will improve the value chain creation process in which everyone has a contribution to make. The Bank's exceptional increase in profitability has been largely fueled by rising interest rates, and it is very important that we do not become complacent. It is more specifically key that we keep a watchful eye on both operational and sticky staff costs, while continuing to invest in technology to increase productivity and enhance customer experience; these being some of the key ingredients for sustained exceptional results.



JENNIFER JEAN-LOUIS

Chief Financial Officer

PERFORMANCE HIGHLIGHTS

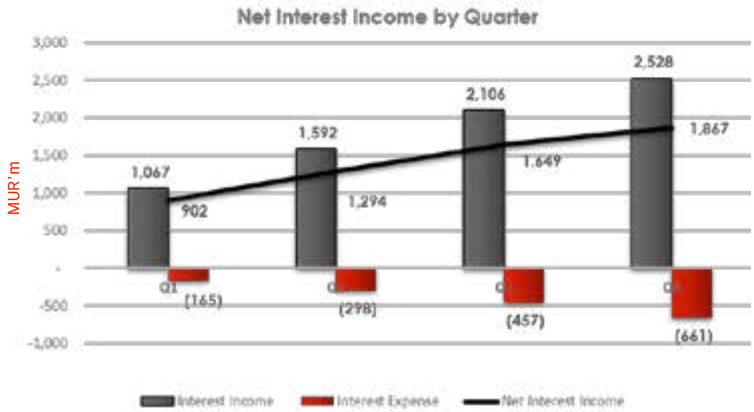
	THE GROUP			THE BANK		
	30 JUNE 2021	30 JUNE 2022	30 JUNE 2023	30 JUNE 2021	30 JUNE 2022	30 JUNE 2023
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (MUR'm)						
Net interest income, calculated using the EIR method	1,071	1,494	**5,712**	1,072	1,492	**5,712**
Non-interest income	1,512	1,869	**2,333**	1,510	1,868	**2,333**
Total operating income	2,583	3,363	**8,045**	2,582	3,360	**8,045**
Total operating expenses	1,087	1,603	**1,639**	1,093	1,602	**1,639**
Total comprehensive income for the year	929	1,436	**5,883**	916	1,443	**5,883**
STATEMENT OF FINANCIAL POSITION (MUR'm)						
Total assets	190,083	209,000	**231,588**	190,083	209,000	**231,588**
Loans and advances to banks and customers	25,389	39,247	**52,457**	25,389	39,247	**52,457**
Investment securities	45,410	70,965	**108,686**	45,410	70,965	**108,686**
Deposits from banks and customers	179,197	197,442	**213,588**	179,211	197,445	**213,591**
Total equity	9,057	10,192	**15,449**	9,047	10,190	**15,447**
PERFORMANCE RATIOS (%)						
Return on average equity	12	16	**42**	11	16	**42**
Return on average assets	0.5	0.7	**2.7**	0.5	0.7	**2.7**
Loans to deposits ratio	14	20	**25**	14	20	**25**
Cost to income ratio	42	48	**20**	42	48	**20**
CAPITAL MANAGEMENT (%)						
Capital adequacy ratio	16.18	15.76	**19.40**	16.18	15.76	**19.40**

CURRENT YEAR PERFORMANCE AGAINST OBJECTIVES AND FUTURE GROWTH

	KEY PERFORMANCE INDICATORS	OUTCOME	TARGET FOR THE NEXT FINANCIAL YEAR
Total Operating Income	With the recovery of the economies all over the world, along with increasing interest rates on the market, the Bank's total operating income for FY23 is expected to be MUR 5.1bn.	The Bank achieved a total operating income of MUR 8.0bn, i.e., 22% above budget.	With a forecasted continued high-interest rate environment, the Bank's total operating income is expected to grow by 17% to reach MUR 9.4bn.
Total Operating Expenses	In line with further investments in human capital and IT infrastructure, the Bank is expected to close its FY23 accounts with a total operating expense of MUR 2.3bn.	The Bank's total operating expenses were MUR 1.6bn, 26% below budget.	In view of continuous investment in the Bank's IT infrastructure and in line with the Bank's philosophy of attracting and retaining talents, the Bank's total operating expenses are expected to grow by 20% to reach MUR 2.4bn.
Loans and Advances	A higher loans to deposits ratio of 22% is expected for the next financial year.	Net loans and advances to banks and customers grew by 34% year-on-year to reach MUR 52.5bn with a loans to deposits ratio of 25%.	The Bank's loan book is expected to remain at par with a net loan to deposit ratio of 24%.
Deposits	Customer deposits are expected to grow by 8%.	The growth in deposits was at par with the budget.	Customer deposits are expected to reach MUR 220.7bn with a 3% growth.
Asset Quality	Non-Performing Assets ("NPA") ratio as a percentage of gross loans is expected to be at 4% at the end of FY23.	The Bank's NPA ratio stood at 3% for FY23, i.e. 1% below budget.	NPA ratio as a percentage of gross loans is expected to remain at 3%, the same as at the end of FY23.
Capital Management	The capital adequacy ratio is expected to be at least 16%.	The capital adequacy ratio stood at 19.40%, which was above the target set and above the regulatory limit.	The capital adequacy ratio is expected to be above 17.50%.
Return on Average Equity	Return on average equity to be more than 15%.	Return on average equity stood at 42% for FY23.	Return on average equity is expected to be above 30%.
Cost to Income	The cost to income ratio is not to exceed 45%.	The cost to income ratio stood at 20%, i.e., 25% below target.	The cost to income ratio is expected to be less than 30%.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW

NET INTEREST INCOME



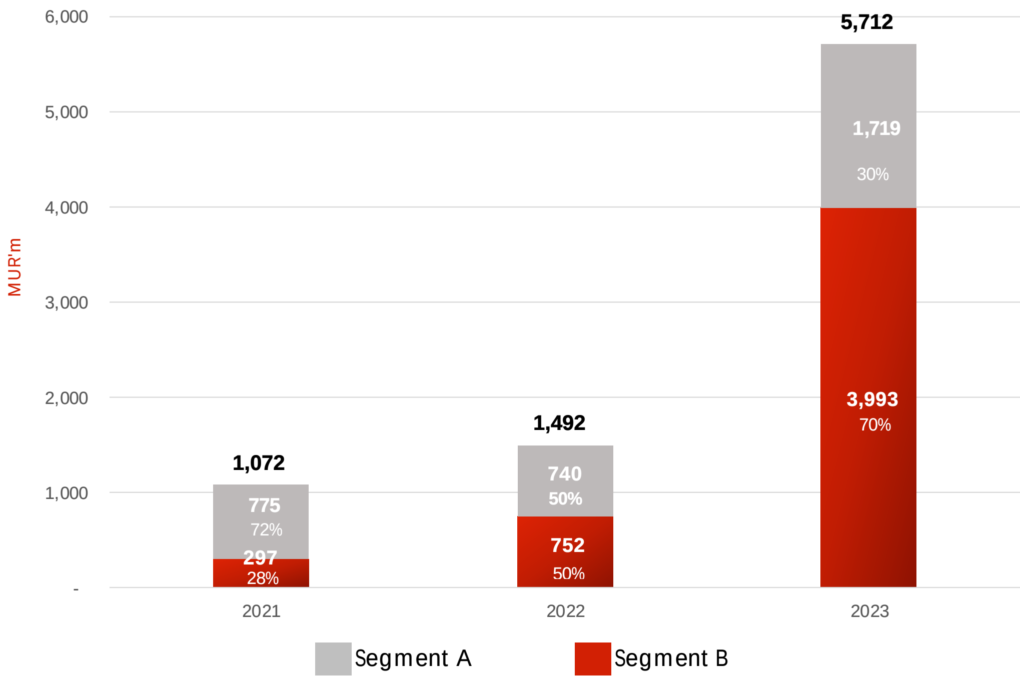
ABL ended FY23 with a net interest income ("NII") of MUR 5.7bn, representing a record growth of 283% as compared to FY22, mainly driven by the increase in rates which started in the last quarter of FY22 coupled with prevailing high and sticky inflationary pressures.

While the year 2021 initiated the tone for global economic rebound post-pandemic, the unpredictable war in Ukraine amidst the pandemic-led supply chain disruptions and China's subdued growth momentum exacerbated by its stringent lockdown weighed down the economic growth in 2022, all joined forces in triggering rising commodity and fuel prices worldwide. A shift from a dovish to a hawkish policy stance was aggressively adopted by major central banks across the world since last year so as to restore price stability as high inflation persisted.

The Fed raised its benchmark rate multiple times since March 2022 from 0.50% to stand at 5.25% as at May 2023. On the local front, the Key Rate (previously known as "Key Repo Rate") also mirrored those effects and rose from 2.00% to 4.50% during the same period. As a result, a notable decline in global inflation could be observed this year as economic recovery continues and supply chain bottlenecks are starting to clear up, albeit core inflation continues to remain relatively high and above the central bank's target rate.

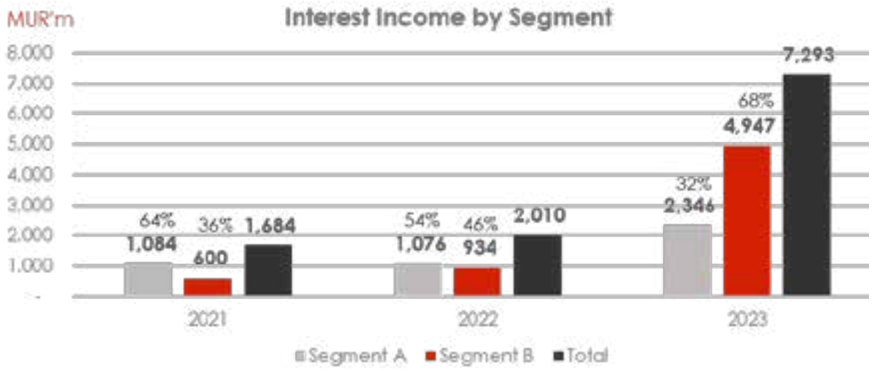
Consequently, this exceptional performance of NII of the Bank in FY23 boiled down from the substantial multiple interest rate hikes from a yield outlook with a balance sheet equipped with volatile interest-bearing assets, plus the expansion of those bearing assets notably our loan book and investment securities portfolio, reflecting volume growth.

From a segmental standpoint, we note a switch from a balanced distribution between segments in FY22 to a Segment B dominance in FY23, with a 70% contribution as compared to 50% in the prior year and only 30% from Segment A (FY22: 50%).

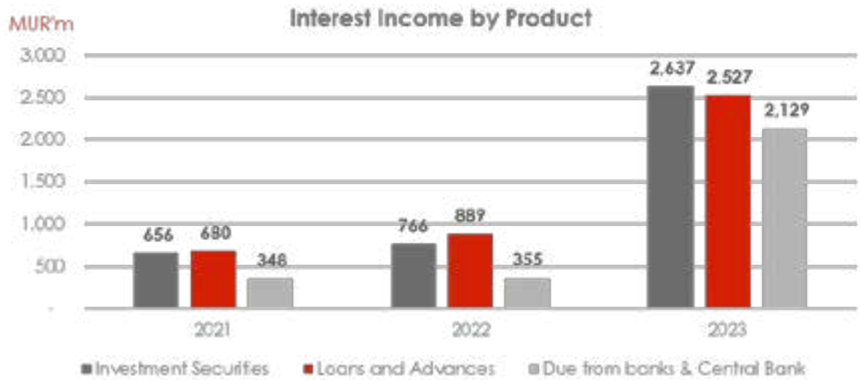


INTEREST INCOME

The interest income of the Bank rose from MUR 2.0bn to MUR 7.3bn, predominantly driven by the sharply rising yield environment combined with the growth of our loan portfolio and investment securities. Our loan book, mainly floating in nature, benefits from the continuously increasing reference rates and higher volume. A significant uptick was noted on the return on assets ("ROA") side, particularly for USD-denominated products.



Against a backdrop of historically high inflationary pressures globally, central banks have adopted aggressive quantitative tightening in an effort to tame inflation. As a result, a noteworthy increase in terms of reference rates (LIBOR, SOFR, RFR, EURIBOR, etc.) was reported over FY23, pulling up the yield and its relative interest income across all interest-bearing products.



It is notable that even though headline inflation seems to be slowing, core inflation is likely to remain sticky at above the target rate of policymakers. Henceforth, continued rate hikes could be anticipated till the end of 2023, depending on the evolution of the economic context and geopolitical tension, whereby further shocks could impede disinflation and growth.

In terms of the segmental split, an increase in Segment B's interest contribution is noted, from 46% to 68% year-on-year, fueled by higher investment in foreign securities at higher yield as compared to the former year and higher return on our foreign nostro accounts.

INTEREST EXPENSE

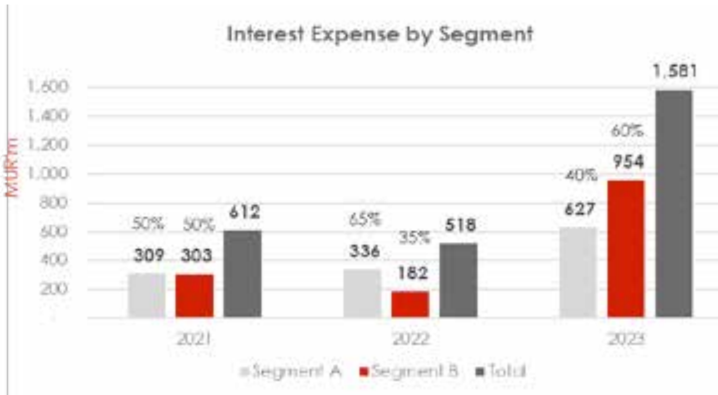
The interest expense, part and parcel of the current rising interest rate environment, was also hugely impacted with interest expense rising by 205% to stand at MUR 1.6bn in FY23, from MUR 0.5bn for the prior year.

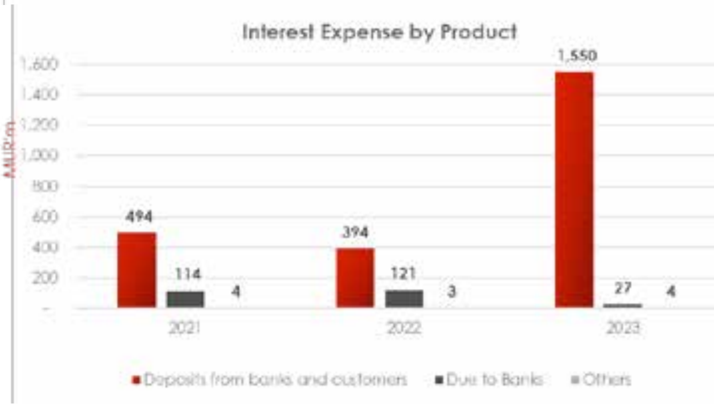
The main driving forces being two-dimensional;

From the volume side, interest-bearing deposits showed substantial growth as compared to FY22.

From a yield perspective, the cost of funds ("COF") shot up triggered by perpetually higher deposit grids and savings rate as a result of the continuous pick-up in reference rates both locally and internationally impacting the whole basket of currencies.

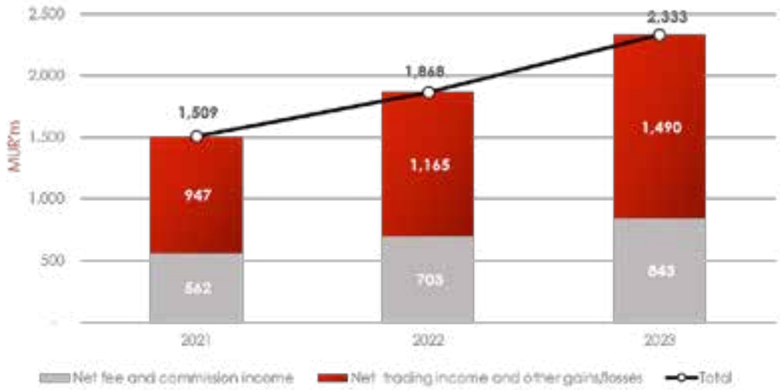
From a segmental perspective, a shift is observed whereby 60% of interest expense is derived from Segment B as opposed to 65% from Segment A last year. This is mainly driven by the appreciation of other currencies vis-à-vis the Mauritian Rupee increasing the appeal of our deposits in foreign currencies and by default alluring more of this type of clientele.





NON-INTEREST INCOME

Non-interest income posted an overall year-on-year increase of 25% to stand at MUR 2.3bn. However, its contribution to the operating income of the bank showed a drop from 56% in FY22 to 29% in FY23 owing to the standout performance of NII for the year under review.

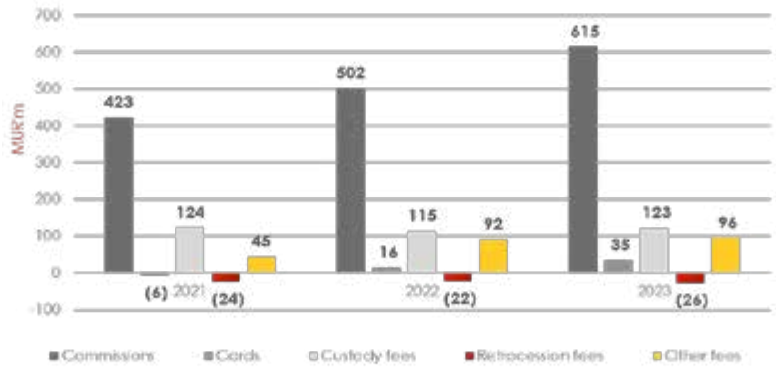


The key components of non-interest income in FY23 are listed as follows:

- o Net fee and commission income of MUR 0.8bn (2022: MUR 0.7bn); and
- o Net trading income of MUR 1.5bn (2022: MUR 1.2bn).

NET FEE AND COMMISSION INCOME

From a performance perspective, net fee and commission went up by 20% as compared to the prior year and amounted to MUR 0.8bn for the reporting year.



The net commission income registered a hike of 22%, at the back of higher volume transactions, predominantly on commission generated on overseas transfers principally in USD.

Net income derived from the cards portfolio more than doubled this financial year, bolstered by the launch of its new Debit Cards product and rising cross-currency and overall spending.

Net custody fees were up by 8% to MUR 123.5m on account of higher safekeeping fees and lower custody expenses with respect to last year driven by the market conditions.

Retrocession fees went up by 20%, from MUR 21.8m to MUR 26.3m following the application of retrocession fees on new products.

NET TRADING INCOME

For the financial year ended 30 June 2023, income from dealings in foreign currencies amounted to MUR 1.5bn; 28% higher compared to the prior year despite highly volatile market conditions and a weaker Mauritian rupee. At 19% of the Bank's total operating income in FY23, net trading income benefited from effective management of the foreign exposure and a general pickup in Forex business volumes.

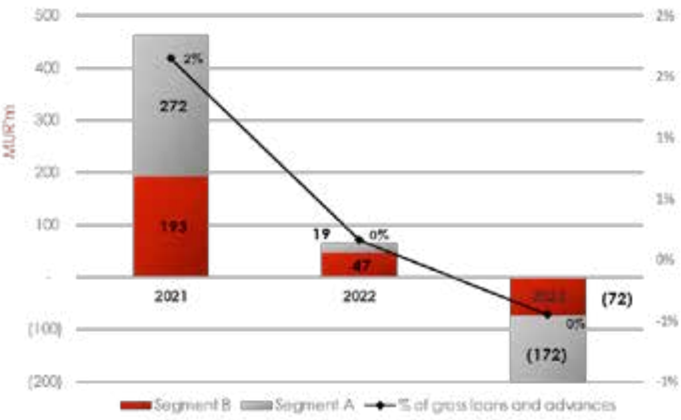
This upturn depicts the continuous recovery of demand and supply on the FX market on the local front, boosted by the revival of the tourism industry with its spillover effects on the domestic economy and underpinned by the FX interventions by the Bank of Mauritius.

To note that the Bank of Mauritius interventions in the domestic FX market between January 2023 and June 2023 were USD 50.0m, compared to USD 489.0m for the same period last year. The central bank's interventions, in addition to signaling the USDMUR level, have also helped to contain excessive volatility in the exchange rate in 2022/23.

NET IMPAIRMENT LOSS/CREDIT ON FINANCIAL ASSETS

On the impairment side, we note a net impairment credit of MUR 243.6m as compared to a net impairment loss of MUR 65.8m for FY22. This was mainly driven by improvements in exposures in the hospitality sector and refinements brought into the ECL model during the year which resulted in an impairment release (Note 3B).

The total impairment credit has been further benefited by bad debts recovered amounting to MUR 98.7m (2022: 33.8m).



TOTAL OPERATING EXPENSES

The Bank's total operating expenses remained more or less at par, amounting to MUR 1.6bn for the year ending 30 June 2023.

The component witnessing a notable year-on-year variance is the Bank's personnel expenses with a growth of 20%. The Bank's human capital has always been its most pivotal asset with a commitment to helping its people to thrive by preparing them for the future and availing career growth opportunities. It remains a key priority to have an agile and engaged workforce to enable the Bank to be nimble and react quickly to opportunities. Personnel expenses made up 59% of its total operating expenses as opposed to 50% in the previous financial year. The headcount as at 30 June 2023 stood at 446 vis-à-vis 423 the prior year.

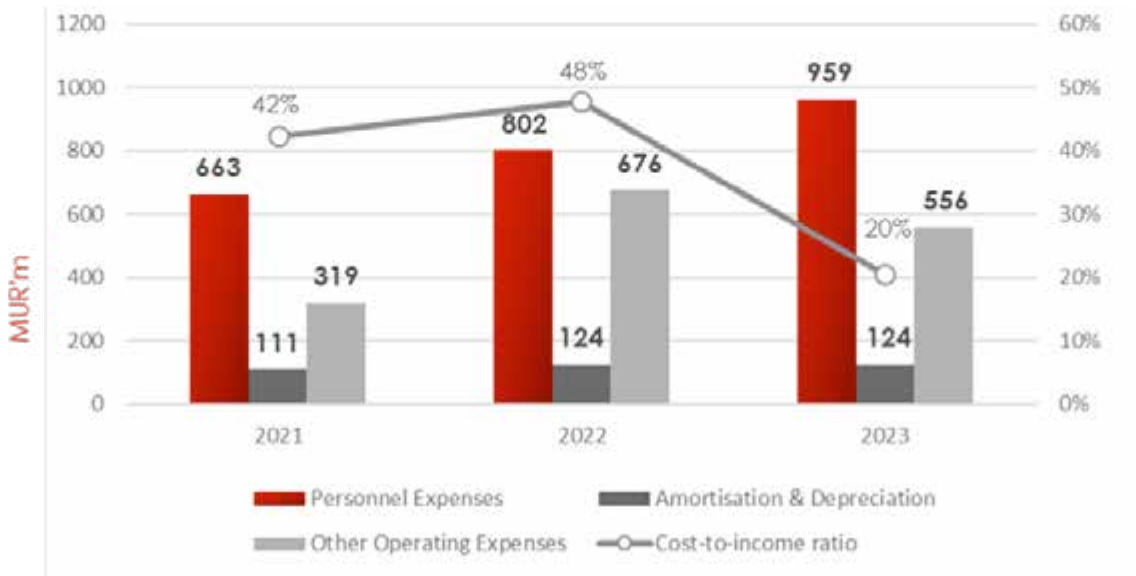
As for other operating expenses, which amounted to MUR 555.1m for the year being reported, a drop of MUR 121.1m was observed as regards to FY22. The highlights for the year under review were:

- Lower professional fees of MUR 249.2m were noted mainly at the back of exceptional provision booked in the previous FY.
- IT running costs, comprising of 47% of other operating expenses, grew by 24%, reaching MUR 261.1m. This growth was in line with the Bank's continuous investments in digital technology to improve and modernise its IT infrastructure and platforms for better customer service and enhanced safety and soundness.
- Advertising and marketing costs, 13% of the other operating costs, saw an increase of MUR 50.2m mostly due to the AfrAsia Bank Mauritius Open event held in December 2022.

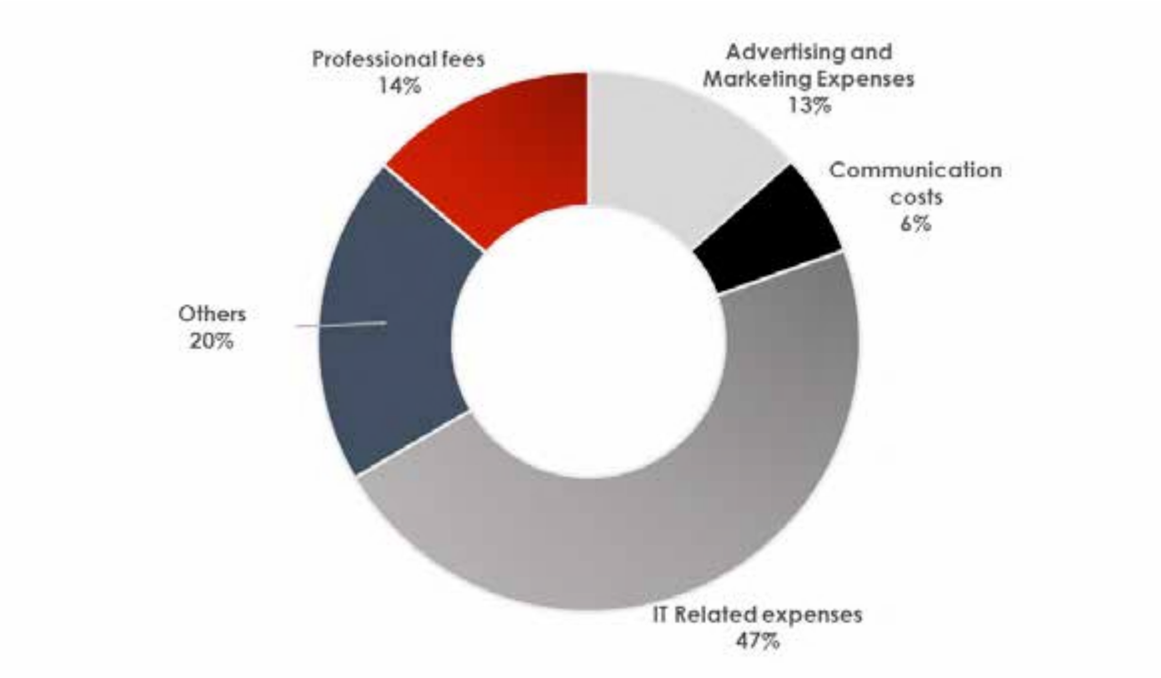
Notwithstanding the at par performance from a total operating expenses perspective, the cost to income ratio of the bank stood at 20%, lower by 28% when compared to last year, driven by the exceptional growth of the Bank's total operating income.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME REVIEW (CONT'D)

TOTAL OPERATING EXPENSES (CONT'D)



The major elements of the Bank's other operating expenses include amongst others:



TAXATION

The Bank's tax expense as at 30 June 2023 as per its Statement of Profit or Loss and Other Comprehensive Income comprises of corporate tax, corporate social responsibility ("CSR"), special levy and deferred tax.

Corporate tax - Following the enactment of the Finance Act 2023, the tax regime of banks has been subject to changes with the removal of the reduced tax incentive of 5% for banks having chargeable income exceeding that of their base year. The corporate tax rate as at 30 June 2023 has been computed at 5% for chargeable income up to MUR 1.5bn and 15% for chargeable income above the threshold of MUR 1.5bn.

CSR - At the rate of 2% of Segment A's chargeable income of the preceding financial year which is paid to Government-approved CSR projects and the remaining are remitted to the Mauritius Revenue Authority. The Bank's CSR contributions for FY23 are MUR 19.1m as compared to MUR 19.4m for FY22.

Special levy - As per the VAT Act, leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before the deduction of expenses. On the basis that the Bank's leviable income of Segment A exceeds MUR 1.2bn, the special levy of 4.5% is normally applicable. However, since the special levy computed at 4.5% exceeds 1.5 times that of the base year, it has been capped at MUR 98.0m, being 1.5 times the special levy amount of the base year. There has been an effective increase of 32% in special levy as compared to last financial year is due to the rise in leviable income.

Deferred tax - The deferred tax asset is computed at the effective tax rate (inclusive of 2% CSR) representing the rate at which the asset will be utilised in future years.

The Bank's tax expense increased from MUR 265.4m in FY22 to MUR 771.4m in FY23. The effective tax rate decreased from 15.59% in FY22 to 11.60% in FY23. The lower effective tax rate is mainly due to the change in tax rate from actual to effective rate used to compute deferred tax, following the changes in the income tax rate.

Refer to Note 11 Taxation for more details.

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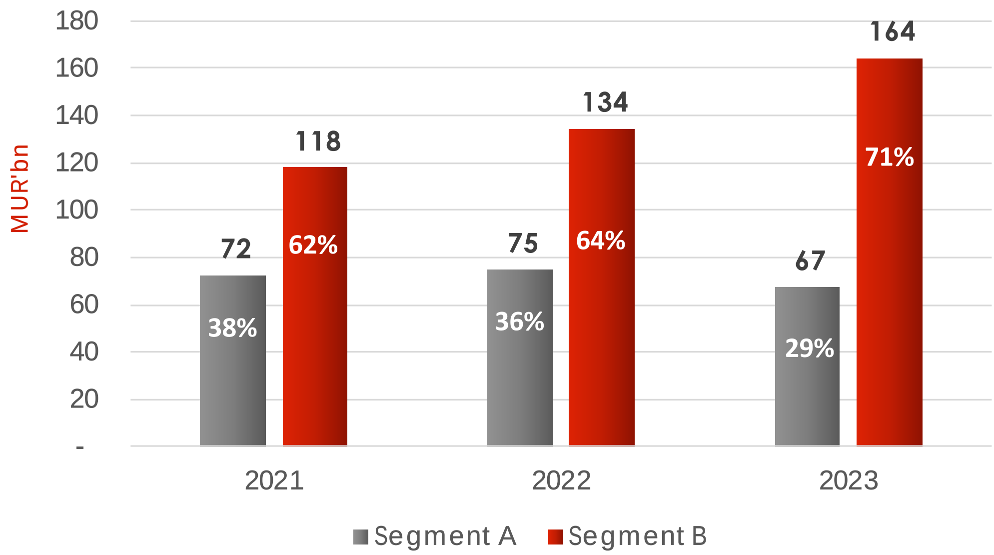
TOTAL ASSETS

As at 30 June 2023, the Bank's total assets was MUR 231.6bn, depicting a rise of 11% i.e. MUR 22.6bn year-on-year. This growth was primarily on account of our growing deposits base, channelled mainly towards investment securities and loans and advances with a lesser concentration on placements and nostros.

From an assets' distribution point of view, investment securities have increased by 53%, the majority residing primarily in debt instruments at amortised cost at 95%. Similarly, net loans and advances experienced an increase of 34% year-on-year. On the contrary, cash and balances with banks and due from banks experienced a drop of 32%. The Bank has strategized its approach for the change in assets mix to conquer higher returns, achieve better risk weightage positions and apply optimised utilisation of yield curve analysis.

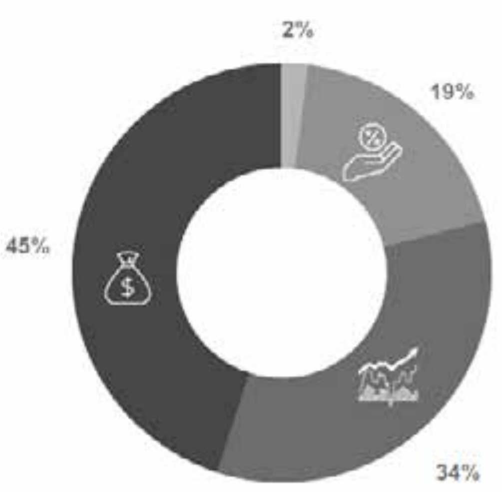
Additionally, Segment B occupied a larger proportion of total assets, i.e., 71% in 2023 which represents a slight increase when compared to 64% in 2022 as illustrated below:



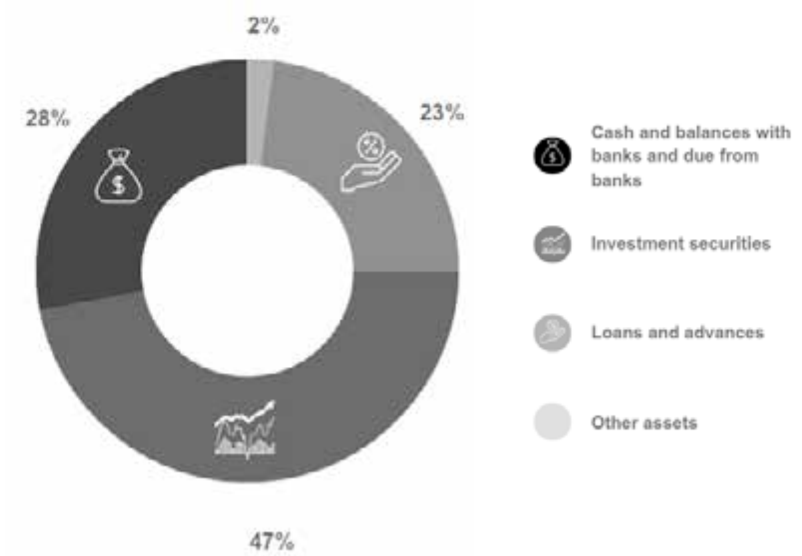
TOTAL ASSETS (CONT'D)

Overall, as illustrated in the pie charts below, the Bank strengthened its risk diversification over its assets;

FY21



FY22



FY23

Cash and balances with banks and due from banks

- MUR 2.3bn (LCY) - 4%
- MUR 62.1bn (FCY) - 96% of which MUR 33.0bn (USD) - 53%

Loans and advances

- MUR 9.9bn (LCY) - 19%
- MUR 42.6bn (FCY) - 81% of which MUR 29.6bn (USD) - 69%

Investment securities

- MUR 22.9bn (LCY) - 21%
- MUR 85.8bn (FCY) - 79% of which MUR 75.6bn (USD) - 90%

TOTAL ASSETS (CONT'D)

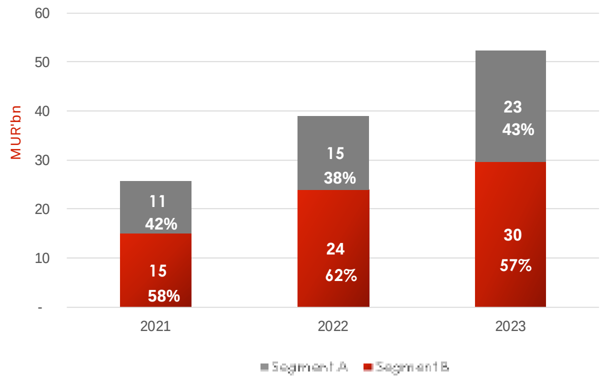
An industry breakdown of the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

	GROSS MAXIMUM EXPOSURE		
Sectors – MUR'm	**2021**	**2022**	**2023**
	Total	**Total**	**Total**
Agriculture	979	1,677	**1,506**
Construction, infrastructure and real estate	1,850	2,667	**4,676**
Financial and business services	136,142	129,871	**110,550**
Government and parastatal bodies	32,201	46,435	**82,918**
Information, communication and technology	1,275	2,658	**1,883**
Manufacturing	3,934	5,386	**7,274**
Personal	2,785	3,292	**3,753**
Tourism	4,919	4,274	**4,083**
Traders	3,795	8,564	**10,797**
Others	4,174	5,592	**5,066**
Total	**192,054**	**210,416**	**232,506**

Please refer to Note 38 (b) in Section B for more details.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

In view of diversifying its investments along with uplifting its lending strategy while still adopting a prudent approach, the Bank's net loans and advances to banks and customers showed a consequential increase of 34%, to stand at MUR 52.5bn this financial year. Through segmental lenses, it can be observed that Segment B's contribution at 57% remained dominant like the previous financial year.



Loans and advances with remaining contractual maturities over 12 months represented 66% of the net loan book in 2023.

As at 30 June 2023, the credit portfolio of the Bank together with its distributed concentration across sectors is tabulated below:

Sectors – MUR'm	2021	2022	2023
	Total	Total	Total
Agriculture and fishing	976	1,133	**1,186**
Manufacturing	3,512	2,820	**4,668**
Tourism	4,579	3,967	**3,757**
Transport	212	499	**936**
Construction, infrastructure and real estate	1,850	2,667	**3,735**
Financial and business services	10,019	16,130	**21,611**
Traders	1,772	7,594	**8,962**
Personal	2,785	3,297	**3,753**
Professional	66	73	**1,390**
Information, communication and technology	1,263	1,505	**1,396**
Government and parastatal bodies	-	185	**2,021**
Other entities	1,067	1,698	**1,015**
Gross Loans and advances to banks and customers	**28,101**	**41,568**	**54,430**

Please refer to Note 43 (X (a, b)) in Section B for details on segmentation.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS (CONT'D)

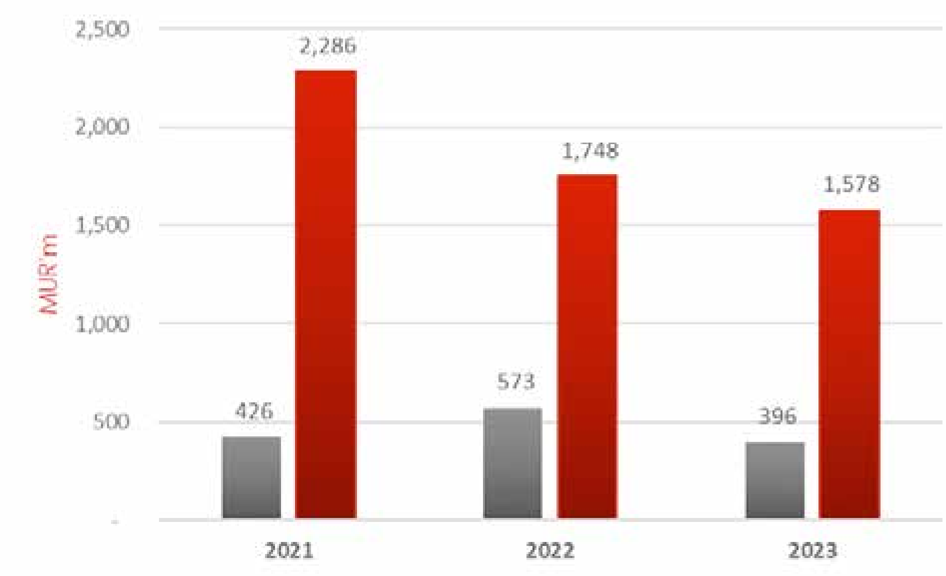
ALLOWANCE FOR IMPAIRMENT LOSSES

The Bank's allowance for impairment losses denotes estimated losses correlated to impaired loans in the portfolio provided for but not yet written off, and allowances for performing loans, which is our best estimate of impairment in the existing portfolio for loans that have not yet been individually identified as impaired. Our approach to establishing and maintaining the allowance for performing loans is based on the requirements of IFRS. Under the IFRS 9 – "Financial Instruments", an allowance is recorded for ECL on financial assets regardless of whether there has been actual impairment.

Improvement in exposures in the hospitality sector contributed to the release in impairment resulting from transfers from Stage 2 to Stage 1. On Stage 3, the provision dropped from MUR 1.7bn in FY22 to MUR 1.6bn in FY23 on the back of the repayment of major non-performing accounts (NPA). The quantum of loans and advances to customers that have been written off against provisions was MUR 174.1m in 2023.

The Bank's NPA fell by 14% to stand at MUR 1.7bn as at end June 2023 resulting from settlement of some exposures during the year under review. Consequently, it is to be noted that the Bank's NPA ratio was **3%** (2022: 5%).

The coverage ratio is measured as the percentage of Stage 3 (Specific) impairment over total NPA. As a matter of fact, the Bank's coverage went up from 90% in 2022 to **94%** in 2023.



ECL Stage 1 & 2* ECL Stage 3*

(The above includes interest component.)

LOANS AND ADVANCES TO BANKS AND CUSTOMERS (CONT'D)

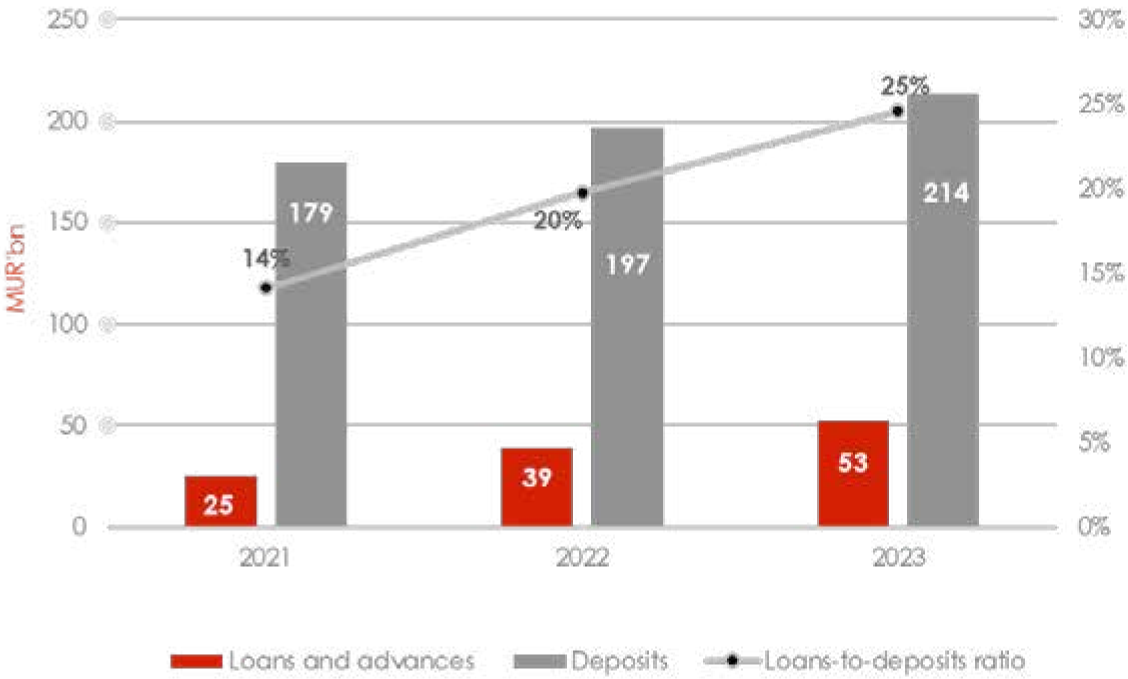
The breakdown of loans and advances vis-à-vis the non-performing portion and its relative provision by sector remains an enthralling section for discussion and analysis, same is tabulated below:

Sectors – MUR'm	2023					
	Gross amount of loans		Non-performing loans		Stage 3 ECL	
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B
Agriculture and fishing	198	987	2	553	2	553
Manufacturing	849	3,819	-	-	-	-
Tourism	3,197	560	-	-	-	-
Transport	146	790	-	238	-	215
Construction, infrastructure and real estate	2,346	1,389	13	-	13	-
Financial and business services	4,739	16,872	-	575	-	548
Traders	6,410	2,552	10	-	10	-
Personal	3,089	664	92	22	80	5
Professional	482	909	23	-	3	-
Information, communication and technology	748	648	156	-	149	-
Government and parastatal bodies	-	2,021	-	-	-	-
GBL	-	-	-	-	-	-
Other entities	1,015	-	-	-	-	-
Total	**23,219**	**31,211**	**296**	**1,388**	**257**	**1,321**

From a sector standpoint, the financial and business services sector leads the way with 40% (2022: 39%) of the gross loan portfolio followed by the traders sector with a 16% (2022: 18%) contribution. In the same light, the financial and business services sector remains the most provided sector from a non-performing loan viewpoint, followed by the agriculture and fishing sector and the construction, infrastructure and real estate sectors.

LOANS TO DEPOSITS RATIO

A higher loans to deposits ("LTD") ratio was noted in 2023, that is, 25% compared to 20% for the previous year. From a currency perspective, this ratio can be further broken down into LCY at 49% and FCY at 22% compared to LCY at 32% and FCY at 18% for the previous year. The rising LTD ratio has been triggered by the relative increase in both determinants of the ratio i.e. deposits from banks and customers figures improving by 8% compared to a growth of 34% in net loans and advances to banks and customers.



INVESTMENT SECURITIES

A significant growth of 53% i.e. MUR 37.7bn from MUR 71.0bn to MUR 108.7bn in investment securities; mainly in debt instruments measured at amortised cost ("AC") portfolio with the majority investments being in foreign securities.

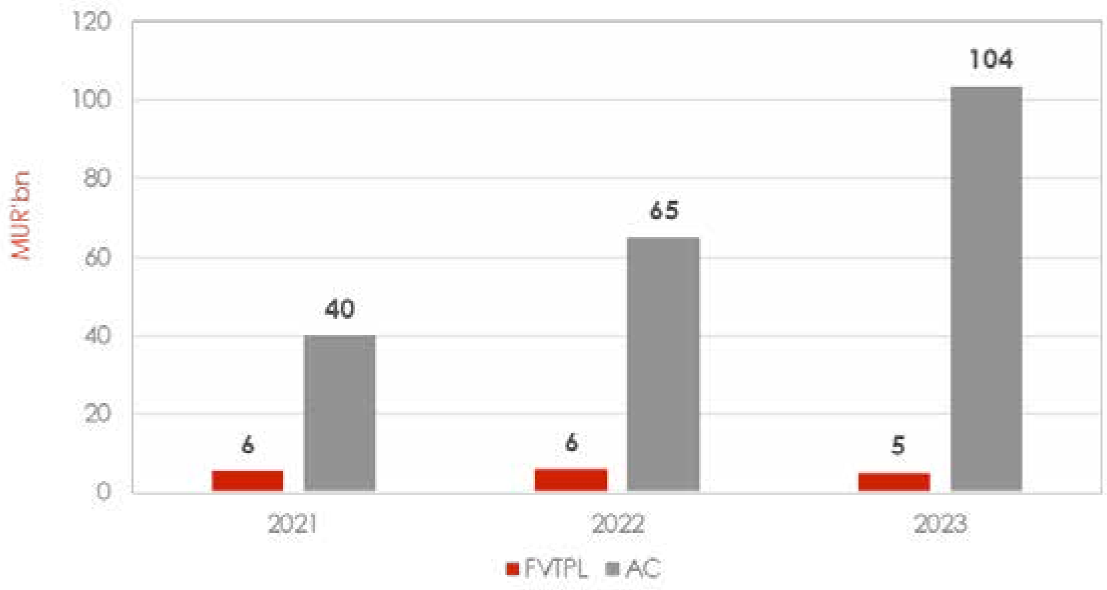
The currency split as of 30 June 2023 stands as LCY MUR 22.9bn and FCY MUR 85.8bn (of which USD represented MUR 77.6bn).

As at 30 June 2023, the Bank held securities under the following categories:

- Financial assets held for trading measured at fair value through profit or loss ("FVTPL");
- Debt instruments measured at AC;
- Equity Investments designated at fair value through other comprehensive income ("FVTOCI"); and
- Equity Investment measured at fair value through profit or loss ("FVTPL").

INVESTMENT SECURITIES (CONT'D)

The main components can be illustrated as below:



The main elements of investment securities reside in debt instruments measured at AC at 95% which is further segregated into: foreign sovereign securities at 65%, Bank of Mauritius ("BOM")/Government of Mauritius("GOM") securities at 17% and remaining 18% in local and foreign corporate bonds and notes. The remaining category is financial assets in the HFT books measured at FVTPL at 5% predominantly BOM/GOM securities at 59% and 41% in foreign corporate bonds and notes.

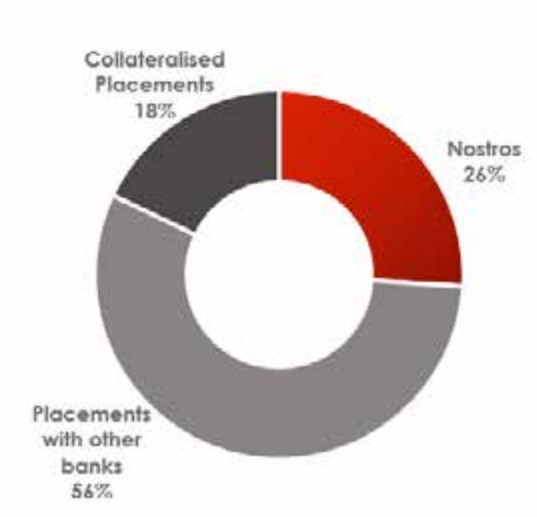
CASH AND BALANCES WITH BANKS AND DUE FROM BANKS

Due to the deployment of funds into other forms of investments, the cash and balances with banks and due from banks dropped by 32% from MUR 94.3bn to MUR 64.4bn year-on-year.

The main components remained the following:

- Nostro current accounts;
- Placements with banks; and
- Collateralised placements.

Nostro current accounts dropped by 64% from MUR 46.9bn to MUR 16.7bn, placements with other banks fell by 6% from MUR 38.4bn to MUR 36.2bn and collateralised placements increased significantly year-on-year from MUR 9.0bn to MUR 11.5bn in 2023 which are money lent to local banks.



LIABILITIES

DEPOSITS FROM BANKS AND CUSTOMERS

Despite the fact that the financial year was marked by rising inflation and cost of living, our deposit base grew from MUR 197.4bn end of June 2022 to reach MUR 213.6bn by the end of June 2023 i.e. a growth of 8%.

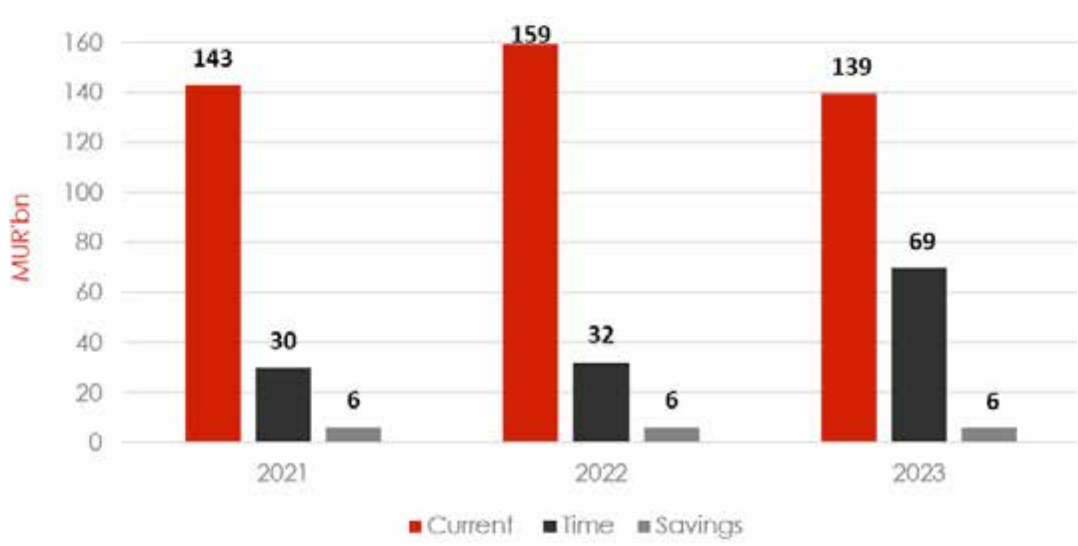
With the Bank continuing to provide its clients with optimal comfort with the principal pledge of delivering a bank-different approach, the confidence of the client base in the Bank resulted in the deposits base growing. Additionally, as a solid part of our deposit book is in foreign currencies mainly in USD, the U.S. Dollar Index's upward trend and surge and vis-à-vis our depreciating rupee against other currencies has brought about retranslation effects in our books thus boosting the total deposit figures.

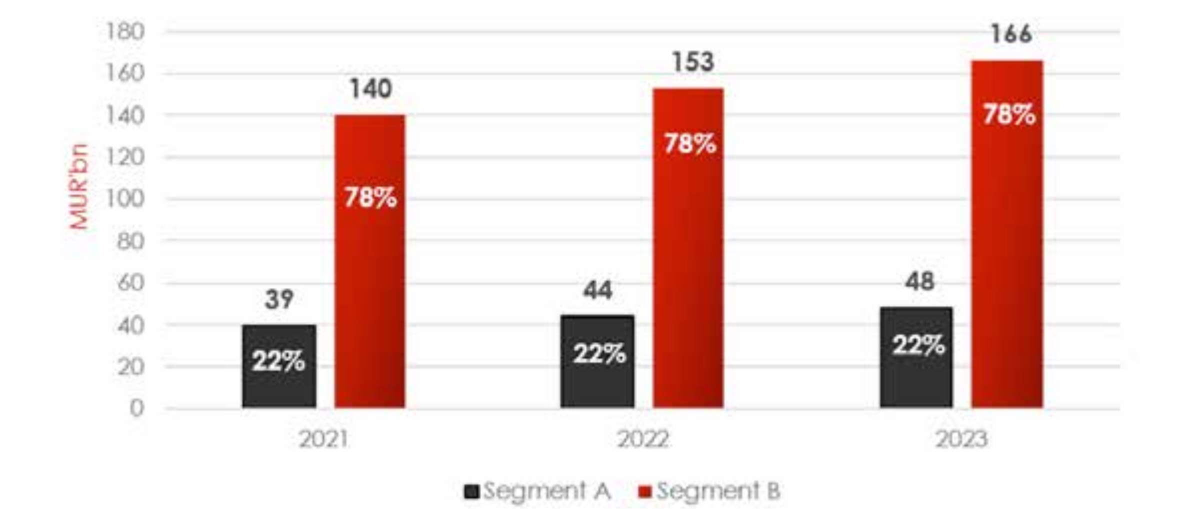
The split of the customer deposits base was as follows:

- Current accounts MUR 139.3bn, that is, 65% of total deposits and 13% contraction year-on-year;
- Savings accounts MUR 5.9bn, that is, 3% of total deposits and 2% expansion year-on-year; and
- Fixed deposits MUR 68.4bn, that is, 32% of total deposits and 112% growth year-on-year.

Current Accounts	• MUR 5.8bn (LCY) – 4% • MUR 133.5bn (FCY) – 96% of which MUR 90.5 (USD) -65%
Savings Accounts	• MUR 5.7bn (LCY) - 97% • MUR 0.2bn (FCY) – 3%
Fixed Deposit Accounts	• MUR 9.7bn (LCY) – 14% • MUR 58.7bn (FCY) – 86% of which MUR 51.0bn (USD) – 87%

DEPOSITS FROM CUSTOMERS AND BANKS (CONT'D)





CAPITAL MANAGEMENT

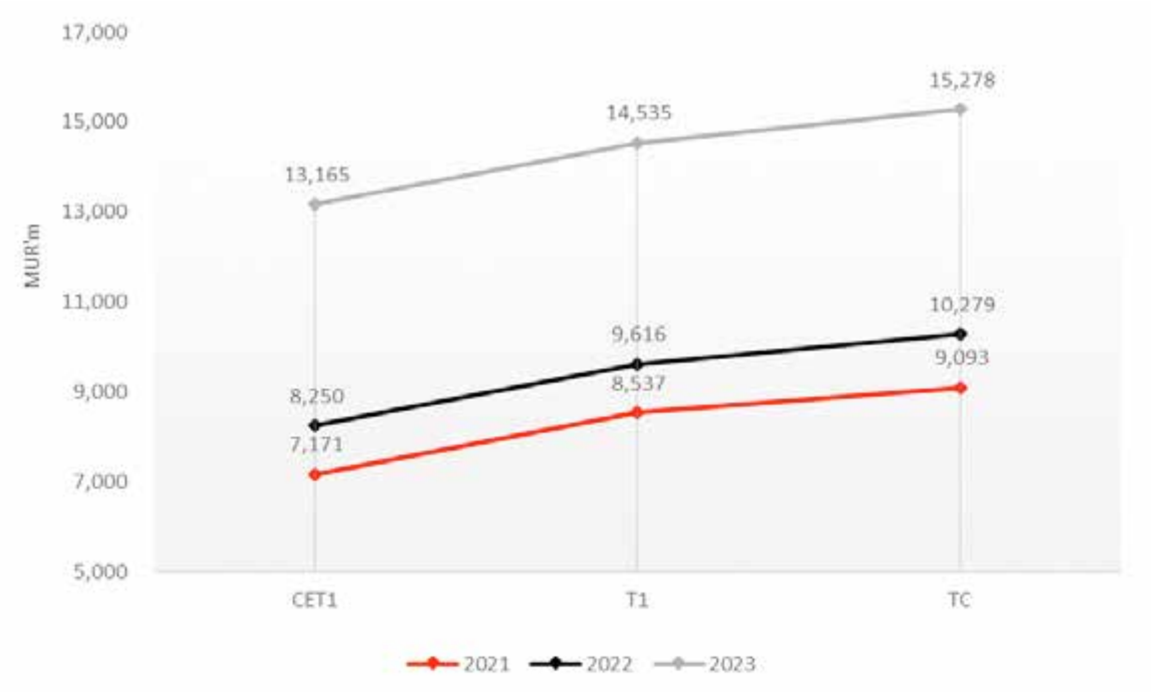
The shareholders' equity of the Bank witnessed a growth of 52% y-o-y to reach MUR 15.4bn as at end of June 2023 due to positive bottom-line performance.

The Bank's capital base stood at MUR 15.3bn as at end of June 2023, increasing by 49% in comparison to the capital base of MUR 10.3bn as at end of June 2022. This growth is reflective of the record performance of the Bank with net profit after tax of MUR 5.9bn for the financial year. The capital base is divided between CET 1 capital of MUR 13.2bn, AT1 capital of MUR 1.4bn and T2 capital of MUR 0.7bn. Ordinary dividends of MUR 482.4m (MUR 4.27/share) as well as Class A dividends of MUR 144.0m were paid out of retained earnings in the financial year ended June 2023.

As at end of June 2023, the Bank's Total CAR reached 19.40%, improving by 3.64% from 15.76% as at end of the financial year ended June 2022, which is above the regulatory limit of 13.50% for the calendar year 2023.

The total RWAs of the Bank experienced a year-on-year increase of 21% to reach MUR 78.7bn as at end of June 2023 in comparison to MUR 65.2bn for the financial year ended June 2022.

The total RWAs to total On Balance Sheet Assets ratio stood at 34% as at June 2023, increasing by 3% from 31% for June 2022 with the balance sheet size increasing from MUR 209.0bn to MUR 231.6bn.



Fly beyond the skies, Performance beyond the heights.

We are entrepreneurial relationship bankers with the expertise to understand our clients' distinct needs, empower sustainable partnerships, and craft bespoke solutions that will drive their business to its fullest potential, helping them reach new heights.

Resilience

Performance

Excellence

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

GENERAL

The Board of Directors ("Board") of AfrAsia Bank Limited believes that endorsing principles of good governance and sound quality norms carve the path towards the creation of a solid foundation. The Board is continuously working on refining its corporate governance framework, mechanisms, and culture as it capitalises on the set foundation to ensure that proper governance principles are practised throughout the Bank. The goal is to endorse the utmost ethical and accountable behaviour from top to bottom so that performance is enhanced responsibly while ultimately strengthening value creation for all our stakeholders.

ABL and its Board have taken the required steps towards compliance with the principles set out in The National Code of Corporate Governance for Mauritius 2016 (the "Code").

The disclosures pertaining to the eight principles of the Code have been made in different sections of the Annual Report, as shown below:

PRINCIPLE ONE – GOVERNANCE STRUCTURE

INTRODUCTION

ABL, a public interest entity as per The Financial Reporting Act 2004 (as amended), incorporated on 12 January 2007, holds a banking licence issued on 29 August 2007 by the Bank of Mauritius ("BOM"). Its core banking and transactional capabilities are based in Mauritius, along with a representative office in Johannesburg, South Africa. ABL is one of the five Domestic-Systemically Important Banks ("D-SIBs") as identified by the BOM.

The achievement of good governance practices, as part of the Bank's overall strategy, is key to the success of the Bank and to creating value for the various stakeholders. This report reflects how the principles of the Code have been applied.

This report is also available on the Bank's website: https://www.afrasiabank.com/media/11460/afrasia-bank-limited-annual-report-30-june-2023.pdf

OUR GOVERNANCE FRAMEWORK AND ACCOUNTABILITIES

The Bank has an effective and committed unitary Board with balanced skills, knowledge, experience and independence, collectively geared in leading and controlling the organisation to take the necessary steps to adhere to all legal and regulatory requirements including, but not limited to:

- The National Code of Corporate Governance for Mauritius 2016;
- The Banking Act 2004 (as amended);
- Guideline on Corporate Governance 2001 (as amended) issued by BOM;
- The Companies Act 2001; and
- The Financial Reporting Act 2004 (as amended).

The roles and responsibilities of the Board and its structure are highlighted in its Board Charter. ABL has in place a Conduct and Ethics Policy as approved by the Board and in line with same, it is committed to employing the right people and promoting a culture of mutual respect and ethical behaviour. The Bank promotes transparency and all staff and Directors are made aware of and accountable for their responsibilities.

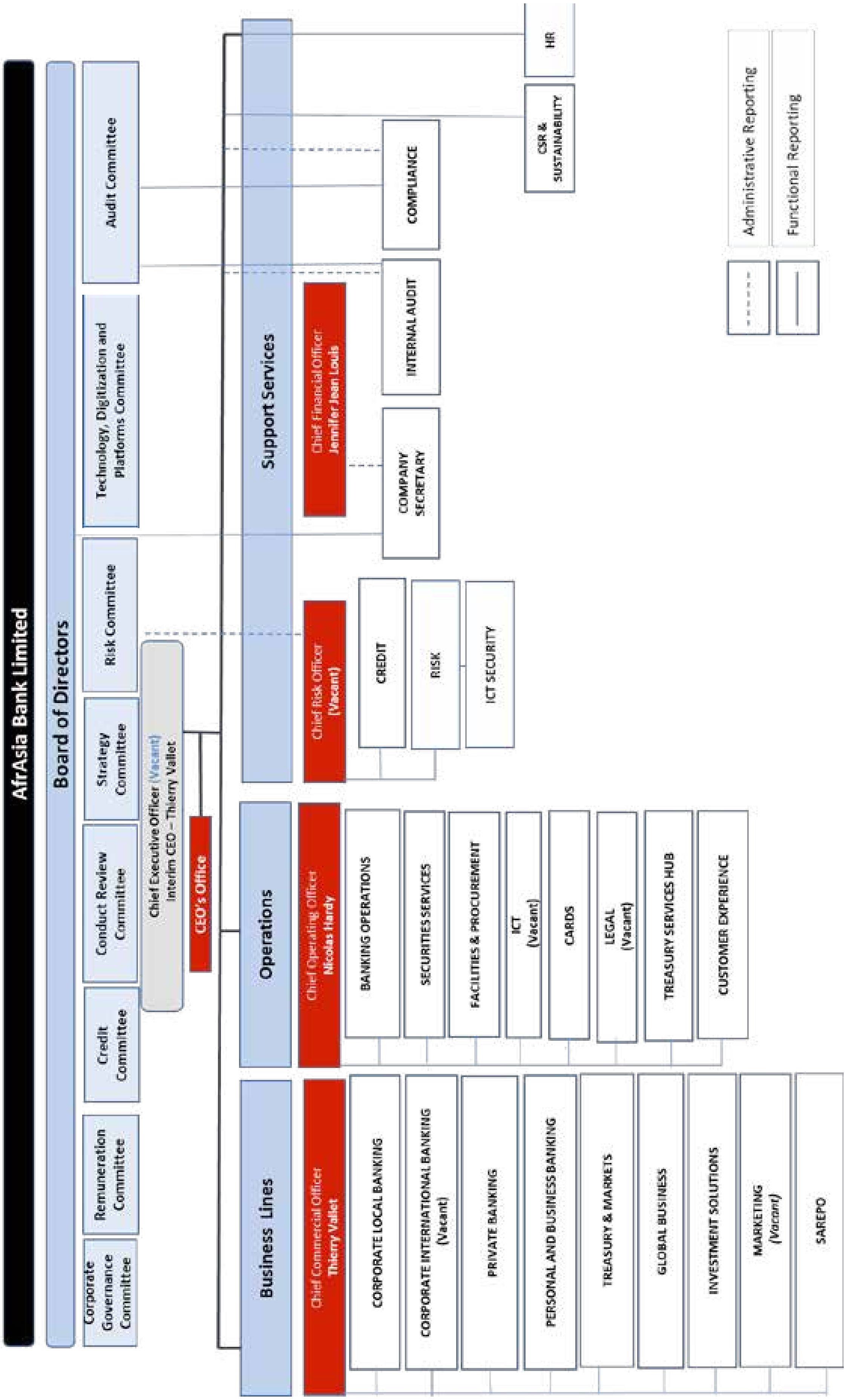
A copy of the Bank's Conduct and Ethics Policy is available on its website as follows:
(https://www.afrasiabank.com/media/3222/conduct-and-ethics-policy-staff.pdf).

OUR GROUP STRUCTURE AS AT 30 JUNE 2023

Key events at structure level:

- AfrAsia Holdings Limited, a wholly owned subsidiary of ABL, was fully liquidated on 29 September 2022.
- AfrAsia Kingdom Holdings Limited, a wholly owned subsidiary of AfrAsia Holdings Limited, was fully liquidated on 06 August 2022.

OUR GOVERNANCE STRUCTURE AS AT 30 JUNE 2023



KEY GOVERNANCE POSITIONS

The Board sets the tone for its members, management, and employees to uphold the highest standards of integrity, transparency and probity.

The Charter, which the Board reviews and approves as and when required, defines all key governance positions within the Bank and their corresponding accountabilities, which are critical drivers of strategic performance and for optimising adherence to proper governance. A clear line of demarcation is drawn between the roles and responsibilities of the Board, its Chairperson, and the Chief Executive Officer ("CEO") to impede any unfettered powers; these respective duties are listed below:

Chairperson of the Board

The role of the Chairperson includes:

- To preside over meetings of directors and to ensure the smooth functioning of the Board in line with best practices of good corporate governance;
- To preside over the Bank's meetings of shareholders;
- To provide general leadership to the Board and encourage the active participation of each director in discussions and Board matters;
- To participate in the selection of Board members to ensure an appropriate mix of gender, competencies, experience, skills, and independence on the Board;
- To ensure that newly appointed directors participate in an induction programme with the support of the Company Secretary and other executives of the Bank;
- To ensure that the development needs of the directors are identified and appropriate training is continuously provided;
- To oversee a formal succession plan for the Board, the CEO, and senior management;
- To provide support and supervision to the CEO;
- To make sure that monitoring and evaluation of the Board and the directors' appraisal are carried out;
- To ensure that all relevant information and facts are given to the Board to enable it to take informed decisions;
- To ensure that the decisions made by the Board are executed promptly and in a proper manner; and
- To maintain sound relations with the Bank's stakeholders and ensure that the principles of effective communication and pertinent disclosure are followed.

Chief Executive Officer

The role of the CEO includes:

- To be directly responsible for the day-to-day operations of the Bank and to be conversant with the state of internal control, the prevailing legislation, as well as current issues and policies affecting the financial sector;
- To develop and recommend to the Board a long-term vision and strategy for the Bank that will generate satisfactory levels of shareholder value and positive, reciprocal relations with the relevant stakeholders;
- To devise and recommend to the Board annual business plans and budgets that support the Bank's long-term strategy. The CEO must ensure that a proper assessment of the risks under a variety of possible or likely scenarios is undertaken and presented to the Board;
- To strive consistently to achieve the Bank's financial and operational goals and objectives and ensure the proper management and monitoring of the Bank's daily business;
- To be the chief spokesperson for the Bank concerning all operational and day-to-day matters;
- To attend meetings of the shareholders and be ready to present material operational developments, along with the other key officers of the Bank;
- To be responsible for implementing a performance and accountability regime for senior management personnel;
- To raise with the Board any matter of significance affecting the Bank that requires the Board's attention, including any matters that exceed the delegated authority of the executive management;
- To ensure that the policies spelt out by the Board in the Bank's overall corporate strategy are implemented;
- To identify and recommend to the Board competent officers to manage the operations of the institution and overview the organisational structure of the bank. In the fulfilment of this duty, the CEO should ensure that the Bank's human resources policy is adhered to;

KEY GOVERNANCE POSITIONS (CONT'D)

Chief Executive Officer (Cont'd):

The role of the CEO includes (Cont'd):

- To coordinate the operations of the various departments within the Bank;
- To establish and maintain efficient and adequate internal control systems; and
- To design and implement the necessary management information systems to facilitate efficient and effective communication within the Bank. The CEO has to ensure that appropriate management information systems and tools are in place for the purpose of reviewing and controlling the Bank's operations and to organise all data collected from every level of the Bank, summarise it, and present it in a way that facilitates and improves the quality of the decisions being made to improve the Bank's profitability and productivity.

Company Secretary

The role of the Company Secretary includes:

- To provide the Board with guidance as to its duties, responsibilities, powers, and governance matters;
- To inform the Board of all legislation relevant to or affecting meetings of shareholders and the Board of Directors, reporting at any meetings and the filing of any documents required of the Bank, and any failure to comply with such legislation;
- To maintain registers properly;
- To certify in the annual financial statements of the Bank that the Bank has submitted to the Registrar of Companies all such returns that are required as per the applicable laws and regulations;
- To ensure that a copy of the Bank's annual financial statements and the annual report are sent to every person entitled to such statements or reports by the laws and regulations;
- To ensure that minutes of all meetings of shareholders or the Board directors are properly recorded and that all statutory documents are properly kept and recorded;
- To prepare the agenda of the Board, Board Committees, and shareholders' meetings in consultation with the Chairperson and the CEO, and to circulate the agendas and supporting documents in a timely manner;
- To facilitate the proper induction of directors into their roles; and
- To ensure that there is a good communication flow within the Board, the Board Committees, and between the management and the non-executive directors.

SENIOR MANAGEMENT TEAM PROFILE

THIERRY VALLET
Interim CEO & Chief Commercial Officer

Master of Business Administration - International Finance
HEC School of Management, Paris

Date joined AfrAsia: 20 August 2007

Engineer by trade, Thierry built up into a seasoned Banker after his MBA at HEC Paris. With over 20 years of experience in the Financial Industry, Thierry has a strong background in strategic management and business development.

Thierry joined AfrAsia Bank as Founder Executive and has been successful in drawing up the Bank's strategic development. In 2012, Thierry was promoted to General Manager and subsequently served as Chief Commercial Officer since 2022.

NICOLAS FABIEN HARDY
Chief Operating Officer

Master of Business Administration
University of Cape Town, South Africa
BSc Mathematics
University of Natal, South Africa

Date joined AfrAsia: 03 June 2019

Nicolas brings over 20 years of experience in various senior positions in banking. Treasurer by trade, he has cumulated many management responsibilities including credit, ALCO, private banking, FI relationship and operational risk whilst directing the strategic operations and technological development.

Nicolas's background includes serving in leadership roles at Investec Bank (Mauritius), NatWest Markets, Robert Fleming & Co, and the Rogers Group. Nicolas currently oversees the overall operational and technological development areas of the Bank.

JENNIFER JEAN-LOUIS
Executive Director & Chief Financial Officer

Member
MIoD

Fellow Member
Institute of Chartered Accountants in England and Wales
Chartered Tax Advisor

Date joined AfrAsia: 30 July 2007

A Chartered Accountant with 25 years plus of experience, having practised both locally and internationally in auditing, taxation and advisory, Jennifer joined AfrAsia Bank at its very inception and has been instrumental in building the foundation of the financial framework and structure of the Bank.

Apart from the responsibilities of overseeing the finance team and her contribution to the financial affairs of the Bank, she has had an active role in numerous strategic initiatives including capital raising exercises, Mergers and Acquisitions ("M&A"), Corporate Governance framework improvements and International Financial Reporting Standards ("IFRS") transitions.

In 2022, Jennifer was appointed as Executive Director of the Bank and is now bringing her rich experience to the Board and helping AfrAsia Bank to accomplish new heights going forward.

PRINCIPLE TWO – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board is responsible for the overall stewardship of the Bank and thus plays a vital role in ensuring that good governance principles are entrenched and reflected in the Bank's activities.

The powers and duties of the Board are set out in the Bank's Constitution and in its charter. The Board is aware of its responsibilities and statutory duties under relevant legislations such as The Banking Act 2004 (as amended), The Financial Reporting Act 2004 (as amended), the Financial Services Act 2007, and The Companies Act 2001. The Board reviews its charter as and when required.

The Board also follows the principles of good corporate governance as recommended in the Code and BOM's Guideline on Corporate Governance 2001 (as amended). It reviews and approves the Bank's Code of Ethics whenever necessary to warrant that they are in line with the Bank's objectives and monitors and evaluates the Bank's compliance with its Code of Ethics.

To ensure effective contributions from the Directors, no alternate directors have been appointed during the year.

THE KEY ROLES AND RESPONSIBILITIES OF THE BOARD INCLUDE:

- To head, lead, and control the bank effectively;
- To determine the Bank's purpose, strategy, and values; The Board is responsible for setting the long-term goals, doing the strategic planning, and sanctioning action plans;
- To ensure that the Bank is governed transparently through accurate and timely information to the public, through its reports to the BOM and relevant authorities, and in its annual report;
- To periodically conduct a self-assessment of its effectiveness as well as that of its subcommittees;
- To monitor and evaluate the implementation of strategies, policies, management performance criteria, and business plans. The Board must provide guidance, maintain effective control over the Bank and monitor the Bank's management in carrying out the Board's plans and strategies;
- To ensure that procedures and practices are in place to protect the Bank's assets, reputation, and interests generally. Thus, the Board must regularly review processes and procedures to guarantee the effectiveness of the Bank's internal control systems;
- To set principal policies in respect of risk and the conduct of business for the Bank. The Board must regularly monitor that senior management is running the business in accordance with such policies;
- To determine the remuneration policy applicable to the staff, executive committee, and senior management, upon recommendation of the Remuneration Committee;
- To ensure that clear lines of responsibility and accountability exist and are enforced throughout the organisation;
- To ensure that there is appropriate oversight by senior management consistent with Board policy;
- To declare dividends when appropriate and determine the amount of dividends to be declared;
- To approve the budget at least annually and review the main investment proposals;
- To approve the terms and conditions for credit facilities to the staff of the financial institution under the terms and conditions of employment contracts;
- To approve credit facilities for staff that are not in line with the terms and conditions as approved by the Board;
- To receive quarterly reports on the performance of credit exposures and any other transactions approved by the Conduct Review Committee;
- To approve relevant approval authorities for related party transactions; and
- To approve write-offs of related party credit exposure.

The Board Charter is available for consultation on the Bank's website.
(https://www.afrasiabank.com/en/about/corporate-governance/governance-framework)

PRIOR APPROVAL OF THE BOARD

As per The Companies Act 2001 and the Constitution powers not to be delegated by Board include the following:

- Issue of other shares;
- Consideration for the issue of shares;
- Shares not paid for in cash;
- Authorisation of distribution;
- Shares issued in lieu of dividend;
- Shareholder discount;
- Purchase of own shares;
- Redemption at the option of the Bank;
- Restrictions on giving financial assistance;
- Change of Registered Office;
- Approval of amalgamation proposal;
- Short form amalgamation; and
- Transfer of shares.

OUR DIRECTORATE

The Constitution provides that the Board shall consist of not less than five (5) and not more than fourteen (14) directors. As at 30 June 2023, the Board was composed of experienced and high-calibre members from both local and international frontiers with the right balance of knowledge, skills, and expertise across various sectors.

As per the Code of Corporate Governance, all Boards should have a strong executive management presence with at least two Executives as members. As at 30 June 2023, the Board had only one executive director.

The Board is confident that the current skill mix, knowledge, and experience of its members are solid enough to collectively provide the core support and abilities for the leadership of the Bank.

The BOM's Guideline on Corporate Governance requires that when the Chairperson is not an independent non-executive director, the board shall be composed of at least 50 % of independent non-executive directors. As at 30 June 2023, the Chairperson of the Board was a Non-Executive Director with a representation of 46% of Independent Non-Executive Directors at Board level. This board matter will be taken up in forthcoming Board meetings.

Three Independent Non-Executive Directors were appointed effective 19 December 2022 by way of casual vacancy and will stand for election at the forthcoming Annual General Meeting of shareholders. All Directors are elected/re-elected on an annual basis by way of separate resolutions.

On 30 August 2023, Isabelle Alvares Pereira De Melo decided to step down as Non-Executive Director of ABL effective as soon as the Board appoints a suitable candidate as a replacement in order not to destabilise the Board in discharging its duties and compliance of the Bank with relevant legislations.

On 31 August 2023, Jean-Raymond Rey, Non-Executive Director and Chairperson of the Board, informed the Board of Directors of his decision not to stand for re-election at the forthcoming Annual General Meeting of shareholders.

Below depict the appointments made during the year under review:

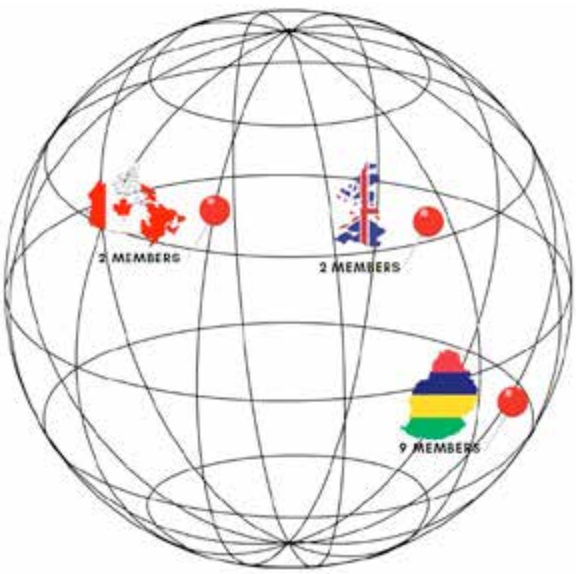
Appointments

19 December 2022	Alastair James Bryce	Independent Non-Executive Director
19 December 2022	Marie Doriane Jessica Denise-Rama	Independent Non-Executive Director
19 December 2022	Rehana Kasenally	Independent Non-Executive Director

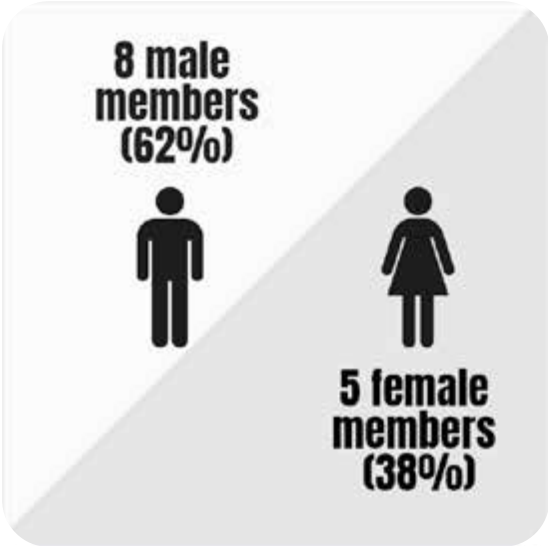
Resignation

No resignation was noted for the year under review.

Further details of the Board composition as at 30 June 2023 are shown hereafter.



OUR DIRECTORATE (CONT'D)



The various committees and their short-form appellations are summarised below for future reference in the report:

AC	**Audit Committee**	REC	**Remuneration Committee**
CGC	**Corporate Governance Committee**	RC	**Risk Committee**
CRC	**Conduct Review Committee**	SC	**Strategy Committee**
CC	**Credit Committee**	TDP	**Technology, Digitization and Platforms Committee**

DIRECTORS' PROFILES

JEAN-RAYMOND REY
Chairperson of the Board

Fellow Member
Mauritius Institute of Directors ("MIoD")

BCom - Economics and Business Administration
University of Natal, South Africa
Post-Graduate Diploma - Advance Banking & Corporate Governance
University of Johannesburg, South Africa
Certificate in "Leading Yourself"
INSEAD, Fontainebleau, France

Date of first appointment as Director: 05 November 2020
Date of last re-election: 15 December 2022
Length of service as Director: 2.6 years

Present directorship:
Other non-listed entities:
GrandCap FinCo
GrandCap Holland
GrandCap PCC
STS AIO Holdings Ltd
STS International
Impac Risk Solution Managers (Mauritius) Ltd

Committee membership:

CGC CC SC

Jean-Raymond has successfully led teams over more than 30 years in the banking and financial services industry while operating in over 12 countries in Africa, with extensive expertise in Mauritius, South Africa the and Democratic Republic of Congo where he ran banks. Over the last 20 years, Jean-Raymond has assumed the responsibility and challenges of various Executive as well as Non-Executive Director roles.

Jean-Raymond has conservative risk management skills with demonstrated ability to adapt to different environments and cultures; he has honed a comfort in operating in both francophone and anglophone environments. Effective communicator and self-motivator, always aiming to deliver results beyond expectations while embedding good corporate governance and best practice into every deal as well as being able to engage multiple levels of stakeholders.

Jean-Raymond has successfully summited Mount Kilimanjaro in August 2016.

Country of residence: Mauritius

ISABELLE ALVARES PEREIRA DE MELO
Non-Executive Director & Chairperson of the Strategy Committee

Fellow Member
MIoD

Master in Management
HEC Paris, France
Post Graduate Diploma in Corporate Governance – MIoD

DIRECTORS' PROFILES (CONT'D)

ISABELLE ALVARES PEREIRA DE MELO (CONT'D)

Date of first appointment as Director: 02 October 2020
Date of last re-election: 15 December 2022
Length of service as Director: 2.7 years

Present directorship:
Listed entities:
IBL Ltd
Other non-listed entities:
Five35 Ventures Ltd
Rosemary Farms Ltd
Mo Business Angels Ltd
Mo Angels Second Ltd
Mo Angels III Ltd
Mo Angels IV Ltd
Mo Angels V Ltd

Committee membership:

RC SC TDP

Isabelle is a Mauritian, Swiss, national. After graduating from HEC Paris, she started her career as an auditor up until Manager with Arthur Andersen in Paris. She then held CFO positions in a fast-growing high technology multinational Gemplus in France and an aviation Group PrivatAir based in Switzerland where she added Human Resources to her responsibilities.

In 2009 she joined a large Geneva-based family office as COO. Since 2010 she is an active angel investor in early-stage start-ups and has cofounded an initiative to develop angel investing out of Mauritius.

A Non-Executive Director for IBL Ltd since 2019 she also holds a few other directorships in connection with her angel investing activities and has been a Fellow of the MIoD since 2020.

Country of residence: Mauritius

JAN FREDRIK LOUIS GAËTAN BOULLÉ
Non-Executive Director

Ingénieur Statisticien Economiste (ISE)
France
Post graduate studies in Economics
Université Laval, Canada

Date of first appointment as Director: 09 October 2020
Date of last re-election: 15 December 2022
Length of service as Director: 2.7 years

Present directorship:
Listed entities:
Bluelife Ltd
IBL Ltd (Chairman)
Lux Island Resorts Ltd
Phoenix Beverages Limited
Phoenix Investment Company Limited
The United Basalt Products Ltd
and other non-listed Mauritian companies.

DIRECTORS' PROFILES (CONT'D)

JAN FREDRIK LOUIS GAËTAN BOULLÉ (CONT'D)
Non-Executive Director

Committee membership:

CGC REC

Jan has begun his career in 1982 as "Chargé de Compte de Branches", Comptabilité Nationale at the "Ministère du Plan", Abidjan, Republic of Ivory Coast, a post he occupied for one year.

He has been working for the Constance Group from 1984 to 2016 and occupied various executive positions and directorships. His latest position was Group Head of Projects and Development.

Jan has been appointed as the Non-Executive Chairman of IBL Ltd on 01 July 2016 and is also a member of the Board of Directors of several of IBL Group's major companies.

Country of residence: Mauritius

ALASTAIR JAMES BRYCE
Independent Non-Executive Director & Chairperson of the Risk Committee

BCom (with Honors)
University of Edinburgh, Scotland
Associate: London Institute of Banking & Finance
Associate: Hong Kong Institute of Bankers

Date of first appointment as Director: 19 December 2022
Length of service as Director: 0.5 year

Present directorship:
Other non-listed entity:
York Mansions (Baker Street) Ltd

Committee membership:

CC RC SC

Alastair is an international banker with over 35 years of experience in the financial services sector.

He has worked in 9 countries in both emerging and developed markets and has successfully undertaken a wide range of roles across the industry. These have included senior positions in global markets, corporate and investment banking and risk management.

He is a former director of HSBC Bank (Mauritius) Ltd and was Chief Executive Officer of HSBC's operations in Mauritius from 2013 to 2016. During that time, he also served as Chairman of the Mauritius Bankers Association.

Alastair is currently a member of the Board of Advisors at Deheza Ltd, a London-based corporate intelligence provider specialising in Latin America. He is also a Trustee of UK-registered charities involved in child poverty relief and historic building conservation.

Country of residence: United Kingdom

DIRECTORS' PROFILES (CONT'D)

MARIE DORIANE JESSICA DENISE-RAMA

Independent Non-Executive Director & Chairperson of the Remuneration Committee

Member
MIoD

MBA with Specialisation in Strategy with Distinction
Edinburgh Business School, Heriot-Watt University, UK
MBA with Distinction
Edinburgh Business School, Heriot-Watt University, UK
Bachelor of Business Administration with Distinction
University of South Africa, South Africa

Date of first appointment as Director: 19 December 2022
Length of service as Director: 0.5 year

Present directorship:
Other non-listed entities:
The Enabling Academy Ltd
Fondation Georges Charles

Committee membership:

AC CGC REC

Doriane is the Group Head of Talent of Culture of ENL Group since 2019. Leveraging 20 years of working experience, spanning fields such as banking, strategic planning, business operations, relationship management and human resources, she describes herself as dynamic, self-driven and optimistic. Prior to joining ENL, Doriane worked at the MCB Ltd and during her sixteen years stint therein, held positions in the Strategy, Research and Development, Business Banking and Human Resources Strategic Business Units.

During her career, she has had the opportunity to work on short-term assignments in the Seychelles, Madagascar, Kenya and Rwanda, which have led her to look at the world of work from the prisms of multiple cultures. Her passion is the growth of people and the realisation of their dreams, epitomised by 3 years dedicated to coaching Entrepreneurs and SMEs as a Bank Relationship Manager, 10 years partnering with decision-makers facilitating their strategic thinking and planning and 5 years spent as a part-time tutor to MBA students.

Groomed into an HR professional, her firm belief lies in the simple yet impactful fact that engaged employees contribute to a healthy and prosperous organisation. She now puts her expertise in strategy and hands-on practice to work in the field of human capital, while having culture, talent development and people engagement at the core of her work.

She is also a member of the MIoD and an active member of its Women Directors Forum, aiming at increasing the representation of women in C-suite and Board positions in Mauritius.

Country of residence: Mauritius

DIRECTORS' PROFILES (CONT'D)

BORIS FAUCHER
Non-Executive Director

CFA charterholder
CFA Institute
Bachelor of Business Administration, Major in Finance
HEC, Montreal, Canada

Date of first appointment as Director: 17 May 2022
Date of last re-election: 15 December 2022
Length of service as Director: 1.1 years

Present directorship:
Non-listed entity:
10556793 Canada Inc.

Committee membership:

CRC REC SC

Boris graduated from the École des Hautes Études Commerciales in Montreal, Canada and is a CFA charter holder. He is a finance professional with more than 20 years of experience in corporate finance with a focus in merger and acquisitions and over 12 years in the banking industry, in both developed and emerging markets.

Boris joined National Bank of Canada in 2011 in the Strategy and Corporate Development team where he worked on various bank acquisition projects and strategic planning mandates.

Starting in 2015, he participated in the elaboration of the international investment strategy, playing a key role in acquiring and overseeing minority and majority equity investments in various financial institutions in Asia and Africa.

Country of residence: Canada

JENNIFER JEAN-LOUIS
Chief Financial Officer and Executive Director

Member
MIoD

Fellow Member
Institute of Chartered Accountants in England and Wales
Chartered Tax Advisor

Date of first appointment as Director: 16 March 2022
Date of last re-election: 15 December 2022
Length of service as Director: 1.3 years

Committee membership:

CRC SC TDP

A Chartered Accountant with 25 years plus of experience, having practised both locally and internationally in auditing, taxation and advisory, Jennifer joined AfrAsia Bank at its very inception and has been instrumental in building the foundation of the financial framework and structure of the Bank.

DIRECTORS' PROFILES (CONT'D)

JENNIFER JEAN-LOUIS (CONT'D)

Apart from the responsibilities of overseeing the finance team and her contribution to the financial affairs of the Bank, she has had an active role in numerous strategic initiatives including capital raising exercises, Mergers and Acquisitions ("M&A"), Corporate Governance framework improvements and International Financial Reporting Standards ("IFRS") transitions.

In 2022, Jennifer was appointed as Executive Director of the Bank and is now bringing her rich experience to the Board and helping AfrAsia Bank to accomplish new heights going forward.

Country of residence: Mauritius

ASLAM KANOWAH

Non-Executive Director & Chairperson of the Corporate Governance Committee

Fellow of the Association of Chartered Certified Accountants ("FCCA")
Association of Chartered Certified Accountants
MBA International Banking and Finance
Washington International University, USA
Certified Islamic Finance Expert ("CIFE")
Academy for International Modern Studies, UK

Date of first appointment as Director: 02 October 2020
Date of last re-election: 15 December 2022
Length of service as Director: 2.7 years

Present directorship:
Other non-listed entities:
Am (Mauritius) Ltd
Ardency Vc
Belleo Marketes
Bluechip Financials Market Limited
Discovery Capital Managers Ltd
East Africa Mining Limited
Intra Energy Ltd
Intra Minerals Ltd
Intrafrican Resources Limited
Intrasia Management (Mauritius) Limited
Intrasia Securities Limited
Levene Energy Development Limited
Levene Energy Holdings Limited
Lobos Ltd
Macif Capital PCC
Macif Investments Limited
The Pines Art Productions Limited
Phobos Ltd
and other non-listed Mauritian companies.

Committee membership:

CGC CC REC

DIRECTORS’ PROFILES (CONT’D)

ASLAM KANOWAH (CONT’D)

Aslam is a finance professional, banker and accountant with 32 years in the financial services sector and over 18 years in the domestic and offshore banking industry.

In addition to banking his leadership role in developing licensed corporate and wealth management companies has given him a strong background in business development, compliance, governance and strategic planning. Over the course of his career he has held key positions in assets management, back office, corporate & fund administration, operations trading and treasury management.

He started at The Indian Ocean International Bank Ltd and subsequently worked for Bank International Indonesia, Standard Bank and Superfund Assets Management before moving to the Global Business Sector in 2011 and was the CEO of Aurisse International Ltd, COO of Capital Horizons Ltd and is currently the CEO of Intrasia Management (Mauritius) Ltd.

He has held a portfolio of directorships since 2011 in various entities engaged in advisory, brokerage, consultancy, funds, investment management, mining and trading. He has a track record in teaming up for the start-up of new offices for international and regional companies in Mauritius and a reputation for leading teams towards peak performance.

Country of residence: Mauritius

REHANA KASENALLY
Independent Non-Executive Director

MSc Finance
Imperial College of Science & Technology, University of London, UK
BSc (Hons) Statistics & Operations Research
Queen Mary College, University of London, UK

Date of first appointment as Director: 19 December 2022
Length of service as Director: 0.5 year

Committee membership:

AC TDP

Rehana is a seasoned professional with broad financial services industry exposure including 13 years regulatory experience with the Financial Services Commission. She has been involved in the development of the global business sector of Mauritius from the outset in the early 1990s, focusing on policy development, and is fully conversant with the intricacies of the sector both at regulatory and business operations levels. Her competencies in compliance and AML/CFT mechanisms over the past 5 years have propelled her appreciation of the evolving prudential regulatory environment.

Having spent a decade in Kenya working as a freelance consultant for the UN and international organizations, Rehana has acquired valuable experience in donor funded monitoring and evaluation projects. She is currently working for FAM Ltd, an investment management company with operations in Monaco, Mauritius, Lugano and Dubai offering wealth management and captive advisory services.

Rehana has contributed to several publications relating to the Mauritius IFC in the local press and has a publication under way with the Oxford University Press (“OUP”).

Country of residence: Mauritius

LOUIS DIDIER MERLE

Independent Non-Executive Director & Chairperson of the Conduct Review Committee

MBA International Paris
University of Paris I – Panthéon Sorbonne, France
Masters in Finance
Graduate School of the Chamber of Commerce and Industry of Paris (ECCIP), France

Date of first appointment as Director: 13 December 2021
Date of last re-election: 15 December 2022
Length of service as Director: 1.5 years

Present directorship:
Other non-listed entities:
Centurion Ltd
Friday Capital Ltd
Friday Opportunity I Ltd (Silicon Valley Ltd)
Fundkiss Ltd
Strategia Investment Solutions LTD
Vinalia Ltd
& other private companies

Committee membership:

CRC

Didier is an accomplished banker and a wealth & asset management expert with more than 20 years of progressive experience in the finance sector. He has been successful at managing multiple assignments and people and maximizing customer satisfaction.

Didier has an extensive financial background, managing multiple portfolios and strategic business units across various banks. He served as the Managing Director at Cim Asset Management Ltd and was the Head of Private Banking & Wealth Management at the Mauritius Commercial Bank for 9 years. Additionally, Didier is a founding partner of Friday Capital, an independent private equity firm based in Mauritius and Paris.

He is currently the CEO of Strategia Wealth Managers Ltd.

Country of residence: Mauritius

FIORANGELO SALVATORELLI

Independent Non-Executive Director & Chairperson of the Technology, Digitization and Platforms Committee

D.Phil Engineering Science
M.A Engineering Science
University of Oxford/Exeter College, Oxford, England
MSc Structural Engineering (Coursework)
Universidad Simon Bolivar, Caracas, Venezuela
MEng Civil Engineering
BSc Civil Engineering
Universidad Catolica Andres Bello, Caracas, Venezuela

DIRECTORS' PROFILES (CONT'D)

FIORANGELO SALVATORELLI (CONT'D)

Date of first appointment as Director: 09 August 2021
Date of last re-election: 15 December 2022
Length of service as Director: 1.9 years

Present directorship:
Non-listed entities:
Fusion Global Capital
Independent Corporate Access Ltd

Committee membership:

AC RC TDP

Fiorangelo is CIO and Portfolio Manager of the ALANTRA Global Technology Fund. He is a Partner at Fusion Global Capital Ltd and Hermes Growth Partners Ltd. Fiorangelo was Partner and Head of Research at Lansdowne Partners.

Fiorangelo has also held Senior Portfolio Management and Research roles at Newton Investment Management (now part of BNY Mellon), Fidelity International and CCLA Investment Management.

Fiorangelo serves on the advisory Board of FPE Capital (formerly Flemings Family & Partners Private Equity).

He was a former consultant with McKinsey & Co. in Milan and London and a University Lecturer at the University of Oxford Department of Engineering Science and INSEAD Business School (Fontainebleau).

Country of residence: United Kingdom

CHRISTIAN ST-ARNAUD

Non-Executive Director & Chairperson of the Credit Committee

Management Executive Development Program
C.I.R.E.M., Montreal, Canada
Bachelor of Business Administration, Major in Finance
HEC, Montreal, Canada

Date of first appointment as Director: 02 October 2020
Date of last re-election: 15 December 2022
Length of service as Director: 2.7 years

Present directorship:
Non-listed entity:
ABA Bank

Committee membership:

CGC CC RC

Christian graduated from the École des Hautes Études Commerciales in Montréal, Canada. Between 1983 and 2009, he occupied different positions in international and Canadian financial institutions in Canada, with a focus on credit capital market.

DIRECTORS' PROFILES (CONT'D)

CHRISTIAN ST-ARNAUD (CONT'D)

Christian joined National Bank of Canada in 2009 as Vice-President – Credit Capital Markets and Real Estate and was appointed Senior Vice-President – Credit in 2012 (2012-2020); overseeing all retail, commercial, and financial market credit activities of the Bank, including adjudication, portfolio management, and credit model development.

He was also a member of numerous senior Committees of the Bank, including the Global Risk Committee, the Risk Management Committee and the Model Oversight Committee.

Country of residence: Canada

JOAN JILL WAN BOK NALE

Independent Non-Executive Director & Chairperson of the Audit Committee

Member
MIoD

Fellow Chartered Accountant ("FCA")
Institute of Chartered Accountants in England & Wales
BSc (Hons) in Accounting and Finance
The London School of Economics and Political Science, UK

Date of first appointment as Director: 05 November 2020
Date of last re-election: 15 December 2022
Length of service as Director: 2.6 years

Present directorship:
Non-listed entity:
Cementis (Mauritius) Ltd

Committee membership:

AC

Jill is a finance professional with over 13 years of local and regional experience in Transaction Advisory and Assurance services provided across a diverse client portfolio spanning Hospitality, Financial Services, Real Estate, Gaming, Building Materials, Construction, or F&B/Leisure.

She last held the position of Associate Director (Deals) at PwC where she spent 5 years advising both private and public clients on multiple and varied assignments including Valuations, Due Diligence/Feasibility Studies, Financial/Corporate restructuring, IPO and SEM/DEM Transaction Advisory, M&A advisory, Strategy and Business planning, and Deal closing.

Prior to joining PwC, Jill worked 2 years at International Financial Services Ltd (now Sanne Mauritius), a leading local offshore management company, overseeing a portfolio of over 100 clients including mutual funds and private equity funds, and serving as Director on a number of investment funds/GBCs. She started her career at Ernst & Young, spending 6 years in the Assurance department being involved on and leading the audits of listed and non-listed financial institutions mainly including banks, NBFI's and Insurance companies, whilst concurrently being in charge of the IFRS technical desk.

Country of residence: Mauritius

Note: The 'Length of service as Director' for the Board runs from the time of first appointment to the 30 June 2023 or any date of resignation prior to the year end.

BOARD MEETING PROCESS

1 PLANNING	2 AGENDA	3 PRE-MEETING	4 BOARD MEETING	5 POST-MEETING
Meetings are planned in advance for the year as far as possible.	Draft agenda is prepared by the Company Secretary and finalised by the Executive Director and the Chairperson. Agenda is finalised, in most cases, at least one week prior to the meeting.	Agenda and relevant papers are sent to all directors within reasonable time, however, due to the dynamic banking environment, it may happen that some papers are circulated with short notice. Papers are uploaded on a secured online platform. Necessary arrangements are also made for attendance remotely for those directors who are unable to attend physically.	The duration of the meetings is reasonable but may be longer than expected in some cases depending on the discussions and/or matters being considered.	Minutes are drafted and sent for review to the Chairperson before same are circulated to all Directors for further inputs. All follow up actions are transmitted to the relevant party by the Company Secretary and status update are provided to the Board at the earliest possible.

BOARD COMMITTEES

AfrAsia's Board Committees are set up to help the Board to discharge its roles and responsibilities through specific delegated authority and in-built reporting instruments necessary for managing, directing and supervising the management of the business and affairs of the Bank.

The Bank, as at 30 June 2023, has in place eight comprehensively structured Board Committees for more in-depth analysis and evaluation of various issues as may be appropriate. Each Board Committee's Chairperson reports and presents significant matters to the Board for further discussion and/or approval.

Each Committee operates under its own respective Board approved terms of reference which are subject to reassessment as and when required.

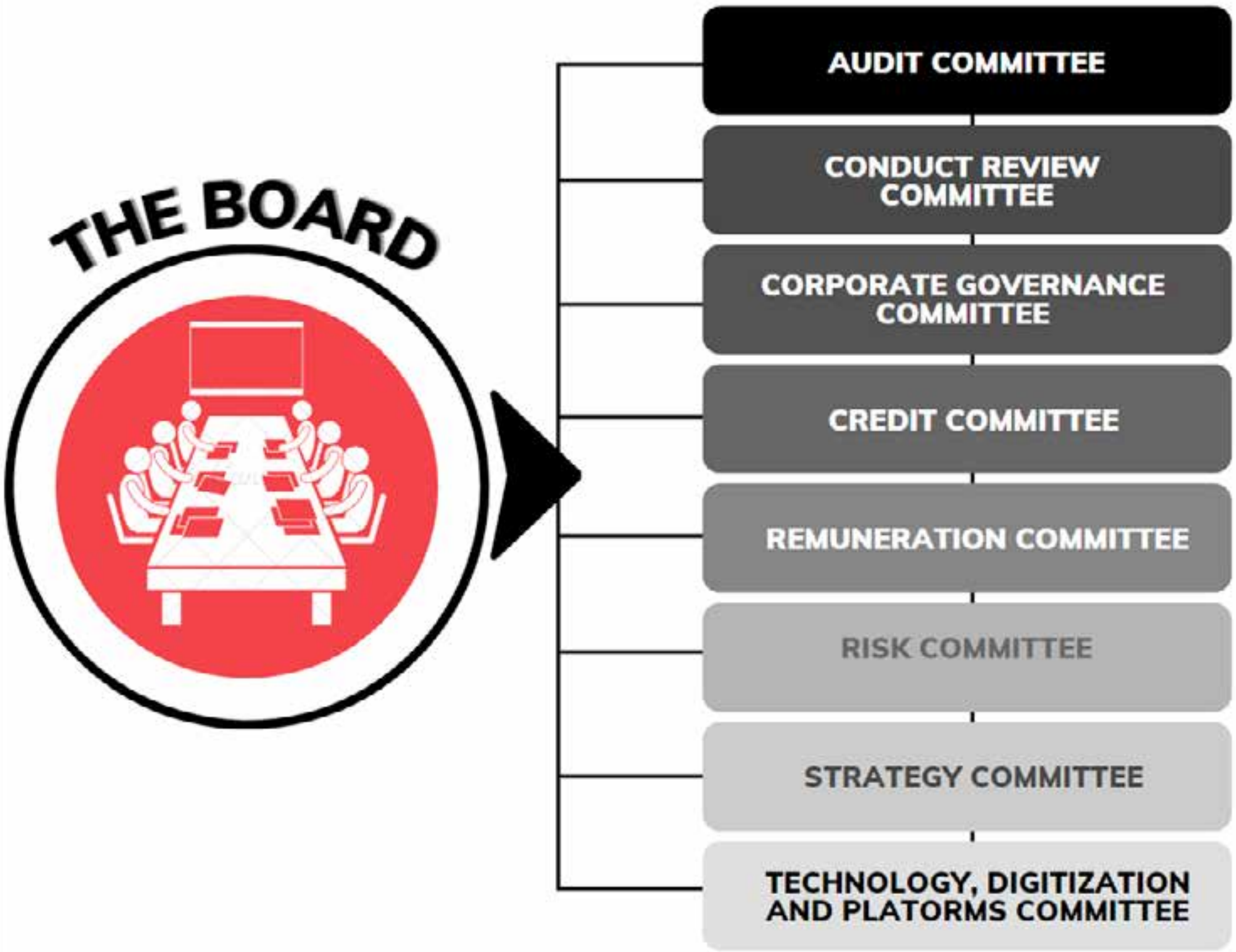
The Corporate Governance Committee was mandated to revise all existing terms of reference, due to the implied reverberations of such an exercise, utmost precautionary and preemptive steps have been undertaken to provide and approve the changes with the highest diligence.

During the financial year under review, the term of reference of five (5) committees were reviewed and one (1) committee was reinstated. These details are depicted below:

The Board disbanded the Conduct Review Committee, effective 01 October 2022, in line with the BOM's Guideline on Related Party Transactions (as amended) to transfer and establish a comprehensive Board-approved framework on related party transaction under the ambit of the Board itself. Further to clarifications sought from the Bank of Mauritius, the latter issued an instruction to advise that the Board of the bank may at its discretion delegate the approval of credit exposures with related parties to a dedicated Board Sub Committee. Subsequently, based on relevant discussion at the Board Corporate Governance Committee and approval of the Board, the bank reinstated the said committee on 14 February 2023.

BOARD COMMITTEES (CONT'D)

The Board Committees Structure as at 30 June 2023 is as follows:



BOARD COMMITTEES (CONT'D)

<u>Audit Committee</u>

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least once every quarter.

Composition:

The Committee shall consist of a minimum of three independent members and a maximum of five independent members. The Committee consisted of four Independent Non-Executive Directors as at 30 June 2023.

Membership as at 30 June 2023:

The membership of the Committee shall be appointed by the Board from amongst the Independent Non-Executive Directors of the Bank. As at 30 June 2023, the composition was in line with membership precepts and was as follows:

Members	Appointment date as member	Status
Joan Jill Wan Bok Nale (Chairperson)	5 November 2020	Independent Non-Executive Director
Marie Doriane Jessica Denise-Rama	14 February 2023	Independent Non-Executive Director
Rehana Kasenally	14 February 2023	Independent Non-Executive Director
Fiorangelo Salvatorelli	1 April 2022	Independent Non-Executive Director

Note: The members of the management team are in attendance as and when required for their relevant sections.

Roles and responsibilities:

General

- Ensuring that there is an open avenue of communication between the Head of Internal Audit, the Group Head Compliance and MLRO, and the External Auditors, and the Board of Directors;
- Reviewing annually and, if necessary, propose for formal Board adoption, amendments to the Audit Committee's Terms of Reference;
- Reporting to the Board on the conduct of its responsibilities at the frequency specified by the Board, with particular reference to the appointment, powers, and duties of auditors;
- Performing such additional duties or investigations as may be assigned to it by the Board of Directors; and
- Ensuring that the Bank complies with regulatory requirements.

Financial Reporting

- Discussing with senior management and external auditors the overall results of the audit, the quality of the financial statements, and any concerns raised by external auditors. This should include:
  - Key areas of risk for misinformation in the financial statements, including critical accounting policies, accounting estimates, and financial statement disclosures;
  - Changes in audit scope;
  - Whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;
  - Significant or unusual transactions; and
  - Internal control deficiencies identified during the course of the audit.
- Overseeing the appropriateness of the Expected Credit Losses ("ECL'') process, models, and assumptions made for IFRS9 and their impact on the financial statements;
- Reviewing any transactions brought to its attention by auditors or any officers of the institution or that might otherwise come to its attention, which might adversely affect the financial condition of the Bank;
- Assessing whether the Bank has implemented adequate financial disclosure procedures; and
- Reviewing the interim and audited financial statements of the Bank (Company and Group level) for adequacy, using a fair and reasonable point of view, before their approval by the Board.

BOARD COMMITTEES (CONT'D)

Audit Committee (Cont'd)

Internal Control

- The Committee must assess whether the Bank has implemented adequate internal control procedures by:
  - Enquiring from management, the Head of Internal Audit, and the External Auditors about significant risks or exposures and evaluating the steps taken to minimise such risk to the Bank;
  - Considering and reviewing management's and the Head of Internal Audit's significant findings during the year and management's responses thereto; and
  - Requiring management of the Bank to implement and maintain appropriate accounting, internal control, and financial disclosures and review, evaluate, and approve such procedures.
- The Committee must ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws.

Internal Audit

- Approving the annual Internal audit plan to ensure that these are risk-prioritised and address all activities over a measurable and reasonable cycle and that the work of external and internal auditors is coordinated;
- Ensuring that Internal Audit provides independent assurance to the Board on whether:
  - The internal control system in place is performing effectively and is adequate to mitigate risks consistent with the risk appetite of the financial institution; and
  - The organisational goals are met and corporate governance processes are effective and efficient.
- Ensuring that:
  - The Board is providing internal audit authority, among other things, to independently assess the effectiveness of internal control, risk management, and governance systems;
  - The internal audit function has adequate resources and recommends to the Board additional Internal Audit headcount when deemed required;
  - Internal auditors to adhere to international professional standards, such as those of the Institute of Internal Auditors;
  - The internal audit team has adequate professional background and training to carry out responsibilities effectively, across the various fields audited (IT, IFRS, Banking, etc.);
  - The internal audit reports are transmitted to the Board without any undue filtering of findings by management, and the reports include a timeframe within which corrective action must be taken; and
  - The Board provides a timely and effective response to the findings of the internal auditors.
- The Internal Audit must report to the Audit Committee and the Committee shall approve the remuneration of the Head of Internal Audit.

Compliance

- Ensuring that there is an appropriate structure in place for identifying, monitoring, and managing compliance and AML risk, as well as a reporting system to advise the Committee and the Board of instances of regulatory non-compliance on a timely basis;
- Ensuring that there is an appropriate structure in place for identifying, monitoring, and managing compliance and AML risks, as well as reviewing regular reports from the Group Head Compliance and MLRO;
- Approving the annual Compliance plan and Compliance Charter;
- Reviewing and recommending the Bank's AML Policy for approval to the Board;
- Ensuring that:
  - The compliance function has adequate authority, independence, and stature in the organisation;
  - The compliance function has adequate resources and recommends to the Board additional Compliance headcount, where deemed required;
  - The compliance function should report directly to and have easy access to AC; and
  - It approves the remuneration of the Group Head Compliance and MLRO.

External Audit

- Recommending to the Board, who will in term recommend to the shareholders the appointment, removal, and remuneration of external auditors for the Bank as well as any subsidiary of the Bank;

BOARD COMMITTEES (CONT'D)

Audit Committee (Cont'd)

External Audit (Cont'd)

- Approving the engagement letter setting out the scope and terms of the external audit;
- Approving the External audit plan to ensure that these are risk-prioritised and address all activities over a measurable and reasonable cycle and that the work of external and internal auditors is coordinated;
- Assessing the external auditors periodically in terms of:
  - The skills, resources, and independence of the external audit firm and its practices for quality control; and
  - The accounting practices.
- Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the external auditor's remit and any issue arising from the external audit, and to discuss any matter that the Committee thinks should be discussed privately; and
- Outside of formal meetings, the Committee Chairperson will maintain a dialogue with key individuals involved in the Bank's governance, including the Board Chairperson, the CEO, the CFO, the External Audit Lead Partner, the Group Head Compliance and MLRO and the Head of Internal Audit.

Reporting responsibilities:

- The Chairperson shall report to the Board on its deliberations after each meeting on all significant matters within its duties and responsibilities; and
- Making whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

Other matters:

- Having access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board;
- Having access to sufficient resources in order to carry out its duties, including access to the Bank's secretariat for assistance as required; and
- Arranging for periodic reviews of its own performance and reviewing its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Conduct Review Committee

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least once every quarter or more frequently as circumstances require.

Composition:

The Committee shall consist of a minimum of three members and a maximum of five members. The Committee consisted of one Independent Non-Executive Director, one Non-Executive Director and one Executive Director as at 30 June 2023.

Membership as at 30 June 2023:

As at 30 June 2023, the composition was in line with membership precepts and was as follows:

Members	Appointment date as member	Status
Louis Didier Merle (Chairperson)	14 February 2023	Independent Non-Executive Director
Boris Faucher	14 February 2023	Non-Executive Director
Jennifer Jean-Louis	14 February 2023	Executive Director

BOARD COMMITTEES (CONT'D)

Conduct Review Committee (Cont'd)

Note: The members of the management team are in attendance as and when required for their relevant sections.

The Board disbanded the Conduct Review Committee, effective 01 October 2022, in line with the BOM's Guideline on Related Party Transactions (as amended) to transfer and establish a comprehensive Board-approved framework on related party transaction under the ambit of the Board itself. Further to clarifications sought with the Bank of Mauritius, the latter issued an instruction to advise that the Board of the bank may at its discretion delegate the approval of credit exposures with related parties to a dedicated Board Sub Committee. Subsequently, based on relevant discussion at the Board Corporate Governance Committee and approval of the Board, the bank reinstated the said committee on 14 February 2023. This temporary discontinuation was the rationale behind not completing the meeting quota.

Roles and responsibilities:

- Requiring management of the Bank to establish policies and procedures to comply with the requirements of the BOM's Guideline on Related Party Transactions;
- Reviewing the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Bank;
- Ensuring approval authorities are in place for related party transactions;
- Reviewing and approving each credit exposure to related parties;
- Ensuring that market terms and conditions are applied to all related party transactions;
- Reviewing the practices of the Bank to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Bank is identified and dealt with in a timely manner;
- Escalating the following to the Board:
    - Credit facilities to staff that are not in line with the terms and conditions as approved by the Board;
    - All exposures approved by the Conduct Review Committee must be duly noted by the Board on a quarterly basis; and
    - Submitting quarterly reports on the performance of credit exposures and any other transactions approved by the Conduct Review Committee.
- Reporting periodically, and in any case not less frequently than on a quarterly basis, to the Board of Directors on matters reviewed by it, including exceptions to policies, processes, and limits.

Reporting responsibilities:

- The committee Chairperson shall report to the Board on its deliberations after each meeting on all matters within its duties and responsibilities; and
- The committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

Other matters:

- The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board;
- The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Bank's secretariat for assistance as required;
- The Committee shall give due consideration to laws, regulations, and any published guidelines or recommendations; and
- The Committee shall arrange for periodic reviews of its own performance and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

BOARD COMMITTEES (CONT'D)

<u>Corporate Governance Committee</u>

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least once every quarter or more frequently as circumstances require.

Composition:

The Committee shall consist of a minimum of three members and a maximum of five members. The Committee consisted of one Independent Non-Executive Director and 4 Non-Executive Directors as at 30 June 2023.

Membership as at 30 June 2023:

The membership of the Committee shall be appointed by the Board from amongst the Directors of the Bank and shall be composed of a majority of Non-Executive Directors. As at 30 June 2023, the composition was in line with membership precepts and was as follows:

Members	Appointment date as member	Status
Aslam Kanowah (Chairperson)	22 October 2020	Non-Executive Director
Jan Fredrik Louis Gaëtan Boullé	22 October 2020	Non-Executive Director
Marie Doriane Jessica Denise-Rama	14 February 2023	Independent Non-Executive Director
Jean-Raymond Rey	1 April 2022	Non-Executive Director & Chairperson of the Board
Christian St-Arnaud	1 April 2022	Non-Executive Director

Note: The members of the management team are in attendance as and when required for their relevant sections.

Roles and responsibilities:

- Determining, agreeing, and developing the Bank's general policy on corporate governance in accordance with the recommendations of the Code;
- Providing corporate governance advice to the Board;
- Ensuring that disclosures on corporate governance, whether in the annual report or on an ongoing basis, are made in accordance with the principles of the Code;
- Preparing the corporate governance report to be published in the annual report;
- Reviewing the annual corporate social responsibility policies and related budgets; and
- Ensuring that the Board members receive a thorough orientation on Board governance and key strategic issues facing the financial institution.

The Corporate Governance Committee shall act as the Nomination Committee as and when required. Responsibility as Nomination Committee:

- Recommending to the Board candidates for Board positions, including the chair of the Board and chairs of the Board committees;
- Reviewing the Board's structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;
- Recommending criteria for the selection of Board members and criteria for the evaluation of their performance;
- Recommending nominees for Board committees
- Commenting on the contribution of individual Directors to the achievement of corporate objectives as well as on the regularity of their attendance at the Board and committee meetings; and

BOARD COMMITTEES (CONT'D)

Corporate Governance Committee (Cont'd)

Roles and responsibilities (cont'd):

- When considering an appointment to the Board, the Nomination Committee shall satisfy itself that the candidate is able to commit sufficient time and effort to fulfil its responsibilities effectively, particularly if the candidate has a seat on multiple Boards or undertakes other professional or commercial activities.

Reporting Responsibilities:

- The committee Chairperson shall report to the Board on its deliberations after each meeting on all significant matters within its duties and responsibilities; and
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Other matters:

- The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board;
- The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Bank's secretariat for assistance as required;
- The Committee shall give due consideration to laws, regulations, and any published guidelines or recommendations; and
- The Committee shall arrange for periodic reviews of its own performance and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Credit Committee

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least once every quarter or more frequently as circumstances require.

Weekly Credit Committee held:

During the financial year under review, the members of the Credit Committee met to discuss and approve credit files on a weekly or fortnightly basis or as and when required. The Bank has set credit limits for executive approval at different levels, namely, Senior Credit Risk Manager, Head of Credit, Management Credit Committee, and Credit Committee, which necessitate the involvement of Credit Committees in many files. These delegated lending limits were approved in November 2021 and reviewed in December 2022. The approvals of credit files initially approved by the Credit Committee at lower level authority are ratified in the quarterly reporting Credit Committee meetings. For the year under review, there were 19 weekly Credit Committee meetings and 45 weekly Management Credit Committee meetings held. The frequency of these meetings was necessary by the requirement in order to meet business and client expectations and to ensure rigorous debates on credit matters at the different levels of approval authority.

**The number of meetings featured pertains solely to quarterly meetings.*

Composition:

The Committee shall consist of a minimum of three members and a maximum of five members. The Committee consisted of one Independent Non-Executive Director and three Non-Executive Directors as at 30 June 2023.

BOARD COMMITTEES (CONT'D)

Credit Committee (Cont'd)

Membership as at 30 June 2023:

The membership of the Committee shall be appointed by the Board from amongst the Directors of the Bank consisting of Independent Non-Executive Directors and Non-Executive Directors. As at 30 June 2023, the composition was in line with membership precepts and was as follows:

Members	Appointment date as member	Status
Christian St-Arnaud (Chairperson)	22 October 2020	Non-Executive Director
Alastair James Bryce	14 February 2023	Independent Non-Executive Director
Aslam Kanowah	02 March 2022	Non-Executive Director
Jean-Raymond Rey	22 October 2020	Non-Executive Director & Chairperson of the Board

Note: The members of the management team are in attendance as and when required for their relevant sections.

Roles and responsibilities:

- Reviewing credit risk policy, lending guidelines, and credit concentration risk policy at least once a year and submitting them to the Board for approval;
- Overseeing the credit risk management of the Bank, including reviewing the loan portfolio and monitoring large credit exposures;
- Approving or denial of credit applications in accordance with the Bank's credit risk policy when exceeding limits delegated to the Management Credit Committee;
- Reviewing and approving any deviations from the Bank's credit risk policy;
- Ensuring that management establishes adequate credit assessment processes and effective controls to identify any deterioration in the loan portfolio;
- Approving any delegation of credit approval authority to the Head of Credit and Management Credit Committee;
- Approving any delegation of country limits to the Head of Risk and Management Credit Committee; and
- As and when required, the Credit Committee may provide its views and comments to the Risk Committee on specific credit matters.

Reporting responsibilities:

- The committee Chairperson shall report to the Board on its deliberations at quarterly Board meetings on all significant matters within its roles and responsibilities; and
- The committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

Other matters:

- The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board;
- The Committee shall have access to sufficient resources to carry out its duties, including access to the Bank's secretariat for assistance as required;
- The Committee shall give due consideration to laws, regulations, and any published guidelines or recommendations; and
- The Committee shall arrange for periodic reviews of its own performance and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

BOARD COMMITTEES (CONT'D)

Remuneration Committee

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least twice a year.

Composition:

The Committee shall comprise between three and five members. The Committee consisted of one Independent Non-Executive Director and three Non-Executive Directors as at 30 June 2023.

Membership as at 30 June 2023:

The membership of the Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Bank. As at 30 June 2023, the composition was in line with membership precepts and was as follows:

Members	Appointment date as member	Status
Marie Doriane Jessica Denise-Rama (Chairperson)	14 February 2023	Independent Non-Executive Director
Jan Fredrik Louis Gaëtan Boullé	02 March 2022	Non-Executive Director
Boris Faucher	17 May 2022	Non-Executive Director
Aslam Kanowah	02 March 2022	Non-Executive Director

Note:
- Marie Doriane Jessica Denise-Rama has been appointed as Chairperson in May 2023. Previously, Jan Fredrik Louis Gaëtan Boullé had been Chairperson since March 2022; and
- The members of the management team are in attendance as and when required for their relevant sections.

Roles and responsibilities:

- Having responsibility for recommending the remuneration policy for all Executive Directors, Directors, and the Chairperson of the Board, including pension rights and any compensation payments to be approved by the Board as per laws and regulations. The Board shall determine the remuneration of the Non-Executive Directors. No director or senior manager shall be involved in any decisions as to their own remuneration;
- Recommending and monitoring the level and structure of remuneration for senior management;
- Taking into account all factors that it deems necessary, including relevant legal and regulatory requirements, the principles of the Code, and associated guidance;
- Reviewing the ongoing appropriateness and relevance of the remuneration policy;
- Within the terms of the agreed policy and in consultation with the CEO, as appropriate, recommending to the Board of Directors the total individual compensation package of each Executive Director, the Board Chairperson, and other designated senior executives including bonuses, incentive payments, and share options or other share awards;
- Overseeing any major changes in employee benefit structures throughout the Bank;
- Working and liaising as necessary with other Board committees;
- Approving and recommending to the Board the design of, and determining targets for, any performance related pay schemes operated by the Bank and the total annual payments made under such schemes; and
- Annual review of bonuses and salary adjustments.

Reporting responsibilities:

- The committee Chairperson shall report to the Board on its deliberations after each meeting on all significant matters within its duties and responsibilities; and
- The committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

BOARD COMMITTEES (CONT'D)

Other matters:

- The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board;
- The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Bank's secretariat for assistance as required;
- The Committee shall give due consideration to laws, regulations, and any published guidelines or recommendations regarding the remuneration of directors and executives; and
- The Committee shall arrange for periodic reviews of its own performance and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Risk Committee

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least once every quarter or more frequently as circumstances require.

Composition:

The Committee shall consist of a minimum of three members and a maximum of five members. The Committee consisted of two Independent Non-Executive Directors and two Non- Executive Directors as at 30 June 2023.

Membership as at 30 June 2023:

With the exception of the CEO, the membership of the Committee shall be appointed by the Board and shall comprise of any Board members. As at 30 June 2023, the composition was as follows:

Members	Appointment date as member	Status
Alastair James Bryce (Chairperson)	14 February 2023	Independent Non-Executive Director
Isabelle Alvares Pereira De Melo	14 February 2023	Non-Executive Director
Fiorangelo Salvatorelli	02 March 2022	Independent Non-Executive Director
Christian St-Arnaud	30 November 2020	Non-Executive Director

Note:

- Alastair James Bryce has been appointed as Chairperson in February 2023. Previously, Fiorangelo Salvatorelli had been Chairperson since March 2022; and
- The members of the management team are in attendance as and when required for their relevant sections.

As at 30 June 2023, the Committee was not in adherence with the membership precepts as the CEO should be a member of the Committee. However, Thierry Vallet, Interim CEO & Chief Commercial Officer, is attending the Committee as and when required.

BOARD COMMITTEES (CONT'D)

Risk Committee (Cont'd)

Roles and responsibilities:

- Advising the Board on the Bank's overall current and future risk appetite, overseeing senior management's implementation of the risk appetite framework, and reporting on the state of risk culture in the Bank;
- Reviewing and establishing the risk appetite framework and seeking approval of the Board for the risk appetite framework.
- Responsible for the identification of principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the Bank, and actions to mitigate the risks;
- Responsible for the appointment of a Chief Risk Officer who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the Bank;
- Responsible for ensuring the independence of the Chief Risk Officer from operational management without any requirement to generate revenues;
- Requirement of the Chief Risk Officer to provide regular reports to the committee, senior management, and the Board on his activities and findings relating to the Bank's risk appetite framework;
- Receiving from senior officers, periodic reports on risk exposures and activities to manage risks; and
- Formulating and making recommendations to the Board on risk management issues.

Reporting responsibilities:

- The Risk Committee Chairperson shall report to the Board on its deliberations after each meeting on all significant matters within its duties and responsibilities; and
- The Risk Committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

Other matters:

- The Risk Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board;
- The Risk Committee shall have access to sufficient resources in order to carry out its duties, including access to the Bank's secretariat for assistance as required;
- The Risk Committee shall give due consideration to laws, regulations, and any published guidelines or recommendations; and
- The Risk Committee shall arrange for periodic reviews of its own performance and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Strategy Committee

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least twice a year and otherwise as required/necessary to adequately and timely advise the Board.

Composition:

The Committee shall compose of at least three members and a maximum of 50% of the directors. The Committee consisted of one Independent Non-Executive Director, three Non-Executive Directors and one Executive Director as at 30 June 2023.

BOARD COMMITTEES (CONT'D)

Strategy Committee (Cont'd)

Membership as at 30 June 2023:

With the exception of the CEO, the membership of the Committee shall be appointed by the Board with a majority of Non-Executive Directors. As at 30 June 2023, the composition was in line with membership precepts and was as follows:

Members	Appointment date as member	Status
Isabelle Alvares Pereira De Melo (Chairperson)	12 May 2022	Non-Executive Director
Alastair James Bryce	14 February 2023	Independent Non-Executive Director
Boris Faucher	14 February 2023	Non-Executive Director
Jennifer Jean-Louis	14 February 2023	Executive Director
Jean-Raymond Rey	12 May 2022	Non-Executive Director & Chairperson of the Board

Note: The members of the management team are in attendance as and when required for their relevant sections.

Roles and responsibilities:

- Reviewing, considering, investigating, analysing, evaluating, monitoring, and exercising general oversight of the activities of the Bank periodically and making recommendations to the Board regarding:
  - the Bank's strategic plan and overall strategy, and
  - any strategic initiatives identified by the Board or management from time to time, including the launching of new products, entry into new lines of business, and exit from existing products and/or lines of business.
- Assisting the Board in assessing major financial and investment plans and other material issues that affect the strategic plan and/or development of the Bank;
- Assisting management in the development of the Bank's strategy, including reviewing and discussing with management the strategic direction and initiatives of the Bank and the risks associated with the Bank's strategy;
- Assisting management in the development, or modification of the Bank's strategic plan;
- Giving advice on negotiation strategy and helping in the documentation of any requisite agreements and other documentation relating to a Strategic Transaction;
- Assisting management with identifying key issues, options, and external developments impacting the Bank's strategy;
- Reviewing the annual business plan, budget, and capital structure of the Bank before onward submission to the Board for approval;
- Reporting to the Board regularly on the workings of the committee and its recommendations;
- Reviewing proposals for raising funds as submitted by the management and making suggestions in that respect to the Board; and
- Reviewing and assessing annually the adequacy of this term of reference and recommending any proposed changes to the Board for approval.

Reporting responsibilities:

- The committee Chairperson shall report to the Board on its deliberations after each meeting on all significant matters within its duties and responsibilities; and
- The committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

Other matters:

- The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense;

BOARD COMMITTEES (CONT'D)

<u>Strategy Committee (Cont'd)</u>

Other matters (cont'd):

- The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Bank's secretariat for assistance as required; and
- The Committee shall arrange for periodic reviews of its own performance and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

<u>Technology, Digitization and Platforms ("TDP") Committee</u>

Meetings:

In line with its approved Terms of Reference, the Committee should meet at least once every quarter or more frequently as circumstances require.

Composition:

The Committee shall consist of a minimum of three members and a maximum of five members. The Committee consisted of two Independent Non-Executive Directors, one Non-Executive Director and one Executive Director as at 30 June 2023.

Membership as at 30 June 2023:

The membership of the Committee shall consist of any member the Board, including the CEO. As at 30 June 2023, the composition was in line with membership precepts and was as follows:

Members	Appointment date as member	Status
Fiorangelo Salvatorelli (Chairperson)	02 March 2022	Independent Non-Executive Director
Isabelle Alvares Pereira De Melo	22 October 2020	Non-Executive Director
Jennifer Jean-Louis	14 February 2023	Executive Director
Rehana Kasenally	14 February 2023	Independent Non-Executive Director

Note: The members of the management team are in attendance as and when required for their relevant sections.

Roles and responsibilities:

Strategy and policies

- Any strategies and framework related to Information Technology, Digitization and Platforms, including e-banking products and services;
- Any technology strategy, policies, implementation of IT, and digitization initiatives or projects undertaken that are aligned with the business strategy; and
- Any proposals, policies, standards, procedures, and framework related to the ICT Security blueprint in line with the security strategies of the Bank.

BOARD COMMITTEES (CONT'D)

Technology, Digitization and Platforms ("TDP") Committee (Cont'd)

Roles and responsibilities (cont'd):

Risks

- A proper balance of IT investments for sustaining the bank's growth, that IT investments represent a balance of risks and benefits, and that budgets are acceptable and monitored;
- Review and recommend, as may be required to the Audit Committee the Internal Audit's IT Annual Audit Plan and the corresponding Risk assessment;
- Information and technology risks identified during the audit process are assessed and managed in line with relevant frameworks;
- Awareness about exposure to IT risks and controls, effectiveness of management's monitoring of IT risks through oversight over the proceedings of the Information Security Management Committee;
- Appropriate business continuity arrangements are in place relating to information technology; and
- On-going relevance of the Company's information management and data governance framework and systems, including those relating to compliance with the General Data Protection Regulations (and any analogous legislation).

Resources

- Appointment of any such person (employee, consultant, or advisor) to undertake any specific projects or assignments in relation to the Bank's technology or digitalization initiatives/projects;
- On-going appropriateness and relevance of the Company's policy for the allocation of resources required to deliver both the short-term and long-term information technology strategies; and
- IT organisational structure complements the business model and its direction.

Performance and value

- Management has implemented processes and practices that ensure that the IT services deliver value to the business; and
- Senior management's performance in implementing IT strategies and the contribution of technology to businesses.

Budgets

- Review the IT budget figures.

Other

- To undertake such other duties and responsibilities as are determined by the Board of Directors of the Bank for this Committee.

Reporting responsibilities:

- The committee Chairperson shall report to the Board on its deliberations after each meeting on all significant matters within its duties and responsibilities.
- The committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

Other matter:

- The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board.

BOARD OF DIRECTORS MEETINGS

During the year under review, the reconstituted Board held sixteen (16) meetings. The Board manages a schedule for the meetings with enough leeway for any additional issues arising to be included in the agenda as and when required in line with the Bank's constitution. Decisions are also taken by way of resolutions in writing, assented to, and signed by all the Directors.

ATTENDANCE REPORT

The attendance report of the Directors, determined as from date of appointment, at Board and Committee meetings for the year ended 30 June 2023 are tabulated below:

	Board of Directors	Audit Committee	Conduct Review Committee	Corporate Governance Committee	Credit Committee	Remuneration Committee	Risk Committee	Strategy Committee	TDP Committee
No. of meetings held	**16**	**13**	**2**	**11**	**4(19)**	**7**	**6**	**5**	**4**
Jean-Raymond Rey (Chairperson)*	16/16	-	-	11/11	4/4(18/19)	-	5/5	4/5	-
Isabelle Alvares Pereira De Melo	16/16	-	-	-	-	-	1/1	5/5	4/4
Jan Fredrik Louis Gaëtan Boullé	16/16	-	-	10/11	-	7/7	-	-	-
Alastair James Bryce*	8/8	-	-	-	1/1(6/6)	-	1/1	2/2	-
Marie Doriane Jessica Denise-Rama	8/8	3/3	-	4/4	-	1/1	-	-	-
Boris Faucher	14/16	-	1/1	6/7	-	7/7	-	2/2	-
Jennifer Jean-Louis	16/16	-	1/1	-	-	-	-	2/2	1/1
Aslam Kanowah*	16/16	-	-	11/11	4/4(19/19)	7/7	-	3/3	3/3
Rehana Kasenally	8/8	3/3	-	-		-	-	-	1/1
Louis Didier Merle*	11/16	6/10	2/2	-	3/3(9/13)	-	-	-	-
Fiorangelo Salvatorelli	16/16	13/13	1/1	-	-	-	6/6	3/3	4/4
Christian St-Arnaud*	15/16	-	-	11/11	4/4(18/19)	-	6/6	3/3	-
Joan Jill Wan Bok Nale	12/16	13/13	1/1	-	-	-	-	-	-

**These Directors also attended the Weekly Credit Committee meetings, and the sum of both quarterly and weekly meetings are represented respectively by the figures in brackets.*

COMPANY SECRETARY

The Company Secretary assists and provides guidance to the Board of Directors. The Company Secretary also helps the Directors to fulfil their duties while acting with the utmost integrity and independence in the best interest of the Bank.

It also has a key role to play in the application of corporate governance within the Bank.

On 17 May 2021, the Bank appointed Jennifer Jean-Louis to serve as Company Secretary alongside her position as CFO. On 9 February 2023, Andy Chan Soon Sen was appointed as Company Secretary, and on the same date, Jennifer Jean-Louis stepped down.

ANDY IVAN CHAN SOON SEN

Company Secretary

Member
MIoD

Fellow Member
Chartered Governance Institute of UK & Ireland (“CGI’’)
MBA with Specialisation in Financial Services
Open University of Mauritius
BA (Hons) Law and Management
University of Mauritius

Andy is a Chartered Governance Professional with more than 12 years of experience in corporate governance matters and company secretarial practice. Prior to joining AfrAsia Bank in 2022, he was responsible of the Corporate Affairs cluster of the main subsidiary of a leading global multinational operating in the pharmaceutical industry.

Andy worked for various companies offering outsourced corporate & secretarial services to a diverse range of companies in various sectors. He started his career with a local conglomerate.

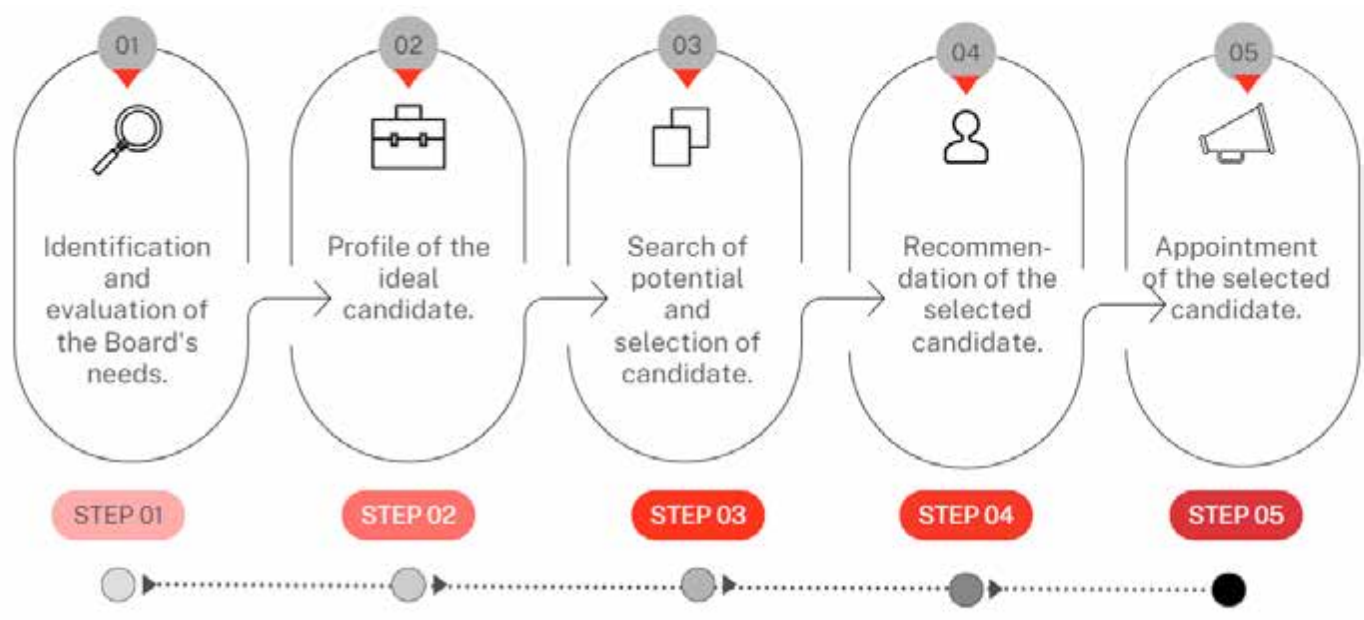
Alongside his role as Secretary to the Board, Andy also acts as Secretary to the Committees of the Board as follows: Audit Committee, Conduct Review Committee, Corporate Governance Committee, Credit Committee, Remuneration Committee, Risk Committee, Strategy Committee, Technology, Digitization and Platforms Committee.

PRINCIPLE THREE – DIRECTOR APPOINTMENT PROCEDURES

BOARD MEMBER APPOINTMENT

The Board has mandated the Corporate Governance Committee to identify, assess, and select candidates guided by legal and regulatory requirements. An assessment should be conducted, with selection made on merit against objective criteria in relation to skills, knowledge, experience, independence, and gender balance which will add to the benefits of diversity on the Board.

The Board members' selection and nomination process can be classified into the main steps illustrated below:



Once the selection process has been completed, the Corporate Governance Committee makes its recommendation to the Board for approval and the appointment is subject to relevant regulatory approvals.

For the purpose of filling a casual vacancy, the Director shall stay in office until the next annual meeting, at which he or she will stand for election by the shareholders.

The newly appointed Director receives a Letter of Appointment which contains the following main details:

- Time commitment;
- Roles and duties;
- Outside interests;
- Confidentiality;
- Price-sensitive information and dealing in the Bank's shares;
- Induction;
- Review process; and
- Insurance.

The appointments and resignations during the year under review have been summarised under the "**OUR DIRECTORATE"** segment under the sub-headers, "**Appointments**" and "**Resignation**".

INDUCTION AND PROFESSIONAL DEVELOPMENT

Following appointment on the Board, the Directors receive extensive and formal tailored induction training to familiarise themselves with the activities of the Bank, including training relevant to money laundering and terrorist financing risk. In addition to receiving a comprehensive information and orientation pack, newly appointed directors also get acquainted with the Board Charter and terms of reference of the Board sub-committees and their statutory duties and obligations. A refresher session is also organised as and when required, but at least once every two years. As at date, all new directors have attended and participated in an induction and orientation process.

The Chairperson regularly reviews training requirements of directors and consequently appropriate training is provided to continuously update their skills and knowledge. The Company Secretary also keeps an updated register of training for all the directors.

Note: Briefings include one-to-one with Chairperson, Company Secretary, CEO and presentation on the main business units.

In line with continuous professional development, the Directors attended trainings hovering over core matters, namely: Benefits of Own Risk Self-Assessment for Board Assurance, Directors' Duties, AML/CFT, Environmental, Social, and Governance, Business Units Induction, including Audit and Risk.

Moreover, on a quarterly basis, the Directors receive an update on any regulatory change, including a summary of any new BOM guidelines or any change to existing BOM guidelines or an Act relevant to the banking and financial services sector.

SUCCESSION PLANNING

In accordance with its Terms of Reference, the Board is responsible for the succession planning of the Board, the Chief Executive Officer and the senior management team of the Bank.

The Board has mandated the Corporate Governance Committee to put in place the succession plans, especially those of the Chairperson and of the CEO. The same is formalised in the terms of reference of the Corporate Governance Committee.

The Corporate Governance Committee shall be responsible for the identification and nomination of potential candidates.

PRINCIPLE FOUR – DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

LEGAL DUTIES

All Directors are fully knowledgeable of their statutory duties as laid out in The Companies Act 2001.

CODE OF ETHICS FOR THE BOARD

The Bank has a Code of Ethics for its Board; same is available on the Bank's website.
(https://www.afrasiabank.com/media/3187/code-of-ethics-Board-of-directors.pdf)

The Board believes that it must lead by example and encourages the Bank's senior management, the staff and other relevant stakeholders to follow the Conduct and Ethics Policy and to act ethically. The Board monitors and evaluates compliance with its Code of Ethics as and when required.

BOARD APPRAISAL

The Board must undergo a performance appraisal exercise, in accordance with the Code and BOM's Guideline on Corporate Governance. The Directors are requested to evaluate the Board on the following main criteria:

- The Board's size, composition, and structure;
- The Board's roles, duties, and responsibilities;
- The effectiveness of the Board and its Committees; and
- The role and function of the Chairperson.

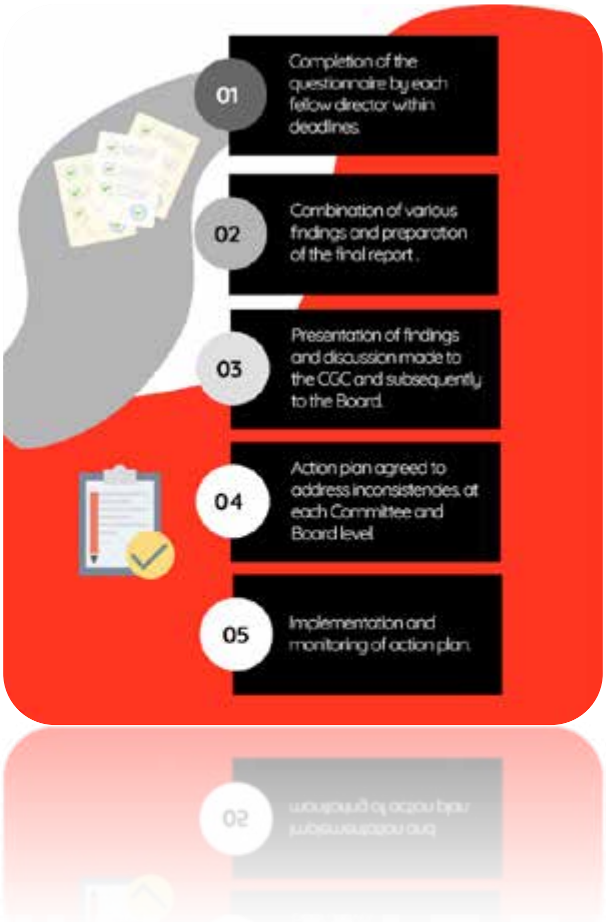
A Board and Directors' evaluations were conducted in April / May 2022 and a follow-up exercise was then performed in October/November 2022. Initially, the Bank received three submissions through a tendering process whereby BDO Services & Co/Insync was selected. Insync is an Australian-based company and an international leader in integrated experience management, research and consulting. It was recommended by the CGC and approved by the Board that BDO/Insync be appointed to conduct the Board and Directors' evaluation. It was thereafter decided to retain BDO/Insync for the November 2022 evaluation to follow up on the findings of the previous exercise and to further benchmark the performance with the same standards.

For the year under review, in line with the recommendation of the Code that revolves around using an external consultant for the Board appraisal exercise, an evaluation was undertaken with the support of an independent external facilitator under the oversight of both the Chairperson of the Board and the Corporate Governance Committee.

In this respect, a formal and rigorous evaluation exercise of the Board, its Committees, and the Directors was conducted by BDO Services & Co/Insync, whereby the views of the Directors were sought, notably on a range of governance topics and related documents, in November 2022.

The report identified areas of improvement and action plans were subsequently agreed upon. The implementation of the action plans is being monitored by the Chairperson and the Board, with the support of the Corporate Governance Committee, to ensure that issues identified are given due consideration within a reasonable timeframe.

In line with the above-mentioned action plans, the Chairperson of each Committee is monitoring and reporting regularly to the Board on the discussion and actions related to the efficacy of their respective committees in line with the predefined action plan measures, with the ultimate view to improving Board effectiveness and consequently the effectiveness of the Bank.



DIRECTORS' REMUNERATION AND BENEFITS

The Remuneration Committee, as part of its duties, recommends, agrees, develops, and reviews the Bank's general remuneration philosophy on executive and senior management remuneration.

The remuneration and benefits paid and payable to the Directors for the year ended 30 June 2023 are tabulated below:

Remuneration and benefits paid and payable (MUR'000)				
	Fixed	Variable	Others	Total
Jean-Raymond Rey (Chairperson)[1]	6,600	-	1,801	8,401
Isabelle Alvares Pereira De Melo	500	1,050	-	1,550
Jan Fredrik Louis Gaëtan Boullé[2]	500	1,385	-	1,885
Alastair James Bryce	266	590	-	856
Marie Doriane Jessica Denise-Rama	266	510	-	776
Boris Faucher[3]	-	-	-	-
Jennifer Jean-Louis[4]	10,618	11,516	-	22,134
Aslam Kanowah	500	2,775	-	3,275
Rehana Kasenally	266	330	-	596
Louis Didier Merle	500	1,270	-	1,770
Fiorangelo Salvatorelli	500	1,855	109	2,464
Christian St-Arnaud	500	2,490	109	3,099
Joan Jill Wan Bok Nale	500	1,110	-	1,610

[1] The Chairperson does not receive any additional fees for attendance of any meetings.

[2] The fees were paid to IBL Ltd.

[3] The Director has opted to waive any compensation for acting as Director, partner or officer of AfrAsia Bank Limited.

[4] The Director's remuneration and benefits for the year under review include the amount paid to her for the additional roles and responsibilities that she undertook.

DIRECTORS' REMUNERATION AND BENEFITS (CONT'D)

The table below sets out the fee structure for Non-Executive & Independent Non-Executive Directors:

Category of Member	MUR'000	Fee details
Chairperson	6,600	Fixed fee per annum
Board Member	500	Fixed per annum for a maximum of 5 Board meetings
Additional fee to Board Member	50	Per attendance of any additional Board meetings
Committee Member	45	Per attendance
Additional fee to Chairperson of Committee	10	Per attendance
Risk Committee Member being also a Credit Committee Member	25	Per attendance

None of the Non-Executive Directors have received any remuneration in the form of share options or bonuses associated with organisational performance during the year.

Total remuneration and benefits paid and payable, to the Directors from the Bank and its subsidiary for the year ended 30 June 2023 were as follows:

	YEAR ENDED 30 JUNE 2023		YEAR ENDED 30 JUNE 2022		YEAR ENDED 30 JUNE 2021		
	Executive Director	Non-Executive Directors	Executive Directors	Non-Executive Directors	Executive Director		Non-Executive Directors
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
					Non-Exit	*Exit*	
The Bank							
AfrAsia Bank Limited	22,134	26,282	22,513	31,085	16,673	28,071	19,691
The Subsidiary							
EKADA Capital Ltd (formerly known as AfrAsia Capital Management Ltd) (Disposal on 25 January 2021)	-	-	-	-	4,520	-	-

Note: No director fees were paid to the Directors of AfrAsia Investment Limited.

DIRECTORS' SHARE INTEREST

The interests of the Directors in the securities of the Bank and its subsidiary are maintained by the Company Secretary. As part of the appointment of a Director, the latter can choose to notify the company secretary in writing of their interests as well as their related parties' interests in the securities of the Group and the Bank.

As at 30 June 2023, Jennifer Jean-Louis, Executive Director, held 47,000 ordinary shares.

CONFLICTS OF INTEREST

A conflict of interest is a situation whereby the interests of a member of the Board or management or one of the significant shareholders and/or one of their associates are competing with or impeding the interests of the Bank and/or its subsidiary.

Any conflict or potential conflict of interest must be declared to the Board and/or Company Secretary. The conflicts of interest of Directors are generally recorded in a register maintained by the Company Secretary. The Interest Register is available for consultation by shareholders upon written request to the Company Secretary.

It is noted that for any Board and Committee meetings, the agenda contains a standard item whereby the Directors present are requested to declare any interest that they have or may have with respect to any of the matters to be discussed. Any declaration made has been recorded in the minutes accordingly, and the conflicted Director has had to abstain from participating in the deliberations and from voting on the concerned matter.

The following principles are encouraged in relation to conflicts of interest:

- The personal interests of a Director or persons closely associated with the Director must not take precedence over the Bank and its shareholders, including the minority ones;
- Directors are required to avoid conflicts of interest and make full and timely disclosure of any such conflicts when exposed to them; and
- Directors appointed by shareholders are aware that their duties and responsibilities are to act in the best interest of the Bank and not for the shareholders who nominated them.

All information obtained by Directors in their capacity as directors to the Board of AfrAsia Bank Limited is treated as confidential and is not divulged to any other parties without the expressed authority of the Board.

INFORMATION TECHNOLOGY AND ICT SECURITY

The Bank's overall strategic direction is highly dependent on its information technology management. Businesses today are rapidly embracing new technologies and modern ways of working. Historically, separate domains no longer have the luxury of operating in a vacuum. Business competitiveness depends on business-technology alignment. As employees spend more time using their personal devices on premises, interacting on social networks, and sharing information via file-sharing services, the Bank has to look for ways to ensure security and data preservation while safeguarding the privacy of the users. Newer generations understand this intuitively: the volume of information created and consumed on mobile devices is growing exponentially, which is also changing and shaping the way individuals use and share information.

With technology innovating and evolving much faster than the speed of change in organisational cultures as it extends out to the cloud and mobile devices, IT teams have to radically change how they operate. Most important is how they offer their services, including how they procure products and services, manage technology, and manage data assets, together with their own role within the organisation within a certain framework. ABL's technology leadership plays a key role in embracing this trend to deliver efficient and effective information technology that enables business development. Collective decision-making can result in executive buy-in to help drive more business value from technology investments. However, policy enforcement can fall short when the organisation lacks tools to monitor and manage compliance with the bank's policies. Serious efforts are required from executives to enforce the required policies.

As part of its response to the evolving nature of cyber threats, ABL's ICT Security team has implemented a comprehensive set of policies for information security, cyber security, and technology risks that protect the confidentiality, integrity, and availability of information created, processed, transmitted, stored, and disposed of by the Bank. The policies and procedures are posted on the bank's intranet, accessible to its employees. Regular security training and awareness campaigns are conducted to ensure that employees understand their roles in information protection and are equipped to detect or avoid situations that may compromise the ABL environment.

In this respect, the Board has established a formal Board Committee, namely the Technology, Digitization, and Platforms Committee, together with a set of governance policies that are implemented and regularly reviewed to manage and minimise the associated risks and align with the modern business world. The TDP Committee ensures that the Bank continuously seeks to foster a robust framework for the smooth running of its activities, together with adequate proficient resources and sophisticated infrastructure to manage the relevant risks and ensure the bank's business continuity. The TDP Committee monitors and evaluates significant investments in information technology and expenditures. Along with the Board, the Bank's representatives may include the Chief Operating Officer, the Head of ICT, the Head of Digital, and the Head of ICT Security. As such, continuous investments in people, technology, and security are critical to keeping up with the competitive and innovative landscape and remaining relevant. The Committee also strives to support modern ways of working.

Refer to the Risk Management Report of the Annual Report under the Information Technology section for further insight on information governance.

REMUNERATION PHILOSOPHY

One of the main goals of AfrAsia Bank Limited is to put people first and have a dynamic workforce that contributes to the success of the organisation. Staff Remuneration is among the drivers that lead to having people who are engaged and passionate about delivering services to customers to achieve organisational goals.

The Bank has reviewed its remuneration strategy with the support of Korn Ferry and has established a remuneration framework that has enabled the bank to regain its market positioning among the leaders.

Embedding culture in business and people processes

Cultural change at AfrAsia Bank Limited is a multi-year journey with strong senior management commitment and a clear tone from the top. We are in the process of revisiting our organisational values to be more in line with our employees, a majority of whom are millennials and digital natives.

It is crucial to engage our staff, and culture levers are key elements in that sphere.

REMUNERATION PHILOSOPHY (CONT'D)

Attract and Retain Talent

One component that has been looked at deeply is compensation and benefits. On top of that, the Bank is revamping the People Planning Review and Organisational People Review to match talents to roles, thereby looking at a succession plan that would give opportunities for growth through proper learning and development.

The Bank is actually working on its internal climate through the wellness and recognition programme, giving opportunities to staff to thrive in socio-cultural and sports activities, giving a different experience to the work-life balance of a Bank.

RELATED PARTY FRAMEWORK

The Bank operates its assessment of its related parties through its Conduct Review Committee, which is guided by its own Terms of Reference and in accordance with BOM's Guideline on Related Party Transactions. Refer to the Risk Management Report of the Annual Report under Related Party Transactions, Policies, and Practices section.

PRINCIPLE FIVE – RISK GOVERNANCE AND INTERNAL CONTROL

BOARD

The Board leads the conduct of affairs and provides sound leadership to the executives of the Bank. It sets clearly defined policies and the Bank's risk appetite, which are then conveyed to the executives via their delegated authorities to facilitate their oversight of the course of the business. Additionally, the Board ensures that risks are properly detected, managed, and mitigated.

RISK COMMITTEE AND EXECUTIVE MANAGEMENT

The fundamental responsibility of the Risk Committee is to advise the Board on the Bank's overall current and future risk appetite, oversee senior management's implementation of the Risk Appetite Framework ("RAF"), report on the state of risk culture in the Bank, and interact with and oversee the Head of Risk.

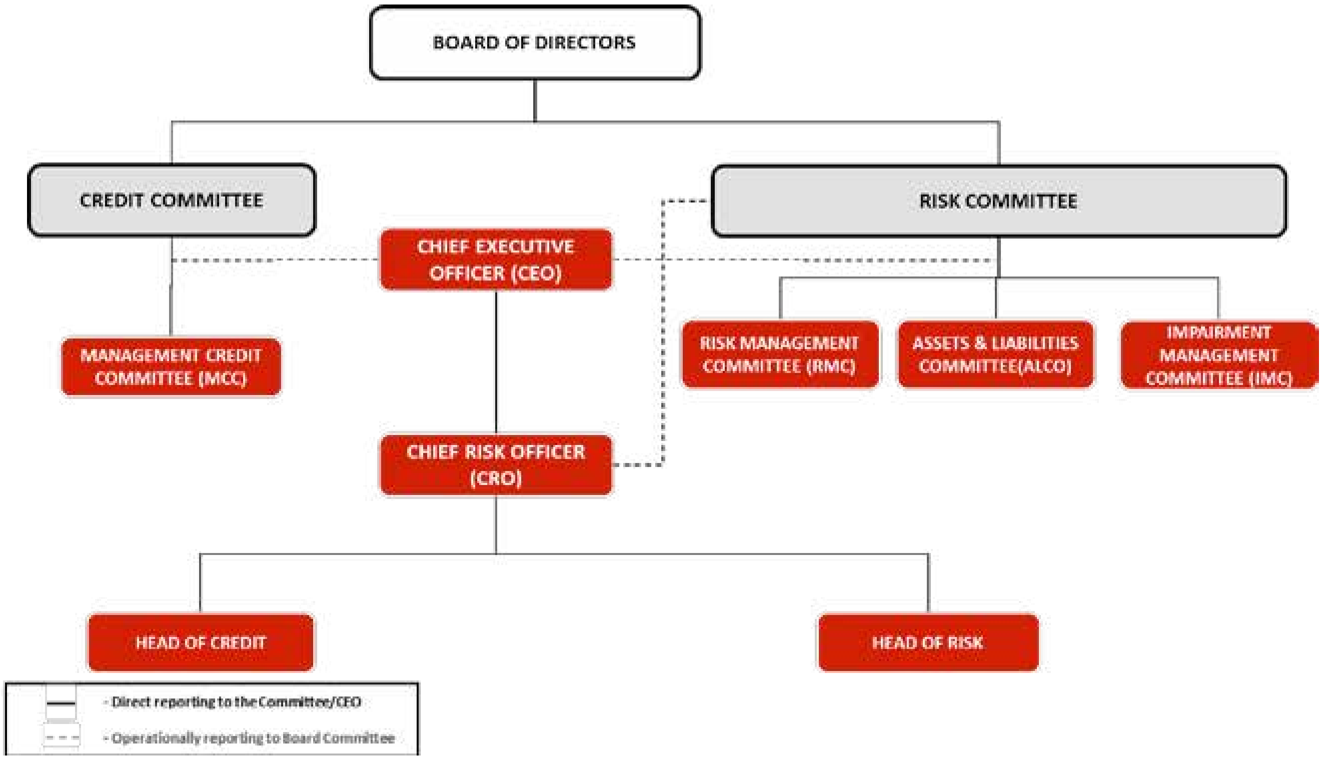
The Risk Committee's work includes oversight of the strategies for capital and liquidity management as well as all relevant risks of the Bank, such as credit, country, market, information, interest rate, cyber, operational, and reputational risks, to ensure they are consistent with the stated risk appetite, all in compliance with BOM guidelines and policies approved by the Board. In addition, the Risk Committee is responsible for ensuring that the Bank maintains satisfactory liquidity and solvency ratios at all times. The Committee receives regular updates and reports from the Head of Risk and Risk Unit functions about the Bank's current risk profile, the current state of the risk culture, utilisation against the established risk appetite and limits, limit breaches, and mitigation plans.

Internally, the Bank has established an Assets and Liabilities Committee ("ALCO"), an Impairment Committee ("IMC") and a Risk Management Committee ("RMC") that report to the Risk Committee ("RC") on their respective operations.

RISK MANAGEMENT

The independent risk management function is a key component of the Bank's second line of defence. The risk management function, through its various divisions, monitors risk-taking activities and risk exposures in line with the Board-approved risk appetite, risk limits, and corresponding capital or liquidity needs.

While it is common for the risk management team to work closely with the various business units, the risk function remains sufficiently independent of the business units and is not involved in the bank's revenue generation. Such autonomy is an essential component of an effective risk management function, as is having access to all business lines that have the potential to generate material risk for the Bank as well as to relevant risk-bearing subsidiaries. It also maintains its objectivity by being independent of operations, and the Head of Risk has, without impediment, direct access to the Risk Committee chairperson or members.



RISK MANAGEMENT (CONT'D)

The complete Risk Management Report of the Annual Report forms integral part of the Section A.

CORPORATE INTEGRITY AND WHISTLEBLOWING POLICY

The Bank has established a Corporate Integrity and whistleblowing policy to promote an atmosphere of honesty and encourage employees to conduct themselves in the best interests of the Bank. The applicability of this policy extends to all employees of the bank, irrespective of their locational, contractual, or probationary nature.

A copy of the Corporate Integrity and Whistleblowing Policy is available on the Bank's website: (https://www.afrasiabank.com/media/3190/corporate-integrity-and-whistle-blowing-policy.pdf)

PRINCIPLE SIX – REPORTING WITH INTEGRITY

FINANCIAL

The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards, International Accounting Standards, and The Companies Act 2001 of Mauritius. The Directors must ensure that the provisions of The Companies Act 2001 of Mauritius, The Banking Act 2004 (as amended), and The Financial Reporting Act 2004 (as amended) are complied with. They must also ensure that the financial statements are free from errors, material misstatements, or irregularities and that any non-adherence is disclosed, explained, and quantified.

SUSTAINABILITY

The concept of sustainability is taking on phenomenal importance in the world of business. Many corporations across different sectors are increasingly moving towards the integration of sustainability strategies and measures with the aim of triggering strong environmental, social, and governance performance.

At AfrAsia Bank, we have taken the commitment to build up a strong 2025 Sustainability Strategy framed around our workplace, marketplace, social, and environmental responsibilities with the aim of creating sustainable value for all our stakeholders.

With new climate laws and regulatory changes, we have experienced the emergence of ESG initiatives as a mandated requirement at the national level, especially with regards to climate change and global warming issues.

Looking back on the Financial Year 2023, we have been on the right track with the implementation of a series of ESG initiatives that will also generously contribute to the Sustainable Development Goals ("SDGs").

AfrAsia Bank's sustainability strategy:

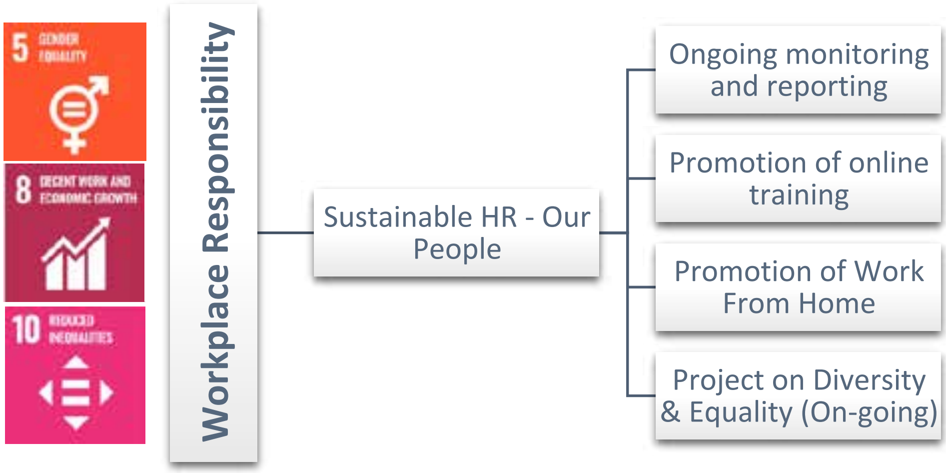
AfrAsia Bank has placed a strategic foot forward in reviewing its sustainability strategy, 'Be Sustainable'. Based on 4 pillars, this strategy will guide us on our journey towards ESG integration and reporting. Our focus will remain on developing and offering innovative solutions that will enable both our clients and the Bank to move towards a greener and more inclusive economy.

SUSTAINABILITY (CONT'D)

WORKPLACE RESPONSIBILITY

Several projects are currently in progress under the aegis of the Human Resources ("HR") department.

<u>Overview of HR projects:</u>



	FY21	FY22	FY23
Total Headcount	415	424	451
Average Hours Of Training	11	15	8
Average Hours Of Training (Male)	11	15	10
Average Hours Of Training (Female)	11	15	6
Turnover Rate (Full Time Employees)	7%	13%	19%

Snapshot of key performance indicators for workplace responsibility throughout the last 3 years (The above figures are not subject to audit).

We strive to create a safe, inclusive and discrimination-free environment for all our staff through the various projects under the HR department and through the Health & Safety Committee.

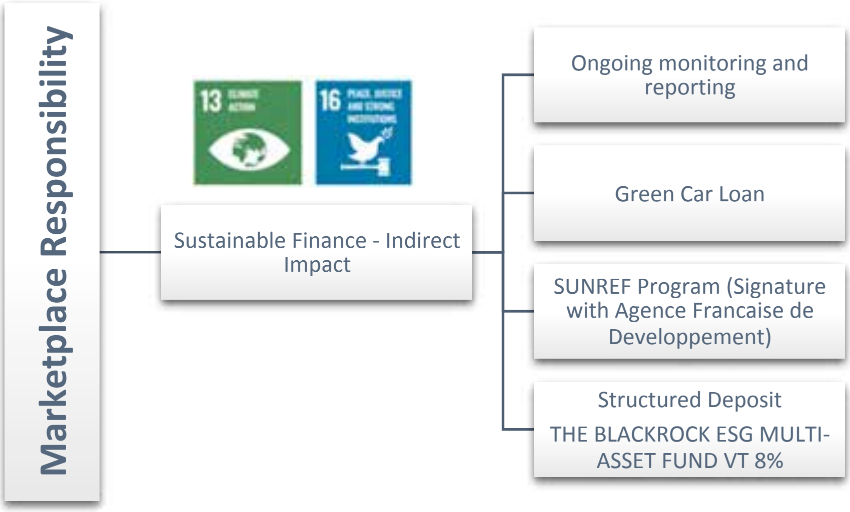
SUSTAINABILITY (CONT'D)

MARKETPLACE RESPONSIBILITY

As a Bank, one of our major impacts is through our financing. We have been steadily developing this pillar to provide our clients with sustainable financial products across the different business lines.

As part of our Marketplace Responsibility Strategy, we also strictly adhere to all legal and statutory requirements (including in regards to prevention of money laundering and financing of terrorism activities) and protect our client's data through stringent measures in place to prevent any breaches.

Overview of Sustainable Financing:



Green Car Loan:

Launched in October 2019 as AfrAsia's first green product, the green car loan's main aim is to encourage our clients to adopt a sustainable lifestyle by opting for cars with lower environmental impact (hybrids and electrics).

Green Loan:

Launched in April 2022, through the "Sustainable Use of Natural Resources and Energy Finance Programme" ("SUNREF") programme of the Agence Française de Développement ("AFD") and European Union, we support our clients, through our green loan to finance Climate Change Mitigation Projects and Climate Change Adaptation Projects.

The goal of the SUNREF is to enable companies to invest in equipment and innovative green technologies, thereby adopting business models that are more sustainable and environment-friendly, allowing them to enhance their energy security and resilience to climate change, while reducing their operating costs and environmental footprint.

Structured Products:

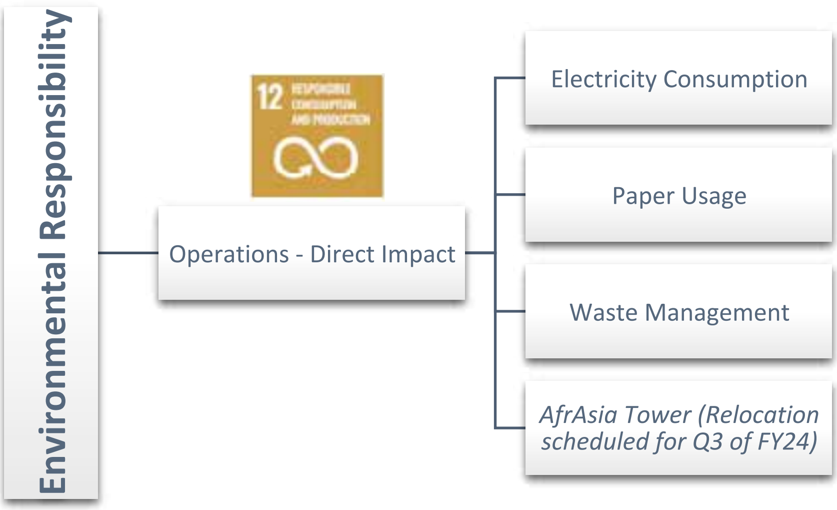
As a financial institution, we have a key role in transitioning towards a low-carbon economy. Our objective is to reduce our direct and indirect impact while giving our customers opportunities to invest in climate solutions. Since June 2020, we have offered our customers the opportunity to invest in structured products linked to ESG indices. As at 30 June 23, we have registered 'Underlying Notional Investment' into Structured Deposits linked to ESG to the tune of MUR 1.5bn.

SUSTAINABILITY (CONT'D)

ENVIRONMENTAL RESPONSIBILITY

Apart from our credit portfolio, we are also looking into the management of our direct impacts within our operations. With the upcoming relocation of our premises scheduled for 2024 to the AfrAsia Tower in the Tribeca Central Smart City, the Bank is aiming to provide an innovative future workspace as well as a greater operational efficiency to its employees. The AfrAsia Tower will be an environmentally-advanced, energy-efficient, and sustainable workplace, with a LEED certification based on international sustainability standards. Until then, we will continue to monitor our electricity consumption and paper usage.

Overview of projects under Environmental Responsibility:



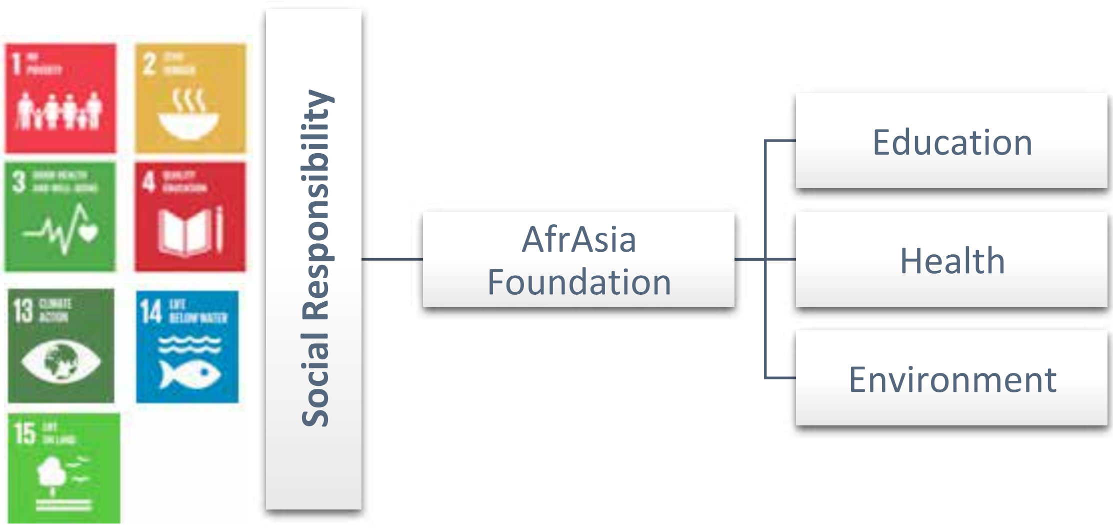
Snapshot of key performance indicators for environmental responsibility throughout the last three years:

	FY21	FY22	FY23
Electricity Consumption at Ebene Office (KWH)	496,114	468,033	513,461
Paper Usage (Reams)	2,692	2,379	2,556
Quantity of E-Waste Recycled (KG)	226	-	-

The above figures are not subject to audit.

SOCIAL RESPONSIBILITY

Overview of Social Responsibility at AfrAsia Bank:

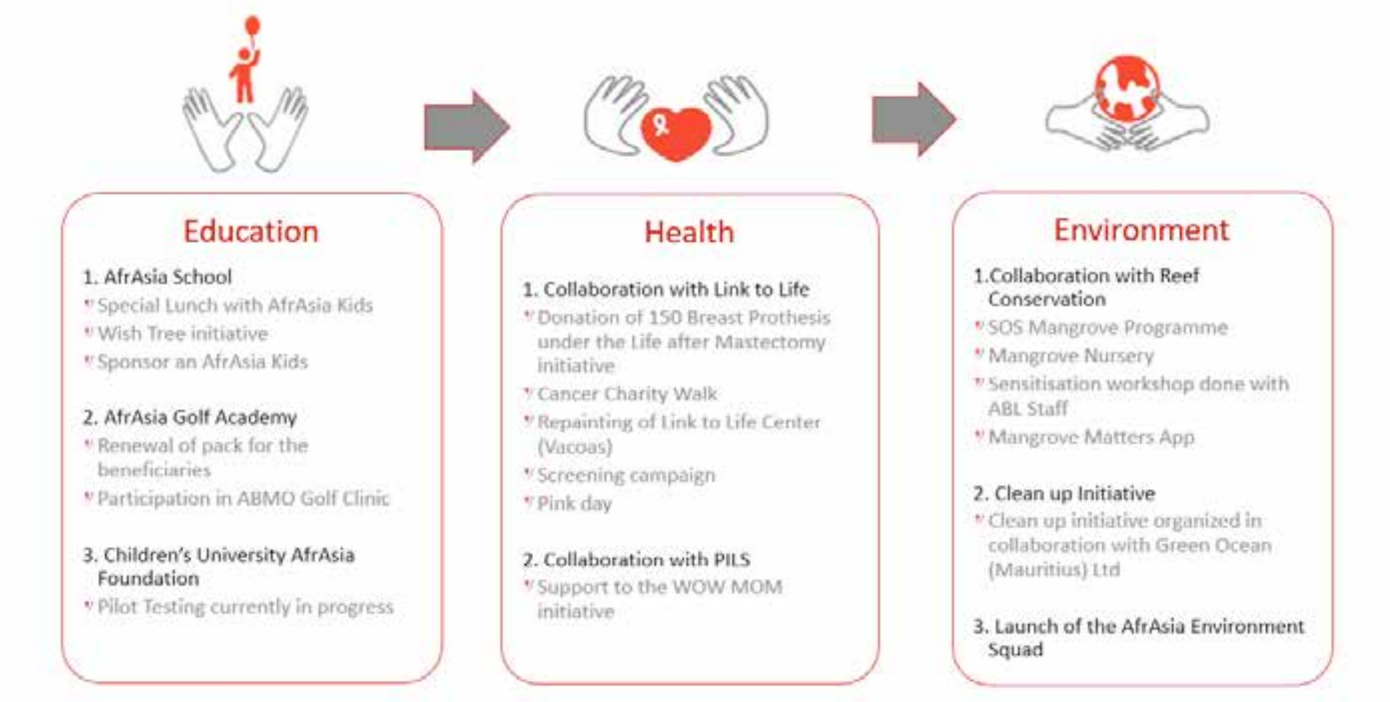


SOCIAL RESPONSIBILITY (CONT'D)

ABL's social strategy is mainly managed through the AfrAsia Foundation, which is governed by a council, who is responsible for management of the funds. The accounts of the Foundation are also audited annually by an external auditor.

<u>Overview of Projects by AfrAsia Foundation:</u>

The Foundation funds sustainable projects that fall under its three main pillars, namely: Education, Health and Environment.



Overview of AfrAsia School:

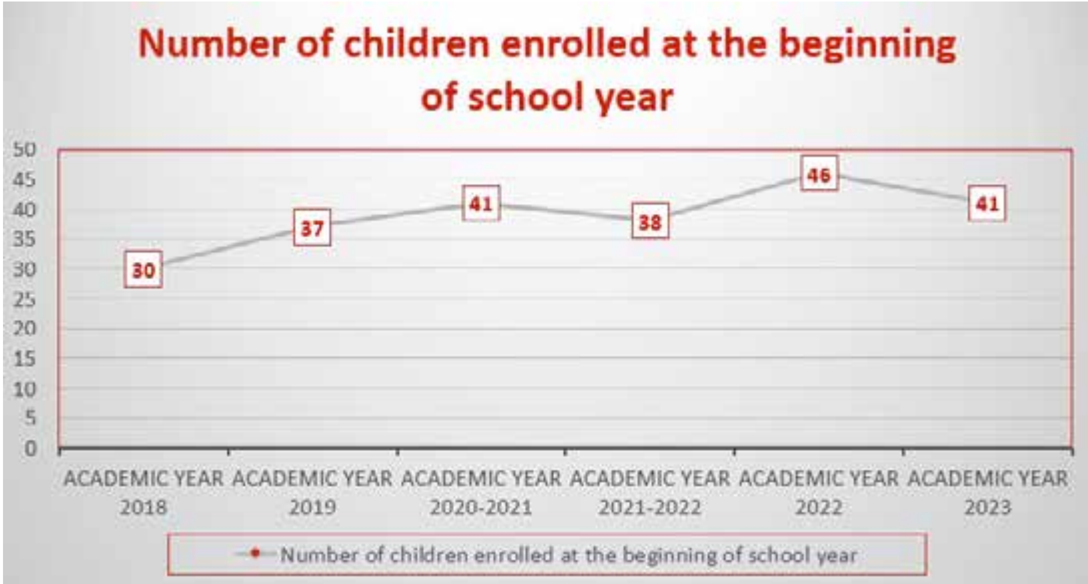
AfrAsia School is the main project of the Foundation under the Education Pillar. In collaboration with the Non-Governmental organisation ("NGO") Ti Rayons Soleil, AfrAsia School offers a safe environment that provides access to more than 30 underprivileged children aged 3-5 through a pre-primary school programme. In addition to free primary education, the beneficiaries also receive support from a social worker for their families, a food support system, medical and psychological support, and a tailor-made afterschool programme for those who have reached primary school. A "Parent Empowerment Support Programme" ("PESP") comprising 62 families is organised during the year to give assistance to families.

SUSTAINABILITY (CONT'D)

SOCIAL RESPONSIBILITY (CONT'D)

Overview of AfrAsia School (Cont'd):

Number of children enrolled at AfrAsia School per academic year:

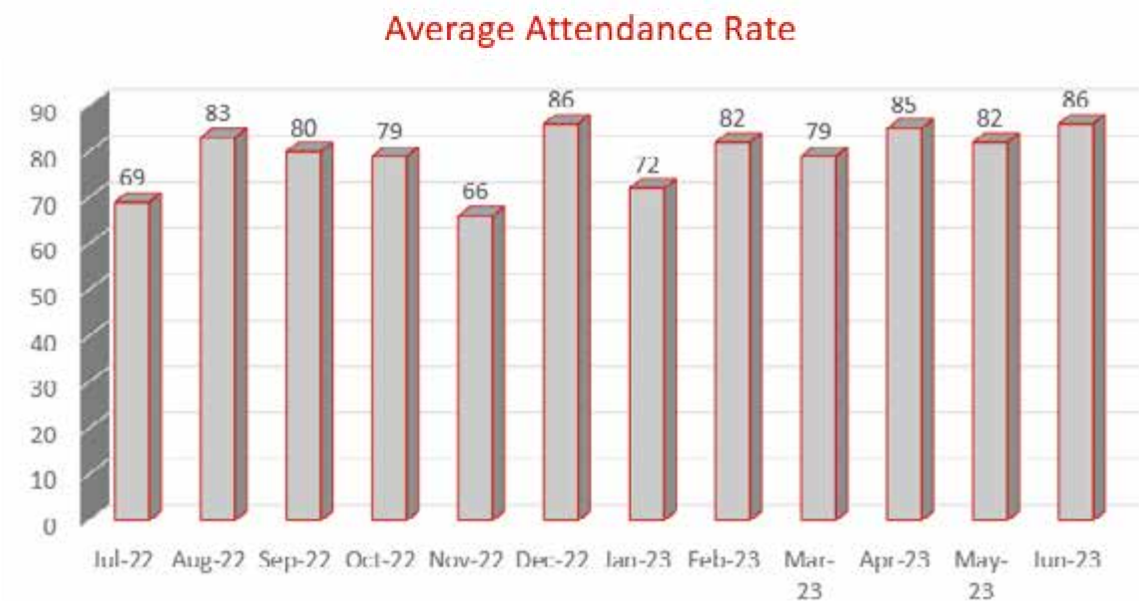


The above figures are not subject to audit.

Last year, the Ministry of Education, Tertiary Education, Science, and Technology extended the academic year from April 2022 to November 2022. In this regard, AfrAsia Foundation created a temporary class to accommodate the children who completed their last year of pre-primary school. The purpose was to strengthen their educational foundation to be ready for primary school in 2023. In this regard, AfrAsia School had a total of 30 graduates at the end of 2022.

Attendance at the school

The attendance of each student is carefully tracked and we have obtained an average of approximately 79% for the period of July 2022 to June 2023.



The above figures are not subject to audit.

SUSTAINABILITY (CONT'D)

SOCIAL RESPONSIBILITY (CONT'D)

Health Pillar

As part of our initiative **'Life After Mastectomy'** for the Breast Cancer Awareness Month, the Foundation donated **150 breast prosthesis** to the NGO Link to Life, on **26 October 2022**. This initiative aims to support cancer survivors to get through their long recovery period post-surgery, by providing them with high quality breast prosthesis and psychological support through individual or group therapy.

Environment Pillar

In collaboration with Green Ocean Mauritius, AfrAsians and their families were invited to participate in a clean-up activity at Ile aux Bénitiers to collectively contribute to a meaningful impact for a clean environment. With the help of each and every one a total of 103 bags were collected from approximately 2 tons of solid waste.

SDG 17: PARTNERSHIPS FOR THE GOALS

One of our key commitments is to create meaningful dialogues around sustainability in the local, regional and international communities. We achieve this through the following means:

- Membership of the United Nations Global Compact ("UNGC");
- Global Reporting Initiative ("GRI") Community membership;
- ABL is a founder and council member of the Global Compact Network for the Indian Ocean;
- Launch of Sustainability themed webinars: Digitalisation, ESG; and
- Members of the Business Mauritius ("BM") Sustainability Network.

ANNUAL GENERAL MEETING ("AGM")

AGM voting results and presentations are published on our website post-annual annual meeting.

The Annual Report is published in full on the Bank's website.
(https://www.afrasiabank.com/en/about/investors/annual-reports)

The financial statements are set out in Section B of the Annual Report.

PRINCIPLE SEVEN – AUDIT

EXTERNAL AUDIT

The Bank had a rotation of Auditors in the financial year 2022 as per the requirements of The Banking Act 2004 (as amended). Ernst & Young was appointed as the new auditors through a tendering process launched in 2021. The appointment of Ernst & Young has been approved on 13 December 2021, at the AGM.

The Audit Committee evaluates the independence and effectiveness of the external auditor on a continuous basis before making a recommendation to the Board on their appointment and retention.

The Audit Committee meets privately with the external auditors on a quarterly basis to discuss critical issues and potential threats to independence and remains satisfied that they are not unduly influenced by management.

Following the revision of the International Code of Ethics for Professional Accountants by the International Ethics Standards Board for Accountants ("IESBA") for the non-assurance services provisions and the fee-related provisions, the Bank has put in place a policy for non-assurance services provided by the external auditors. This policy will help:

- To preserve the independence and objectivity of the external auditor in performing the statutory audit;
- To avoid any conflict of interest by outlining the types of work that the external auditor cannot undertake (prohibited services) outside of the audit engagement and the considerations that should be applied in assessing potential conflicts of interest; and
- To establish a pre-concurrence process for the provision of non-assurance services by the external auditor.

The purpose of the policy is to ensure that all non-assurance services have the concurrence from the audit committee or a pre-concurrence by the Executive Committee ("EXCO") before engaging an external statutory auditor for non-assurance services. The external auditor provides the pre-concurrence memo with a written statement of independence evaluation for all engagements approved by the appropriate authority with the audit firm. The policy also establishes the maximum threshold for non-assurance engagements where there is no regulatory, statutory or contractual obligation to be undertaken by the statutory external auditors only.

The fees for audit and other services were as follows:

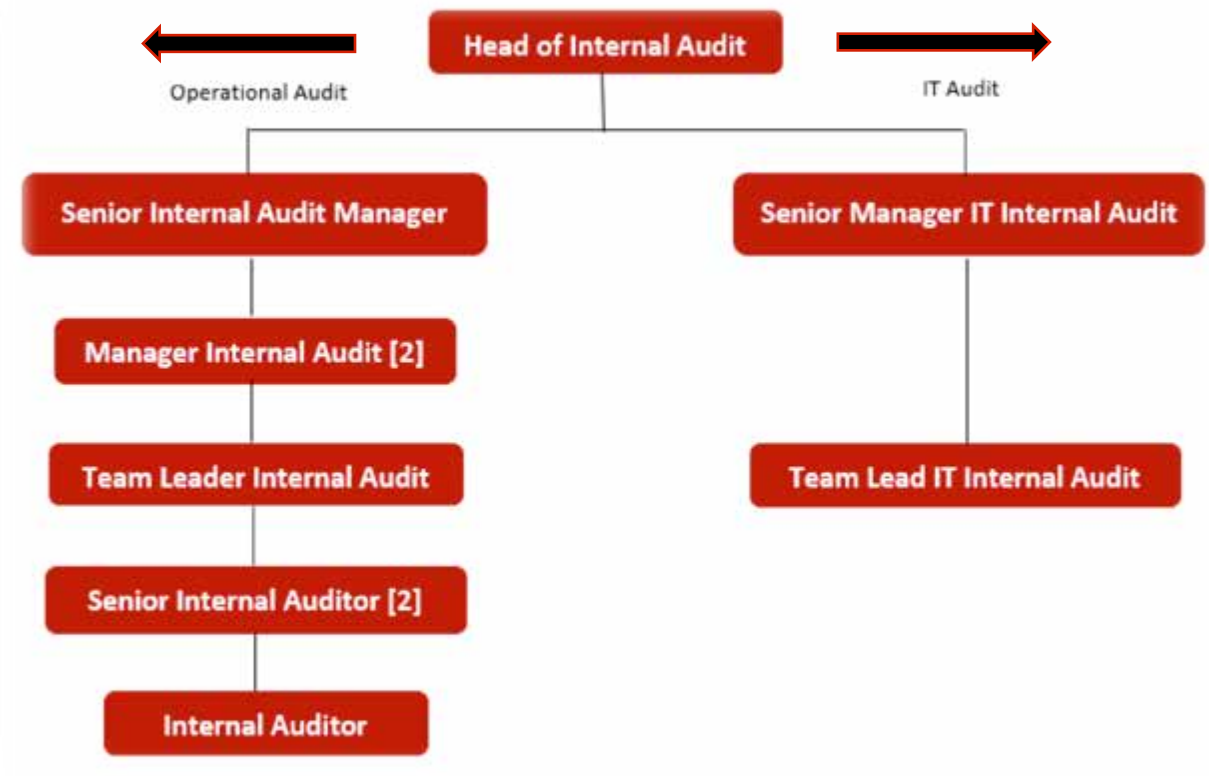
	YEAR ENDED 30 JUNE 2023		YEAR ENDED 30 JUNE 2022		YEAR ENDED 30 JUNE 2021	
	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000	Audit MUR '000	Other MUR '000
Deloitte						
The Bank						
AfrAsia Bank Limited	**-**	**-**	-	175	5,700	4,117
Ernst & Young						
The Bank						
AfrAsia Bank Limited	**16,520**	**8,841***	21,771	5,616*	-	-
Ernst & Young						
The Subsidiaries						
AfrAsia Investments Limited	**330**	**24**	314	-	327	25
EKADA Capital Ltd (formerly known as AfrAsia Capital Management Limited)	**-**	**-**	-	-	618	22

*Other services include limited review, assurance reports and tax consultancy.

INTERNAL AUDIT

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes. The internal audit function at ABL helps the Board and management maintain and improve the process by which risks are identified and managed and helps the Board discharge its responsibilities for maintaining and strengthening the internal control framework.

The structure is as follows:



Independence of the internal audit team

The internal audit function in ABL remains independent of the activities audited and the objective of its work. There have been no restrictions placed over the right of access by internal audit to the records, management, or employees of the Bank as part of the audit procedures performed during the year under review and to the date of this report. The Head of Internal Audit maintains a direct reporting line with the Audit Committee for direction and accountability and with the Interim CEO for administrative interface and support in line with good governance practices.

The Head of Internal Audit has regular access to the Chairperson of the Audit Committee. He attends quarterly meetings with the Audit Committee and more frequently when the need arises.

Qualifications and experience

Kristy Kumar Ballah, a Chartered Banker and also a Fellow of the Institute of Chartered Accountants in England and Wales with 18 years of experience in the auditing field, heads the Internal Audit department.

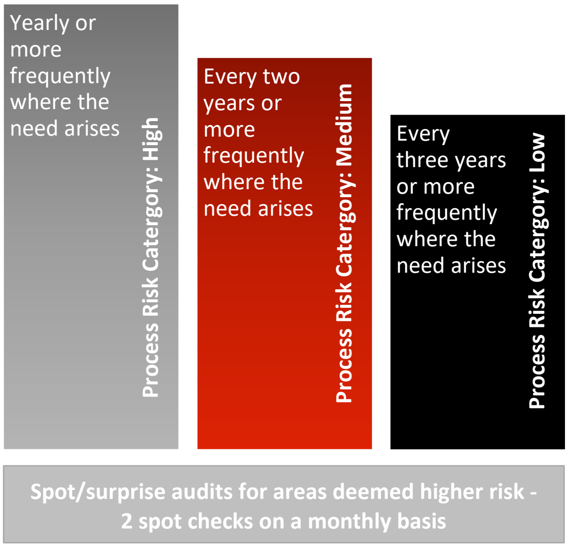
Prior to joining the Bank, he was the Group Internal Audit Manager at the Mauritius Commercial Bank. He started his career with PWC, where he grew to become an Audit Manager. Over the years, the Head of Internal Audit had exposure to local organisations operating in diverse sectors and also had significant international exposure. He is well acquainted with risk management activities in general. The profile of the Head of Internal Audit is displayed on the Bank's website.

The Head of Internal Audit is supported by staff members with significant banking and auditing experience. The team includes members with "Big 4 firm" exposure who are also members of professional bodies such as ICAEW, ACCA, CBI, IIA, ISACA, etc.

INTERNAL AUDIT

Implementation of the risk-based audit plan

The Internal Audit team implements the yearly risk-based audit plan approved by the Audit Committee. The audit frequency for identified processes is as follows:



The FY23 Audit Plan

The FY23 audit plan has been satisfactorily executed. Valid explanations exist for any audit that has been rescheduled to the beginning of FY24, whereas several ad-hoc unplanned assignments have also been carried out in FY23, at the request of management or any other relevant reasons.

The FY23 risk-based audit plan was approved by the Audit Committee. The Internal Audit team used, amongst others, the following key criteria to assign inherent and residual risk ratings to the relevant processes in the Bank:

- Past audit findings and cumulative audit knowledge of control design and performance;
- Financial implications of a particular process;
- Volume of transactions;
- Whether the process is impacted by key regulatory requirements;
- Whether the process represents a key second line of defence function; and
- Recent or foreseen changes in management, structure and systems impacting the process.

The internal audit team provides varying degrees of assurance about the effectiveness of the risk management and control processes of selected activities and functions of the organisation. It is worth mentioning that, as at date, the majority of issues categorised as higher risk have either been addressed or management has kicked off remedial actions.

Any risk or deficiency in the system of internal controls revealed during audits has been reported in the respective reports issued at the end of the assignment. The audit report includes audit recommendations, management comments, an action plan, and a timeline for implementation. Monitoring of implementation is done by Internal Audit.

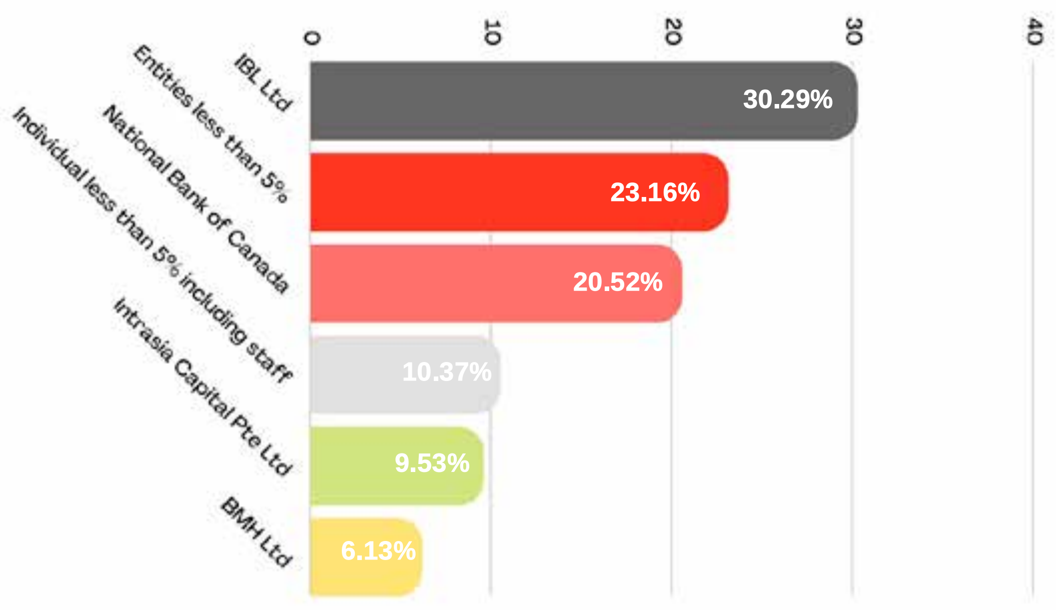
PRINCIPLE EIGHT – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

ABL's stakeholders are individuals or groups that have an interest in the Bank or are affected by its actions. The primary stakeholders of the Bank are customers, employees, shareholders and investors, and government and regulatory authorities.

SHAREHOLDING STRUCTURE

AfrAsia Bank has a good mix of local and international private institutional investors of renowned reputation across various continents and had a regulatory capital base of MUR 15.3bn as at 30 June 2023. The Bank ensures that there is proper and efficient information dissemination to all its shareholders and that the rights of minority shareholders are not neglected. It is noted that 0.22% of the Bank's shareholding is held by its staff.

The Bank's shareholding structure as at 30 June 2023 is as follows:



Size of shareholding	Number of shareholders	Number of shares	Holding (%)
1 – 1,000	1,936	268,683	0.24
1,001 – 5,000	163	373,821	0.33
5,001 – 10,000	29	189,632	0.17
10,001 – 50,000	62	1,582,923	1.40
50,001 – 500,000	23	4,124,020	3.65
Above 500,001	24	106,438,131	94.21
Total	**2,237**	**112,977,210**	**100.00**

Category	Number of shareholders	Number of shares	Holding (%)
Individuals	2,053	11,708,820	10.37
Insurance & assurance companies	5	1,299,747	1.15
Pensions and provident funds	36	4,134,419	3.66
Investment & trusts companies	34	10,263,848	9.12
Other corporate bodies	109	85,570,376	75.70
Total	**2,237**	**112,977,210**	**100.00**

DIVIDEND POLICY

Dividends are proposed by management to its Board in line with the provisions of The Banking Act 2004 (as amended), the BOM's Guideline on Payment of Dividend (as amended), The Companies Act 2001 of Mauritius, and the Bank's Constitution. Once the Board is satisfied with management's recommendation and the satisfaction of solvency tests, the Board may approve the payment of dividends, subject to the approval of BOM, after which dividends may be distributed to shareholders.

Dividend on Ordinary Shares

The Bank has achieved a satisfactory financial return to allow dividends of MUR 482.4m (MUR 4.27 per share), declared and paid during the year under review (2022: MUR 235.0m that is, MUR 2.08 per share/2021: MUR 338.9m that is, MUR 3.00 per share). This can be summarised as follows:

Dividends on Ordinary Shares (MUR'm)			
	2023	2022	2021
Dividend paid	**482.4**	235.0	338.9

Dividend on Class A Shares

Dividend for the 6 months ended 31 December 2022 was approved by the Board of Directors on 14 February 2023 and payment not yet effected as at 30 June 2023 as Bank of Mauritius approval not yet received. Dividend of MUR 76.5m for the 6 months ended 30 June 2022 was approved by the Board of Directors on 28 October 2022 and payment was effected on 30 December 2022. Dividend of MUR 67.5m for the 6 months ended 31 December 2021 was approved by the Board of Directors on 11 February 2022 and payment was effected on 22 September 2022 (2022: MUR 65.0m were paid for the 6 months ended 30 June 2021 and 2021: MUR 66.2m for the 6 months ended 31 December 2020 and MUR 66.7m for the 6 months ended 30 June 2020). This can be summarised as follows:

Dividends on Class A Shares – Series 1 and 2 (MUR'm)			
	2023	2022	2021
Dividend paid	**144.0**	65.0	132.9

MATERIAL CLAUSES OF CONSTITUTION

Article 21.2 of the Bank's Constitution provides for a list of reserved matters that must be approved by special resolution of the voting shareholders of the Bank.

Restrictions concerning the disposal of shares are set out in Articles 15 and 16 of the Bank's Constitution. Such restrictions include the requirement to obtain the Board's approval in connection with the registration of share transfers.

SHAREHOLDERS' AGREEMENT

No shareholders' agreement has been entered by the Bank with third parties during the financial year ended 30 June 2023.

SIGNIFICANT CONTRACTS

ABL has not entered into any significant contract with third parties during the financial year ended 30 June 2023.

MANAGEMENT AGREEMENTS

ABL has not entered into any management agreement with third parties during the financial year ended 30 June 2023.

GIFTS AND DONATIONS

The Bank has made MUR 3,000 in gifts and donations during the year ended 30 June 2023 (2022: MUR 15,000 and 2021: MUR 15,000).

POLITICAL DONATIONS

The Bank has not made any political donations during the year ended 30 June 2023 (2022 and 2021: NIL)

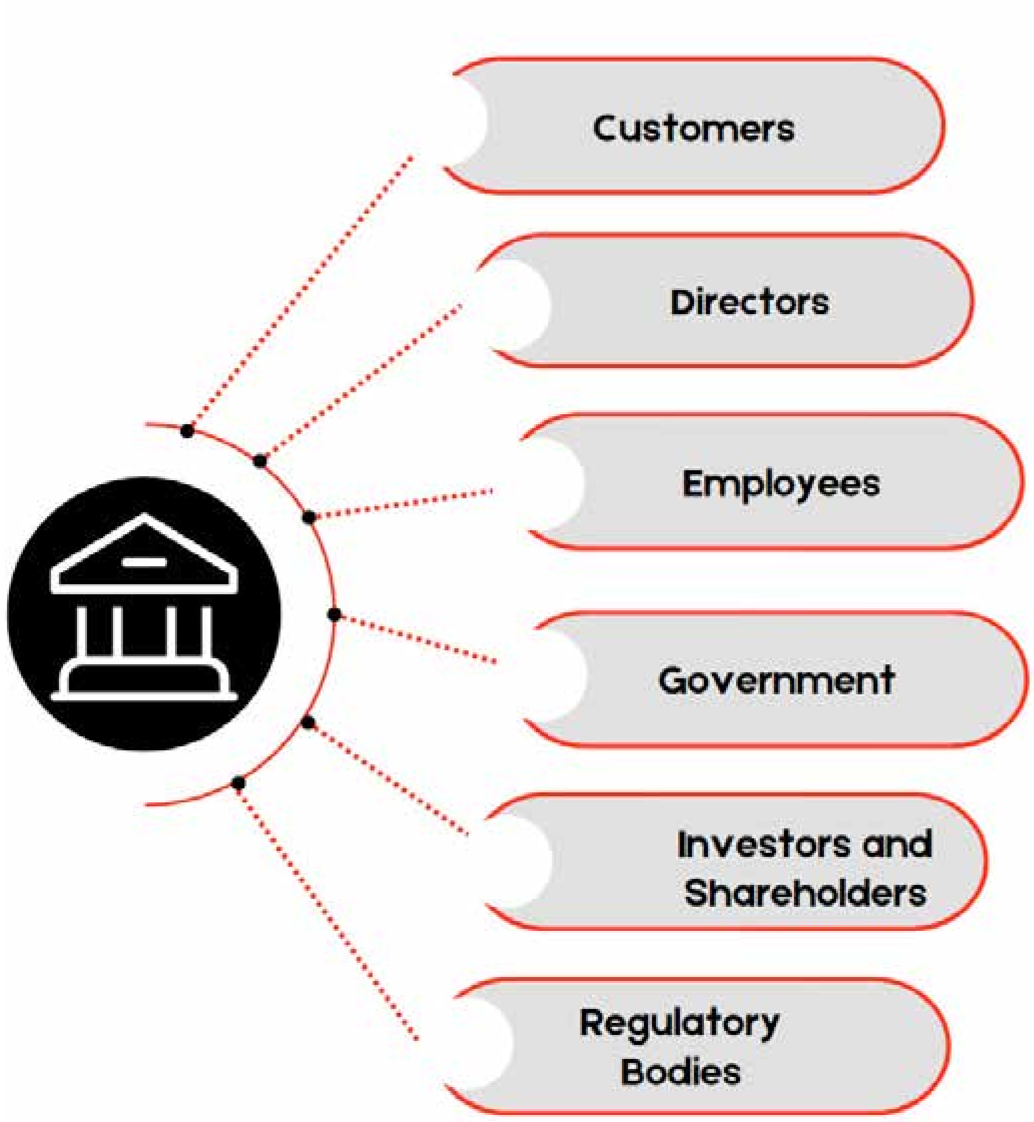
RELATED PARTY

The Bank has not entered into any new agreements with any related parties during the financial year ended 30 June 2023.

For further details pertaining to related party transactions and balances relating to the year ended 30 June 2023, kindly refer to note 37 on “Related Party Disclosures” of the Annual Report.

The Board disbanded the Conduct Review Committee, effective 01 October 2022, in line with the BOM’s Guideline on Related Party Transactions (as amended) to transfer and establish a comprehensive Board-approved framework on related party transactions under the ambit of the Board itself. Further to clarifications sought with the Bank of Mauritius, the latter issued an instruction to advise that the Board of the bank may at its discretion delegate the approval of credit exposures with related parties to a dedicated Board Sub Committee. Subsequently, based on relevant discussion at the Board Corporate Governance Committee and approval of the Board, the bank reinstated the said committee on 14 February 2023.

OUR KEY RELATIONSHIPS



We continue to take a proactive approach to our relations with primary stakeholders. When selecting suppliers, contractors, or non-governmental organisations, we look for those that align closely with our values and areas of focus. We offer a variety of ways for stakeholders to interact with us and provide feedback. This feedback mechanism is used to understand what is going well and also to improve on areas of concern.

Below is an overview of our main stakeholders and how the Bank engages with them:

CUSTOMERS

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Dedicated relationship managers proposing tailored financial solutions • Business meetings and visits • Online Conferences, Roadshows and Presentations • Networking Events • Newsletters • Website • Social media platforms • Satisfaction surveys • Webinars
THEIR CONTRIBUTION TO VALUE CREATION	• Customers are at the heart of our business and provide a solid base for our growth prospects

OUR KEY RELATIONSHIPS (CONT'D)

CUSTOMERS (CONT'D)

WHAT OUR STAKEHOLDERS EXPECT FROM US	• Quality of the Bank's product suite and service • Continuous assistance and clear guidance, especially during a pandemic context • Sustainability and financial solidity of the Bank • Efficient complaint mechanism • Enhanced customer relationship management practices • Seamless front-end experience with an easy, fast and secured banking environment, including for online channels
WHAT CONCERNS OUR STAKEHOLDERS	• Transparent and timely insights that could impact their financial situation • Security and confidentiality of transactions • Corporate governance and ethics • Sustainability issues (Environment, Social, Economic)

DIRECTORS

The role and responsibilities of the Board of Directors have been commented on under the section, "**THE KEY ROLES AND RESPONSIBILITIES OF THE BOARD**".

EMPLOYEES

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Face to face meetings • Social events/activities • Training and coaching • External learning and growth opportunities • Committees • Recognition and rewards • Virtual workshops and meetings
THEIR CONTRIBUTION TO VALUE CREATION	• Work towards achievement of our strategy - Key Performance Indicators • Demonstrate passion towards a positive customer experience • Help create and build positive working relationships • Enhance trust on the market • Help create a positive employer and corporate brand
WHAT OUR STAKEHOLDERS EXPECT FROM US	• An environment that encourages growth and open communication • The opportunity to achieve personal goals whilst aligning to the Bank's objectives • A favourable internal climate that promote engagement for achievement
WHAT CONCERNS OUR STAKEHOLDERS	• A safe and healthy place to work • Continued career growth • Open door management style with mutual trust • A positive work cultures • Sustainability and CSR actions • Regular feedback and coaching • Competitive remuneration • Financial and non-financial rewards • Recognition • A high level of empowerment and autonomy

OUR KEY RELATIONSHIPS (CONT'D)

GOVERNMENT AND REGULATORY AUTHORITIES

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Regular meetings • Workgroups with Bank of Mauritius and Financial Services Commission on regulatory guidelines, new legislations, laws and other matters • Written communication • Regulatory returns • Onsite and offsite supervision by the regulators • Trilateral meeting between the Bank of Mauritius, External Auditors and the Bank • Regulatory approvals • Providing information during Parliamentary debates through the Mauritius Bankers Association and Business Mauritius • Virtual Committees and conferences
THEIR CONTRIBUTION TO VALUE CREATION	• The regulator provides the enabling regulatory framework • Guidelines and instructions from the regulators issued from time to time
WHAT OUR STAKEHOLDERS EXPECT FROM US	• Providing banking and financial services in a transparent, secure and sustainable way • Ensuring and maintaining customer satisfaction • Complying with acts, regulations and guidelines
WHAT CONCERNS OUR STAKEHOLDERS	• Products and services being provided and the communication around same • Compliance with laws, acts and regulations • Transparency and accessibility to accurate, relevant and current information • The Bank's duty of confidentiality and data protection • Duties of the Board and senior management • Appropriate Customer Due Diligence and Know Your Client ("KYC") processes and reviews • Risk management and internal controls • Complaints handling and customer care • Compliance with the principles of corporate governance • Sustainable financing

INVESTORS AND SHAREHOLDERS

HOW WE ENGAGE WITH OUR STAKEHOLDERS	• Annual reports, media releases and published results • Board meetings • Annual general meetings • Investor Relations web page • Presentations and factsheets to provide comfort with regard to our financial strength and resilience • External workshops and seminars • Newsletters • Sustainability and CSR microsite • Social media platforms • Webinars
THEIR CONTRIBUTION TO VALUE CREATION	• Investors provide the financial capital necessary to sustain growth

OUR KEY RELATIONSHIPS (CONT'D)

INVESTORS AND SHAREHOLDERS (CONT'D)

WHAT OUR STAKEHOLDERS EXPECT FROM US	- Providing sustained returns on investment through strong fundamentals, franchise, resilience, sound risk profile, strategic growth opportunities and good governance practices while building a sustainable business model
WHAT CONCERNS OUR STAKEHOLDERS	- Sustainability issues (Environment, Social, Economic) - Delivering sustainable returns - Leadership and strategic direction - Corporate governance and ethics - Progress with project pipelines, business plans and future growth initiatives - A high level of employee engagement, empowerment and autonomy, a positive employer brand

SOME KEY DATES

SHAREHOLDERS' CALENDAR

Financial Year End	30 June
Annual Meeting of Shareholders	November/December

PUBLICATION OF FINANCIAL STATEMENTS

30 September quarter end	15 November
31 December quarter end	15 February
31 March quarter end	15 May
30 June year end	September or any other dates permitted by the Bank's regulators

DIVIDENDS

Ordinary Shares Dividends

Declaration	Post 30 June 2023 upon closure of accounts
Payment	Upon receipt of approval from regulators

Class A Shares Dividends

Declaration	Post June and December
Payment	Upon receipt of approval from regulators

The Annual Report is published in its entirety on the Bank's website. (https://www.afrasiabank.com/en/about/investors/annual-reports).

The Corporate Governance Report has been approved by the Board of Directors and signed on its behalf by:

JEAN-RAYMOND REY	**ASLAM KANOWAH**
Chairperson	Corporate Governance Committee Chairperson

Date: 22 September 2023

STATEMENT OF COMPLIANCE

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

Name of Public Interest: AfrAsia Bank Limited
Reporting Period: 1 July 2022 to 30 June 2023

The Board of AfrAsia Bank Limited confirms, to the best of their knowledge that AfrAsia Bank Limited and its Subsidiary have complied with all of its obligations and requirements under the National Code of Corporate Governance 2016. The Bank has applied all of the principles set out in the Code whilst also explaining the application of the said principles in this Corporate Governance Report.

JEAN-RAYMOND REY
Chairperson

ASLAM KANOWAH
Corporate Governance Committee Chairperson

Date: 22 September 2023

Unlocking Imagination, Soaring Together to Reach Excellence.

The times can be uncertain, but the relationship is not. Our belief in long term relationships is led by our simple virtues of listening and understanding our clients, coupled with our determination to deliver solutions that meet their financial aspirations. Just as a soaring bird exemplifies excellence in navigating the skies, we aim to be your financial partner, guiding you to new heights of success.

Resilience

Performance

Excellence

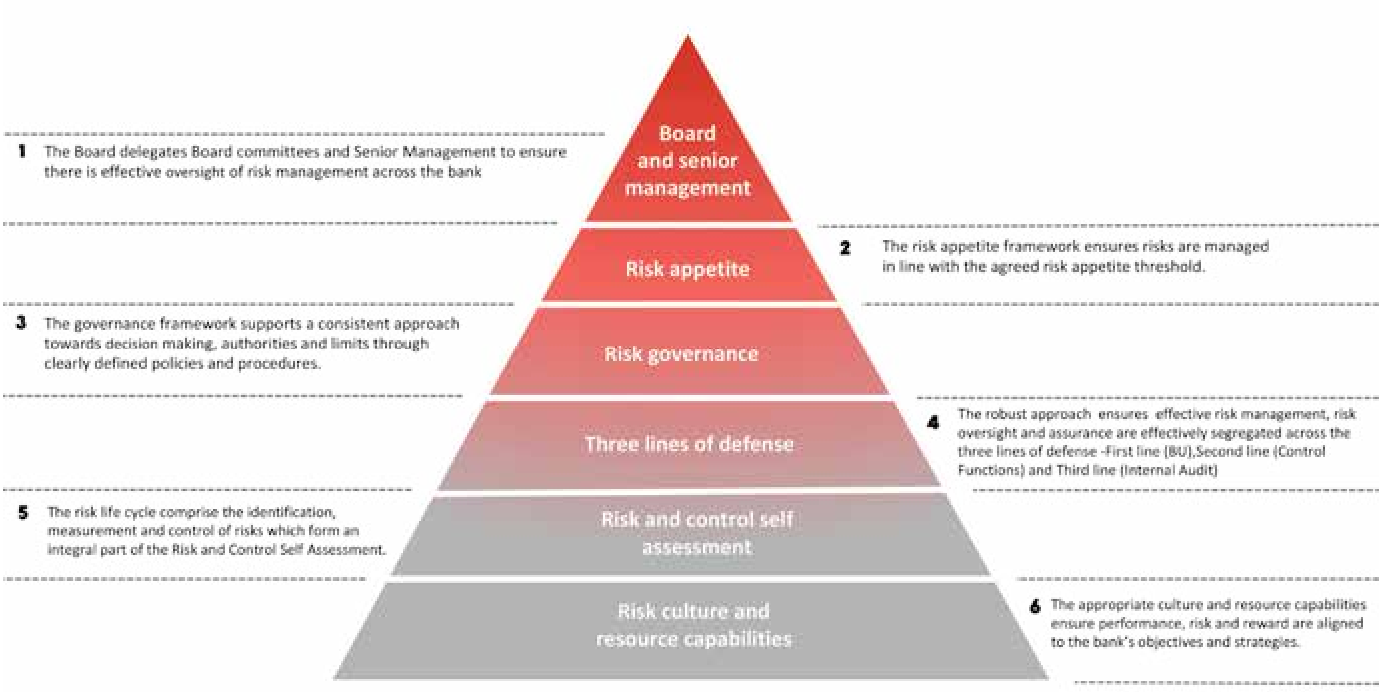
Risk Management Report

RISK MANAGEMENT

Risk management at AfrAsia Bank Ltd is at the heart of the Bank's decision-making in determining and implementing the Bank's strategic planning to support sustainable business growth. This is achievable through informed, prudent risk decisions, a robust risk management framework and a proactive risk culture.

The Risk Management Framework is a pivotal element in managing the risks of the Bank. It enables proactive identification, active management and monitoring of these risks. The risk appetite, policies, and procedures are regularly reviewed and updated to align fully with regulations, laws, and industry practices.

Risk management is the process of identifying, evaluating and managing the impact of uncertain events, and monitoring the consequences at acceptable levels within the Bank's risk appetite.



RISK MANAGEMENT STRATEGY

The risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight, and periodic monitoring through the sub-committees both at the management level and Board level.

The risk-management cycle comprises four phases:

- Establishing objectives by identifying the strategic goals and determining constraints;
- Analysing the risks;
- Selecting controls and assessing the alternatives to address the risks; and
- Implementing the alternatives and monitoring the progress and results.

The process organises information about the possibility of a spectrum of undesirable outcomes into an inclusive and orderly structure that helps decision makers to make informed choices about their activities and abilities to manage risks.

RISK APPETITE FRAMEWORK

The risk appetite of the Bank is set by the Board and governed by the Risk Appetite Framework, which articulates the risks that the Bank is willing to accept. It also serves to reinforce the risk culture by setting a clear message coming from the top. The risk appetite considers the various types of risks and is embedded into its policies, processes, authorities, thresholds, and limits to guide decision-making and risk management. The risk appetite is reviewed and refreshed to ensure coverage across all principal risks, and any emerging risks and to align with internal and external factors.

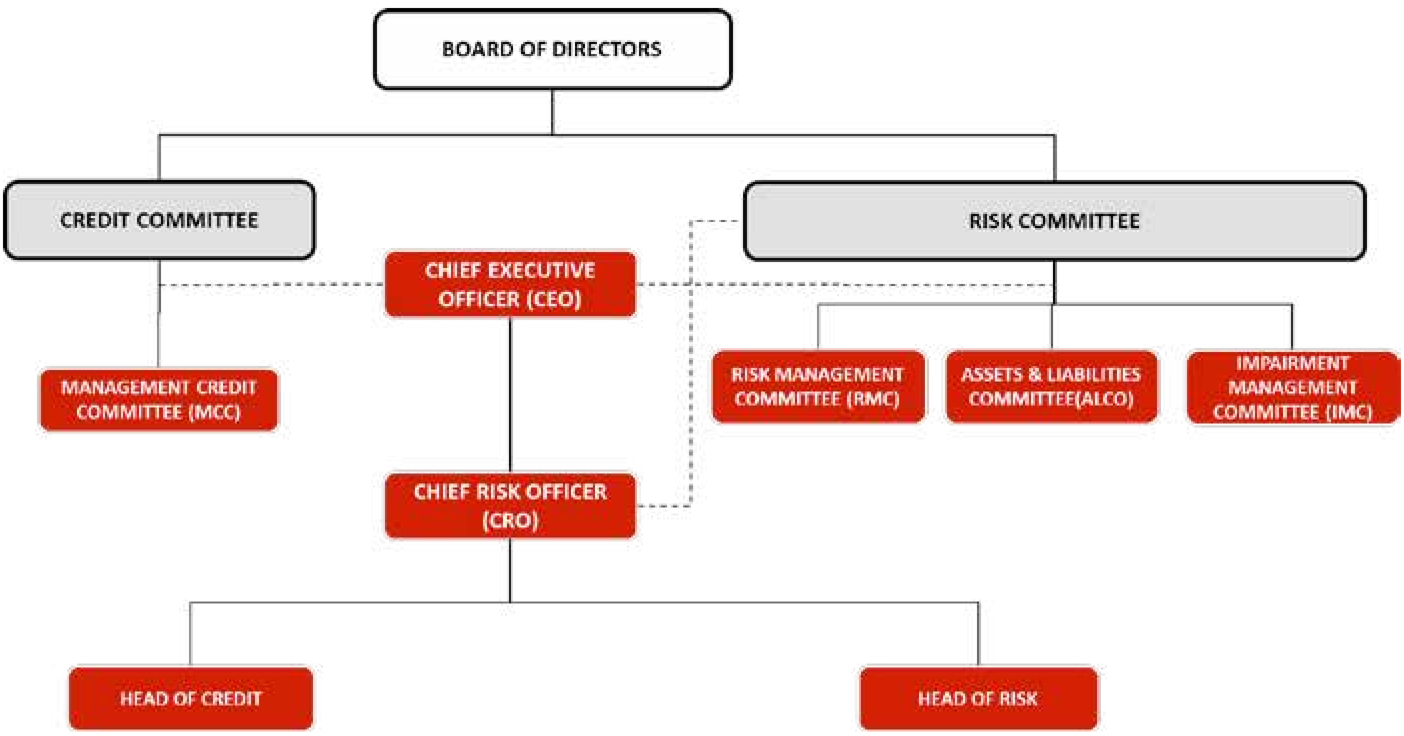
The setting of thresholds is essential in making risk appetite an intrinsic part of our operations as they help to keep all the risks within acceptable levels. Portfolio risk limits such as Sectors, Country, and Counterparties which are quantifiable risk types are established based on a prudent approach taking into consideration the different requirements related to the guidelines of BOM and industry practices. These are implemented and monitored as per the risk appetite framework. The non-quantifiable risk types are managed using qualitative principles which clearly translate the Bank's strategic goals within approved risk parameters.

In line with BOM's guidelines, management has established a set of policies and procedures in respect of the principal risks in the daily operations, which clearly translate to the Bank's strategic goals within the approved risk parameters.

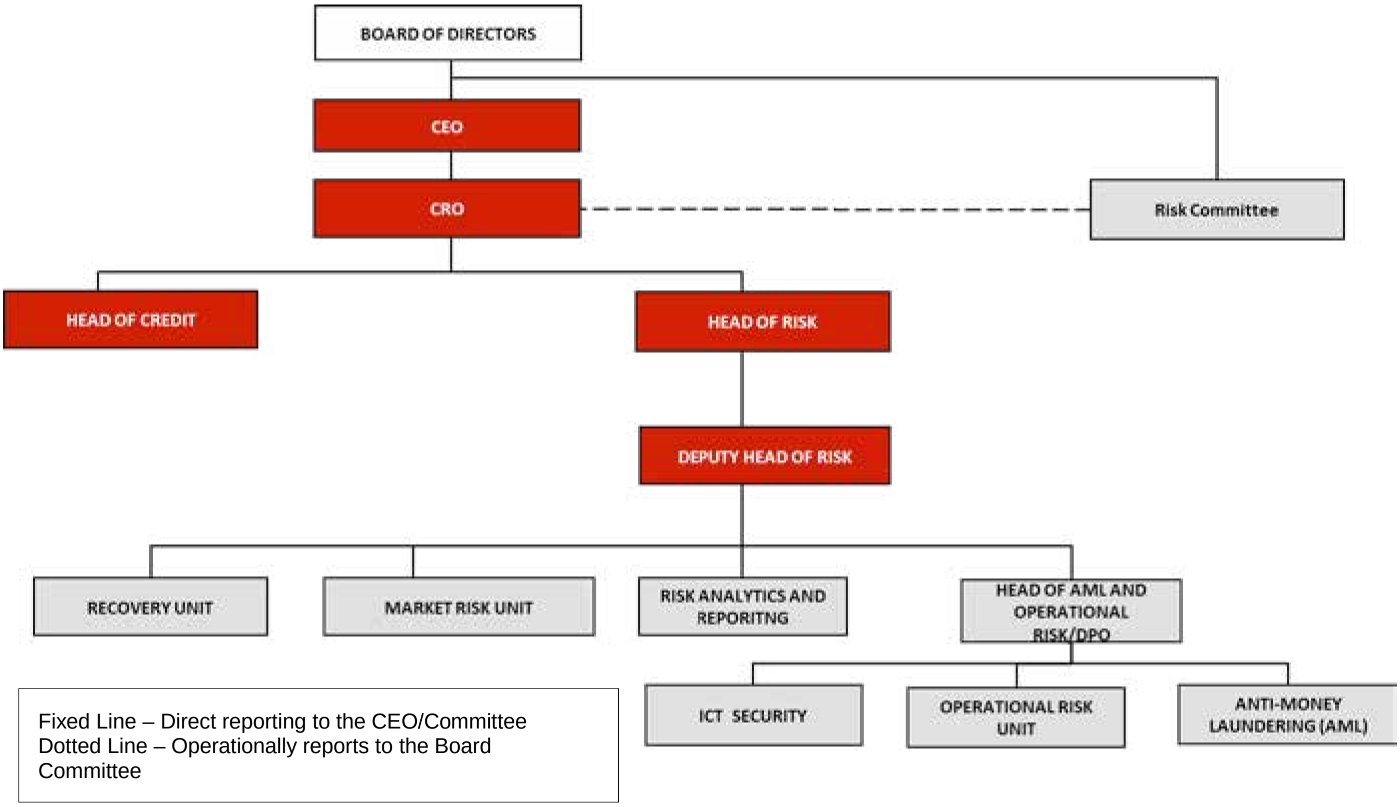
RISK GOVERNANCE AND OVERSIGHT STRUCTURE

The independent status of the risk management function is supported by a governance structure that provides for the escalation of risk issues to management through management forums and to Board Committees and the Board, on a quarterly basis or as appropriate.

The chart below illustrates the Board's and management-level committees in the Bank's risk governance structure.



RISK GOVERNANCE AND OVERSIGHT STRUCTURE (CONT'D)



COMMITTEES ESTABLISHED BY MANAGEMENT

MANAGEMENT CREDIT COMMITTEE ("MCC")

The MCC is the senior management credit decision-making committee with a defined delegated authority as determined by the Board through the Credit Committee and Risk Committee from time to time.

The functions of the MCC are as follows:

- Assist the Board to formulate, approve and implement credit policies, guidelines and credit practices of the Bank;
- Exercise responsibility for the independent assessment, approval, review and monitoring of all credit risk assets relating to the Bank's business; and
- Ensure that the origination and management of the assets in the portfolio is done in terms of the Bank's policy.

ASSET AND LIABILITIES COMMITTEE ("ALCO")

This committee comprises the Chief Executive Officer, Chief Commercial Officer, Chief Financial Officer, Chief Operating Officer, Head of Risk, Head of Treasury & Markets and Head of Credit Risk who meet at least once a month. In the absence of any ALCO member, a designated alternate should attend on his/her behalf.

ALCO's overall responsibility is to ensure that the Bank's overall asset and liability structure including its liquidity, currency and interest rate risks are managed within the risk appetite set by the Board Risk Committee.

IMPAIRMENT MANAGEMENT COMMITTEE ("IMC")

The Bank's IMC comprises the Chief Executive Officer, Chief Financial Officer and Head of Risk who meet at least once in a quarter or as and when required.

The functions of the IMC are as follows:

- Review Top Non-Performing Accounts;
- Review and approve all files, which warrant new/additional specific provisions;
- Review and approve ECL for Stage 2 and 3 assets;
- Approve proposals for restructuring of facilities and settlement of liabilities including one-time settlement;
- Review List of new Non-Performing Accounts;
- Review and approve all accounts in the Watchlist (Downgrade /Upgrade);
- Review and approve accounts assessed under Significant Increase in Credit Risk ("SICR");
- Take cognisance of recoveries and write-backs for the quarter under review; and
- Review and approve the list of accounts recommended for write-offs.

RISK MANAGEMENT COMMITTEE ("RMC")

The Committee comprises the Chief Executive Officer, Chief Commercial Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer/Head of Risk, Group Head Compliance and MLRO (Non-voting member), Head of AML and Operational Risk/DPO, Head of Global Business, Head of Internal Audit (Non-voting member) and Head of Credit Risk. In the absence of any RMC member, a designated alternate should attend on his/her behalf.

The main functions of the RMC are as follows:

- Oversee the overall Risk management and internal controls of the Bank;
- Ensure appropriate methodologies and systems are in place to identify and adequately assess and manage risks;
- To assess the Bank's risk profile and key areas of risk; and
- Report to the Risk Committee as appropriate.

MANAGEMENT OF KEY RISK AREAS

Risk can be defined as the uncertainty of an event to occur in the future. In the banking context, it is the exposure to the uncertainty of an outcome, where exposure could be defined as the position/stake banks take in the market. The main types of risk faced by the Bank are as follows:

	Type of Risk	Description	Mitigating Actions
FINANCIAL RISK	**Credit Risk**	Credit Risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk and concentration risk.	1. Policies & Procedures 2. Regulatory Guidelines 3. Control & Monitoring 4. Key Resources with technical expertise 5. Allocation of delegated limit for approval at various levels 6. Regular Credit Committee meetings held to deliberate on credit files 7. Quarterly review by Credit Committee
	Country Risk	Country risk, also referred to as cross-border country risk, is the uncertainty that obligors (including the relevant sovereign, and the group's branches and subsidiaries in a country) will be able to fulfil obligations due to the group's given political or economic conditions in the host country.	1. Regular Country Review 2. Cap in terms of Country Risk Limit 3. Quality Review by Risk Committee 4. In line with Risk Appetite Framework

	Market Risk	Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.	1. Work around solution (manually) 2. Market Risk Policy 3. Process & level of acceptance 4. Tolerance limit 5. System Implementation
	Funding and Liquidity Risk	Funding risk is the risk associated with the impact on a project's cash flow from higher funding costs or lack of availability of funds. Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.	1. Liquidity risk is managed in line with the Bank's internal liquidity risk management framework and the BOM's Guideline on Liquidity Risk Management 2. Daily reporting of liquidity metrics and monitoring of Liquidity Early Warning Indicators
	Interest Rate Risk	The risk arising from changes in interest rates or the prices of interest rate related securities and derivatives, impacting on the Bank's earnings or economic value of equity.	Monitoring of interest rate risk exposure in line with the Bank's internally prescribed limits
	Climate-Related and Environmental Financial Risk	Risk posed by the exposure of financial institutions to physical risks (such as flooding, cyclones, etc.) or transition risks (such as change in policy, change in market sentiment, etc.) caused by or related to climate change and/or exposure to activities that may potentially cause or be affected by environmental degradation (such as air pollution, water pollution, etc.)	1. Climate-Related and Environmental Risk Management Framework 2. Training and internal capacity building 3. Internal procedures and controls
NON-FINANCIAL RISK	**Operational Risk**	Operational risk is the risk of loss suffered as a result of the inadequacy of or failure in internal processes, people, systems or from external events.	1. Documented policies, procedures & processes 2. Implementation of systems & internal controls 3. Training
	Compliance Risk	Compliance Risk is the risk of legal or regulatory sanction, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations and codes of conduct and standards of good practice applicable to its financial services and banking.	1. Policies and Procedures in line with regulatory requirements and standards 2. Internal controls 3. Trained and qualified staff 4. Appropriate system and tools
	Information Risk	The risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information.	1. Documented policies, processes & procedures 2. Implementation of systems & internal controls 3. Awareness Training and best practices.
	Cyber Risk	The Risk of failure, unauthorised or erroneous use of information systems	1. Educate Employees & stakeholders on Information Security including Cyber Security measures

		resulting in financial loss, disruption or damage to the reputation of the Bank.	2. Endpoint Security on Devices including Encryption and Anti-virus Protection 3. Ensure efficient Patch Management on information systems 4. Cyber Threat detection and online monitoring 24/7, 365/365 5. Distributed denial-of-service ("DDoS") monitoring services 6. Privileged Access Management platform to control access to critical platform 7. Email and Web Security Platform 8. Data Loss Prevention 9. Multi-Factor Authentication for remote access 10. Two layered Firewalling and Network segmentation
TRANSVERSAL RISK	**Business Strategic Risk**	Business strategic risk is the risk of earnings variability, resulting in operating revenues not covering operating costs after excluding the effects of market risk, credit risk, structural interest rate risk and operational risk.	1. Documented policies, procedures and processes 2. Implementation of systems and internal controls 3. Training 4. Ensure that the Bank adheres to its Risk Appetite 5. Ensure that Business strategy is embedded in the Risk Appetite Framework
	Reputational Risk	Reputational risk is the risk of potential or actual damage to the group's image, which may impair the profitability, and/or sustainability of its business.	1. Effective communication, staff training, and HR practices 2. Documented policies, procedures and processes 3. Efficient complaints & feedback handling for continuous improvement of products/services 4. Constant compliance checks and monitoring 5. Information Security

CREDIT RISK

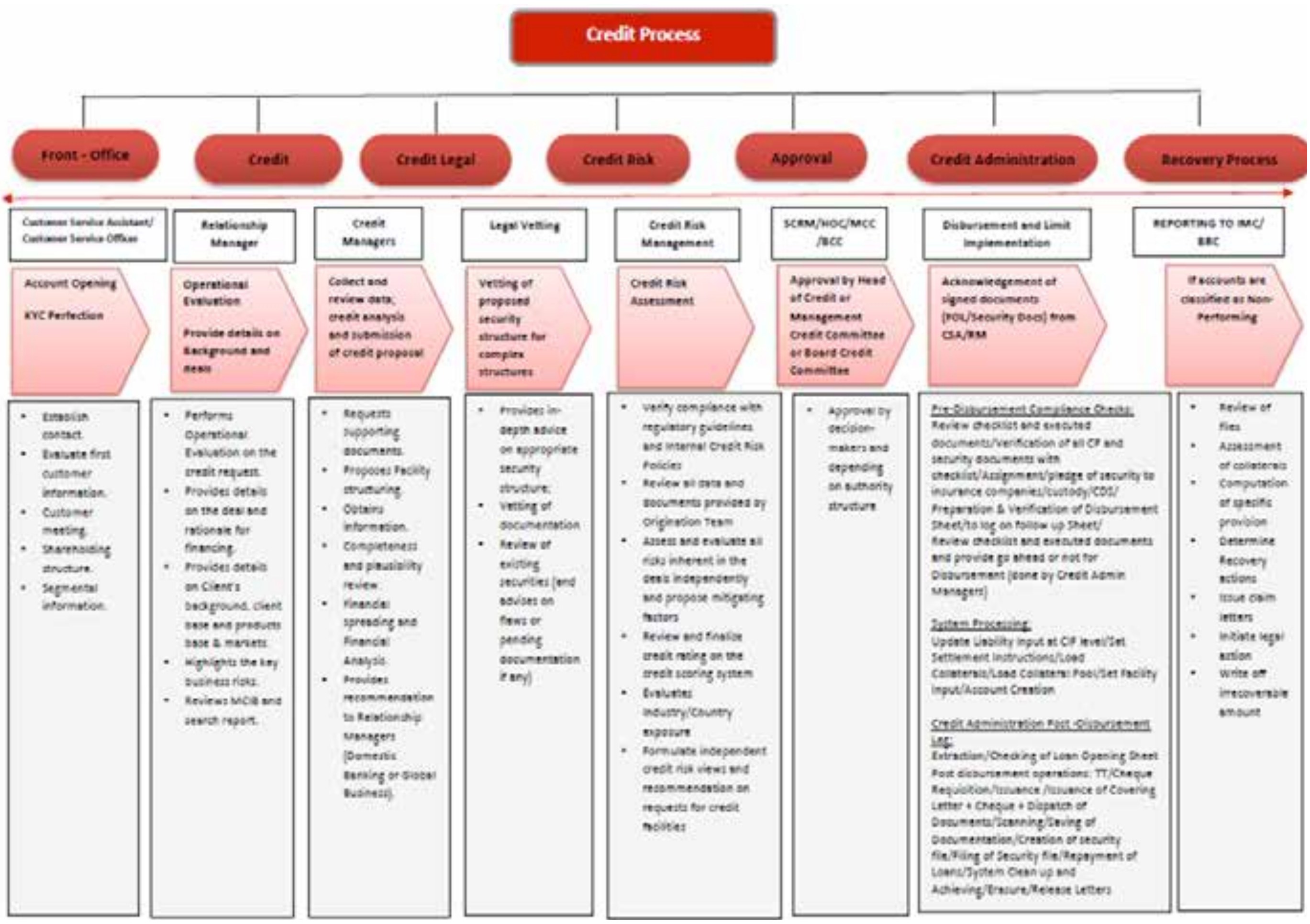
Credit risk arises from the possibility of financial losses stemming from the failure of clients or counterparties to meet their financial obligations to the Bank. Credit processes in place control the credit risk of individual and corporate clients. Other sources of credit risk arise from trading activities, including debt securities, and settlement balances with market counterparties, amongst others.

The credit risk management objective is to maintain a rigorous and effective integrated risk management framework to ensure that all controls are in line with risk processes based on international best practices, and to ensure that the Bank's policies and regulatory guidelines are adhered to.

ORGANISATION AND STRUCTURE

The Bank has structured the responsibilities of credit risk management so that informed and appropriate decisions are taken and in line with the approved delegated lending authority limit, whilst ensuring that there is an adequate segregation of tasks. Credit policies and processes are in place to ensure the effective monitoring and management of credit risk in compliance with the Bank of Mauritius guidelines and the Bank's risk appetite.

CREDIT RISK POLICIES



IFRS 9 FINANCIAL INSTRUMENTS ("IFRS 9")

The Bank has run a centrally managed IFRS 9 programme since 2018, which includes business functions and subject matter experts on methodology, data sourcing and modelling, IT processing and reporting. Overall governance of the programme implementation has been through the Bank's IFRS 9 policy and included representatives from Risk, Credit, IT and Finance departments.

IFRS 9 FINANCIAL INSTRUMENTS ("IFRS 9") (CONT'D)

The adoption of IFRS 9 has enabled the Bank to enhance its internal control system with better end-to-end management on an ongoing basis, which is critical to avoid unintended consequences. In addition, IFRS 9 has allowed the Bank to analyse high-frequency market data to enhance the risk assessment of our portfolios; while still delivering a consistent customer experience within set risk parameters.

The Bank also complies with the macro-prudential policy measures as set out in BOM's Guideline on Credit Impairment Measurement and Income Recognition to compute Portfolio Provisioning. In the event IFRS 9 provisioning is lower than General Provisioning, the difference is being booked in the Portfolio Reserve. In FY23, the Bank revisited its model and methodologies in the context to ensure a more accurate estimate based on historical data at a granular level and macroeconomic conditions.

OUR CREDIT RATING

The CRISIL models are used to rate companies including small and medium enterprises and large corporates and global and domestic banks, while the CRISIL Retail Scoring Solution ("CRESS") is used to rate retail customers. CRISIL is a global analytical company and is one of India's leading ratings agencies and provider of high-end research to the world's largest banks and leading corporations. CRISIL is majority-owned by S&P Global Inc.

The system uses the following criteria in determining the credit rating:

- Financial information;
- Financial/non-financial securities;
- Credentials of the counterparty;
- Details of facilities; and
- Qualitative assessment of the industry of operation (Industry risk, business risk, market position, financial risk, management risk and account conduct risk).

CRISIL rating grades and descriptions for each grade are as follows:

Rating Grades	Description	Definition
AAA	Investment Grade - Highest Safety	Borrowers rated AAA are judged to offer highest safety of timely payment.
AA+	Investment Grade - High Safety	Borrowers rated AA+ are judged to offer high safety of timely payment.
AA	Investment Grade - High Safety	Borrowers rated AA are judged to offer high safety of timely payment. They differ in safety from AA+ only marginally.
A	Investment Grade - Adequate Safety	Borrowers rated A are judged to offer adequate safety of timely payment.
BBB	Investment Grade - Moderate Safety	Borrowers rated BBB are judged to offer moderate safety of timely payment of interest and principal for the present.
BB	Investment Grade - Moderate Safety	Borrowers rated BB are judged to offer moderate safety of timely payment of interest and principal for the present. There is only a marginal difference in the degree of safety provided by borrowers rated BBB.
B	Investment Grade - Minimum Safety	Borrowers rated B are judged to carry minimum safety of timely payment of interest and principal for the present.
CC	Sub-Investment Grade - Inadequate Safety	Borrowers rated CC are judged to carry inadequate safety of timely payment.
C	Sub-Investment Grade - High Risk	Borrowers rated C have a greater susceptibility to default.
D	Highly Susceptible to Default/Default	Borrowers rated D are in default or are expected to default on maturity.

CREDIT MONITORING PORTFOLIO

Credit risk exposures are managed through a robust post-disbursement monitoring process. This involves regular portfolio reviews and the detection of any early warning signals. Exposures showing signs of deterioration are put on watch list and the files are reviewed at least monthly to ensure prompt actions are taken. Regular and ad-hoc checks are performed to ensure that guidelines and policies set by the Board are adhered to. All borrowers, regardless of financial health, are subject to a full review of all facilities on at least an annual basis. More frequent interim reviews may be undertaken should circumstances dictate to identify any significant increase in credit risk.

While uncertainties persist in relation to the rising inflation rates, as well as the recent turmoil in the banking sector, there is an increased risk to financial stability globally which is expected to remain elevated as macroeconomic conditions deteriorate in FY23. Nonetheless, the current economic context calls for a prudential approach by the Bank with close monitoring already in place and appropriate actions being taken as deemed necessary.

The energy sector faced global turmoil due to the Russia-Ukraine war resulting in a disruption in the supply level and transferability of these commodities in the affected regions. The credit portfolio has been assessed and the sector cap on the commodity trading sector has been maintained as a precautionary measure with a lack of visibility in this sector. At the domestic level, even if there are encouraging signs in the tourism industry, the war is impacting the strength of the recovery due to the sharp rise in inflation.

In light of the impact of the war and slowdown in global economic growth projected for FY23, on our business activities, the Bank continues to enhance its SICR assessment framework based on several factors with a view to manage the portfolio better and trigger early warning signs.

LOANS AND ADVANCES TO CUSTOMERS - JUNE 2023

Internal Rating Grade	Stage 1	Stage 2	Stage 3	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit Rating AAA	477,873	87,559	-	565,432
Credit Rating AA+ to AA-	1,627,297	185,580	-	1,812,877
Credit Rating A+ to A-	16,498,970	159,910	-	16,658,880
Credit Rating BBB+ to BBB-	11,917,340	2,892,359	-	14,809,699
Credit Rating BB+ to BB-	2,696,055	714,070	-	3,410,125
Credit Rating B+ to B-	1,255,438	987,575	-	2,243,013
Credit Rating CCC+ to C	-	13,461	-	13,461
Unrated	-	-	-	-
Non Performing:	-	-	-	-
Credit Rating D	-	-	1,683,591	1,683,591
Total gross carrying amount	**34,472,973**	**5,040,514**	**1,683,591**	**41,197,078**

CREDIT MONITORING PORTFOLIO (CONT'D)

LOANS AND ADVANCES TO CUSTOMERS - JUNE 2023				
S&P equivalent	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				
Credit Rating AAA	-	256	-	256
Credit Rating AA+ to AA-	44,574	75,325	-	119,899
Credit Rating A+ to A-	94,143	57,335	-	151,479
Credit Rating BBB+ to BBB-	2,699,310	53,673	-	2,752,982
Credit Rating BB+ to BB-	22,101,518	812,649	-	22,914,168
Credit Rating B+ to B-	9,113,010	2,846,628	-	11,959,638
Credit Rating CCC+ to C	420,417	1,194,647	-	1,615,064
Unrated	-	-	-	-
Non Performing:				-
Credit Rating D	-	-	1,683,591	1,683,591
Total gross carrying amount	**34,472,973**	**5,040,514**	**1,683,591**	**41,197,078**

LOANS AND ADVANCES TO BANKS - JUNE 2023				
External Rating Grade	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				
Credit Rating AAA	-	-	-	-
Credit Rating AA+ to AA-	-	-	-	-
Credit Rating A+ to A-	5,234,026	-	-	5,234,026
Credit Rating BBB+ to BBB-	3,649,094	-	-	3,649,094
Credit Rating BB+ to BB-	2,960,967	-	-	2,960,967
Credit Rating B+ to B-	1,388,854	-	-	1,388,854
Credit Rating CCC+ to C	-	-	-	-
Unrated	-	-	-	-
Non Performing:	-	-	-	-
Credit Rating D	-	-	-	-
Total gross carrying amount	**13,232,941**	**-**	**-**	**13,232,941**

During the financial year ended 30 June 2023, the Bank has taken active steps in prudently managing its exposures and ensuring that its loan book is judiciously diversified, while periodically conducting stress tests to assess the resilience of its portfolio in case of unfavourable events.

CONCENTRATION OF RISK

The key focus of the Bank's credit risk management approach is to avoid any undue concentrations in its credit portfolio, whether in terms of counterparty, group, portfolio, and country. The Bank has always kept its large exposures within the regulatory limits. For instance, our concentration ratio of large exposures above 10% was 134.00% as at 30 June 2023, well within the regulatory limit as shown below:

Regulatory Credit Concentration Limit	As at 30 June 2023
Credit exposure to any single consumer shall not exceed 25% of the Bank's Tier 1 Capital	Highest single customer: 15.28%
Credit exposure to any group of closely related customers shall not exceed 40% of the Bank's Tier 1 Capital	Highest Group of closely related customers: 22.89%
Aggregate large credit exposures to all customers and Banks of closely related customers above 10% of the Bank's Tier 1 Capital shall not exceed 800% of the Bank's Tier 1 Capital	134.00%

****Note:** Public State Entities (PSEs) are exempt from credit concentration as per BOM's Guideline.*

Furthermore, economic report, and country and industry analysis are prepared and submitted to the Risk Committee to highlight trade developments and risks to the Bank's credit portfolio. These reports are used to define strategies for both our industry portfolio, and individual counterparties within the portfolio.

CONCENTRATION BY GEOGRAPHY

The Bank's financial assets before considering any collateral held or other credit enhancements, can be analysed as follows group by geographical regions:

REGION	2023 MUR'000	2022 MUR'000	2021 MUR'000
Africa			
Mauritius	71,008,088	76,719,294	74,699,016
Other African countries	11,929,781	13,674,578	8,676,615
North America	85,956,628	63,026,805	54,254,420
Europe	22,682,471	15,633,737	21,568,983
Asia	39,530,574	40,626,973	32,269,714
Others	1,398,010	735,020	585,623
	232,505,552	**210,416,407**	**192,054,371**

CONCENTRATION BY GEOGRAPHY (CONT'D)

CONCENTRATION BY INDUSTRY

The Bank's financial assets, without taking account of any collateral held or other credit enhancements, are as follows:

Sectorwise distribution of credit	2023 MUR'000	2022 MUR'000	2021 MUR'000
Agriculture	1,505,616	1,676,528	979,158
Construction, Infrastructure and real estate	4,676,206	2,667,479	1,849,854
Financial and business services	110,549,958	129,870,699	136,141,751
Government and parastatal bodies	82,918,042	46,434,949	32,201,281
Information, communication and technology	1,882,903	2,657,904	1,274,563
Manufacturing	7,273,551	5,386,136	3,934,486
Personal	3,752,881	3,292,231	2,785,392
Tourism	4,082,530	4,274,417	4,919,289
Traders	10,797,006	8,563,746	3,794,823
Others	5,066,859	5,592,318	4,173,774
Total	**232,505,552**	**210,416,407**	**192,054,371**

CREDIT RISK MITIGATION

As a fundamental credit principle, the Bank does not generally grant credit facilities solely on the basis of the collateral provided. All credit facilities are based on the credit rating, source of repayment and debt-servicing ability of the borrower. Collaterals are taken when required by the Bank to mitigate the credit risk. The collateral is monitored on a regular basis with the frequency of the valuation depending on the liquidity and volatility of the collateral value.

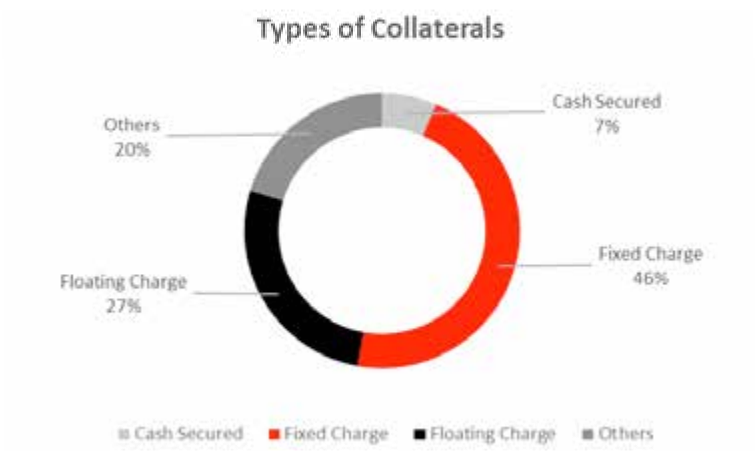
Legal certainty of enforceability is another technique used to enforce risk mitigation. Where a claim on counterparty is secured against eligible collateral, the secured portion of the claim is weighted according to the risk weight of the collateral and the unsecured portion against the risk weight of the counterparty. To mitigate counterparty risk, the Bank also requires close-out netting agreements. This enables the Bank to offset the positive and negative replacement values of contracts if the counterparty defaults. The Bank's policy is to promote the use of close-out netting agreements and mutual collateral management agreements with an increasing number of products and counterparties in order to reduce counterparty risk.

CREDIT RISK MITIGATION (CONT'D)

As an indication, claims secured by cash and other tangible security represent 38% of the loan book, whilst unsecured/non-tangible portions account for 62% of the total loan book. For the secured portfolio, the fair value of collateral exceeds the gross outstanding loan on the same portfolio. Furthermore, loan to banks which amounted to MUR 13.2bn are on clean basis and this is customary in nature.

The value of collateralised loan and other credit enhancements, excluding impaired assets is as follows:

Collateral Details	Total MUR'000	Total %
Cash Secured	1,311	7%
Fixed Charge	9,459	46%
Floating Charge	5,469	27%
Others	4,131	20%
Total	**20,370**	**100%**



The Bank also requests personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

RELATED PARTY TRANSACTIONS, POLICIES PRACTICES

The Bank adheres to the Guideline on Related Party Transactions issued by the BOM in December 2001 which was last reviewed in May 2022. A related party approval process is in place and in line with the revised guideline. The Board as from February 2023, reinstated the Conduct Review Committee to review and approve related party transactions.

The Bank's policy on related party transactions sets out the:

- Rules governing the identification of related parties;
- Governance framework;
- Terms and conditions applicable to transactions entered into with them;
- Reporting procedures to the governance committees; and
- Monitoring of related party transactions.

All related party transactions are reviewed and approved at the level of the CRC and other approval by authorised approval bodies as per the delegated lending authority limits (based on the criteria set out in the guideline) which ensures that market terms and conditions are on arm's length basis.

During the normal course of business throughout the year, the Bank entered into a number of banking transactions with its related parties. These include placements or loans to/from banks, deposits as well as other normal banking transactions. As at 30 June 2023, related party exposure was within regulatory guidelines at 22.89% (Cat 1 and Cat 2).

The Bank has complied with all requirements of the Bank of Mauritius Guideline on Related Party Transactions. Related party reporting to the Bank of Mauritius is made on a quarterly basis. Moreover, all related party transactions are monitored and reported to the CRC for the financial year ended 30 June 2023.

MARKET RISK

Market risk is commonly defined as the potential risk of losses arising from adverse movements in market prices, typically due to changes in foreign exchange rates, interest rates, equity and commodity prices. The key drivers of market risk that the Bank is exposed to are mainly associated with fluctuations in interest rates and foreign exchange rates.

Market risk is also known as "systematic risk" as it affects the entirety of the market. As such, this risk cannot be fully eliminated through diversification but may be mitigated by using various hedging techniques through derivative products and concentration as well as sensitivity limits.

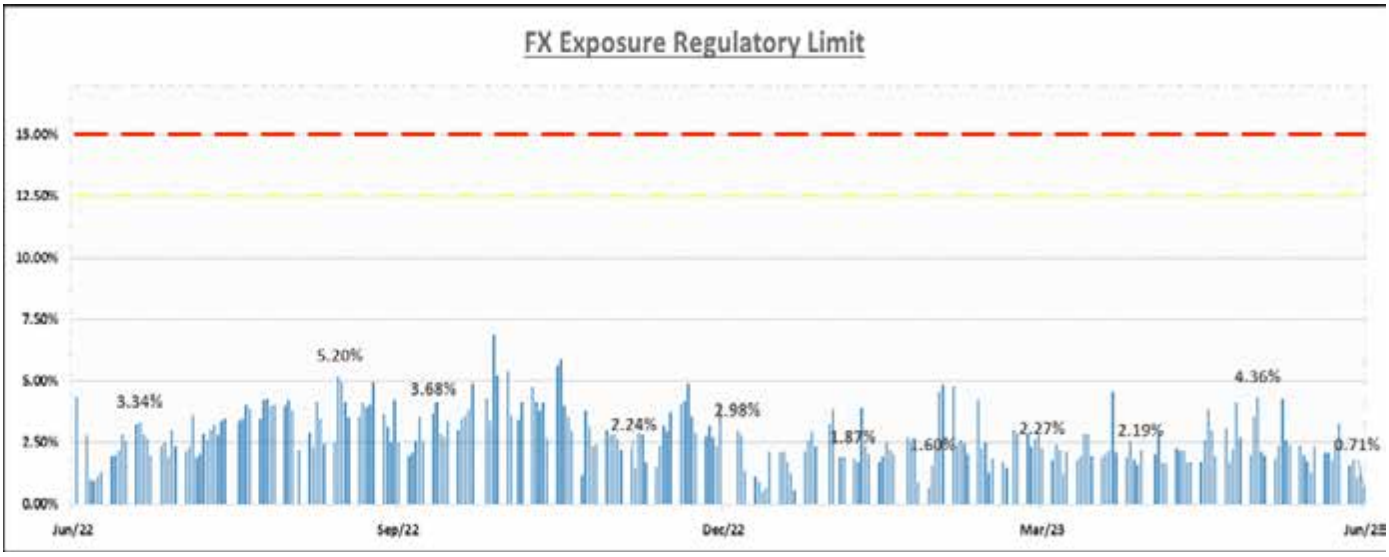
The Bank uses a robust risk management framework to monitor and manage the various market risks that it is exposed to on a daily basis. Both the ALCO and Risk Committee define, review and monitor on a regular basis a set of different market risk limits that are in line with the Bank's overall risk appetite and also complement the regulatory limits as established by the Bank of Mauritius.

The Market Risk department, being responsible for the identification and monitoring of the Bank's exposure to interest rate and currency risks, works in collaboration with the various business lines to define and implement appropriate market risk policies and procedures. In so doing, the staff of the department contribute in the identification, assessment and control of the various market risks and also provide timely information to management, the Board and regulators.

NET FOREIGN EXCHANGE OPEN POSITIONS

Open positions in foreign currencies expose the Bank to currency risk, the possibility that fluctuations in exchange rates may result in adverse movements in the value of current holdings and future cash flows that are denominated in currencies other than the base currency. This risk is inherently present at the Bank due to its multi-currency investing and lending activities.

For the financial year ended 30 June 2023, the Bank has maintained a daily net Foreign Exchange ("FX") Open position against the Mauritian rupee that was well under the regulatory limit of 15% of Tier 1 capital as prescribed by the Bank of Mauritius (see graph below).



FX Exposure for FY23

MARKET RISK MONITORING AND CONTROLS

The Bank uses a panoply of statistical and financial tools to measure the size of potential losses across different market scenarios and investment time horizons. Market risk reports are prepared on a daily basis and communicated to the management, ALCO and the Risk Committee. Such timely and frequent reporting of a multitude of market risk matters ensure that relevant issues are promptly escalated and addressed.

VALUE AT RISK

The Value at Risk (“VaR”) model provides an estimate of the potential future loss of a position over a specified horizon, given a required degree of confidence in the estimate. The Bank uses a parametric approach, also known as the Variance-Covariance method, to compute both a daily and weekly VaR at a 99% confidence level for the FX portfolio. As far as the fixed income portfolio is concerned, the Bank uses the Mont Carlo approach to estimate a daily VaR at 99% confidence level.

SENSITIVITY LIMITS

The Bank uses different sensitivity limits to cap the impact of adverse movements in interest rates on the fixed-income portfolio. In particular, duration limits are measured on a daily basis to quantify the effect of both 0.01% and 1% change in interest rate and compared against pre-defined limits. Moreover, the Bank has established different limits for the different categories of fixed-income instruments in order to better measure and manage the overall portfolio from a market risk perspective.

POSITION LIMITS

Position limits are mainly used at the Bank to limit concentration risk by restricting the maximum exposure to one particular market, sector or instrument. These limits are carefully set so as to ensure appropriate diversification among the different portfolios but at the same time are not overly restrictive to prevent the generation of absolute returns. Position limits complement the other types of risk management tools used at the Bank as they are easily understood, implemented and monitored.

STOP-LOSS LIMITS

Various stop-loss limits are used across portfolios to ensure that appropriate actions are undertaken when losses breach pre-defined levels. Remedial actions usually involve either a reduction in the size of a portfolio or its complete liquidation when a loss of a particular size occurs over a specified period. An alternative approach to stop-loss limits used at the Bank, especially during periods of high volatility involves derivatives instruments, such as put and call options, to maintain expected losses within acceptable levels.

TENOR LIMITS

Most fixed-income products will ultimately expire on a pre-defined date. Bonds with different maturity dates will react differently to changes in market structure. Generally, the longer the tenor of a bond, the more sensitive it is to changes in interest rates. From a market risk perspective, it is advisable to place limits on the maximum tenor of bonds in order to manage the riskiness of the fixed-income portfolio. At the Bank, we use different limits to control the tenor of bonds and also to regulate the trading frequency of dealers.

MARKET RISK MONITORING AND CONTROLS (CONT'D)

LIQUIDITY AND FUNDING RISK

Liquidity and Funding Risk are risks that the Bank will not be able to meet its daily cash and financial obligations as they fall due or do so at materially significant costs. Liquidity and Funding risk arise from mismatched cash flows related to the Bank's assets and liabilities as well as the characteristics of some products with ambiguous maturities.

The Bank's primary objective as a financial institution is to manage liquidity such that it supports the Bank's business strategy and allows it to honour its commitments when they come due, even under stress. This is done primarily by implementing a liquidity risk policy framework approved by the Board, which establishes a risk appetite, triggers, risk indicators, monitoring structures and escalation trees.

The Bank's ALCO, under guidance from the Risk Committee, is responsible for the assessment, monitoring and management of the Bank's liquidity risk and strategy and ensuring compliance with both internal and regulatory limits.

As per the principles outlined in the Bank's liquidity risk policy, the following approach is adopted to manage liquidity risk both under business-as-usual and stressed scenarios.

Short-term liquidity risk management	Structural (longer-term) liquidity risk management	Contingency Liquidity Risk Management
Managing intra-day liquidity positions	Identification of structural liquidity mismatches against tolerance limits and breaches are escalated to ALCO	Setting of appropriate early warning indicators
Monitoring daily and short-term cash flow requirements	Managing term lending capacity by considering behavioural profiling of ambiguous maturity assets and liabilities	Undertaking liquidity stress testing and scenario analysis
Setting up of interbank and repo lines	Monitoring depositor concentration against internal limits and holding sufficient marketable assets against the bank's deposit base.	Ensuring a contingency funding plan is in place with appropriate action plans and escalation pprocesses
Setting of deposit rates according to market conditions and ALCO approved targets.	Managing long-term cash flows	

REGULATORY ENVIRONMENT

The Bank works closely with the central bank to implement regulatory liquidity standards. The Bank adapts its processes and policies to reflect the Bank's liquidity risk appetite towards these new requirements.

LIQUIDITY COVERAGE RATIO

The BOM, in line with Basel principles, issued Liquidity Coverage Ratio ("LCR") requirements for banks in November 2017 (revised March 2023), as part of the Guideline on Liquidity Risk Management.

The LCR was introduced primarily to ensure banks maintain an adequate stock of unencumbered high-quality liquid assets (HQLA), that consist of cash or assets convertible into cash at little or no loss of value in private markets, to meet liquidity needs for a 30-calendar day time period, under a severe liquidity stress scenario.

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}}$$

The Bank publishes the LCR on a quarterly basis and reports to the Bank of Mauritius on a fortnightly basis. The Bank of Mauritius adopted a phased in approach to the Basel III LCR requirement. Since January 2020, banks are required to hold minimum LCR ratios of 100% for local currency, material foreign currencies and on a consolidated basis.

The following table provides the Bank's LCR position as at 30 June 2023. The LCR was 425%, well above the 100% regulatory requirement, demonstrating a robust liquidity position.

LCR DISCLOSURE REQUIREMENTS

(Consolidated in MUR)		TOTAL UNWEIGHTED VALUE[1] (MUR'000)	TOTAL WEIGHTED VALUE[1] (MUR'000)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)	95,627,644	95,627,644
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	29,468,269	2,946,827
3	*Stable deposits*	0	0
4	*Less stable deposits*	29,468,269	2,946,827
5	Unsecured wholesale funding, of which:	137,055,099	60,275,161
6	*Operational deposits (all counterparties)*	0	0
7	*Non-operational deposits (all counterparties)*	137,055,099	60,275,161
8	*Unsecured debt*	0	0
9	Secured wholesale funding	0	0
10	Additional requirements, of which:	0	0
11	*Outflows related to derivative exposures and other collateral requirements*	0	0
12	*Outflows related to loss of funding on debt products*	0	0
13	*Credit and liquidity facilities*	9,801,371	994,548

(Consolidated in MUR)		TOTAL UNWEIGHTED VALUE[1] (MUR'000)	TOTAL WEIGHTED VALUE[1] (MUR'000)
14	Other contractual funding obligations	0	0
15	Other contingent funding obligations	4,073,950	1,802,701
16	**TOTAL CASH OUTFLOWS**	**180,398,688**	**66,019,236**
CASH INFLOWS			
17	Secured funding (e.g. reverse repos)	0	0
18	Inflows from fully performing exposures	44,103,853	41,790,741
19	Other cash inflows	1,709,064	1,709,064
20	**TOTAL CASH INFLOWS**	**45,812,917**	**43,499,805**
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		**95,627,644**
22	**TOTAL NET CASH OUTFLOWS**		**22,519,432**
23	**LIQUIDITY COVERAGE RATIO (%)**		**425%**
24	**QUARTERLY AVERAGE OF DAILY HQLA[2]**	**97,721,944**	

[1] The quarterly average of monthly observations is based on April to June 2023 month end figures.

[2] The quarterly average of daily HQLA is based on close of day figures over the 01 April 2023 to 30 June 2023 period.

LIQUIDITY STRESS TESTS AND CONTINGENCY FUNDING PLAN

On a monthly basis and as part of its annual ICAAP process, the Bank runs various liquidity stress scenarios, with different severity levels, to assess the adequacy of its stock of liquid assets. These scenarios simulate stressed depositor outflow situations and factor in both bank-specific and systemic risk.

In assessing the adequacy of its stock of liquid assets, the Bank applies a haircut on the market value of its liquid assets to reflect forced sale discounts.

In line with Bank of Mauritius requirements, the Bank maintains a comprehensive liquidity contingency funding plan with well-defined action plans and an approved escalation tree in the event of a liquidity crisis. Qualitative and quantitative liquidity early warning indicators are tracked and reported at ALCO on a monthly basis.

LIQUIDITY RISK APPETITE

The Bank monitors a range of liquidity risk limits and ratios against an internally approved risk appetite. The Bank's liquidity risk appetite is based on the following principles:

- Ensuring the Bank has a sufficient amount of unencumbered liquid assets to cover its financial obligations under both normal and stressed conditions;
- Ensuring the Bank keeps a liquidity buffer above the minimum regulatory requirements; and
- Ensuring the Bank maintains diversified and stable sources of funding.

LIQUID ASSETS

To protect depositors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be readily liquidated to meet financial obligations. The majority of unencumbered liquid assets are held in MUR or U.S. dollars. Moreover, all assets that can be quickly monetised are considered liquid assets. The Bank's liquid assets do not factor in the availability of the Bank of Mauritius' overnight borrowing quota.

The table below provides a breakdown of the Bank's eligible liquid and marketable instruments as defined by the Basel Committee on Banking Supervision and the Banking Act.

As at 30 June 2023, the Bank's liquid assets ratio was 83% against an internal limit of 25%.

As at 30 June 2023 (MUR'm)	Bank-owned liquid assets[1]	Liquid assets received[2]	Total Liquid assets	Encumbered liquid assets[3]	Unencumbered liquid assets
Cash and deposits with financial institutions	**51,096**	**-**	**51,096**	**-**	**51,096**
Securities					
Issued or guaranteed by foreign sovereign	**67,985**	**-**	**67,985**	**-**	**67,985**
Issued or guaranteed by local government/central bank	**20,431**	**16,875**	**37,306**	**-**	**37,306**
Total	**139,512**	**16,875**	**156,387**	**-**	**156,387**

(1) Bank-owned liquid assets include assets for which there are no legal or geographic restrictions.
(2) Securities received as collateral with respect to reverse repo transactions.
(3) Encumbered assets relate to assets pledged as collateral against bank borrowing.

FUNDING MIX AND DEPOSITOR CONCENTRATION RATIO

The Bank aims to maintain an adequate balance of its funding base through appropriate diversification of its funding sources. The Bank also diversifies its funding by currency, geography and maturity. Management's objective is to achieve an optimal balance between demand and term deposits in line with the Bank's asset deployment strategy.

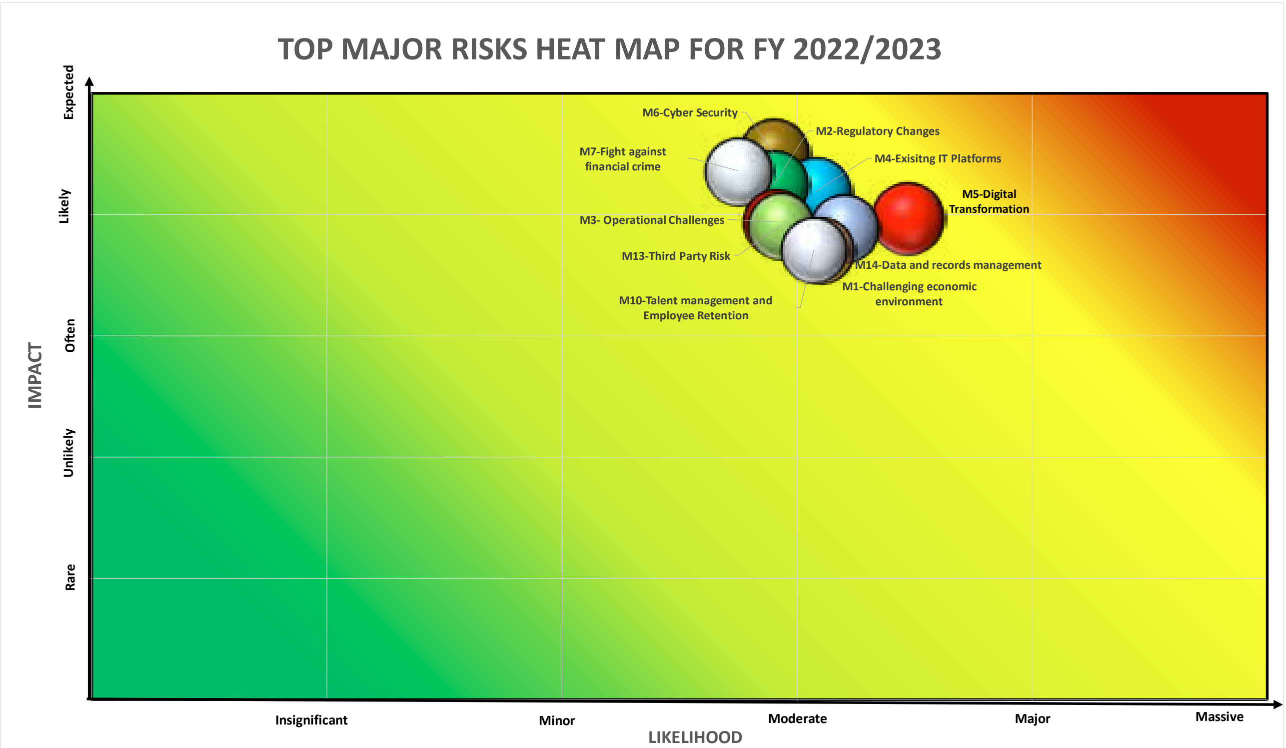
As of the end of the current FY, the Bank does not foresee any event, commitment or demand that might have a significant impact on its funding and liquidity risk position.

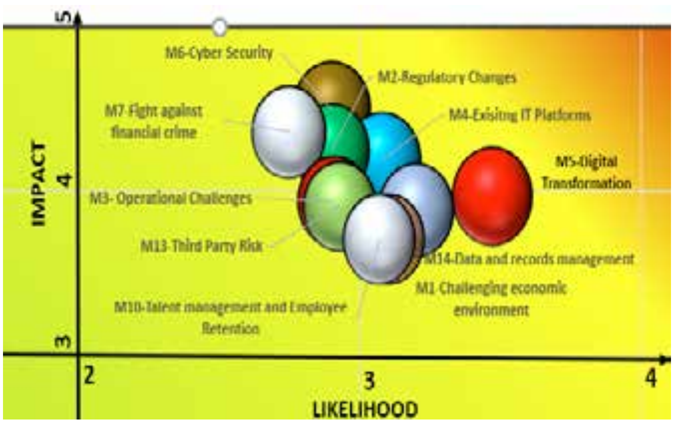
As at 30 June 2023, the Bank's short-term depositor concentration ratios were as follows:

MUR deposits	
Single depositor/ Group of related counterparties	2.2%
Top 10 depositors/ Group of related counterparties	10.2%
FCY deposits	
Single depositor/ Group or related counterparties	1.4%
Top 10 depositors/ Group of related counterparties	8.0%

ENTERPRISE RISK MANAGEMENT

The Top 10 major risks of the Bank have been evaluated and all departments were requested to provide their assessment through a rating exercise with regard to their actual business activities. The snapshot below depicts the inherent risks of the major risks in terms of likelihood and impact.





			Ranking			Risk Score		
			FY 21/22	FY 22/23	Movement	FY 21/22	FY 22/23	Movement
1	M5	Digital Transformation	5	1	↑	12.40	13.78	↑
2	M6	Cyber security	2	2	⇔	13.10	13.05	↓
3	M4	Existing IT Platforms	4	3	↑	12.63	12.91	↑
4	M14	Data and records management	New	4	↑	New	12.45	↑
5	M2	Regular changes in regulatory guidelines	6	5	↑	12.31	12.33	↑
6	M7	Fight against financial crime	3	6	↓	12.74	11.99	↓
7	M1	Challenging economic environment	7	7	⇔	12.15	11.50	↓
8	M3	Operational Challenges	9	8	↑	11.63	11.47	↓
9	M13	Third Party Risk	New	9	↑	New	11.46	↑
10	M10	Talent management and Employee Retention	8	10	↓	11.84	11.39	↓

For this FY, three new risks were introduced in the Enterprise Risk Assessment Arena, namely, Third Party Risks, Data & Records Management and Conduct Risk. Risk associated to Digital Transformation, Cyber Security, and Existing IT Platform have been perceived among the heightened risks during this financial year and positioned themselves first, second and third respectively among the Top Enterprise Risk.

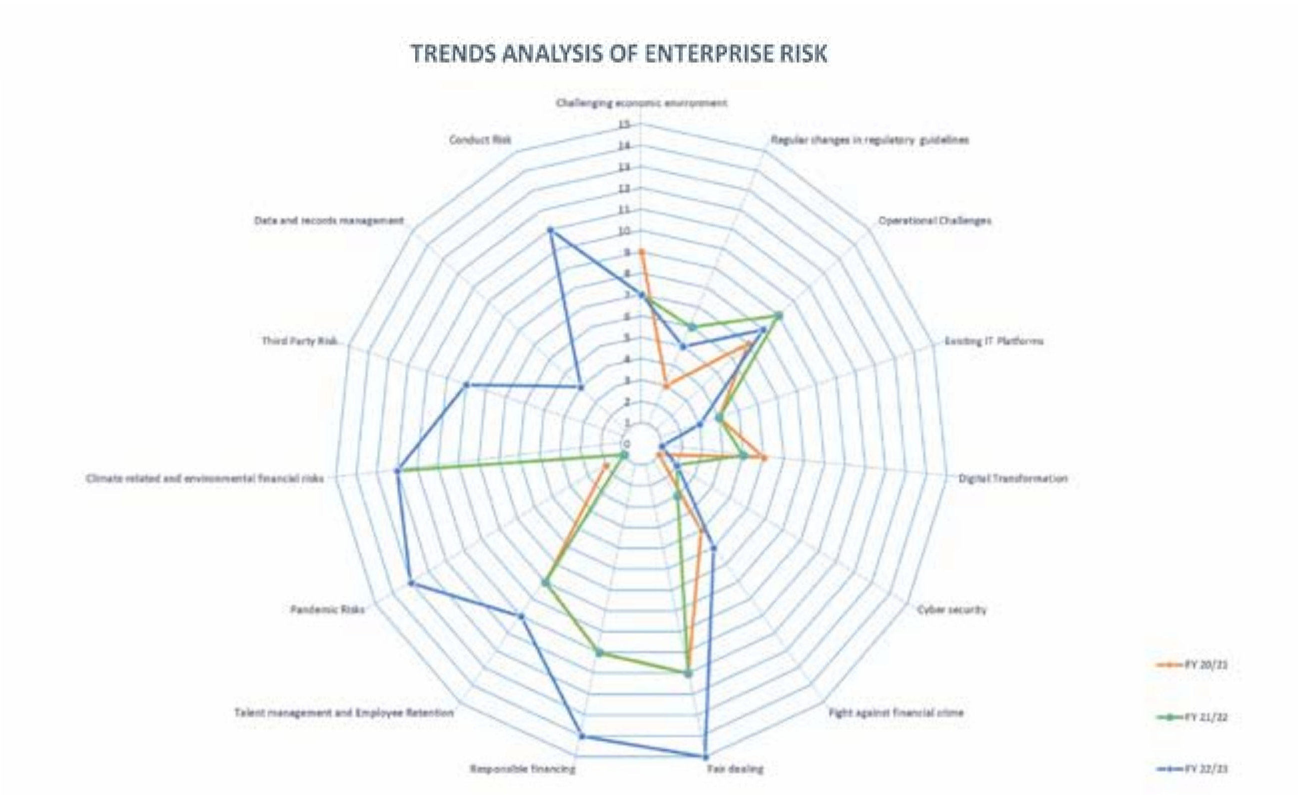
On the other side risk associated with Data and Records Management, Regular changes in the regulatory guidelines and Fight against Financial Crime are placed in the middle of the table. While the risk associated with Challenging Economic Environment, Operational Challenges, Third Party Risk and Talent Management and Employee Retention among the Last 4 Risk in the Top 10 Risk for the Bank.

ENTERPRISE RISK MANAGEMENT

With regards to the new entrant in the arena Data and Records Management is placed in the Fourth place and Third-Party Risk in the ninth place in the Top 10 Risks for the Bank. Pandemic Risk which was on the first place during last Financial year has been moved to the Thirteen place. The other risks which were left outside the Top 10 Risks for the Bank were as follows: Conduct Risk which was a new entrant in the arena, climate-related and environmental financial risks, Pandemic Risks, Responsible financing and Fair dealing.

It can be concluded that the impact of these major risks is minimised where appropriate actions are being taken to mitigate the inherent risk in these areas to be within the Bank's risk profile and appetite.

The diagram below depicts the trends of the Major Risks between FY21, FY22 and FY23.



OPERATIONAL RISK MANAGEMENT

The Bank always promotes a culture where Operational Risk is Everyone's Responsibility. Operational Risk is the risk of not achieving our strategy or objectives as a result of inadequate or failed in internal processes, people, and systems or from external events which can lead to adverse customer impact, reputational damage, litigation or financial loss.

Operational risk is inherent in all banking products, activities, processes and systems, and effective management of operational risk is a fundamental element of the risk management programme.

Sound operational risk management reflects the effectiveness of the Board of Directors and senior management in administering their portfolio of products, activities, processes and systems. Strategic and reputational risks is considered by the Bank's operational risk management.

Operational Risk Management is a systematic approach used by organisations to identify, assess, control, and mitigate risks that may arise from their day-to-day operations. It involves managing the risks associated with people, processes, systems, and external factors that can affect the Bank's ability to achieve its objectives.

OPERATIONAL RISK MANAGEMENT (CONT'D)

Operational risk is a broad category of risk that encompasses various types of non-financial risks, including but not limited to:

- Human Error: Errors or mistakes made by employees in their daily tasks and responsibilities, which can lead to operational failures;
- Process Failures: Weaknesses or breakdowns in operational processes, leading to inefficiencies or operational disruptions;
- Technology and System Risks: Risks arising from the use of technology and information systems, including data breaches, system failures, and cyber-attacks;
- External Events: Risks arising from external factors beyond the Bank's control, such as natural disasters, political instability, or changes in regulations;
- Fraud and Security Risks: Risks associated with fraudulent activities or security breaches that can lead to financial losses or damage to the Bank's reputation.

Effective Operational Risk Management involves the following key steps:

- Risk Identification: Identifying and categorising potential risks that can impact the Bank's operations;
- Risk Assessment: Assessing the likelihood and potential impact of identified risks to prioritise them for mitigation efforts;
- Risk Control and Mitigation: Implementing controls and measures to reduce the probability of risks occurring or minimising their impact if they do occur;
- Risk Monitoring and Reporting: Continuously monitoring operational risks, tracking their effectiveness, and reporting on the status of risk management efforts;
- Risk Culture and Awareness: Fostering a risk-aware culture within the organisation, where employees understand their role in managing risks and are encouraged to report potential issues;
- Incident Response and Recovery: Developing plans and procedures to respond to and recover from operational incidents when they occur.

Operational Risk Management is a vital aspect of overall risk management in any Bank, as it helps protect the Bank from potential losses, enhances decision-making, and ensures resilience in the face of unexpected challenges. It is a dynamic process that requires ongoing attention and adaptation to changing business environments and emerging risks.

The Bank has a well-defined structure for Operational Risk Management that complies with regulatory and best practice requirements and is aligned with the risk culture and the risk profile of its activities. This is supplemented through an Operational Risk Management Framework which includes the three lines of defence (Business Units, Control Units, and Internal/External Auditors) and involvement of senior management ensuring that all operational risks are efficiently managed across its activities.

The Operational Risk Management Framework includes a risk control self-assessment ("RCSA") process, risk impact/likelihood matrix, key risk and control indicators, Early Warning Indicators ("EWIs"), a robust operational risk event management tool and escalation process, scenario analysis, audit recommendations, external information sources (external events or industry reports) and operational losses process.

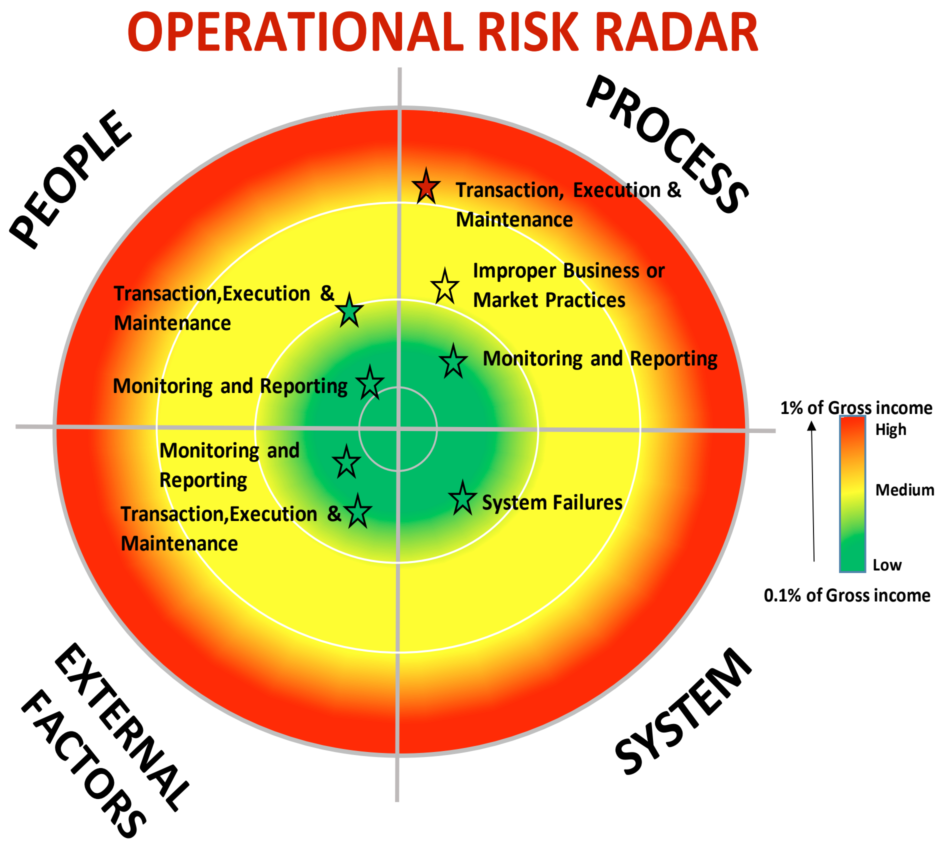
The Bank continuously improves operational control procedures to keep pace with new regulations and best practices in the market through holistic follow up of risks and their mitigating controls.

OPERATIONAL RISK MANAGEMENT (CONT'D)

The Bank fosters awareness and knowledge of operational risks at all levels of organisations through its risk culture. During the FY23, the yearly Operational Risk Awareness session was organised through the Bank's online training platform, whereby an assessment was also run to assess the maturity level of Bank's staff on Operational Risk Management.

The Bank calculates its minimum (Pillar I) operational risk capital requirement using the Basic Indicator Approach (BIA) where the capital charge is 15% of average gross income over the last 3 years. Refer to section on Capital Structure and Adequacy in this report.

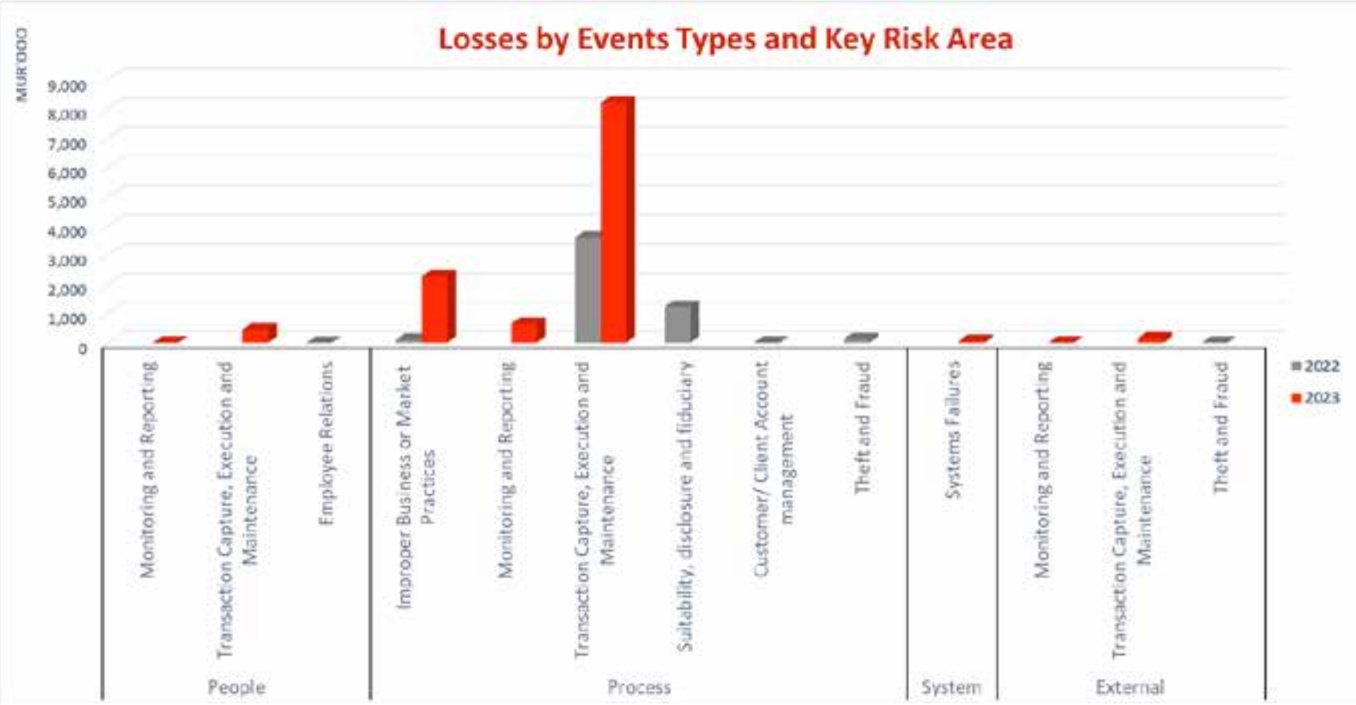
The Bank has an EWIs for Operational Risk Loss which is 0.1% to 1.0 % of Gross income. For this FY23, the Bank has an Operational loss which stood at 0.353% of Gross Income which is within the range.



The Operational risk radar depicts the position of Operational Risk incidents with Operational losses according to the Basel Event Classification under the four-quadrant people, process, system and external factors vis-a-vis the EWIs set.

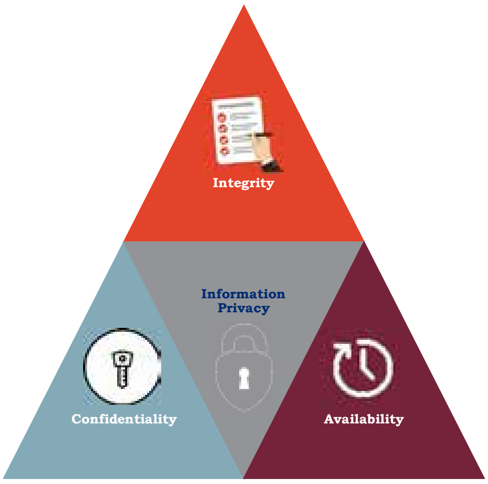
OPERATIONAL RISK MANAGEMENT (CONT'D)

The chart below shows the comparison of the Losses.



INFORMATION TECHNOLOGY

Information Technology is geared towards enabling sophisticated product development, better market infrastructure, and helps the Bank reach geographically distant and diversified markets. The Bank leverage maximum effort on FinTech to keep pace in the digitalised market while keeping aligned to its' Information Technology Security policies.



Data and information: Effective deployment of data and information assets is in the form of management information systems, business intelligence/analytics, decision support and forecasting. Data and information being among the most valuable assets of the organisation, the information strategy of the Bank focuses not only on the above but also on data governance, to ensure integrity and consistency of data at every stage of the data lifecycle, maintaining adherence to the Data Privacy rules including Mauritius Data Protection Act ("DPA") 2017, the General Data Protection Regulation ("GDPR") 2018 and POPI Act 2020. The Bank is committed to ensuring that privacy rights and entitlements are adequately protected in relation to the techniques used to capture, transmit, manipulate, record or store data relating to individuals.

Technology, infrastructure and security: With technology evolving faster than ever, the primary challenge for an enabling technology is to ensure that the Bank is adequately prepared and equipped to sustain the rigorous and continuous evolution of requirements for new technologies in the era of digital innovation and artificial intelligence, whilst managing the costs and the associated risks.

The Bank's Information Technology and Information Security frameworks are built on global standards like ITIL, ISO 27001, NIST etc. and the governance principles are modelled along the lines of COBIT, ISO/IEC 27014:2013. The practice of governance includes regular reviews with executive management and extends up to the Board with regular updates and feedback to and from the Board. Internal, external and regulatory audits play a crucial role in the governance cycle with intermittent checks on the policies and implementation of same.

Information Risk Management aims to maintain the confidentiality, integrity and availability of information assets when being stored, processed and transmitted. All measures converge towards adopting the best practices through frameworks & standards, to establish efficiency and consistency in mitigating information risk across the Bank.

BUSINESS CONTINUITY MANAGEMENT

Business Continuity Management ("BCM") Policy includes plans to mitigate operational risks, and as a commitment to continue business to our shareholders, customers and employees. Business Impact Analysis, Business Recovery Strategies and Emergency Response plans are defined and implemented to provide for a Disaster Recovery site with data being updated as per pre-set recovery time objectives. This minimises operational, financial, legal, reputational and other material consequences arising from any disruption to the primary IT infrastructure.

The BCM policy reviewed in May 2023 is in line with the Business Continuity Institute Good Practice Guidelines 2018 (BCI GPG 2018), which is built on ISO requirements namely ISO 22301:2012 for business continuity management and ISO/TS 22317:2015 for Business Impact Analysis.

The management team of the Bank is committed to the following statement:

> *"We will take all necessary measures to ensure the continuity of business operations and to minimise recovery time in the case of disaster (natural or otherwise) or in the event of an emergency."*

The Bank has a BCM Steering Committee to review the processes after each testing exercise and to review the policy every year with a view to continuously improve resilience. The ultimate objective is to cater for any eventual disruption of operations to be restored within a minimum lapse of time such that the Bank resumes to normal operations within a reasonable time frame.

At least one BCM test is performed annually for all critical infrastructure involving all functions and user groups of the Bank to ensure the effectiveness of the processes and the readiness of the infrastructure and people. The Bank has adopted a cyclical approach residing on the four pillars: Readiness, Prevention, Response and Recovery /Resumption to continuously improve on the BCM and attain an efficient and acceptable level. Rigorous administration and maintenance, as well as any event experienced, will necessitate revisions and/or plan additions. The strategy adopted an efficient BCM is to continuously test, train, evaluate and maintain our Business Continuity Plan. The BCM policy is in place for moving towards a better resilient framework to protect the interest of all stakeholders of the Bank.

CLIMATE CHANGE AND ENVIRONMENTAL FINANCIAL RISKS

The Global Risk Report 2022 identifies climate action failure as the biggest long-term threat to the world and the risk with potentially the most severe impacts over the next decade. Risks to the financial stability posed by climate change can be categorised as physical and transitional. The value of financial assets/liabilities may be affected by the actual or anticipated economic effects of continued climate change (physical risks) or by the transition to a low-carbon economy (transition risks).

The international community has issued an urgent call for adaptation and mitigation of climate change by both the public and private sectors. In this vein, BOM joined the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS") in 2020 and issued its "Guideline on Climate-Related and Environmental Financial Risk Management" in April 2022. The guideline sets out expectations of a prudent approach to Climate-Related and Environmental ("CR&E") financial risks with a view to enhancing the resilience of the banking sector against these risks. The guideline outlines the broad principles that financial institutions may use to develop their CR&E financial disclosures and provides financial institutions with a transitional period of up to December 31, 2023 for the development and implementation of relevant frameworks. The Bank is currently working towards the implementation of the guideline and the CR&E Risk Management Framework. Awareness sessions on CR&E risks and opportunities have been conducted with different departments of the Bank, and additional training is planned until the end of the calendar year 2023. In terms of governance, the Terms of References are currently being amended to include responsibilities around management and oversight of CR&E risks and opportunities. In terms of reporting, the draft disclosure is currently being designed.

The Bank is also working to achieve SDG 13 - Climate Action – with the aid of the SUNREF Program. As a financial institution, the Bank recognises its strong position to mobilise funding for environmentally and climate-friendly projects. The Bank is currently working towards the implementation of an Environmental and Social Management System through the SUNREF Program and is in partnership with the Agence Française de Développement. Through the implementation of this system, the Bank intends to apply policies, procedures and tools, as well as build internal capacity, to identify and manage environmental and social risks of the Bank's credit portfolios.

CUSTOMER RISK

Customer Risk is the risk associated to the customer profile, product and services/transactions, channels, jurisdictions and segmentation among others. The Anti-Money Laundering ("AML") Desk of the Bank, as a second line of defence, ensures that the Bank has adequate processes, systems and controls to render its services inaccessible to criminals, including money laundering and financial terrorism while tracking down suspicious activities.

The Bank is continuously enhancing its processes on a risk-based approach to tackle customer due diligence requirements, apply best practices for customer onboarding, leverage on tools and techniques to efficiently monitor transactions and detect any anomalies.

While performing its daily activities effectively, the Bank depends on in-house and external technology to ensure that customer risks are captured and mitigated accordingly.

Risk linked to customer account are:

- Measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement and assessment of our AML Team;
- Monitored against the first line of defence risk and control assessments, the results of the monitoring and control assurance activities of the second line of defence functions, and the results of internal and external audits and regulatory inspections; and
- Managed by establishing and communicating appropriate policies and procedures. Proactive risk control and/or remediation work is undertaken where required.

CAPITAL STRUCTURE AND ADEQUACY

REGULATORY REQUIREMENTS

The Bank complies with the BOM guidelines tabled below for calculating the capital adequacy ratios ("CAR"):

Capital	Guideline on Scope of Application of Basel III and Eligible Capital – June 2014 (Revised June 2021)
Credit Risk	Guideline on Standardised Approach to Credit Risk – March 2008 (Revised April 2022)
Market Risk	Guideline on Measurement and Management of Market Risk – July 2009
Operational Risk	Guideline on Operational Risk Management and Capital Adequacy Determination – February 2005 (revised April 2008)

The Basel III reforms aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, improve risk management and governance and strengthen banks' transparency and disclosures.

The Bank is required to maintain a Capital Conservation Buffer ("CCB") of 2.50% above the minimum regulatory limits.

Additionally, in compliance with the Guideline for dealing with Domestic-Systemically Important Banks, the Bank is subject to an additional buffer of 1.00% for the calendar year 2023, following the yearly assessment carried out by BOM.

CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure compliance with externally imposed capital requirements and maintain strong credit ratings and healthy capital ratios in order to support the business and to maximise shareholders' value. The Bank manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of its activities.

CAPITAL STRUCTURE AND ADEQUACY

Regulatory capital is the sum of Tier 1 capital and Tier 2 capital. Tier 1 Capital is further divided between Common Equity Tier 1 Capital which comprises of share capital, retained earnings, and other reserves net of regulatory adjustments and Additional Tier 1 Capital that is Class A shares. The other component of regulatory capital is Tier 2 capital which includes stage 1 and stage 2 provisions, country risk reserves and additional provisions in relation to BOM's Guideline.

CAPITAL STRUCTURE AND ADEQUACY (CONT'D)

AFRASIA BANK LIMITED		2021	2022	2023
		MUR'000	MUR'000	MUR'000
Common Equity Tier 1 capital: instruments and reserves				
Share Capital		3,641,049	3,641,049	3,641,049
Statutory reserve		1,051,915	1,267,407	2,149,252
Retained earnings		2,664,794	3,547,780	7,704,188
Accumulated other comprehensive income and other disclosed reserves		251,890	296,287	313,935
Common Equity Tier 1 capital before regulatory adjustments		**7,609,648**	**8,752,523**	**13,808,424**
Common Equity Tier 1 capital: regulatory adjustments				
Other intangible assets		(288,679)	(362,436)	(362,778)
Deferred Tax		(149,593)	(140,092)	(280,787)
Total regulatory adjustments to Common Equity Tier 1 capital		**(438,272)**	**(502,528)**	**(643,565)**
Common Equity Tier 1 capital (CET1)		**7,171,376**	**8,249,995**	**13,164,859**
Additional Tier 1 capital: instruments				
Instruments issued by the Bank that meet the criteria for inclusion in Additional Tier 1 capital (not included in CET1)		1,365,601	1,366,376	1,369,777
Additional Tier 1 capital (AT1)		**1,365,601**	**1,366,376**	**1,369,777**
Tier 1 capital (T1 = CET1 + AT1)		**8,536,977**	**9,616,371**	**14,534,636**
Tier 2 capital: instruments and provisions				
Provisions or loan-loss reserves (subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach)		555,833	663,008	743,680
Tier 2 capital (T2)		**555,833**	**663,008**	**743,680**
Total Capital (capital base) (TC = T1 + T2)		**9,092,810**	**10,279,379**	**15,278,316**
Risk weighted assets				
Credit Risk		51,055,154	60,030,610	71,619,254
Market Risk		107,997	308,608	128,923
Operational Risk		5,045,198	4,878,430	6,993,519
Total risk weighted assets (RWA)		**56,208,349**	**65,217,648**	**78,741,696**
Capital Adequacy Ratios (CAR) (as a percentage of RWA)	**Regulatory Limits 2023**			
CET1 CAR (CET1 / RWA)	10.00%	12.76%	12.65%	16.72%
Tier 1 CAR (T1 / RWA)	11.50%	15.19%	14.75%	18.46%
Total CAR (TC / RWA)	13.50%	16.18%	15.76%	19.40%

CAPITAL ADEQUACY RATIO

The Bank's capital base stood at MUR 15.30bn as at end of June 2023, increasing by 49% in comparison to the capital base of MUR 10.3bn as at end of June 2022. This growth is reflective of the record performance of the Bank with net profit after tax of MUR 5.9bn for the financial year. The capital base is divided between CET 1 capital of MUR 13.2bn, AT1 capital of MUR 1.4bn and T2 capital of MUR 0.7bn. Ordinary dividends of MUR 482.4m (MUR 4.27/share) as well as Class A dividends of MUR 144.0m were paid out of retained earnings in the financial year ended June 2023.As at end of June 2023, the Bank's Total CAR reached 19.40%, improving by 3.64% from 15.76% as at end of the financial year ended June 2022, which is above the regulatory limit of 13.50% for the calendar year 2023.

RECONCILIATION WITH AFRASIA BANK'S AUDITED FINANCIAL STATEMENTS

	30 June 2023	
	Statement of Financial Position as in published financial statements	Statement of Financial Position as per Basel III
ASSETS	**MUR'000**	**MUR'000**
Cash and balances with banks	16,757,277	21,204,055
Due from banks	47,682,116	47,700,954
Derivative financial instruments	385,550	385,550
Loans and advances to banks	13,189,589	13,232,941
Loans and advances to customers	39,266,981	39,619,237
Investment securities	108,685,735	108,721,790
Other assets	4,751,962	310,854
Property and equipment	159,161	159,161
Right of use assets	65,779	65,779
Intangible assets	362,778	362,778
Deferred tax assets	280,787	280,787
TOTAL ASSETS	**231,587,715**	**232,043,886**
EQUITY AND LIABILITIES		
Deposits from banks	358,723	358,723
Deposits from customers	213,232,468	213,232,468
Borrowings from financial institution	150,918	150,918
Derivative financial instruments	204,959	204,959
Current tax liabilities	821,973	821,973
Lease liabilities	64,663	64,663
Other liabilities	1,196,336	1,161,374
Provisions	-	491,133
of which: Provision reflected in regulatory capital	-	*491,133*
Retirement benefit obligations	110,936	110,936
TOTAL LIABILITIES	**216,140,976**	**216,597,147**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Ordinary Shares	3,641,049	3,641,049
Class A shares	1,385,768	1,385,768
Retained earnings	7,704,188	7,704,188

	30 June 2023	
	Statement of Financial Position as in published financial statements	**Statement of Financial Position as per Basel III**
Other reserves	2,715,734	2,715,734
of which: Provision reflected in regulatory capital	-	252,547
TOTAL EQUITY	**15,446,739**	**15,446,739**
TOTAL EQUITY AND LIABILITIES	**231,587,715**	**232,043,886**

RISK WEIGHTED ASSETS

The total RWAs of the Bank experienced a year-on-year increase of 21% to reach MUR 78.7bn as at end of June 2023 in comparison to MUR 65.2bn for the financial year ended June 2022. The total RWAs to total On Balance Sheet Assets ratio stood at 34% as at June 2023, increasing by 3% from 31% for June 2022 with the balance sheet size increasing from MUR 209.0bn to MUR 231.6bn.

CREDIT RISK

The Bank applies the appropriate risk weights individually on all assets attracting credit risk in line with the Guideline on Standardised Approach to Credit Risk issued by the Bank of Mauritius. The assets can be both market and non-market related.

The Bank uses external ratings from agencies such as Moody's, Care Edge Rating and Global Credit Rating to risk weight its assets base.

Risk-Weighted Assets for Credit Risk

On-Balance Sheet Assets	**Credit exposure MUR'000**	**Risk weightage %**	**Risk weighted assets MUR'000**
Cash Items	46,007	0	-
Claims on Sovereigns	81,579,196	0-100	2,020,941
Claims on Central Bank	13,184,930	0	-
Claims on Banks	80,039,524	20-100	24,007,618
Claims on non-central government public sector entities	4,113,300	50	2,056,650
Claims on corporates	38,846,100	20-150	31,227,435
Claims on regulatory retail portfolio	1,017,049	75	762,787
Claims secured by residential property	2,109,733	35-125	2,185,280
Claims secured by commercial real estate	1,064,067	100-125	1,144,424
Past Due Claims	101,402	50-150	89,964
Other Assets	938,301	100	938,301
Total	**223,039,609**		**64,433,400**

Non-Market related Off-Balance Sheet Assets	Credit exposure MUR'000	Credit Conversion Factor %	Risk weighted assets MUR'000
Direct Credit Substitutes	38,722	100	38,722
Transaction-related contingent items	1,847,116	50	923,558
Trade related contingencies	210,661	20-50	106,092
Other commitments	14,652,943	0-50	5,558,214
Total	**16,749,442**		**6,626,586**

Market related Off Balance Sheet Assets	Credit exposure MUR'000	Credit Conversion Factor %	Risk weighted assets MUR'000
Interest rate contracts	849,185	1	8,492
Foreign exchange contracts	1,359,905	2-3	34,006
Other market-related contracts	2,912,328	10-15	516,770
Total	**5,121,418**		**559,268**
Total Credit Risk-Weighted Assets	**244,910,469**		**71,619,254**

17.1 MARKET RISK

The RWA calculation is based on the foreign exchange open position risk of the banking book and trading book.

Risk-Weighted Assets for Market Risk	MUR'000
Aggregate net-open foreign exchange position	128,923
Total Market Risk-Weighted Assets	**128,923**

17.2 OPERATIONAL RISK

The Bank uses the Basic Indicator Approach to compute its operational risk RWA. Under this approach, the capital requirement for operational risk is equal to 15% of the average annual positive gross income over the previous three years.

Risk Weighted Assets for Operational Risk

	%	MUR'000 2021	MUR'000 2022	MUR'000 2023	MUR'000	
Annual Gross Income		2,581,751	3,359,956	8,045,331		
No of Years					3	
Average gross income for previous 3 years					4,662,346	
Capital charge for operational risk	15%				699,352	(a)
Total Operational Risk-Weighted Assets ((a) x 10)					**6,993,519**	

STRESS TESTING

Stress testing is an integral part of the Bank's risk management process as it consists of both sensitivity analysis and scenario analysis to assess the potential impacts in response to microeconomic and macroeconomic conditions, or portfolio developments. The results are used as a tool for assessing the resilience of the Bank under specific and potential scenarios on their earnings, liquidity position, capital against the risk appetite of the Bank and regulatory requirements. The Bank has implemented a Stress Testing Framework based on the stress testing principles set out under the new Bank of Mauritius Guideline on Stress Testing issued in June 2022. The stress testing framework is a complementary to the Internal Capital Adequacy Assessment Process ("ICAAP") exercise effected by the Bank on annual basis.

Stress testing is a fundamental tool for:

- Facilitate a view of the Bank's forward risk profile as a result of portfolio effects and/or changes in macroeconomic conditions;
- Identify potential vulnerability to unprecedented but plausible events; and
- Determine appropriate management actions or contingency plans to limit the impact of such events on the entity.

Results of stress testing have an impact decision-making, including strategic business decisions via:

- Strategic planning and budgeting;
- ICAAP, including capital planning and management, and the setting of capital buffers;
- Informing the setting of risk appetite statements;
- Liquidity planning and management;
- Identifying and proactively mitigating risks through actions such as reviewing and changing risk limits, limiting exposures and hedging; and
- Risk Based Supervisory ("RBS") reporting to the Central Bank.

THE VARIOUS TYPES OF SCENARIO ANALYSIS PERFORMED AT THE BANK ARE AS FOLLOWS:

(a) Scenario Analysis

Scenario analysis is a process of applying historical and/or hypothetical circumstances to assess the impact of a possible future event on a financial system, sector, Bank's portfolio or product. Scenarios are not necessarily forecasting; rather, they are coherent and credible narratives, describing potentially different paths to the current or expected conditions and their translation into calculating the scenario. Scenario analysis incorporates many economic and financial parameters in a consistent manner, in contrast to sensitivity analysis, which may focus on a subset of parameters.

- Changing **multiple risk inputs simultaneously** with the **source of the stress** event being **well defined**;
- Macroeconomic stress testing involves the creation of a **severe but plausible macroeconomic scenario** and assessing the **impact of key macroeconomic risk drivers** (e.g. GDP, interest rates, inflation) on key risk inputs (e.g. PD, LGD and EAD);
- Assessing the impact on the statement of profit or loss and other comprehensive income, statements of financial position and capital ratios; and
- Other hypothetical or historical scenarios: "what-if".

(b) Sensitivity Analysis

Sensitivity analysis means the process of assessing the impact of a change of a single or limited set of risk factors, variables, assumptions or other factors by adjusting a risk parameter, or a small number of very closely related risk parameters to understand the impact on a risk position; and it is important to note that the event that gives rise to the movements in the parameters is hypothetical.

(c) Reverse Stress Testing

It is the process of assessing a pre-defined adverse outcome for the Bank, such as a breach of regulatory ratios, insolvency or illiquidity, and identifying possible scenarios that could lead to such an adverse outcome. A reverse stress test helps to understand underlying risks and vulnerabilities in the Banks' businesses and products that pose a threat to its viability and helps to identify scenarios that could threaten resilience;

Assessing scenarios and circumstances that would render its business model unviable, thus identifying potential business vulnerabilities:

- Starts from the point of failure of the Bank's business model and then works backwards to identify circumstances or scenarios under which this might occur; and
- Point of failure is considered as significant financial losses that impact the Bank's capital or lack of liquidity to such an extent that the existing business model would no longer be viable or where material supervisory intervention would result.

COMPLIANCE RISK

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, regulations and rules applicable to its banking activities. Internal control and risk mitigation measures are put in place and implemented within the Bank to ensure compliance with the relevant laws, regulations and internal policies and procedures.

As per the Compliance Plan approved by the Board of Directors, compliance reviews of relevant departments of the Bank are conducted on a regular basis. Reports/findings are duly submitted to the Senior Management, Audit Committee of the Board and the Board of Directors.

Moreover, the Compliance Function is responsible for providing assurance and advising the Management and staff of the Bank concerning Compliance and regulatory matters.

REGULATORY COMPLIANCE AND INTERACTION

- Review of Policies & Procedures of the Bank;
- Assistance in Corporate Governance matters;
- Liaison with Regulators and authorities and help during examinations/inspections;
- Report compliance issues;
- Ensure implementation of recommendations of regulator and regulatory changes;
- Compliance/Regulatory Advisories to Senior Management and Sales Departments; and
- Review and recommendations for new products and projects of the Bank.

MONITORING AND TESTING

- Monitoring – AML Software/Transaction Monitoring;
- Compliance Control and Testing - Conduct Know Your Customer ("KYC") checks and other checks;
- Replying to Request for Information from investigative/regulatory authorities;
- Review, Investigation and reporting of transactions; and
- Risk Based Supervision Reporting concerning Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT").

FINANCIAL CRIME

- Fraud identification, investigation and reporting;
- AML Training, Assessment, Compliance workshop and circulation of regulatory changes;
- Financial Crime and Investigations of Suspicious Transactions;
- Report Suspicious Transactions to Financial Intelligence Unit (“FIU”);
- Reply to queries from Correspondent banks;
- KYC/AML/Sanctions advisory to Sales team, Operations team and AML Team; and
- Enterprise Wide Risk Assessment on AML/CFT.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated and separate financial statements of the Group's and 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 Financial Reporting Standards of the International Accounting Standards Board as well as the requirements of The Companies Act 2001 of Mauritius, The Banking Act 2004 (as amended) and the guidelines issued by the Bank of Mauritius, have been applied in the preparation and fair presentation of the financial statements for the year ended 30 June 2023 and management has exercised its judgement and made best estimates where deemed necessary.

The Group and the Bank have 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 communication of the Bank's policies, procedure manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors acts in part through the Audit Committee, Conduct Review Committee, Corporate Governance Committee, Credit Committee, Risk Committee, Remuneration Committee, Strategy Committee and Technology, Digitization and Platforms Committee, which comprise executive, non-executive and independent directors, oversee 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 auditors, who have full and free access to the Audit Committee, conduct a well-designed programme of internal audits. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of The Banking Act 2004 (as amended), 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 auditors, Ernst & Young, have 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.

JEAN-RAYMOND REY
Chairperson

THIERRY VALLET
Interim Chief Executive Officer

JOAN JILL WAN BOK NALE
Audit Committee Chairperson

Date: 22 September 2023

Resilience. Performance. Excellence.
Your Journey, Our Commitment.

We are here to help customers believe in the value of their dreams and aspirations, with the graceful butterfly embodying qualities like resilience, performance, and excellence. We connect people, places, and possibilities by going beyond conventional thinking and sustainably using our resources to drive positive change in the lives of all our stakeholders.

Financial Statements

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of Section 166(d) of the Mauritius Companies Act 2001, we certify that, to the best of our knowledge and belief, AfrAsia Bank Limited (the "Bank"), has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001 for the year ended 30 June 2023.

……………………………………………………….

ANDY CHAN SOON SEN
Company Secretary

22 September 2023

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REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of AfrAsia Bank Limited (the "Bank") and its subsidiary (together, the "Group") set out on pages 171 to 279 which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Bank as at 30 June 2023, and of its consolidated and separate financial performance and its consolidated and separate 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 Financial Report 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 consolidated and separate financial statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the Group and 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 Group and 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

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

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) on loans and advances to customers	
Expected credit losses (ECL) relating to loans and advances to customers, disclosed in note 16(b), represent management's best estimates of the losses incurred within the loan portfolios at the reporting date. We identified the audit of ECL on loans and advances to customers as a key audit matter owing to the following: • The impairment provisions are material to the Group and the Bank in terms of value. The Group and the Bank reported ECL of Mur 1.9bn as at 30 June 2023 (2022: Mur 2.3bn); • The impairment calculations involve significant judgements and high degree of estimation uncertainty in respect to the determination and post-model adjustments of the components of the ECL model (PD, EAD & LGD); • The evaluation of significant increase in credit risk (SICR); and • Significant judgements, estimates and assumptions have been made by management in respect of the loss event, as well as determination of the value of collaterals for stage 3 loans and advances to customers.	Our audit efforts included the following procedures amongst others in addressing the Key Audit Matter: We understood and evaluated the related processes and focused on: - Stage classification criteria, specifically, the determination and identification of loans and advances to customers exhibiting significant increase in credit risk and the continuous monitoring of stage 2 and stage 3 exposures; - the governance over the ECL processes, including the periodic re-assessment by management that ECL models are still performing adequately to prevent the impairment risks in the Group's and Bank's loan portfolios; - the transfer of data between underlying source systems to the ECL models; and - the review and approval process that management have in place for the outputs of the Group's and Bank's ECL models, and the adjustments and overlays that are applied to modelled outputs.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) on loans and advances to customers (Cont'd) In particular, the following areas require significant judgements and makes use of estimates:	
1. Modelled ECL impairment losses - Stage 1 and stage 2 loans and advances to customers • A significant portion of ECL is calculated on a modelled basis which incorporates observable data, i.e., relevant inputs to the model, assumptions and estimations. The execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. • Significant increase in credit risk (SICR) is assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment, and the determination of credit impaired loans and advances to customers, incorporates judgement and estimation by management.	**1. Modelled ECL impairment losses - Stage 1 and stage 2 loans and advances to customers** • We have involved our quantitative specialists to assess the design and implementation of the ECL models, including assessing the significant assumptions applied with reference to the requirements of IFRS 9, Financial instruments, as well as in-model adjustments, which support the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the models. • We have also tested the completeness and accuracy of data inputs into the models by tracing a sample of data inputs back to information sourced by management from internal systems and external data providers. • Our quantitative specialists have reperformed the model calculations using assumptions as per the model documentation, and independently recomputed the PD, EAD and LGD parameters, to test the accuracy of the ECL calculations. • We assessed the appropriateness of the Bank's SICR methodologies and have tested the stage allocations including the SICR triggers for a sample of individual exposures across the Bank's portfolios.

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REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
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Expected credit losses (ECL) on loans and advances to customers (Cont'd)

2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation - Stage 1 and stage 2 loans and advances to customers

The Bank incorporates forward looking information through a scenario matrix which incorporates information available from the market through Credit Default Spread (CDS) premiums obtained from Bloomberg plus upside and downside scenarios, which are incorporated in the form of post-model adjustment (in-model overlays) based on Management's view of the health of the various sectors of the economy. These require management judgement, given the uncertain macroeconomic environment and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL. Significant post model adjustments increase the risk of management override.

3. Stage 3 ECL provisions assessed on an individual basis

- A significant portion of loans and advances to customers are assessed for recoverability on an individual basis. Significant judgements, estimates and assumptions are applied by management to:
  - Determine if the loans and advances are credit impaired; and
  - Evaluate the valuation and recoverability and timing of the recoverability of collaterals.

</td><td>

2. Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation - Stage 1 and stage 2 loans and advances to customers

- We tested the design and implementation over the approval of updated forward-looking information used within the models.
- We involved our quantitative specialists to assess the appropriateness of the incorporation of forward-looking information into the models and also assessed the appropriateness of management's rationale for any in-model adjustments.
- We performed independent ECL quantifications which incorporated independently estimated forward-looking impacts, to assess the reasonability of the forward-looking ECL impact estimated by management.

3. Stage 3 ECL provisions assessed on an individual basis

- We assessed the reasonability of management judgements used to determine the completeness of credit impaired exposures.
- Our procedures focused on assessing the reasonability of the estimate of the amount and timing of expected future cash flows used in measuring ECL.
- We ensured that all credit impaired loans have been properly identified in stage 3 by management by:
  - Reviewing minutes of Board Credit Committee and the Impairment Management Committee;
  - 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;
  - Identifying loan facilities meeting certain criteria such as financial difficulties of the borrower and restructured loans and ensuring that these are included in the list of credit impaired facilities; and
  - Where exposures are collateralised, we tested the Bank's legal right to the collateral by inspecting legal agreements. We assessed the reasonability of the valuation of the collateral by evaluating key assumptions against available market and internal information and ensured that the realisable value is not beyond 2 years in line with the Bank's policy. Where management has utilised specialists, we evaluated their competence and objectivity.

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REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Other Information

The directors are responsible for the other information. The other information comprises the Annual report other than the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, Banking Act 2004 and Financial Report Act 2004 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and 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 Group and the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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.

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REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

- 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 Group and 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 Group and 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 consolidated and separate 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 Group and/or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Use of our report

This report is made solely to the Bank's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

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

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act 2004

In our opinion, the consolidated and separate financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Financial Reporting Act 2004

Corporate Governance Report

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act 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 Group has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

LOONG, F.C.A.

Date: 22 September 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

		THE GROUP			THE BANK		
		2023	2022	2021	**2023**	2022	2021
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Continuing operations							
Interest income	**4(a)**	**7,292,926**	2,009,725	1,684,412	**7,292,926**	2,009,725	1,684,412
Interest expense	**4(b)**	**(1,580,744)**	(515,805)	(613,283)	**(1,580,744)**	(517,607)	(611,994)
Net interest income, calculated using EIR method		**5,712,182**	1,493,920	1,071,129	**5,712,182**	1,492,118	1,072,418
Fee and commission income	**5(a)**	**1,241,015**	1,049,649	877,757	**1,241,015**	1,049,649	877,870
Fee and commission expense	**5(b)**	**(398,389)**	(347,114)	(313,605)	**(398,388)**	(347,113)	(315,370)
Net fee and commission income		**842,626**	702,535	564,152	**842,627**	702,536	562,500
Net trading income	**6**	**1,489,505**	1,168,066	948,341	**1,489,502**	1,166,494	945,243
Other gains/(losses)	**7(a)**	**391**	(1,191)	1,696	**391**	(1,191)	1,696
Other operating income	**7(b)**	**629**	-	(1,843)	**629**	-	(106)
Total operating income		**8,045,333**	3,363,330	2,583,475	**8,045,331**	3,359,957	2,581,751
Net impairment credit/(loss) on financial assets	**8**	**243,645**	(65,818)	(470,747)	**243,645**	(65,818)	(465,131)
Net operating income		**8,288,978**	3,297,512	2,112,728	**8,288,976**	3,294,139	2,116,620
Personnel expenses	**9**	**(959,075)**	(801,729)	(662,934)	**(959,075)**	(801,729)	(662,934)
Depreciation of property and equipment	**19**	**(28,599)**	(40,062)	(35,633)	**(28,599)**	(40,062)	(35,633)
Depreciation of right of use assets	**21**	**(35,309)**	(31,669)	(32,912)	**(35,309)**	(31,669)	(32,912)
Amortisation of intangible assets	**20**	**(60,495)**	(52,236)	(41,966)	**(60,495)**	(52,236)	(41,966)
Other operating expenses	**10**	**(555,514)**	(677,129)	(313,733)	**(555,112)**	(676,229)	(319,544)
Total operating expenses		**(1,638,992)**	(1,602,825)	(1,087,178)	**(1,638,590)**	(1,601,925)	(1,092,989)
Operating profit		**6,649,986**	1,694,687	1,025,550	**6,650,386**	1,692,214	1,023,631
Impairment credit on receivable from subsidiary	**22**	**-**	-	-	**-**	9,824	-
Gain on disposal of subsidiary		**-**	-	52,451	**-**	-	-
Profit before tax		**6,649,986**	1,694,687	1,078,001	**6,650,386**	1,702,038	1,023,631
Tax expense	**11(b)**	**(771,416)**	(265,421)	(148,405)	**(771,416)**	(265,421)	(148,405)
Profit for the year from continuing operations		**5,878,570**	1,429,266	929,596	**5,878,970**	1,436,617	875,226
Discontinued operations							
Loss for the year from discontinued operations	**42**	**-**	-	(13,540)	**-**	-	-
Profit for the year		**5,878,570**	1,429,266	916,056	**5,878,970**	1,436,617	875,226
Other comprehensive income/(loss) that will not be reclassified to profit or loss:							
Remeasurement of retirement benefit obligations	**31**	**3,371**	5,114	41,444	**3,371**	5,114	41,444
Deferred tax on remeasurement of retirement benefit obligations	**11(d)**	**(693)**	(305)	(2,446)	**(693)**	(305)	(2,446)
Fair value gain/(loss) on equity investments designated at fair value through other comprehensive income	**17(c)**	**917**	2,381	(26,740)	**917**	2,381	478
Revaluation gain/(loss) on equity investments designated at fair value through other comprehensive income	**17(c)**	**756**	(902)	1,004	**756**	(902)	1,004
Other comprehensive income for the year		**4,351**	6,288	13,262	**4,351**	6,288	40,480
Total comprehensive income for the year attributable to equity holders of the parent		**5,882,921**	1,435,554	929,318	**5,883,321**	1,442,905	915,706

The notes on pages 175 to 279 form an integral part of these financial statements.
Auditor's report on pages 164 to 170.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		THE GROUP			THE BANK		
		2023	2022	2021	**2023**	2022	2021
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
ASSETS							
Cash and balances with banks	**13**	**16,757,284**	46,935,661	54,501,687	**16,757,277**	46,935,652	54,501,675
Due from banks	**14**	**47,682,116**	47,333,177	61,282,514	**47,682,116**	47,333,177	61,282,514
Derivative financial instruments	**15**	**385,550**	371,979	407,880	**385,550**	371,979	407,880
Loans and advances to banks	**16(a)**	**13,189,589**	11,990,476	6,638,835	**13,189,589**	11,990,476	6,638,835
Loans and advances to customers	**16(b)**	**39,266,981**	27,256,624	18,749,929	**39,266,981**	27,256,624	18,749,929
Investment securities	**17**	**108,685,735**	70,965,299	45,410,195	**108,685,735**	70,965,299	45,410,195
Other assets	**22**	**4,751,969**	3,423,651	2,471,954	**4,751,962**	3,423,651	2,471,954
Property and equipment	**19**	**159,161**	119,206	137,437	**159,161**	119,206	137,437
Right of use assets	**21**	**65,779**	101,088	44,518	**65,779**	101,088	44,518
Intangible assets	**20**	**362,778**	362,436	288,679	**362,778**	362,436	288,679
Deferred tax assets	**11(d)**	**280,787**	140,092	149,593	**280,787**	140,092	149,593
TOTAL ASSETS		**231,587,729**	208,999,689	190,083,221	**231,587,715**	208,999,680	190,083,209
EQUITY AND LIABILITIES							
LIABILITIES							
Due to banks	**23**	**-**	1,644	1,000,122	**-**	1,644	1,000,122
Deposits from banks	**24**	**358,723**	369,587	364,726	**358,723**	369,587	364,726
Deposits from customers	**25**	**213,229,467**	197,072,336	178,832,286	**213,232,468**	197,075,719	178,846,558
Borrowings from financial institution	**26**	**150,918**	140,547	-	**150,918**	140,547	-
Derivative financial instruments	**15**	**204,959**	166,845	210,392	**204,959**	166,845	210,392
Current tax liabilities	**11(a)**	**821,973**	182,700	85,647	**821,973**	182,700	85,647
Lease liabilities	**21**	**64,663**	100,378	47,658	**64,663**	100,378	47,658
Other liabilities	**28**	**1,197,332**	694,194	412,507	**1,196,336**	693,221	407,993
Retirement benefit obligations	**31**	**110,936**	79,240	73,189	**110,936**	79,240	73,189
TOTAL LIABILITIES		**216,138,971**	198,807,471	181,026,527	**216,140,976**	198,809,881	181,036,285
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT							
Ordinary shares	**29**	**3,641,049**	3,641,049	3,641,049	**3,641,049**	3,641,049	3,641,049
Class A shares	**30**	**1,385,768**	1,385,768	1,385,768	**1,385,768**	1,385,768	1,385,768
Retained earnings	**32**	**7,724,718**	3,568,710	2,693,075	**7,704,188**	3,547,780	2,664,794
Other reserves	**32**	**2,697,223**	1,596,691	1,336,802	**2,715,734**	1,615,202	1,355,313
TOTAL EQUITY		**15,448,758**	10,192,218	9,056,694	**15,446,739**	10,189,799	9,046,924
TOTAL EQUITY AND LIABILITIES		**231,587,729**	208,999,689	190,083,221	**231,587,715**	208,999,680	190,083,209

The financial statements have been approved by the Board of Directors and authorised for issue on 22 September 2023.

JEAN-RAYMOND REY	**THIERRY VALLET**	**JOAN JILL WAN BOK NALE**
Chairperson	**Interim Chief Executive Officer**	**Audit Committee Chairperson**

The notes on pages 175 to 279 form an integral part of these financial statements.
Auditor's report on pages 164 to 170.

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

(a) THE GROUP

	Notes	Ordinary shares MUR'000	Class A shares MUR'000	Retained earnings MUR'000	Other reserves MUR'000	Total MUR'000
Attributable to equity holders of the parent						
At 1 July 2020		3,641,049	1,399,768	2,285,239	1,325,426	8,651,482
Profit for the year		-	-	916,056	-	916,056
Other comprehensive income/(loss)		-	-	38,998	(25,736)	13,262
Total comprehensive income/(loss) for the year		-	-	955,054	(25,736)	929,318
Reversal of provision in relation to Bank of Mauritius Guideline		-	-	146,054	(146,054)	-
Appropriation of reserves	32	-	-	(183,166)	183,166	-
Deconsolidation adjustment		-	(14,000)	-	-	(14,000)
Dividends	12	-	-	(510,106)	-	(510,106)
At 30 June 2021		3,641,049	1,385,768	2,693,075	1,336,802	9,056,694
At 1 July 2021		3,641,049	1,385,768	2,693,075	1,336,802	9,056,694
Profit for the year		-	-	1,429,266	-	1,429,266
Other comprehensive income		-	-	4,809	1,479	6,288
Total comprehensive income for the year		-	-	1,434,075	1,479	1,435,554
Appropriation of reserves	32	-	-	(258,410)	258,410	-
Dividends	12	-	-	(300,030)	-	(300,030)
At 30 June 2022		3,641,049	1,385,768	3,568,710	1,596,691	10,192,218
At 1 July 2022		**3,641,049**	**1,385,768**	**3,568,710**	**1,596,691**	**10,192,218**
Profit for the year		**-**	**-**	**5,878,570**	**-**	**5,878,570**
Other comprehensive income		**-**	**-**	**2,678**	**1,673**	**4,351**
Total comprehensive income for the year		**-**	**-**	**5,881,248**	**1,673**	**5,882,921**
Appropriation of reserves	**32**	**-**	**-**	**(897,820)**	**897,820**	**-**
Additional provision in relation to Bank of Mauritius Guideline	**32**	**-**	**-**	**(201,039)**	**201,039**	**-**
Dividends	**12**	**-**	**-**	**(626,381)**	**-**	**(626,381)**
At 30 June 2023		**3,641,049**	**1,385,768**	**7,724,718**	**2,697,223**	**15,448,758**

(b) THE BANK

	Notes	Ordinary shares MUR'000	Class A shares MUR'000	Retained earnings MUR'000	Other reserves MUR'000	Total MUR'000
At 1 July 2020		3,641,049	1,385,768	2,297,788	1,316,719	8,641,324
Profit for the year		-	-	875,226	-	875,226
Other comprehensive income		-	-	38,998	1,482	40,480
Total comprehensive income for the year		-	-	914,224	1,482	915,706
Reversal of provision in relation to Bank of Mauritius Guideline		-	-	146,054	(146,054)	-
Appropriation of reserves	32	-	-	(183,166)	183,166	-
Dividends	12	-	-	(510,106)	-	(510,106)
At 30 June 2021		3,641,049	1,385,768	2,664,794	1,355,313	9,046,924
At 1 July 2021		3,641,049	1,385,768	2,664,794	1,355,313	9,046,924
Profit for the year		-	-	1,436,617	-	1,436,617
Other comprehensive income		-	-	4,809	1,479	6,288
Total comprehensive income for the year		-	-	1,441,426	1,479	1,442,905
Appropriation of reserves	32	-	-	(258,410)	258,410	-
Dividends	12	-	-	(300,030)	-	(300,030)
At 30 June 2022		3,641,049	1,385,768	3,547,780	1,615,202	10,189,799
At 1 July 2022		**3,641,049**	**1,385,768**	**3,547,780**	**1,615,202**	**10,189,799**
Profit for the year		**-**	**-**	**5,878,970**	**-**	**5,878,970**
Other comprehensive income		**-**	**-**	**2,678**	**1,673**	**4,351**
Total comprehensive income for the year		**-**	**-**	**5,881,648**	**1,673**	**5,883,321**
Appropriation of reserves	**32**	**-**	**-**	**(897,820)**	**897,820**	**-**
Additional provision in relation to Bank of Mauritius Guideline	**32**	**-**	**-**	**(201,039)**	**201,039**	**-**
Dividends	**12**	**-**	**-**	**(626,381)**	**-**	**(626,381)**
At 30 June 2023		**3,641,049**	**1,385,768**	**7,704,188**	**2,715,734**	**15,446,739**

The notes on pages 175 to 279 form an integral part of these financial statements.
Auditor's report on pages 164 to 170.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		THE GROUP			THE BANK		
		2023	2022	2021	**2023**	2022	2021
	Notes	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
OPERATING ACTIVITIES							
Cash flows (used in)/generated from operating activities	**34(b)**	**(25,251,310)**	(13,730,419)	41,883,803	**(25,251,308)**	(13,730,416)	41,887,525
Tax paid	**11**	**(272,354)**	(159,094)	(185,651)	**(272,354)**	(159,094)	(185,651)
Net cash flows (used in)/generated from operating activities	**34(b)**	**(25,523,664)**	(13,889,513)	41,698,152	**(25,523,662)**	(13,889,510)	41,701,874
INVESTING ACTIVITIES							
Purchase of property and equipment	**19**	**(69,101)**	(23,250)	(7,635)	**(69,101)**	(23,250)	(7,635)
Purchase of intangible assets	**20**	**(57,563)**	(115,049)	(71,387)	**(57,563)**	(115,049)	(71,387)
Proceeds from sale of property and equipment		**-**	-	1,169	**-**	-	1,169
Disposal of subsidiary		**-**	-	(992)	**-**	-	-
Net cash flows used in investing activities		**(126,664)**	(138,299)	(78,845)	**(126,664)**	(138,299)	(77,853)
FINANCING ACTIVITIES							
Repayment of principal portion of lease liabilities	**21**	**(34,999)**	(35,309)	(33,516)	**(34,999)**	(35,309)	(33,516)
Dividends paid		**(626,380)**	(384,788)	(387,071)	**(626,380)**	(384,788)	(387,071)
Net cash flows used in financing activities		**(661,379)**	(420,097)	(420,587)	**(661,379)**	(420,097)	(420,587)
Net cash flows for the year		**(26,311,707)**	(14,447,909)	41,198,720	**(26,311,705)**	(14,447,906)	41,203,434
Movement in cash and cash equivalents							
Cash and cash equivalents at 1 July		**75,114,651**	89,562,560	48,363,840	**75,114,642**	89,562,548	48,359,114
Net (decrease)/increase in cash and cash equivalents		**(26,311,707)**	(14,447,909)	41,198,720	**(26,311,705)**	(14,447,906)	41,203,434
Net foreign exchange difference		**1,749,257**	-	-	**1,749,257**	-	-
Cash and cash equivalents at 30 June	**34(a)**	**50,552,201**	75,114,651	89,562,560	**50,552,194**	75,114,642	89,562,548

The notes on pages 175 to 279 form an integral part of these financial statements.
Auditor’s report on pages 164 to 170.

1. CORPORATE INFORMATION

AfrAsia Bank Limited ("the Bank") is a public company incorporated and domiciled in the Republic of Mauritius. The principal activity of the Bank and of its subsidiary (together referred to in this report as "the Group") is the provision of financial services in the Indian Ocean region. Its registered office is at 10, Dr Ferrière Street, Port Louis, Mauritius.

The Bank has one offshore representative office in Johannesburg. The relevant costs and income derived from this office have been included in these financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Group and the Bank have applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2022.

New and revised Standards that are effective for the current year

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 16	Property, Plant and Equipment – Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produces while the company is preparing the asset for its intended use
IAS 37	Provisions, Contingent Liabilities and Contingent Assets – Amendments regarding the costs to include when assessing whether a contract is onerous
IFRS 3	Business Combinations – Amendments updating a reference to the Conceptual Framework
IFRS 9	Financial Instruments – Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities)

New and revised Standards in issue but not yet effective

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

IAS 1	Presentation of Financial Statements – Amendments regarding the disclosure of accounting policies (effective 1 January 2023)
IAS 1	Presentation of Financial Statements – Amendments to defer the effective date of the January 2020 amendments (effective 1 January 2024)
IAS 1	Presentation of Financial Statements – Amendments regarding the classification of liabilities (effective 1 January 2024)
IAS 1	Presentation of Financial Statements – Amendments regarding the classification of debt with covenants (effective 1 January 2024)
IAS 7	Statement of Cash Flows – Amendments regarding supplier finance arrangements (effective 1 January 2024)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of accounting estimates (effective 1 January 2023)
IAS 12	Income Taxes – Amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised Standards in issue but not yet effective (continued)

IAS 12	Income Taxes – Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes (effective 1 January 2023)
IFRS 7	Financial Instruments: Disclosures – Amendments regarding supplier finance arrangements (effective 1 January 2024)

The directors anticipate that these Standards and Interpretations will be applied in the Group's and the Bank's financial statements at the above effective dates in future periods. The directors have not yet had the opportunity to consider the potential impact of the application of these amendments.

3A. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated and separate financial statements are set out below.

(a) Basis of preparation

The consolidated and separate financial statements of the Group and the Bank have been prepared on a historical cost basis, except as modified by the fair valuation of certain financial instruments.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Bank take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

Statement of compliance

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

Presentation of financial statements

The financial statements are presented in Mauritian Rupees ('MUR') and all values are rounded to the nearest thousand except when otherwise indicated.

The Group and the Bank present their statements of financial position broadly 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 38 (c).

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and entity controlled by the Bank (its subsidiary). Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:
(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its involvement with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(i) The contractual arrangement with the other vote holders of the investee;
(ii) Rights arising from other contractual arrangements;
(iii) The Bank's voting rights and potential voting rights; and
(iv) A combination of (i) – (iii).

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of profit or loss and other comprehensive income ('OCI') from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:
(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

The consolidated and separate financial statements are presented in Mauritian Rupees ('MUR'). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date and all differences are recognised in profit or loss.

Non-monetary items that are measured in terms of 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 spot exchange rates at the date when the fair value was determined.

(d) Recognition of income and expenses

(i) Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at fair value though profit or loss ('FVTPL') are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in profit or loss using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the year in 'Net trading income'.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e., at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

(ii) Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR. The Group and the Bank earn fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised as follows:

Fee income earned from services provided
These fees include commission income, asset management, custody and other management and advisory fees. The fees are recognised as the related services are provided.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Recognition of income and expenses (continued)

(ii) Net fee and commission income (continued)

Fee income earned from services provided (continued)

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis. A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the performance obligations.

Fee and commission expense
Fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held-for-trading.

(iv) Dividend income

Revenue is recognised when the Group's and the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

(e) Financial instruments

Financial assets and financial liabilities

Financial assets and financial liabilities (excluding regular way trades) are recognised in the statements of financial position when the Group and the Bank become a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Regular way trades are 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. These are recognised using settlement date accounting and are applied both for financial assets mandatorily measured at FVTPL and financial assets measured at amortised cost.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets and financial liabilities (continued)

If the transaction price differs from fair value at initial recognition, the entity will account for such difference as follows:
- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

The Group and the Bank have not applied hedge accounting to its financial instruments during the years ended 30 June 2021, 2022 and 2023.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statements of financial position represent all amounts receivable including interest accruals. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:
- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ('SPPI'), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income ('FVTOCI'); and
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the entity may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:
- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets (continued)

The Group and the Bank have not designated any debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Debt instruments measured at amortised cost or at FVTOCI

The Group and the Bank assess the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated. Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group and the Bank have more than one business model for managing their financial instruments which reflect how they manage their financial assets in order to generate cash flows. The business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group and the Bank consider all relevant information available when making the business model assessment.

However, this assessment is not performed on the basis of scenarios that the Group and the Bank do not reasonably expect to occur, such as 'worst case' or 'stress case' scenarios. The Group and the Bank take into account all relevant evidence available 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 in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group and the Bank determine whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group and the Bank reassess their business models at each reporting period to determine whether the business models have changed since the preceding period. When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Debt instruments measured at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Equity instruments designated at FVTOCI

On initial recognition, the entity may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statements comprises cash on hand, non–restricted current accounts with the Central Bank, cash held with other banks, net of outstanding bank overdrafts, and amounts due from banks on demand or with an original maturity of three months or less.

Reclassifications

If the business model under which the entity holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets. During the current financial year there was no change in the business model under which the Group and the Bank hold financial assets and therefore no reclassifications were made.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss and other exchange differences are recognised in the OCI in fair value reserve;
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in the OCI in the fair value reserve.

Financial guarantees

In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, bank guarantees and acceptances. Financial guarantee contracts issued by an entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the entity's revenue recognition policies.

Any increase in the liability relating to financial guarantees is recorded in the statements of profit or loss and other comprehensive income. The premium received is recognised in the statements of profit or loss and other comprehensive income in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

Impairment of financial assets

Expected Credit Loss ('ECL') is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. the portion of lifetime ECL associated with the possibility of a facility defaulting over the next 12 months after reporting date, (referred to as Stage 1 ECL);
- lifetime ECL, i.e., the expected losses from a borrower defaulting on its obligation throughout the life of the facility (referred to as Stage 2 ECL, or Non-Performing Assets, classify as Stage 3 on the basis the financial asset is credit impaired.

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments which are not impaired ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk ('SICR') are provided in Note 38 (b).

The calculation of ECL is performed on a quarterly basis or as and when required, using the probabilities of default ('PD'), loss given default ('LGD') and exposure at default ('EAD') at account level. The ECL in months 1 to 12 is not discounted and months 13-24 is discounted by 1 year.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Impairment of financial assets (continued)

The Group and the Bank assessed on a forward-looking basis the ECL associated with:
- loans and advances to banks and customers;
- due from banks;
- debt instruments at amortised cost;
- debt instruments at FVTOCI;
- loan commitments issued; and
- financial guarantee contracts issued.

The Bank recognizes a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

More information on measurement of ECLs is provided in Note 38.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event with 90 days or more in arrears;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group and the Bank assess whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group and the Bank consider factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

The Group and the Bank do not have purchased or originated credit impaired financial assets.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the PD which affects both the measurement of ECLs and the identification of a SICR (see Note 38 (b)).

The Group and the Bank consider the following as constituting an event of default when:

- the borrower is in arrears for 90 days or more on any material credit obligation to the Group and the Bank; or
- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full.

This definition of default is used by the Group and the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding. When assessing if the borrower is unlikely to pay its credit obligation, the Group and the Bank consider both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. For other qualitative criteria, refer to SICR below. The Bank applies these criteria for both Stage 2 or Stage 3 classification, depending on magnitude of such events. Of note, a non-performing credit facility, initially under Stage 1 is straightaway classified to Stage 3 in cases of serious signs of credit impairment.

The Group and the Bank use a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 38. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

Curing

It is the Bank's policy to consider a financial instrument as 'cured' and therefore reclassified out of Stage 3 to Stage 2 or from Stage 2 to Stage 1 when none of the default criteria or SICR triggers have been present for at least 6 consecutive months. This is carried out in line with IFRS 9 policy and Credit Impairment Policy. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit rating, at the time of the cure, and whether this indicates there has been a SICR compared to initial recognition.

Significant increase in credit risk ('SICR')

The Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a SICR since initial recognition. If there has been a SICR the Group and the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group's and the Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a SICR. As a result, the Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for SICR.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Significant increase in credit risk ('SICR') (continued)

The Group and the Bank objectively uses the days past due ('DPD') information as part of its staging framework. This is implemented as follows:

- Accounts where DPD is 31 days is considered a SICR trigger. Of note, accounts where DPD is 91 days or more are assigned to stage 3.
- When one obligor has multiple accounts with the Bank, each account is assigned the worst DPD from all the accounts of the respective obligor.

The Group and the Bank has developed a number of objective and subjective factors to consider when evaluating whether an account exhibits SICR:

- Negative market information (including court orders/fraudulent activities)
- Changes in credit worthiness/ratings. Refer to table below.

- Adverse changes in economic/business environment
- Restructuring due to potential/future financial stress
- Significant financial difficulty/adverse financial information indicative of inability to meet financial obligations
- Sector of operation negatively impacted by unforeseen events
- Significant country downgrade
- Decline in share price /profitability

Additionally, timely review of file (entailing update of credit rating) has been included as a criterion for identification of assets as showing signs of SICR.

SICR Files are monitored regularly and assessed quarterly prior to reclassification to Stage 1, in line with the Bank's IFRS 9 policy.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Restructured loan is defined as a loan whose underlying terms and conditions have been reviewed and which constitutes a concession granted to a borrower for economic or legal reasons related to his financial condition. Restructured facilities remain classified as impaired if when, in the aggregate, the period of time the loan is in arrears before restructuring and after restructuring is 90 days or more. A facility that has been classified as impaired shall continue to be classified as impaired until repayments have been received by the financial institution, 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. If the facility is restructured more than once it shall continue to be classified as impaired until repayments have been received by the financial institution, 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.

Modification to loan contract other than restructuring are done through derecognition of existing loan and accounting for a new loan contract at amortised cost.

The Group and the Bank renegotiate loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness), change in interest rates and amendments to covenants. The Bank has a forbearance policy in place to cater for requests for restructuring of debts. When a financial asset is modified, the Group and the Bank assess whether this modification results in derecognition. In accordance with the Group's and the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Group and the Bank consider the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original EIR. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Group and the Bank consider the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Modification and derecognition of financial assets (continued)

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation. In the case where the financial asset is derecognized, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group and the Bank monitor credit risk of modified financial assets by evaluating qualitative and quantitative information, as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the entity determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the ability to collect the modified cash flows taking into account the previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group and the Bank perform an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous SICR. Where a modification does not lead to derecognition, the Group and the Bank calculate the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account. Then the Group and the Bank measure ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group and the Bank derecognise a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Modification and derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Group and the Bank retain an option to repurchase part of a transferred asset), the Group and the Bank allocate the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group and the Bank have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The bank may write off financial assets partially that are still subject to enforcement actions and efforts to recover the debts and have not yet been concluded where bank's recovery action is foreclosing on collateral and the value of collateral is such that there is no reasonable expectation for full recovery. Write–off requirements in IFRS 9 are considered at each reporting date and are not delayed until some arbitrary past due date has been reached.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statements of profit or loss.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECLs are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Bank are recognised at the proceeds received, net of direct issue costs. Repurchase of the Group's and the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and the Bank's own equity instruments. Ordinary shares are classified as equity. The Bank's Class A shares are classified as equity as they are callable at the option of the Bank. These shares carry non-cumulative dividends which are payable at the discretion of the Board. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Financial liabilities

Financial liabilities include deposits from banks, deposits from customers, due to banks, debts issued and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL. The Group has financial liabilities held for trading which are measured at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability.

Derecognition and modification of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Derecognition and modification of financial liabilities (continued)

If the modification is not substantial, the Group and the Bank recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR. The Group and the Bank recognise any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Group and the Bank. Modification gains are presented in 'other operating income' and modification losses are presented in 'other operating expenses' in profit or loss.

(f) Derivative financial instruments

The Group and the Bank enter into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include forward contracts, spot position, Option linked notes, Index linked notes, swaps and option contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(g) Dividend payable

Dividends on ordinary shares and Class A shares are recognised as a liability and deducted from equity when they are approved by the Bank's directors and the Bank of Mauritius. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(h) Equity reserves

The reserves recorded in equity on the statements of financial position include:

- 'Fair value reserve' relates to the gain or loss arising from changes in the fair value of equity and debt instruments measured at FVTOCI;
- 'Statutory reserve' which represents 15% of the net profit transferred in accordance with the Banking Act 2004 until the amount equals the stated capital of the Group and the Bank;
- 'General banking reserve' which comprises amounts set aside for general banking risks including country risk; and
- 'Foreign currency translation reserve' which arises on retranslation of foreign operations on consolidation.

(i) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statements of financial position.

Income and expense will not be offset in the statements of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair value measurement

The Group and the Bank measure financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33 (b).

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine 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 Group and the Bank have 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. An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 33 (a).

(k) Investment in a subsidiary

Investment in a subsidiary is accounted at cost in the Bank's separate financial statements, less any accumulated impairment in value.

(l) Asset held for distribution

The Group classifies non-current assets and disposal groups as held for distribution if their carrying amounts will be recovered principally through a distribution of the shares held rather than through continuing use. Non-current assets classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Asset held for distribution (continued)

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable, and the asset or disposal group is available for immediate distribution in its present condition. Management must be committed to the plan to distribute the asset and the distribution is expected to be completed within one year from the date of classification.

(m) Property and equipment

Property and equipment are stated at cost excluding the costs of day-to-day servicing, less subsequent accumulated depreciation and subsequent accumulated impairment in value.

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. The estimated useful lives are as follows:

	Rate
Renovations and improvement to buildings	10%
Furniture and fittings	10% - 20%
Office equipment	10% - 20%
Motor vehicles	14.29% - 20%
Computer equipment	25% - 33.33%

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. 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 the statements of profit or loss and other comprehensive income in the year the asset is derecognised.

Residual values and useful lives are reviewed at least at each financial year end. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

(n) Intangible assets (excluding goodwill)

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group or the Bank.

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 as 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 they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statements of profit or loss and other comprehensive income.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Intangible assets (excluding goodwill) (continued)

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	Rate
Computer software	25%
Banking software	14.29%
Customer relation	13% - 20%
Cards Related Assets	33.33%

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statements of profit or loss and other comprehensive income when the asset is derecognised.

(o) Leases

The Group and the Bank as a lessee

The Group and the Bank assess whether a contract is or contains a lease, at inception of the contract. The Group and the Bank recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as printers). For these leases, the Group and the Bank recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (continued)

The Group and the Bank remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group and the Bank incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Bank expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group and the Bank apply IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The lease contracts do not have lease and non-lease components and hence the Group and the Bank have not used this practical expedient.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of non-financial assets

The Group and the Bank assess 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 Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate 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 exceeds 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 profit or loss.

(q) Provisions and other contingent liabilities

Provisions are recognised when the Group and the Bank have 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. The expense relating to any provision is presented in profit or loss net of any reimbursement.

The Group and the Bank operate in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Group's and the Bank's business. When the Group and Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group and the Bank record a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group and the Bank are of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group and the Bank do not include detailed, case-specific disclosures in their financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group and the Bank take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Pension benefits

(i) Defined contribution pension plan

The Group and the Bank operate a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Group and the Bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(ii) Retirement and other benefit obligations

The present value of retirement gratuities under The Workers' Rights Act 2019 is recognised in the statements of financial position as a liability. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:
- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group and the Bank present the first two components of defined benefit costs in profit or loss in the line item personnel expenses. Curtailment gains and losses are accounted for as past service costs.

State plan

Contributions to the National Pension Scheme are expensed to profit or loss in the period in which they fall due.

(s) Taxation

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or 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. Current tax also includes any tax arising from dividends. The Bank is subject to the Advance Payment System ('APS') whereby it pays income tax on a quarterly basis. A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(ii) 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.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Taxation (continued)

(ii) Deferred Tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences,

- except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, 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 and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 reporting 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.

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.

(iii) Corporate Social Responsibility

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income of the preceding financial year under Segment A.

The required CSR fund for the year is recognised in tax expense in the statements of profit or loss and other comprehensive income. The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

(iv) Special Levy

The Bank is liable to pay a special levy on its leviable income [Sum of net interest income + other income before deduction of expenses, arising from banking transactions with residents other than companies holding a Global Business Licence ('GBLs') under the Financial Services Act] at the rate of 5.5% if the leviable income is less than MUR 1.2bn or at 4.5% if the leviable income exceeds MUR 1.2bn. The special levy expense for the year is recognised in tax expense in the statements of profit or loss and other comprehensive income.

3A. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments. The Bank has prepared its separate financial statements in line with the requirements of the Bank of Mauritius Guideline on 'Segmental Reporting under a Single Banking Licence Regime' and Bank of Mauritius Guideline on 'Public Disclosure of Information' which require that segment information should be provided by Segment A and Segment B banking businesses.

Segment A

Segment A activity relates to all banking business other than Segment B activity. The financial services provided under Segment A may be funded and/or non-fund based. Segment A business will essentially consist of transactions with residents of Mauritius, both on the liability side and asset side.

Segment B

Segment B activity essentially 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 B assets will generally consist of placements with and advances to foreign resident companies, institutions as well as individuals including stocks and debt instruments and claims on non-resident and/or entities holding GBLs. Segment B liabilities will normally arise from deposits, borrowings, funds deposited by non-residents and GBLs.

(u) Comparatives

Where necessary, comparative figures are reclassified to conform to the current year's presentation.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and re based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements

Going concern

Directors have made an assessment of the Group's and the Bank's ability to continue as a going concern and are satisfied that the Group and the Bank have the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Determination of functional currency

The determination of the functional currency of the Group and the Bank is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. The directors have considered those factors therein and have determined the functional currency of the Group and Bank as Mauritian Rupees (MUR).

Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Group and the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group and the Bank determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Bank monitor financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Calculation of ECL allowance

- Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a SICR. In assessing whether the credit risk of an asset has significantly increased the Group and the Bank consider qualitative and quantitative reasonable and supportable forward-looking information.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 3 for details of the characteristics considered in this judgement. The Group and the Bank monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a SICR (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Calculation of ECL allowance (continued)

- Models and assumptions used: The Group and the Bank use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Determination of lease term

In determining the lease term, management considers all fact and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, there was no revision of lease terms.

Estimates and assumptions

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Useful lives of property and equipment and intangible assets

The Group and the Bank review the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

Provision for retirement benefit

Retirement benefit obligation has been valued by Actuary on accounting estimates and as per provision of the Workers' Rights Act 2019. Management considers that they have used their best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Group and the Bank have met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates. In specific circumstances, significant judgement is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

3B. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions (continued)

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's and 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 estimate includes:

- The Group's and the Bank's credit grading model, which assigns PDs to the individual grades. Refer to Note 38(b)
- The Group's and the Bank's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a lifetime basis and the qualitative assessment.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PD, EAD and LGD.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's and the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. For the year ended 30 June 2023, the major changes brought in the ECL model:

- The Internal Rating was refined to provide more granularity in the lower rating grades. Additionally, a statistical method was used to convert the internal rating onto the S&P rating. Refer to Note 38(b).
- The Segment A Personal PD using the Macro Economic Variable ('MEV') Model was revisited. An exposure-weighted monthly observed default rate ('ODR') was computed using historical default data with MEVs like 3 quarters lag CPI were used to build up the PD model.
- A 50% LGD for sovereign exposure, as per Moody's sovereign default rates was used instead of a 0% compared to prior year.
- Improvement in the CDS methodology: The formula for the CDS premium was revamped and it now captures the more recent CDS, i.e., moving average for the past three months.

The impact of the change in the ECL model resulted in a decrease of MUR 38.7m in the impairment figures for the year ended 30 June 2023.

4. NET INTEREST INCOME

4(a) INTEREST INCOME

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest income on financial instruments measured at amortised cost:						
- Due from banks (includes cash and balances with banks)	**2,109,307**	355,045	334,618	**2,109,307**	355,045	334,618
- Placements with the Central Bank	**19,614**	-	14,138	**19,614**	-	14,138
- Loans and advances to banks	**672,617**	203,365	78,031	**672,617**	203,365	78,031
- Loans and advances to customers	**1,854,536**	685,792	601,650	**1,854,536**	685,792	601,650
- Investment securities	**2,636,852**	765,523	655,975	**2,636,852**	765,523	655,975
Total interest income calculated using EIR	**7,292,926**	2,009,725	1,684,412	**7,292,926**	2,009,725	1,684,412

4(b) INTEREST EXPENSE

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Interest expense on financial instruments measured at amortised cost:						
- Due to banks	**26,509**	119,123	114,476	**26,509**	120,925	114,469
- Deposits from banks	**23,067**	4,741	1,721	**23,067**	4,741	1,721
- Deposits from customers	**1,527,001**	389,203	492,006	**1,527,001**	389,203	492,006
- Lease liabilities	**4,167**	2,738	3,798	**4,167**	2,738	3,798
- Others	**-**	-	1,289	**-**	-	-
Total interest expense calculated using EIR	**1,580,744**	515,805	613,290	**1,580,744**	517,607	611,994
Analysed as follows:						
Continuing operations	**1,580,744**	515,805	613,283	**1,580,744**	517,607	611,994
Discontinued operations (Note 42)	**-**	-	7	**-**	-	-
	1,580,744	515,805	613,290	**1,580,744**	517,607	611,994
NET INTEREST INCOME	**5,712,182**	1,493,920	1,071,122	**5,712,182**	1,492,118	1,072,418
Analysed as follows:						
Continuing operations	**5,712,182**	1,493,920	1,071,129	**5,712,182**	1,492,118	1,072,418
Discontinued operations (Note 42)	**-**	-	(7)	**-**	-	-
	5,712,182	1,493,920	1,071,122	**5,712,182**	1,492,118	1,072,418

5. NET FEE AND COMMISSION INCOME

5(a) Fee and commission income

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Fee and commission income	**793,353**	659,810	554,228	**793,353**	659,810	554,228
Card income	**171,617**	114,535	83,965	**171,617**	114,535	83,965
Custody fees income	**179,516**	181,839	193,856	**179,516**	181,839	193,896
Other fees	**96,529**	93,465	45,708	**96,529**	93,465	45,781
Asset management fees	**-**	-	16,827	**-**	-	-
Total fee and commission income	**1,241,015**	1,049,649	894,584	**1,241,015**	1,049,649	877,870
Analysed as follows:						
Continuing operations	**1,241,015**	1,049,649	877,757	**1,241,015**	1,049,649	877,870
Discontinued operations (Note 42)	**-**	-	16,827	**-**	-	-
	1,241,015	1,049,649	894,584	**1,241,015**	1,049,649	877,870

5(b) Fee and commission expense

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Commission paid to other banks	**178,580**	157,356	131,145	**178,580**	157,356	131,145
Card expense	**136,652**	98,944	89,951	**136,652**	98,944	89,951
Custody fees expense	**56,061**	67,334	70,203	**56,060**	67,333	70,163
Retrocession fees	**26,307**	21,834	24,505	**26,307**	21,834	23,661
Other fees paid	**789**	1,646	450	**789**	1,646	450
Total fee and commission expense	**398,389**	347,114	316,254	**398,388**	347,113	315,370
Analysed as follows:						
Continuing operations	**398,389**	347,114	313,605	**398,388**	347,113	315,370
Discontinued operations (Note 42)	**-**	-	2,649	**-**	-	-
	398,389	347,114	316,254	**398,388**	347,113	315,370
Net fee and commission income	**842,626**	702,535	578,330	**842,627**	702,536	562,500
Analysed as follows:						
Continuing operations	**842,626**	702,535	564,152	**842,627**	702,536	562,500
Discontinued operations (Note 42)	**-**	-	14,178	**-**	-	-
	842,626	702,535	578,330	**842,627**	702,536	562,500

All fees are recognised at a point in time.

6. NET TRADING INCOME

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net gain on debt instruments measured at fair value through profit or loss	**295,200**	187,776	124,602	**295,200**	187,776	124,602
Gain on other derivatives held for trading	**30,851**	109,806	58,201	**30,851**	109,806	58,201
Loss on foreign exchange derivatives	**(4,965)**	(34,704)	(71,391)	**(4,965)**	(34,704)	(71,391)
Gain on foreign exchange	**1,168,419**	905,188	836,929	**1,168,416**	903,616	833,831
	1,489,505	1,168,066	948,341	**1,489,502**	1,166,494	945,243

Net gain on debt instruments measured at fair value through profit or loss includes exchange gains of MUR 50.4m (2022: MUR 91.5m and 2021: MUR 47.7m) and interest income of MUR 236.4m (2022: MUR 67.7m and 2021: 53.1m).

7(a) OTHER GAINS/(LOSSES)

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Fair value gain/(loss) on equity investment measured at fair value through profit or loss	**391**	(1,191)	1,696
	391	(1,191)	1,696

7(b) OTHER OPERATING INCOME

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Transaction and other related fees	**629**	-	(106)	**629**	-	(106)
Loss on foreign exchange	**-**	-	(1,492)	**-**	-	-
	629	-	(1,598)	**629**	-	(106)
Analysed as follows:						
Continuing operations	**629**	-	(1,843)	**629**	-	(106)
Discontinued operations (Note 42)	**-**	-	245	**-**	-	-
	629	-	(1,598)	**629**	-	(106)

8. NET IMPAIRMENT (CREDIT)/LOSS ON FINANCIAL ASSETS

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and balances with banks (Note 13)	**1,169**	(10)	3	**1,169**	(10)	3
Due from banks (Note 14)	**9,545**	1,838	(570)	**9,545**	1,838	(570)
Loans and advances to banks (Note 16(a))	**10,808**	3,062	17,811	**10,808**	3,062	17,811
Loans and advances to customers (Note 16(b))	**(215,738)**	135,801	420,594	**(215,738)**	135,801	420,594
Debt instruments measured at amortised cost (Note 17(b))	**16,968**	(22,117)	33,411	**16,968**	(22,117)	33,411
Financial guarantee contracts and loan commitments (Note 38(b))	**32,351**	(18,956)	22,215	**32,351**	(18,956)	22,215
Trade and other receivables	**-**	-	9,285	**-**	-	3,669
Net impairment (credit)/loss	**(144,897)**	99,618	502,749	**(144,897)**	99,618	497,133
Bad debts recovered	**(98,748)**	(33,800)	(32,002)	**(98,748)**	(33,800)	(32,002)
	(243,645)	65,818	470,747	**(243,645)**	65,818	465,131

9. PERSONNEL EXPENSES

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Salaries	**427,839**	415,716	406,029	**427,839**	415,716	388,827
Staff benefits	**462,881**	341,291	236,560	**462,881**	341,291	236,121
Retirement benefit cost (Note 31)	**35,410**	11,265	14,782	**35,410**	11,265	14,782
Pension cost - defined contribution scheme	**30,812**	28,579	27,861	**30,812**	28,579	27,861
Training expenses	**2,133**	4,878	(4,724)	**2,133**	4,878	(4,657)
	959,075	801,729	680,508	**959,075**	801,729	662,934
Analysed as follows:						
Continuing operations	**959,075**	801,729	662,934	**959,075**	801,729	662,934
Discontinued operations (Note 42)	**-**	-	17,574	**-**	-	-
	959,075	801,729	680,508	**959,075**	801,729	662,934

10. OTHER OPERATING EXPENSES

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Advertising and marketing expenses	**74,210**	23,997	13,888	**74,210**	23,997	12,757
Administrative expenses	**401,030**	324,863	232,954	**401,021**	324,842	234,617
Equipment and intangibles written off	**4,125**	2,424	11,618	**4,125**	2,424	11,618
Professional fees	**76,149**	325,845	64,749	**75,756**	324,966	60,552
	555,514	677,129	323,209	**555,112**	676,229	319,544
Analysed as follows:						
Continuing operations	**555,514**	677,129	313,733	**555,112**	676,229	319,544
Discontinued operations (Note 42)	**-**	-	9,476	**-**	-	-
	555,514	677,129	323,209	**555,112**	676,229	319,544

11. TAXATION

Following the enactment of the Finance Act 2023, the tax regime for Banks has been subject to changes with the removal of the reduced tax incentive of 5% for Banks having chargeable income exceeding their base year.
As such, for the financial year ended 30 June 2023, the Bank is now subject to income tax at the rate of 5% for chargeable income up to MUR 1.5bn and chargeable income exceeding MUR 1.5bn is taxed at the rate of 15%.

Taxable income	**Rate of income tax**
Financial Year	**2023**
Up to MUR 1.5bn	5%
Exceeding MUR 1.5bn	15%

For the years ended 30 June 2022 and 30 June 2021, chargeable income above MUR 1.5bn was subjected to graduated tax rates as per the table below:

Taxable income	**Rate of income tax**	**Rate of income tax**
Financial Year	**2022**	**2021**
Up to MUR 1.5bn	5%	5%
Exceeding MUR 1.5bn up to amount equivalent to the taxable income of the base year	15%	
Amount exceeding taxable income of base year	15%	

As per the Income Tax Act, prior to the Finance Act 2023, 'base year' refer to taxable profit of year of assessment 2017/18, that is, financial year ended 30 June 2017. For the financial year ended 30 June 2021, the chargeable income of the Bank was below the threshold of MUR 1.5bn.
Income tax of the subsidiary is calculated at the rate of 15% (2022 and 2021: 15%).

Corporate Social Responsibility fund

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Mauritius Revenue Authority at the time of submission of the income tax return on the year under review.

Special levy

Special levy on banks is governed under the VAT Act. Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at 5.5% where leviable income is less than or equal to MUR 1.2bn or at 4.5% where leviable income is greater than MUR 1.2bn. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT Act.

Deferred tax

The deferred tax asset is computed at the effective tax rate (inclusive of 2% CSR) representing the rate at which the asset will be utilised in future years.

11(a) Statements of financial position

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**182,700**	85,647	95,283	**182,700**	85,647	95,283
Current income tax	**801,769**	162,004	74,247	**801,769**	162,004	74,247
CSR expense	**19,076**	19,393	22,299	**19,076**	19,393	22,299
Special levy	**98,049**	74,323	68,664	**98,049**	74,323	68,664
(Over)/under provision in prior years	**(7,225)**	505	10,846	**(7,225)**	505	10,846
Tax payments	**(272,396)**	(159,172)	(185,692)	**(272,396)**	(159,172)	(185,692)
Current tax liabilities	**821,973**	182,700	85,647	**821,973**	182,700	85,647

11. TAXATION (CONTINUED)

11(b) Statements of profit or loss and other comprehensive income

The components of income tax expense for the years ended 30 June 2023, 2022 and 2021 are as follows:

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
Continuing operations	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current income tax	**801,769**	162,004	74,247	**801,769**	162,004	74,247
(Over)/under provision in income tax in prior years	**(7,225)**	505	10,846	**(7,225)**	505	10,846
Withholding tax	**1,135**	-	-	**1,135**	-	-
CSR expense	**19,076**	19,393	22,299	**19,076**	19,393	22,299
Special levy	**98,049**	74,323	68,664	**98,049**	74,323	68,664
Under/(over) provision in deferred tax in prior years	**-**	5	(44)	**-**	5	(44)
Deferred tax movement (Note 11(d))	**(141,388)**	9,191	(27,607)	**(141,388)**	9,191	(27,607)
Tax expense	**771,416**	265,421	148,405	**771,416**	265,421	148,405

11(c) Reconciliation of the total tax expense

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate for the years ended 30 June 2023, 2022 and 2021 is as follows:

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Accounting profit before tax:						
Continuing operations	**6,649,986**	1,694,687	1,078,001	**6,650,386**	1,702,038	1,023,631
Tax on accounting profit at applicable tax rates	**934,777**	118,628	75,460	**934,777**	119,143	71,654
Under/(over) provision in deferred tax in prior years	**-**	5	(44)	**-**	5	(44)
(Over)/under provision in income tax in prior years	**(7,225)**	505	10,846	**(7,225)**	505	10,846
Non deductible expenses	**7,535**	2,732	(1,031)	**7,535**	2,217	2,775
Bad debt written off subject to tax	**-**	39,990	-	**-**	39,990	-
Non taxable income	**(16,890)**	(2,283)	(30)	**(16,890)**	(2,283)	(30)
Withholding tax	**1,135**	-	-	**1,135**	-	-
CSR adjustment	**(18,366)**	335	3,127	**(18,366)**	335	3,127
Tax rate differential	**(227,599)**	31,186	(8,587)	**(227,599)**	31,186	(8,587)
Special levy	**98,049**	74,323	68,664	**98,049**	74,323	68,664
Tax expense	**771,416**	265,421	148,405	**771,416**	265,421	148,405

11(d) Deferred tax

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**(140,092)**	(149,593)	(124,506)	**(140,092)**	(149,593)	(124,388)
Disposal of subsidiary	**-**	-	118	**-**	-	-
<u>Charge to profit or loss:</u>						
Under/(over) provision in deferred tax in prior years	**-**	5	(44)	**-**	5	(44)
Movement for the year	**(141,388)**	9,191	(27,607)	**(141,388)**	9,191	(27,607)
<u>Charge to other comprehensive income:</u>						
Movement for the year	**693**	305	2,446	**693**	305	2,446
At 30 June	**(280,787)**	(140,092)	(149,593)	**(280,787)**	(140,092)	(149,593)

11. TAXATION (CONTINUED)

11(d) Deferred tax (continued)

THE GROUP	At 1 July 2020	Disposal of subsidiary	Credit to profit or loss	Charge to OCI	At 30 June 2021	Charge/ (credit) to profit or loss	Charge to OCI	At 30 June 2022	**Charge/ (credit) to profit or loss**	**Charge to OCI**	**At 30 June 2023**
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Deferred tax assets											
Impairment losses on loans and advances to banks and customers	(131,096)	-	(22,247)	-	(153,343)	18,407	-	(134,936)	**(114,304)**	**-**	**(249,240)**
Other temporary differences	(569)	569	-	-	-	-	-	-	**-**	**-**	**-**
Impairment loss on other financial assets	(973)	-	(2,260)	-	(3,233)	2,823	-	(410)	**(10,923)**	**-**	**(11,333)**
Retirement benefit obligations	(5,406)	(491)	(1,013)	2,446	(4,464)	(538)	305	(4,697)	**(10,062)**	**693**	**(14,066)**
Provision	-	-	-	-	-	(13,246)	-	(13,246)	**(19,988)**	**-**	**(33,234)**
	(138,044)	78	(25,520)	2,446	(161,040)	7,446	305	(153,289)	**(155,277)**	**693**	**(307,873)**
Deferred tax liability											
Accelerated capital allowances	13,538	40	(2,131)	-	11,447	1,750	-	13,197	**13,889**	**-**	**27,086**
Net deferred tax assets	(124,506)	118	(27,651)	2,446	(149,593)	9,196	305	(140,092)	**(141,388)**	**693**	**(280,787)**

THE BANK	At 1 July 2020	Credit to profit or loss	Charge to OCI	At 30 June 2021	Charge/ (credit) to profit or loss	Charge to OCI	At 30 June 2022	**Charge/ (credit) to profit or loss**	**Charge to OCI**	**At 30 June 2023**
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Deferred tax assets										
Impairment losses on loans and advances to banks and customers	(131,096)	(22,247)	-	(153,343)	18,407	-	(134,936)	**(114,304)**	**-**	**(249,240)**
Impairment loss on other financial assets	(973)	(2,260)	-	(3,233)	2,823	-	(410)	**(10,923)**	**-**	**(11,333)**
Retirement benefit obligations	(5,897)	(1,013)	2,446	(4,464)	(538)	305	(4,697)	**(10,062)**	**693**	**(14,066)**
Provision	-	-	-	-	(13,246)	-	(13,246)	**(19,988)**	**-**	**(33,234)**
	(137,966)	(25,520)	2,446	(161,040)	7,446	305	(153,289)	**(155,277)**	**693**	**(307,873)**
Deferred tax liability										
Accelerated capital allowances	13,578	(2,131)	-	11,447	1,750	-	13,197	**13,889**	**-**	**27,086**
Net deferred tax assets	(124,388)	(27,651)	2,446	(149,593)	9,196	305	(140,092)	**(141,388)**	**693**	**(280,787)**

12. DIVIDENDS

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Dividends on Ordinary shares:			
Dividend paid and payable	**482,413**	234,993	338,932
Dividends on Class A shares - Series 1 & Series 2:			
Dividend paid and payable	**143,968**	65,037	132,897
Dividends in Specie			
Distribution of AfrAsia Capital Management Ltd (ACM) Shares	**-**	-	38,277
Total dividends	**626,381**	300,030	510,106

Ordinary Shares

During the year ended 30 June 2023, the directors proposed that a dividend of MUR 4.27 (2022: MUR 2.08, 2021: MUR 3) per share to be paid to the holders of Ordinary shares with respect to the year ended 30 June 2022. The Board of Directors approved the dividend on 28 October 2022 and it was paid in December 2022. Total dividend paid is MUR 482m (2022: MUR 235m, 2021: MUR 339m).

Class A Shares

Dividend of MUR 76.5m for the 6 months ended 30 June 2022 was approved by the Board of Directors on 28 October 2022 and payment was effected on 30 December 2022. Dividend of MUR 67.5m for the 6 months ended 31 December 2021 was approved by the Board of Directors on 11 February 2022 and payment was effected on 22 September 2022 (2022: MUR 65.0m were paid for the 6 months ended 30 June 2021 and 2021: MUR 66.2m for the 6 months ended 31 December 2020 and MUR 66.7m for the 6 months ended 30 June 2020).

Movement in Dividend payable	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Opening balance	**344**	85,102	344
Ordinary dividend payable	**-**	-	18,602
Class A dividend payable	**-**	-	66,156
Dividends paid	**-**	(84,758)	-
Closing balance	**344**	344	85,102

13. CASH AND BALANCES WITH BANKS

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand	**46,007**	25,911	28,782	**46,007**	25,911	28,782
Unrestricted balances with the Central Bank (Note 1)	**1,247,661**	24,238,165	16,893,152	**1,247,661**	24,238,165	16,893,152
Current accounts with other banks	**15,464,801**	22,671,601	37,579,779	**15,464,794**	22,671,592	37,579,767
	16,758,469	46,935,677	54,501,713	**16,758,462**	46,935,668	54,501,701
Less: allowance for impairment losses	**(1,185)**	(16)	(26)	**(1,185)**	(16)	(26)
	16,757,284	46,935,661	54,501,687	**16,757,277**	46,935,652	54,501,675

Note 1: Unrestricted balances with the Central Bank represent amounts above the minimum cash reserve requirement.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

The balances were classified in Stage 1 and 12-month ECL was calculated hereon at 30 June 2023, 2022 and 2021.

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
External rating grade	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Performing:						
Credit rating AAA	**46,007**	24,264,076	16,921,934	**46,007**	24,264,076	16,921,934
Credit rating AA+ to AA-	**9,361,317**	14,720,749	18,068,354	**9,361,317**	14,720,749	18,068,354
Credit rating A+ to A-	**5,921,264**	6,673,481	18,461,121	**5,921,264**	6,673,481	18,461,121
Credit rating BBB+ to BBB-	**1,305,229**	1,109,436	811,619	**1,305,222**	1,109,427	811,607
Credit rating BB+ to BB-	**123,714**	166,950	238,059	**123,714**	166,950	238,059
Credit rating B+ to B-	**218**	279	435	**218**	279	435
Credit rating CCC+ to C	**720**	706	191	**720**	706	191
Total gross carrying amount	**16,758,469**	46,935,677	54,501,713	**16,758,462**	46,935,668	54,501,701
Less: allowance for impairment losses	**(1,185)**	(16)	(26)	**(1,185)**	(16)	(26)
Carrying amount at 30 June	**16,757,284**	46,935,661	54,501,687	**16,757,277**	46,935,652	54,501,675

Please refer to note 38 (b) for the key inputs into the measurement of ECL.

Allowance for impairment losses	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Balance as at 1 July	**16**	26	23
Movement in ECL during the year	**1,169**	(10)	3
Balance as at 30 June	**1,185**	16	26

14. DUE FROM BANKS

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
At amortised cost:			
Short term collateralised placements	**-**	-	16,378,549
Short term placements with the Central Bank	**2,000,192**	-	-
Short term placements with other banks	**31,793,540**	28,180,618	35,060,944
Medium term collateralised placements	**11,542,587**	8,992,114	-
Medium term placements with other banks	**2,364,636**	10,169,739	9,850,477
	47,700,955	47,342,471	61,289,970
Less: allowance for impairment losses - Short term placements	**(5,291)**	(2,229)	(599)
Less: allowance for impairment losses - Others	**(13,548)**	(7,065)	(6,857)
	47,682,116	47,333,177	61,282,514

The collateralised placements relate to reverse repurchase agreement (Repo) with banks, with government securities held as collateral. The fair value of the collateral at 30 June 2023 was MUR 16.7bn (2022: MUR 12.7bn, 2021: MUR 23.4bn).

Exposures yet to transition to new Alternative Reference Rates (ARRs)

Collateralised placements

30 June 2023	**Carrying amount**
	MUR'000
LIBOR USD (3 months)	4,570,357
LIBOR USD (6 months)	2,331,277
Total Value of Contracts	**6,901,634**

Total Number of Contracts - 2

Out of the 2 contracts that were still referenced to LIBOR as at 30 June 2023, only 1 is due to be transitioned to SOFR. Agreement with the counterparty will be concluded before the next rate fixing, that is by mid-September 2023. The other Reverse Repo is set to mature on 18 August 2023.

Refer to Note 16(b) for more details on LIBOR transition.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

The financial assets were classified in Stage 1 and 12-month ECL was calculated hereon at 30 June 2023, 2022 and 2021.

	THE GROUP AND THE BANK		
	STAGE 1		
	2023	2022	2021
External rating grade	**MUR'000**	MUR'000	MUR'000
Performing:			
Credit rating AAA	**-**	-	-
Credit rating AA+ to AA-	**6,843,861**	224,146	11,844,264
Credit rating A+ to A-	**22,069,965**	28,827,276	22,705,276
Credit rating BBB+ to BBB-	**14,961,104**	10,606,477	13,687,360
Credit rating BB+ to BB-	**1,542,256**	5,439,968	10,919,150
Credit rating B+ to B-	**2,283,769**	2,244,604	2,133,920
Total gross carrying amount	**47,700,955**	47,342,471	61,289,970
Less: allowance for impairment losses	**(18,839)**	(9,294)	(7,456)
Carrying amount at 30 June	**47,682,116**	47,333,177	61,282,514

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK					
	STAGE 1					
	GROSS CARRYING AMOUNT			ALLOWANCE FOR IMPAIRMENT LOSSES		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**47,342,471**	61,289,970	50,512,313	**9,294**	7,456	8,026
Net remeasurement of loss allowance	**-**	-	-	**4,512**	-	2
New assets originated or purchased	**2,181,144,064**	870,634,751	593,509,309	**25,203**	16,813	9,039
Payments and assets derecognised	**(2,180,785,580)**	(884,582,250)	(582,731,652)	**(20,170)**	(14,975)	(9,611)
As at 30 June	**47,700,955**	47,342,471	61,289,970	**18,839**	9,294	7,456

15. DERIVATIVE FINANCIAL INSTRUMENTS

(a) THE GROUP

	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	2023	2023	2022	2022	2021	2021
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	2,307	(2,487)	855	(1,125)	2,050	(2,050)
Foreign exchange contracts	8,768	(6,187)	17,164	(7,633)	59,798	(13,701)
Cross currency interest rate swap	183,625	-	195,873	-	151,683	-
Interest rate swaps	18,088	(23,523)	10,040	(10,040)	2,870	(3,162)
Options contracts (structured deposits)	172,762	(172,762)	145,749	(145,749)	191,479	(191,479)
Accumulators/Decumulators	-	-	2,298	(2,298)	-	-
	385,550	(204,959)	371,979	(166,845)	407,880	(210,392)

(b) THE BANK

	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	2023	2023	2022	2022	2021	2021
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Foreign exchange option contracts	2,307	(2,487)	855	(1,125)	2,050	(2,050)
Foreign exchange contracts	8,768	(6,187)	17,164	(7,633)	59,798	(13,701)
Cross currency interest rate swap	183,625	-	195,873	-	151,683	-
Interest rate swaps	18,088	(23,523)	10,040	(10,040)	2,870	(3,162)
Options contracts (structured deposits)	172,762	(172,762)	145,749	(145,749)	191,479	(191,479)
Accumulators/Decumulators	-	-	2,298	(2,298)	-	-
	385,550	(204,959)	371,979	(166,845)	407,880	(210,392)

Exposures yet to transition to new Alternative Reference Rates (ARRs)

Cross Currency Interest Rate Swap (CCIRS)

30 June 2023	Notional amount
	MUR'000
LIBOR USD (6 months)	843,600

Total Number of Contract - 1

As at 30 June 2023, the CCIRS was still being benchmarked to the USD 6-Months Libor since 30 June 2023, was in the midst of an interest cycle which ends in September 2023. Following engagement and subsequent agreement with the Counterpart, the reference rate on the USD leg has been transitioned to 6-Months Term SOFR as published by CME (Chicago Mercantile Exchange) effective as from 1 July 2023 and applicable to the next interest cycle due to start on 2 October 2023.

Refer to Note 16(b) for more details on LIBOR transition.

The Group and the Bank have positions in the following types of derivatives:

Forward contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forward are customised contracts transacted in the over-the-counter market.

Spot position

The current balance on spot position account reflect the bought/sold amounts (FX deals) in original currencies and equivalent amounts corresponding to the prevaling FX spot 'Accounting' rate as of the settlement date.

Swaps

Swaps are derivatives in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. The benefits in question depend on the type of financial instruments involved.

Option contracts

Option contracts give the buyer the right, but not the obligation, to buy (in the case of a call) or sell (in the case of a put) the underlying asset at a specific price on or before a certain date.

Structured deposit

A structured deposit combines a normal deposit with a derivative product. The return on those structured deposits depends on the performance of the derivative's underlying asset. These underlying assets may include market indices, shares, interest rates, bonds , foreign exchange rates, or a combination of these. The derivative portion of the investment may involve the purchase/sale of options from/to the Bank's clients immediately followed by the sale/purchase of the same options to/from the Bank's financial institutions counterparties. Since the derivative portion is fully back to back there are no options open position in the Bank's books.

Accumulators/Decumulators

Accumulators/Decumulators, commonly used in structured products, are a series of forward contracts that allow clients to buy or sell the reference share at a pre-determined price, known as the strike price, during the life of the contracts.

In an accumulator contract, if the price of the reference share rises above the strike price, the buyer will accumulate or "lock in" gains over a specific period of time. However, if the price falls below the strike price, the buyer may be obligated to purchase the reference share at a higher price than the prevailing market price. This allows buyers to participate in the potential upside of an underlying asset while limiting their downside risk.

In a decumulator contract, the seller receives periodic payments based on the value of the reference shares. These payments can be structured as fixed amounts or variable amounts linked to the performance of the reference shares. Sellers are able to generate a regular income stream from their investment portfolio while maintaining ownership of the reference shares.

16(a) LOANS AND ADVANCES TO BANKS

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Banks:			
Segment A*	**1,826,311**	894,252	-
Segment B*	**11,406,629**	11,128,767	6,668,316
Total gross carrying amount loans and advances to banks	**13,232,940**	12,023,019	6,668,316
Less: allowance for impairment losses	**(43,351)**	(32,543)	(29,481)
	13,189,589	11,990,476	6,638,835

* The split into Segment A and B is as per the Bank of Mauritius Guideline on Public Disclosure of Information. Segment A relates to banking business other than Segment B business. Segment B is essentially directed to the provision of international financial services that give rise to foreign source income.

Exposures yet to transition to new Alternative Reference Rates (ARRs)

Loans and advances to banks

30 June 2023	**Carrying amount**
	MUR'000
LIBOR USD (3 months)	**913,924**

Total Number of Contracts - 3

Refer to Note 16(b) for more details on LIBOR transition.

All the loans and advances to banks are classified in stage 1 and 12-months ECL calculated thereon.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	THE GROUP AND THE BANK		
External rating grade	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000
Performing:			
Credit rating A+ to A-	**5,234,025**	2,548,586	2,217,104
Credit rating BBB+ to BBB-	**3,649,094**	4,926,146	1,702,874
Credit rating BB+ to BB-	**2,960,967**	2,295,062	2,110,731
Credit rating B+ to B-	**1,388,854**	2,253,225	637,607
Total gross carrying amount	**13,232,940**	12,023,019	6,668,316
Less: allowance for impairment losses	**(43,351)**	(32,543)	(29,481)
Carrying amount at 30 June	**13,189,589**	11,990,476	6,638,835

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK					
	STAGE 1					
	GROSS CARRYING AMOUNT			ALLOWANCE FOR IMPAIRMENT LOSSES		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**12,023,019**	6,668,316	5,257,597	**32,543**	29,481	11,670
Net remeasurement of loss allowance	**-**	-	-	**7,703**	(3,390)	(1,500)
New assets originated or purchased	**5,965,698**	8,458,364	6,349,599	**9,460**	32,920	27,795
Payments and assets derecognised	**(4,755,777)**	(3,103,661)	(4,938,880)	**(6,355)**	(26,468)	(8,484)
As at 30 June	**13,232,940**	12,023,019	6,668,316	**43,351**	32,543	29,481

Major repayment of assets in financial year 22 and higher ECL percentage on new assets acquired in financial year 22.

16(b) LOANS AND ADVANCES TO CUSTOMERS

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Retail and personal	**3,602,114**	3,165,635	2,676,026
Business	**12,368,649**	12,246,066	8,923,753
Government and parastatal bodies	**8,222,096**	185,349	287,100
Entities outside Mauritius	**16,853,797**	13,817,202	9,437,082
Credit cards	**150,422**	130,961	108,836
Total gross carrying amount loans and advances to customers	**41,197,078**	29,545,213	21,432,797
Less: allowance for impairment losses	**(1,930,097)**	(2,288,589)	(2,682,868)
	39,266,981	27,256,624	18,749,929

16(b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

LIBOR TRANSITION

The Phase 2 Amendments require, as a practical expedient, for changes to cash flows that relate directly to the reform to be treated as changes to a floating interest rate, i.e., the EIR is updated to reflect the change in an interest rate benchmark from IBOR to a Risk Free Rate (RFR) without adjusting the carrying amount. As at 30 June 2023, most of the LIBOR-linked exposures were transitioned to RFR namely Secured Overnight Financing Rate (SOFR), Term SOFR, SOFR Averages and other RFRs in major currencies. In effect, the change is treated as akin to a movement in the market rate of interest.

Since 30 June 2023, as announced by the UK's Financial Conduct Authority (FCA), the overnight and 12-month US dollar LIBOR settings have permanently ceased. On the other hand, 1-, 3- and 6-month US dollar LIBOR settings will continue to be published using a synthetic methodology until September 2024, at the end of which these terms will also be permanently demised.

The Bank remains fully committed to engage with and accompany its customers to ensure complete transition well ahead of the September 2024 deadline. To this end, it has renewed communication, both formally and via dedicated personalised call visits to customers and where required, Credit and Legal teams have also provided documentation with robust fallback languages for outstanding customers. As at 30 June 2023, the bank had 43 outstanding contracts that were still linked to LIBOR, most of which are expected to be transitioned before the next financial year-end.

Exposures yet to transition to new Alternative Reference Rates (ARRs)

Loans and advances to customers

30 June 2023	**Carrying amount MUR'000**
LIBOR USD (1 month)	80,163
LIBOR USD (3 months)	116,643
LIBOR EUR (1 month)	179,421
LIBOR GBP (1 month)	23,022
Total Value of Contracts	**399,249**
Total Number of Contracts - 17	
Overdrafts	
LIBOR (1 month)	**306,097**
Total Number of Contracts - 11	

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans and advances to customers by type of lending is presented as per below:

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				**ALLOWANCE FOR IMPAIRMENT LOSSES**			
	2023							
	STAGE 1	**STAGE 2**	**STAGE 3**	**TOTAL**	**STAGE 1 12-months ECL**	**STAGE 2 Lifetime ECL**	**STAGE 3 Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Retail and personal	**2,616,591**	**880,265**	**105,258**	**3,602,114**	**25,664**	**50,510**	**77,966**	**154,140**
Business	**9,678,204**	**2,486,724**	**203,721**	**12,368,649**	**52,288**	**79,345**	**177,021**	**308,654**
Government and parastatal bodies	**8,222,096**	**-**	**-**	**8,222,096**	**25,303**	**-**	**-**	**25,303**
Entities outside Mauritius	**13,826,557**	**1,661,648**	**1,365,592**	**16,853,797**	**75,811**	**39,486**	**1,315,899**	**1,431,196**
Credit cards	**129,525**	**11,877**	**9,020**	**150,422**	**3,356**	**495**	**6,953**	**10,804**
	34,472,973	**5,040,514**	**1,683,591**	**41,197,078**	**182,422**	**169,836**	**1,577,839**	**1,930,097**

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2022							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Retail and personal	2,909,498	170,926	85,211	3,165,635	30,523	18,433	57,297	106,253
Business	7,804,255	4,066,548	375,263	12,246,066	22,313	370,386	340,440	733,139
Government and parastatal bodies	185,349	-	-	185,349	417	-	-	417
Entities outside Mauritius	11,547,737	787,367	1,482,098	13,817,202	51,985	41,831	1,344,398	1,438,214
Credit cards	117,790	5,866	7,305	130,961	4,205	197	6,164	10,566
	22,564,629	5,030,707	1,949,877	29,545,213	109,443	430,847	1,748,299	2,288,589

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2021							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Retail and personal	2,287,065	285,252	103,709	2,676,026	35,707	38,692	62,255	136,654
Business	3,623,187	4,853,593	446,973	8,923,753	40,058	230,294	374,082	644,434
Government and parastatal bodies	287,100	-	-	287,100	2,883	-	-	2,883
Entities outside Mauritius	5,164,530	2,013,845	2,258,707	9,437,082	14,045	29,521	1,843,773	1,887,339
Credit cards	95,985	5,142	7,709	108,836	5,236	146	6,176	11,558
	11,457,867	7,157,832	2,817,098	21,432,797	97,929	298,653	2,286,286	2,682,868

16(b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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.

	THE GROUP AND THE BANK			
	2023			
Internal rating grade	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				
Credit rating AAA	**477,873**	**87,559**	**-**	**565,432**
Credit rating AA+ to AA-	**1,627,297**	**185,580**	**-**	**1,812,877**
Credit rating A+ to A-	**16,498,970**	**159,910**	**-**	**16,658,880**
Credit rating BBB+ to BBB-	**11,917,340**	**2,892,359**	**-**	**14,809,699**
Credit rating BB+ to BB-	**2,696,055**	**714,070**	**-**	**3,410,125**
Credit rating B+ to B-	**1,255,438**	**987,575**	**-**	**2,243,013**
Credit rating CCC+ to C	**-**	**13,461**	**-**	**13,461**
Non performing:				
Credit rating D	**-**	**-**	**1,683,591**	**1,683,591**
Total gross carrying amount	**34,472,973**	**5,040,514**	**1,683,591**	**41,197,078**
Less: allowance for impairment losses	**(182,422)**	**(169,836)**	**(1,577,839)**	**(1,930,097)**
Carrying amount at 30 June	**34,290,551**	**4,870,678**	**105,752**	**39,266,981**

	THE GROUP AND THE BANK			
	2022			
Internal rating grade	STAGE 1	STAGE 2	STAGE 3	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	103,865	-	-	103,865
Credit rating AA+ to AA-	6,403,072	-	-	6,403,072
Credit rating A+ to A-	324,104	-	-	324,104
Credit rating BBB+ to BBB-	10,602,848	4,835,210	-	15,438,058
Credit rating BB+ to BB-	479,837	157,958	-	637,795
Credit rating B+ to B-	4,635,919	37,539	-	4,673,458
Credit rating CCC+ to C	14,984	-	-	14,984
Non performing:				
Credit rating D	-	-	1,949,877	1,949,877
Total gross carrying amount	22,564,629	5,030,707	1,949,877	29,545,213
Less: allowance for impairment losses	(109,443)	(430,847)	(1,748,299)	(2,288,589)
Carrying amount at 30 June	22,455,186	4,599,860	201,578	27,256,624

	THE GROUP AND THE BANK			
	2021			
Internal rating grade	STAGE 1	STAGE 2	STAGE 3	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	662,221	-	-	662,221
Credit rating AA+ to AA-	1,083,083	36,887	-	1,119,970
Credit rating A+ to A-	4,058,035	1,241,193	-	5,299,228
Credit rating BBB+ to BBB-	4,733,613	3,313,528	-	8,047,141
Credit rating BB+ to BB-	600,188	2,276,438	-	2,876,626
Credit rating B+ to B-	320,727	272,385	-	593,112
Credit rating CCC+ to C	-	17,401	-	17,401
Non performing:				
Credit rating D	-	-	2,817,098	2,817,098
Total gross carrying amount	11,457,867	7,157,832	2,817,098	21,432,797
Less: allowance for impairment losses	(97,929)	(298,653)	(2,286,286)	(2,682,868)
Carrying amount at 30 June	11,359,938	6,859,179	530,812	18,749,929

16(b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2023							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	**22,564,629**	**5,030,707**	**1,949,877**	**29,545,213**	**109,443**	**430,847**	**1,748,299**	**2,288,589**
Changes in the amount								
Transfer to stage 1	**2,798,229**	**(2,797,597)**	**(632)**	**-**	**301,144**	**(301,144)**	**-**	**-**
Transfer to stage 2	**(4,081,372)**	**4,081,372**	**-**	**-**	**(48,331)**	**48,331**	**-**	**-**
Transfer to stage 3	**(120,025)**	**(3,822)**	**123,847**	**-**	**(2,191)**	**(1,337)**	**3,528**	**-**
Net remeasurement of loss allowance	**-**	**-**	**-**	**-**	**(288,966)**	**7,348**	**142,551**	**(139,067)**
New assets originated or purchased	**60,318,632**	**-**	**-**	**60,318,632**	**178,140**	**-**	**-**	**178,140**
Payments and assets derecognised	**(47,007,120)**	**(1,270,146)**	**(215,441)**	**(48,492,707)**	**(66,817)**	**(14,209)**	**(142,479)**	**(223,505)**
Write-offs	**-**	**-**	**(174,060)**	**(174,060)**	**-**	**-**	**(174,060)**	**(174,060)**
As at 30 June	**34,472,973**	**5,040,514**	**1,683,591**	**41,197,078**	**182,422**	**169,836**	**1,577,839**	**1,930,097**

Out of MUR 174.1m write offs during this financial year ended 30 June 2023, MUR 159.3m pertain to exposures which are subject to enforcement action by the Bank. There were no such cases for the financial years ended 30 June 2022 and 2021.

The net impairment credit on financial assets is mainly driven by an ECL reversal upon transfers of exposures in Stage 2 attracting a higher ECL as at 30 June 2022 to Stage 1 during the year ended 30 June 2023. Exposures transferred to Stage 2 during the current year bear lower ECL percentage.

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2022							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	11,457,867	7,157,832	2,817,098	21,432,797	97,929	298,653	2,286,286	2,682,868
Changes in the amount								
Transfer to stage 1	1,485,142	(1,485,142)	-	-	10,350	(10,350)	-	-
Transfer to stage 2	(2,389,645)	2,397,244	(7,599)	-	(327,748)	329,307	(1,559)	-
Transfer to stage 3	(151,068)	(85)	151,153	-	(234,724)	(85)	234,809	-
Net remeasurement of loss allowance	-	-	-	-	24,720	(48,261)	399	(23,142)
New assets originated or purchased	42,744,142	-	-	42,744,142	649,062	-	-	649,062
Payments and assets derecognised	(30,581,809)	(3,039,142)	(360,280)	(33,981,231)	(110,146)	(138,417)	(121,141)	(369,704)
Write-offs	-	-	(650,495)	(650,495)	-	-	(650,495)	(650,495)
As at 30 June	22,564,629	5,030,707	1,949,877	29,545,213	109,443	430,847	1,748,299	2,288,589

Higher ECL in financial year 22 due to rating downgrade on some specific accounts.

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2021							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	22,128,273	476,204	2,829,328	25,433,805	151,766	15,745	2,222,372	2,389,883
Changes in the amount								
Transfer to stage 1	402	(392)	(10)	-	38	(37)	(1)	-
Transfer to stage 2	(6,987,459)	6,987,459	-	-	(292,584)	292,584	-	-
Transfer to stage 3	(431,096)	(8,842)	439,938	-	(396,391)	(1,744)	398,135	-
Net remeasurement of loss allowance	-	-	-	-	228,177	1,662	(4)	229,835
New assets originated or purchased	21,628,246	-	-	21,628,246	458,522	-	-	458,522
Payments and assets derecognised	(24,880,499)	(296,597)	(143,498)	(25,320,594)	(51,599)	(9,557)	(25,556)	(86,712)
Write-offs	-	-	(308,660)	(308,660)	-	-	(308,660)	(308,660)
As at 30 June	11,457,867	7,157,832	2,817,098	21,432,797	97,929	298,653	2,286,286	2,682,868

Allowance for impairment losses include both capital and interest on non-performing loans. Interest provision amounts to MUR 249.1m at 30 June 2023 (2022: MUR 274.2m and 2021: MUR 324m) on non-performing loans which are in arrears for more than 90 days (included in stage 3).

The interest suspended for the year ended 30 June 2023 amounts to MUR 16.2m (2022: MUR 41.7m and 2021: MUR 97.3m).

Foreign exchange differences on ECL of MUR 15.2m (2022: MUR 44.2m and 2021: MUR 83.7m) have been accounted under ' Gain on foreign exchange'.

17. INVESTMENT SECURITIES

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Financial assets held for trading measured at fair value through profit or loss (Note 17(a))	**4,993,012**	5,679,750	5,534,813	**4,993,012**	5,679,750	5,534,813
Debt instruments measured at amortised cost (Note 17(b))	**103,674,862**	65,269,752	39,859,873	**103,674,862**	65,269,752	39,859,873
Equity investments designated at fair value through other comprehensive income (Note 17(c))	**16,956**	15,283	13,804	**16,956**	15,283	13,804
Equity investment measured at fair value through profit or loss (Note 17(d))	**905**	514	1,705	**905**	514	1,705
	108,685,735	70,965,299	45,410,195	**108,685,735**	70,965,299	45,410,195

(a) FINANCIAL ASSETS HELD FOR TRADING MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Trading assets:						
Government of Mauritius debt securities	**1,338,846**	611,184	2,805,517	**1,338,846**	611,184	2,805,517
Bank of Mauritius bonds and notes	**1,608,617**	3,038,348	1,038,656	**1,608,617**	3,038,348	1,038,656
Local securities: corporate bonds and notes	**-**	-	150,253	**-**	-	150,253
Foreign securities: corporate bonds and notes	**2,045,549**	2,030,218	1,540,387	**2,045,549**	2,030,218	1,540,387
	4,993,012	5,679,750	5,534,813	**4,993,012**	5,679,750	5,534,813

Exposures yet to transition to new Alternative Reference Rates (ARRs)

Financial assets held for trading measured at fair value through profit or loss

30 June 2023	**Carrying amount**
	MUR'000
LIBOR USD (3 months)	**160,687**

Total Number of Contracts - 4

The Bank depends on the notice from issuers on transition changes via its depositories.

Refer to Note 16(b) for more details on LIBOR transition.

(b) DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	**12,032,395**	11,073,356	12,177,847
Bank of Mauritius bonds and notes	**5,491,485**	5,749,250	3,432,443
Local securities: corporate bonds and notes	**2,779,373**	1,950,499	1,952,332
Foreign securities: corporate bonds and notes	**15,881,805**	12,217,706	5,119,520
Foreign securities: sovereign bills, bonds and notes	**67,525,859**	34,298,028	17,218,935
	103,710,917	65,288,839	39,901,077
Less: allowance for impairment losses	**(36,055)**	(19,087)	(41,204)
	103,674,862	65,269,752	39,859,873

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the debt instruments measured at amortised cost by type of investment is presented as per below:

	THE GROUP AND THE BANK					
	GROSS CARRYING AMOUNT			**ALLOWANCE FOR IMPAIRMENT LOSSES**		
	2023					
	STAGE 1	**STAGE 2**	**TOTAL**	**STAGE 1**	**STAGE 2**	
				12-months ECL	**Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Government of Mauritius treasury bills and bonds	**12,032,395**	**-**	**12,032,395**	**859**	**-**	**859**
Bank of Mauritius bonds and notes	**5,491,485**	**-**	**5,491,485**	**1,856**	**-**	**1,856**
Local securities: corporate bonds and notes	**2,779,373**	**-**	**2,779,373**	**19,044**	**-**	**19,044**
Foreign securities: corporate bonds and notes	**14,841,241**	**1,040,564**	**15,881,805**	**4,522**	**6,892**	**11,414**
Foreign securities: sovereign bills, bonds and notes	**67,525,859**	**-**	**67,525,859**	**2,882**	**-**	**2,882**
	102,670,353	**1,040,564**	**103,710,917**	**29,163**	**6,892**	**36,055**

17. INVESTMENT SECURITIES (CONTINUED)

(b) DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

	THE GROUP AND THE BANK					
	GROSS CARRYING AMOUNT			ALLOWANCE FOR IMPAIRMENT LOSSES		
	2022					
	STAGE 1	STAGE 2	TOTAL	STAGE 1	STAGE 2	
				12-months ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	11,073,356	-	11,073,356	-	-	-
Bank of Mauritius bonds and notes	5,749,250	-	5,749,250	-	-	-
Local securities: corporate bonds and notes	1,643,072	307,427	1,950,499	3,589	10,834	14,423
Foreign securities: corporate bonds and notes	12,217,706	-	12,217,706	4,664	-	4,664
Foreign securities: sovereign bills, bonds and notes	34,298,028	-	34,298,028	-	-	-
	64,981,412	307,427	65,288,839	8,253	10,834	19,087

	THE GROUP AND THE BANK					
	GROSS CARRYING AMOUNT			ALLOWANCE FOR IMPAIRMENT LOSSES		
	2021					
	STAGE 1	STAGE 2	TOTAL	STAGE 1	STAGE 2	
				12-months ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Government of Mauritius treasury bills and bonds	12,177,847	-	12,177,847	-	-	-
Bank of Mauritius bonds and notes	3,432,443	-	3,432,443	-	-	-
Local securities: corporate bonds and notes	1,619,171	333,161	1,952,332	15,387	24,083	39,470
Foreign securities: corporate bonds and notes	5,119,520	-	5,119,520	1,014	-	1,014
Foreign securities: sovereign bills, bonds and notes	17,218,935	-	17,218,935	720	-	720
	39,567,916	333,161	39,901,077	17,121	24,083	41,204

The table below shows the credit quality and the maximum exposure to credit risk based on the external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	THE GROUP AND THE BANK		
	2023		
External rating grade	**STAGE 1**	**STAGE 2**	**TOTAL**
	MUR'000	**MUR'000**	**MUR'000**
Performing:			
Credit rating AAA	**61,364,141**	**-**	**61,364,141**
Credit rating AA+ to AA-	**10,714,035**	**-**	**10,714,035**
Credit rating A+ to A-	**9,145,778**	**-**	**9,145,778**
Credit rating BBB+ to BBB-	**18,667,026**	**-**	**18,667,026**
Credit rating BB+ to BB-	**1,972,752**	**1,040,564**	**3,013,316**
Credit rating B+ to B-	**806,621**	**-**	**806,621**
Total gross carrying amount	**102,670,353**	**1,040,564**	**103,710,917**
Less: allowance for impairment losses	**(29,163)**	**(6,892)**	**(36,055)**
Carrying amount at 30 June	**102,641,190**	**1,033,672**	**103,674,862**

	THE GROUP AND THE BANK		
	2022		
External rating grade	STAGE 1	STAGE 2	TOTAL
	MUR'000	MUR'000	MUR'000
Performing:			
Credit rating AAA	52,421,570	-	52,421,570
Credit rating AA+ to AA-	2,077,569	-	2,077,569
Credit rating A+ to A-	6,711,987	-	6,711,987
Credit rating BBB+ to BBB-	1,145,181	-	1,145,181
Credit rating BB+ to BB-	2,625,105	-	2,625,105
Credit rating B+ to B-	-	307,427	307,427
Total gross carrying amount	64,981,412	307,427	65,288,839
Less: allowance for impairment losses	(8,253)	(10,834)	(19,087)
Carrying amount at 30 June	64,973,159	296,593	65,269,752

17. INVESTMENT SECURITIES (CONTINUED)

(b) DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

	THE GROUP AND THE BANK		
	2021		
External rating grade	STAGE 1	STAGE 2	TOTAL
	MUR'000	MUR'000	MUR'000
Performing:			
Credit rating AAA	32,851,988	-	32,851,988
Credit rating AA+ to AA-	1,391,701	-	1,391,701
Credit rating A+ to A-	3,293,560	-	3,293,560
Credit rating BBB+ to BBB-	411,496	-	411,496
Credit rating BB+ to BB-	1,519,097	-	1,519,097
Credit rating B+ to B-	100,074	333,161	433,235
Total gross carrying amount	39,567,916	333,161	39,901,077
Less: allowance for impairment losses	(17,121)	(24,083)	(41,204)
Carrying amount at 30 June	39,550,795	309,078	39,859,873

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK					
	2023					
	STAGE 1	**STAGE 2**	**TOTAL**	**STAGE 1**	**STAGE 2**	
				12-months ECL	**Lifetime ECL**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
At 1 July	**64,981,412**	**307,427**	**65,288,839**	**8,253**	**10,834**	**19,087**
Changes in the amount						
Transfer to stage 1	**307,427**	**(307,427)**	**-**	**10,834**	**(10,834)**	**-**
Transfer to stage 2	**(1,040,564)**	**1,040,564**	**-**	**(2,074)**	**2,074**	**-**
Net remeasurement of loss allowance	**-**	**-**	**-**	**(4,815)**	**4,818**	**3**
New assets originated or purchased	**689,163,396**	**-**	**689,163,396**	**23,163**	**-**	**23,163**
Payments and assets derecognised	**(650,741,318)**	**-**	**(650,741,318)**	**(6,198)**	**-**	**(6,198)**
As at 30 June	**102,670,353**	**1,040,564**	**103,710,917**	**29,163**	**6,892**	**36,055**

The net impairment credit on financial assets is mainly driven by an ECL reversal upon transfers of exposures in Stage 2 attracting a higher ECL as at 30 June 2022 to Stage 1 during the year ended 30 June 2023. Exposures transferred to Stage 2 during the current year bear lower ECL percentage.

	THE GROUP AND THE BANK					
	2022					
	STAGE 1	STAGE 2	TOTAL	STAGE 1	STAGE 2	
				12-months ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	39,567,916	333,161	39,901,077	17,121	24,083	41,204
Net remeasurement of loss allowance	-	-	-	(10,164)	(13,249)	(23,413)
New assets originated or purchased	257,859,028	-	257,859,028	4,753	-	4,753
Payments and assets derecognised	(232,445,532)	(25,734)	(232,471,266)	(3,457)	-	(3,457)
As at 30 June	64,981,412	307,427	65,288,839	8,253	10,834	19,087

	THE GROUP AND THE BANK					
	2021					
	STAGE 1	STAGE 2	TOTAL	STAGE 1	STAGE 2	
				12-months ECL	Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	46,620,540	-	46,620,540	7,793	-	7,793
Changes in the amount						
Transfer to stage 2	(333,161)	333,161	-	(1,574)	1,574	-
Net remeasurement of loss allowance	-	-	-	11,307	22,509	33,816
New assets originated or purchased	192,000,232	-	192,000,232	1,343	-	1,343
Payments and assets derecognised	(198,719,695)	-	(198,719,695)	(1,748)	-	(1,748)
As at 30 June	39,567,916	333,161	39,901,077	17,121	24,083	41,204

17. INVESTMENT SECURITIES (CONTINUED)

(c) EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Equity securities:						
At 1 July	**15,283**	13,804	36,940	**15,283**	13,804	9,673
Additions	**-**	-	2,649	**-**	-	2,649
Disposal	**-**	-	(49)	**-**	-	-
Fair value movement	**917**	2,381	(26,740)	**917**	2,381	478
Exchange gains/(losses)	**756**	(902)	1,004	**756**	(902)	1,004
At 30 June	**16,956**	15,283	13,804	**16,956**	15,283	13,804

The investments are expected to be held for the long term for strategic purposes and have been designated at FVTOCI. There was no disposal during the year. No dividend income was recognised on these investments during the year under review (2022 and 2021: Nil).

(d) EQUITY INVESTMENT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
At 1 July	**514**	1,705	-
Acquisition during the year	**-**	-	9
Fair value movement	**391**	(1,191)	1,696
At 30 June	**905**	514	1,705

18. INVESTMENT IN SUBSIDIARY

The detail of the direct subsidiary is as follows:

	Country of Incorporation	**Class of Shares**	**Effective % Holdings**		
			2023	2022	2021
			%	%	%
Direct subsidiary					
AfrAsia Investments Limited	Mauritius	Ordinary	**100**	100	100

The balance of the investment in subsidiary was written off during the year 2019.

19. PROPERTY AND EQUIPMENT

(a) THE GROUP

COST	Improvement to buildings MUR'000	Furniture and fittings MUR'000	Office equipment MUR'000	Motor vehicles MUR'000	Computer equipment MUR'000	Assets in progress MUR'000	Total MUR'000
At 1 July 2020	59,465	86,844	17,998	5,713	143,572	12,590	326,182
Additions for the year	-	923	1,056	-	2,846	2,810	7,635
Capitalisation of assets in progress	-	-	5	-	579	(584)	-
Disposal for the year	149	(320)	190	-	(19)	-	-
Assets written off	-	(2,008)	(1,115)	(5,530)	(2,989)	-	(11,642)
Disposal of subsidiary	-	(1,868)	1,959	(59)	(1,843)	-	(1,811)
At 30 June 2021	59,614	83,571	20,093	124	142,146	14,816	320,364
At 1 July 2021	59,614	83,571	20,093	124	142,146	14,816	320,364
Reclassification of assets	-	-	413	-	(413)	-	-
Additions for the year	-	112	840	-	12,337	9,961	23,250
Capitalisation of assets in progress	-	-	1,198	-	8,010	(9,208)	-
Assets written off	(922)	(264)	(677)	-	(3,036)	-	(4,899)
At 30 June 2022	58,692	83,419	21,867	124	159,044	15,569	338,715
At 1 July 2022	**58,692**	**83,419**	**21,867**	**124**	**159,044**	**15,569**	**338,715**
Additions for the year	**-**	**863**	**1,260**	**-**	**10,526**	**56,452**	**69,101**
Capitalisation of assets in progress	**-**	**-**	**669**	**-**	**367**	**(1,036)**	**-**
Assets written off	**(107)**	**(1,459)**	**(1,050)**	**-**	**(4,389)**	**-**	**(7,005)**
At 30 June 2023	**58,585**	**82,823**	**22,746**	**124**	**165,548**	**70,985**	**400,811**
ACCUMULATED DEPRECIATION							
At 1 July 2020	25,365	37,430	12,580	1,834	77,778	-	154,987
Reclassification of assets	291	(383)	112	-	(20)	-	-
Charge for the year - Continuing operations	5,351	7,480	2,169	482	20,151	-	35,633
Charge for the year - Discontinued operations (Note 42)	-	3	150	-	-	-	153
Assets written off	-	(912)	(758)	(2,204)	(2,226)	-	(6,100)
Disposal of subsidiary	-	(670)	765	(6)	(1,835)	-	(1,746)
At 30 June 2021	31,007	42,948	15,018	106	93,848	-	182,927
At 1 July 2021	31,007	42,948	15,018	106	93,848	-	182,927
Reclassification of assets	-	-	331	-	(331)	-	-
Charge for the year - Continuing operations	13,875	13,149	1,993	6	11,039	-	40,062
Assets written off	(415)	(159)	(527)	-	(2,379)	-	(3,480)
At 30 June 2022	44,467	55,938	16,815	112	102,177	-	219,509
At 1 July 2022	**44,467**	**55,938**	**16,815**	**112**	**102,177**	**-**	**219,509**
Charge for the year - Continuing operations	**6,784**	**8,932**	**1,497**	**-**	**11,386**	**-**	**28,599**
Assets written off	**(106)**	**(1,316)**	**(940)**	**-**	**(4,096)**	**-**	**(6,458)**
At 30 June 2023	**51,145**	**63,554**	**17,372**	**112**	**109,467**	**-**	**241,650**
CARRYING AMOUNT							
At 30 June 2023	**7,440**	**19,269**	**5,374**	**12**	**56,081**	**70,985**	**159,161**
At 30 June 2022	14,225	27,481	5,052	12	56,867	15,569	119,206
At 30 June 2021	28,607	40,623	5,075	18	48,298	14,816	137,437

The directors have reviewed the carrying amount of the Group's property and equipment and are of the opinion that no impairment is required at the reporting date (2022 and 2021: Nil)

19. PROPERTY AND EQUIPMENT (CONTINUED)

(b) THE BANK	Improvement to buildings	Furniture and fittings	Office equipment	Motor vehicles	Computer equipment	Assets in progress	Total
COST	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2020	59,614	84,816	19,957	5,654	141,698	12,590	324,329
Additions for the year	-	923	1,056	-	2,846	2,810	7,635
Capitalisation of assets in progress	-	-	5	-	579	(584)	-
Disposal for the year	-	(171)	190	-	(19)	-	-
Assets written off	-	(2,008)	(1,115)	(5,530)	(2,989)	-	(11,642)
At 30 June 2021	59,614	83,560	20,093	124	142,115	14,816	320,322
At 1 July 2021	59,614	83,560	20,093	124	142,115	14,816	320,322
Reclassification of assets	-	-	413	-	(413)	-	-
Additions for the year	-	112	840	-	12,337	9,961	23,250
Capitalisation of assets in progress	-	-	1,198	-	8,010	(9,208)	-
Assets written off	(922)	(264)	(677)	-	(3,036)	-	(4,899)
At 30 June 2022	58,692	83,408	21,867	124	159,013	15,569	338,673
At 1 July 2022	**58,692**	**83,408**	**21,867**	**124**	**159,013**	**15,569**	**338,673**
Additions for the year	**-**	**863**	**1,260**	**-**	**10,526**	**56,452**	**69,101**
Capitalisation of assets in progress	**-**	**-**	**669**	**-**	**367**	**(1,036)**	**-**
Assets written off	**(107)**	**(1,459)**	**(1,050)**	**-**	**(4,389)**	**-**	**(7,005)**
At 30 June 2023	**58,585**	**82,812**	**22,746**	**124**	**165,517**	**70,985**	**400,769**
ACCUMULATED DEPRECIATION							
At 1 July 2020	25,656	36,461	13,495	1,828	75,912	-	153,352
Reclassification of assets	-	(93)	112	-	(19)	-	-
Charge for the year	5,351	7,480	2,169	482	20,151	-	35,633
Assets written off	-	(911)	(758)	(2,204)	(2,227)	-	(6,100)
At 30 June 2021	31,007	42,937	15,018	106	93,817	-	182,885
At 1 July 2021	31,007	42,937	15,018	106	93,817	-	182,885
Reclassification of assets	-	-	331	-	(331)	-	-
Charge for the year	13,875	13,149	1,993	6	11,039	-	40,062
Assets written off	(415)	(159)	(527)	-	(2,379)	-	(3,480)
At 30 June 2022	44,467	55,927	16,815	112	102,146	-	219,467
At 1 July 2022	**44,467**	**55,927**	**16,815**	**112**	**102,146**	**-**	**219,467**
Charge for the year	**6,784**	**8,932**	**1,497**	**-**	**11,386**	**-**	**28,599**
Assets written off	**(106)**	**(1,316)**	**(940)**	**-**	**(4,096)**	**-**	**(6,458)**
At 30 June 2023	**51,145**	**63,543**	**17,372**	**112**	**109,436**	**-**	**241,608**
CARRYING AMOUNT							
At 30 June 2023	**7,440**	**19,269**	**5,374**	**12**	**56,081**	**70,985**	**159,161**
At 30 June 2022	14,225	27,481	5,052	12	56,867	15,569	119,206
At 30 June 2021	28,607	40,623	5,075	18	48,298	14,816	137,437
NET BOOK VALUE AT 30 JUNE 2023							
SEGMENT A	**2,325**	**6,021**	**1,679**	**4**	**17,523**	**22,180**	**49,732**
SEGMENT B	**5,115**	**13,248**	**3,695**	**8**	**38,558**	**48,805**	**109,429**
	7,440	**19,269**	**5,374**	**12**	**56,081**	**70,985**	**159,161**
NET BOOK VALUE AT 30 JUNE 2022							
SEGMENT A	6,614	12,778	2,349	6	26,442	7,239	55,428
SEGMENT B	7,611	14,703	2,703	6	30,425	8,330	63,778
	14,225	27,481	5,052	12	56,867	15,569	119,206
NET BOOK VALUE AT 30 JUNE 2021							
SEGMENT A	15,760	22,380	2,796	10	26,608	8,162	75,716
SEGMENT B	12,847	18,243	2,279	8	21,690	6,654	61,721
	28,607	40,623	5,075	18	48,298	14,816	137,437

The directors have reviewed the carrying amount of the Bank's property and equipment and are of the opinion that no impairment is required at the reporting date (2022 and 2021: Nil)

20. INTANGIBLE ASSETS

(a) THE GROUP

	Computer software	Other	Customer relations	Assets in progress	Total
COST	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
At 1 July 2020	338,653	9,631	124,609	85,952	558,845
Additions for the year	9,874	-	-	61,513	71,387
Capitalisation of assets in progress	9,028	-	-	(9,028)	-
Disposal of subsidiary	(678)	-	-	-	(678)
Disposal	-	-	-	(1,169)	(1,169)
Assets written off	(1,691)	(318)	(124,609)	(9,014)	(135,632)
At 30 June 2021	355,186	9,313	-	128,254	492,753
At 1 July 2021	355,186	9,313	-	128,254	492,753
Reclassification of assets	(9,646)	9,646	-	-	-
Additions for the year	84,934	2,816	-	39,245	126,995
Capitalisation of assets in progress	105,258	543	-	(105,801)	-
Assets written off	(4,387)	-	-	-	(4,387)
At 30 June 2022	531,345	22,318	-	61,698	615,361
At 1 July 2022	**531,345**	**22,318**	**-**	**61,698**	**615,361**
Additions for the year	**16,534**	**99**	**-**	**47,782**	**64,415**
Capitalisation of assets in progress	**4,220**	**94**	**-**	**(4,314)**	**-**
Assets written off	**(37,391)**	**(5,031)**	**-**	**-**	**(42,422)**
At 30 June 2023	**514,708**	**17,480**	**-**	**105,166**	**637,354**
ACCUMULATED AMORTISATION					
At 1 July 2020	155,466	8,780	124,609	-	288,855
Charge for the year - Continuing operations	41,745	221	-	-	41,966
Charge for the year - Discontinued operations (Note 42)	53	-	-	-	53
Assets written off	(1,218)	(318)	(124,609)	-	(126,145)
Disposal of subsidiary	(655)	-	-	-	(655)
At 30 June 2021	195,391	8,683	-	-	204,074
At 1 July 2021	195,391	8,683	-	-	204,074
Reclassification of assets	(5,148)	5,148	-	-	-
Charge for the year - Continuing operations	48,388	3,848	-	-	52,236
Assets written off	(3,385)	-	-	-	(3,385)
At 30 June 2022	235,246	17,679	-	-	252,925
At 1 July 2022	**235,246**	**17,679**	**-**	**-**	**252,925**
Charge for the year - Continuing operations	**59,471**	**1,024**	**-**	**-**	**60,495**
Assets written off	**(34,013)**	**(4,831)**	**-**	**-**	**(38,844)**
At 30 June 2023	**260,704**	**13,872**	**-**	**-**	**274,576**
CARRYING AMOUNT					
NET BOOK VALUE AT 30 JUNE 2023	**254,004**	**3,608**	**-**	**105,166**	**362,778**
NET BOOK VALUE AT 30 JUNE 2022	296,099	4,639	-	61,698	362,436
NET BOOK VALUE AT 30 JUNE 2021	159,795	630	-	128,254	288,679

The directors have reviewed the carrying amount of the Group's intangible assets and are of the opinion that no impairment is required at the reporting date (2022 and 2021: Nil).

20. INTANGIBLE ASSETS (CONTINUED)

(b) THE BANK

	Computer software MUR'000	Other MUR'000	Assets in progress MUR'000	Total MUR'000
COST				
At 1 July 2020	337,978	9,628	85,952	433,558
Additions for the year	9,874	-	61,513	71,387
Capitalisation of assets in progress	9,028	-	(9,028)	-
Disposal	-	-	(1,169)	(1,169)
Assets written off	(1,691)	(318)	(9,014)	(11,023)
At 30 June 2021	355,189	9,310	128,254	492,753
At 1 July 2021	355,189	9,310	128,254	492,753
Reclassification of assets	(9,646)	9,646	-	-
Additions for the year	84,934	2,816	39,245	126,995
Capitalisation of assets in progress	105,258	543	(105,801)	-
Assets written off	(4,387)	-	-	(4,387)
At 30 June 2022	531,348	22,315	61,698	615,361
At 1 July 2022	**531,348**	**22,315**	**61,698**	**615,361**
Additions for the year	**16,534**	**99**	**47,782**	**64,415**
Capitalisation of assets in progress	**4,220**	**94**	**(4,314)**	**-**
Assets written off	**(37,391)**	**(5,031)**	**-**	**(42,422)**
At 30 June 2023	**514,711**	**17,477**	**105,166**	**637,354**
ACCUMULATED AMORTISATION				
At 1 July 2020	154,864	8,780	-	163,644
Charge for the year	41,745	221	-	41,966
Assets written off	(1,218)	(318)	-	(1,536)
At 30 June 2021	195,391	8,683	-	204,074
At 1 July 2021	195,391	8,683	-	204,074
Reclassification of assets	(5,148)	5,148	-	-
Charge for the year	48,388	3,848	-	52,236
Assets written off	(3,385)	-	-	(3,385)
At 30 June 2022	235,246	17,679	-	252,925
At 1 July 2022	**235,246**	**17,679**	**-**	**252,925**
Charge for the year	**59,471**	**1,024**	**-**	**60,495**
Assets written off	**(34,013)**	**(4,831)**	**-**	**(38,844)**
At 30 June 2023	**260,704**	**13,872**	**-**	**274,576**
CARRYING AMOUNT				
At 30 June 2023	**254,007**	**3,605**	**105,166**	**362,778**
At 30 June 2022	296,102	4,636	61,698	362,436
At 30 June 2021	159,798	627	128,254	288,679
NET BOOK VALUE AT 30 JUNE 2023				
SEGMENT A	**79,367**	**1,126**	**32,861**	**113,354**
SEGMENT B	**174,640**	**2,479**	**72,305**	**249,424**
	254,007	**3,605**	**105,166**	**362,778**
NET BOOK VALUE AT 30 JUNE 2022				
SEGMENT A	137,679	2,156	28,689	168,524
SEGMENT B	158,423	2,480	33,009	193,912
	296,102	4,636	61,698	362,436
NET BOOK VALUE AT 30 JUNE 2021				
SEGMENT A	88,035	345	70,657	159,037
SEGMENT B	71,763	282	57,597	129,642
	159,798	627	128,254	288,679

During the year ended 30 June 2021, intangibles assets in progress amounting to MUR 9.0m has been written off and MUR 1.2m has been disposed off since management decided not to proceed with the projects.

The directors have reviewed the carrying amount of the Bank's intangible assets and are of the opinion that no impairment is required at the reporting date (2022 and 2021: Nil).

21. LEASE

The Group and the Bank lease property. The average lease term is 1 year. The Group and the Bank do not have the option to purchase the leased assets at the end of the lease term. The Group and the Bank's obligations are secured by the lessor's title to the leased assets for such leases.

RIGHT OF USE ASSETS	THE GROUP AND THE BANK		
	2023	2022	2021
COST	**MUR'000**	MUR'000	MUR'000
At 1 July	**142,496**	100,501	113,596
Additions	**-**	88,019	72
Remeasurement of right of use assets	**-**	220	415
Lease terminated	**-**	-	(4,918)
Lease expired	**-**	(46,244)	(8,664)
At 30 June	**142,496**	142,496	100,501
ACCUMULATED DEPRECIATION			
At 1 July	**41,408**	55,983	33,579
Charge for the year	**35,309**	31,669	34,140
Lease terminated	**-**	-	(3,072)
Lease expired	**-**	(46,244)	(8,664)
At 30 June	**76,717**	41,408	55,983
CARRYING AMOUNT			
At 30 June	**65,779**	101,088	44,518

One of the lease contracts for property was terminated during the financial year 2021. During the financial years 2022 and 2021, some lease contracts were expired and renewed. The remeasurement to the lease contracts relate to the CPI adjustments to the rental payments for one property lease contract.
Depreciation charge for one lease has been presented under personal expenses in the statements of profit or loss and other comprehensive income as it relates to staff benefits. (2023: Nil, 2022: Nil and 2021: MUR 1.2m).

There are no variable lease payments in the lease contracts of the Group and the Bank.

LEASE LIABILITIES	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Analysed as:			
Non-current	**41,717**	65,304	19,975
Current	**22,946**	35,074	27,683
	64,663	100,378	47,658
Disclosure required by IFRS 16			
Maturity analysis			
Year 1	**25,463**	39,264	29,621
Year 2	**15,521**	25,622	15,568
Year 3	**15,642**	15,751	5,189
Year 4	**13,436**	15,889	-
Year 5	**-**	13,542	-
	70,062	110,068	50,378
Less unearned interest	**(5,399)**	(9,690)	(2,720)
	64,663	100,378	47,658

The Group and the Bank do not face a significant liquidity risk with regard to its lease liabilities. The leases are denominated in MUR, USD and ZAR.

21. LEASE (CONTINUED)

LEASE LIABILITIES (CONTINUED)

RECONCILIATION OF FINANCIAL LIABILITIES ARISING FROM FINANCING ACTIVITIES	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
At 1 July	**100,378**	47,658	82,571
Financing cash flows:			
Additions	**-**	88,019	72
Lease repayments	**(34,999)**	(35,309)	(33,516)
Non-Cash changes:			
Remeasurement of lease liabilities	**-**	220	415
Lease terminated	**-**	-	(1,822)
Exchange loss	**(716)**	(210)	(62)
At 30 June	**64,663**	100,378	47,658

AMOUNTS RECOGNISED IN PROFIT OR LOSS	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Depreciation expense on right of use assets	**35,309**	31,669	32,912
Depreciation expense on right of use assets - staff benefits	**-**	-	1,228
Interest expense on lease liabilities (Note 4(b))	**4,167**	2,738	3,798
Interest expense accounted under staff costs	**-**	-	89
	39,476	34,407	38,027

22. OTHER ASSETS

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Mandatory balances with the Central Bank	**4,441,107**	3,189,239	2,276,930	**4,441,107**	3,189,239	2,276,930
Indirect and other taxes receivable	**136,686**	115,505	98,960	**136,686**	115,505	98,960
Prepaid expenses	**94,360**	89,401	56,732	**94,353**	89,401	56,732
Other receivables	**79,816**	29,506	39,332	**79,816**	29,506	39,332
	4,751,969	3,423,651	2,471,954	**4,751,962**	3,423,651	2,471,954

Mandatory balances with the Central Bank are not available for use in the Bank's day-to-day operations. These balances are based on the last reported figure applied for the maintenance of minimum rupee and foreign currency balances as at 30 June 2023 and 2022 while the balance as at 30 June 2021 is based on the daily ratio applied for the maintenance of minimum rupee and foreign currency balances.

	THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Balance at 1 July	**-**	50,816	47,718
Payments and assets derecognised	**-**	(9,824)	-
Write off	**-**	(41,857)	-
Other movement	**-**	865	3,098
Balance at 30 June	**-**	-	50,816

23. DUE TO BANKS

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
At amortised cost:			
Borrowings from other banks	**-**	-	1,000,025
Bank overdrafts	**-**	1,644	97
	-	1,644	1,000,122

Short term interbank borrowing from local bank at 30 June 2021 was MUR 1.0bn with an interest rate of 0.45% per annum with a remaining tenor of 2 days.

24. DEPOSITS FROM BANKS

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
- Current accounts	**16,268**	16,101	17,255	**16,268**	16,101	17,255
- Savings accounts	**342,455**	353,486	347,471	**342,455**	353,486	347,471
	358,723	369,587	364,726	**358,723**	369,587	364,726

25. DEPOSITS FROM CUSTOMERS

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At amortised cost:						
Personal						
- Current accounts	**22,891,061**	26,066,123	22,350,824	**22,891,061**	26,066,123	22,350,824
- Savings accounts	**4,942,197**	4,728,640	4,745,568	**4,942,197**	4,728,640	4,745,568
- Term deposits	**15,535,096**	8,530,050	8,803,199	**15,535,096**	8,530,050	8,803,199
Business						
- Current accounts	**115,841,455**	132,618,517	119,274,562	**115,844,456**	132,621,900	119,288,834
- Savings accounts	**547,126**	707,396	1,024,076	**547,126**	707,396	1,024,076
- Term deposits	**51,804,274**	22,145,207	20,747,512	**51,804,274**	22,145,207	20,747,512
Government institutions						
- Current accounts	**557,556**	770,487	1,592,014	**557,556**	770,487	1,592,014
- Savings accounts	**18,349**	17,873	17,749	**18,349**	17,873	17,749
- Term deposits	**1,092,353**	1,488,043	276,782	**1,092,353**	1,488,043	276,782
	213,229,467	197,072,336	178,832,286	**213,232,468**	197,075,719	178,846,558

Included in 'Deposits from customers' are deposits of MUR 1.8bn (2022: MUR 1.8bn and 2021: MUR 1.6bn) held as collateral against loans and advances to the respective customers.

Exposures yet to transition to new Alternative Reference Rates (ARRs)

Deposits from customers

30 June 2023	**Carrying amount**
	MUR'000
LIBOR (1 month)	**89,156**

Total Number of Contracts - 12

As at 30 June 2023, the Bank had 12 contracts that were still referenced to LIBOR. However, it expects to transition the majority of these to RFRs in the subsequent period under review.

Refer to Note 16(b) for more details on LIBOR transition.

26. BORROWINGS FROM FINANCIAL INSTITUTION

	THE GROUP AND THE BANK	
	2023	2022
	MUR'000	MUR'000
At amortised cost:		
Borrowings from financial institution	**150,918**	140,547

Long term borrowings from financial institution as at 30 June 2023 was EUR 3m (2022: EUR 3m) at floating interest rate of 6 months EURIBOR plus 0.55% margin per annum with a tenor of 13 years. The repayment frequency for the interest payable and the capital portion is semi annually. The first instalment for the capital portion shall be due and payable on 31 January 2024 until maturity.

27. DEBTS ISSUED

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which flows were, or future cash flows will be, classified in the statements of cash flows from financing activities.

	THE GROUP
	2021
	MUR'000
At 1 July	1,083
Cash movements	(1,083)
At 30 June	-

28. OTHER LIABILITIES

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Dividend payable	**345**	344	85,102	**345**	344	85,102
Accruals for expenses	**100,298**	96,965	77,847	**99,302**	95,992	77,430
Settlement clearing accounts	**426,941**	100,545	64,419	**426,941**	100,545	64,419
Personnel expenses related accruals	**348,644**	209,374	144,105	**348,644**	209,374	144,105
Provisions	**317,750**	280,596	34,576	**317,750**	280,596	34,576
Other payables	**3,354**	6,370	6,458	**3,354**	6,370	2,361
	1,197,332	694,194	412,507	**1,196,336**	693,221	407,993

Included in personnel expenses related accruals are staffs' bonus.

The movement in provisions is as follows:

	THE GROUP AND THE BANK		
	ECL on Financial guarantee contracts and loan commitments	**Other**	**Total**
	MUR'000	**MUR'000**	**MUR'000**
At 1 July 2020	7,361	-	7,361
Arising during the year	-	5,000	5,000
New assets originated or purchased	25,952	-	25,952
Payments and assets derecognised	(3,737)	-	(3,737)
At 30 June 2021	29,576	5,000	34,576
At 1 July 2021	29,576	5,000	34,576
Arising during the year	-	264,977	264,977
New assets originated or purchased	6,708	-	6,708
Payments and assets derecognised	(25,665)	-	(25,665)
At 30 June 2022	10,619	269,977	280,596
At 1 July 2022	**10,619**	**269,977**	**280,596**
New assets originated or purchased	**34,951**	**-**	**34,951**
Payments and assets derecognised	**(2,600)**	**-**	**(2,600)**
Exchange loss	**-**	**4,803**	**4,803**
At 30 June 2023	**42,970**	**274,780**	**317,750**

OTHER PROVISIONS

Other provisions arise out of current or potential claims or pursuits alleging non-compliance with contractual or other legal or regulatory responsibilities, which have resulted or may arise in claims from customers, counterparties or other parties. The Group and the Bank are of the opinion that if disclosing these events on a case-by-case basis would prejudice their outcome, then such detailed disclosures have not been included in these financial statements.

29. ORDINARY SHARES

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Ordinary shares of no par value			
Issued and fully paid	**3,641,049**	3,641,049	3,641,049

Analysed as follows:	THE GROUP AND THE BANK					
Issued and fully paid	**2023**		2022		2021	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
At 30 June	**112,977,210**	**3,641,049**	112,977,210	3,641,049	112,977,210	3,641,049

30. CLASS A SHARES

THE GROUP

Issued and fully paid	**2023**		2022		2021	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000
Transaction costs	**-**	**(18,812)**	-	(18,812)	-	(18,812)
	10,000,000	**1,385,768**	10,000,000	1,385,768	10,000,000	1,385,768

THE BANK

Issued and fully paid	**2023**		2022		2021	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580
MUR 800,000,000 Class A Series 2 Shares	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000
Transaction costs	**-**	**(18,812)**	-	(18,812)	-	(18,812)
	10,000,000	**1,385,768**	10,000,000	1,385,768	10,000,000	1,385,768

THE GROUP AND THE BANK

Analysed as follows:	**2023**		2022		2021	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
USD 20,000,000 Class A Series 1 Shares						
At 30 June	**2,000,000**	**604,580**	2,000,000	604,580	2,000,000	604,580

	2023		2022		2021	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
		MUR'000		MUR'000		MUR'000
MUR 800,000,000 Class A Series 2 Shares						
At 30 June	**8,000,000**	**800,000**	8,000,000	800,000	8,000,000	800,000

The Class A shares do not carry any general voting right at any shareholders meeting of the Bank other than an irrevocable right to vote on any proposal to amend the Class A shares Terms and Conditions.

The shares are callable, at the option of the issuer, six years after the issue date (30 June 2014), with the prior approval of the Bank of Mauritius. The Bank has not exercised the option to redeem the shares as at 30 June 2023.

Dividends are payable at the discretion of the Board of Directors of AfrAsia Bank Limited and subject to the prior approval of Bank of Mauritius.

Exposures yet to transition to new Alternative Reference Rates (ARRs)

Class A shares

30 June 2023	**Carrying amount**
	MUR'000
LIBOR USD (6 months)	604,580

As at 30 June 2023, the Bank's Class A shares were still in tied to LIBOR. The Bank is in the process of the transition for the computation of dividend, which is scheduled to be completed by 31 December 2023.

Refer to Note 16(b) for more details on LIBOR transition.

31. RETIREMENT BENEFIT OBLIGATIONS

The Group and the Bank have a defined contribution (DC) scheme which is a funded obligation administered by Swan Pension Ltd.
The liability relates to retirement gratuities payable under The Workers' Rights Act 2019 which is unfunded.
The actuarial valuation was carried out at 30 June 2023 by Swan Actuarial Services Ltd.
The plan expose the Group and the Bank to normal risks associated with defined benefit pension plans such as interest risk and salary risk.
Interest risk: If the bond/bill yields decrease, the liabilities would be calculated using a lower discount rate, and would therefore increase.
Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

Retirement gratuities

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Present value of obligations	**110,936**	79,240	73,189	**110,936**	79,240	73,189

Movement in liability recognised in statements of financial position:	**2023**	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net liability at start of year	**79,240**	73,189	102,034	**79,240**	73,189	99,851
Disposal of subsidiary	**-**	-	(2,183)	**-**	-	-
Amount recognised in profit or loss	**35,410**	11,265	14,782	**35,410**	11,265	14,782
Amount recognised in other comprehensive income	**(3,371)**	(5,114)	(41,444)	**(3,371)**	(5,114)	(41,444)
Payment of gratuity and pension	**(343)**	(100)	-	**(343)**	(100)	-
Net liability at end of the year	**110,936**	79,240	73,189	**110,936**	79,240	73,189

Amounts recognised in statements of profit or loss and other comprehensive income	**2023**	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Current service cost	**8,683**	7,532	11,087	**8,683**	7,532	11,087
Past service cost	**22,853**	-	-	**22,853**	-	-
Net interest cost	**3,874**	3,733	3,695	**3,874**	3,733	3,695
Components of amount recognised in profit or loss	**35,410**	11,265	14,782	**35,410**	11,265	14,782
Remeasurement of defined benefit obligations:						
Liability experience loss/(gain)	**5,219**	(6,819)	(22,891)	**5,219**	(6,819)	(22,891)
Loss on plan assets	**13**	-	-	**13**	-	-
Liability (gain)/loss due to change in financial assumptions	**(8,603)**	1,705	(18,553)	**(8,603)**	1,705	(18,553)
Components of amount recognised in other comprehensive income	**(3,371)**	(5,114)	(41,444)	**(3,371)**	(5,114)	(41,444)
	32,039	6,151	(26,662)	**32,039**	6,151	(26,662)

The Finance Act 2022, applicable for the year ended 30 June 2023, has brought an amendment to the calculation of retirement gratuity under the Workers' Rights Act 2019. This change has been accounted as Past Service Cost.

Changes in the present value of the defined benefit obligations:	**2023**	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
At 1 July	**79,240**	73,189	102,034	**79,240**	73,189	99,851
Disposal of subsidiary	**-**	-	(2,183)	**-**	-	-
Interest cost	**3,874**	3,733	3,695	**3,874**	3,733	3,695
Current service cost	**8,683**	7,532	11,087	**8,683**	7,532	11,087
Past service cost	**22,853**	-	-	**22,853**	-	-
Liability experience loss/(gain)	**5,219**	(6,819)	(22,891)	**5,219**	(6,819)	(22,891)
Loss on plan assets	**13**	-	-	**13**	-	
Liability (gain)/loss due to change in financial assumptions	**(8,603)**	1,705	(18,553)	**(8,603)**	1,705	(18,553)
Payment of gratuity and pension	**(343)**	(100)	-	**(343)**	(100)	-
At 30 June	**110,936**	79,240	73,189	**110,936**	79,240	73,189

Future cash flows:
The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.
The weighted average duration of the defined benefit obligation is 12 years (2022: 13 years and 2021: 14 years).

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
Sensitivity analysis:	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Increase in defined benefit obligation due to 1% decrease in discount rate	**18,353**	15,276	14,544	**18,353**	15,276	14,544
Decrease in defined benefit obligation due to 1% increase in discount rate	**15,466**	12,774	12,116	**15,466**	12,774	12,116
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	**18,524**	15,339	14,636	**18,524**	15,339	14,636
Decrease in defined benefit obligation due to 1% decrease in future long-term salary assumption	**15,866**	13,046	12,396	**15,866**	13,046	12,396

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

	THE GROUP			THE BANK		
The principal actuarial assumptions used for accounting purposes are:	**2023**	2022	2021	**2023**	2022	2021
Discount rate	**5.40%**	4.90%	5.10%	**5.40%**	4.90%	5.10%
Salary increases	**3.50%**	3.50%	3.50%	**3.50%**	3.50%	3.50%
Average retirement age	**60 years**	60 years	60 years	**60 years**	60 years	60 years

The rate per annum of withdrawal from service before retirement for the Bank is between 10% and 15% for age up to 30, reducing to 0% after 50 years.
The discount rate is determined by reference to the yield on available local government bonds of duration equivalent to the duration of liabilities.

32. RETAINED EARNINGS AND OTHER RESERVES

	THE GROUP							THE BANK						
	Retained Earnings	Acturial (Gain)/loss on RBO	Fair value reserve	Statutory reserve	General banking reserve	Provision reserve	Total	Retained Earnings	Acturial (Gain)/loss on RBO	Fair value reserve	Statutory reserve	General banking reserve	Provision reserve	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July 2020	2,325,239	(40,000)	11,198	920,631	247,543	146,054	1,325,426	2,337,881	(40,093)	2,491	920,631	247,543	146,054	1,316,719
Profit for the year	916,056	-	-	-	-	-	-	875,226	-	-	-	-	-	-
Remeasurement of retirement benefit obligations	-	38,998	-	-	-	-	-	-	38,998	-	-	-	-	-
Reversal of provision in relation to Bank of Mauritius Guideline	146,054	-	-	-	-	(146,054)	(146,054)	146,054	-	-	-	-	(146,054)	(146,054)
Appropriation of reserves	(183,166)	-	-	131,284	51,882	-	183,166	(183,166)	-	-	131,284	51,882	-	183,166
Dividends	(510,106)	-	-	-	-	-	-	(510,106)	-	-	-	-	-	-
Fair value (loss)/gain on equity instruments designated at fair value through other comprehensive income	-	-	(25,736)	-	-	-	(25,736)	-	-	1,482	-	-	-	1,482
At 30 June 2021	2,694,077	(1,002)	(14,538)	1,051,915	299,425	-	1,336,802	2,665,889	(1,095)	3,973	1,051,915	299,425	-	1,355,313
At 1 July 2021	2,694,077	(1,002)	(14,538)	1,051,915	299,425	-	1,336,802	2,665,889	(1,095)	3,973	1,051,915	299,425	-	1,355,313
Profit for the year	1,429,266	-	-	-	-	-	-	1,436,617	-	-	-	-	-	-
Remeasurement of retirement benefit obligations	-	4,809	-	-	-	-	-	-	4,809	-	-	-	-	-
Appropriation of reserves	(258,410)	-	-	215,492	42,918	-	258,410	(258,410)	-	-	215,492	42,918	-	258,410
Dividends	(300,030)	-	-	-	-	-	-	(300,030)	-	-	-	-	-	-
Fair value gain on equity instruments designated at fair value through other comprehensive income	-	-	1,479	-	-	-	1,479	-	-	1,479	-	-	-	1,479
At 30 June 2022	3,564,903	3,807	(13,059)	1,267,407	342,343	-	1,596,691	3,544,066	3,714	5,452	1,267,407	342,343	-	1,615,202
At 1 July 2022	**3,564,903**	**3,807**	**(13,059)**	**1,267,407**	**342,343**	**-**	**1,596,691**	**3,544,066**	**3,714**	**5,452**	**1,267,407**	**342,343**	**-**	**1,615,202**
Profit for the year	**5,878,570**	-	-	-	-	-	-	**5,878,970**	-	-	-	-	-	-
Remeasurement of retirement benefit obligations	-	**2,678**	-	-	-	-	-	-	**2,678**	-	-	-	-	-
Appropriation of reserves	**(897,820)**	-	-	**881,845**	**15,975**	-	**897,820**	**(897,820)**	-	-	**881,845**	**15,975**	-	**897,820**
Additional provision in relation to Bank of Mauritius Guideline	**(201,039)**	-	-	-	-	**201,039**	**201,039**	**(201,039)**	-	-	-	-	**201,039**	**201,039**
Dividends	**(626,381)**	-	-	-	-	-	-	**(626,381)**	-	-	-	-	-	-
Fair value gain on equity instruments designated at fair value through other comprehensive income	-	-	**1,673**	-	-	-	**1,673**	-	-	**1,673**	-	-	-	**1,673**
At 30 June 2023	**7,718,233**	**6,485**	**(11,386)**	**2,149,252**	**358,318**	**201,039**	**2,697,223**	**7,697,796**	**6,392**	**7,125**	**2,149,252**	**358,318**	**201,039**	**2,715,734**

FAIR VALUE RESERVE
This reserve includes movement in fair value in relation to financial assets measured at fair value through other comprehensive income.

STATUTORY RESERVE
This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the Bank's profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

GENERAL BANKING RESERVE
This reserve comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. It also includes provision made to meet other regulatory provision including country risk.

PROVISION RESERVE
As at 30 June 2023, the Bank accounted for the incremental regulatory provision through a charge to the equity as allowed in Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and 'Additional Macroprudential Measures For the Banking Sector (January 2015)' in the provision reserve since provisioning as per IFRS 9 is lower than the minimum portfolio provision. This reserve is non-distributable.
The provision reserve recorded as at 30 June 2020 under the same basis, was subsequently reversed as at 30 June 2021.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

THE GROUP	**2023**				2022				2021			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	**Level 2**	**Level 3**	**Total fair value**	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments												
Foreign exchange option contracts	**-**	**2,307**	**-**	**2,307**	-	855	-	855	-	2,050	-	2,050
Foreign exchange contracts	**-**	**8,768**	**-**	**8,768**	-	17,164	-	17,164	-	59,798	-	59,798
Cross currency interest rate swap	**-**	**183,625**	**-**	**183,625**	-	195,873	-	195,873	-	151,683	-	151,683
Interest rate swaps	**-**	**18,088**	**-**	**18,088**	-	10,040	-	10,040	-	2,870	-	2,870
Options contracts (structured deposits)	**-**	**172,762**	**-**	**172,762**	-	145,749	-	145,749	-	191,479	-	191,479
Accumulators/Decumulators	**-**	**-**		**-**	-	2,298	-	2,298	-	-	-	-
	-	**385,550**	**-**	**385,550**	-	371,979	-	371,979	-	407,880	-	407,880
Financial assets held for trading measured at fair value through profit or loss												
Government of Mauritius debts securities	**-**	**1,338,846**	**-**	**1,338,846**	-	611,184	-	611,184	-	2,805,517	-	2,805,517
Bank of Mauritius bonds and notes	**-**	**1,608,617**	**-**	**1,608,617**	-	3,038,348	-	3,038,348	-	1,038,656	-	1,038,656
Corporate bonds and notes	**2,045,549**	**-**	**-**	**2,045,549**	1,787,780	242,438	-	2,030,218	1,656,406	34,234	-	1,690,640
	2,045,549	**2,947,463**	**-**	**4,993,012**	1,787,780	3,891,970	-	5,679,750	1,656,406	3,878,407	-	5,534,813
Equity Investments designated at fair value through other comprehensive income *												
Equity investments	**-**	**-**	**16,956**	**16,956**	-	-	15,283	15,283	-	-	13,804	13,804
	-	**-**	**16,956**	**16,956**	-	-	15,283	15,283	-	-	13,804	13,804
Equity Investment measured at fair value through profit or loss												
Equity investment	**905**	**-**	**-**	**905**	514	-	-	514	1,705	-	-	1,705
	905	**-**	**-**	**905**	514	-	-	514	1,705	-	-	1,705
	2,046,454	**3,333,013**	**16,956**	**5,396,423**	1,788,294	4,263,949	15,283	6,067,526	1,658,111	4,286,287	13,804	5,958,202
Financial liabilities												
Derivative financial instruments												
Foreign exchange option contracts	**-**	**2,487**	**-**	**2,487**	-	1,125	-	1,125	-	2,050	-	2,050
Foreign exchange contracts	**-**	**6,187**	**-**	**6,187**	-	7,633	-	7,633	-	13,701	-	13,701
Interest rate swaps	**-**	**23,523**	**-**	**23,523**	-	10,040	-	10,040	-	3,162	-	3,162
Options contracts (structured deposits)	**-**	**172,762**	**-**	**172,762**	-	145,749	-	145,749	-	191,479	-	191,479
Accumulators/Decumulators	**-**	**-**	**-**	**-**	-	2,298	-	2,298	-	-	-	-
	-	**204,959**	**-**	**204,959**	-	166,845	-	166,845	-	210,392	-	210,392

* An increase in Net Asset Value/share price will lead to an increase in fair value of investment and a decrease in NAV will lead to a decrease in fair value of investments.
The reconcilation for level 3 has been disclosed in note 17(c).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

THE BANK

	2023				2022				2021			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments												
Foreign exchange option contracts	-	**2,307**	-	**2,307**	-	855	-	855	-	2,050	-	2,050
Foreign exchange contracts	-	**8,768**	-	**8,768**	-	17,164	-	17,164	-	59,798	-	59,798
Cross currency interest rate swap	-	**183,625**	-	**183,625**	-	195,873	-	195,873	-	151,683	-	151,683
Interest rate swaps	-	**18,088**	-	**18,088**	-	10,040	-	10,040	-	2,870	-	2,870
	-	**172,762**	-	**172,762**	-	145,749	-	145,749	-	191,479	-	191,479
Accumulators/Decumulators	-	-	-	-	-	2,298	-	2,298	-	-	-	-
	-	**385,550**	-	**385,550**	-	371,979	-	371,979	-	407,880	-	407,880
Financial assets held for trading measured at fair value through profit or loss												
Government of Mauritius debts securities	-	**1,338,846**	-	**1,338,846**	-	611,184	-	611,184	-	2,805,517	-	2,805,517
Bank of Mauritius bonds and notes	-	**1,608,617**	-	**1,608,617**	-	3,038,348	-	3,038,348	-	1,038,656	-	1,038,656
Corporate bonds and notes	**2,045,549**	-	-	**2,045,549**	1,787,780	242,438	-	2,030,218	1,656,406	34,234	-	1,690,640
	2,045,549	**2,947,463**	-	**4,993,012**	1,787,780	3,891,970	-	5,679,750	1,656,406	3,878,407	-	5,534,813
Equity Investments designated at fair value through other comprehensive income *												
Equity investments	-	-	**16,956**	**16,956**	-	-	15,283	15,283	-	-	13,804	13,804
	-	-	**16,956**	**16,956**	-	-	15,283	15,283	-	-	13,804	13,804
Equity Investment measured at fair value through profit or loss												
Equity investment	**905**	-	-	**905**	514	-	-	514	1,705	-	-	1,705
	905	-	-	**905**	514	-	-	514	1,705	-	-	1,705
	2,046,454	**3,333,013**	**16,956**	**5,396,423**	1,788,294	4,263,949	15,283	6,067,526	1,658,111	4,286,287	13,804	5,958,202
Financial liabilities												
Derivative financial instruments												
Foreign exchange option contracts	-	**2,487**	-	**2,487**	-	1,125	-	1,125	-	2,050	-	2,050
Foreign exchange contracts	-	**6,187**	-	**6,187**	-	7,633	-	7,633	-	13,701	-	13,701
Interest rate swaps	-	**23,523**	-	**23,523**	-	10,040	-	10,040	-	3,162	-	3,162
Options contracts (structured deposits)	-	**172,762**	-	**172,762**	-	145,749	-	145,749	-	191,479	-	191,479
Accumulators/Decumulators	-	-	-	-	-	2,298	-	2,298	-	-	-	-
	-	**204,959**	-	**204,959**	-	166,845	-	166,845	-	210,392	-	210,392

The table below sets out information about valuation techniques and significant observable inputs used in measuring financial instruments categorised as Level 2 in the fair value hierarchy

Description	**Level**	**Valuation techniques**	**Significant observable inputs**
Financial assets held for trading measured at fair value through profit or loss			
(i) Government of Mauritius debts securities and Bank of Mauritius bonds and notes	2	Those investments are valued based on the weighted yield bond curve of similar instruments as made publicly available by the local regulator.	Risk adjusted yield curves.
(ii) Corporate bonds and notes		Those investments are valued based on the weighted yield bond curve of similar instruments as made publicly available by the local regulator.	Risk adjusted yield curves.
(iii) Derivative Financial Instruments		Derivative products valued using a valuation technique with market observable inputs include forward foreign exchange contracts and option contracts across several asset classes, including but not limited to Funds, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, interest rate curves, volatility curves and/or feeds from appointed valuation/calculation agents.	Interest rate curves, repurchase agreements, money market curves and/or volatility.

* An increase in Net Asset Value/share price will lead to an increase in fair value of investment and a decrease in NAV will lead to a decrease in fair value of investments

The reconciliation for level 3 has been disclosed in note 17(c).

Transfers between hierarchy

There was no transfer between fair value hierarchy during the year under review.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial assets and liabilities not measured at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not measured at fair value in the financial statements:

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than one year), 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.

Fixed and floating rate financial instruments

The fair value of fixed and floating 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. The estimated fair value of fixed and floating interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining terms to maturity and credit spreads.

The fair value of the below financial assets and financial liabilities are classified in level 3 in the fair value hierarchy.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's and the Bank's financial instruments that are not carried at fair value in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

THE GROUP	2023		2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	16,757,284	16,757,284	46,935,661	46,935,661	54,501,687	54,501,687
Due from banks	47,682,116	47,682,116	47,333,177	47,333,177	61,282,514	61,282,514
Loans and advances to banks	13,189,589	13,189,589	11,990,476	11,990,476	6,638,835	6,638,835
Loans and advances to customers	39,266,981	39,201,998	27,256,624	27,250,251	18,749,929	18,751,543
Debt instruments measured at amortised cost	103,674,862	101,861,020	65,269,752	62,108,045	39,859,873	45,869,154
Other assets (excluding prepayments, accrued income,inventory and taxes)	4,508,784	4,508,784	3,213,671	3,213,671	2,302,308	2,302,308
	225,079,616	223,200,791	201,999,361	198,831,281	183,335,146	189,346,041

	2023		2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial liabilities						
Due to banks	-	-	1,644	1,644	1,000,122	1,000,122
Deposits from banks	358,723	358,723	369,587	369,587	364,726	364,726
Deposits from customers	213,229,467	212,711,820	197,072,336	196,865,522	178,832,286	179,008,496
Borrowings from financial institution	150,918	150,918	140,547	140,547	-	-
Lease liabilities	64,663	64,663	100,378	100,378	47,658	47,658
Other liabilities (excluding advance commission and taxes)	869,416	869,416	400,150	400,150	353,621	353,621
	214,673,187	214,155,540	198,084,642	197,877,828	180,598,413	180,774,623

THE BANK	2023		2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	16,757,277	16,757,277	46,935,652	46,935,652	54,501,675	54,501,675
Due from banks	47,682,116	47,682,116	47,333,177	47,333,177	61,282,514	61,282,514
Loans and advances to banks	13,189,589	13,189,589	11,990,476	11,990,476	6,638,835	6,638,835
Loans and advances to customers	39,266,981	39,201,998	27,256,624	27,250,251	18,749,929	18,751,543
Debt instruments measured at amortised cost	103,674,862	101,861,020	65,269,752	62,108,045	39,859,873	45,869,154
Other assets (excluding prepayments, accrued income,inventory and taxes)	4,508,777	4,508,777	3,213,671	3,213,671	2,302,308	2,302,308
	225,079,602	223,200,777	201,999,352	198,831,272	183,335,134	189,346,029

	2023		2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Due to banks	-	-	1,644	1,644	1,000,122	1,000,122
Deposits from banks	358,723	358,723	369,587	369,587	364,726	364,726
Deposits from customers	213,232,468	212,714,821	197,075,719	196,865,522	178,846,558	179,022,768
Borrowings from financial institution	150,918	150,918	140,547	140,547	-	-
Lease liabilities	64,663	64,663	100,378	100,378	47,658	47,658
Other liabilities (excluding advance commission and taxes)	868,417	868,417	399,177	399,177	353,203	353,203
	214,675,189	214,157,542	198,087,052	197,876,855	180,612,267	180,788,477

34. ADDITIONAL CASH FLOW INFORMATION

		THE GROUP			THE BANK		
		2023	2022	2021	**2023**	2022	2021
(a) Cash and cash equivalents	**Notes**	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash in hand	13	**46,007**	25,911	28,782	**46,007**	25,911	28,782
Unrestricted balances with the Central Bank	13	**1,247,661**	24,238,165	16,893,152	**1,247,661**	24,238,165	16,893,152
Current accounts with other banks	13	**15,464,801**	22,671,601	37,579,779	**15,464,794**	22,671,592	37,579,767
Short term placements with the Central Bank	14	**2,000,192**	-	-	**2,000,192**	-	-
Short term placements with other banks	14	**31,793,540**	28,180,618	35,060,944	**31,793,540**	28,180,618	35,060,944
Bank overdrafts	23	**-**	(1,644)	(97)	**-**	(1,644)	(97)
		50,552,201	75,114,651	89,562,560	**50,552,194**	75,114,642	89,562,548
(b) Operating activities							
Profit before tax:							
Continuing operations		**6,649,986**	1,694,687	1,078,001	**6,650,386**	1,702,038	1,023,631
Discontinued operations (Note 42)		**-**	-	(13,540)	**-**	-	-
		6,649,986	1,694,687	1,064,461	**6,650,386**	1,702,038	1,023,631
Adjustments for:							
Change in operating assets		**(43,407,322)**	(33,325,940)	11,144,102	**(43,407,315)**	(33,325,940)	11,142,460
Change in operating liabilities		**11,593,237**	17,715,339	29,188,120	**11,592,832**	17,707,991	29,175,796
Change in retirement benefit obligations	31	**(343)**	(100)	-	**(343)**	(100)	-
Non-cash items included in profit before tax from continuing operations		**(86,868)**	185,595	486,914	**(86,868)**	185,595	545,638
Non-cash items included in profit before tax from discontinued operations		**-**	-	206	**-**	-	-
Cash flows (used in)/generated from operating activities		**(25,251,310)**	(13,730,419)	41,883,803	**(25,251,308)**	(13,730,416)	41,887,525
(c) Change in operating assets							
Net change in mandatory balances with the Central Bank		**(1,251,868)**	(912,309)	(102,844)	**(1,251,868)**	(912,309)	(102,844)
Net change in placement with the Central Bank		**-**	-	789,208	**-**	-	789,208
Net change in placement with the other banks		**5,503,201**	7,067,173	4,788,813	**5,503,201**	7,067,173	4,788,813
Net change in derivative financial instruments		**(35,442)**	77,578	(31,810)	**(35,442)**	77,578	(31,810)
Net change in loans and advances to banks		**(1,209,921)**	(5,354,703)	(1,410,719)	**(1,209,921)**	(5,354,703)	(1,410,719)
Net change in loans and advances to customers		**(10,442,701)**	(8,608,696)	3,905,400	**(10,442,701)**	(8,608,696)	3,905,400
Net change in investment securities		**(35,893,271)**	(25,565,341)	3,234,071	**(35,893,271)**	(25,565,341)	3,229,674
Net change in other assets		**(77,320)**	(29,642)	(28,017)	**(77,313)**	(29,642)	(25,262)
		(43,407,322)	(33,325,940)	11,144,102	**(43,407,315)**	(33,325,940)	11,142,460
(d) Change in operating liabilities							
Net change in due to banks		**-**	(1,000,025)	993,648	**-**	(1,000,025)	993,648
Net change in deposits from banks		**(10,864)**	4,861	268,361	**(10,864)**	4,861	268,361
Net change in deposits from customers		**11,102,436**	18,240,050	28,006,179	**11,102,053**	18,229,161	27,995,939
Net change in borrowings from financial institutions		**2,260**	140,547	-	**2,260**	140,547	-
Net change in derivative financial instruments		**38,109**	(43,547)	103,224	**38,109**	(43,547)	103,224
Net change in debts issued		**-**	-	(1,083)	**-**	-	-
Net change in other liabilities		**461,296**	373,453	(177,811)	**461,274**	376,994	(185,376)
Net change in Financial liabilities measured at fair value through profit or loss		**-**	-	(4,398)	**-**	-	-
		11,593,237	17,715,339	29,188,120	**11,592,832**	17,707,991	29,175,796
(e) Non-cash items included in profit before tax from continuing operations							
Depreciation of property and equipment	19	**28,599**	40,062	35,633	**28,599**	40,062	35,633
Depreciation of right of use assets	21	**35,309**	31,669	34,140	**35,309**	31,669	34,140
Amortisation of intangible assets	20	**60,495**	52,236	41,966	**60,495**	52,236	41,966
Tangible and intangible assets written off	19,20	**4,125**	2,424	15,029	**4,125**	2,424	15,029
Loss on termination of lease		**-**	-	24	**-**	-	24
Retirement benefit cost	31	**35,410**	11,265	14,782	**35,410**	11,265	14,782
Net impairment (credit)/loss on financial assets	8	**(243,645)**	65,818	470,747	**(243,645)**	65,818	465,131
Impairment on receivable from subsidary	22	**-**	(9,824)	-	**-**	(9,824)	-
Fair value movement on derivative financial instruments		**22,185**	(41,677)	(54,109)	**22,185**	(41,677)	(54,109)
Fair value movement on investment securities (HFT)		**(11,462)**	33,832	(6,896)	**(11,462)**	33,832	(6,896)
Net foreign exchange difference		**(17,884)**	(210)	(62)	**(17,884)**	(210)	(62)
Disposal of subsidiary		**-**	-	(64,340)	**-**	-	-
		(86,868)	185,595	486,914	**(86,868)**	185,595	545,638
(f) Non-cash items included in profit before tax from discountinued operations							
Depreciation of property and equipment		**-**	-	153	-	-	-
Amortisation of intangible assets		**-**	-	53	-	-	-
		-	-	206	-	-	-
		(86,868)	185,595	487,120	**(86,868)**	185,595	545,638
(g) Operational cash flows from interest							
Interest paid *		**(1,070,560)**	(555,555)	(676,084)	**(1,070,560)**	(555,555)	(676,084)
Interest received		**7,797,881**	2,108,902	1,965,307	**7,797,881**	2,108,902	1,965,307

* Also include interest paid on lease.

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Group and the Bank classify an asset or liability as current when:

- they expect to realise the asset/settle the liability within 12 months after the reporting period;
- they expect to settle the liability in its normal operating cycle;
- they hold the asset or liability primarily for the purpose of trading;
- they expect to realise the asset, or intend to sell or consume it, in its normal operating cycle;
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period; or
- they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Bank classify all other assets and liabilities as non-current.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(a) THE GROUP

	2023			2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
ASSETS	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	**16,757,284**	**-**	**16,757,284**	46,935,661	-	46,935,661	54,501,687	-	54,501,687
Due from banks	**43,048,995**	**4,633,121**	**47,682,116**	40,593,783	6,739,394	47,333,177	52,733,340	8,549,174	61,282,514
Derivative financial instruments	**30,460**	**355,090**	**385,550**	335,243	36,736	371,979	148,162	259,718	407,880
Loans and advances to banks	**6,135,789**	**7,053,800**	**13,189,589**	4,066,415	7,924,061	11,990,476	1,598,371	5,040,464	6,638,835
Loans and advances to customers	**12,489,564**	**26,777,417**	**39,266,981**	12,002,366	15,254,258	27,256,624	6,049,876	12,700,053	18,749,929
Investment securities	**65,903,546**	**42,782,189**	**108,685,735**	41,675,862	29,289,437	70,965,299	25,347,790	20,062,405	45,410,195
Other assets	**4,751,969**	**-**	**4,751,969**	3,423,651	-	3,423,651	2,471,954	-	2,471,954
Property and equipment	**-**	**159,161**	**159,161**	-	119,206	119,206	-	137,437	137,437
Right of use assets	-	**65,779**	**65,779**	-	101,088	101,088	-	44,518	44,518
Intangible assets	-	**362,778**	**362,778**	-	362,436	362,436	-	288,679	288,679
Deferred tax assets	-	**280,787**	**280,787**	-	140,092	140,092	-	149,593	149,593
TOTAL ASSETS	**149,117,607**	**82,470,122**	**231,587,729**	149,032,981	59,966,708	208,999,689	142,851,180	47,232,041	190,083,221
LIABILITIES									
Due to banks	-	-	-	1,644	-	1,644	1,000,122	-	1,000,122
Deposits from banks	**358,723**	**-**	**358,723**	369,587	-	369,587	364,726	-	364,726
Deposits from customers	**205,621,699**	**7,607,768**	**213,229,467**	189,775,941	7,296,395	197,072,336	173,996,258	4,836,028	178,832,286
Borrowings from financial institution	**-**	**150,918**	**150,918**	-	140,547	140,547	-	-	-
Derivative financial instruments	**28,059**	**176,900**	**204,959**	139,370	27,475	166,845	102,358	108,034	210,392
Current tax liabilities	**821,973**	**-**	**821,973**	182,700	-	182,700	85,647	-	85,647
Lease liabilities	**22,946**	**41,717**	**64,663**	35,074	65,304	100,378	27,683	19,975	47,658
Other liabilities	**1,197,332**	**-**	**1,197,332**	694,194	-	694,194	412,507	-	412,507
Retirement benefit obligations	**-**	**110,936**	**110,936**	-	79,240	79,240	-	73,189	73,189
TOTAL LIABILITIES	**208,050,732**	**8,088,239**	**216,138,971**	191,198,510	7,608,961	198,807,471	175,989,301	5,037,226	181,026,527

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

(b) THE BANK

	2023			2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total	Current	Non-current	Total
ASSETS	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	**16,757,277**	**-**	**16,757,277**	46,935,652	-	46,935,652	54,501,675	-	54,501,675
Due from banks	**43,048,995**	**4,633,121**	**47,682,116**	40,593,783	6,739,394	47,333,177	52,733,340	8,549,174	61,282,514
Derivative financial instruments	**30,460**	**355,090**	**385,550**	335,243	36,736	371,979	148,162	259,718	407,880
Loans and advances to banks	**6,135,789**	**7,053,800**	**13,189,589**	4,066,415	7,924,061	11,990,476	1,598,371	5,040,464	6,638,835
Loans and advances to customers	**12,489,564**	**26,777,417**	**39,266,981**	12,002,366	15,254,258	27,256,624	6,049,876	12,700,053	18,749,929
Investment securities	**65,903,546**	**42,782,189**	**108,685,735**	41,675,862	29,289,437	70,965,299	25,347,790	20,062,405	45,410,195
Other assets	**4,751,962**	**-**	**4,751,962**	3,423,651	-	3,423,651	2,471,954	-	2,471,954
Property and equipment	**-**	**159,161**	**159,161**	-	119,206	119,206	-	137,437	137,437
Right of use assets	**-**	**65,779**	**65,779**	-	101,088	101,088	-	44,518	44,518
Intangible assets	**-**	**362,778**	**362,778**	-	362,436	362,436	-	288,679	288,679
Deferred tax assets	**-**	**280,787**	**280,787**	-	140,092	140,092	-	149,593	149,593
TOTAL ASSETS	**149,117,593**	**82,470,122**	**231,587,715**	149,032,972	59,966,708	208,999,680	142,851,168	47,232,041	190,083,209
LIABILITIES									
Due to banks	**-**	**-**	**-**	1,644	-	1,644	1,000,122	-	1,000,122
Deposits from banks	**358,723**	**-**	**358,723**	369,587	-	369,587	364,726	-	364,726
Deposits from customers	**205,621,699**	**7,610,769**	**213,232,468**	189,779,324	7,296,395	197,075,719	174,010,530	4,836,028	178,846,558
Borrowings from financial institution	**-**	**150,918**	**150,918**	-	140,547	140,547	-	-	-
Derivative financial instruments	**28,059**	**176,900**	**204,959**	139,370	27,475	166,845	102,358	108,034	210,392
Current tax liabilities	**821,973**	**-**	**821,973**	182,700	-	182,700	85,647	-	85,647
Lease liabilities	**22,946**	**41,717**	**64,663**	35,074	65,304	100,378	27,683	19,975	47,658
Other liabilities	**1,196,336**	**-**	**1,196,336**	693,221	-	693,221	407,993	-	407,993
Retirement benefit obligations	**-**	**110,936**	**110,936**	-	79,240	79,240	-	73,189	73,189
TOTAL LIABILITIES	**208,049,736**	**8,091,240**	**216,140,976**	191,200,920	7,608,961	198,809,881	175,999,059	5,037,226	181,036,285

36. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Group and the Bank enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though the obligations may not be recognised on the statements of financial position they do contain credit risk and are therefore part of the overall risk of the Group and the Bank.

Contingent liabiliites

	THE SUBSIDIARY
	2021
	MUR'000
At 1 July	5,052
Disposal of subsidiary	(5,052)
At 30 June	-

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Financial guarantees	**2,186,633**	497,209	296,899
Letters of credit	**259,900**	248,571	149,690
Bills for collection	**2,634,936**	2,109,488	1,266,173
	5,081,469	2,855,268	1,712,762
Commitments			
Undrawn commitments to lend	**9,759,227**	5,063,990	6,733,350
Total gross carrying amount	**14,840,696**	7,919,258	8,446,112

Contingent liabilities

Financial guarantees and letters of credit (including standby letters of credit) commit the Group and the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Undrawn commitments to lend

Undrawn Commitment refers to credit facilities that the Bank has agreed to be made available to the Borrower, upon receiving signed Facility offer Letter under a committed Revolving Credit Facility or a Delayed Draw Term Facility that the Borrower has either not drawn, or has partly drawn and repaid. For such facilities, the date that the Bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying impairment requirements.

Capital Commitment

The Group and the Bank

Authorised by the Board of Directors for the next 12 months but contracted for:

Commitments for the acquisition of plant and equipment amounts to MUR 442.1m and intangible assets amounts to MUR 203.4m.

37. RELATED PARTY DISCLOSURES

	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Compensation to key management personnel						
Salaries and short-term employee benefits	**142,469**	153,633	146,420	**142,469**	153,633	138,570

Transactions with directors and key management personnel (KMP) of the Group and the Bank

The following tables provide the total amount of transactions, which have been entered into with key management personnel for the relevant financial year:

THE GROUP	**2023**		2022		2021	
Directors and key management personnel of the Group:	**Balances as at 30 June 2023**	**Income from / (expense to)**	Balances as at 30 June 2022	Income from / (expense to)	Balances as at 30 June 2021	Income from / (expense to)
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**35,624**	**1,592**	43,630	1,175	45,016	1,737
Deposits from customers:						
- Term deposits	**20,291**	**(1,031)**	34,358	(644)	24,702	(963)
- Savings and current accounts	**241,182**	**(2,586)**	119,515	(431)	86,930	(463)
	261,473	**(3,617)**	153,873	(1,075)	111,632	(1,426)
Directors' fees	**1,268**	**(24,262)**	495	(26,325)	3,756	(19,690)
Other	**48,164**	**(410)**	40,021	(7,661)	39,136	(5,190)
	49,432	**(24,672)**	40,516	(33,986)	42,892	(24,880)
	310,905	**(28,289)**	194,389	(35,061)	154,524	(26,306)

THE BANK	**2023**		2022		2021	
Directors and key management personnel of the Bank:	**Balances as at 30 June 2023**	**Income from / (expense to)**	Balances as at 30 June 2022	Income from / (expense to)	Balances as at 30 June 2021	Income from / (expense to)
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances	**33,161**	**1,419**	35,060	954	35,381	1,501
Deposits from customers:						
- Term deposits	**20,291**	**(1,031)**	29,358	(589)	24,702	(963)
- Savings and current accounts	**89,608**	**(1,310)**	76,177	(222)	42,497	(280)
	109,899	**(2,341)**	105,535	(811)	67,199	(1,243)
Directors' fees	**1,268**	**(24,262)**	495	(26,325)	3,756	(19,690)
Other	**48,164**	**(667)**	40,021	(7,861)	39,136	(3,319)
	49,432	**(24,929)**	40,516	(34,186)	42,892	(23,009)
	159,331	**(27,270)**	146,051	(34,997)	110,091	(24,252)

Other include retirement benefit cost for KMP.

The dividend paid to related parties on Ordinary Shares is MUR 259.2m (2022: MUR 129.4m, 2021: MUR 173.9m).

The dividend paid to related parties on Class A Shares is MUR 2.4m (2022: MUR 2.3m, 2021: MUR 2.7m).

37. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with other related parties

In addition to transactions with key management personnel, the Group and the Bank entered into transactions with entities having significant influence over the Group and the Bank. The following tables show the outstanding balances and the corresponding transactions during the year.

(a) THE GROUP

	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties	Bank balances with related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2023							
Entities with significant influence over the Group	**10,084**	**87,916**	**310,097**	**5,371**	**16,109,897**	**387,304**	**79,480**
2022							
Entities with significant influence over the Group	12,849	69,621	47,325	2,212	10,082,963	878,318	95,881
2021							
Entities with significant influence over the Group	2,293	57,004	44,059	4,556	1,517,524	1,069,996	13,949,487

(b) THE BANK

	Fees from related parties	Fees to related parties	Interest from related parties	Interest to related parties	Amount owed by related parties	Amount owed to related parties	Bank balances with related parties
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
2023							
Entities with significant influence over the Bank	**9,833**	**87,916**	**308,655**	**5,364**	**16,089,671**	**372,583**	**79,480**
Subsidiary companies	**-**	**-**	**-**	**-**	**-**	**2,848**	**-**
	9,833	**87,916**	**308,655**	**5,364**	**16,089,671**	**375,431**	**79,480**
2022							
Entities with significant influence over the Bank	12,684	61,778	46,123	2,209	10,057,708	774,732	95,881
Subsidiary companies	2	-	25	-	-	3,228	-
	12,686	61,778	46,148	2,209	10,057,708	777,960	95,881
2021							
Entities with significant influence over the Bank	2,165	56,151	44,059	4,544	1,517,524	1,037,311	13,949,487
Subsidiary companies	852	533	-	-	-	14,111	-
	3,017	56,684	44,059	4,544	1,517,524	1,051,422	13,949,487

Terms and conditions of transactions with related parties

The above mentioned outstanding balances arose in the normal course of business. For the year ended 30 June 2023, the Group and the Bank have raised expected credit losses for doubtful debts relating to amounts owed by relating parties as per ECL model currently being applied on financial assets. At 30 June 2023, none of the facilities to related parties was non-performing (2022 and 2021: MUR Nil). In addition, for the year ended 30 June 2023 the Bank has not written off any amount owed by related party (2022: MUR 41.9m and 2021: MUR Nil).

The total on and off balance sheet exposures to the related parties amounted to MUR 3.32bn (2022: MUR 1.63bn, 2021: MUR 1.98 bn) representing 6.16% (2022: 3.91%, 2021: 7.13%) of loan and advances exposures.

Amount due to/from related parties

The related party transactions were carried out under market terms and conditions with the exception of loans to Key Management Personnel who benefitted from preferential rates as applicable to staffs. The above balances were partly secured and unsecured.

38. FINANCIAL RISK MANAGEMENT

Introduction

Risk is inherent in the Group's and 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 Group's and the Bank's continuing profitability and each individual within the Group and the Bank is accountable for the risk exposures relating to his or her responsibilities. The Group and the Bank are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

In general, risk involves uncertainty about the outcome of a particular situation or venture. It often arises when there are multiple possible outcomes, some of which may be unfavorable or undesirable. The severity of the risk is typically measured by considering the probability of occurrence and the potential impact it may have.

Managing risk involves identifying, assessing, and mitigating potential risks to minimize their negative effects. This process typically involves:

Risk Identification: Identifying and understanding the risks associated with a particular situation or decision. This can be done through careful analysis, historical data, expert opinions, and other relevant sources.

Risk Assessment: Evaluating the likelihood and potential impact of identified risks. This step involves analyzing the probability of occurrence and estimating the potential consequences on objectives, resources, or individuals.

Risk Mitigation: Developing strategies and measures to reduce or eliminate risks. This can involve implementing preventive measures, creating contingency plans, transferring risk to others through insurance or contracts, or accepting certain risks if their impact is considered acceptable.

Risk Monitoring and Review: Continuously monitoring the situation to detect any new risks, assessing the effectiveness of risk mitigation measures, and adjusting strategies as needed. Regular reviews and updates are essential to adapt to changing circumstances.

It is important to note that risk cannot always be completely eliminated, and some level of risk may be necessary to achieve certain goals or outcomes. Effective risk management involves finding the right balance between risk and reward, considering both the potential benefits and the potential negative consequences of a decision or action.

It's worth mentioning that risk perception can vary from person to person. What may be perceived as risky by one individual may not be seen as significant by another. Factors such as personal experiences, cultural background, and individual tolerance for uncertainty can influence how individuals perceive and respond to risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors as well as the Group's and the Bank's senior management are responsible for understanding both the nature and level of risks taken by the institution and how the risks relate to adequate capital level. The Board is also responsible for the overall risk management approach and frameworks as well as for approving the risk strategies and principles.

Risk Committee

The Committee has the overall responsibility for the development of the risk strategy and implementing principles, policies and limits. The Committee is responsible for monitoring risk levels and make relevant recommendations to the Board.

Asset and Liability Management

The Bank's Asset and Liability Management is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank. Refer to the Liquidity and Funding Risk section of the Risk Management Report for Liquidity Coverage Ratio (LCR).

Internal Audit

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures, using a risk based approach. Internal Audit discusses the results of all assessments with management, and reports its main findings and recommendations to the Audit Committee.

(a) Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Group and the Bank. These limits reflect the business strategy and market environment of the Group and the Bank as well as the level of risk that the Group and the Bank are willing to accept, with additional emphasis on selected industries. In addition, the Group's and the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee and the Head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Risk measurement and reporting systems (continued)

Risk mitigation

As part of its overall risk management, the Group and the Bank uses derivatives and other instruments to manage exposures resulting from changes in foreign currencies.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

During the financial year ended 30 June 2023, the Bank has taken active steps in prudently managing its exposures and ensuring that its loan book is adequately diversified in line with the policy of the Bank, while periodically conducting stress tests to assess the resilience of its portfolio in case of unfavorable events. The Bank's credit concentration ratio for both single and group obligors are well within regulatory limit. Furthermore, the credit concentration ratio for large exposures above 10% was 134% as at 30 June 2023, is also well within the regulatory limit of 800%. The maximum credit exposure to any single consumer was 15.28% of the Bank's Tier 1 Capital within a regulatory limit of 25%. The maximum credit exposure to any group of closely related customers were 22.89% of the Bank's Tier 1 within a regulatory limit of 40%. The key focus of the Bank's credit risk management approach is to avoid any undue concentration in its credit portfolio, whether in terms of counterparty, group, portfolio, and country. The Bank has always kept its large exposures within the regulatory limits. Refer to "Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements" below for the maximum exposure to credit risk for the components of the statements of financial position, including derivatives, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Loans and advances to banks and customers increased by 34%, or MUR 13.2bn, predominantly to financial and business services, Government and parastatal bodies in line with the Bank's risk appetite. Loans to the manufacturing sector were also on the rise during the financial year. This prudent lending approach resulted in a drop in the allowance for impairment losses. The credit concentration of risk in the loan book remained dominated by Financial and Business Services (40%) and followed by Traders (16%). Credit concentration of risk is also analysed by segments (refer to note 43) and by type of lending and investment (refer to note 16(b) and 17(b)).

From a market risk perspective, position limits are used at the Bank to limit concentration risk by restricting the maximum exposure to one particular market, sector or instrument. These limits are carefully set so as to ensure appropriate diversification among the different portfolios but at the same time are not overly restrictive to prevent the generation of absolute returns. Position limits complement the other types of risk management tools used at the Bank as they are easily understood, implemented and monitored. The Group and the Bank classify exposures to market risk into either trading or non-trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of market risk. Refer to note 38 (d)(i) for interest rate risk concentration and sensitivity.

As per the principles outlined in the Bank's liquidity risk policy, depositor concentration is monitored against internal limits and ensuring sufficient marketable assets are held against the bank's deposit base. The Bank aims to maintain an adequate balance of its funding base through appropriate diversification of its funding sources. The Bank also diversifies its funding by currency, geography and maturity. Management's objective is to achieve an optimal balance between demand and term deposits in line with the Bank's asset deployment strategy. As of the end of the current financial year, the Bank does not foresee any event, commitment or demand that might have a significant impact on its funding and liquidity risk position. The Bank's short-term depositor concentration ratios were as follows:

- Single depositor/ Group of related counterparties - 2.2% (MUR deposits) 1.4% (FCY deposits); and
- Top 10 depositors/ Group of related counterparties - 10.2% (MUR deposits) 8.0% (FCY deposits).

For more information about concentration of risk, kindly refer to Risk Management report as depicted below:

- A description of how management determines concentrations - refer to section concentration of risk; and
- A description of the shared characteristic that identifies each concentration and the amount of the risk exposure associated with all financial instruments sharing that characteristic - refer to section concentration by geography and industry.

(b) Credit risk

Credit risk is the risk of suffering financial loss should any customer or counterpart fail to fulfil its contractual obligations to the Bank. One of the key income generating activities of the Bank is advancing credit to customers thereby making credit risk a principal risk factor whose effective management is of critical importance. Credit risk arises principally from direct lending, financing of working capital requirements, participation in syndicated credit facilities, trade finance, investment in debt securities, and also from other lending products such non fund based facilities including but not limited to guarantees, derivatives and letters of credit. The Bank takes a holistic approach with credit risk management by considering all elements of credit risk exposure such as counterparty default risk, financial risk, geographical, political and industry risk, for an effective risk management approach. With Covid-19 pandemic, the Bank has adopted a more stringent approach when assessing credit proposals. Besides, with the Russo-Ukrainian war, due consideration is being given to impact of the conflict on all corporate files when conducting credit assessment.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Credit risk management

The Bank's approach to credit risk management comprises of three main pillars which includes i) Policies ii) Risk Methodologies iii) Processes, systems and reports. The systematically driven credit risk management framework involves maintaining a culture of responsible lending complemented by a well-defined credit risk appetite and internal policies duly supported by robust control systems. Independently of the business functions, it is ensured that there is expert scrutiny and approval of credit risk with ongoing monitoring of exposure relative to the set appetite, limits and quality of assets and counterparty. The Bank has set up a delegated lending authority whereby credit files are being approved at different approval authority level depending on the amount being requested. It is also ensured that there is independent oversight and reporting the governance committees in respect of breaches of limits, policies/procedures and compliance the approved risk appetite. The credit risk management framework is further supported by the policies and procedures in place to appropriately maintain and validate models to assess and measure ECL.

The Bank uses a combination of credit rating (internal and external) and statistical regression analysis to determine the probability of default. Internal credit ratings are mapped to S&P table on default rates to arrive at the Bank's PD for each customer. Statistical Regression is derived using an analysis of historical data, whereby the Bank has estimated relationships between macro-economic variables, credit risk and credit losses. Country rating is also factored in our ECL computation for non-resident counterparties.

Internal Credit Risk Ratings

All customers and counterparties of the Bank are assigned a credit rating by CRISIL system based on quantitative and qualitative information received and fed into the model thereby providing a Through The Cycle (TTC) ratings based on historical data. Ratings are revised based on updated information on a frequent basis.

As the credit risk increases, the difference in risk of default between grades changes. 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 following data are typically used to monitor the Bank's exposures:
- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally, generated data of customer behaviour or other metrics.
- Changes in credit worthiness/ratings: if the external/internal rating on the borrower drops to below A- and has dropped by two or more notches.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. 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 below tables demonstrate changes in credit worthiness/ratings and the mapping of the Bank's internal credit risk grades to external ratings.

FY 2023

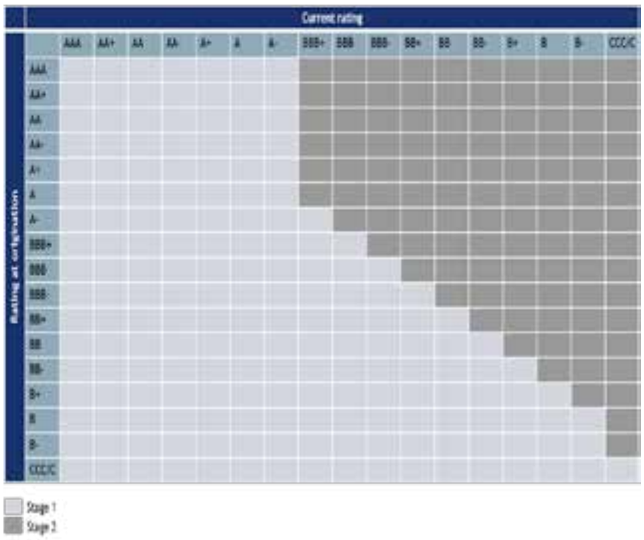
Internal Rating	External Rating Equivalent	Description	1 Yr ODR
AAA	AA-	Prime	0.03%
AA+	A+	Upper Medium Grade	0.04%
AA	A-		0.07%
AA-	BBB	Lower Medium Grade	0.14%
A+	BBB-		0.22%
A	BB+	Non-Investment Grade Speculative	0.29%
A-	BB		0.45%
BBB+			
BBB	BB-		0.91%
BBB-	B+	Highly Speculative	1.91%
BB+	B		2.85%
BB			
BB-	B-		5.53%
B+	CCC+	Substantial Risk	7.59%
B			
B-	CCC	Extremely Speculative	12.85%
C	CCC-	Default imminent with little prospect for recovery	21.73%
CC			
D	D	In default	100.00%

FY 2022

Internal Rating	External Rating Equivalent	Description	Average 1YR PD Range
-	AAA	Prime	-
AAA	AA-	High Grade	0.03%-0.03%
AA+	A+	Upper Medium Grade	0.04%-0.05%
AA	A-		0.05%-0.05%
AA-	BBB	Lower Medium Grade	0.07%-0.14%
A+	BB+	Non-Investment Grade Speculative	0.23%-0.31%
A	BB		0.40%-0.46%
A-			
BBB+	BB-		0.50%-0.92%
BBB			
BBB-	B+	Highly Speculative	0.96%-1.94%
BB+	B		2.00%-2.99%
BB			
BB-	B-		3.00%-5.89%
B+			
B			
B-			
CCC/C	CCC/C	Highly Vulnarable	26.55%
D	D	In Default	100%

FY 2021

Internal Rating	External Rating Equivalent	Description	Average 1YR PD Range
-	AAA	Prime	0.04% - 0.04%
AAA	AA-	High Grade	
AA+	A+	Upper Medium Grade	0.06% - 0.06%
AA	A-		0.07% - 0.07%
AA-	BBB	Lower Medium Grade	0.18% - 0.18%
A+	BB+	Non-Investment Grade Speculative	0.38% - 0.38%
A	BB		0.48% - 1.02%
A-			
BBB+	BB-		1.15% - 1.92%
BBB			
BBB-	B+	Highly Speculative	1.98% - 4.21%
BB+	B		3.76% - 6.65%
BB			
BB-	B-		7.82% - 13.04%
B+			
B			
B-			
CCC/C	CCC/C	Highly Vulnerable	28.30%
D	D	In Default	100%



38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Significant Increase in Credit Risk

The Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a SICR since initial recognition. If there has been a SICR the Group and the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group's and the Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a SICR. As a result, the Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for SICR.

The Group and the Bank objectively uses the days past due (DPD) information as part of its staging framework. This is implemented as follows:

•Accounts where DPD is 31 days is considered a SICR trigger. Of note, accounts where DPD is 91 days or more are assigned to stage 3.

•When one obligor has multiple accounts with the Bank, each account is assigned the worst DPD from all the accounts of the respective obligor.

The Group and the Bank has developed a number of objective and subjective factors to consider when evaluating whether an account exhibits SICR:

•Negative market information (including court orders/fraudulent activities)

•Changes in credit worthiness/ratings.

•Adverse changes in economic/business environment

•Restructuring due to potential/future financial stress

•Significant financial difficulty/adverse financial information indicative of inability to meet financial obligations

•Sector of operation negatively impacted by unforeseen events

•Significant country downgrade

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

The Bank has put in place strong monitoring procedures to identify early warning signs and ensure that the qualitative and quantitative criteria used to identify significant increase in credit risk are effective, which implies that significant increase in credit risk is identified before the exposure goes in default or when the asset becomes 30 days past due.

For accounts regularized under stage 3, a cooling period of 6 months in stage 3 will be applied. Account will then be classified as stage 2 for further 3 months under monitoring.

SICR files are reviewed/assessed on a quarterly basis and are upgraded to stage 1 post 6-months good behavior period after ascertaining that all SICR triggers have been addressed and resolved.

Incorporation of forward looking information

The Bank incorporates forward looking information ("FLI") 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 asset book is split into two segments, namely, Segment A for local exposures and Segment B for Cross border exposures. The Segment A portfolio is further split between Corporate and Non-Corporate. The Corporate Portfolio is segregated into 2 homogenous group Mid-Corporate and Large-Corporate and the Non-Corporate is called the Personal Sector.

The Rating Based PD Model and the Scenario Matrix are applied on the Segment A Corporate Portfolio. The Scenario Matrix and Forward-Looking impact are based on information and macroeconomic data available. The PD from the macro economic variables ("MEV") model is applied on the Personal Sector using an exposure-weighted monthly observed default rate based on the historical default data linked with Macroeconomic variable explained above in section estimate and assumption.

Forward-looking information has been incorporated into both the Segment A and Segment B ECL via the PD assumptions. Statistical models are used to incorporate forward-looking macroeconomic information in the PD assumptions. The forward-looking macroeconomic information is updated on a quarterly basis. The use of such forward-looking information requires significant judgement and includes the below:

•Macroeconomic variables considered include GDP, inflation rates, interest rates and unemployment rates.

•The obligors' probability of failing to repay their obligations in response to changes in forward-looking information.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

ECL Measurement

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 as detailed below and they are adjusted to reflect forward-looking information as described in the previous section.
The IFRS 9 ECL is calculated every quarter, or as frequently as required. Separate IFRS9 ECL calculations are performed for Stage 1, Stage 2 and Stage 3 accounts.

Probability of default ("PD")

The PD is a key input in measuring the ECL. The PD is an estimate of the likelihood of default over a given time horizon. PDs are estimated considering the contractual maturities of exposures and the estimation is based on current conditions, adjusted to consider estimates of future conditions that will potentially impact PD.
For financial instruments in Stage 1 the PD is limited to a 12-month time horizon. For financial instruments in Stage 2 the PD is limited to the remaining lifetime of the contract. For financial instruments with an undrawn facility, the behavioural lifetime is used. The PD assumption is calculated using internal data where available. Where internal data is lacking, benchmark assumptions are used. The PD assumption is calibrated using all available information, including historical experience and expectations of future conditions.

The MEV Model PD is applied on the Segment A Personal Sector and for the Local Corporate, the rating-based PD approach and the Scenario Matrix are used for the ECL Computation. For international accounts, the PD is determined based on the external rating of the counterparty if available. Otherwise, the Bank uses the internal rating models, capped to the respective country rating. The PDs are thereafter duly adjusted to include any forward looking premium as required.

Loss given default ("LGD")

The LGD is an estimate of the expected loss on the balance outstanding in default. The LGD is calibrated after considering the expected recoveries on defaulted exposures. Internal data is used to calibrate the LGD assumption. Where internal data is unavailable, benchmark data is used to supplement the available data.

LGD for performing accounts is dependent on the collateral held against the exposure. The Bank derives the LGD based on the type of collateral rather than the estimated collateral value, as prescribed by BASEL II. The LGD for non-performing accounts is prudently calculated under the assumption that the Bank will take possession of and liquidate the collateral.

Setting the LGD assumption for future periods is an area of significant judgement. Where internal data is not sufficient for the purpose of calculating the LGD assumption, external benchmark data is used to supplement internal estimates.

Exposure at default ("EAD")

EAD represents the expected exposure owned to the Group and the Bank by the obligor at the time of default. The EAD of a financial asset is the amount of risk at the time the Bank expect the default to occur. For overdraft, credit card and financial guarantees, the EAD includes the current outstanding amount, as well as potential future amounts that may be drawn under the contract. The Bank measures ECL considering the risk of default over the contractual period over which it is exposed to credit risk. The contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Bank measures ECL considering the risk of default over the contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated considering the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as Instrument type, Sector/sub-sector and Geographic location. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogeneous exposures.

Individually assessed allowances

The Group and the Bank determine the allowances to be appropriate for each facility assessed on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral, the timing of the expected cash flows, likelihood of experiencing a loss event and current/future macro-economic conditions. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Regulatory provision

As at 30 June 2023, the Bank accounted for the incremental regulatory provision through a charge to the equity as allowed in Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and 'Additional Macroprudential Measures For the Banking Sector (January 2015)' in the provision reserve since provisioning as per IFRS 9 is lower than the minimum portfolio provision. This reserve is non-distributable.
The provision reserve recorded as at 30 June 2020 under the same basis, was subsequently reversed as at 30 June 2021.

Credit-related commitments risks

The Bank make available for its customers guarantees which may require that the Bank make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control process and policies.

Country risk

Country risk, also known as sovereign risk or political risk, refers to the potential economic and financial losses that can arise from investing or conducting business activities in a particular country. It encompasses various factors that can affect the stability and profitability of investments, including political, economic, legal, and social conditions.

Here are some key components of country risk:

1. Political Stability: The stability of a country's government and political institutions plays a crucial role in determining country risk. Factors such as political unrest, regime changes, corruption, and the rule of law can impact investment confidence and business operations.

2. Economic Performance: A country's economic indicators, such as GDP growth, inflation rates, fiscal and monetary policies, and employment levels, are important considerations for assessing country risk. Economic instability, high levels of public debt, or excessive government intervention can increase the risk for investors.

3. Legal and Regulatory Environment: The strength and effectiveness of a country's legal and regulatory framework are essential for protecting property rights, enforcing contracts, and providing a transparent business environment. Weak rule of law, ambiguous regulations, and inconsistent enforcement can contribute to higher country risk.

4. Financial Stability: The stability of a country's banking system and financial institutions is critical for investor confidence. Factors such as the health of the banking sector, currency stability, foreign exchange controls, and capital controls can impact the risk profile of a country.

5. Socioeconomic Factors: Social factors, such as income inequality, social unrest, labor market conditions, and demographic trends, can influence country risk. Social instability and disparities can affect business operations and long-term sustainability.

6. Geopolitical Risks: Geopolitical factors, including conflicts, trade disputes, sanctions, and geopolitical tensions, can significantly impact country risk. These risks can disrupt economic activities, trade relationships, and overall stability.

Assessing country risk is essential for businesses and investors to make informed decisions and mitigate potential losses. Rating agencies, financial institutions, and international banks often provide country risk ratings and reports to help evaluate the risk associated with different countries. It's important to note that country risk assessments are subjective and can vary depending on the perspective and methodology used.
Transfer Risk - Where a country suffers economic, political or social problems, leading to a drainage in its foreign currency reserves, the borrowers in that country may not be able to convert their funds from local currency into foreign currency to repay their external obligations.

Sovereign Risk - This risk denotes a foreign government's capacity and willingness to repay its direct and indirect (i.e., guaranteed) foreign currency obligations. It arises as a result of a bank having any type of lending, extension of credit, or advance to a country's government.

Currency Risk - The risk that a borower's domestic currency holdings and cash flow become inadequate to service its foreign currency obligations because of devaluation.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Country risk (continued)

Contagion Risk - The risk that adverse developments in one country may, for instance, lead to a downgrade of rating or credit squeeze not only for that country but also for other countries in the region, notwithstanding the fact that those countries may be more creditworthy and that the adverse developments do not apply.

Indirect Country Risk - The risk that the repayment ability of a domestic borrower is endangered owing to the deterioration of the economic, political or social conditions in a foreign country where the borrower has substantial business relationship or interest.

Macroeconomic Risk - The risk that the borrower in a country may, for example, suffer from the impact of high interest rates due to measures taken by the government of that country to defend its currency.

According to the Bank of Mauritius 'guideline on country risk management', the Bank is required to prudently make provisions on country risk. A provision of MUR 51.5m was raised for the year ended 30 June 2017. No incremental provisioning was required as at 30 June 2023. This is posted in the general banking reserve, which comprises amounts set aside for general banking risks, including future losses and other unforeseen risks. Country risk is also embeded in the IFRS 9 framework of the Bank.

Conferring to the Bank's country risk policy, the Bank would set exposure limits for individual countries to manage and monitor Country risk. Country exposure limits should apply to all on and off balance sheet exposures to foreign borrowers. While it is the responsibility of the Board Risk Committee (BRC) to approve the proposed structure of limits, investment strategy and the related limits with regards to the Bank's risk appetite, the Board of Directors is also responsible for setting the Bank's tolerance for country risks.

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statements of financial position, including derivatives, by geography and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
Financial assets	**MUR'000**	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Cash and balances with banks	**16,758,469**	46,935,677	54,501,713	**16,758,462**	46,935,668	54,501,701
Due from banks	**47,700,955**	47,342,471	61,289,970	**47,700,955**	47,342,471	61,289,970
Loans and advances to banks	**13,232,940**	12,023,019	6,668,316	**13,232,940**	12,023,019	6,668,316
Loans and advances to customers	**41,197,078**	29,545,213	21,432,797	**41,197,078**	29,545,213	21,432,797
Debt instruments measured at amortised cost	**103,710,917**	65,288,839	39,901,077	**103,710,917**	65,288,839	39,901,077
Other assets (excluding prepayments, accrued income, inventory and taxes)	**4,508,784**	3,213,671	2,302,308	**4,508,777**	3,213,671	2,302,308
Financial assets at amortised cost	**227,109,143**	204,348,890	186,096,181	**227,109,129**	204,348,881	186,096,169
Derivative financial instruments	**385,550**	371,979	407,880	**385,550**	371,979	407,880
Financial assets held for trading measured at fair value through profit or loss	**4,993,012**	5,679,750	5,534,813	**4,993,012**	5,679,750	5,534,813
Equity Investments designated at fair value through other comprehensive income	**16,956**	15,283	13,804	**16,956**	15,283	13,804
Equity Investment measured at fair value through profit or loss	**905**	514	1,705	**905**	514	1,705
Financial assets at fair value	**5,396,423**	6,067,526	5,958,202	**5,396,423**	6,067,526	5,958,202
Total Financial assets	**232,505,566**	210,416,416	192,054,383	**232,505,552**	210,416,407	192,054,371
Commitments and guarantees	**12,205,760**	5,809,770	7,179,939	**12,205,760**	5,809,770	7,179,939

Refer to note 38(b) for more details on commitments and guarantees.

The Group's and the Bank's financial assets before taking into account any collateral held or other credit enhancements, can be analysed as follows by the following geographical regions:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Africa						
Mauritius	**71,008,102**	76,719,303	74,699,028	**71,008,088**	76,719,294	74,699,016
Other African countries	**11,929,781**	13,674,578	8,676,615	**11,929,781**	13,674,578	8,676,615
North America	**85,956,628**	63,026,805	54,254,420	**85,956,628**	63,026,805	54,254,420
Europe	**22,682,471**	15,633,737	21,568,983	**22,682,471**	15,633,737	21,568,983
Asia	**39,530,574**	40,626,973	32,269,714	**39,530,574**	40,626,973	32,269,714
Others	**1,398,010**	735,020	585,623	**1,398,010**	735,020	585,623
	232,505,566	210,416,416	192,054,383	**232,505,552**	210,416,407	192,054,371

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Risk concentrations: Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)

An industry analysis of the Group's and the Bank's financial assets, without taking account of any collateral held or other credit enhancements, is as follows:

	GROSS MAXIMUM EXPOSURE					
	THE GROUP			THE BANK		
	2023	2022	2021	**2023**	2022	2021
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Agriculture	**1,505,616**	1,676,528	979,158	**1,505,616**	1,676,528	979,158
Construction, infrastructure and real estate	**4,676,206**	2,667,479	1,849,854	**4,676,206**	2,667,479	1,849,854
Financial and business services	**110,549,972**	129,870,708	136,141,763	**110,549,958**	129,870,699	136,141,751
Government and parastatal bodies	**82,918,042**	46,434,949	32,201,281	**82,918,042**	46,434,949	32,201,281
Information, communication and technology	**1,882,903**	2,657,904	1,274,563	**1,882,903**	2,657,904	1,274,563
Manufacturing	**7,273,551**	5,386,136	3,934,486	**7,273,551**	5,386,136	3,934,486
Personal	**3,752,881**	3,292,231	2,785,392	**3,752,881**	3,292,231	2,785,392
Tourism	**4,082,530**	4,274,417	4,919,289	**4,082,530**	4,274,417	4,919,289
Traders	**10,797,006**	8,563,746	3,794,823	**10,797,006**	8,563,746	3,794,823
Others	**5,066,859**	5,592,318	4,173,774	**5,066,859**	5,592,318	4,173,774
	232,505,566	210,416,416	192,054,383	**232,505,552**	210,416,407	192,054,371

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 types of collateral obtained are as follows:

- Floating charges for commercial lending;
- Fixed charges for retail lending and for commercial lending;
- Cash deposits held under lien; and
- Pledge of quoted shares.

The Group and the Bank also request for personal guarantees from promoters, directors, shareholders and also corporate and cross guarantees from parent and sister companies.

The value of collateralized and other credit enhancements received on loans and advances as at 30 June 2023 is MUR 20.4bn (2022: MUR 16.1bn and 2021: MUR 17.4bn). All other financial assets are unsecured except for collateralised placements.

Collateral repossessed

During the year, the Group and the Bank did not take possession of any collateral (2022 and 2021: Nil).

Analysis of loans and advances to customers by past due status:

	THE GROUP AND THE BANK					
	2023		2022		2021	
Loans and advances to customers	**Gross carrying amount**	**Allowance for impairment losses**	Gross carrying amount	Allowance for impairment losses	Gross carrying amount	Allowance for impairment losses
	MUR 000	**MUR 000**	MUR 000	MUR 000	MUR 000	MUR 000
0-29 days	**39,153,899**	**363,400**	27,592,292	553,456	18,563,474	405,210
30-59 days	**402,205**	**2,734**	31,068	3,607	32,213	2,253
60-89 days	**19,652**	**3,975**	3,838	510	61,303	15,489
90-180 days	**21,650**	**12,139**	5,600	661	189,953	78,342
More than 181 days	**1,599,672**	**1,547,849**	1,912,415	1,730,355	2,585,854	2,181,574
Total	**41,197,078**	**1,930,097**	29,545,213	2,288,589	21,432,797	2,682,868

See Note 16 (b) for more detailed information with respect to the allowance for impairment losses on loans and advances to customers.

The maximum exposure of loans for Stage 1 and Stage 2 having day(s) past due not exceeding 90 days amount to MUR 879.5m (2022: MUR 584.8m and 2021: MUR133.4m) and of which MUR 463.7m (2022: MUR 583.0m and 2021: MUR 127.4m) are collateralized by tangible security.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Modified financial assets

As a results of the Bank's forbearance activities financial assets might be modified. The following refer to the modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified

	2021
	MUR'000
Gross carrying amount after modification	4,399,976
Loss allowance after modification	238,594
	4,638,570

Commitments and guarantees

Financial guarantees and unutilised commitments are assessed and provision made in similar manner as for loans.

The table below shows the Group's and the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group and the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statements of financial position.

	THE GROUP AND THE BANK		
	2023	2022	2021
	MUR'000	MUR'000	MUR'000
Financial guarantees	**2,186,633**	497,209	296,899
Letters of credit	**259,900**	248,571	149,690
Undrawn commitments to lend	**9,759,227**	5,063,990	6,733,350
	12,205,760	5,809,770	7,179,939

<u>Financial guarantee contracts and loan commitments</u>

The allowance for impairment losses on off balance sheet items has been calculated on financial guarantees, letters of credit and undrawn commitments. The allowance for impairment losses have been classified under other liabilities.

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.

	2023			
Internal rating grade	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Performing:				
Credit rating AAA	**176,838**	**68,498**	**-**	**245,336**
Credit rating AA+ to AA-	**204,463**	**-**	**-**	**204,463**
Credit rating A+ to A-	**3,979,663**	**45,281**	**-**	**4,024,944**
Credit rating BBB+ to BBB-	**2,482,198**	**103,274**	**-**	**2,585,472**
Credit rating BB+ to BB-	**3,068,234**	**64,152**	**-**	**3,132,386**
Credit rating B+ to B-	**1,931,178**	**37,544**	**-**	**1,968,722**
Credit rating CCC+ to C	**12,124**	**17,892**	**-**	**30,016**
Non performing:				
Credit rating D	**-**	**-**	**14,421**	**14,421**
Total gross carrying amount	**11,854,698**	**336,641**	**14,421**	**12,205,760**
Less: allowance for impairment losses	**(30,824)**	**(8,622)**	**(3,524)**	**(42,970)**
Carrying amount	**11,823,874**	**328,019**	**10,897**	**12,162,790**

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Financial guarantee contracts and loan commitments (continued)

	2022			
Internal rating grade	STAGE 1	STAGE 2	STAGE 3	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	5,653	-	-	5,653
Credit rating AA+ to AA-	71,868	-	-	71,868
Credit rating A+ to A-	1,214,631	-	-	1,214,631
Credit rating BBB+ to BBB-	1,163,511	-	-	1,163,511
Credit rating BB+ to BB-	1,178,457	-	-	1,178,457
Credit rating B+ to B-	2,055,418	119,146	-	2,174,564
Non performing:				
Credit rating D	-	-	1,086	1,086
Total gross carrying amount	5,689,538	119,146	1,086	5,809,770
Less: allowance for impairment losses	(9,600)	(669)	(350)	(10,619)
Carrying amount	5,679,938	118,477	736	5,799,151

	2021			
Internal rating grade	STAGE 1	STAGE 2	STAGE 3	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000
Performing:				
Credit rating AAA	136,132	-	-	136,132
Credit rating AA+ to AA-	144,749	-	-	144,749
Credit rating A+ to A-	375,696	4,519	-	380,215
Credit rating BBB+ to BBB-	590,590	6,785	-	597,375
Credit rating BB+ to BB-	4,907,306	9,667	-	4,916,973
Credit rating B+ to B-	997,960	5,799	-	1,003,759
Non performing:				
Credit rating D	-	-	736	736
Total gross carrying amount	7,152,433	26,770	736	7,179,939
Less: allowance for impairment losses	(28,666)	(910)	-	(29,576)
Carrying amount	7,123,767	25,860	736	7,150,363

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Financial guarantee contracts and loan commitments (continued)

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2023							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	5,689,538	119,146	1,086	5,809,770	9,600	669	350	10,619
Changes in the amount								
Transfer to stage 1	17,042	(17,042)	-	-	178	(178)	-	-
Transfer to stage 2	(416,233)	416,233	-	-	(6,572)	6,572	-	-
Transfer to stage 3	(14,390)	-	14,390	-	(3,524)	-	3,524	-
Net remeasurement of loss allowance	-	-	-	-	(115)	2,050	-	1,935
New assets originated or purchased	8,920,547	-	-	8,920,547	34,952	-	-	34,952
Payments and assets derecognised	(2,341,806)	(181,696)	(1,055)	(2,524,557)	(3,695)	(491)	(350)	(4,536)
As at 30 June	11,854,698	336,641	14,421	12,205,760	30,824	8,622	3,524	42,970

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2022							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	7,152,433	26,770	736	7,179,939	28,666	910	-	29,576
Changes in the amount								
Transfer to stage 1	36,951	(36,951)	-	-	-	-	-	-
Transfer to stage 2	(105,390)	105,390	-	-	(174)	174	-	-
Transfer to stage 3	(350)	-	350	-	(350)	-	350	-
Net remeasurement of loss allowance	-	-	-	-	(306)	-	-	(306)
New assets originated or purchased	3,502,922	-	-	3,502,922	6,708	-	-	6,708
Payments and assets derecognised	(4,897,028)	23,937	-	(4,873,091)	(24,944)	(415)	-	(25,359)
As at 30 June	5,689,538	119,146	1,086	5,809,770	9,600	669	350	10,619

	THE GROUP AND THE BANK							
	GROSS CARRYING AMOUNT				ALLOWANCE FOR IMPAIRMENT LOSSES			
	2021							
	STAGE 1	STAGE 2	STAGE 3	TOTAL	STAGE 1 12-months ECL	STAGE 2 Lifetime ECL	STAGE 3 Lifetime ECL	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 July	4,329,845	-	786	4,330,631	7,311	-	50	7,361
Changes in the amount								
Transfer to stage 2	(26,770)	26,770	-	-	(910)	910	-	-
Net remeasurement of loss allowance	-	-	-	-	(335)	-	-	(335)
New assets originated or purchased	3,837,943	-	-	3,837,943	25,952	-	-	25,952
Payments and assets derecognised	(988,585)	-	(50)	(988,635)	(3,352)	-	(50)	(3,402)
As at 30 June	7,152,433	26,770	736	7,179,939	28,666	910	-	29,576

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

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management

Liquidity risk is the risk that the Group and the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Sources of liquidity risk include unforseen withdrawal of demand deposit, restricted access to new funding with appropriate maturity and interest rate characteristics, inability to liquidate a marketable asset in a timely manner with minimum risk of capital loss, unpredicted non payment of a loan obligation and a sudden increased demand for loans.

The Bank's Asset and Liability Management Committee (ALCO) is responsible for managing the Bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

The Group and the Bank maintain a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group and the Bank also have committed lines of credit that they can access to meet liquidity needs. In addition, the Group and the Bank maintain a statutory deposit with the Bank of Mauritius. The liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the Group and the Bank.

Analysis of financial assets and liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group's and the Bank's where financial assets have been disclosed based on discounted contractual terms while financial liabilities based on undiscounted contractual repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group and the Bank expect that many customers will not request repayment on the earliest date the Group and the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and the Bank's deposit retention history.

THE GROUP	2023								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	16,757,284	-	-	-	16,757,284	-	-	-	16,757,284
Due from banks	-	38,482,494	4,566,501	-	43,048,995	4,633,121	-	4,633,121	47,682,116
Derivative financial instruments	-	9,421	1,353	19,686	30,460	344,655	10,435	355,090	385,550
Loans and advances to banks	-	869,139	692,372	4,574,278	6,135,789	7,053,800	-	7,053,800	13,189,589
Loans and advances to customers	1,686,834	7,252,228	2,387,011	1,163,491	12,489,564	16,641,992	10,135,425	26,777,417	39,266,981
Investment securities	-	50,817,470	3,763,747	11,322,329	65,903,546	35,542,222	7,239,967	42,782,189	108,685,735
Other assets (excluding prepayments, accrued income, inventory and taxes)	4,508,784	-	-	-	4,508,784	-	-	-	4,508,784
Total	22,952,902	97,430,752	11,410,984	17,079,784	148,874,422	64,215,790	17,385,827	81,601,617	230,476,039
Liabilities									
Deposits from banks:									
-Current accounts	16,268	-	-	-	16,268	-	-	-	16,268
-Savings accounts	342,455	-	-	-	342,455	-	-	-	342,455
	358,723	-	-	-	358,723	-	-	-	358,723
Deposits from customers:									
-Current accounts	139,293,073	-	-	-	139,293,073	-	-	-	139,293,073
-Savings accounts	5,507,672	-	-	-	5,507,672	-	-	-	5,507,672
-Term deposits	-	32,598,948	13,292,586	14,929,420	60,820,954	7,805,709	454,464	8,260,173	69,081,127
	144,800,745	32,598,948	13,292,586	14,929,420	205,621,699	7,805,709	454,464	8,260,173	213,881,872
Borrowings from financial institution	-	-	-	-	-	-	153,275	153,275	153,275
Derivative financial instruments	-	7,997	376	19,686	28,059	166,465	10,435	176,900	204,959
Lease liabilities	-	8,271	4,928	9,747	22,946	44,599	-	44,599	67,545
Other liabilities	429,796	928	25,308	413,384	869,416	-	-	-	869,416
Total	145,589,264	32,616,144	13,323,198	15,372,237	206,900,843	8,016,773	618,174	8,634,947	215,535,790
Net liquidity gap	(122,636,362)	64,814,608	(1,912,214)	1,707,547	(58,026,421)	56,199,017	16,767,653	72,966,670	14,940,249

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (continued)

Analysis of financial assets and liabilities by remaining contractual maturities (continued)

THE GROUP	2022								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	46,935,661	-	-	-	46,935,661	-	-	-	46,935,661
Due from banks	-	39,234,757	673,104	685,922	40,593,783	6,739,394	-	6,739,394	47,333,177
Derivative financial instruments	-	310,793	10,301	14,149	335,243	19,322	17,414	36,736	371,979
Loans and advances to banks	-	2,429,462	671,897	965,056	4,066,415	7,924,061	-	7,924,061	11,990,476
Loans and advances to customers	1,517,134	6,206,479	2,819,661	1,459,092	12,002,366	8,752,372	6,501,886	15,254,258	27,256,624
Investment securities	-	33,341,770	2,471,730	5,862,362	41,675,862	22,825,006	6,464,431	29,289,437	70,965,299
Other assets (excluding prepayments, accrued income, inventory and taxes)	3,213,671	-	-	-	3,213,671	-	-	-	3,213,671
Total	51,666,466	81,523,261	6,646,693	8,986,581	148,823,001	46,260,155	12,983,731	59,243,886	208,066,887
Liabilities									
Due to banks	1,644	-	-	-	1,644	-	-	-	1,644
Deposits from banks:									
-Current accounts	16,101	-	-	-	16,101	-	-	-	16,101
-Savings accounts	353,486	-	-	-	353,486	-	-	-	353,486
	369,587	-	-	-	369,587	-	-	-	369,587
Deposits from customers:									
-Current accounts	159,455,127	-	-	-	159,455,127	-	-	-	159,455,127
-Savings accounts	5,453,909	-	-	-	5,453,909	-	-	-	5,453,909
-Term deposits	-	14,873,214	3,974,122	6,019,569	24,866,905	7,666,252	218,682	7,884,934	32,751,839
	164,909,036	14,873,214	3,974,122	6,019,569	189,775,941	7,666,252	218,682	7,884,934	197,660,875
Borrowings from financial institution	-	-	-	-	-	-	140,717	140,717	140,717
Derivative financial instruments	-	114,920	10,301	14,149	139,370	19,525	7,950	27,475	166,845
Lease liabilities	-	5,173	10,563	19,338	35,074	70,803	-	70,803	105,877
Other liabilities	100,889	1,297	-	297,964	400,150	-	-	-	400,150
Total	165,381,156	14,994,604	3,994,986	6,351,020	190,721,766	7,756,580	367,349	8,123,929	198,845,695
Net liquidity gap	(113,714,690)	66,528,657	2,651,707	2,635,561	(41,898,765)	38,503,575	12,616,382	51,119,957	9,221,192

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (continued)
Analysis of financial assets and liabilities by remaining contractual maturities (continued)

THE GROUP	2021								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	54,501,687	-	-	-	54,501,687	-	-	-	54,501,687
Due from banks	-	45,446,821	5,149,532	2,136,987	52,733,340	8,549,174	-	8,549,174	61,282,514
Derivative financial instruments	-	13,781	127,943	6,438	148,162	108,034	151,684	259,718	407,880
Loans and advances to banks	-	-	341,913	1,256,458	1,598,371	5,040,464	-	5,040,464	6,638,835
Loans and advances to customers	298,092	4,916,449	231,548	603,787	6,049,876	7,145,195	5,554,858	12,700,053	18,749,929
Investment securities	-	17,884,797	3,237,427	4,225,566	25,347,790	13,998,443	6,063,962	20,062,405	45,410,195
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,302,308	-	-	-	2,302,308	-	-	-	2,302,308
Total	57,102,087	68,261,848	9,088,363	8,229,236	142,681,534	34,841,310	11,770,504	46,611,814	189,293,348
Liabilities									
Due to banks	1,000,122	-	-	-	1,000,122	-	-	-	1,000,122
Deposits from banks:									
-Current accounts	17,255	-	-	-	17,255	-	-	-	17,255
-Savings accounts	347,471	-	-	-	347,471	-	-	-	347,471
	364,726	-	-	-	364,726	-	-	-	364,726
Deposits from customers:									
-Current accounts	143,217,400	-	-	-	143,217,400	-	-	-	143,217,400
-Savings accounts	5,787,393	-	-	-	5,787,393	-	-	-	5,787,393
-Term deposits	-	13,181,149	4,840,335	6,969,981	24,991,465	4,460,662	819,630	5,280,292	30,271,757
	149,004,793	13,181,149	4,840,335	6,969,981	173,996,258	4,460,662	819,630	5,280,292	179,276,550
Derivative financial instruments	-	12,119	89,188	1,051	102,358	108,034	-	108,034	210,392
Lease liabilities	-	7,654	7,481	12,548	27,683	20,758	-	20,758	48,441
Other liabilities	149,521	162	-	203,938	353,621	-	-	-	353,621
Total	150,519,162	13,201,084	4,937,004	7,187,518	175,844,768	4,589,454	819,630	5,409,084	181,253,852
Net liquidity gap	(93,417,075)	55,060,764	4,151,359	1,041,718	(33,163,234)	30,251,856	10,950,874	41,202,730	8,039,496

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (continued)
Analysis of financial assets and liabilities by remaining contractual maturities (continued)

THE BANK	2023								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	16,757,277	-	-	-	16,757,277	-	-	-	16,757,277
Due from banks	-	38,482,494	4,566,501	-	43,048,995	4,633,121	-	4,633,121	47,682,116
Derivative financial instruments	-	9,421	1,353	19,686	30,460	344,655	10,435	355,090	385,550
Loans and advances to banks	-	869,139	692,372	4,574,278	6,135,789	7,053,800	-	7,053,800	13,189,589
Loans and advances to customers	1,686,834	7,252,228	2,387,011	1,163,491	12,489,564	16,641,992	10,135,425	26,777,417	39,266,981
Investment securities	-	50,817,470	3,763,747	11,322,329	65,903,546	35,542,222	7,239,967	42,782,189	108,685,735
Other assets (excluding prepayments, accrued income, inventory and taxes)	4,508,777	-	-	-	4,508,777	-	-	-	4,508,777
Total	22,952,888	97,430,752	11,410,984	17,079,784	148,874,408	64,215,790	17,385,827	81,601,617	230,476,025
Liabilities									
Deposits from banks:									
-Current accounts	16,268	-	-	-	16,268	-	-	-	16,268
-Savings accounts	342,455	-	-	-	342,455	-	-	-	342,455
	358,723	-	-	-	358,723	-	-	-	358,723
Deposits from customers:									
-Current accounts	139,293,073	-	-	-	139,293,073	-	-	-	139,293,073
-Savings accounts	5,507,672	-	-	-	5,507,672	-	-	-	5,507,672
-Term deposits	-	32,598,948	13,292,586	14,929,420	60,820,954	7,805,709	454,464	8,260,173	69,081,127
	144,800,745	32,598,948	13,292,586	14,929,420	205,621,699	7,805,709	454,464	8,260,173	213,881,872
Borrowings from financial institution					-	-	153,275	153,275	153,275
Derivative financial instruments	-	7,997	376	19,686	28,059	166,465	10,435	176,900	204,959
Lease liabilities	-	8,271	4,928	9,747	22,946	44,599	-	44,599	67,545
Other liabilities	428,797	928	25,308	413,384	868,417	-	-	-	868,417
Total	145,588,265	32,616,144	13,323,198	15,372,237	206,899,844	8,016,773	618,174	8,634,947	215,534,791
Net liquidity gap	(122,635,377)	64,814,608	(1,912,214)	1,707,547	(58,025,436)	56,199,017	16,767,653	72,966,670	14,941,234

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (continued)
Analysis of financial assets and liabilities by remaining contractual maturities (continued)

THE BANK	2022								
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	46,935,652	-	-	-	46,935,652	-	-	-	46,935,652
Due from banks	-	39,234,757	673,104	685,922	40,593,783	6,739,394	-	6,739,394	47,333,177
Derivative financial instruments	-	310,793	10,301	14,149	335,243	19,322	17,414	36,736	371,979
Loans and advances to banks	-	2,429,462	671,897	965,056	4,066,415	7,924,061	-	7,924,061	11,990,476
Loans and advances to customers	1,517,134	6,206,479	2,819,661	1,459,092	12,002,366	8,752,372	6,501,886	15,254,258	27,256,624
Investment securities	-	33,341,770	2,471,730	5,862,362	41,675,862	22,825,006	6,464,431	29,289,437	70,965,299
Other assets (excluding prepayments, accrued income, inventory and taxes)	3,213,671	-	-	-	3,213,671	-	-	-	3,213,671
Total	51,666,457	81,523,261	6,646,693	8,986,581	148,822,992	46,260,155	12,983,731	59,243,886	208,066,878
Liabilities									
Due to banks	1,644	-	-	-	1,644	-	-	-	1,644
Deposits from banks:									
-Current accounts	16,101	-	-	-	16,101	-	-	-	16,101
-Savings accounts	353,486	-	-	-	353,486	-	-	-	353,486
	369,587	-	-	-	369,587	-	-	-	369,587
Deposits from customers:									
-Current accounts	159,458,510	-	-	-	159,458,510	-	-	-	159,458,510
-Savings accounts	5,453,909	-	-	-	5,453,909	-	-	-	5,453,909
-Term deposits	-	14,873,214	3,974,122	6,019,569	24,866,905	7,666,252	218,682	7,884,934	32,751,839
	164,912,419	14,873,214	3,974,122	6,019,569	189,779,324	7,666,252	218,682	7,884,934	197,664,258
Borrowings from financial institution	-	-	-	-	-	-	140,717	140,717	140,717
Derivative financial instruments	-	114,920	10,301	14,149	139,370	19,525	7,950	27,475	166,845
Lease liabilities	-	5,173	10,563	19,338	35,074	70,804	-	70,804	105,878
Other liabilities	100,889	1,297	-	296,991	399,177	-	-	-	399,177
Total	165,384,539	14,994,604	3,994,986	6,350,047	190,724,176	7,756,581	367,349	8,123,930	198,848,106
Net liquidity gap	(113,718,082)	66,528,657	2,651,707	2,636,534	(41,901,184)	38,503,574	12,616,382	51,119,956	9,218,772

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (continued)

Analysis of financial assets and liabilities by remaining contractual maturities (continued)

	2021								
THE BANK	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Sub total less than 12 months	1 to 5 years	Over 5 years	Sub total over 12 months	Total
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	54,501,675	-	-	-	54,501,675	-	-	-	54,501,675
Due from banks	-	45,446,821	5,149,532	2,136,987	52,733,340	8,549,174	-	8,549,174	61,282,514
Derivative financial instruments	-	13,781	127,943	6,438	148,162	108,034	151,684	259,718	407,880
Loans and advances to banks	-	-	341,913	1,256,458	1,598,371	5,040,464	-	5,040,464	6,638,835
Loans and advances to customers	298,092	4,916,449	231,548	603,787	6,049,876	7,145,195	5,554,858	12,700,053	18,749,929
Investment securities	-	17,884,797	3,237,427	4,225,566	25,347,790	13,998,443	6,063,962	20,062,405	45,410,195
Other assets (excluding prepayments, accrued income, inventory and taxes)	2,302,308	-	-	-	2,302,308	-	-	-	2,302,308
Total	57,102,075	68,261,848	9,088,363	8,229,236	142,681,522	34,841,310	11,770,504	46,611,814	189,293,336
Liabilities									
Due to banks	1,000,122	-	-	-	1,000,122	-	-	-	1,000,122
Deposits from banks:									
-Current accounts	17,255	-	-	-	17,255	-	-	-	17,255
-Savings accounts	347,471	-	-	-	347,471	-	-	-	347,471
	364,726	-	-	-	364,726	-	-	-	364,726
Deposits from customers:									
-Current accounts	143,231,672	-	-	-	143,231,672	-	-	-	143,231,672
-Savings accounts	5,787,393	-	-	-	5,787,393	-	-	-	5,787,393
-Term deposits	-	13,181,149	4,840,335	6,969,981	24,991,465	4,460,662	819,630	5,280,292	30,271,757
	149,019,065	13,181,149	4,840,335	6,969,981	174,010,530	4,460,662	819,630	5,280,292	179,290,822
Derivative financial instruments	-	12,119	89,188	1,051	102,358	108,034	-	108,034	210,392
Lease liabilities	-	7,654	7,481	12,548	27,683	20,757	-	20,757	48,440
Other liabilities	149,521	162	-	203,520	353,203	-	-	-	353,203
Total	150,533,434	13,201,084	4,937,004	7,187,100	175,858,622	4,589,453	819,630	5,409,083	181,267,705
Net liquidity gap	(93,431,359)	55,060,764	4,151,359	1,042,136	(33,177,100)	30,251,857	10,950,874	41,202,731	8,025,631

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk and funding management (continued)

The table below shows the contractual expiry by maturity of the Group's and the Bank's commitments.

THE GROUP AND THE BANK

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 Years	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
30 June 2023					
Contingent liabilities	**2,934,555**	**1,357,506**	**745,032**	**44,376**	**5,081,469**
Commitments	**3,046,158**	**4,587,574**	**2,125,495**	**-**	**9,759,227**
Total	**5,980,713**	**5,945,080**	**2,870,527**	**44,376**	**14,840,696**
30 June 2022					
Contingent liabilities	2,407,546	360,627	42,979	44,116	2,855,268
Commitments	2,076,924	1,631,247	882,312	473,507	5,063,990
Total	4,484,470	1,991,874	925,291	517,623	7,919,258
30 June 2021					
Contingent liabilities	1,493,657	140,126	36,330	42,649	1,712,762
Commitments	1,150,181	599,137	4,865,252	118,780	6,733,350
Total	2,643,838	739,263	4,901,582	161,429	8,446,112

The Group and the Bank do not expect all the contingent liabilities or commitments to be drawn before expiry of commitments.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Group and the Bank classify exposures to market risk into either trading or non trading portfolios and manage these portfolios separately. Except for the concentrations within foreign currency, the Group and the Bank have no significant concentration of 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. Management has established limits on the maximum adverse volatility on its future net interest income.

The Group's and the Bank's main exposure to interest rate risk stems from a variety of sources: Yield curve risk, which refers to changes in the level, slope and shape of the yield curve; Repricing risk, which arises from timing differences in the maturity and repricing of balance-sheet items; Basis risk that is caused by imperfect correlation between different yield curves.

The following tables demonstrate the sensitivity to a Day 1 100 basis points shock (2022 & 2021: 100 basis points) on the Group's and the Bank's net interest income. The net interest income sensitivity is the effect of the assumed changes in interest rates, based on the financial assets and financial liabilities held at 30 June.

THE GROUP	**2023**	2022	2021	**2023**	2022	2021
Currency	**Change in Basis points**	Change in Basis points	Change in Basis points	**Sensitivity of profit or loss**	Sensitivity of profit or loss	Sensitivity of profit or loss
				MUR'000	MUR'000	MUR'000
AUD	**+100**	+100	+100	**5,842**	8,174	7,180
	- 100	- 100	- 100	**(5,842)**	(902)	(433)
EUR	**+100**	+100	+100	**268,833**	291,727	263,425
	- 100	- 100	- 100	**(268,833)**	(272,738)	(264,443)
GBP	**+100**	+100	+100	**51,125**	53,948	60,888
	- 100	- 100	- 100	**(51,125)**	(38,966)	(14,755)
MUR	**+100**	+100	+100	**74,760**	17,983	(9,391)
	- 100	- 100	- 100	**(77,526)**	(38,617)	(26,913)
USD	**+100**	+100	+100	**469,904**	816,238	788,670
	- 100	- 100	- 100	**(469,904)**	(692,377)	(193,667)

THE BANK	**2023**	2022	2021	**2023**	2022	2021
Currency	**Change in Basis points**	Change in Basis points	Change in Basis points	**Sensitivity of profit or loss**	Sensitivity of profit or loss	Sensitivity of profit or loss
				MUR'000	MUR'000	MUR'000
AUD	**+100**	+100	+100	**5,842**	8,174	7,180
	- 100	- 100	- 100	**(5,842)**	(902)	(433)
EUR	**+100**	+100	+100	**268,833**	291,727	263,425
	- 100	- 100	- 100	**(268,833)**	(272,738)	(264,443)
GBP	**+100**	+100	+100	**51,125**	53,948	60,888
	- 100	- 100	- 100	**(51,125)**	(38,966)	(14,755)
MUR	**+100**	+100	+100	**74,760**	17,983	(9,391)
	- 100	- 100	- 100	**(77,526)**	(38,617)	(26,913)
USD	**+100**	+100	+100	**469,904**	816,238	788,670
	- 100	- 100	- 100	**(469,904)**	(692,377)	(193,667)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The table below analyses the Group's and the Bank's interest rate risk exposure on non–trading financial assets and liabilities. The Group's and the Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

	2023							
THE GROUP	**Carrying amount**	**On demand**	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non interest bearing**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Assets								
Cash and balances with banks	**16,757,284**	**15,463,616**	**-**	**-**	**-**	**-**	**-**	**1,293,668**
Due from banks	**47,682,116**	**-**	**38,482,494**	**4,566,501**	**-**	**4,633,121**	**-**	**-**
Derivative financial instruments	**385,550**	**-**	**-**	**-**	**-**	**201,713**	**-**	**183,837**
Loans and advances to banks	**13,189,589**	**-**	**869,139**	**692,372**	**4,574,278**	**7,053,800**	**-**	**-**
Loans and advances to customers	**39,266,981**	**1,686,834**	**7,252,228**	**2,387,011**	**1,163,491**	**16,641,992**	**10,135,425**	**-**
Debt instruments measured at amortised cost	**103,674,862**	**-**	**48,533,327**	**3,342,186**	**10,270,952**	**34,305,386**	**7,223,011**	**-**
Other assets (excluding prepayments, accrued income and inventory)	**4,508,784**	**7**	**-**	**-**	**-**	**-**	**-**	**4,508,777**
Total assets	**225,465,166**	**17,150,457**	**95,137,188**	**10,988,070**	**16,008,721**	**62,836,012**	**17,358,436**	**5,986,282**
Liabilities								
Deposits from banks	**358,723**	**343,457**	**-**	**-**	**-**	**-**	**-**	**15,266**
Deposits from customers	**213,229,467**	**11,888,883**	**32,491,759**	**13,202,173**	**14,753,366**	**6,853,063**	**360,803**	**133,679,420**
Borrowings from financial institution	**150,918**	**-**	**-**	**-**	**-**	**-**	**150,918**	**-**
Derivative financial instruments	**204,959**	**-**	**-**	**-**	**-**	**23,523**	**-**	**181,436**
Lease liabilities	**64,663**	**-**	**8,271**	**4,928**	**9,747**	**41,717**	**-**	**-**
Other liabilities	**869,416**	**-**	**-**	**-**	**-**	**-**	**-**	**869,416**
Total liabilities	**214,878,146**	**12,232,340**	**32,500,030**	**13,207,101**	**14,763,113**	**6,918,303**	**511,721**	**134,745,538**
Total interest sensitivity gap	**10,587,020**	**4,918,117**	**62,637,158**	**(2,219,031)**	**1,245,608**	**55,917,709**	**16,846,715**	**(128,759,256)**

	2022							
THE GROUP	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	46,935,661	22,671,585	-	-	-	-	-	24,264,076
Due from banks	47,333,177	-	39,234,757	673,104	685,922	6,739,394	-	-
Derivative financial instruments	371,979	-	-	-	-	195,873	10,040	166,066
Loans and advances to banks	11,990,476	-	2,429,462	671,897	965,056	7,924,061	-	-
Loans and advances to customers	27,256,624	1,517,134	6,206,479	2,819,661	1,459,092	8,752,372	6,501,886	-
Debt instruments measured at amortised cost	65,269,752	-	30,118,716	1,502,115	4,885,247	22,315,041	6,448,633	-
Other assets (excluding prepayments, accrued income and inventory)	3,213,671	1,540,222	-	-	-	-	-	1,673,449
Total assets	202,371,340	25,728,941	77,989,414	5,666,777	7,995,317	45,926,741	12,960,559	26,103,591
Liabilities								
Due to banks	1,644	1,644	-	-	-	-	-	-
Deposits from banks	369,587	353,486	-	-	-	-	-	16,101
Deposits from customers	197,072,336	8,422,689	14,530,965	3,672,700	5,797,219	6,735,435	181,566	157,731,762
Borrowings from financial institution	140,547	-	-	-	-	-	140,547	-
Derivative financial instruments	166,845	-	-	-	-	-	10,040	156,805
Lease liabilities	100,378	-	5,173	10,563	19,338	65,304	-	-
Other liabilities	400,150	-	-	-	-	-	-	400,150
Total liabilities	198,251,487	8,777,819	14,536,138	3,683,263	5,816,557	6,800,739	332,153	158,304,818
Total interest sensitivity gap	4,119,853	16,951,122	63,453,276	1,983,514	2,178,760	39,126,002	12,628,406	(132,201,227)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)
(i) Interest rate risk (continued)

	2021							
THE GROUP	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
Assets	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and balances with banks	54,501,687	37,579,753	-	-	-	-	-	16,921,934
Due from banks	61,282,514	-	45,446,821	5,149,532	2,136,987	8,549,174	-	-
Derivative financial instruments	407,880	-	-	-	-	2,870	151,683	253,327
Loans and advances to banks	6,638,835	-	-	341,913	1,256,458	5,040,464	-	-
Loans and advances to customers	18,749,929	298,092	4,916,449	231,548	603,787	7,145,195	5,554,858	-
Debt instruments measured at amortised cost	39,859,873	-	16,239,619	2,495,716	3,186,173	12,352,930	5,585,435	-
Other assets (excluding prepayments, accrued income and inventory)	2,302,308	1,047,901	-	-	-	-	-	1,254,407
Total assets	183,743,026	38,925,746	66,602,889	8,218,709	7,183,405	33,090,633	11,291,976	18,429,668
Liabilities								
Due to banks	1,000,122	1,000,122	-	-	-	-	-	-
Deposits from banks	364,726	347,471	-	-	-	-	-	17,255
Deposits from customers	178,832,286	7,842,860	12,945,890	4,601,245	6,731,422	3,680,709	726,356	142,303,804
Derivative financial instruments	210,392	-	-	-	-	3,162	-	207,230
Lease liabilities	47,658	-	7,654	7,481	12,548	19,975	-	-
Other liabilities	353,621	-	-	-	-	-	-	353,621
Total liabilities	180,808,805	9,190,453	12,953,544	4,608,726	6,743,970	3,703,846	726,356	142,881,910
Total interest sensitivity gap	2,934,221	29,735,293	53,649,345	3,609,983	439,435	29,386,787	10,565,620	(124,452,242)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(i) Interest rate risk (continued)

THE BANK	2023							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with banks	16,757,277	15,463,609	-	-	-	-	-	1,293,668
Due from banks	47,682,116	-	38,482,494	4,566,501	-	4,633,121	-	-
Derivative financial instruments	385,550	-	-	-	-	201,713	-	183,837
Loans and advances to banks	13,189,589	-	869,139	692,372	4,574,278	7,053,800	-	-
Loans and advances to customers	39,266,981	1,686,834	7,252,228	2,387,011	1,163,491	16,641,992	10,135,425	-
Debt instruments measured at amortised cost	103,674,862	-	48,533,327	3,342,186	10,270,952	34,305,386	7,223,011	-
Other assets (excluding prepayments, accrued income and inventory)	4,508,777	-	-	-	-	-	-	4,508,777
Total assets	225,465,152	17,150,443	95,137,188	10,988,070	16,008,721	62,836,012	17,358,436	5,986,282
Liabilities								
Deposits from banks	358,723	343,457	-	-	-	-	-	15,266
Deposits from customers	213,232,468	11,891,884	32,491,759	13,202,173	14,753,366	6,853,063	360,803	133,679,420
Borrowings from financial institution	150,918	-	-	-	-	-	150,918	-
Derivative financial instruments	204,959	-	-	-	-	23,523	-	181,436
Lease liabilities	64,663	-	8,271	4,928	9,747	41,717	-	-
Other liabilities	868,417	-	-	-	-	-	-	868,417
Total liabilities	214,880,148	12,235,341	32,500,030	13,207,101	14,763,113	6,918,303	511,721	134,744,539
Total interest sensitivity gap	10,585,004	4,915,102	62,637,158	(2,219,031)	1,245,608	55,917,709	16,846,715	(128,758,257)

THE BANK	2022							
	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with banks	46,935,652	22,671,576	-	-	-	-	-	24,264,076
Due from banks	47,333,177	-	39,234,757	673,104	685,922	6,739,394	-	-
Derivative financial instruments	371,979	-	-	-	-	195,873	10,040	166,066
Loans and advances to banks	11,990,476	-	2,429,462	671,897	965,056	7,924,061	-	-
Loans and advances to customers	27,256,624	1,517,134	6,206,479	2,819,661	1,459,092	8,752,372	6,501,886	-
Debt instruments measured at amortised cost	65,269,752	-	30,118,716	1,502,115	4,885,247	22,315,041	6,448,633	-
Other assets (excluding prepayments, accrued income and inventory)	3,213,671	1,540,222	-	-	-	-	-	1,673,449
Total assets	202,371,331	25,728,932	77,989,414	5,666,777	7,995,317	45,926,741	12,960,559	26,103,591
Liabilities								
Due to banks	1,644	1,644	-	-	-	-	-	-
Deposits from banks	369,587	353,486	-	-	-	-	-	16,101
Deposits from customers	197,075,719	8,426,072	14,530,965	3,672,700	5,797,219	6,735,435	181,566	157,731,762
Borrowings from financial institution	140,547	-	-	-	-	-	140,547	-
Derivative financial instruments	166,845	-	-	-	-	-	10,040	156,805
Lease liabilities	100,378	-	5,173	10,563	19,338	65,304	-	-
Other liabilities	399,177	-	-	-	-	-	-	399,177
Total liabilities	198,253,897	8,781,202	14,536,138	3,683,263	5,816,557	6,800,739	332,153	158,303,845
Total interest sensitivity gap	4,117,434	16,947,730	63,453,276	1,983,514	2,178,760	39,126,002	12,628,406	(132,200,254)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(i) Interest rate risk (continued)

	2021							
THE BANK	Carrying amount	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets								
Cash and balances with banks	54,501,675	37,579,741	-	-	-	-	-	16,921,934
Due from banks	61,282,514	-	45,446,821	5,149,532	2,136,987	8,549,174	-	-
Derivative financial instruments	407,880	-	-	-	-	2,870	151,683	253,327
Loans and advances to banks	6,638,835	-	-	341,913	1,256,458	5,040,464	-	-
Loans and advances to customers	18,749,929	298,092	4,916,449	231,548	603,787	7,145,195	5,554,858	-
Debt instruments measured at amortised cost	39,859,873	-	16,239,619	2,495,716	3,186,173	12,352,930	5,585,435	-
Other assets (excluding prepayments, accrued income and inventory)	2,302,308	1,047,901	-	-	-	-	-	1,254,407
Total assets	183,743,014	38,925,734	66,602,889	8,218,709	7,183,405	33,090,633	11,291,976	18,429,668
Liabilities								
Due to banks	1,000,122	1,000,122	-	-	-	-	-	-
Deposits from banks	364,726	347,471	-	-	-	-	-	17,255
Deposits from customers	178,846,558	7,857,132	12,945,890	4,601,245	6,731,422	3,680,709	726,356	142,303,804
Derivative financial instruments	210,392	-	-	-	-	3,162	-	207,230
Lease liabilities	47,658	-	7,654	7,481	12,548	19,975	-	-
Other liabilities	353,203	-	-	-	-	-	-	353,203
Total liabilities	180,822,659	9,204,725	12,953,544	4,608,726	6,743,970	3,703,846	726,356	142,881,492
Total interest sensitivity gap	2,920,355	29,721,009	53,649,345	3,609,983	439,435	29,386,787	10,565,620	(124,451,824)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

The table below indicates the currencies to which the Group and the Bank had significant exposure at 30 June on all its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the MUR, with all other variables held constant on the statements of profit or loss (due to the fair value of currency sensitive non trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statements of profit or loss, while a positive amount reflects a net potential increase.

THE GROUP

		2023		
	% Change in	Effect of change in currency on		Sensitivity of
Currency	**Currency rate**	**Assets**	**Liabilities**	**profit or loss**
		MUR'000	**MUR'000**	**MUR'000**
AUD	**+5%**	**68,350**	**(68,374)**	**(24)**
	-5%	**(68,350)**	**68,374**	**24**
EUR	**+5%**	**1,874,796**	**(1,873,855)**	**941**
	-5%	**(1,874,796)**	**1,873,855**	**(941)**
GBP	**+5%**	**431,955**	**(432,108)**	**(153)**
	-5%	**(431,955)**	**432,108**	**153**
USD	**+5%**	**7,221,075**	**(7,224,396)**	**(3,321)**
	-5%	**(7,221,075)**	**7,224,396**	**3,321**

		2022		
	% Change in	Effect of change in currency on		Sensitivity of
Currency	Currency rate	Assets	Liabilities	profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	51,421	(51,336)	85
	-5%	(51,421)	51,336	(85)
EUR	+5%	1,752,881	(1,748,900)	3,981
	-5%	(1,752,881)	1,748,900	(3,981)
GBP	+5%	356,777	(356,266)	511
	-5%	(356,777)	356,266	(511)
USD	+5%	6,601,395	(6,616,707)	(15,312)
	-5%	(6,601,395)	6,616,707	15,312

		2021		
	% Change in	Effect of change in currency on		Sensitivity of
Currency	Currency rate	Assets	Liabilities	profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	41,802	(41,822)	(20)
	-5%	(41,802)	41,822	20
EUR	+5%	1,535,645	(1,540,110)	(4,465)
	-5%	(1,535,645)	1,540,110	4,465
GBP	+5%	441,129	(441,960)	(831)
	-5%	(441,129)	441,960	831
USD	+5%	6,040,720	(6,036,803)	3,917
	-5%	(6,040,720)	6,036,803	(3,917)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Currency risk (continued)

THE BANK

Currency	% Change in Currency rate	2023 Effect of change in currency on Assets	2023 Effect of change in currency on Liabilities	2023 Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	68,350	(68,374)	(24)
	-5%	(68,350)	68,374	24
EUR	+5%	1,874,796	(1,873,855)	941
	-5%	(1,874,796)	1,873,855	(941)
GBP	+5%	431,955	(432,108)	(153)
	-5%	(431,955)	432,108	153
USD	+5%	7,221,075	(7,224,396)	(3,321)
	-5%	(7,221,075)	7,224,396	3,321

Currency	% Change in Currency rate	2022 Effect of change in currency on Assets	2022 Effect of change in currency on Liabilities	2022 Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	51,421	(51,336)	85
	-5%	(51,421)	51,336	(85)
EUR	+5%	1,752,881	(1,748,900)	3,981
	-5%	(1,752,881)	1,748,900	(3,981)
GBP	+5%	356,777	(356,266)	511
	-5%	(356,777)	356,266	(511)
USD	+5%	6,601,395	(6,616,707)	(15,312)
	-5%	(6,601,395)	6,616,707	15,312

Currency	% Change in Currency rate	2021 Effect of change in currency on Assets	2021 Effect of change in currency on Liabilities	2021 Sensitivity of profit or loss
		MUR'000	MUR'000	MUR'000
AUD	+5%	41,802	(41,822)	(20)
	-5%	(41,802)	41,822	20
EUR	+5%	1,535,645	(1,540,110)	(4,465)
	-5%	(1,535,645)	1,540,110	4,465
GBP	+5%	441,129	(441,960)	(831)
	-5%	(441,129)	441,960	831
USD	+5%	6,040,720	(6,036,803)	3,917
	-5%	(6,040,720)	6,036,803	(3,917)

(e) Other price risk

Other price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices. The non-trading equity price risk exposure arises from debt instrument measured at fair value through other comprehensive income.

39. CAPITAL

The Group and the Bank maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's and 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 Group and the Bank. The Group and the Bank have complied fully with all its externally imposed capital requirements.

Capital management

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

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

ELIGIBLE RISK-WEIGHTED CAPITAL

	THE GROUP			THE BANK		
	Basel III 2023 MUR'000	Basel III 2022 MUR'000	Basel III 2021 MUR'000	**Basel III 2023 MUR'000**	Basel III 2022 MUR'000	Basel III 2021 MUR'000
Tier 1 capital	**14,536,651**	9,618,788	8,546,750	**14,534,636**	9,616,371	8,536,977
Tier 2 capital	**743,680**	663,008	555,833	**743,680**	663,008	555,833
Total capital	**15,280,331**	10,281,796	9,102,583	**15,278,316**	10,279,379	9,092,810
Risk-weighted assets	**78,744,254**	65,237,534	56,243,598	**78,741,696**	65,217,648	56,208,349
	%	%	%	**%**	%	%
Capital adequacy ratio	**19.40**	15.76	16.18	**19.40**	15.76	16.18

Regulatory capital is the sum of Tier 1 capital and Tier 2 capital. Tier 1 Capital is further divided between Common Equity Tier 1 Capital which comprises of share capital, retained earnings, other reserves net of regulatory adjustments and Additional Tier 1 Capital comprised of Class A shares. The other component of regulatory capital is Tier 2 capital which includes stage 1 and stage 2 provisions, country risk reserves and additional provision above IFRS 9 provisions.

40. EVENTS AFTER REPORTING DATE

Atlantic Group, through its financial holding company, AFG Holding SA, entered into an agreement with National Bank of Canada, IBL Ltd and other minority shareholders of AfrAsia Bank Limited ("the Bank") with the intention to acquire a majority stake of 74.48% in the share capital of the Bank on 28 December 2022. The implementation of this transaction was subject to the satisfactory completion of conditions precedent, the obtention of relevant regulatory approvals and any other approvals required by the parties.

On 26 July 2023, the Bank issued a communique informing its shareholders and the public in general that the above mentioned transaction, which was subject to the satisfactory completion of conditions precedent, did not materialised. The Bank mentioned that same will have no impact on the operations of the Bank which is supported by a strong and dedicated Management team, with a proven track record and deep experience in banking and investment. The Bank also reassured its stakeholders that it continues to adhere to its growth strategy and achieve commendable results to deliver value to its shareholders.

41. OFFSETTING FINANCIAL INSTRUMENTS

The Group's and the Bank's offsetting financial arrangement is summarised below.

Derivatives and loans and advances to customers

The Group and the Bank uses master netting agreements and holds cash collateral and marketable securities to mitigate the credit risk of derivatives, repurchase agreements and securities lending. The below refers to netting potential not recognised in the statement of financial position.

The Group and the Bank enter into derivatives with central counterparty clearing houses ('CCPs') or bilaterally under International Swaps and Derivatives Association ('ISDA') master netting agreements. ISDA Master Netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. The Group and the Bank execute a credit support annex in conjunction with each ISDA agreement, which requires the Group and the Bank and each counterparty to post collateral to mitigate credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs. The collateral posted with regards to open derivatives is cash or marketable securities.

The Group's and the Bank's repurchase, and reverse repurchase, transactions and securities borrowing and lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

THE GROUP

2023	**Effect of offsetting on statement of financial position**			**Related amounts not offset**	
	Gross amount	**Amount offset**	**Net amount reported**	**Cash collateral**	**Net amount**
ASSETS	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Derivative financial instruments	**385,550**	**-**	**385,550**	**(191,368)**	**194,182**
Loans and advances to customers	**39,266,981**	**-**	**39,266,981**	**(1,823,569)**	**37,443,412**
	39,652,531	**-**	**39,652,531**	**(2,014,937)**	**37,637,594**
LIABILITIES					
Deposits from banks	**358,723**	**-**	**358,723**	**(191,368)**	**167,355**
Deposits from customers	**213,229,467**	**-**	**213,229,467**	**(1,823,569)**	**211,405,898**
	213,588,190	**-**	**213,588,190**	**(2,014,937)**	**211,573,253**

2022	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amount	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments	371,979	-	371,979	(206,921)	165,058
Loans and advances to customers	27,256,624	-	27,256,624	(1,807,460)	25,449,164
	27,628,603	-	27,628,603	(2,014,381)	25,614,222
LIABILITIES					
Deposits from banks	369,587	-	369,587	(206,921)	162,666
Deposits from customers	197,072,336	-	197,072,336	(1,807,460)	195,264,876
	197,441,923	-	197,441,923	(2,014,381)	195,427,542

2021	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amount	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments	407,880	-	407,880	(154,190)	253,690
Loans and advances to customers	18,749,929	-	18,749,929	(1,593,416)	17,156,513
	19,157,809	-	19,157,809	(1,747,606)	17,410,203
LIABILITIES					
Deposits from banks	364,726	-	364,726	(154,190)	210,536
Deposits from customers	178,832,286	-	178,832,286	(1,593,416)	177,238,870
	179,197,012	-	179,197,012	(1,747,606)	177,449,406

41. OFFSETTING FINANCIAL INSTRUMENTS (CONITNUED)

Derivatives and loans and advances to customers (continued)

THE BANK

2023	**Effect of offsetting on statement of financial position**			**Related amounts not offset**	
	Gross amount	**Amount offset**	**Net amount reported**	**Cash collateral**	**Net amount**
ASSETS	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Derivative financial instruments	**385,550**	**-**	**385,550**	**(191,368)**	**194,182**
Loans and advances to customers	**39,266,981**	**-**	**39,266,981**	**(1,823,569)**	**37,443,412**
	39,652,531	**-**	**39,652,531**	**(2,014,937)**	**37,637,594**
LIABILITIES					
Deposits from banks	**358,723**	**-**	**358,723**	**(191,368)**	**167,355**
Deposits from customers	**213,232,468**	**-**	**213,232,468**	**(1,823,569)**	**211,408,899**
	213,591,191	**-**	**213,591,191**	**(2,014,937)**	**211,576,254**

2022	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amount	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments	371,979	-	371,979	(206,921)	165,058
Loans and advances to customers	27,256,624	-	27,256,624	(1,807,460)	25,449,164
	27,628,603	-	27,628,603	(2,014,381)	25,614,222
LIABILITIES					
Deposits from banks	369,587	-	369,587	(206,921)	162,666
Deposits from customers	197,075,719	-	197,075,719	(1,807,460)	195,268,259
	197,445,306	-	197,445,306	(2,014,381)	195,430,925

2021	Effect of offsetting on statement of financial position			Related amounts not offset	
	Gross amount	Amount offset	Net amount reported	Cash collateral	Net amount
ASSETS	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Derivative financial instruments	407,880	-	407,880	(154,190)	253,690
Loans and advances to customers	18,749,929	-	18,749,929	(1,593,416)	17,156,513
	19,157,809	-	19,157,809	(1,747,606)	17,410,203
LIABILITIES					
Deposits from banks	364,726	-	364,726	(154,190)	210,536
Deposits from customers	178,846,558	-	178,846,558	(1,593,416)	177,253,142
	179,211,284	-	179,211,284	(1,747,606)	177,463,678

The Group and the Bank receive cash collaterals as security on various loan arrangements. The Group and the Bank have a right to offset these cash collaterals against the loan amounts on default of the Group's and the Bank's clients.

42. DISCONTINUED OPERATIONS

In November 2019, the Board approved the distribution of the shares of EKADA Capital Ltd (formerly known AfrAsia Capital Management Ltd). Following the approval from the Financial Services Commission and the Bank of Mauritius respectively, the Board declared the dividend in Specie of the shares of EKADA Capital Ltd in November 2020 and the distribution was completed in January 2021. The subsidiary was consolidated for the period up to 25 January 2021.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	THE GROUP
	2021
	MUR'000
Interest income	-
Interest expense	(7)
Net interest income, calculated using EIR method	(7)
Fee and commission income	16,827
Fee and commission expense	(2,649)
Net fee and commission income	14,178
Other operating income	245
Total operating income	14,416
Net impairment loss on financial assets	-
Net operating income	14,416
Personnel expenses	(17,574)
Depreciation of property & equipment	(153)
Depreciation of right of use assets	(700)
Amortization of intangible assets	(53)
Other operating expenses	(9,476)
Total operating expenses	(27,956)
Loss before tax	(13,540)
Income tax expense	-
Loss for the year	(13,540)

The asset and liabilities at 25 January 2021, date of disposal, were as follows:

	THE GROUP
	2021
	MUR'000
ASSETS	
Cash and balances with banks	5,891
Property and equipment	769
Intangible assets	219
Right of use assets	10,203
Investment Securities	49
Deferred tax assets	118
Other assets	8,286
TOTAL ASSETS	25,535
LIABILITIES	
Retirement benefit obligations	2,183
Lease liabilities	10,203
Other liabilities	13,705
TOTAL LIABILITIES	26,091

43. SEGMENTAL REPORTING

The following table presents income and profit and asset and liability information regarding the Bank's operating segments.

		2023			2022			2021		
		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income	I	2,345,742	4,947,184	7,292,926	1,075,901	933,824	2,009,725	1,084,806	599,606	1,684,412
Interest expense	I	(626,932)	(953,812)	(1,580,744)	(336,318)	(181,289)	(517,607)	(308,830)	(303,164)	(611,994)
Net interest income, calculated using EIR method		1,718,810	3,993,372	5,712,182	739,583	752,535	1,492,118	775,976	296,442	1,072,418
Fee and commission income	II	339,962	901,053	1,241,015	254,097	795,552	1,049,649	179,280	698,590	877,870
Fee and commission expense	II	(85,008)	(313,380)	(398,388)	(89,348)	(257,765)	(347,113)	(103,540)	(211,830)	(315,370)
Net fee and commission income		254,954	587,673	842,627	164,749	537,787	702,536	75,740	486,760	562,500
Net trading income	III	539,440	950,062	1,489,502	657,951	508,543	1,166,494	570,712	374,531	945,243
Other gains/(losses)	IV (a)	-	391	391	-	(1,191)	(1,191)	-	1,696	1,696
Other operating income	IV (b)	629	-	629	-	-	-	(106)	-	(106)
Total operating income		2,513,833	5,531,498	8,045,331	1,562,283	1,797,674	3,359,957	1,422,322	1,159,429	2,581,751
Net impairment credit/(loss) on financial assets	V	171,336	72,309	243,645	(19,156)	(46,662)	(65,818)	(271,587)	(193,544)	(465,131)
Net operating income		2,685,169	5,603,807	8,288,976	1,543,127	1,751,012	3,294,139	1,150,735	965,885	2,116,620
Personnel expenses		(294,314)	(664,761)	(959,075)	(363,630)	(438,099)	(801,729)	(355,386)	(307,548)	(662,934)
Depreciation of property and equipment		(8,936)	(19,663)	(28,599)	(18,628)	(21,434)	(40,062)	(19,631)	(16,002)	(35,633)
Depreciation on right of use assets		(11,033)	(24,276)	(35,309)	(14,725)	(16,944)	(31,669)	(18,132)	(14,780)	(32,912)
Amortisation of intangible assets		(18,902)	(41,593)	(60,495)	(24,288)	(27,948)	(52,236)	(23,120)	(18,846)	(41,966)
Other operating expenses		(173,449)	(381,663)	(555,112)	(200,509)	(475,720)	(676,229)	(176,041)	(143,503)	(319,544)
Total operating expenses		(506,634)	(1,131,956)	(1,638,590)	(621,780)	(980,145)	(1,601,925)	(592,310)	(500,679)	(1,092,989)
Operating profit		2,178,535	4,471,851	6,650,386	921,347	770,867	1,692,214	558,425	465,206	1,023,631
Impairment on receivable from subsidiary		-	-	-	9,824	-	9,824	-	-	-
Profit before tax		2,178,535	4,471,851	6,650,386	931,171	770,867	1,702,038	558,425	465,206	1,023,631
Tax expense		(335,167)	(436,249)	(771,416)	(166,722)	(98,699)	(265,421)	(115,198)	(33,207)	(148,405)
Profit for the year		1,843,368	4,035,602	5,878,970	764,449	672,168	1,436,617	443,227	431,999	875,226
Other comprehensive income/(loss) that will not be reclassified to profit or loss:										
Remeasurement of retirement benefit obligations		1,053	2,318	3,371	2,378	2,736	5,114	22,832	18,612	41,444
Deferred tax on remeasurement of retirement benefit obligations		(189)	(504)	(693)	(173)	(132)	(305)	(1,310)	(1,136)	(2,446)
Fair value gain/(loss) on equity investments designated at fair value through other comprehensive income		3	914	917	209	2,172	2,381	(101)	579	478
Revaluation gain/(loss) on equity investments designated at fair value through other comprehensive income		-	756	756	-	(902)	(902)	-	1,004	1,004
Other comprehensive income for the year		867	3,484	4,351	2,414	3,874	6,288	21,421	19,059	40,480
Total comprehensive income for the year attributable to equity holders of the parent		1,844,235	4,039,086	5,883,321	766,863	676,042	1,442,905	464,648	451,058	915,706

43. SEGMENTAL REPORTING (CONTINUED)

		2023			2022			2021		
		Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	Notes	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS										
Cash and balances with banks	VI	1,306,952	15,450,325	16,757,277	24,278,280	22,657,372	46,935,652	16,940,277	37,561,398	54,501,675
Due from banks	VII	14,948,388	32,733,728	47,682,116	8,992,114	38,341,063	47,333,177	20,127,740	41,154,774	61,282,514
Derivative financial instruments	VIII	212,788	172,762	385,550	223,204	148,775	371,979	227,587	180,293	407,880
Loans and advances to banks	X(a)	1,823,178	11,366,411	13,189,589	893,141	11,097,335	11,990,476	-	6,638,835	6,638,835
Loans and advances to customers	X(b)	20,926,023	18,340,958	39,266,981	14,249,145	13,007,479	27,256,624	10,753,505	7,996,424	18,749,929
Investment securities	IX	23,231,294	85,454,441	108,685,735	22,410,548	48,554,751	70,965,299	21,519,704	23,890,491	45,410,195
Other assets	XI	4,628,481	123,481	4,751,962	3,374,197	49,454	3,423,651	2,430,493	41,461	2,471,954
Property and equipment		49,732	109,429	159,161	55,428	63,778	119,206	75,716	61,721	137,437
Right of use assets		20,553	45,226	65,779	47,003	54,085	101,088	24,526	19,992	44,518
Intangible assets		113,354	249,424	362,778	168,524	193,912	362,436	159,037	129,642	288,679
Deferred tax assets		71,535	209,252	280,787	56,566	83,526	140,092	55,247	94,346	149,593
TOTAL ASSETS		67,332,278	164,255,437	231,587,715	74,748,150	134,251,530	208,999,680	72,313,832	117,769,377	190,083,209
EQUITY AND LIABILITIES										
LIABILITIES										
Due to banks	XII	-	-	-	-	1,644	1,644	1,000,025	97	1,000,122
Deposits from banks	XIII(a)	191,380	167,343	358,723	206,933	162,654	369,587	154,202	210,524	364,726
Deposits from customers	XIII(b)	48,049,555	165,182,913	213,232,468	44,156,916	152,918,803	197,075,719	39,039,475	139,807,083	178,846,558
Borrowings from financial institution		-	150,918	150,918	-	140,547	140,547	-	-	-
Derivative financial instruments	VIII	171,715	33,244	204,959	154,686	12,159	166,845	126,376	84,016	210,392
Current tax liabilities		325,874	496,099	821,973	124,911	57,789	182,700	80,616	5,031	85,647
Lease liabilities		20,205	44,458	64,663	46,673	53,705	100,378	26,255	21,403	47,658
Other liabilities	XIV	279,256	917,080	1,196,336	216,276	476,945	693,221	299,008	108,985	407,993
Retirement benefits obligations		34,663	76,273	110,936	36,844	42,396	79,240	40,321	32,868	73,189
TOTAL LIABILITIES		49,072,648	167,068,328	216,140,976	44,943,239	153,866,642	198,809,881	40,766,278	140,270,007	181,036,285
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT										
Ordinary shares				3,641,049			3,641,049			3,641,049
Class A shares				1,385,768			1,385,768			1,385,768
Retained earnings				7,704,188			3,547,780			2,664,794
Other reserves				2,715,734			1,615,202			1,355,313
TOTAL EQUITY				15,446,739			10,189,799			9,046,924
TOTAL EQUITY AND LIABILITIES				231,587,715			208,999,680			190,083,209

43. SEGMENTAL REPORTING (CONTINUED)

	2023			2022			2021		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
I INTEREST INCOME	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest income on financial instruments measured at amortised cost:									
- Due from banks (includes cash and balances with banks)	**710,100**	**1,399,207**	**2,109,307**	151,751	203,294	355,045	200,219	134,399	334,618
- Placements with the Central Bank	**19,614**	**-**	**19,614**	-	-	-	14,138	-	14,138
- Loans and advances to banks	**100,125**	**572,492**	**672,617**	12,934	190,431	203,365	7,236	70,795	78,031
- Loans and advances to customers	**898,788**	**955,748**	**1,854,536**	377,860	307,932	685,792	352,949	248,701	601,650
- Investment securities	**617,115**	**2,019,737**	**2,636,852**	533,356	232,167	765,523	510,264	145,711	655,975
Total interest income calculated using EIR	**2,345,742**	**4,947,184**	**7,292,926**	1,075,901	933,824	2,009,725	1,084,806	599,606	1,684,412
INTEREST EXPENSE									
Interest expense on financial instruments measured at amortised cost:									
- Due to banks	**16,885**	**9,624**	**26,509**	62,413	58,512	120,925	36,300	78,169	114,469
- Deposits from banks	**13,044**	**10,023**	**23,067**	3,404	1,337	4,741	1,684	37	1,721
- Deposits from customers	**595,663**	**931,338**	**1,527,001**	269,035	120,168	389,203	268,400	223,606	492,006
- Lease liabilities	**1,340**	**2,827**	**4,167**	1,466	1,272	2,738	2,446	1,352	3,798
Total interest expense calculated using EIR	**626,932**	**953,812**	**1,580,744**	336,318	181,289	517,607	308,830	303,164	611,994
NET INTEREST INCOME	**1,718,810**	**3,993,372**	**5,712,182**	739,583	752,535	1,492,118	775,976	296,442	1,072,418
II NET FEE AND COMMISSION INCOME									
Fee and commission income									
Fee and commission income	**129,442**	**663,911**	**793,353**	89,796	570,014	659,810	68,247	485,981	554,228
Card income	**119,633**	**51,984**	**171,617**	62,484	52,051	114,535	41,817	42,148	83,965
Custody fees income	**41,922**	**137,594**	**179,516**	47,339	134,500	181,839	50,424	143,472	193,896
Other fees	**48,965**	**47,564**	**96,529**	54,478	38,987	93,465	18,792	26,989	45,781
Total fee and commission income	**339,962**	**901,053**	**1,241,015**	254,097	795,552	1,049,649	179,280	698,590	877,870
Fee and commission expense									
Commission paid to other banks	**19,813**	**158,767**	**178,580**	15,416	141,940	157,356	13,306	117,839	131,145
Card expense	**40,461**	**96,191**	**136,652**	38,681	60,263	98,944	44,058	45,893	89,951
Custody fees expense	**16,599**	**39,461**	**56,060**	26,323	41,010	67,333	34,367	35,796	70,163
Retrocession fees	**7,789**	**18,518**	**26,307**	8,536	13,298	21,834	11,589	12,072	23,661
Other fees paid	**346**	**443**	**789**	392	1,254	1,646	220	230	450
Total fee and commission expense	**85,008**	**313,380**	**398,388**	89,348	257,765	347,113	103,540	211,830	315,370
Net fee and commission income	**254,954**	**587,673**	**842,627**	164,749	537,787	702,536	75,740	486,760	562,500

All fees are recognised at a point in time.

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

43. SEGMENTAL REPORTING (CONTINUED)

	2023			2022			2021		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
III NET TRADING INCOME	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Net gain on debt instruments measured at fair value through profit or loss	**134,202**	**160,998**	**295,200**	139,273	48,503	187,776	113,325	11,277	124,602
Gain/(loss) on other derivatives held for trading	**30,851**	**-**	**30,851**	109,806	-	109,806	58,563	(362)	58,201
Loss on foreign exchange derivatives	**(1,598)**	**(3,367)**	**(4,965)**	(16,330)	(18,374)	(34,704)	(37,344)	(34,047)	(71,391)
Gain on foreign exchange	**375,985**	**792,431**	**1,168,416**	425,202	478,414	903,616	436,168	397,663	833,831
	539,440	**950,062**	**1,489,502**	657,951	508,543	1,166,494	570,712	374,531	945,243
IV (a) OTHER GAINS/(LOSSES)									
Fair value gain/(loss) on equity Investment measured at fair value through profit or loss	**-**	**391**	**391**	-	(1,191)	(1,191)	-	1,696	1,696
	-	**391**	**391**	-	(1,191)	(1,191)	-	1,696	1,696
IV (b) OTHER OPERATING INCOME									
Other operating income:									
- Transaction and other related fees	**629**	**-**	**629**	-	-	-	(106)	-	(106)
	629	**-**	**629**	-	-	-	(106)	-	(106)
V NET IMPAIRMENT (CREDIT)/LOSS ON FINANCIAL ASSETS									
Cash and balances with banks	**802**	**367**	**1,169**	-	(10)	(10)	-	3	3
Due from banks	**12,716**	**(3,171)**	**9,545**	(509)	2,347	1,838	(2,490)	1,920	(570)
Loans and advances to banks	**2,022**	**8,786**	**10,808**	1,111	1,951	3,062	(1,694)	19,505	17,811
Loan and advances to customers	**(218,169)**	**2,431**	**(215,738)**	93,830	41,971	135,801	252,840	167,754	420,594
Debt instruments measured at amortised cost	**7,336**	**9,632**	**16,968**	(25,046)	2,929	(22,117)	33,376	35	33,411
Financial guarantee contracts and loan commitments	**25,798**	**6,553**	**32,351**	(17,497)	(1,459)	(18,956)	16,997	5,218	22,215
Trade and other receivables	**-**	**-**	**-**	-	-	-	3,669	-	3,669
Net impairment (credit)/losses	**(169,495)**	**24,598**	**(144,897)**	51,889	47,729	99,618	302,698	194,435	497,133
Bad debts recovered	**(1,841)**	**(96,907)**	**(98,748)**	(32,733)	(1,067)	(33,800)	(31,111)	(891)	(32,002)
	(171,336)	**(72,309)**	**(243,645)**	19,156	46,662	65,818	271,587	193,544	465,131

43. SEGMENTAL REPORTING (CONTINUED)

VI CASH AND BALANCES WITH BANKS

	2023			2022			2021		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash in hand	**46,007**	**-**	**46,007**	25,911	-	25,911	28,782	-	28,782
Unrestricted balances with the Central Bank	**1,247,661**	**-**	**1,247,661**	24,238,165	-	24,238,165	16,893,152	-	16,893,152
Current accounts with other banks	**14,086**	**15,450,708**	**15,464,794**	14,204	22,657,388	22,671,592	18,343	37,561,424	37,579,767
	1,307,754	**15,450,708**	**16,758,462**	24,278,280	22,657,388	46,935,668	16,940,277	37,561,424	54,501,701
Less: allowance for impairment losses	**(802)**	**(383)**	**(1,185)**	-	(16)	(16)	-	(26)	(26)
	1,306,952	**15,450,325**	**16,757,277**	24,278,280	22,657,372	46,935,652	16,940,277	37,561,398	54,501,675

VII DUE FROM BANKS

	2023			2022			2021		
At amortised cost:									
Short term collateralised placements	**-**	**-**	**-**	-	-	-	16,378,549	-	16,378,549
Short term placements with the Central Bank	**2,000,192**	**-**	**2,000,192**	-	-	-	-	-	-
Short term placements with other banks	**-**	**31,793,540**	**31,793,540**	-	28,180,618	28,180,618	-	35,060,944	35,060,944
Medium term collateralised placements	**11,542,587**	**-**	**11,542,587**	8,992,114	-	8,992,114	-	-	-
Medium term placements with other banks	**1,418,325**	**946,311**	**2,364,636**	-	10,169,739	10,169,739	3,749,700	6,100,777	9,850,477
	14,961,104	**32,739,851**	**47,700,955**	8,992,114	38,350,357	47,342,471	20,128,249	41,161,721	61,289,970
Less: allowance for impairment losses - Short term placements	**(13)**	**(5,278)**	**(5,291)**	-	(2,229)	(2,229)	-	(599)	(599)
Less: allowance for impairment losses - Others	**(12,703)**	**(845)**	**(13,548)**	-	(7,065)	(7,065)	(509)	(6,348)	(6,857)
	14,948,388	**32,733,728**	**47,682,116**	8,992,114	38,341,063	47,333,177	20,127,740	41,154,774	61,282,514

VIII DERIVATIVE FINANCIAL INSTRUMENTS

ASSETS

Derivative financial instruments

	2023			2022			2021		
Foreign exchange option contracts	**2,307**	**-**	**2,307**	127	728	855	530	1,520	2,050
Foreign exchange contracts	**8,768**	**-**	**8,768**	17,164	-	17,164	59,798	-	59,798
Cross currency interest rate swap	**183,625**	**-**	**183,625**	195,873	-	195,873	151,683	-	151,683
Interest rate swaps	**18,088**	**-**	**18,088**	10,040	-	10,040	2,870	-	2,870
Options contracts (structured deposits)	**-**	**172,762**	**172,762**	-	145,749	145,749	12,706	178,773	191,479
Accumulators/Decumulators	**-**	**-**	**-**	-	2,298	2,298	-	-	-
	212,788	**172,762**	**385,550**	223,204	148,775	371,979	227,587	180,293	407,880

LIABILITIES

Derivative financial instruments

	2023			2022			2021		
Foreign exchange option contracts	**(14)**	**(2,473)**	**(2,487)**	(50)	(1,075)	(1,125)	-	(2,050)	(2,050)
Foreign exchange contracts	**(6,187)**	**-**	**(6,187)**	(7,633)	-	(7,633)	(13,701)	-	(13,701)
Interest rate swaps	**(18,088)**	**(5,435)**	**(23,523)**	(10,040)	-	(10,040)	-	(3,162)	(3,162)
Options contracts (structured deposits)	**(147,426)**	**(25,336)**	**(172,762)**	(136,963)	(8,786)	(145,749)	(112,675)	(78,804)	(191,479)
Accumulators/Decumulators	**-**	**-**	**-**	-	(2,298)	(2,298)	-	-	-
	(171,715)	**(33,244)**	**(204,959)**	(154,686)	(12,159)	(166,845)	(126,376)	(84,016)	(210,392)

43. SEGMENTAL REPORTING (CONTINUED)

IX INVESTMENT SECURITIES

	2023			2022			2021		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets held for trading measured at fair value through profit or loss (a)	**2,947,463**	**2,045,549**	**4,993,012**	3,649,532	2,030,218	5,679,750	3,994,426	1,540,387	5,534,813
Debt instruments measured at amortised cost (b)	**20,281,494**	**83,393,368**	**103,674,862**	18,758,682	46,511,070	65,269,752	17,523,153	22,336,720	39,859,873
Equity investments designated at fair value through other comprehensive income (c)	**2,337**	**14,619**	**16,956**	2,334	12,949	15,283	2,125	11,679	13,804
Equity investment measured at fair value through profit or loss (d)	**-**	**905**	**905**	-	514	514	-	1,705	1,705
	23,231,294	**85,454,441**	**108,685,735**	22,410,548	48,554,751	70,965,299	21,519,704	23,890,491	45,410,195

(a) FINANCIAL ASSETS HELD FOR TRADING MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading assets:									
Government of Mauritius debt securities	**1,338,846**	**-**	**1,338,846**	611,184	-	611,184	2,805,517	-	2,805,517
Bank of Mauritius bonds and notes	**1,608,617**	**-**	**1,608,617**	3,038,348	-	3,038,348	1,038,656	-	1,038,656
Local securities : corporate bonds and notes	**-**	**-**	**-**	-	-	-	150,253	-	150,253
Foreign securities: corporate bonds and notes	**-**	**2,045,549**	**2,045,549**	-	2,030,218	2,030,218	-	1,540,387	1,540,387
	2,947,463	**2,045,549**	**4,993,012**	3,649,532	2,030,218	5,679,750	3,994,426	1,540,387	5,534,813

(b) DEBT INSTRUMENTS MEASURED AT AMORTISED COST

Government of Mauritius treasury bills and bonds	**12,032,395**	**-**	**12,032,395**	11,073,356	-	11,073,356	12,177,847	-	12,177,847
Bank of Mauritius bonds and notes	**5,491,485**	**-**	**5,491,485**	5,749,250	-	5,749,250	3,432,443	-	3,432,443
Local securities: corporate bonds and notes	**2,779,373**	**-**	**2,779,373**	1,950,499	-	1,950,499	1,952,332	-	1,952,332
Foreign securities: corporate bonds and notes	**-**	**15,881,805**	**15,881,805**	-	12,217,706	12,217,706	-	5,119,520	5,119,520
Foreign securities: sovereign bills, bonds and notes	**-**	**67,525,859**	**67,525,859**	-	34,298,028	34,298,028	-	17,218,935	17,218,935
	20,303,253	**83,407,664**	**103,710,917**	18,773,105	46,515,734	65,288,839	17,562,622	22,338,455	39,901,077
Less: allowance for impairment losses	**(21,759)**	**(14,296)**	**(36,055)**	(14,423)	(4,664)	(19,087)	(39,469)	(1,735)	(41,204)
	20,281,494	**83,393,368**	**103,674,862**	18,758,682	46,511,070	65,269,752	17,523,153	22,336,720	39,859,873

(c) EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equities securities:									
At 1 July	**2,334**	**12,949**	**15,283**	2,125	11,679	13,804	2,226	7,447	9,673
Additions	**-**	**-**	**-**	-	-	-	-	2,649	2,649
Fair value movement	**3**	**914**	**917**	209	2,172	2,381	(101)	579	478
Exchange gains/(losses)	**-**	**756**	**756**	-	(902)	(902)	-	1,004	1,004
At 30 June	**2,337**	**14,619**	**16,956**	2,334	12,949	15,283	2,125	11,679	13,804

(d) EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

At 1 July	**-**	**514**	**514**	-	1,705	1,705	-	-	-
Acquisition during the year	**-**	**-**	**-**	-	-	-	-	9	9
Fair value movement	**-**	**391**	**391**	-	(1,191)	(1,191)	-	1,696	1,696
At 30 June	**-**	**905**	**905**	-	514	514	-	1,705	1,705

43. SEGMENTAL REPORTING (CONTINUED)

X(a) LOANS AND ADVANCES TO BANKS

	2023			2022			2021		
	Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Remaining term to maturity									
Within 3 months	456,170	414,546	870,716	-	2,434,017	2,434,017	-	-	-
Over 3 to 6 months	-	692,981	692,981	-	672,276	672,276	-	341,954	341,954
Over 6 to 12 months	913,017	3,685,238	4,598,255	-	966,352	966,352	-	1,277,517	1,277,517
Over 1 to 5 years	457,124	6,613,864	7,070,988	894,252	7,056,122	7,950,374	-	5,048,845	5,048,845
Gross loans and advances to banks	1,826,311	11,406,629	13,232,940	894,252	11,128,767	12,023,019	-	6,668,316	6,668,316
Less: Allowance for impairment losses	(3,133)	(40,218)	(43,351)	(1,111)	(31,432)	(32,543)	-	(29,481)	(29,481)
Net loans and advances to banks	1,823,178	11,366,411	13,189,589	893,141	11,097,335	11,990,476	-	6,638,835	6,638,835

	2023					Total provision		
	Gross amount of loans	Non performing loans	Stage 1	Stage 2	Stage 3	2023	2022	2021
Loss allowance by sector	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial and business services	13,232,940	-	43,351	-	-	43,351	32,543	29,481

	2023					Total provision		
Analysed by Segments:	Gross amount of loans	Non performing loans	STAGE 1	STAGE 2	STAGE 3	2023	2022	2021
Segment A	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial and business services	1,826,311	-	3,133	-	-	3,133	1,111	-
Segment B								
Financial and business services	11,406,629	-	40,218	-	-	40,218	31,432	29,481

43. SEGMENTAL REPORTING (CONTINUED)

	2023			2022			2021		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
X (b) LOANS AND ADVANCES TO CUSTOMERS	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(a) Remaining term to maturity									
Within 3 months	**7,252,354**	**2,682,409**	**9,934,763**	5,683,059	3,121,746	8,804,805	3,111,690	3,918,780	7,030,470
Over 3 to 6 months	**1,182,198**	**1,215,882**	**2,398,080**	232,166	2,807,112	3,039,278	166,927	66,617	233,544
Over 6 to 12 months	**599,279**	**571,890**	**1,171,169**	166,907	1,297,938	1,464,845	63,655	543,572	607,227
Over 1 to 5 years	**4,844,072**	**12,525,696**	**17,369,768**	3,165,615	6,854,613	10,020,228	3,162,672	4,658,242	7,820,914
Over 5 years	**7,514,929**	**2,808,369**	**10,323,298**	5,848,137	367,920	6,216,057	5,038,731	701,911	5,740,642
Gross loans and advances to customers	**21,392,832**	**19,804,246**	**41,197,078**	15,095,884	14,449,329	29,545,213	11,543,675	9,889,122	21,432,797
Less: Allowances for impairment losses	**(466,809)**	**(1,463,288)**	**(1,930,097)**	(846,739)	(1,441,850)	(2,288,589)	(790,170)	(1,892,698)	(2,682,868)
Net loans and advances to customers	**20,926,023**	**18,340,958**	**39,266,981**	14,249,145	13,007,479	27,256,624	10,753,505	7,996,424	18,749,929
(b) Credit concentration of risk by industry sectors									
Agriculture and fishing	**198,397**	**987,416**	**1,185,813**	155,473	977,115	1,132,588	106,856	868,762	975,618
Manufacturing	**849,468**	**3,818,469**	**4,667,937**	637,827	2,182,600	2,820,427	388,832	3,123,693	3,512,525
Tourism	**3,196,725**	**560,439**	**3,757,164**	3,418,574	548,416	3,966,990	4,008,196	570,775	4,578,971
Transport	**146,122**	**790,327**	**936,449**	32,159	466,561	498,720	33,061	178,615	211,676
Construction, infrastructure and real estate	**2,345,798**	**1,389,002**	**3,734,800**	1,149,663	1,517,816	2,667,479	1,150,372	699,483	1,849,855
Financial and business services	**2,912,667**	**5,465,100**	**8,377,767**	533,758	3,573,129	4,106,887	1,418,912	1,932,100	3,351,012
Traders	**6,409,658**	**2,552,247**	**8,961,905**	4,002,103	3,591,693	7,593,796	649,444	1,122,377	1,771,821
Personal	**3,089,069**	**663,467**	**3,752,536**	2,664,471	632,125	3,296,596	2,332,341	452,522	2,784,863
Professional	**481,611**	**908,839**	**1,390,450**	-	72,587	72,587	-	66,050	66,050
Information, communication and technology	**748,237**	**647,739**	**1,395,976**	627,668	877,817	1,505,485	388,826	874,057	1,262,883
Government and parastatal bodies	**-**	**2,020,943**	**2,020,943**	185,349	-	185,349	-	-	-
Other entities	**1,015,080**	**258**	**1,015,338**	1,688,839	9,470	1,698,309	1,066,835	688	1,067,523
	21,392,832	**19,804,246**	**41,197,078**	15,095,884	14,449,329	29,545,213	11,543,675	9,889,122	21,432,797

43. SEGMENTAL REPORTING (CONTINUED)

X (b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Credit concentration of risk by industry sectors (continued)

Loss allowance by sector	2023					Total provision		
	Gross amount of loans	**Non performing loans**	**Stage 1**	**Stage 2**	**Stage 3**	**2023**	2022	2021
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000
Agriculture and fishing	**1,185,813**	**554,883**	**3,997**	**1,112**	**554,883**	**559,992**	466,205	411,262
Manufacturing	**4,667,937**	**-**	**8,573**	**28,841**	**-**	**37,414**	178,849	764,318
Tourism	**3,757,164**	**-**	**25,154**	**37,664**	**-**	**62,818**	346,879	221,391
Transport	**936,449**	**237,568**	**2,969**	**2,141**	**214,768**	**219,878**	3,454	906
Construction, infrastructure and real estate	**3,734,800**	**12,506**	**15,487**	**28,363**	**12,108**	**55,958**	271,618	298,686
Financial and business services	**8,377,767**	**574,897**	**36,331**	**2,509**	**548,004**	**586,844**	695,845	672,775
Traders	**8,961,905**	**10,482**	**32,680**	**448**	**10,482**	**43,610**	24,921	21,372
Personal	**3,752,536**	**114,278**	**29,020**	**51,006**	**84,919**	**164,945**	116,819	148,212
Professional	**1,390,450**	**22,962**	**284**	**16,530**	**3,324**	**20,138**	21	48
Information, communication and technology	**1,395,976**	**156,015**	**7,359**	**555**	**149,351**	**157,265**	158,984	127,648
Government and parastatal bodies	**2,020,943**	**-**	**17,247**	**-**	**-**	**17,247**	641	-
Other entities	**1,015,338**	**-**	**3,321**	**667**	**-**	**3,988**	24,353	16,250
	41,197,078	**1,683,591**	**182,422**	**169,836**	**1,577,839**	**1,930,097**	2,288,589	2,682,868

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

43. SEGMENTAL REPORTING (CONTINUED)

X (b) LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Credit concentration of risk by industry sectors (continued)

Loss allowance by sector (continued)

Analysed by Segments:	2023					Total provision		
	Gross amount of loans	Non performing loans	Stage 1	Stage 2	Stage 3	2023	2022	2021
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Segment A								
Agriculture and fishing	198,397	1,757	492	-	1,757	2,249	607	1,558
Manufacturing	849,468	-	2,247	86	-	2,333	158,595	161,184
Tourism	3,196,725	-	21,255	29,273	-	50,528	310,250	202,629
Transport	146,122	-	131	2,141	-	2,272	529	654
Construction, infrastructure and real estate	2,345,798	12,506	10,338	28,363	12,108	50,809	55,317	96,824
Financial and business services	2,912,667	-	4,495	2,509	-	7,004	10,023	22,101
Traders	6,409,658	10,482	7,864	448	10,482	18,794	15,391	19,037
Personal	3,089,069	91,962	26,267	47,825	79,514	153,606	113,183	142,854
Professional	481,611	22,962	32	15,302	3,324	18,658	-	-
Information, communication and technology	748,237	156,015	6,663	555	149,351	156,569	158,074	127,085
Government and parastatal bodies	-	-	-	-	-	-	417	-
Others entities	1,015,080	-	3,320	667	-	3,987	24,353	16,244
	21,392,832	295,684	83,104	127,169	256,536	466,809	846,739	790,170
Segment B								
Agriculture and fishing	987,416	553,126	3,505	1,112	553,126	557,743	465,598	409,704
Manufacturing	3,818,469	-	6,326	28,755	-	35,081	20,254	603,134
Tourism	560,439	-	3,899	8,391	-	12,290	36,629	18,762
Transport	790,327	237,568	2,838	-	214,768	217,606	2,925	252
Construction, infrastructure and real estate	1,389,002	-	5,149	-	-	5,149	216,301	201,862
Financial and business services	5,465,100	574,897	31,836	-	548,004	579,840	685,822	650,674
Traders	2,552,247	-	24,816	-	-	24,816	9,530	2,335
Personal	663,467	22,316	2,753	3,181	5,405	11,339	3,636	5,358
Professional	908,839	-	252	1,228	-	1,480	21	48
Information, communication and technology	647,739	-	696	-	-	696	910	563
Government and parastatal bodies	2,020,943	-	17,247	-	-	17,247	224	-
Others entities	258	-	1	-	-	1	-	6
	19,804,246	1,387,907	99,318	42,667	1,321,303	1,463,288	1,441,850	1,892,698

43. SEGMENTAL REPORTING (CONTINUED)

	2023			2022			2021		
	Segment A	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
XI OTHER ASSETS									
Mandatory balances with the Central Bank	**4,441,107**	**-**	**4,441,107**	3,189,239	-	3,189,239	2,276,930	-	2,276,930
Indirect and other taxes receivable	**136,686**	**-**	**136,686**	115,505	-	115,505	98,960	-	98,960
Prepaid expenses	**31,972**	**62,381**	**94,353**	43,649	45,752	89,401	25,130	31,602	56,732
Other receivables	**18,716**	**61,100**	**79,816**	25,804	3,702	29,506	29,473	9,859	39,332
	4,628,481	**123,481**	**4,751,962**	3,374,197	49,454	3,423,651	2,430,493	41,461	2,471,954
XII DUE TO BANKS									
At amortised cost:									
Borrowings from other banks	**-**	**-**	**-**	-	-	-	1,000,025	-	1,000,025
Bank overdraft	**-**	**-**	**-**	-	1,644	1,644	-	97	97
	-	**-**	**-**	-	1,644	1,644	1,000,025	97	1,000,122
XIII(a) DEPOSITS FROM BANKS									
At amortised cost:									
- Current accounts	**12**	**16,256**	**16,268**	12	16,089	16,101	12	17,243	17,255
- Savings accounts	**191,368**	**151,087**	**342,455**	206,921	146,565	353,486	154,190	193,281	347,471
	191,380	**167,343**	**358,723**	206,933	162,654	369,587	154,202	210,524	364,726
XIII(b) DEPOSITS FROM CUSTOMERS									
At amortised cost:									
Personal									
- Current accounts	**4,581,456**	**18,309,605**	**22,891,061**	6,179,815	19,886,308	26,066,123	4,909,065	17,441,759	22,350,824
- Savings accounts	**4,035,562**	**906,635**	**4,942,197**	3,895,800	832,840	4,728,640	3,832,448	913,120	4,745,568
- Term deposits	**7,831,132**	**7,703,964**	**15,535,096**	5,219,966	3,310,084	8,530,050	5,480,375	3,322,824	8,803,199
Business									
- Current accounts	**20,101,632**	**95,742,824**	**115,844,456**	21,162,667	111,459,233	132,621,900	17,952,103	101,336,731	119,288,834
- Savings accounts	**536,316**	**10,810**	**547,126**	698,913	8,483	707,396	1,016,202	7,874	1,024,076
- Term deposits	**9,295,199**	**42,509,075**	**51,804,274**	4,723,352	17,421,855	22,145,207	3,962,737	16,784,775	20,747,512
Government institutions									
- Current accounts	**557,556**	**-**	**557,556**	770,487	-	770,487	1,592,014	-	1,592,014
- Savings accounts	**18,349**	**-**	**18,349**	17,873	-	17,873	17,749	-	17,749
- Term deposits	**1,092,353**	**-**	**1,092,353**	1,488,043	-	1,488,043	276,782	-	276,782
	48,049,555	**165,182,913**	**213,232,468**	44,156,916	152,918,803	197,075,719	39,039,475	139,807,083	178,846,558
XIV OTHER LIABILITIES									
Dividend payable	**226**	**119**	**345**	225	119	344	84,983	119	85,102
Accruals for expenses	**57,657**	**41,645**	**99,302**	42,799	53,193	95,992	39,983	37,447	77,430
Settlement clearing accounts	**67,697**	**359,244**	**426,941**	54,349	46,196	100,545	64,419	-	64,419
Personnel expenses related accruals	**114,584**	**234,060**	**348,644**	101,807	107,567	209,374	80,164	63,941	144,105
Provisions	**35,797**	**281,953**	**317,750**	12,468	268,128	280,596	27,154	7,422	34,576
Other payables	**3,295**	**59**	**3,354**	4,628	1,742	6,370	2,305	56	2,361
	279,256	**917,080**	**1,196,336**	216,276	476,945	693,221	299,008	108,985	407,993

NOTES

AFRASIA
bank different

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