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MANAGEMENT DISCUSSION AND ANALYSIS

ABC Banking Corporation Ltd (the “bank”) is pleased to present the abridged unaudited interim financial statements of the bank for the quarter ended 30 September 2023.

Review of the Economy

The IMF in its World Economic Outlook of October 2023 is projecting growth to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. However, global economy continues to recover slowly from the various crises and has been resilient despite the disruption in energy and food markets and tightening of global monetary conditions to curb inflation rate. Global inflation is predicted to decline steadily, from 8.7% in 2022 to 7.0% in 2023 and 6.4% in 2024 and is not expected to return to pre-covid levels until 2025.

On the local front, as per Statistics Mauritius, year-on-year inflation worked out to 5.2% in September 2023 compared to 11.9% in September 2022 whereas headline inflation for the twelve months ending September 2023 worked out to 9.0% compared to 9.4% for the same period last year. GDP is forecast to grow by 6.8% in 2023 compared to 8.9% in 2022. The growth for 2023 is due to higher growth rate expected in the construction, transportation & storage and financial and insurance activities sectors. The local economy supported by fiscal and monetary policies has had positive impact with the different sectors performing above expectation with strong financial results in Q2, 2023.

Review of Financial Performance

For the first quarter ended 30 September 2023, the bank recorded profit after tax of MUR 82.6 million compared to MUR 65.5 million for the same period last year, a growth of 26.1%. The main highlights of the financial performance are as follows:

1. The bank registered a net interest income of MUR 158.5 million for quarter ended 30 September 2023 compared to MUR 129.9 million same period last year.
2. Non-interest income decreased by 4.7% for the quarter ended 30 September 2023 compared to the same period last year to end up at MUR 41.4 million.
3. Non-Interest Expenses ended at MUR 121.5 million for the quarter ended 30 September 2023 with personnel expenses representing 53.5% of total non-interest expenses.
4. The bank’s loans and advances portfolio balance moved to MUR 12.6 billion as at 30 September 2023 representing an increase of 26.7% compared to last year same period.
5. Deposit from customers increased to MUR 20.7 billion as at 30 September 2023 compared to MUR 18.9 billion for the same period last year, representing a growth of 9.1%.
6. The bank’s Capital Adequacy Ratio stood at 14.9%, similar to what it was for the same period last year. With the current capital base, the bank has sufficient resources to both meet its regulatory requirements of 12.5% and further expand its asset base.
7. The Liquidity Coverage Ratio stood at 564% as at 30 September 2023.

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

Ah Foon Chui Yew Cheong
Chairperson

Brian Ah-Chuen
Executive Director

Bhanu Pratabsingh Jadoo
Chairperson Audit Committee

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

	Unaudited Quarter ended Sep-23 MUR	Unaudited Quarter ended Sep-22 MUR	Audited Year ended Jun-22 MUR
Interest income	293,806,216	184,375,876	926,075,953
Interest expense	(135,286,498)	(54,449,755)	(329,727,500)
Net interest income	158,519,718	129,926,121	596,348,453
Fee and commission income	32,726,282	36,074,846	132,836,647
Fee and commission expense	(12,003,788)	(10,749,831)	(41,495,813)
Net fee and commission income	20,722,494	25,325,015	91,340,834
Total other income	20,668,368	18,118,925	88,883,351
Operating income	199,910,580	173,370,061	776,572,638
Non interest expenses	(121,468,922)	(103,159,244)	(484,430,128)
Operating profit before impairment	78,441,658	70,210,817	292,142,510
Allowance for credit impairment	15,599,183	5,046,553	51,275,100
Operating profit before tax	94,040,841	75,257,370	343,417,610
Income tax expense	(11,402,101)	(9,716,000)	(45,258,555)
Profit for the period	82,638,740	65,541,370	298,159,055
Other comprehensive income/ (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Net gain/ (loss) on investments in equity instruments designated at fair value through other comprehensive income	1,418,294	(7,837,382)	(19,605,087)
Remeasurement of retirement pension net of deferred tax	-	-	(5,794,845)
	1,418,294	(7,837,382)	(25,399,932)
Items that may be reclassified subsequently to profit or loss:			
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	(131,953)	(275,292)	(1,900,610)
Net gain/(loss) on investments in debt instruments designated at fair value through other comprehensive income	6,137,279	(13,802,586)	(7,570,853)
	6,005,326	(14,077,878)	(9,471,463)
Other comprehensive income/(loss) for the period	7,423,620	(21,915,260)	(34,871,395)
Total comprehensive income	90,062,360	43,626,110	263,287,660
Weighted average number of ordinary shares	76,271,872	76,271,872	76,271,872
Basic and diluted - earnings per share	1.08	0.86	3.91

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	Unaudited Sep-23 MUR	Unaudited Sep-22 MUR	Audited Jun-23 MUR
ASSETS			
Cash and cash equivalents	4,852,772,220	4,268,596,707	5,570,184,787
Due from banks	156,484,890	817,974,134	-
Derivative financial assets	62,932,912	53,034,513	26,136,555
Loans and advances to customers	12,563,163,570	9,916,869,129	11,271,884,668
Investment securities	5,739,490,732	6,132,963,451	5,952,304,559
Other assets	169,568,080	947,111,285	175,642,217
Property, equipment and right-of-use assets	549,595,763	578,598,797	555,659,704
Intangible assets	78,676,089	94,562,066	82,645,706
Deferred tax assets	3,145,827	6,183,237	4,245,128
Total assets	24,175,830,083	22,815,893,319	23,638,703,324
LIABILITIES			
Deposits from customers	20,677,031,358	18,948,326,646	20,354,310,098
Derivative financial liabilities	23,743,077	8,257,295	25,518,459
Subordinated debts	512,657,534	511,398,116	505,379,452
Current tax liabilities	50,275,553	30,643,187	39,972,753
Other liabilities	524,472,896	1,192,816,479	415,935,254
Total liabilities	21,788,180,418	20,691,441,723	21,341,116,016
Shareholders' Equity			
Issued capital	940,495,472	940,495,472	940,495,472
Retained earnings	1,204,043,073	985,831,190	1,121,404,335
Other reserves	243,111,120	198,124,934	235,687,501
Capital and reserves	2,387,649,665	2,124,451,596	2,297,587,308
Total liabilities and equity	24,175,830,083	22,815,893,319	23,638,703,324
Contingent liabilities			
Guarantees on account of customers	23,395,131	24,207,334	27,087,930
Letter of credit and other obligations on account of customers	-	3,479,030	-
Commitments	2,982,572,202	2,286,634,564	3,162,936,570

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

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

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Unaudited Quarter ended Sep-23 MUR	Unaudited Quarter ended Sep-22 MUR	Audited Year ended Jun-23 MUR
Net cash generated/(used in) from operating activities	(780,543,608)	1,044,522,139	2,024,808,255
Net cash generated/(used in) from investing activities	218,164,026	251,215,971	420,772,052
Net cash generated/(used in) from financing activities	266,556	(539,729)	(48,877,864)
Net increase/(decrease) in cash and cash equivalents	(562,113,025)	1,295,198,380	2,396,702,443
Net foreign exchange difference	(155,299,542)	(121,211,791)	78,872,226
Net cash and cash equivalents at beginning of period / year	5,570,184,787	3,094,610,118	3,094,610,118
Net cash and cash equivalents at end of period / year	4,852,772,220	4,268,596,707	5,570,184,787