ABC BANKING CORPORATION
count on us

Abridged Unaudited Interim Financial Statements for the Quarter ended 31 December 2022

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MANAGEMENT DISCUSSION AND ANALYSIS

ABC Banking Corporation Ltd ("bank") is pleased to present the abridged unaudited interim financial statements of the bank for the quarter ended 31 December 2022.

Review of the Economy

Global economy continues to face challenges with the IMF maintaining the growth in global output for 2022 at 3.2% in its October 2022 economic outlook compared to its initial prediction of 4.4%. Price pressures are now spreading beyond food and energy, resulting in a spilling over effect to high core goods and services. Inflation exceeded all forecasts in 2022, prompting central banks across both advanced and developing countries to raised interest rates and tightened monetary policy. On the local front, as per Statistics Mauritius, year-on-year inflation worked out to 12.2% in December 2022 compared to 6.8% in December 2021 whereas headline inflation for the twelve months ending December 2022 worked out to 10.8%. The Mauritian economy continues to recover with GDP forecasted to grow at a higher rate of 7.8% in 2022 compared to the 3.5% growth in 2021. The domestic economic recovery has progressed in the right direction, supported by greater dynamism across key sectors of the economy. The services sector reinforced further in the last quarter of the year, underpinned by the resilience in tourism.

Review of Financial Performance

For the second quarter ended 31 December 2022, the bank recorded a Profit before impairment of MUR 69.3 million compared to MUR 61.1 million for the same period last year, a growth of 13%. The main highlights of the financial performance are as follows:

1. The bank registered a net interest income of MUR 136.5 million for quarter ended 31 December 2022 compared to MUR 110.1 million same period last year.
2. Non-interest income increased by 16.1% for the quarter ended 31 December 2022 compared to the same period last year to reach MUR 41.8 million.
3. Non-Interest Expenses ended at MUR 106.4 million for the quarter ended 31 December 2022 with personnel expenses representing 56.7% of total non-interest expenses.
4. The bank's loans and advances portfolio balance moved to MUR 10.03 billion as at 31 December 2022 representing an increase of 1.1% compared to last quarter and an increase of 3.8% compared to last year same period.
5. Deposit from customers decreased marginally from MUR 18.9 billion to MUR 18.7 billion, representing a drop of 1.2%.
6. The bank's Capital Adequacy Ratio is at 15.1% compared to last year 15.6%. 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 583% as at 31 December 2022.

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

Approved by the Board of Directors on 10 February 2023.

Ah Foon Chui Yew Cheong Chairperson	**Professor Donald Ah-Chuen, G.O.S.K** Managing Director	**Bhanu Pratabsingh Jaddoo** Chairperson Audit Committee

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2022

	Unaudited Quarter ended Dec-22 MUR	Unaudited Quarter ended Dec-21 MUR	Unaudited Six months ended Dec-22 MUR	Unaudited Six months ended Dec-21 MUR	Audited Year ended June 2022 MUR
Interest income	**209,370,303**	168,828,332	393,746,179	336,147,162	669,713,560
Interest expense	**(72,913,169)**	(58,737,779)	(127,362,924)	(118,063,573)	(221,027,736)
Net interest income	**136,457,134**	110,090,553	266,383,255	218,083,589	448,685,824
Fee and commission income	**31,251,656**	30,254,480	67,326,502	62,732,368	122,486,446
Fee and commission expense	**(11,795,334)**	(9,468,053)	(22,545,165)	(17,398,507)	(35,434,019)
Net fee and commission income	**19,456,322**	20,786,427	44,781,337	45,333,861	87,052,427
Total other income	**22,308,770**	15,172,740	40,427,695	26,745,818	82,664,980
Operating income	**178,222,226**	146,049,720	351,592,287	290,163,268	618,403,231
Non interest expenses	**(106,418,673)**	(88,908,914)	(209,577,917)	(172,627,110)	(387,963,705)
Operating profit before impairment	**71,803,553**	57,140,806	142,014,370	117,536,158	230,439,526
Allowance for credit impairment	**7,609,887**	13,226,523	12,656,440	(1,586,368)	(3,342,995)
Operating profit before tax	**79,413,440**	70,367,329	154,670,810	115,949,790	227,096,531
Income tax expense	**(10,149,311)**	(9,253,696)	(19,865,311)	(17,079,046)	(26,053,939)
Profit for the period	**69,264,129**	61,113,633	134,805,499	98,870,744	201,042,592
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Net (loss)/gain on investments in equity instruments designated at fair value through other comprehensive income	**(3,678,481)**	8,124,480	(11,515,863)	8,444,131	7,883,548
Fair value gain on disposal in equity	**-**	-	-	-	932,408
Remeasurement of retirement pension net of deferred tax	**-**	-	-	-	(2,190,877)
	(3,678,481)	8,124,480	(11,515,863)	8,444,131	6,625,079
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	**(783,345)**	(11,330,623)	(1,058,637)	(192,032)	(2,376,443)
Net gain/(loss) on investments in debt instruments designated at fair value through other comprehensive income	**371,942**	(8,650,684)	(13,430,644)	7,236,905	(11,822,983)
	(411,403)	(19,981,307)	(14,489,281)	7,044,873	(14,199,426)
Other comprehensive (loss)/income for the period	**(4,089,884)**	(11,856,827)	(26,005,144)	15,489,004	(7,574,347)
Total comprehensive income	**65,174,245**	49,256,806	108,800,355	114,359,748	193,468,245
Weighted average number of ordinary shares	**76,271,872**	76,271,872	76,271,872	76,271,872	76,271,872
Basic and diluted - earnings per share	**0.91**	0.80	1.77	1.30	2.64

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Unaudited Dec-22 MUR	Unaudited Dec-21 MUR	Audited Jun-22 MUR
ASSETS			
Cash and cash equivalents	**4,257,174,696**	3,827,777,998	3,094,610,118
Due from banks	**-**	609,786,532	966,675,490
Derivative financial assets	**12,769,201**	19,433,351	50,004,747
Loans and advances to customers	**10,025,407,349**	9,662,679,582	10,013,946,960
Investment securities	**6,126,741,282**	6,817,593,381	6,407,507,165
Property, equipment and right-of-use assets	**570,164,372**	574,391,796	587,085,644
Intangible assets	**90,587,708**	47,173,178	98,455,590
Deferred tax assets	**5,368,363**	10,436,694	7,574,450
Other assets	**956,026,343**	964,404,076	929,581,796
Total assets	**22,044,239,314**	22,533,676,588	22,155,441,960
LIABILITIES			
Deposits from customers	**18,724,586,594**	19,487,355,635	19,016,751,814
Derivative financial liabilities	**23,176,573**	633,817	9,404,846
Subordinated debts	**505,362,329**	504,861,130	504,821,233
Current tax liabilities	**18,691,915**	5,058,730	10,250,861
Other liabilities	**629,321,904**	492,863,476	533,387,720
Total liabilities	**19,901,139,315**	20,490,772,788	20,074,616,474
Shareholders' Equity			
Issued capital	**940,495,472**	940,495,472	940,495,472
Retained earnings	**1,008,569,477**	890,719,641	920,289,820
Other reserves	**194,035,050**	211,688,687	220,040,194
Capital and reserves	**2,143,099,999**	2,042,903,800	2,080,825,486
Total liabilities and equity	**22,044,239,314**	22,533,676,588	22,155,441,960
Contingent liabilities			
Guarantees on account of customers	**23,306,769**	31,312,230	35,671,805
Letter of credit and other obligations on account of customers	**5,449,397**	2,776,438	-
Commitments	**3,322,468,942**	1,900,905,685	1,916,325,200

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022

	Issued Capital MUR	Retained Earnings MUR	Statutory Reserve MUR	Other Reserves MUR	Total MUR
At 01 July 2021	940,495,472	791,848,897	182,578,414	13,621,269	1,928,544,052
Profit for the period	-	98,870,744	-	-	98,870,744
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	-	-	-	(192,032)	(192,032)
Other comprehensive income for the period	-	-	-	15,681,036	15,681,036
Total comprehensive income for the period	-	98,870,744	-	15,489,004	114,359,748
At 31 December 2021	940,495,472	890,719,641	182,578,414	29,110,273	2,042,903,800
At 01 July 2021	940,495,472	791,848,897	182,578,414	13,621,269	1,928,544,052
Profit for the year	-	201,042,592	-	-	201,042,592
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	-	-	-	(2,376,443)	(2,376,443)
Other comprehensive income for the period	-	(1,258,469)	-	(3,939,435)	(5,197,904)
Total comprehensive income for the period	-	199,784,123	-	(6,315,878)	193,468,245
Transfer to statutory reserve	-	(30,156,389)	30,156,389	-	-
Equity dividends	-	(41,186,811)	-	-	(41,186,811)
At 30 June 2022	940,495,472	920,289,820	212,734,803	7,305,391	2,080,825,486
At 01 July 2022	**940,495,472**	**920,289,820**	**212,734,803**	**7,305,391**	**2,080,825,486**
Profit for the period	**-**	**134,805,499**	**-**	**-**	**134,805,499**
Expected credit loss allowance relating to debt instruments designated at fair value through other comprehensive income	**-**	**-**	**-**	**(1,058,637)**	**(1,058,637)**
Other comprehensive loss for the period	**-**	**-**	**-**	**(24,946,507)**	**(24,946,507)**
Total comprehensive income for the period	**-**	**134,805,499**	**-**	**(26,005,144)**	**108,800,355**
Equity dividends	**-**	**(46,525,842)**	**-**	**-**	**(46,525,842)**
At 31 December 2022	**940,495,472**	**1,008,569,477**	**212,734,803**	**(18,699,753)**	**2,143,099,999**

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2022

	Unaudited Six months ended Dec-22 MUR	Unaudited Six months ended Dec-21 MUR	Audited Year ended Jun-22 MUR
Net cash generated from/(used in) operating activities	**892,830,399**	(776,215,990)	(1,594,992,609)
Net cash generated from/(used in) investing activities	**251,861,814**	(312,395,859)	13,592,220
Net cash generated from/(used in) financing activities	**(1,435,093)**	-	(183,181,924)
Net increase/(decrease) in cash and cash equivalents	**1,143,257,120**	(1,088,611,849)	(1,764,582,313)
Net foreign exchange difference	**19,307,458**	44,614,469	(12,582,947)
Net cash and cash equivalents at beginning of period / year	**3,094,610,118**	4,871,775,378	4,871,775,378
Net cash and cash equivalents at end of period / year	**4,257,174,696**	3,827,777,998	3,094,610,118