Independent Auditors' Report to the Members of MauBank Ltd

Report on the audit of the financial statements

Opinion

We have audited the consolidated and separate financial statements of MauBank Ltd (the "Bank") and its subsidiaries (the ''Group") set out on pages 69 to 209 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 the Bank as at 30 June 2023, and of its consolidated and separate financial performance and 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 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 the Bank 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 the Company in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditors' Report to the Members of MauBank Ltd

Report on the audit of the financial statements (Cont'd)

The Key Audit Matters applies equally to the audit of the Group's and the Bank's financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Allowance for expected credit loss on financial assets

1. Loans and advances to customers

As disclosed in note 13, the Group and the Bank have a net loans and advances portfolio of MUR 20.3Bn (2022: MUR 17.1Bn; 2021: MUR 16.8Bn) and 20.4Bn (2022: MUR 17.3Bn, 2021: MUR 17.0 Bn) respectively as at 30 June 2023. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit losses which amounted to MUR 544m (2022: MUR 495M, 2021: MUR 430m) for the Group and the Bank.

The ECL framework implemented by the Group and the Bank involves significant judgement and assumptions that relate to, amongst others:

• the identification of Significant Increase in Credit Risk (SICR), and in particular the selection of criteria to identify a SICR. These criteria are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months;

• the use of a number of critical assumptions in the determination of Probabilities of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD);

• the use of forward-looking information to determine the likelihood of future losses being incurred;

• Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental.</td><td>With the assistance of the EY specialist team we performed the following:

• Assess the model used for ECL which comprised of:

For stage 1 and stage 2 loans, we assessed the appropriateness of the model used including the inputs and assumptions by performing the following procedures:

1. Reviewing the methodology adopted by the Bank for calculation of ECL and in particular the segmentation of loans in appropriate portfolios reflecting different risk factors. Our review also includes an assessment of the design of the models used for determination of PD, LGD and EAD for different types of loans including inter-alia term loans, overdraft facilities, credit cards, guarantees and other off-balance sheet exposures;

2. Checking the adequacy and quality of the data used for the calculation of PD, LGD and EAD;

3. Assessing the key assumptions used in PD, LGD and EAD models and ensure such assumptions reflect the actual behaviours of the credit facilities;

4. Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology;

5. Ensuring that the criteria for the various staging have been properly applied to each portfolio;

6. Reviewing the minutes of Board Investment Credit Committee and Management Investment Credit Committee and ensure proper classification to Stage 2 is made for all clients on watchlist;

7. Checking the accuracy of critical data elements input into the system used for credit grading and the approval of credit facilities;

8. Reviewing of the PD and LGD calculations including the incorporation of forecast macro-economic information by our data modelling specialists;

Tested the accuracy and completeness of the ECL model by reperformance and focussing on exception reports.</td></tr>
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Independent Auditors' Report to the Members of MauBank Ltd

Report on the audit of the financial statements (Cont'd)

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Key audit matter	How our audit addressed the key audit matter
The determination of ECL on loans and advances to customers therefore involves a very high level of management judgement, thus requiring greater audit attention and was considered a key audit matter in the current year.	For impairment of loans in stage 3, judgement is required to determine when a loan is considered to be credit impaired and the determination of the impairment loss suffered. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. We thus assessed the independence and the qualification of the appraisers. Areas of focus included the corporate and international banking lending portfolios which represent high value exposures. We ensured that all credit impaired loans have been properly identified by management by: • Reviewing the minutes of the Special Assets Management impairment exercise, Management Investment Credit Committee, Board Investment Credit 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, restructured loans, insufficient collaterals and exposures to sectors in decline and ensuring these are included in the list of credit impaired facilities. For loans that are credit impaired, we independently assessed the appropriateness of provisioning methodologies and policies and formed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows. Where the borrowers' cash flow forecasts are used to determine recoverable amounts, we ensured that these are supported by objective and unbiased evidence. The disclosures relating to allowances for expected credit loss has been provided in note 33.

Independent Auditors' Report to the Members of MauBank Ltd

Report on the audit of the financial statements (Cont'd)

The Key Audit Matters applies equally to the audit of the Group's and the Bank's financial statements.

Key audit matter	How our audit addressed the key audit matter
2. Financial assets at fair value through other comprehensive income As disclosed in note 11, the Group and the Bank holds sovereign bonds issued by the Bank of Ghana amounting to MUR 147.4m (2022: Mur 248m; 2021: MUR 292.7). As explained in the accounting policies these bonds are measured at fair value through other comprehensive income and an allowance for expected loss (''ECL") is made on these financial assets in accordance with IFRS 9. Following the financial and economic difficulties faced by the Government of Ghana, several bonds issued by the latter either defaulted or were restructured. Management assessed the defaults and financial restructuring as a significant increase in credit risk. An allowance for expected credit losses amounting to MUR 134m was made to reflect the SICR The estimation of the ECL in such circumstances requires significant judgment to determine the PD and LGD. For this reason, the determination of the ECL on these bonds was deemed to be a key audit matter.	**Financial assets at fair value through other comprehensive income** The following procedures were performed: • With the assistance of our internal technical specialist, we analysed the recovery rates of recently restructured sovereign bonds in Ghana and benchmarked these to the LGD used by management; • We benchmarked the LGD used by management to the most recent Moody's sovereign report to assess the reasonableness of the LGD used by management; • We consulted with the technical team and country managing partner of EY Ghana to obtain insight on the current situation and in respect of the position of the local audit profession in respect of LGD and PD. We then benchmarked these insights with the PD and LGD utilised by management; • We ensured that impairment losses were properly recycled from Other Comprehensive Income to profit or loss; • We reviewed the disclosures made by management.
Revaluation of Properties The Group and the Bank revalue its properties every 3 years in the case of Land and Buildings classified under property, plant and equipment and annually in the case of properties classified under investment properties. As disclosed in note 14(a), revalued land and buildings included in property, plant and equipment to the Group and the Bank amounted to MUR 952m (2022: MUR 954m; 2021:MUR 971m) and MUR 664m as at June 30, 2023 (2022: MUR 670m; 2021 MUR.680m) and as disclosed in note 15 investment properties amounted to MUR.391m as at the same date (2022: MUR.381m; 2021 MUR.381m). The valuation exercise for all properties has been undertaken in the financial year 2023 by an independent professional qualified valuer.	**Our procedures in relation to the revaluation of land included the following:** We obtained, read and reviewed the valuation report prepared by the management's independent professional qualified valuer; We understood and assessed the relevance of the methodologies used by the external valuer to estimate fair value of the properties; We evaluated management's independent professional qualified valuer's competence, capabilities and objectivity; We agreed all data used by the management's independent valuer such as surface area, rental income per square meter and location to the title deeds; We held discussions with the management's property valuer, and challenged the key assumptions and methodology used benchmarking these to our own expectations based on market knowledge gathered by our internal valuation team;

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Report on the audit of the financial statements (Cont'd)

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Key audit matter	How our audit addressed the key audit matter
The valuation of properties involves significant judgment. As the carrying values of properties in property, plant and equipment and in investment properties are significant, we have identified it as a key audit matter.	We engaged a property valuation specialist who performed an independent corroboration of the values of the properties detailed in the valuation report provided by the valuer engaged by management. We evaluated our appointed independent professional qualified valuer's competence, capabilities and objectivity We held discussions with the our appointed property valuer and benchmarked the key assumptions (rental income per sqm, rental yield) and methodology used. We assessed the appropriateness and completeness of the disclosures with respect to the correction of error made by the management under IAS 8 and IAS 1 and in respect of valuation of properties under IAS 16 Property, Plant and Equipment and IAS 40 Investment Properties.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled " Financial Statements for the year 30 June 2023", which includes the Corporate information, the Directors' Report, Statement of Management's Responsibility for Financial Reporting, Report from the Secretary, Management Discussion and Analysis and Administrative Information as required by the Companies Act 2001. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, Banking Act 2004 and Financial Report Act 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Bank or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of MauBank Ltd

Report on the audit of the financial statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group and Bank 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.

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.

Independent Auditors' Report to the Members of MauBank Ltd

Report on the audit of the financial statements (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

Other matter

The financial statements of Maubank Ltd (the "Bank") and its subsidiaries (the "Group") for the year ended 30 June 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 September 2022.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with or interests in the Group and the Bank other than in our capacity as auditor 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 Group and the Bank as far as it appears from our examination of those records.

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.

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

ERNST & YOUNG
Ebène, Mauritius

29 September 2023

THIERRY LEUNG HING WAH F.C.C.A.
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