BCP BANK (MAURITIUS)

GROUPE BANQUE CENTRALE POPULAIRE

Consolidated and Separate Financial Statements

For the year ended 31 December 2020

CONTENTS

CORPORATE INFORMATION

Chief Executive Officer: *Mr Abdelwafi Atif*

Company Secretary: *Ms Nashreen Rojoa*

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Corner Silicon Avenue and
Bank Street,
CyberCity, Ebène

Auditors: *Mazars*
Chartered Accountants
4th Floor, Unicorn Centre
Frère Felix de Valois Street
Port-Louis

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Cautionary Note

The Management Discussion Analysis (MDA) includes forward looking statements and there are risks that forecasts, projections and assumptions contained therein may not materialise, and actual results may vary from the plans and expectations. The Bank does not plan to update any forward looking statements periodically and the reader should stand cautioned not to place any undue reliance on such forecasts.

I. FINANCIAL HIGHLIGHTS

	Group			Bank		
	2020	2019	2018	2020	2019	2018
Income Statement (Rs' million)						
Net Interest Income	388	414	420	366	392	401
Revenue	590	625	693	497	562	689
(Loss)/Profit before Tax	-267	-16	65	-264	-26	114
(Loss)/Profit for the year	-263	18	-94	-261	13	-45
Statement of Financial Position (Rs' million)						
Total Assets	24,593	24,129	19,099	24,152	23,714	18,984
Total Loans (Net)	13,886	14,812	13,243	13,786	14,748	13,158
Total Deposits	16,891	14,903	12,525	16,566	14,577	12,252
Shareholders' Fund	2,204	2,426	2,382	2,178	2,400	2,360
Risk Weighted Assets	17,242	17,570	16,830	16,709	17,191	16,188
Performance Ratios (%)						
Return on average assets	-1.1	0.1	-0.5	-1.1	0.1	-0.2
Return on average equity	-11.4	0.7	-4.1	-11.4	0.6	-2.0
Non-Interest income/Revenue	34.2	33.9	39.4	26.4	30.3	41.9
Loans to deposits ratio	82.2	99.4	105.7	83.2	101.2	107.4
Cost to income ratio	97.5	91.2	86.3	96.7	90.9	80.8
Asset Quality (%)						
Non-performing loan ratio	9.1	5.5	6.7	9.1	5.4	6.5
Provision Coverage ratio	64.6	72.3	61.9	64.2	71.8	61.6

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

I. FINANCIAL HIGHLIGHTS

PERFORMANCE AGAINST OBJECTIVES

Objectives for FY 2020	Performance in FY 2020	Objectives for FY 2021
Revenue		
Growth of above 40% in Revenue.	Revenue fell by 11% over the year, hampered by the worldwide pandemic.	Revenue will increase by 14% in 2021.
Total operating expenses		
An increase of 7% in total operating expenses.	With major projects on hold due to many uncertainties surrounding COVID-19, the Bank's total operating expenses went down 6% compared to 7% increase according budget.	Total operating expenses is expected to grow by 7%, as the Bank's operations and projects are anticipated to go back progressively to the pre-pandemic level.
Cost to income ratio		
Cost to income ratio of 69.7%.	The Bank witnessed a higher cost to income ratio of 96.7%, largely undermined by the low level of income.	Income growth alongside cost discipline will lead to an improved income ratio of 90.6% in 2021.
Return on equity (ROE)		
To achieve a ROE of 1.6%.	With a higher than expected impairment loss for FY 2020, return on equity was -12%, below the target for 2020.	To achieve a reasonable return on equity.
Return on average assets (ROAA)		
To achieve a ROAA of 0.1%	ROAA of -1.1% for FY 2020, which is 1.2% under budget.	To improve ROAA in 2021.
Asset quality		
No deterioration in asset quality.	Overall, asset quality deteriorated with gross non-performing loans climbing to 9.1% and a provision coverage ratio of 64.2% in 2020.	No further deterioration of the asset book's quality.
Capital management		
CAR above 13%.	CAR stood at 12.50%	To maintain the overall capital adequacy ratio and the Tier 1 ratio beyond the regulatory level.
Loans and advances (net)		
25% growth in both Segment A and Segment B.	A decline of 4% in the Bank's gross loans was realised for the FY 2020, mainly attributable to the slower economic climate associated to the pandemic.	The loan book is forecasted to grow by more than 35%, driven by an expansion in segment B credit portfolio.
Deposits		
17% growth in both Segment A and Segment B.	The deposit base expanded by 14% over the year, largely underpinned by growth in the deposits from Banks portfolio.	To strengthen our deposit base to fund our selective asset growth across key markets, with an objective of a 18% growth in 2021.

II. REVIEW OF THE OPERATING ENVIRONMENT

INTERNATIONAL ECONOMIC OUTLOOK 2020

In 2020, the world economy suffered one of its worst recession following the Covid-19 outbreak. In its January 2021 World Economic Outlook report, the IMF estimates that the global economy contracted by 3.5% last year. In view of signs of recovery in particular from advanced countries, fuelled by the increased availability of Covid-19 vaccines and additional policy support in a few large economies, the IMF has reviewed up its global growth projection for 2021 by 0.3% to reach 5.5%. Likewise, the United States' economy is expected to expand by 5.1% in 2021 after a 3.4% decline of its GDP in 2020. As for China, a robust recovery of 8.1% is forecasted in 2021 following a rebound in the last quarter of 2020, with China being the only major economy to achieve growth in 2020 on the heels of aggressive policy support. The other emerging economy to bounce back in 2021 is India with a projected expansion of its GDP of 11.5%. Concerning the Euro area, a modest growth of 4.2% is anticipated in 2021 after plummeting 7.2% in 2020 as Europe suffers from reinstated lockdowns due to surging contagions amid vaccination programme. As regards to the Sub-Saharan African economy, an upgrade of 3.2% is expected in 2021 after witnessing a slump of 2.6% in 2020. Nevertheless, the outlook remains full of uncertainties as the pace of recovery relies on effective policy support, rapid and fair vaccine rollout for all countries and containment of the mutating coronavirus.

MAURITIAN ECONOMIC OUTLOOK 2020

GDP

Given its open economy, Mauritius bore the brunt of the unprecedented downturn of the global economy due to the outbreak of the Covid-19 pandemic in 2020. According to Statistics Mauritius in its December 2020 issue, the gross domestic product (GDP) has contracted by 15.2% in 2020, a downgrade from the 13% forecasted back in June. This decline of the economy is the worst since 1980 and almost all sectors of the economy took a major toll in the aftermath of the national lockdown and closure of the Mauritian borders. Tourism and hospitality, transportation and storage, construction and the export-oriented manufacturing sectors were the worst hit in 2020. The only two sectors achieving growth of 4.9% and 1.1% were ICT and financial and insurance activities, albeit at a slower pace when compared to 2019. On the expenditure side, final consumption expenditure is estimated to have shrunk by 14.2%, driven by a sharp decline in household consumption, impacted by the confinement implemented locally and a fall in disposable income. As for investment, a slump of 26.7% is estimated for 2020 as a result of a decline of 24.3% and 33.0% in both private and public sector investment respectively. Another marked drag to the economy was the plunge of exports of goods and services in 2020 by 36.3% due to production restriction and weaker external demands as our main markets experienced severe economic contraction. In addition, the trade deficit for 2020 is forecasted to be 15.8% lower compared to 2019. Nonetheless, for 2021, a positive outlook is projected for the Mauritian economy as Moody's Investors Service forecasts a real GDP growth of 7.8%, but the upturn will hinge on the global economic recovery and the continuous support to households and businesses by authorities.

Tourism sector

One of the country's key sector, namely 'accommodation food service activities' was severely impacted by the closure of the Mauritian borders as well as restrictions on travel imposed in 2020. As per Statistics Mauritius, a decline of 67.4% for the aforementioned sector is estimated for 2020 as tourist arrivals recorded a yearly drop of 78% to reach 308,980 as at end of December 2020. In 2020, our main market remained the Eurozone, representing 67.2% of tourist arrivals, even though a significant drop of 75.2% was noted in comparison to 2019's European arrivals, as Europe experienced a second confinement by end of 2020 amidst the spread of the mutating corona virus, undermining further our tourism-reliant economy. For the first ten months of 2020, total tourisms earnings registered a year on year decrease of 66.1% representing a shortfall of around Rs33.4 billion in comparison to the corresponding period of 2019. An upturn in the tourism industry is anticipated in the second semester of 2021, but will rely on the global recovery and containment of the pandemic.

MAURITIAN ECONOMIC OUTLOOK 2020 (continued)

Manufacturing sector

Another major GDP contributor, the manufacturing sector is estimated to have contracted by 20.1% in 2020. The already fragile sector registered a subdued growth of 0.5% in 2019 against a backdrop of dampened demand from main trading markets and lack of competitiveness. The situation exacerbated in 2020 as manufacturing activities plummeted owing to disruption in the global supply chains and closure of borders. All of the manufacturing sub sectors fell in 2020, but the major decline was for the 'textile manufacturing' with an estimated drop of 32.1%. Lower productivity due to labour immobility during confinement and poor external demand from our main export markets contributed to the underperformance of the export-oriented manufacturing sector activities. However, a boost is forecasted for 2021 on the back of market diversification from operators as the manufacturing sector is transitioning towards digitalisation and advancement in technology.

Construction sector

In the wake of the pandemic outbreak, construction activities nosedived in 2020 as some projects came to a halt with the disruptions in the supply and distribution of construction materials and equipment and the national lockdown caused a temporary shutdown of construction sites. In addition, investors' confidence plummeted in view of the uncertain climate prevailing. Consequently, a slump of 25.4% is anticipated for the construction sector in 2020 after three consecutive years of growth. Even though public sector investment shrunk in 2020, a rebound is forecasted in 2021, with the large-scale infrastructure-upgrade projects in the pipeline from the public sector, which will in turn, boost the construction sector. As for the private sector investments, a pickup is forecasted, respective of improvements to business confidence.

Financial and insurance activities sector

On the upside, the 'Financial and Insurance activities' sector fared well in 2020, with an estimated growth of 1.1% against 5.2% in 2019, lowest growth rate since 2000. However, the sector, which accounted for 11.8% of the GDP in 2019, is showing sluggish growth amidst the increasingly challenging operating context. The global business sector was impacted in the aftermath of the inclusion of Mauritius on the FATF list of 'jurisdictions under increased monitoring' and EU list of 'High Risk Third Countries' alongside the amended India-Mauritius DTAA. On the other hand, the banking segment contributed to growth in the sector by showing resilience to the pandemic shocks, supported by robust solvency and liquidity positions despite reduced margins due to lower interest income and risks of degrading asset quality.

Information and communication sector

As for the Information and Communication sector, a sustained and robust expansion of 4.9% is expected for 2020, driven by a growing demand for telecommunication activities and teleworking services during the lockdown period following the outbreak of the pandemic. In comparison to the growth rate of 5.5% in 2019, the performance of the ICT sector is estimated to lose some momentum in 2020.

Consumer Price Index (CPI) and inflation

The headline inflation stood at 2.5% for the twelve months ended 2020, up by 2.0%. Overall, inflationary pressures were contained in 2020, on the back of global economic slowdown, low oil and commodity prices and weak aggregate demand. As regards to the Consumer Price Index, a yearly increase of 2.8% was registered to stand at 106.1 in December 2020. The major contributors to the higher CPI were higher prices of food and non-alcoholic beverages, tuition fees, washing materials, medicinal products and miscellaneous goods and services partially compensated by lower mortgage interest, cooking gas and culinary herbs. As per the Bank of Mauritius, the headline inflation is projected to pick up slightly to about 3.0% in 2021, due to an increase in freight costs, excise tax on sugar sweetened products, depreciation of the Mauritian rupee even if demand-side pressures are set to be fairly muted.

MAURITIAN ECONOMIC OUTLOOK 2020 (continued)

Foreign Direct Investment (FDI)

As at the third quarter of 2020, the gross direct investment inflows dropped by 39.0% from Rs 14.9 billion in the corresponding period of the previous year, to Rs 9.1 billion. The major contributor to the FDI was the 'Real estate activities' sector with more than 70% of the total inflow. However, compared to the corresponding period of 2019, the inflows more than halved in 2020. On the bright side, inflows from the manufacturing sector improved from Rs 282 million to Rs 1.6 billion as at September 2020. Similarly, inflows from the 'Human health' sector went up by Rs84 million. Europe remained our main investor with around 69.0% of our inflows, even though FDI inflows from Europe witnessed a yearly decline of 26.7%.

Conversely, the FDI outflows declined by 10.0% for the first three quarter of 2020 in contrast to same period last year. The sector with the highest flow abroad was the 'Accommodation and food service activities', which recorded a year-to-year increase from Rs 348 million to Rs 800 million.

Unemployment

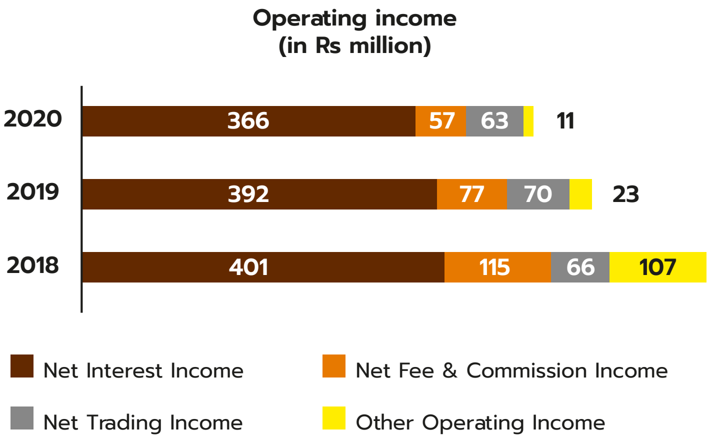
As per Statistics Mauritius, unemployment rate as at September 2020 rose by 4.2% to reach 10.9% in comparison to the corresponding period of 2019. The labour market bore the brunt of the pandemic amidst low business confidence as unemployment count registered an increase of 9% from 57,300 in July to 62,200 in September 2020, despite the wage assistance scheme from the government to avert redundancies. On the positive side, the number of employed increased from 498,000 in July 2020 to 506,300 in September 2020. As for youth in employment, a fall of 1,800 was registered from July to September 2021.
Key figures regarding unemployment in September 2020:

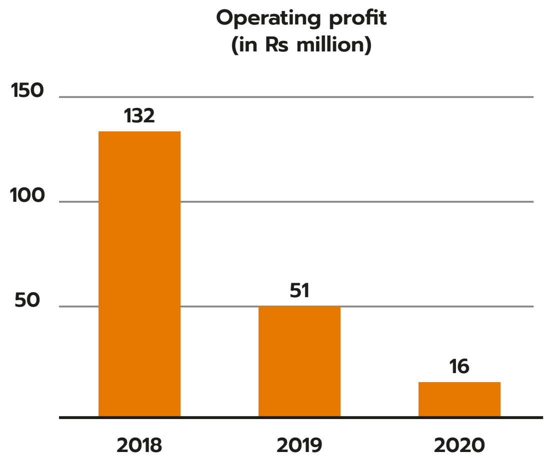
- Female labour force made up of around 41.3%
- Female unemployment rate witnessed an increase from 7.2% in the first quarter of 2020 to 12.9% in September 2020 while a fall was observed for 0.3% for the male counterpart
- The inactive counts fell from 205,100 in the first quarter of 2020 to 203,700 in September 2020
- An increase of 6.7% was noted in the average monthly salary compared to July 2020
- Post covid-19, around 34% of households reported a fall in their income

III. FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

The Bank's revenue reported a fall of 11.0% to reach Rs 497 million for the year ended December 2020. This decrease was mainly on account of lower net interest income and a slowdown of the domestic banking activities during the lockdown period in the second quarter of 2020. This contributed to a fall in operating profit from Rs 51 million to Rs 16 million in comparison to previous year despite lower operating expenses. Impacted significantly by high impairment charges, the Bank's realised a loss of Rs 261 million, against a profit after tax of Rs 13 million last year.

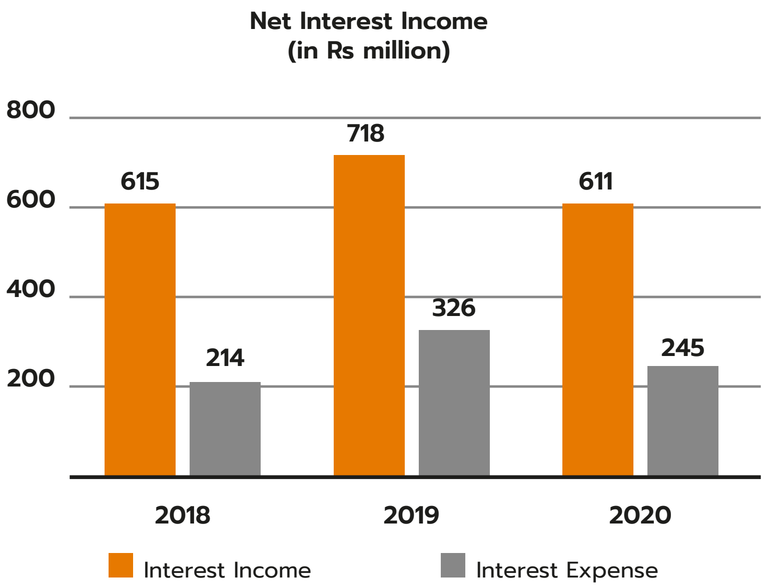




Net interest income

Net interest income, amounting to Rs 366 million witnessed a yearly decline of 6.5%, essentially affected by lower interest income reflecting the low interest rate environment and as well as a contraction in loans and advances. Consequently, a drop of 14.9% was noted in interest income of the Bank. Likewise, interest expense recorded a fall of 25.0% from Rs 326 million in 2019 to Rs 245 million in 2020 on the back of lower cost of funding.

In view of low interest rate environment, net interest income to average earnings assets declined to 1.59% compared to 1.90% last year.

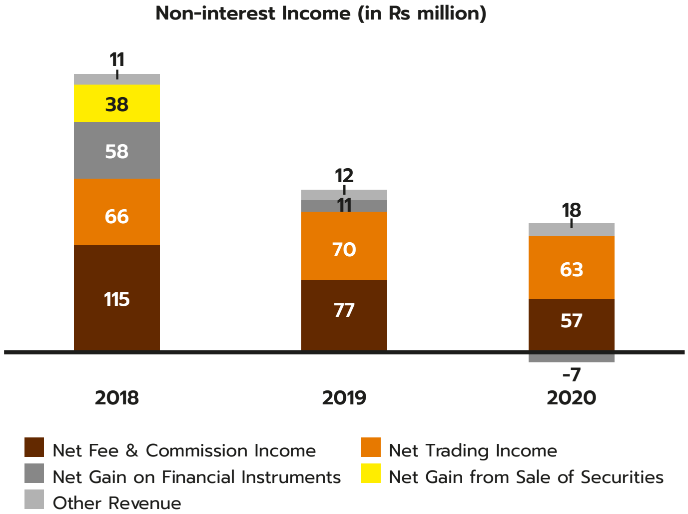


III. FINANCIAL REVIEW (Continued)

INCOME STATEMENT ANALYSIS (continued)

Non-interest income

For the twelve months ended 31 December 2020, non-interest income went down by 23% to reach Rs 131 million, following a slump in net fee and commission and trading income. The latter recorded a fall of 9% compared to previous period as profit on exchange declined in view of the challenging market conditions. As for net fee and commission, a dip of 26.8% was registered for 2020, due to restrained trading transactions and lower customer activities, penalised by the confinement period. Excluding non-recurrent item, 'other revenue' amounted to Rs 10 million and was 15.8% lower in comparison to corresponding period. Similarly, net income from financial instruments carried at fair value plummeted from 11 million in 2019 to Rs -7 million in 2020.

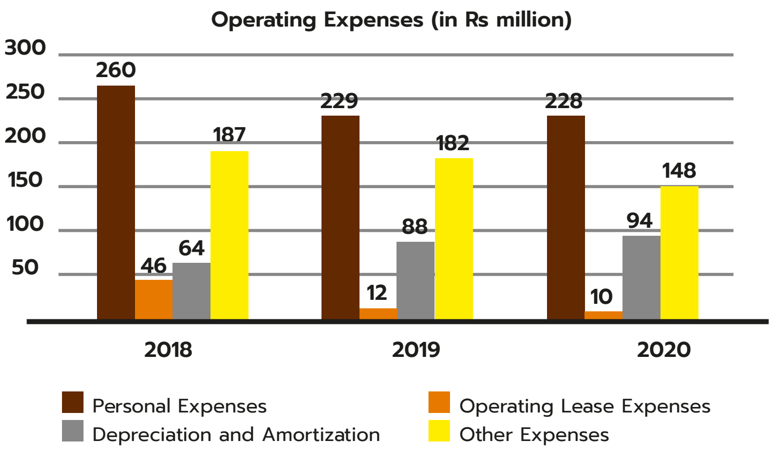


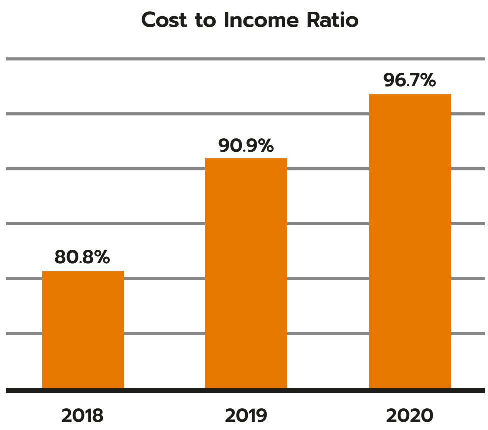
INCOME STATEMENT ANALYSIS (Continued)

Cost control

In 2020, non-interest expenses amounting to Rs 481 million decreased by 5.8% compared to Rs 511 million in the prior year, attributed to better expense management. Even though depreciation and amortisation experienced a yearly increase of 7.5% from Rs 88 million to Rs 94 million, other expenses witnessed a fall of 18.2%. Personal expenses remained stable and totalled Rs 228 million.

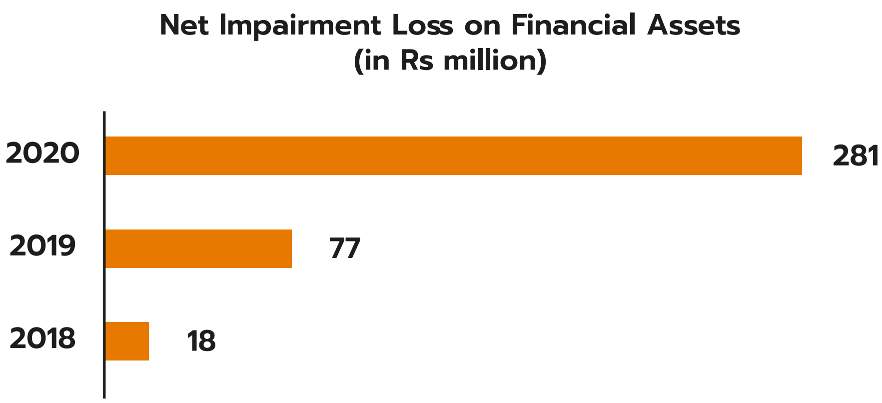
As at 31 December 2020, cost to income ratio stood at 96.7% against 90.9% in view of subdued revenue despite contained expenses.





Impairment charges

To mitigate the high level of uncertainties prevailing in the operating environment and its risks to the banking sector, the Bank reassessed the credit risks of its asset portfolio. A marked rise in impairment charges from Rs 77 million to Rs 281 million was accounted for the year under review, taking into account the impact of the Covid-19 pandemic.



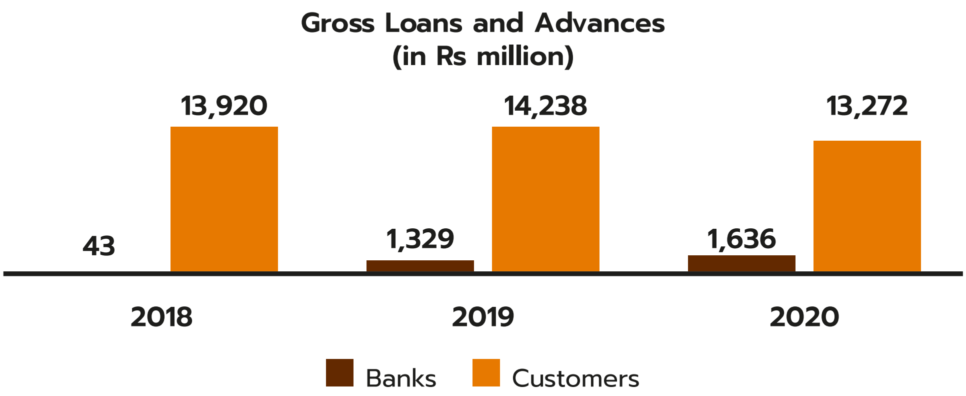
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

III. FINANCIAL REVIEW (Continued)

FINANCIAL POSITION STATEMENT ANALYSIS

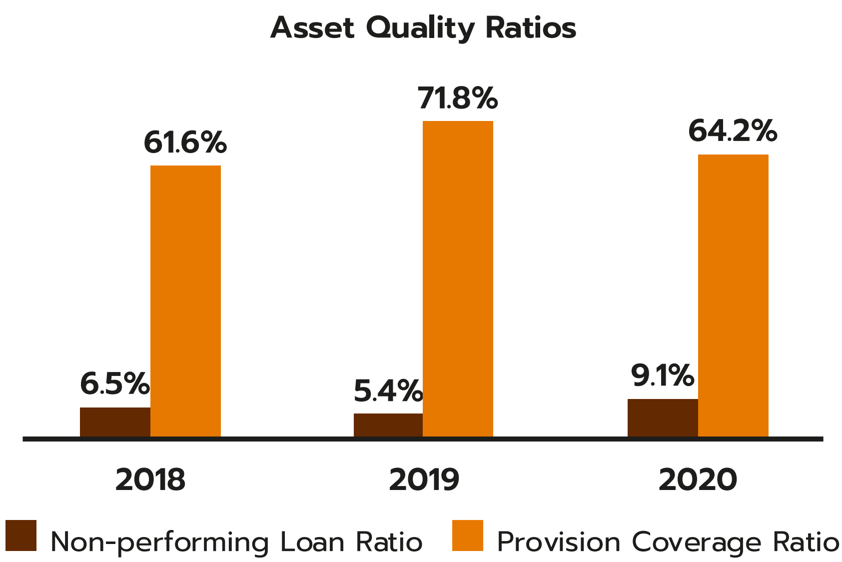
Loans and advances

The Bank's gross loans and advances to customers registered a decline of 6.8% relative to December 2020, and stood at Rs 13.3 billion as at end of December 2020. A slowdown was noted in our loans portfolio post the pandemic, owing to a drag in long term lending, in both the retail and corporate segments. Nonetheless, gross loans and advances to banks grew by 23.1% as to 2019, to reach Rs 1.6 billion from Rs 1.3 billion.



Asset quality

The classification of some exposures caused the impairment ratio to increase from 5.4% in December 2019 to 9.1% in 2020. The coverage ratio stood at 64.2% in comparison to 71.8% in 2019.



III. FINANCIAL REVIEW (Continued)

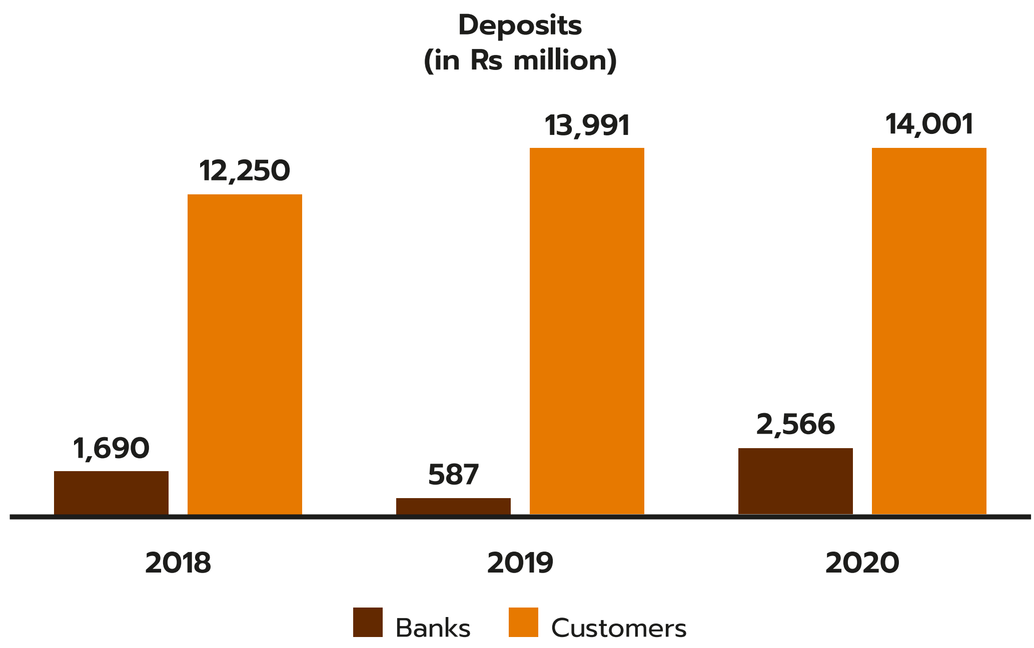
FINANCIAL POSITION STATEMENT ANALYSIS (Continued)

Investment securities

The Bank's investment portfolio, comprising of Government of Mauritius and Bank of Mauritius bills, bonds and notes, stood at Rs 2.3 billion for the year ended 31 December 2020 (against Rs 2.4 billion last year), that is a slight fall of 2.4%. Investment securities represents 33% of the Bank's overall MUR deposits portfolio, thereby creating a comfortable situation in the advent of a liquidity crisis.

Deposits

As regards to the deposits of the Bank, an upturn of 13.6% was observed during the financial year under review, from Rs 14.6 billion to Rs16.6 billion, mainly on the back of deposits from banks. The latter improved from Rs 586.6 million to Rs 2.6 billion in 2020. CASA (Current Accounts and Savings Accounts) deposits increased from Rs 9.2 billion to Rs10.9 billion with a growth of 19.2% in 2020. Consequently, the proportion of current and savings deposits as a percentage of total deposits reached 66.0%. Furthermore, foreign currency deposits showed an increase of 33.4% during the financial year, while rupee-denominated deposits fell by 4.9%.



Borrowed funds

On the borrowings side, the Bank's borrowings decreased to Rs 4.4 billion at 31 December 2020 from Rs 5.6 billion at December 2019. This was due to the substantial growth in deposits foreign currency base. Funding derived from interbank and intra group activities and is essentially in foreign currencies.

III. FINANCIAL REVIEW (Continued)

BUSINESS SEGMENT REVIEW

Corporate and Institutional Banking (CIB)

In 2020, the world experienced economic and social challenges unseen before. This happened in an already difficult environment with trade tensions in between US and China, low interest rates, and Brexit. The spread of the Covid-19 virus made that situation more complex with many businesses being severely impacted. In the light of such unprecedented events, the CIB team has had to adapt to the situation. 2020 has been a year where we have had to work alongside clients to keep their businesses running, provide support at a time where it was badly needed and collaborating together to wither the on-going crisis.

Operating in such context has indeed affected our financial performance where we have ended the year behind plan. With the local economy brought to a relative standstill, we managed to better our year on year performance by growing our deposit base and trade facilities on Segment B.

The CIB team has made a good start to 2021 but we remain cautiously optimistic for the year ahead. Many economies remain at the mercy of several lockdowns and at the Bank, we intend to remain focussed and deliver on what we can control.

Consumer Banking

COVID -19 greatly impacted business performance over 2020 and quite possibly will continue to affect the overall macroeconomic climate over the next year across the Mauritian market.

The results of which have included, fluctuations across all retail products and services such as OTC transaction levels as well as product sales, with overall credit, and customer on boarding still below pre-pandemic levels. However, though a challenging year we were proud to have put in place various strategic developments in order to provide our customers with the help and support they required in order to manage their own financial challenges, and to ready the business for the coming year.

This included the redefinition of the SME product propositions where new Lending and Savings products were defined and rolled out in Q4. This included SME specific saving accounts as well as the development and roll-out of a digital development credit facility targeted at business wishing to digitalise their business operations.

Across Retail, we took the opportunity driven by changes in consumer behaviour to amend and re prioritise our existing product portfolio. This included the creation of new Lending products aimed at customers wanting to invest in a wide variety of assets via our iGrow loan, as well as presenting a new lending proposition for the young and upwardly mobile segment of the consumer market.

In terms of liabilities, a new tiered balance saving account was implemented for the Retail and PB markets, and existing Savings accounts were also rebranded for a fresh new look.

We also provided support to our customers through the Central Bank driven Moratorium or Bank assessed case-to-case moratorium, for customers whose income had been impacted by the pandemic.

Over the next year our focus will be on the consolidation, stabilisation and eventual growth of the existing Consumer book with an aim on driving organic growth by increasing the cross sell ratios to our customers by provision of the right products for their individual needs. Including a larger emphasis centred around the development of our Private Banking Proposition

We anticipate similar challenges as with 2020, but believe that by continued management of our risk appetite, Continuous review and improvement of our product and services portfolios, by the ongoing investment in our people and institution overall, that we may further improve on the previous year's performance.

RISK MANAGEMENT REPORT

INTRODUCTION

The role of the risk management function is to identify, assess and manage the risks to which the Group and the Bank are exposed, with a view to improving the risk-return profile of its activities while upholding an environment conducive to attracting and promoting business opportunities. The aim is to enhance stakeholders' confidence with respect to the Bank's management of current and potential sources of risks through adequate internal control mechanisms, up-to-date and comprehensive risk policies, adherence to legal and regulatory requirements and reliable decision-making support.

The Group's and the Bank's approach to managing risk is set out in the risk and compliance framework and policies, approved by the Risk Management committee. The framework has two components:

- Governance committees; and
- Governance documents.

Governance committees are in place at both Board and Management level. They have clearly defined mandates and delegated authorities which are reviewed regularly.

Governance documents comprise frameworks and policies which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks, and requirements for the effective management of capital.

The Group and the Bank use the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks. The first line of defence is made up of the management of business lines as the originators of risk. The second line of defence functions provide independent oversight of risks by the Risk and Compliance Management Functions. They support management in ensuring that their respective risks are effectively managed as close to the source as possible. Internal audit is the third line of defence and reports to and operates under a mandate from the Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective assurance. It has the authority to independently determine the scope and extent of work to be performed.

As from the beginning of 2020, the COVID 19 pandemic impact has been broad, affecting general society, economy, culture, ecology, politics, and other areas worldwide. In the context of the COVID-19 pandemic, the global economy and the financial markets have been severely affected. Significant reductions in income, a rise in unemployment, and disruptions in the transportation service, tourism and manufacturing sectors are among the consequences of the disease mitigation measures that have been implemented in many countries including Mauritius. Consequently, the contraction in economic activity is having adverse effects on the credit quality of the banks' assets portfolio as banks are exposed to an increased credit risk of corporate and retail clients operating in the impacted sectors.

Policymakers and financial and commodity market participants had generally estimated that a global economic recovery would take hold in the third quarter of 2020. A resurgence in infectious cases in developed and developing countries starting in September 2020, shifted more of the recovery to 2021. Various indicators in the third quarter suggested the worst of the economic crisis had passed, although the extent and strength of any global economic recovery remained difficult to predict. Updated forecasts indicate the pandemic could negatively affect global economic growth more extensively and for a longer period of time than had originally been estimated.

Like many Central Banks and monetary authorities in many countries; Mauritius has engaged in an ongoing series of interventions in financial markets including the adoption of an array of fiscal policy initiatives to stimulate the economy.

As from 13 March 2020, the Monetary Policy Committee of the Bank of Mauritius reduced the Key Repo Rate (KRR) by 50 basis points to 2.85 per cent per annum; in light of ongoing review of the disruptive effects of the COVID-19 on the Mauritian economy, decision was taken for a further reduction of the Key Repo Rate (KRR) by 100 basis points, from 2.85 per cent to 1.85 per cent per annum, on 15 April 2020. Such decisions were mainly prompted by the will to stimulate domestic economic activity. Furthermore, the Ministry of Finance introduced several measures to assist economic operators with financial difficulties. The Bank of Mauritius introduced a support programme consisting of five key measures to assist Mauritian businesses across all economic sectors.

RISK MANAGEMENT REPORT (Continued)

INTRODUCTION (Continued)

The measures included:

- Special Relief amount of MUR 5 billion through commercial banks to meet cash flow and working capital requirements of economic operators directly impacted by Covid-19;

- The reduction of the Cash Reserve Ratio applicable to commercial banks from 9% to 8%. This reduction is a key measure that aims at supporting banks to further assist businesses which are being directly impacted by Covid-19;

- Commercial banks will provide a moratorium of six months on capital repayment for existing loans for economic operators that are being affected by Covid-19;

- The Bank of Mauritius has put on hold the Guideline on Credit Impairment Measurement and Income Recognition, which has been in effect since January 2020. Amongst others, the capital conservation buffer will be maintained at 1.875% instead of 2.5% until 31 March 2022. This decision was taken to allow commercial banks to continue supporting enterprises facing cash flow and working capital difficulties in the context of Covid-19; and

- The Bank of Mauritius introduced a 2.5% Two-Year Bank of Mauritius 2020 Savings Bond for an amount of MUR 5.0 Billion from 23 March 2020. The Bond are issued at par in multiples of MUR 25,000 to individuals who are residents of Mauritius and up to a maximum cumulative investment amount of MUR 1,000,000 per investor, whether singly or jointly, and to locally registered Non-Governmental Organisations running on a non-profit making basis for the same maximum investment amount of MUR 1,000,000.

On 22 March 2020, the Government of Mauritius announced the Wage Assistance Scheme to ensure that all employees in the private sector are duly paid their salary for the month of March 2020. The scheme concerns both Mauritians and foreign employees working in Mauritius. Every business in the private sector, in respect of the month of March 2020, were entitled to receive an amount equivalent to the 15 days' basic wage bill for all of its employees drawing a monthly basic wage of up to MUR 50,000 subject to a cap of MUR 12,500 of assistance per employee.

Further to its Support Programme on 13 March 2020, the Bank of Mauritius announced additional measures on 23 March 2020 to support households and businesses impacted financially by COVID-19, and to ensure that the domestic rupee and foreign exchange markets continue to operate smoothly. These measures are as follows:

- Mauritian households impacted by Covid-19 may request their commercial banks for a moratorium of six months on capital repayments on their existing household loans as from the 1st of April 2020. In addition, for households earning a combined monthly basic salary of up to MUR 50,000 the Bank of Mauritius will bear the interest payable for the period 1st of April 2020 to 30th of June 2020 on their outstanding household loans with commercial banks;

- The Bank of Mauritius introduced a Special Foreign Currency (USD) Line of Credit targeting operators having foreign currency earnings, including SMEs. This line of credit shall be for an amount of USD 300 million, to be made available through commercial banks. Funds will be made available to commercial banks at six-month USD Libor for this facility;

- The Bank of Mauritius introduced a USD/MUR swap arrangement with commercial banks for an initial amount of USD 100 million. This arrangement would enable commercial banks to support import-oriented businesses, except for the State Trading Corporation which will be dealing directly with the Bank of Mauritius for its foreign currency requirements; and

- During the national confinement period, fees applicable on shared ATM services were waived to enable customers to have access to the ATM of any bank regardless of the issuer of the card.

RISK MANAGEMENT REPORT (Continued)

INTRODUCTION (Continued)

On 31 March 2020, the Government implemented a Self-Employed Assistance Scheme (SEAS) through the Mauritius Revenue Authority (MRA) to assist self-employed persons who have suffered a loss of revenue as a consequence of the lockdown in the fight against COVID-19. Additional financial support was also provided to Micro, Small and Medium Enterprises.

To encourage public and enterprises to contribute to the COVID-19 Solidarity Fund, on 1 April 2020, the Ministry of Finance announced that he will allow them to deduct the amount donated/contributed from their taxable income.

The challenge for policymakers has been one of implementing targeted policies that address what had been expected to be short-term problems without creating distortions in economies that can outlast the impact of the virus itself. Policymakers, however, have been overwhelmed by the quickly changing nature of the global health crisis that turned into a global trade and economic crisis. During the initial stages of the pandemic, policymakers weighed the impact of policies that addressed the immediate economic effects at the expense of longer-term considerations such as debt accumulation. As the pandemic persisted, however, additional fiscal/monetary measures have been adopted. Initially, many policymakers felt constrained in their ability to respond to the crisis as a result of limited flexibility for monetary and fiscal support within conventional standards, given the broad-based synchronized slowdown in global economic growth, especially in manufacturing, trade, and tourism for countries like Mauritius that had developed prior to the viral outbreak.

Initially, the economic effects of the virus were expected to be short-term supply issues as factory output fell because workers were quarantined to reduce the spread of the virus through social interaction. The drop in global economic activity has had international repercussions as economic operators experienced delays in supplies of intermediate and finished goods through supply chains. Concerns grew, however, that virus-related supply shocks created more prolonged and wide-ranging demand shocks as reduced activity by consumers and businesses leads to a lower rate of economic growth. As demand shocks unfold, businesses experience reduced activity and profits and potentially escalating and binding credit and liquidity constraints. For instance; while manufacturing firms experienced supply chain shocks, reduced consumer activity through social distancing affected the services sector of the economy and the lockdown since March 2020 up to now affected drastically the Tourism Industry, which accounts for a high percentage of our economic output. In this environment, tourism, manufacturing and services sectors initially tended to hoard cash, which affected market liquidity. In response, the Bank of Mauritius lowered interest rates where possible and expanded lending facilities to provide liquidity to financial markets and to economic operators potentially facing insolvency.

As the economic effects is persisting, their impact has spread through trade and financial linkages to an ever-broadening group of sectors particularly the Tourism, Manufacturing and service sectors, economic operators and households. These growing economic effects increased liquidity constraints and credit market tightening in global financial markets as economic operators hoarded cash, with negative fallout effects on economic growth.

Liquidity and credit market issues presented policymakers with a different set of challenges than addressing supply-side constraints. As a result, the focus of government policy expanded from a health crisis to macroeconomic and financial market issues that were addressed through a combination of monetary, fiscal, and other policies, including border closures, quarantines, and restrictions on social interactions. Essentially, while businesses attempted to address worker and output issues, national leaders attempted to implement fiscal policies to prevent economic growth from contracting sharply by assisting workers and businesses that faced financial strains, and Bank of Mauritius adjusted monetary policies to address mounting credit market issues.

The ongoing series of interventions in financial markets by the local authorities and the Bank of Mauritius with regards to the Covid-19 has been taken into consideration with regards to Risk Management.

RISK MANAGEMENT REPORT (Continued)

RISK GOVERNANCE STRUCTURE

The Board of Directors is ultimately responsible for the reliability and integrity of the risk management process. The Board oversees the risk management activities of the Bank directly and indirectly, via sub committees which have been delegated responsibility for closer scrutiny of risk management process. The composition and functions of these committees are described in the Corporate Governance Report.

RISK MANAGEMENT FRAMEWORK

The risk management framework defines the roles and responsibilities as well as the reporting lines for its different business units. Alongside ensuring adherence to regulatory norms, the structure aims at safeguarding the Group's and Bank's assets and promoting the deployment of its strategic orientations in an effective manner. The delegation of authority, control processes and operational procedures are accordingly documented and disseminated to staff at different levels are as follows:

- The Group and the Bank operate within a clearly defined risk policy and risk control framework to achieve financial strength and sustainable growth;

- The Group's and Bank's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for their actions and their incentives are aligned with the overall business objectives; and

- Risk transparency, knowledge sharing and responsiveness to change.

RISK MANAGEMENT STRUCTURE

The risk management organisational structure consists of a top down approach whereby the risk appetite of the Group and the Bank is set by the Board of Directors in line with its business strategy, taking into account the business strategies, objectives and plans. The Board, assisted by its committees has oversight responsibilities in relation to risk management, adherence to internal policies and compliance with the prudential, regulatory and legal requirements. The roles of the Board and its committees are described in detail in the Corporate Governance Report.

The Board Committees with oversight on Risk Management are:

- Audit Committee;
- Risk Management Committee;
- Conduct Review Committee; and
- Credit Committee.

The Management Committees with oversight on Risk Management are:

- Senior Management Committee (Comité de Direction Générale);
- Credit Committee;
- Non-Performing Loan review and Provisioning Committee;
- Arrears Committee;
- Risk Committee (including Watchlist);
- Treasury Committee;
- Compliance Committee;
- Business Development Committee;
- Operational Committee;
- Organisation & Information Systems Committee;
- Assets and Liabilities Management Committee;and
- Risk Management Committee.

ENTERPRISE-WIDE RISK POLICY

The Bank is directly regulated by the Bank of Mauritius and falls under the consolidated supervision of its Moroccan Parent Bank, the BCP Group.

ENTERPRISE-WIDE RISK POLICY (Continued)

BM Madagascar, the Bank's subsidiary, falls under the consolidated supervision of the Bank of Mauritius and regulators in Madagascar. In line with international banking practice and regulatory requirements, whenever there are different requirements under the different regulators, the stricter requirement must be complied with.

The Bank's Risk Policy, as approved by the Risk Management Committee and the Board of Directors follow the above mentioned principle. It incorporates all the requirements of the BCP Group International's Risk Policy as well as requirements of the Bank of Mauritius legislations and guidelines. The Risk Policy covers, inter alia:

- The Risk Management Framework and Structure, detailing the main functions of Risk Division;
- The Credit Risk Policy, detailing:
  - The credit initiation, evaluation and approval process;
  - The delegated authorities in terms of credit approval;
  - The limit of exposures by types of facilities, by sector, by country, by rating, by counterparty, and by currency;
  - The main guidelines in respect of credit impairment monitoring, management and recovery; and
  - Cross-border lending and exposures.
- The Governance Structure and Terms of Reference for the various risk management committee;
- The Operational Risk Policy; and
- The Market Risk Policy (Liquidity and Interest Rate Risk).

A. CREDIT RISK

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk and concentration risk. Amongst the risks faced by the Group and the Bank, credit risk generates the largest regulatory capital requirement. The approved regulatory approach for Credit Risk is the Standardised Approach.

The Board has ultimate control and oversight of the credit risk policies, which are subject to review on an annual basis. The policies are designed to provide effective internal control within the Bank.

Any developments in the customers' financial situation are closely monitored by the Bank, thus enabling it to assess whether the basis for granting the credit facility has changed. Credit facilities are generally granted on the basis of an understanding of customers' individual financial circumstances, cash flows, assessments of market conditions and security procedures. The facilities should match the customers' creditworthiness, capital position and assets to a reasonable degree and customers should be able to substantiate their repayment capacity. In order to reduce credit risk, the Bank generally requires collateral that corresponds to the risk for the product segment.

Credit Risk Management

The enterprise-wide credit risk policy, approved and reviewed by the Risk Management Committee and the Board, sets forth the principles by which the Bank conducts its credit risk management activities. The credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely, responsive decision-making and customer oriented services.

The process for each department is tailored to the risk profile and service requirements of its customers and product portfolio. Key parameters, associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance. The credit appraisal and measurement process, leading to approval/rejection, is segregated from loan origination in order to maintain the independence and integrity of credit decision making and to continue to effectively build-up quality assets.

A. CREDIT RISK (Continued)

Credit Risk Management Process

The effective management of credit risk requires the establishment of an appropriate credit risk process.

Credit Origination

Credit origination is undertaken by the Front Office / Relationship Manager. Credit Origination involves operational evaluation of the credit request, with details on the deal and rationale for financing, details on client's background/competitors/environment, client financials, base and products base and markets, details of the key business risks locally and overseas (whenever applicable) and a review of MCIB database and search report.

Credit Evaluation

The Credit Evaluation decision is independent of the Front Office functions. Credit Evaluation involves:

- Risk Rating of the underlying prospective borrower. The Bank has implemented a Grading Model, the Outil de Notation International (ONI) for the risk grading of corporate clients. With respect to retail clients, an internally developed scorecard is used;

- Evaluation of the credit request taking into consideration the quantitative and qualitative information on the counterparty and analysing the inherent risks. The evaluation exercise also looks at the resulting risks, after mitigating factors, for example security taking;

- Assessing the Risk/Return relationship, through the use of an internally developed tool; and

- Review and analysis of compliance with limits as set by the Bank and / or regulators.

Credit Approval

Credit Management is required to review and approve credit applications up to their level of delegated authority. Credit Approval authority is delegated within a structure that is tiered according to the counterparty rating, exposure and credit risk type based on either a positive and negative recommendation for submissions to the next higher sanctioning level. The local credit committee has comprehensive mandates and delegated authorities, as delegated by the Board and set out in our Risk Policy. Requests outside the delegation of the local Credit Committee are submitted for approval to the Parent's Credit Committee.

Credit Risk Control and Monitoring

The role of the Risk Control and Monitoring Division, independent from the Credit Risk Evaluation, is as follows:

- To monitor credit risk (review of warning signals, impairment, unauthorised overdraft, financial difficulties, watchlist monitoring);

- To monitor compliance with risk policy and the regulatory guidelines;

- To monitor compliance with limits approved as well as with the terms and conditions of approval; and

- To monitor on-going compliance, after the disbursement of funds.

Credit Risk Management

It is noted that periodic reviews are scheduled for the continuous assessment of all counterparties. This is complemented by the reviews undertaken at the Risk Management Committee, for higher risk counterparties whereby Watchlist customers are monitored on a quarterly basis.

A. CREDIT RISK (Continued)

In addition, with regards to its Cross-Border Exposure and to comply with the new Guideline on Cross-border exposure, the bank ensures that a set of additional minimum standards to provide a risk-based management framework aiming to mitigate the main cross-border banking risks.

Impairment and Provisioning

Loans and advances are analysed and categorised based on credit quality using the following definitions.

• Performing loans - Neither past due nor specifically impaired loans are loans that are current and fully compliant with all contractual terms and conditions.

• Early arrears but not specifically impaired loans include those loans where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is not expected but could occur if the adverse conditions persist.

• Non-performing loans are those loans for which the Group and the Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition, or instalments are due and unpaid for 90 days or more. Non-performing but not specifically impaired loans are not specifically impaired due to the expected recoverability of the full carrying value when considering the recoverability of discontinued future cash flows, including collateral.

• Impaired loans are those loans that are regarded as Non-Performing and for which there has been a measurable decrease in estimated future cash flows. All Non-performing loans are individually assessed for impairment and impairment provisions are recognised in line with IFRS 9. The Committee relating to impairment and provisioning is the Non-Performing Loan review and Provisioning Committee. The committee reviews all “loans with arrears” and evaluates and approves:

- The strategy for recovery; and

- The fair value of the loan and hence the required level of specific provisions.

Credit Risk Concentration

The Group and the Bank maintain a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and countries.

The Bank of Mauritius Guidelines on Credit Concentration (revised August 2019) restricts the granting of credit facilities to non-financial institutions and other related parties, to:

• a maximum exposure (in MUR) to any single customer of 25% and to related Group of companies to 40% of the Bank’s Tier 1 capital base; and

• a maximum exposure (in foreign currency) to any single customer of 50% and to related Group of companies to 75% of the Bank’s Tier 1 capital base.

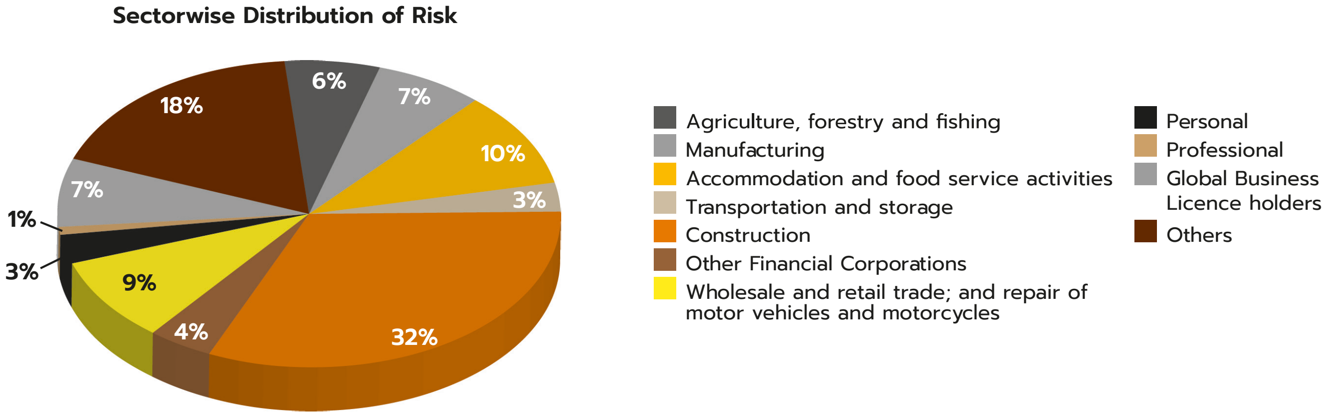
In aggregate, any individual or group exposure (in MUR) of 10% above the Bank’s Tier 1 Capital shall not exceed 800% of its Tier 1 Capital and 1200% for exposure in foreign currency.

A. CREDIT RISK (Continued)

Large Credit Exposure

The Bank has always kept its large exposures within the regulatory limits.

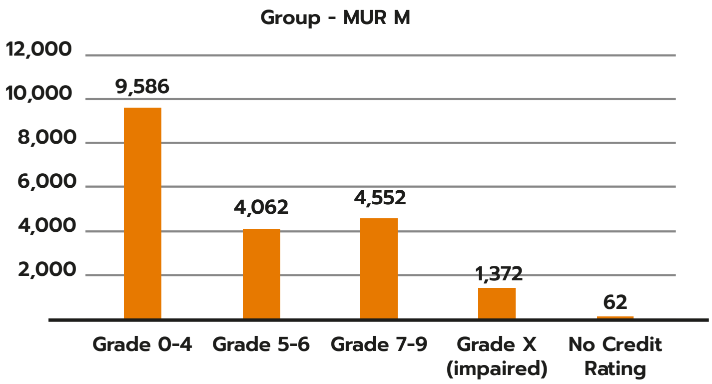
As at 31 December 2020, the concentration ratio of large exposures above 10% before applicable set off was 637%, well within the regulatory limit of 800%. After set off, the aggregate exposure under large exposure remained 637%. The sector-wise distribution of credit of the Bank is as per shown below:

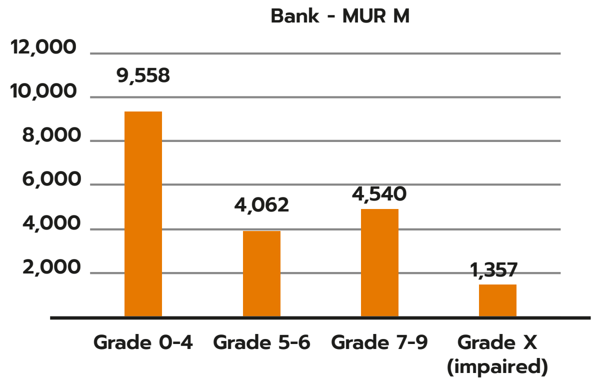


Credit Quality

The Group's and Bank's Risk Management framework include the risk grading of all credit counterparties.

For the Corporate customers (Domestic and International customers), the Bank uses internal rating model ONI (Outil de Notation International). The model uses qualitative as well as quantitative information to rate counterparties, with a rating scale of 0 to 9. The lowest risk is rated 0 and highest risk 9. All impaired counterparties are rated X.





Credit Risk Mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit Risk policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

Irrespective of Credit Risk mitigation used, all decisions are based upon the customer or counterparty's credit profile, cash flow performance, collaterals and ability to repay.

A. CREDIT RISK (Continued)

The main types of collateral taken are:

- charge over residential, commercial and industrial properties;
- charge over plant and equipment and other assets; and
- guarantee and pledge over financial instruments such as debt securities, equities and bank deposits.

Credit risk - Focus areas for 2021

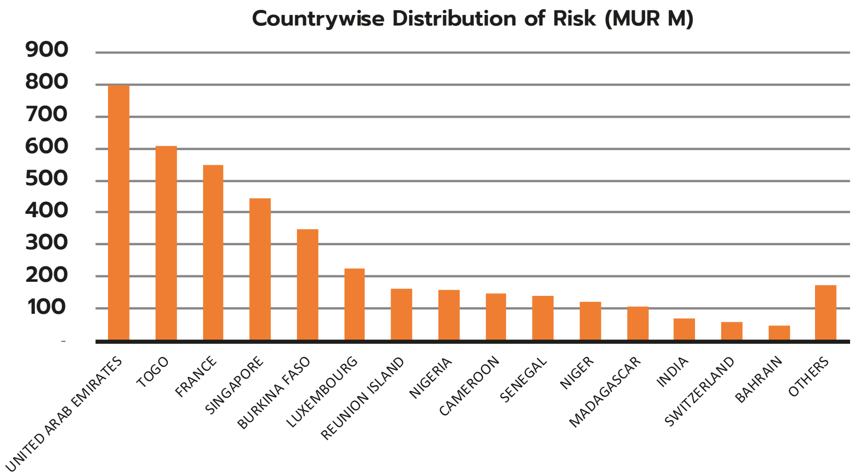
The BCP Group and the Bank will continue to apply appropriate and responsible lending criteria to ensure prudent lending practices in line with anticipated economic conditions (due to Covid-19 impacts) and risk appetite. Focus will continue to be placed on standardising credit risk methodologies and processes across the Group, and on enhancing stress-testing practices.

B. COUNTRY RISK

Country risk, also referred to as cross-border transfer risk, is the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfil its obligations to the Group and the Bank due to political or economic conditions in the host country. There are no regulatory capital requirements for country risk. Country risk is, however, incorporated into regulatory capital for credit in the standardised approaches through the country risk ratings / credit grades.

All countries to which the BCP Group and the Bank are exposed are reviewed at least annually. External Credit Agencies ratings are used to determine ratings for country, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of the Group's network of operations, country visits and external information sources as catered for in its policies in compliance with regulations. These ratings are also a key input into the Group's and the Bank's credit rating models, with credit loan conditions and covenants linked to country risk events.

The distribution of exposure by country other than Mauritius is provided in the following bar chart.



Country risk is mitigated through a number of methods,including:

- political and commercial risk insurance;
- co-financing with multilateral institutions;
- co-financing with prime banks or investors; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and managing deposits outside the jurisdiction in question.

B. COUNTRY RISK (Continued)

Country Risk - Focus areas for 2021

Country risk appetite and the mitigation of country specific risks will be proactively managed in response to the challenging global economic and political risk environment. With the implementation of the Guideline on Cross-Border Exposure, effective as from 4 September 2020, specific monitoring of these exposures has been put in place with a 3 months transition.

C. 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.

The Group's and the Bank's key market risks are:

- foreign currency risk; and
- Interest Rate on the Banking Book.

The Governance committees overseeing market risk are the Risk Management Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee. The Board is ultimately responsible for setting risk appetite in respect of market risk, in compliance with the prudential guidelines set by the Bank of Mauritius. Operating within this framework, the Asset & Liability Management Committee and Treasury Committee review and take decisions concerning the overall mix of assets and liabilities within the balance sheet. The committees set and review liability allocation objectives and targets to sustain both the diversification and growth of the Bank's balance sheet and income statement from a funding, market and profitability perspective, while taking into account the changing economic and competitive landscapes. The Asset & Liability Management Committee, which meets on a quarterly basis under the chairmanship of the Chief Executive Officer, is under the purview of the Chief Financial Officer and attended by the business unit heads including the Risk Department. Furthermore, under the Risk Management Division, the Market Risk acts as the risk control and risk-monitoring function related to market risk activities, including counterparty credit and operational risk arising from market risk activities.

The framework of policies, principles and main functional responsibilities in relation to the management of market risk at the Bank are established as per the Risk Policy, as approved by the Board and reviewed periodically.

Market risk is controlled through a series of limits, whether set internally by management in the context of the market environment and business strategy and/or set by regulators. In setting limits, the Bank takes into consideration factors such as market volatility, product liquidity and accommodation of client business and management experience. The Bank maintains different levels of limits:

- Dealers' limits - Dealers operate within limits approved and the Middle Office Treasury make a second level of control with sign-off from delegated signatories ahead of a deal that triggers their dealing limits are required;

- Counterparty limits - exposure is determined according to the nature of the contract and its maturity;

- Product limits - Dealers can only transact in products that have been approved. Product limits are tightly monitored at the Treasury Back Office as a first level of control and the Treasury Middle-Office being the second level of control; and

- Forex exposure limits - FX exposure is monitored daily and a report is sent to the Bank of Mauritius every day.

There are no regulatory capital requirements for interest rate risk in the Banking Book or on structural foreign exchange exposures. However, the translation effect on the structural foreign exchange exposure may give rise to capital impairments.

C. MARKET RISK (Continued)

Foreign Currency Risk

The currency risk is managed according to existing regulations and guidelines of the regulators. It takes into account naturally offsetting risk positions and manages the residual risk through limit setting. The Group and the Bank hold open exposures with respect to the banking book. As per the Bank of Mauritius Guideline on Foreign Currency Exposure, overall currency exposure may not exceed 15% of Tier 1 Capital and single currency limit is set at 10% of Tier 1 Capital.

Currency exposure may not exceed USD 3 million, which is equivalent to circa 6% of the Bank's Tier 1 capital. For Trading activities with the Group, a counterparty limit of EUR 5M has been imposed.

Gains or losses on derivatives that have been designated as either net investment or cash flow hedging relationships are reported directly in Other Comprehensive Income (OCI), with all other gains and losses on derivatives being reported in profit or loss.

While the Group and the Bank do not actively take foreign exchange risk in its core deposit taking and lending operations, it services clients' activity in products across foreign exchange and structured Forex products and acting as a dealer for corporate and institutional clients does require the management of 'open positions' from foreign exchange transactions with these counterparties. These positions are monitored daily as per prudential trading limits that have been delegated to dealers by the Board on intra-day and overnight open exposures.

The Bank's net open position, either overbought/oversold, against the Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 31 December 2020, which is in compliance with the Bank of Mauritius requirements.

Interest Rate Risk

In 2014, the Bank surrendered its Primary Dealer's license and as a result all financial instruments as from 2015 were classified under the Banking Book.

Banking book interest rate risk are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. For the Bank, such risks are further divided into the following sub-risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities;

- Yield curve risk: shifts in The Yield curve that have adverse effects on the Group and the Bank's income or underlying economic value; and

- Basis risk: price not moving in line with the changing market price, e.g. impact of a portfolio of current account at 0% interest rate on the net interest income further to reduction in the Bank's deposit rates.

Banking book-interest rate risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income). The Bank's approach to managing banking book-interest rate risk is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. The Bank monitors banking book interest rate risk operating under the oversight of Assets & Liabilities Management Committee.

Interest rate risk limits are set in relation to changes in forecast banking book earnings. All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling. The interest rate view is formulated, following meetings of the monetary policy committees, or notable market developments.

C. MARKET RISK (Continued)

Market Risk - Focus areas for 2021

The Bank will focus on monitoring and managing the market risk and associated hedges in the context of current market volatility and monetary policy expectations.

The Bank will also focus on the implementation of the Forex Code set by the Bank of Mauritius and the phasing out of LIBOR scheduled as from end 2021. Meetings are scheduled with Bank of Mauritius and the Mauritius Bankers Association with regards to same.

D. LIQUIDITY RISK

Liquidity risk is the risk that the Group and the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due.

The nature of banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group and the Bank, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. This type of event may arise where counterparties, who provide the Group and the Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Group and the Bank manage liquidity in accordance with applicable regulations and within its risk appetite. The liquidity risk management governance framework supports the measurement and management of liquidity across the Group and the Bank to ensure that payment obligations can be met, under both normal and stressed conditions. Liquidity risk management ensures that the Group and the Bank have the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Governance committees overseeing liquidity risk are the Risk Management Committee (Board Committee), the Assets & Liabilities Management Committee and Treasury Committee. There are no regulatory capital requirements for liquidity risk.

The Group's and the Bank's liquidity risk management framework differentiates between:

- Tactical (short-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by Treasury Committee.

- Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.

- Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and setting liquidity buffers in accordance with anticipated stress events.

Structural liquidity mismatch

Structural liquidity mismatch analysis is performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Group and the Bank's defined liquidity risk thresholds. Expected aggregate cash outflows are subtracted from expected aggregate cash inflows. Limits are set internally to restrict the cumulative liquidity mismatch between expected inflows and outflows of funds in different time buckets. These mismatches are monitored on a regular basis with active management intervention if internal potential limit breaches are evidenced.

Whilst following a consistent approach to liquidity risk management in respect of the foreign currency component of the balance sheet, specific indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates.

D. LIQUIDITY RISK (Continued)

Funding strategy

Funding markets are evaluated on an ongoing basis to ensure that appropriate Group and Bank's funding strategies are executed depending on the market, competitive and regulatory environment. The Group and the Bank make use of a diversified funding strategy, sourcing liquidity in both domestic and international markets, and incorporates a coordinated approach to access loan across the BCP Group.

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, geographic regions and counterparties.

A component of the funding strategy is to ensure that sufficient contractual term funding is raised in support of term lending and to ensure adherence to the structural mismatch limits and guidelines.

Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators cover bank-specific and systemic crisis and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the Group's funding profiles and liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Group's and the Bank's ability to maintain sufficient liquidity under adverse conditions.

Liquidity buffer

Portfolios of highly marketable liquid securities over and above prudential and regulatory requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within defined limits on the basis of diversification and liquidity.

Liquidity Risk - Focus areas for 2021

Liquidity Coverage Ratio was implemented in November 2017 and the Risk Management Department ensures close monitoring of the required ratio in 2021. Furthermore, the Bank will continue to optimise its funding strategies.

As a result of COVID-19 and the actions taken by governments and businesses to help mitigate the impact, financial institutions have been challenged in their ability to manage and report on their liquidity positions and funding capabilities. The market turbulence and economic impacts resulting from the COVID-19 crisis are ongoing and continually evolving. The Bank is in process of putting in place tactical solutions that can be supported for a potentially extended duration. Impacts to liquidity and funding availability, risk management, reporting and management, and regulator requests have been prioritized to quickly and effectively address challenges and requests on an ongoing basis.

E. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk subtypes are managed and overseen by specialist functions. These subtypes include:

- legal risk;
- compliance risk;
- environmental and social risk;
- business continuity management (BCM);
- technology risk management;
- information risk management;
- financial crime control; and
- occupational health and safety.

Operational risk exists in the natural course of business activity. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The Group's and the Bank's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency.

The operational risk management function is independent from business line management and is part of the second line of defence. It is responsible for the development and maintenance of the operational risk governance framework, facilitating business's adoption of the framework, oversight and reporting, as well as for challenging the risk profile. The team proactively analyses root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions. This is effected through the "Incident Reporting Mechanism" and the "Business Process Analysis". These teams work alongside their business areas and facilitate the adoption of the operational risk governance framework.

As part of the second line of defence they also monitor and challenge the business units' and enabling functions' management of their operational risk profile.

Incident Reporting - The operational risk function has set up an incident reporting process which contributes to reinforce visibility and understanding of the Group's and the Bank's overall operational risk profile. This process plays a catalytic role in embedding operational risk management practices in the day-to-day business activities. The operational risk incident reporting serves to report, track and escalate operational risk issues within the Group and the Bank and supports decision making and timely resolution. All staff members are expected to report any operational risks, incidents and losses.

The operational risk verifies that the incident and loss data reports are comprehensively documented for recording and analysis of the root cause of losses and incidents. Depending on the results of the analysis, corrective or preventive measures are taken to reduce the exposure to the inherent operational risk and hence improve controls. All significant incidents are reported periodically to the Risk Management Committee. Operational risk reports include mitigation strategies and improvement actions put in place to avoid recurrence of such operational loss events.

Business Process Analysis - Through Operational Risk Management, the Group and the Bank assess and manage the exposure to operational risk, including severity events with a low probability of occurrence, for example fraud. These exposures are measured in a chart, updated regularly. The operational risk map highlights the key risk indicators and the frequency of major incidents which may result in loss or not.

The operational risk management is entrusted to the Risk Department, which should provide a general measurement, monitoring, control and reporting of the Group's and the Bank's risk, particularly those inherent operational risks as recommended for the Internal Capital Adequacy Assessment Process (ICAAP). In these missions, the Department is assisted as necessary by the person accountable for the security of information systems (RSSI).

E. OPERATIONAL RISK (Continued)

The "Cartographie des Risques Opérationnels", is updated regularly, and is established by the Risk Department, with the collaboration of organizational units (back-office and front office). It is validated and monitored by a Risk Committee. Objectives and scope of the "Cartographie des Risques Operationnels" are:

- Identify risk events and processes specific to the Bank;
- Evaluate the risks;
- Describe the risk control systems and evaluate them in order to assess the net risks (residual);
- Develop the risk management arrangement, particularly for major risks, through action plans;
- Propose a definition of roles and responsibilities of different stakeholders involved in the management; and
- Validate these definitions and their implementation.

The Group and the Bank are covered by an insurance to mitigate operational risk. This cover is reviewed on an annual basis. The primary insurance policies in place are the professional indemnity, and Group directors' and officers' liability insurance policies.

The primary governance committees overseeing operational risk, including the various subtypes, are:

- Risk Management Committee (Board Committee);
- Audit Committee (Board Committee);
- Compliance Committee;
- Internal Control Committee;
- Organisational and Information System Committee; and
- Risk Committee.

The Group and the Bank apply the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is measured by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

Operational Risk Subtypes

Legal risk

Legal risk is defined as the exposure to the adverse consequences of judgements or private settlements, including punitive damages resulting from inaccurately drafted contracts, their execution, and absence of written agreements or inadequate agreements. This includes exceeding authority as contained in the contract. The Group and the Bank have processes and controls in place to manage its legal risks. Failure to manage these risks effectively could result in legal proceedings impacting the Group and the Bank adversely, both financial and reputational level.

Compliance risk

This is the risk of legal or regulatory sanctions, financial loss or loss to reputation that the Group and the Bank may suffer as a result of its failure to comply with laws, regulations, code of conduct and standards of good practice applicable to its business activities. This includes the exposure to new laws as well as changes in interpretations of existing laws by respective authorities.

E. OPERATIONAL RISK (Continued)

Environmental and social risk

Environmental risk is described as a measure of the potential threats to the environment. It combines the probability that events will cause or lead to the degradation of the environment and the magnitude of such degradation. Environmental risk includes risks related to or resulting from climate change, human activities or from natural processes that are disturbed by changes in natural cycles. Social risk is described as risks to people, their livelihoods, health and welfare, socioeconomic development, social cohesion and the ability to adapt to changing circumstances.

Environmental and social risk assessment and management deals with two aspects:

- Risks over which the Group and the Bank do not have control but which have potential to impact on our operations and those of the Group's and the Bank's clients; and

- Risks over which the Group and the Bank have direct control. These include our immediate direct impact, such as our waste management and the use of energy and water; as well as our broader impact, including risks that occur as a result of our lending or financial services activities.

Business continuity management and resilience

Business Continuity Management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of the Group, the Bank, and its stakeholders. The Group BCM framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery. The Group's and the Bank's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

To ensure business continuity, having an emergency scenario is essential. In the current situation, it is vital to react as fast as possible in order to mitigate impacts and other risks and to prepare the organisation. The bank had to set up actions during the COVID-19 pandemic in 2020 onwards and its possible scenarios. Business continuity management covers infrastructure, cyber, employee, business, operational and communication risks, with the aim of managing an organisation that has to face new challenges and risks and wants to ensure continuity of operations and production.

The Bank has successfully implemented fundamental emergency measures to implement all recommendations, benckmarks of introduced measures with regards to the banking sector including employee travel restrictions.

Check and controls have been diligently put in place to ensure amongst others the following: the readiness of infrastructure and other services for employees working from home, to ensure that the systems can be managed remotely without the physical presence of IT employees (Operations, Support etc.); ensure the setup of sufficient IT support for remotely working employees and review the number of application licenses that ensure remote access.

With regards to cyber risk, the Bank has ensured a secured environment with a reinforced robust access control system. Regular vulnerability assessment and pentests exercises are carried out to identify both internal and external threats and vulnerabilities to ensure secured device configurations, up-to-date software including vulnerability patches. VPN are used for remote access together with 2 factor authentication and regular awareness campaign are done to sensitize our staffs on cyber threats and attacks. The Bank has also catered to employee risks as well as business and operational risks with the following: Analyze key roles that require on-site access, plan a backup plan in case of their absence (e.g. substitutability); Arrange a method of assigning and distributing employees at various levels of operational reduction and setting up of access for employee mobility (division of shifts, transport, etc.).

Last and not least, the Bank has also catered for its business and operational risks with the establishment of emergency measures and organisational instructions in order to ensure continuity of operations according to level of risks; set up reaction plans , prepare scenarios, plans and measures to restore business operations.

All above has been done with a proven mechanism of communication with all staff, clients, authorities and the Group.

E. OPERATIONAL RISK (Continued)

Technology risk management

Technology risk encompasses both IT risk and IT change risk. IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Group and the Bank. It consists of IT-related events and conditions that could potentially impact the business. IT change risk refers to risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability. The Group and the Bank rely heavily on technology to support complex business processes and handle large volumes of critical information. As a result, a technology failure can have a crippling impact on the Group's and the Bank's brand and reputation. The operational risk IT risk function oversees compliance with the IT risk and IT change risk governance standard.

Information risk management

Information risk encompasses all the challenges that result from the need to control and protect the Group's and the Bank's information. These risks can culminate from accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information. The Group and the Bank have adopted a risk-based approach to managing information risks. The Institute of Operational Risk management function oversees the information security management system, policies and practices across the Group and the Bank. The execution of these policies and practices is driven through system, within the Risk Division.

Occupational health and safety

Any risks to the health and safety of employees resulting from hazards in the workplace or potential exposure to occupational illness are managed by the occupational health and safety officer. Training of health and safety officers and employee awareness is an ongoing endeavour.

Managing such risk is becoming an important feature of sound risk management practice in modern financial markets. Through different tools defined by the Group and the Bank and the appointment of operational risk correspondents, the Group and the Bank ensure that operational risks are properly identified, assessed, monitored, managed and reported in a structured and consistent manner. Moreover, to mitigate operational risk, the Group and the Bank promote an organisational structure that emphasizes on recruitment of people with high level of ethics and integrity.

Operational Risk - Focus areas for 2021

In addition to the specialist operational subtypes above, the Group and the Bank also have areas of special focus based on the organisation's evolving needs. These focus areas are:

- Ensuring robust control over balance sheet substantiation and other key financial controls; and

- The 2020 Basel focus areas will be driven by supervisory expectations, international best practice and legislative developments impacting the financial services sector. Training and awareness initiatives will continue to be undertaken to ensure that staff members are aware of their regulatory responsibilities relating to relevant legislation.

With the implementation of the new Operational Risk tool (FRONT RISK), the 'Cartographie des Risques' are now obtained from the new tool so as to manage the risks arising in the ordinary course of business. In addition, the Group has identified the key potential operational risk threats for 2021, which will be addressed within the risk management framework, namely cyber security, technology risks, internal controls and regulatory risks.

F. CAPITAL MANAGEMENT

The risk management function is designed to ensure that regulatory requirements are met at all times and that the Group and the Bank are capitalised in line with the Group's target ratios, as approved by the Board. Key responsibilities are:

- Risk-adjusted performance measurement, and managing the ICAAP and capital planning process, including stress testing;

- Measurement and analysis of regulatory and economic capital, internal and external reporting and implementation of new regulatory requirements; and

- Providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.

At the regulatory level, the minimum capital adequacy ratio set by Bank of Mauritius for banks presently stands at 10% of risk weighted assets, with newly-unveiled Basel III rules which come in force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks. Overall, the Group and the Bank are committed to complying with the stipulated thresholds, including capital limits and buffers that will be phased-in in forthcoming years as per the transitional arrangements defined by the Central Bank.

Basel III

Basel III is a new global regulatory standard on bank capital adequacy and liquidity agreed by the members of the Basel Committee on Banking Supervision in December 2010. Basel III strengthens bank capital requirements and introduces new regulatory requirements on bank liquidity and bank leverage. It proposes many newer capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking sector. The capital standards and new capital buffers will require banks to hold more capital and higher quality of capital than under current Basel II rules. The new leverage and liquidity ratios introduce a non-risk based measure to supplement the risk based minimum capital requirements and measures to ensure that adequate funding is maintained in case of crisis. As per the recommendations, banks are expected to be compliant as from 1st July 2014.

As part of its action for Basel III implementation, the Bank of Mauritius has issued the following Guidelines:

- Guideline on Scope of Application of Basel III and Eligible Capital (Superseding the 2008 Guidelines on Eligible Capital & Basel II), effective 1st July 2014. The main purpose of the guideline is to set out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework and to formulate the definition of regulatory capital, regulatory adjustments, transitional arrangements, disclosure requirements and capital conservation buffer; and

- Guideline for dealing with Domestic Systemically Important Banks, effective 30 June 2014. The main purpose of the guideline is to put in place a reference system for assessing the systemic importance of banks and ensure that the systemically important banks have the capacity to absorb losses through higher capital. Of note, after its assessment, the Bank of Mauritius has identified 5 banks as Domestic Systemically Important Banks. BCP Bank (Mauritius) Ltd has not been identified as a Domestic Systemically Important Bank.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

F. CAPITAL MANAGEMENT (Continued)

Objectives of Basel III

Basel III aims to improve the quality of capital, increase capital levels and remove inconsistencies in the definition of capital across jurisdictions. The main objectives are:

Increased quality, quantity and consistency of capital	- Increased focus on CET 1. - Increased capital levels.
Increased risk coverage	- Credit valuation adjustment (CVA) for over-the-counter (OTC) derivatives, being the capital charge for potential mark-to-market losses associated with deterioration in counterparty creditworthiness. - Asset value correlation being the increased capital charge on exposures to financial institutions. - Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	- In response to the COVID-19 pandemic, the Bank of Mauritius has maintained a capital buffer of 1.875% in 2020 and up to end March 2022. - Build up capital during favourable economic conditions that can be drawn on during times of stress.
Pillar 2 and domestic systemically important bank (D-SIB) buffer	- Additional buffer to be held against systemic risk requirements.
Countercyclical buffer	- Capital buffer deployed by national jurisdictions when system wide risk builds up. - Ensures capital adequacy takes macro-financial environment into account.
Leverage ratio	- The leverage ratio is used to capture just how much debt the bank has relative to its capital, specifically “Tier 1 capital,” including common stock, retained earnings and select other assets. The ratio is calculated as tier I qualifying capital/on and off-balance sheet exposures, as defined by the BCBS, and to measure against the BOM prescribed minimum ratio.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

RISK MANAGEMENT REPORT (Continued)

F. CAPITAL MANAGEMENT (Continued)

Implementation of new capital requirements under Basel III

The below reflects the minimum capital requirements and phase-in periods applicable to banks in Mauritius.

	2015	2016	2017	2018	2019	2020
	(All dates are as of 01 January)					
Minimum CET 1 CAR	6.00%	6.50%	6.50%	6.50%	6.50%	6.50%
Capital Conservation Buffer			0.625%	1.25%	1.875%	2.50%*
Minimum CET 1 CAR plus	6.00%	6.50%	7.125%	7.75%	8.375%	9.00%
Phase in of deductions from CET 1	50.00%	50.00%	60.00%	80.00%	100.00%	100.00%
Minimum Tier 1 CAR	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Total CAR	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total CAR Plus Capital Conservation Buffer	10.00%	10.00%	10.625%	11.25%	11.875%	12.50%*
Capital Instruments that no longer qualify as AT1 capital or Tier 2 capital	Phased out over 10 year horizon beginning 01 July 2014					

* In response to the COVID-19 pandemic, the Bank of Mauritius has maintained a capital buffer of 1.875% in 2020 and up to end March 2022.

Capital Structure

Regulatory capital adequacy is measured through three risk-based ratios:

- CET I: Ordinary share capital, share premium and retained earnings divided by total risk-weighted assets;
- Tier I: CET I plus perpetual non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements; and
- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

The Bank's CET 1. Tier 1 and Tier 2 capital are as per below. The Bank's and Group's capital structure and capital adequacy ratio are as follows (the components of Capital may be reconciled with the Financial Statements as per notes below).

F. CAPITAL MANAGEMENT (Continued)

Limits and minima applicable

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III. The following limits and minima are applicable as from 01 January 2016:

- A minimum Core Equity Tier 1 ratio of 6.5%;
- A minimum Tier 1 ratio of 8%;
- A minimum Capital Adequacy Ratio of 10%; and
- A minimum Capital Adequacy Ratio with Capital Conservation Buffer totalling 11.875%: which is temporary (and is up to 2022 per Bank of Mauritius).

As at 31 December 2020, the Group and the Bank have complied with all the limits and minimum requirements of the Bank of Mauritius guidelines. The Group and the Bank is well positioned to meet the phase in requirements as per the guidelines.

Supervisory Review Process - Internal Capital Adequacy Assessment Process (ICAAP)

The Group and the Bank are guided by its Internal Capital Adequacy Assessment Process (ICAAP) in determining its capital planning and formulating its risk appetite process. Overall, the purpose of the ICAAP document is to provide an informative description of the methodology and procedures that the Group and the Bank uses to assess and mitigate its risks and to make sure that adequate capital is kept to support its risks beyond the core minimum requirements. It delineates the process through which the Bank assesses the extent to which it holds sufficient capital in order to duly support its business activities.

Specifically, through the ICAAP, the Bank assesses its forecast capital supply and demand relative to its regulatory and internal capital targets under various scenarios. The Bank's capital plan is defined every year during the budgeting and strategic planning exercise while financial year risk appetite limits are set by the Board.

Exposures are monitored on a quarterly basis against those limits and reported to the Risk Management Committee. Actually, the ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius Guideline on Supervisory Review Process in April 2010. The document which is approved by the Board is reviewed periodically to ensure that the Bank remains well capitalised after considering all material risks. Stress testing is a risk management exercise that forms an integral part of the ICAAP. As part of the Bank's ICAAP, forecasts are made taking into account the Basel Pillar I and II stresses. The ICAAP provides for an assessment of the Pillar I risk types (i.e. credit, operational and market risks) and Pillar II risk types (i.e. concentration of risk, liquidity risk, interest rate risk, strategic risks, residual risks and so on). These assessments are conducted with a view to understanding the sensitivity of the key assumptions of the capital plan to the realisation of plausible stress scenarios and in order to evaluate how the Bank can continue to maintain adequate capital under such scenarios. The overriding aim of the stress testing framework is to ensure that risk management exercises are firmly embedded in the organisation's overall governance culture.

As a subsidiary of BCP Group and benefitting from the implicit and explicit support of its sole shareholder. BCP Bank (Mauritius) Ltd leverages on various tools to raise its capital as and when needed. Capital may be raised through the issue of Ordinary Shares, Preference Share or Subordinated Debt, in multiple currencies. In addition, the Bank uses various instruments issued by its shareholder to mitigate its Credit Risk, namely through Unfunded Risk Participation and others.

COMPLIANCE

Code of Ethics & Conduct

The BCP Group occupies a leading position in the national banking sector in Morocco, because of its institutional values of citizenship and solidarity. In particular, the ethical dimensions explain the Group's achievements and constitute the real basis for its future development.

In line with its Group's vision on ethics and values, BCP Bank (Mauritius) has adopted a set of universal values such as integrity, loyalty, professionalism, quality, transparency and solidarity as benchmarks for its day-to-day management. These principles and values are clearly expressed in the Bank's Code de Déontologie, which has been drawn up in compliance with the Group's philosophy and expectations as well as the local regulations in force in order to further strengthen the relationship of trust experienced with our customers and external partners.

At BCP Bank (Mauritius), the tone has been set at the top with regard to general compliance with the Code. All employees are personally accountable and are required to act in accordance with the bank's values and principles. The Compliance and the Internal Audit departments are responsible to ensure that the rules mentioned in the Code are respected, by carrying out adequate controls on a regular basis.

Compliance function

As the second line of defence, the Compliance Function of BCP Bank (Mauritius) has adopted the general principles of the Basel Committee on Banking Supervision on Compliance and Compliance Function in Banks, aligned with the BCP Group Compliance Charter and standards. It stands guided by its compliance policy, as approved by the Board of Directors, which sets out the principles and standards for compliance and management of compliance risks at BCP Bank (Mauritius) and serves as a general guidance to help business and support units to fulfil their obligations and effectively manage their inherent compliance risks.

The Compliance function at BCP Bank (Mauritius) is fully independent, with a reporting line to the Board Risk Management Committee and to the Board of Directors.

The general approach adopted at the Bank to manage the compliance risk, in order to safeguard its reputation and that of its customers and stakeholders, is to ensure that the Bank adheres to the applicable laws, regulations, guidelines and business standards and to promote a compliance-oriented compliance culture across the Bank.

Compliance Risk Management

At BCP Bank (Mauritius), the Compliance framework adopted lies on a risk-based approach to ensure that it complies with internal and external regulatory norms and standards. A yearly Compliance programme is established by the Compliance function, which sets out its planned activities, and approved by the Group and the Board Risk Management Committee.

The basis of the Bank's Compliance Risk Management Programme encompasses the following:

- Identification of regulations and guidelines applicable to the Bank and translate these into compliance requirements for adoptions and adherence;

- Testing the level of the Bank's compliance with respect to these compliance requirements;

- Fostering a control environment with proper segregation of duties to avoid possible conflict of interest;

- Maintaining communication and collaboration with business and support units by providing regulatory advisory services and training;

- Maintaining a trusted line of communication with the regulatory and supervisory authorities; and

- Promoting awareness on AML/CFT and proliferation financing to all employees of the Bank.

Compliance Risk Management (Continued)

In terms of its AML/CFT responsibilities and the increasing regulatory obligations over the last two years, the Bank has reviewed a number of its policies and processes in year 2020. The Bank has also invested in the implementation of sophisticated screening tools such as the Swift Sanction Screening (SSS) Tool and SIRON KYC in order to meet its obligations on financial prohibitions prescribed by different regulatory bodies worldwide. The Swift Sanction Screening is a web-based tool, which allows the Bank to screen any inward or outward transaction, whether local, or cross-border, against comprehensive updated sanction lists on a real-time basis in order to mitigate any sanction risks. On other hand, the SIRON KYC Tool allows the Bank to screen a prospect prior to onboarding as well as on an ongoing basis against reliable sanction lists and risk intelligence databases.

INTERNAL AUDIT FUNCTION AND INTERNAL CONTROL

The BCP Bank (Mauritius) Internal Audit department is responsible for providing independent and objective assurance and consulting activity to the Board in line with the Mauritian Code of Corporate Governance.

In alignment to Section 40 (4) of the Mauritius Banking Act 2004, BCP Bank (Mauritius) internal Audit's independence is secured through its functional reporting line to the Bank's Board Audit Committee. The Head of Audit reports functionally to the Board's Audit Committee and administratively to the Chief Executive Officer and is an invitee to the quarterly Audit committee meetings. The Head of Audit has regular and unrestricted access to the Board Audit Committee's Chairman and members. The Bank has subscribed to the principle that Internal Audit has unfettered access to Bank's records and information.

The internal audit's plan is approved annually by the Board Audit Committee, and progress is reviewed on a quarterly basis. The plan is conceptualized using a risk-based approach designed to add value and improve the Bank's operations. The plan also caters for variations to be more responsive to ad-hoc requests from management.

In short, the mission of the Internal Audit function is to provide vital assurance to the Board Audit Committee (and ultimately the Board) and senior management on the quality of the Bank's internal control system, risk management and governance processes as well as compliance activities. Internal audit tracks and reports on the timeliness and effectiveness of the implementation of audit recommendations.

The objective of the Internal Audit Department is to adapt its strategy and methodology to ensure continued alignment to the Bank's strategic objectives and risks and to pave the way in its journey towards IIA certification in line with the BCP Group Audit Team.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Good corporate governance remains integral to the way the Bank operates. The Bank is committed to operating in a correct, principled and commercially astute manner and staying accountable to its stakeholders. The Bank holds the view that transparency and accountability is essential for the Bank to thrive and succeed in the short, medium and long term.

GOVERNANCE FRAMEWORK

The Bank operates within a clearly defined governance framework as per its Constitution, Code of Ethics and 'Charte de Bonne Governance d'Entreprise et Règles de Bonne Conduite. Through this framework, the board balances its role of providing risk oversight and strategic counsel while ensuring adherence to regulatory requirements and risk tolerance. The governance framework provides for delegation of authority while enabling the board to retain effective control. The board delegates authority to relevant board committees and the Chief Executive Officer with clearly defined mandates and authorities, while preserving its accountability.

Board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the board reviews regularly. Mandates for each committee set out its role, responsibilities, scope of authority, composition and terms of reference. The committees report to the board through their respective chairman and minutes of all committee meetings are submitted to the board.

The board delegates authority to the Chief Executive Officer to manage the business and affairs of the Bank. This delegated authority is set out in writing, together with the matters reserved for board decision. The Senior Management Committee and Operational Management Committee assist the Chief Executive Officer in the day-to-day management of the affairs of the Bank, subject to statutory parameters and matters reserved for the board. As a Public Interest Entity, the Bank has applied the principles and provisions of the National Code of Corporate Governance for Mauritius (2016) in all material aspects.

GOVERNANCE STRUCTURE

The shareholding and Group structure is as follows:

The Governance Framework is as follows:

- Board of Directors
- Board Committees, namely:

  - Audit Committee;
  - Risk Management Committee;
  - Conduct Review Committee;
  - Corporate Governance Committee;
  - Remuneration and Nomination Committee; and
  - Credit Committee.

GOVERNANCE STRUCTURE (Continued)

- Management Committees, namely:

  - Senior Management Committee (Comité de Direction Générale);
  - Operational Committee;
  - Business Development Committee;
  - Finance Committee;
  - Pricing Committee;
  - Assets & Liabilities Management Committee;
  - Treasury Committee;
  - Credit Committee;
  - Non-Performing Loans review and Provisioning Committee;
  - Arrears Committee;
  - Compliance Committee;
  - Risk Management Committee; and
  - Organisation and Information Systems Committee.

BOARD OF DIRECTORS

The role of the board:

The board provides effective leadership based on an ethical foundation. It strives to balance the interests of the Bank and those of its various stakeholders. It is the highest decision-making body in the Bank and is responsible for the Group's strategic direction. It ensures that strategy is aligned with the Group's values and monitors strategy implementation and performance targets in relation to the agreed risk profile. It is collectively responsible for the long-term success of the Group and is accountable to shareholders for financial and operational performance. An annual meeting of shareholders is held every year to that effect.

In line with banking regulations, the board decides on the Group's corporate governance and risk management objectives for the year ahead. The relevant governance and risk management committees monitor performance against governance and risk objectives, respectively, and reports are submitted to the board. A self-assessment of board members and board committees was carried out in 2020 to assess their performance.

The board's terms of reference are set out in a written charter, the 'Charte de Bonne Governance d'Entreprise et Règles de Bonne Conduite', as approved by the Board. The Board charter is reviewed at least annually and complies with the provisions of the Guideline on Corporate Governance, The Companies Act, The Banking Act, the Bank's constitution, any relevant legislations and guidelines. It sets out the guidelines with regards to:

- composition of the board;
- term of office;
- reporting responsibilities;
- rules of engagement; and
- matters reserved for board decision.

The board's key terms of reference are set out below:

- provide effective leadership based on an ethical foundation;

- approve the strategy and ensure that the Group's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders;

- review the corporate governance and risk and capital management processes and ensure that there is an effective risk management process and internal control system;

- delegate relevant authority to the Chief Executive Officer and the Deputy Chief Executive Officer and monitor their performance;

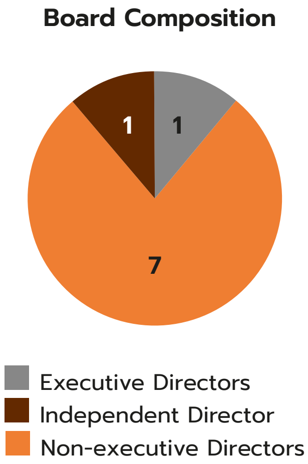
- determine the terms of reference and procedures of all board committees, review the board's and committees' performance annually, and review their reports and minutes;
- ensure that the Audit Committee is effective and independent;
- ensure that an adequate budget and planning process exists, measure performance against budgets and plans, and approve annual budgets;
- consider and approve the annual financial statements and the annual report, results, dividend announcements and notice to shareholders before holding of the Annual General Meeting; and
- approve significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances.

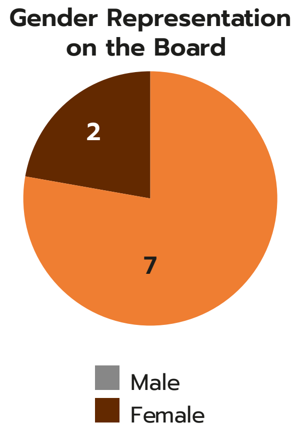
Board meetings allow sufficient time for consideration of all items. Care is taken to ensure that the board attends to matters critical to the Group's success, with sufficient attention to compliance and administrative matters.

While directors have a duty to keep up to date with industry, legal and regulatory developments, it is also the responsibility of the Board to provide them with adequate training and development. In this respect, Head of Compliance through the Risk Management Committee present on a quarterly basis all regulatory changes effective in the Banking Sector and the Head of Legal & Company Secretary ensures that all the directors are kept up to date of any changes.

The Bank has a unitary board structure with executive and non-executive directors. The board functions effectively and efficiently and is considered to be of an appropriate size for the Bank, taking into account, among other considerations, the need to have sufficient directors to structure board committees appropriately, the regulatory requirements as well as the need to adequately address the board's succession plans. Non-executive directors bring diverse perspectives to board deliberations, and constructive challenging of the views of executive directors and management is encouraged.

The directors' nomination and appointment process is guided by the legal and regulatory requirements and the Bank's constitution.





The Company Secretary acts as secretary of the Board of Directors.

The roles of the Chairman and Chief Executive Officer continue to be substantively different and separated. The Chairman is a non-executive director responsible for leading the board, ensuring its effective functioning and setting its agenda, in consultation with the Company Secretary and the Chief Executive Officer. The board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The Company Secretary maintains a register of directors' interests, which is available upon written request by the shareholder.

BOARD OF DIRECTORS (Continued)

There is ongoing engagement between senior management and the board. In addition to the executive directors, senior management attend board meetings. Directors have unrestricted access to management information, as well as the resources to carry out their duties and responsibilities.

BOARD COMMITTEES

THE AUDIT COMMITTEE

In line with the Banking Act 2004 and international best practice, the Audit Committee's principal responsibilities are to:

- review the interim and annual financial statements, summarised financial information, dividend declaration and all financial information and recommend them to the board for approval;
- evaluate the adequacy and effectiveness of the accounting policies and all proposed changes in accounting policies and practices;
- review the basis for determination as a going concern;
- review the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls;
- review the impact of new financial systems, tax and litigation matters on financial reporting;
- review and approve the Bank external audit plan;
- oversee the appointment of external auditors, their terms of engagement and fees;
- review significant differences of opinion between external auditors and management;
- review the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensure that management takes appropriate action to satisfactorily resolve issues;
- review, approve and monitor the internal audit plan and charter;
- consider and review the internal auditors' significant findings and management's response;
- evaluate annually the role, independence and effectiveness of the internal audit function in the overall context of the Group's risk management system;
- ensure that both Internal and External Auditors' independence and objectivity are maintained
- monitor the maintenance of proper and adequate accounting records and the overall financial and operational environment;
- review reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks;
- review, approve and monitor the compliance plan; and
- monitor compliance with the Companies Act, Banking Act and all other applicable legislations and guidelines.

BOARD COMMITTEES (Continued)

THE AUDIT COMMITTEE (Continued)

The Audit Committee is comprised of non-executive directors and one independent director of the Bank. The Chairman of the Board is not a member of the Audit Committee. The Head of Internal Audit, the External Auditor, the Head of Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Audit Committee.

The Audit Committee meets at least four times in a year.

EXTERNAL AUDITORS

Following the completion of their five-year term as External Auditors of the Bank, a tender exercise is effected and audit firms are to submit their proposals to the Bank. The proposals are then presented to the Audit Committee, approved by the Board and then by the Shareholder's Meeting. Tenderers are assessed based on their profiles, the quality of the proposed audit team and their banking experience, the audit and quality assurance approach, amongst others.

2020 is the last year of our current external auditors' mandate, following completion of a 5 years tenure.

THE RISK MANAGEMENT COMMITTEE

In line with the requirements of the guidelines of the Bank of Mauritius and the international best practice, the main responsibilities of the Risk Management Committee are to:

- determine the Group's risk appetite;
- monitor the current and future risk profile to ensure that the Group is managed within risk appetite;
- consider and approve the macroeconomic scenarios used for stress testing, and evaluate the results of stress testing;
- approve all risk governance standards, frameworks and relevant policies;
- monitor all risk types;
- approve risk disclosure in published reports;
- review and recommend the ICAAP and internal capital target ratio ranges to the board for approval and monitor the utilisation of capital to make sure that the Bank has, at any time, a capital adequacy ratio corresponding to at least the regulatory minimum requirements;
- review the impact on capital of significant transactions entered into by the Group;
- review and approve the strategy, policies and practices relating to the management of the Bank's liquidity;
- approve the Risk Policy, which sets out the credit granting process and limits;
- monitor large and impaired credits as well as the overall level of provisioning, that is, overseeing Credit and Risk exposures; and
- oversee the Bank's overall strategic direction, relating to information governance, information technology and security and related expenditures.

CORPORATE GOVERNANCE REPORT (Continued)

BOARD COMMITTEES (Continued)

THE RISK MANAGEMENT COMMITTEE (Continued)

The Risk Management Committee is comprised of 2 non-executive directors of the Bank and the Chief Executive Officer, also executive director. The Chairman of the Board is not a member of the Committee. The Head of Internal Audit, the Chief Risk Officer and Compliance and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Risk Management Committee. The Risk Management Committee reports to the Board, through its Chairman.

The Risk Management Committee meets on a quarterly basis.

THE CONDUCT REVIEW COMMITTEE

In line with the Guidelines of the Bank of Mauritius, the Conduct Review Committee's main responsibilities are to:

- establish the policies and procedures to comply with the requirements of the Guideline on Related Party Transactions;
- review the Bank's transactions with related parties in line with the Conduct Review Policy, ensuring that the latter is in compliance with all reporting and/or approval procedures of the Bank of Mauritius;
- review and approve all credit facility with related parties; and
- ensure that transactions which could materially affect the financial stability of the Bank are identified at source and review all related party transactions when said dealings are above 2% of Tier 1 Capital.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Conduct Review Committee reports to the Board, through its Chairman.

The Conduct Review Committee meets at least four times in a year.

THE CORPORATE GOVERNANCE COMMITTEE

In line with the Guidelines of the Bank of Mauritius, the Corporate Governance Committee's responsibilities are to:

- deal with all Corporate Governance issues and make recommendation to the Board accordingly;
- ensure that the Bank complies with the Code of Corporate Governance and Corporate Governance Guidelines issued by the Bank of Mauritius;
- ensure that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice;
- ensure effective communication between stakeholders; and
- evaluate the effectiveness of the Board, its committees and its individual Directors.

The Senior Management team, including the Head of Compliance and the Head of Audit, attend all meetings.

The Corporate Governance Committee reports to the Board, through its Chairman.

The Corporate Governance Committee meets at least once a year.

BOARD COMMITTEES (Continued)

THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of three non-executive directors. The Committee is responsible for making recommendations to the Board on the appointment of directors and senior executives. The Committee also oversees remuneration and compensation of directors, senior management and other key personnel with a view to attract, retain and motivate them. It reviews periodically compensation levels of the Bank's employees vis-a-vis other banks and the industry in general. The Committee ensures that compensation is consistent with the current market conditions as well as with the Bank's strategy and objectives.

The responsibilities of the Nomination and Remuneration Committee include:

- ascertaining whether the potential directors, chief executive, deputy chief executive officer and senior officers are fit and proper persons, have the required skills and expertise, and are free from material conflicts of interest, and ensuring that an induction programme is provided to new directors;

- reviewing the Board structure, size and composition (including balance between independent/ non-executive/executive) and the composition of Board Committees;

- reviewing, for submission to the Board, remunerations for directors and executives/senior officers as well as proposals of promotion to the General Management; and

- reviewing the succession plan of senior executives and the list of talents.

The Nomination and Remuneration Committee meets at least once a year.

THE CREDIT COMMITTEE

The Credit Committee consists of the Chairman of the Board and two non-executive directors. The committee reviews and recommends and / or approves credit requests, which are outside the delegated authority of the Bank's local Credit Committee.

The responsibilities of the Credit Committee include:

- Reviewing the credit requests; and
- Approving the credit request.

The Credit Committee meets as and when required.

MEMBERS OF THE BOARD

Non-Executive Directors

- **Kamal Mokdad** (Chairperson);
- **Karim Mounir**;
- **Fahed Mekouar**;
- **Jalil Sebti**;
- **Saïd Berbale** (resigned on 24th February 2020);
- **Hanane El Boury**;
- **Ghizlane Bouzoubaa**;
- **Othmane Tajeddine** (effective date of appointment as at 24th February 2020) and
- **Jean-Louis Vinciguerra** (Independent Director)

Executive Director

- **Abdelwafi Atif**

MEMBERS OF COMMITTEES OF THE BOARD

Audit Committee

- Jean-Louis Vinciguerra (Chairperson);
- Ghizlane Bouzoubaa;
- Hanane El Boury; and
- Fahed Mekouar.

Risk Management Committee

Members of the Risk Management Committee as at 20th August 2020 were:

- Jalil Sebti (Chairperson);
- Hanane El Boury; and
- Abdelwafi Atif.

Members of the Risk Management Committee from 20th August 2020 are:

- Othmane Tajeddine (Chairperson);
- Hanane El Boury; and
- Abdelwafi Atif.

Conduct Review Committee

The Conduct Review Committee (CRC) consists of three non-executive members are as follows as at 20th August 2020:

- Fahed Mekouar (Chairperson);
- Hanane El Boury; and
- Saïd Berbale.

The Conduct Review Committee (CRC) consists of three non-executive members who are as follows as from 20th August 2020:

- Fahed Mekouar (Chairperson);
- Hanane El Boury; and
- Othmane Tajeddine.

MEMBERS OF COMMITTEES OF THE BOARD (Continued)

Corporate Governance Committee

The Corporate Governance Committee consists of two non-executive members, one executive member and an independent director and the composition was as follows as at 20th August 2020:

- Saïd Berbale (Chairperson);
- Jean-Louis Vinciguerra;
- Kamal Mokdad; and
- Abdelwafi Atif.

The Composition as from 20th August 2020 are as follows:

- Kamal Mokdad (Chairperson);
- Jean-Louis Vinciguerra;
- Othmane Tajeddine; and
- Abdelwafi Atif.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee as at 20th August 2020 were:

- Kamal Mokdad (Chairperson);
- Fahed Mekouar; and
- Jalil Sebti.

The members of the Nomination and Remuneration Committee as from 20th August 2020 are:

- Kamal Mokdad (Chairperson);
- Othmane Tajeddine; and
- Jalil Sebti.

Credit Committee

- Kamal Mokdad (Chairperson);
- Hanane El Boury; and
- Jalil Sebti.

CORPORATE GOVERNANCE REPORT (Continued)

DIRECTORS' PROFILE

The Board consists of 9 members who are experienced professionals with expertise in a variety of fields.

Kamal Mokdad (Chairperson)

Kamal Mokdad is Chief Executive Officer at Morocco's Banque Centrale Populaire (BCP). He is also the CEO of "BP Shore Consulting", BCP's own consulting firm created to enable the group's execution of current strategic and operational projects.

Kamal joined BCP's executive management after an extensive international experience in audit and advisory across France, Morocco and Sub-Saharan Africa. He debuted his career in Paris where he joined an international professional services firm specialized in audit and advisory. He led various engagements for several European groups mainly in the banking and insurance sectors. In 2007, he was appointed as a Partner and was in charge of launching a new "Financial Services" offer. By 2010, he was entrusted with the management of the firm as he became Morocco' Managing Partner and Financial Services Leader in Africa.

Kamal Mokdad earned a degree in economics and finance at the Institute of Political Studies in Paris (Sciences-Po Paris), as well as an international certificate of political studies. He eventually prepared for the French accounting certification and received the designation of chartered accountant in 2006. He also holds an MBA, which he obtained in 2014.

Karim Mounir

Mohamed Karim Mounir is Chairman for Banque Centrale Populaire SA and Chief Executive Officer at Upline Group (a subsidiary of Banque Centrale Populaire SA). He received an undergraduate degree from École Mohammadia d'Ingénieurs and an undergraduate degree from Conservatoire National des Arts et Métiers.

Fahed Mekouar

Fahed Mekouar is the Head of Strategic Planning and Corporate Business Development of BCP. Fahed Mekouar holds a Masters in Sciences in Business Administration from Ecole des Hautes Etudes Commerciale.

Hanane El Boury

Hanane El Boury is the Head of International Business Development of Banque Centrale Populaire. Hanane El Boury holds an MBA from ESA Toulouse. She is on the board of different banks belonging to the BCP group in Morocco. She has over 22 years of experience in the Financial Sector.

Ghizlane Bouzoubaa

Ghizlane Bouzoubaa is the Chief Financial Officer of Banque Centrale Populaire. She is a Chartered Accountant and has over 18 years of banking experience.

Othmane Tajeddine

Othemane Tajeddine is the Directeur Banque des Marchés de Capitaux of Banque Centrale Populaire. Othmane Tajeddine holds a Masters in Economie et Gestion des Entreprises from University of Hassan II.

DIRECTORS' PROFILE (Continued)

Jean-Louis Vinciguerra (Independent Director)

Jean-Louis Vinciguerra holds a Masters in Political Sciences from Institut d'études Politiques de Paris, a PHD in Economics from Paris Assas-Panthéon and completed the Management Development Program at the Harvard Business School. Jean-Louis Vinciguerra has been the Director Finance and Operations and Senior Executive Vice President of France Telecom since 1998. He has banking experience as Senior Partner of Rothschild and Company, then BZW and finally Indosuez as Head of Investment Banking Division for Asia-Pacific. He began his career in 1971 with Pechiney, where Mr. Vinciguerra served as Group Director Finance and Operations, Vice President of Finance and Deputy Managing Director of Packaging Division. He served as the Chairman and Chief Executive Officer of American National Can from 1994 to 1995. He served as Head of the Asia Department at Crédit Agricole Indosuez.

Abdelwafi Atif (Executive Director)

Abdelwafi Atif is the Chief Executive Officer of the Bank. He holds a Diplôme des Etudes Universitaires Générales Sciences Economiques from the University Sidi Med Ben Abdellah, Morocco and a Diplôme des Etudes Supérieure Bancaires from Institut Technique de Banque/CNAM, Paris. Before joining BCP Bank Mauritius, he was the Chief Executive Officer of Chaabi International Bank, a subsidiary of Banque Centrale Populaire. Abdelwafi Atif has over 30 years of banking experience.

Attendance for Board Meeting and Committee

		Board Committee					
		Board of Directors	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Remuneration and Nomination Committee
Number of meetings held from January to December 2020		4	4	4	4	1	1
Executive	Abdelwafi ATIF	4	4	4	4	1	A
Non Executive	Kamal Mokdad	4	n/a	n/a	n/a	1	1
Non Executive	Fahed Mekouar	4	4	n/a	4	n/a	n/a
Non Executive	Jalil Sebti	1	n/a	A	n/a	n/a	1
Non Executive	Saïd Berbale	A	n/a	n/a	A	A	A
Non Executive	Karim Mounir	A	n/a	n/a	n/a	n/a	n/a
Non Executive	Hanane El Boury	3	2	4	4	n/a	n/a
Non Executive	Ghizlaine Bouzoubaa	4	3	n/a	n/a	n/a	n/a
Non Executive	Tajeddine Othmane	1	n/a	1	1	n/a	n/a
Independent	Jean-Louis Vinciguerra	3	3	n/a	n/a	1	n/a

CORPORATE GOVERNANCE REPORT (Continued)

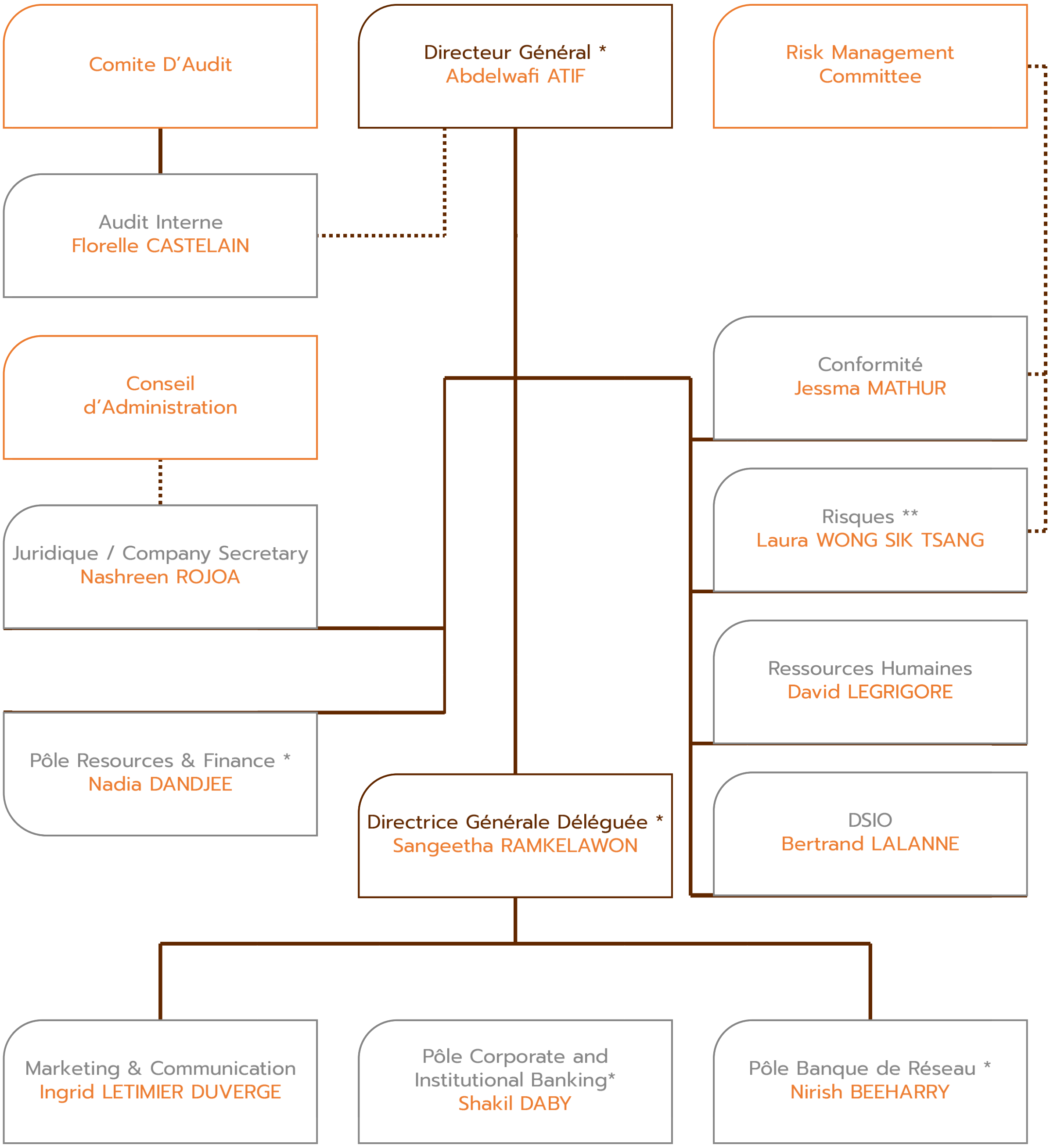
REMUNERATION OF DIRECTORS

The non-executive directors (external to the Group) receive a fee for each board meeting or other board committees. The remuneration packages of executive directors are determined based on a number of factors including qualifications, skills, market conditions and responsibility shouldered and is approved by the Remuneration and Nomination Committee.

Remuneration paid to the Directors is as follows:

Fonction	Remuneration 2020	Yearly fees 2020	Attendance fees (MUR)						
			Board of Directors	Audit Committee	Risk Management Committee	Conduct review Committee	Corporate Governance Committee	Remuneration and Nomination Committee	Total (MUR)
Président du Conseil d'administration - M.Kamal MOKDAD	-	645,348	271,726	-	-	-	67,931	67,931	1,052,937
Président de Comité spécialisé (audit Committee) - M. Jean-Louis VINCIGUERRA	-	237,760	217,380	163,035	-	-	54,345	-	672,521
Président de Comité spécialisé (Risk Management Committee) - M. Jalil Sebti	-	158,507	54,345	-	-	-	-	54,345	267,197
Président de Comité spécialisé (Conduct review Committee) -M.Fahed MEKOUAR	-	237,760	217,380	217,380	-	217,380	-	-	889,901
Administrateurs sans fonction de Président - Mme. Hanane EL BOURY	-	-	135,863	90,575	181,150	181,150	-	-	588,739
Administrateurs sans fonction de Président - M. Karlm MOUNIR	-	-	-	-	-	-	-	-	-
Président de Comité spécialisé (Corporate Governance Committee) - M.Saïd BERBALE	-	-	-	-	-	-	-	-	-
Président de Comité spécialisé (Risk Management Committee) – M. Othmane TAJEDDINE	-	79,253	54,345	-	-	54,345	-	-	187,944
Directeur Géneral Abdelwafi ATIF	6,685,000	-	181,150	135,863	-	-	-	-	7,002,013
Total	6,685,000	1,358,628	1,132,190	606,854	181,150	452,876	122,277	122,277	10,661,252

ORGANISATION CHART



* - Member of CDG ** - Permanent Guest of CDG (Comité de Direction Générale)

Directeur Général = Chief Executive Officer

Directrice Générale Déléguée = Deputy Chief Executive Officer

ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer, with the active involvement and overview of the board, is responsible for the strategic direction of the Bank and must, therefore, take the initiative of setting the vision and long and short-term goals. He ensures that an appropriate strategic planning process is in place and takes the lead in coming up with a proposed strategic plan, including the objectives to be achieved. The board will examine the plan and provide an objective assessment thereof. In addition, the conduct of business is entrusted to the Chief Executive Officer, who has the responsibility to operate within the risk appetites and policies set by the Board while adhering to regulatory requirements. To this end, various committees involving the Bank's senior officers are in place to support the Chief Executive Officer to deliberate on key issues for informed decision-making.

PROFILE OF THE MANAGEMENT TEAM

Ramkelawon Sangeetha – Deputy Chief Executive Officer (Directrice Générale Déléguée)

Sangeetha Ramkelawon holds a Bachelor in Management with specialisation in International Finance from the University of Mauritius with 16 years of experience in the Banking sector. She started her career as Banking Operations Officer/ Portfolio Manager at International Proximity in year 2000. She then moved to Deutsche Bank (Mauritius) Limited in 2003 as Deputy Head of Banking and was promoted as Assistant Vice President – Head of Institutional and Intermediary Business in 2006. She held the position of Vice President – Head of Banking – Global Transaction Banking before joining Banque des Mascareignes Ltée (now BCP Bank (Mauritius) Ltd) in 2016 as Director of Corporate and Institutional Banking). She was appointed Interim Chief Executive Officer from 1st September 2018 to the 19th November 2018 and subsequently as Deputy Chief Executive Officer.

Daby Shakil - Director of Corporate and Institutional Banking

Shakil Daby joined the bank in September 2016 in the capacity of Head of Corporate and was assigned the role of Director Corporate and Institutional Banking in January 2019. Prior to his present position, Shakil has over 13 years of banking experience within the international banking sector spanning across corporate and global banking. He is a holder of a BA (Hons) Law and Management from Middlesex University London, UK.

Beeharry Nirish – Director of Consumer Banking (Directeur Banque de Réseau)

Prior to joining the Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) in May 2017, Nirish Beeharry held the positions of Executive Head of Consumer Banking for the MauBank in Mauritius, a position he had been promoted to in 2016. Prior positions held by the latter include Head of Retail and Head of Cards at the Bramer Bank, as well as 10 years of Retail Management experience attained at the Barclays Bank in Mauritius. Roles at Barclays' have included the setting up of the SME proposition, to that of Business Development Manager, where he was key in setting up of the Alternate Sales Channels-, which was a first for the country. He has also held the positions of Area Leader and Head of Sales, for the Bank's Retail/ Consumer proposition.

Wong Sik Tsang Laura – Chief Risk Officer (Directrice des Risques)

With more than 16 years of expertise in the banking sector, Laura is our Chief Risk officer since May 2019. Since Laura joined our bank she has been recognised as a key management executive by occupying the following roles within the Bank: Head Of Credit Administration; Head of Investigations; Head of Compliance and Permanent Control; and Head of Internal Audit. Prior to joining Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) in February 2011, she worked for "Banque Nationale de Paris Intercontinentale" for 7 years spearheading the Credit and Risk Departments. Laura holds a "Maîtrise ès Sciences Economiques" from the University of Paris 1 Pantheon-Sorbonne, Paris.

PROFILE OF THE MANAGEMENT TEAM (Continued)

Castelain Florelle – Head of Internal Audit (Directrice de l'Audit Interne)

Florelle is a seasoned banker, having worked in the banking industry spanning over 40 years, whereby she occupied several positions of increasing responsibilities. She started her career with Banque Nationale de Paris Intercontinentale in 1979 and contributed in the setting up of the International Trade department. In 1991, she took the position of Head of Operation at Banque Internationale des Mascareignes; Offshore Banking, where she played an instrumental role in setting up of the bank. She was then appointed as Head of Trade Finance and Moyens Paiements, following the merger of the offshore bank with Banque des Mascareignes (now BCP Bank (Mauritius) Ltd), post which she occupied for 7 years, prior being posted at BMM Madagascar as Head of Operation and subsequently promoted as Deputy General Manager. In 2015, she returned to Banque des Mascareignes (now BCP Bank (Mauritius) Ltd) and was involved in the core banking system migration project, following which she was appointed as Head of Operations in the Retail Team. In May 2019, Florelle was appointed as Head of Audit of BCP Bank (Mauritius) Ltd. Florelle holds a « Diplôme de Master Economie, Gestion, Communication, à finalité Professionnelle, mention Sciences du management, spécialité Commerce International ».

Luximon-Mathur Jessma – Head of Compliance & Alternate MLRO

Jessma Mathur joined the BCP Bank Mauritius on 30 September 2019 as the Head of Compliance and Alternate MLRO. She has over 16 years of experience in the Banking sector, mainly in the Compliance and Anti-Money Laundering fields. Prior to joining the Bank, she was the Head of Compliance of MauBank Ltd.

Dandjee Nadia – Director Finance and Operations

Nadia Dandjee holds a specialisation in Accounting, Audit and Consulting from HEC Paris Business School in France. She started her career in 1995 as auditor with Deloitte Touche Tohmatsu. She joined BNPParibas in 1997, where she occupied several management positions in Finance and IT over 13 years. From 2010 to 2012, she was successively Operations Manager and Product and Business Development Manager in the Outsourcing business unit of the Harel Mallac Group. In 2012, she joined Banque des Mascareignes Ltée (now BCP Bank (Mauritius) Ltd) as "Responsable – Organisation et Maitrise d'Ouvrage ». In 2016, she was promoted Director Finance and Operations. She is now holding the position of Director Finance and Operations.

Legrigore David – Head of Human Resources Department (Directeur des Ressources Humaines)

David Legrigore holds a Bachelor in Management from the University of Mauritius and reckons 18 years of experience in the human resources field, of which 15 years in the Banking sector. He started his career as HR Officer at Mauritius Telecom in 1999 for 1 year, as Management Consultant at People Focus and PwC from October 2000 to June 2001 and Feb 2002 to Dec 2004 respectively. He then joined MCB in 2005 as HR Coordinator, was promoted as HR operations Manager in 2007 and then as HR Projects and Systems Manager in 2008 until 2015. David was Head of HR at Bank One from March 2015 until Dec 2017 before joining BCP Bank (Mauritius) Ltd in Jan 2018 as Director of Human Resources.

MANAGEMENT COMMITTEES

The Senior Management Committee is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Director of Consumer Banking the Director of Corporate and Institutional Banking and Director Finance and Operations. The Senior Management Committee meets on a weekly basis and considers all matters relating to the Bank's strategy as well as day to day running of the Bank.

The Operational Management Committee is chaired either by the Chief Executive Officer or the Deputy Chief Executive Officer and it consists of members of the Senior Management Committee and all Heads of Departments. The committee meets on a monthly basis and is responsible for the day-to-day management of the Bank, including risk issues, business development, compliance and IT related issues.

The Business Development Committee is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and is composed of the Director of Consumer Banking, Director of Corporate and Institutional Banking, the Head of Marketing and Business Development, the Head of Retail Banking, the Head of Private Banking, the Manager of Marketing, Manager of Sales and Manager of Communication Department. The committee meets on a monthly basis and is chaired by the Director of Consumer Banking. The main purpose of the Business Development Committee is the review of segmental, commercial and financial results against targets and to decide on marketing strategies.

The Assets and Liabilities Management Committee is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and it consists of the Director Finance and Operations, the Chief Risk Officer and Compliance, and the Head of Treasury, Manager of Risk and Monitoring Department and Manager of Finance Management Department. The committee has the authority and responsibility for managing the Bank's assets and liabilities, and the measurement of all market risks associated, based on a static and dynamic simulation of the Bank's balance sheet. Moreover, it ensures that the overall asset/liability and market risk mix are managed effectively and are within Group guidelines. The Committee meets on a quarterly basis.

The Performance Committee is chaired either by the Chief Executive Officer or the Deputy Executive Officer and consists of, the Director Finance and Operations, the Director of Consumer Banking, the Director of Corporate and Institutional Banking, and members of BCP International.

The Committee:

- reviews performance against budgets and approves operational strategies to the Bank's and Group's medium to long term plan; and

- reviews market intelligence reports and competitor reviews.

The committee meets on a monthly basis.

The Pricing Committee (Comité Tarification) is chaired either by the Chief Executive Officer or Deputy Chief Executive Officer and consists of the Director Finance and Operations, the Director of Consumer Banking, Director of Corporate and Institutional Banking, the Chief Risk Officers and Compliance, the Head of Treasury, Head of Marketing and Business Development, Manager Marketing and Manager of Finance Management Department. The Committee approves changes in pricing, tariffs and charges as well as marketing campaigns. The Committee meets on a monthly basis.

The Credit Committee is chaired by the Chief Executive Officer or the Deputy Chief Executive Officer, meets at least twice a week and consists of the Director Finance and Operations, Director of Consumer Banking, the Director of Corporate and Institutional Banking, the Heads of business segment and the Chief Risk Officers. Heads of Business units and the credit underwriting team attend the meeting. The committee reviews and recommends and / or approves credit requests within its delegated authority. All requests outside its delegated authority are made at the Credit Committee, which is a subcommittee of the Board. The said Committee is chaired by the Chairman of the Board, meets as and when and comprises of two other non-executive directors of the Board.

The Non-Performing Loans Review and Provisioning Committee reviews the status on all non-performing loans and approves the percentage of specific provisions to be provided for each impaired credit. It also assesses and agrees on the recovery strategy of impaired credits, and monitors Watch-Listed clients. The Committee meets on a monthly basis and is chaired by the Chief Executive Officer. The committee comprises of the Deputy Chief Executive Officer, the Director Finance and Operations, the Director of Consumer Banking, Director of Corporate and Institutional Banking, the Chief Risk Officer, the Head of Legal, the Head of Recovery, and members of the Risk Control and Monitoring unit.

The Arrears Committee (Comité des dépassements et impayés) meets on a monthly basis and is an integral part of the risk monitoring system. This committee monitors any overdrawn amounts (unauthorised overdrawn accounts and/or overdrafts with expired limits) and loan arrears. Through monitoring of these credit risks, potential non-performing loans are identified and action plans agreed for implementation. The Committee is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and the other members consist of the Director Finance and Operations, the Director of Consumer Banking, the Chief Risk Officer, members of the Risk Control and Monitoring Department, Head of Recovery and the Heads of Business segment.

The Compliance Committee is chaired by the Chief Executive Officer or the Deputy Chief Executive Officer and it is comprised of the Director Finance and Operations, the Director of Consumer Banking,Director of Corporate and Institutional Banking, the Head of Compliance, the Chief Risk Officer, the Head of internal Audit, the Money Laundering Reporting Officer (MLRO), Head of Human Resources, Manager of Investigation Unit, the Head of Information system and Organisation and Manager of Retail Banking Operations, or Head of Retail Banking. The Compliance Committee drives the compliance policy of the Bank and monitors its implementation. The main role of Compliance Committee is to ensure consistency and efficiency of most internal controls within the Bank. The Compliance Committee takes decisions and provides guidance for the solving of major problems relating to internal controls so as to ensure better coordination, effectiveness and efficiency in the activities of the Bank, thereby mitigating intrinsic risks arising from the banking activities. The committee meets on a quarterly basis. The Bank has in place a whistleblowing policy to ensure a fair and ethical environment for all its staff.

The Risk Management Committee is chaired by either the Chief Executive Officer or the Deputy Chief Executive Officer and the other members are the Director Finance and Operations, the Director of Consumer Banking, the Director of Corporate and Institutional Banking, the Chief Risk Officer and Compliance, the Head of Legal, Head of Recovery, the Head of Retail Banking, Manager of the Risk Control and Monitoring department and Manager of Credit Analysis Department. The primary function of the Risk Management Committee is to monitor the risks of the Bank against approved risk appetite, limits and regulatory guidance. The committee meets on a quarterly basis.

The Organisation and Information System Committee is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Director Finance and Operations, the Director of Consumer Banking, the Chief Risk Officer and Compliance, the Head of Marketing and Business Development, the Manager of Information System and Organisation, the Head of Technical Unit, the Head of Organisation and Business Analysts, the Manager of Business Analysts, the Manager of IT Security, the Head of Operations, and the Head of Information System and Organisation.

The Committee is chaired by the either the Chief Executive Officer or the Deputy Chief Executive Officer. The purpose of the Committee is to have a follow up of projects relating mainly to IT. The committee meets on a monthly basis. The Board has, through its Risk Management Committee, approved a comprehensive Information Security Policy (Charte de Sécurité des Systèmes d'Informations), as well as sub-policies directed at end-users and technical teams.

The Treasury Committee is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Director Finance and Operations, the Director of Consumer Banking, the Director of Corporate and Institutional Banking, the Head of Operations, the Head of Treasury, the Manager of Marketing and the Manager of Finance Management Department. The Committee meets on a weekly basis, to review the structural liquidity positions (MUR and Foreign Currency). It also provides guidance on deposit rates as well as daily business strategies to improve the Net Interest Income as well as Foreign Exchange Income.

MATERIAL CLAUSES OF THE BANK'S CONSTITUTION

Some of the main clauses of the Bank's constitution are as follows:

- The duration of the Company is unlimited.
- The Company is a private company limited by shares.
- Pre-emptive rights – Future issue of shares that rank to voting or distribution rights, or both, shall be offered to the holder of shares already issued in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.
- Distributions – The Board may authorise a distribution of dividend by the Bank.
- Subject to BOM approval, the Bank may to the extent provided by the provisions of Section 62 of the Companies Act 2001 by special resolution reduce its stated capital to such amount as it thinks fit.
- The minimum number of directors is five and the maximum number of directors is twelve.

INTEGRATED SUSTAINABILITY REPORTING

STATEMENT OF RECRUITMENT AND REMUNERATION PHILOSOPHY

The Group's and Bank's recruitment and remuneration philosophy for Management and staff is based on meritocracy and ensures that:

- full protection is provided, at the lower end of the income ladder, against cost of living increases;
- fairness and equity are promoted throughout the organisation;
- opportunities are given to all employees to benefit from the financial results and development of the Bank. Indeed, all staff members of the Bank receive an annual bonus based on the performance of the Company as well as their own rated contribution thereto. Generally, the finalisation of remuneration packages is anchored on a range of factors including qualifications, skills scarcity, past performance, potential, market norms, responsibilities shouldered and experience. With a view to attaining appropriate remuneration levels, the Bank is guided by the following considerations;
- general market conditions are regularly surveyed in order to ensure that remuneration packages are motivating and competitive;
- superior team and Group performance is stimulated and rewarded with strong incentives; and
- remuneration practices are regularly reviewed and restructured where necessary, providing clear differentiation between individuals' contribution to the Bank's performance.

The Group and the Bank do not have any Employee Share Scheme nor any Share Options Plans.

ETHICS AND ORGANISATIONAL INTEGRITY

The board aims to provide effective and ethical leadership, and ensures that its conduct and that of management is aligned to the Group's values and to the Banking code of ethics. The Group's value and code of ethics, as approved by the Board, are designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles and values. The Board regularly monitors and evaluates compliance with the Group's values and code of ethics.

In ensuring that the Group operates ethically, the board uses the inclusive stakeholder model of governance that considers and promotes the interests of all the Group's stakeholders.

INTEGRATED SUSTAINABILITY REPORTING (Continued)

SHAREHOLDERS' AGREEMENT

There is currently no shareholders' agreement between the Bank and its sole shareholder.

There is a shareholders' agreement between the Bank and its subsidiary, BM Madagascar. The shareholders' agreement describes the terms and conditions of the set-up of the subsidiary as well as future capital injections, governance structures and required technical support from the Bank. In 2020, the Bank received from its subsidiary a total of 7.5 MMUR as management fees (net of withholding taxes suffered).

SIGNIFICANT CONTRACTS

There is currently no significant contract between third parties with the Bank and its subsidiary.

MANAGEMENT AGREEMENTS

There is currently no management agreement between third parties with the Bank and its subsidiary.

ENVIRONMENT

The Bank fully subscribes to and actively supports a Clean Environment Policy. To the extent possible, unnecessary printing is avoided and information and instructions are conveyed through electronic channels.

HEALTH AND SAFETY

The Bank is fully committed towards the Health and Safety of its employees and aspires to create a culture whereby the management of risk and prevention of harm is part of everyday business. The Bank recognises that managing Health and Safety risk is a core management activity and an important component of its values.

SOCIAL ISSUES

The Bank has fulfilled its Corporate Social Responsibility, by supporting various initiatives during the year. BCP Bank (Mauritius) believes in the importance of investing in the community especially in the young generations.

DONATION

BCP Bank (Mauritius) Ltd supported various associations in their projects during the year review with donations amounting to Rs. 200,000.

POLITICAL CONTRIBUTIONS

No political contribution was made during the year under review.

GOING CONCERN

There is no reason to believe that the Bank will not be a going concern in the year ahead.

DIVIDEND POLICY

The bank has no formal dividend policy. Any dividend pay-out will be subject to the Bank complying with the Guideline on Payment of Dividend published on 24 September 2020. No dividend was distributed in 2020.

INTEGRATED SUSTAINABILITY REPORTING (Continued)

EXTERNAL AUDITORS' FEES PAYABLE

Rs 000	2020	2019	2018
Audit fees payable to auditors	3,195	2,634	2,350
Non Audit services **	470	200	1,452

** Non audit fees relates to services provided by the auditor in respect of IFRS 9.

RELATED PARTY TRANSACTIONS POLICIES AND PRACTICES

The Bank of Mauritius Guideline on Related Party Transactions, as revised in June 2015, is articulated around three main elements, namely:

- the role of the Board of Directors of a financial institution, its Conduct Review Committee and that of its Senior Management in establishing and implementing appropriate policies on related party transactions and administering the process for handling the transactions;
- the definition of the different types of related party transactions and the setting out of regulatory limits on credit exposures to related parties; and
- the definition of basic rules for monitoring and regulatory reporting of related party transactions and their disclosure in the Annual Report.

As a general rule, related parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. All transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

Related party transactions include:

- loans, finance leases and service agreements;
- giving a guarantee on behalf of a related party;
- making an investment in any securities of a related party;
- deposits and placements; and
- professional service contracts.

The Guideline defines 3 categories of related party transactions for the purpose of regulatory reporting and limits, namely:

- Category 1 - Directors, their close family members and any entity where any of them holds more than a 10% interest; Shareholders owning more than 10% of the financial institution's capital; Directors of any controlling shareholder; and Entities (excluding subsidiaries) where the financial institution holds more than a 10% interest.
- Category 2 - Senior Management, their close family members and any entity where any of them holds more than 10% interest; Senior Management of any controlling shareholder; and Subsidiaries of the financial institution.
- Category 3 - Senior Management, provided their exposures are within the terms and conditions of their employment contract.

INTEGRATED SUSTAINABILITY REPORTING (Continued)

RELATED PARTY TRANSACTIONS POLICIES AND PRACTICES (Continued)

Categories 3 above, as well as exposures representing less than 2% of the institution's Tier 1 capital, are excluded from regulatory limits which are set, in aggregate, at:

- 50% thereof for the total of categories 1 and 2;
- 60% of Tier 1 capital for category 1 ; and
- 50% thereof for the total of categories 1 and 2.

The Bank adheres to the Guideline on Related Party Transactions. In line with this guideline, the Board of Directors has established a Conduct Review Committee, which meets on a quarterly basis to review all related party transactions, approve Category 1, 2 and 3 related party transactions and monitor compliance with the Guideline. All related party transactions are reported to the Conduct Review Committee. The related party reporting to the Bank of Mauritius is made on a quarterly basis.

Note 31 to the Financial Statements sets out on- and off- balance sheet exposures to related parties as at 31 December 2020.

A copy of the Annual Report is available on the Bank's website.

STATEMENT OF COMPLIANCE

(Section 75 (3) of the Financial Reporting Act)

Name of Public Interest Entity:
BCP Bank (Mauritius) Ltd

Reporting Period: 31 December 2020

We, the directors of BCP Bank (Mauritius) Ltd confirm that throughout the year ended 2020 to the best of the Board's knowledge the organisation has not applied:

1. Principle 3 in relation to the Succession Plan

Reason for non-application is:

1. With the acquisition of the Bank by Groupe Banque Centrale Populaire and the changes at Group level, the succession plan is being finalised and shall be submitted for approval in due course.

Abdelwafi ATIF
Chief Executive Officer

Kamal MOKDAD
Chairperson-Board of Directors

STATEMENT OF DIRECTOR'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 Accounting Standards/International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and Management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee, Conduct Review & Corporate Governance and Risk Management Committee, which comprise Independent Directors, oversees 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 Head of Internal Audit, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. 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, 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, Mazars, 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.

Abdelwafi ATIF	Kamal MOKDAD	Jean-Louis VINCIGUERRA
Chief Executive Officer	Chairperson-Board of Directors	Chairperson- Audit Committee

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of BCP Bank (Mauritius) Ltd (the "Company"), I hereby confirm that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2020, all such returns as are required of the Company under the Companies Act 2001.

Nashreen ROJOA
Date : 26 February 2021

INDEPENDENT AUDITOR'S REPORT

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18N, Frère Félix de Valois St,
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Mauritius

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www.mazars.mu

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of **BCP Bank (Mauritius) Ltd** (the "Bank") and its subsidiary (together referred to as the "Group") at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

What we have audited

The Group's and the Bank's accompanying consolidated and separate financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit and loss or other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory notes.

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 Consolidated and Separate Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and its subsidiary in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in 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. In addition, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Our audit approach to the Key Audit Matter
Expected Credit Losses – financial assets which are not credit impaired 2020	
The estimation of Expected Credit Losses ("ECL") on financial assets involves Management's judgements and estimates which are subjective due to the significant uncertainty associated with the underlying assumptions in the calculation of ECLs. These include:	Our audit approach and procedures comprised of the following: • evaluated the design and operating effectiveness of controls across the processes relevant to ECL calculation;

Key Audit Matter	Our audit approach to the Key Audit Matter
Expected Credit Losses – financial assets which are not credit impaired (Continued)	
• accounting interpretations, modelling assumptions and data points applied to estimate the Probability of Default ("PD"), Exposure At Default ("EAD") and Loss Given Default ("LGD"), used to build and run the model that calculate the ECL; • allocation of assets between Stage 1 or 2, i.e., identifying triggers for Significant Increase in Credit Risk ("SICR"); • inputs and assumptions relating to forward-looking adjustments; • qualitative adjustments - adjustments to the model-driven results are made by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to sectors and country; • Covid-19 overlays embedded in the model	• evaluated the criteria used to allocate financial assets between Stage 1 or 2 in accordance with IFRS 9 requirements; • reviewed the credit staging triggers in line with Covid-19 related moratoriums; • reviewed the minutes of Arrears Committee to ensure proper classification of clients made in Stage 2; • reviewed and tested the assumptions, inputs and formulae used in the ECL model. This included assessing the appropriateness of model design, refinements made, and recalculating the key inputs such as PD and LGD; • involved our specialist modelling and IFRS 9 team in performing certain procedures; • verified the reasonableness of forward-looking information, on a sample basis; • agreed ECL calculation data points to source system extracts on sample basis, to evaluate data quality; • Reviewed and reperformed the calculations of general provisions per IFRS 9 (on a sample basis); • Reviewed the Covid-19 overlay model applied; • assessed the adequacy of disclosures in the financial statements in line with accounting standards and regulatory considerations; and • considered the complexity of management's process to design and create financial statement disclosures given the granularity and complexity.
Expected Credit Losses –credit impaired financial assets	
The estimation of Stage 3 ECLs also includes Management's judgement and estimates to estimate the occurrence of "default" or "loss" event and the eventual recovery of the expected future cash flows, including the realisation of any securities. Change in Management assumptions may have significant impacts on the estimation of Stage 3 ECL provisions.	Our audit approach and procedures comprised of the following: • evaluated the design and operating effectiveness of controls across the processes relevant to Stage 3 ECLs; • reviewed the minutes of the Risk Management Committee ("RMC"), Provisions Committee, Arrears Committee, Watchlist Committee, and the Contentious Committee;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	Our audit approach to the Key Audit Matter
Expected Credit Losses –credit impaired financial assets (Continued)	
	• analysed arrears report to identify whether all clients meeting the Bank's "default" definition are subject to Stage 3 provisions assessments; • independently re-computed the ECL, on a sample basis, based on our assessment of expected future cash flows and the recoverability of security in line with IFRS 9; • where realisation of security was factored in the estimation of future cash flows, we reviewed relevant valuation reports and assessed the expert's objectivity and qualifications; • Reviewed and reperformed the calculations of specific provisions IFRS 9 (on a sample basis); and • assessed the adequacy of disclosures for compliance with the accounting standards and regulatory considerations.
Deferred tax assets	
The recognition of deferred tax assets relies on the significant application of judgement by the directors in respect of assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. Due to the significance of the Group's recognised deferred tax assets (MUR 92.4m) to the financial statements and the associated uncertainty surrounding recoverability, we have determined deferred tax assets as a key audit matter. In 2020, we have continued to focus on the most significant deferred tax assets and liabilities and paid particular attention to the Group's tax planning strategy, which relies on management's forecasts of future taxable profitability that support the deferred tax asset.	Our audit approach and procedures comprised of the following: • Assessment of assumptions used in projecting the Group's future taxable profits; • Challenge the Group's assumptions and commitment to planned tax strategies that will be employed and the probability of tax authorities accepting the tax treatments of tax bases, unused tax losses, unused tax credits or tax rates applied by management • Compared key inputs used by the Group to forecast future profits to externally available data such as economic forecasts and the Group's own historical data; • Evaluation of the sensitivity of the outcomes to reasonably possible changes in assumptions. We also used our own tax specialists to critically assess the appropriateness of the future tax planning strategies. Additionally, we assessed whether the Group's disclosures of the application of judgement in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the Group's deferred tax position.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD

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 information included in the annual report but does not include 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 any form of assurance conclusion thereon. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above 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 Directors for the Consolidated and Separate Financial Statements

Those charged with governance are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, the Financial Reporting Act and the Banking Act and regulations and guidelines of the Bank of Mauritius, 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, 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/or the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Bank's financial reporting process.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD

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)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

- 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 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 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 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 and separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BCP BANK (MAURITIUS) LTD

Report on Other Legal and Regulatory Requirements (Continued)

Mauritius Companies Act 2001

The Mauritius Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- We have no relationship with, or interests in, the Bank and its subsidiary other than in our capacity as auditor;
- We have obtained all the information and explanations we have required; and
- In our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

Banking Act 2004

The Banking Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- in our opinion, the consolidated and separate financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Banking Act and the regulations and guidelines issued by the Bank of Mauritius in relation to banks; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Other matters

This report is made solely to the Bank's shareholder, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholder those matters we are required to state 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 shareholder, for our audit work, for this report, or for the opinion we have formed.

Mazars	**Udaysingh Taukoordass, FCA**
Port Louis, Mauritius	Licensed by FRC

DATE : **26 FEBRUARY 2021**

Consolidated and separate statement of profit or loss and other comprehensive income

for the year ended 31 December 2020

	Notes	Group			Bank		
		2020	2019	2018	**2020**	2019	2018
		Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Interest income		**641,448**	746,712	644,637	**610,606**	717,569	614,876
Interest expense		**(253,282)**	(333,183)	(224,616)	**(244,577)**	(325,919)	(214,199)
Net interest income	4	**388,166**	413,529	420,021	**366,029**	391,650	400,677
Fee and commission income		**134,918**	141,255	175,617	**78,779**	96,584	134,634
Fee and commission expense		**(23,970)**	(21,082)	(20,903)	**(22,155)**	(19,213)	(19,140)
Net fee and commission income	5	**110,948**	120,173	154,714	**56,624**	77,371	115,494
Net trading income	6	**80,561**	85,643	79,728	**63,376**	69,697	65,636
Net income/(loss) from other financial instruments at fair value through profit or loss	7	**-**	-	-	**(6,742)**	10,949	58,447
Net Gain/Loss from sales of Securities		**97**	-	38,198	**97**	-	38,198
Other income	8	**10,102**	5,907	806	**17,974**	12,033	10,700
		201,708	211,723	273,446	**131,329**	170,050	288,475
Revenue		**589,874**	625,252	693,467	**497,358**	561,700	689,152
Personnel expenses	9	**(248,733)**	(238,120)	(268,210)	**(228,350)**	(229,211)	(260,196)
Operating lease expenses	10	**(15,244)**	(14,217)	(51,223)	**(9,967)**	(12,248)	(45,753)
Depreciation and amortization	19&20	**(113,204)**	(96,589)	(67,705)	**(94,269)**	(87,661)	(64,217)
Other expenses	11	**(197,811)**	(221,265)	(210,998)	**(148,497)**	(181,543)	(186,589)
		(574,992)	(570,191)	(598,136)	**(481,083)**	(510,663)	(556,755)
Operating profit		**14,882**	55,061	95,331	**16,275**	51,037	132,397
Net impairment loss on financial assets	16(a)(ii)	**(281,711)**	(71,246)	(30,076)	**(280,704)**	(76,627)	(18,268)
(Loss)/Profit before tax		**(266,829)**	(16,185)	65,255	**(264,429)**	(25,590)	114,129
Income tax credit / (expense)	12(i)	**3,968**	33,745	(159,128)	**3,752**	38,736	(158,769)
(Loss)/Profit for the year		**(262,861)**	17,560	(93,873)	**(260,677)**	13,146	(44,640)
Other comprehensive income							
Items that may be reclassified to profit or loss							
Foreign currency translation differences for foreign operations		**2,186**	(11,134)	(26,086)	**-**	-	-
Net change in fair value of financial assets through Other Comprehensive Income		**43,325**	29,808	(23,976)	**43,325**	29,808	(23,976)
Items that will not be reclassified to profit or loss							
Remeasurement of retirement benefit obligations		**(4,226)**	(3,791)	6,720	**(4,226)**	(3,791)	6,720
Other differences in consolidation			-	21,685	**-**	-	-
Other comprehensive income		**41,285**	14,883	(21,657)	**39,099**	26,017	(17,256)
Total Comprehensive (loss)/income for the year		**(221,576)**	32,443	(115,530)	**(221,578)**	39,163	(61,896)

Profit attributable to :			
Equity holders	**(260,421)**	11,923	(93,134)
Non-controlling interests	**(2,440)**	5,637	(739)
(Loss)/Profit for the year	**(262,861)**	17,560	(93,873)
Total comprehensive income attributable to:			
Equity holders	**(219,827)**	21,609	(114,791)
Non-controlling interest	**(1,749)**	10,834	(739)
Total comprehensive (loss)/income	**(221,576)**	32,443	(115,530)

Consolidated and separate statement of financial position

for the year ended 31 December 2020

		Group			Bank		
		2020	2019	2018	**2020**	2019	2018
	Notes	**Rs000**	Rs000	Rs000	**Rs000**	Rs000	Rs000
ASSETS							
Cash and cash equivalents	13	**6,553,940**	4,864,222	2,429,797	**6,297,870**	4,601,319	2,532,186
Loans and advances to banks	14	**1,630,634**	1,315,984	43,068	**1,630,634**	1,315,984	43,068
Loans and advances to customers	15	**12,255,565**	13,495,842	13,199,729	**12,155,672**	13,431,539	13,114,465
Investment securities	17	**2,335,212**	2,468,928	1,961,203	**2,335,212**	2,391,670	1,823,685
Investment in subsidiary	18	**-**	-	-	**62,653**	69,396	58,447
Property and equipment	19	**234,084**	212,169	56,762	**141,382**	173,196	42,603
Intangible assets	20	**39,849**	52,960	83,235	**37,284**	52,001	81,331
Deferred tax assets	12(ii)	**92,459**	86,995	50,165	**92,459**	86,995	50,165
Derivatives financial Instruments	25	**-**	134	-	**-**	134	-
Other assets	21	**1,451,135**	1,631,787	1,275,032	**1,398,492**	1,591,727	1,237,978
Total assets		**24,592,878**	24,129,021	19,098,991	**24,151,658**	23,713,961	18,983,928
LIABILITIES							
Deposits from banks	22	**2,565,666**	586,573	9,273	**2,565,666**	586,573	1,690
Deposits from customers	23	**14,325,382**	14,316,824	12,516,152	**14,000,570**	13,990,823	12,250,099
Borrowed funds	24	**4,424,459**	5,589,895	3,637,104	**4,424,459**	5,589,895	3,637,104
Derivative financial instruments	25	**475**	-	6	**475**	-	6
Current tax liabilities	12(iii)	**453**	5,041	970	**-**	-	624
Other liabilities	26	**1,072,377**	1,205,046	553,121	**982,522**	1,147,126	734,024
Total liabilities		**22,388,812**	21,703,379	16,716,626	**21,973,692**	21,314,417	16,623,547
EQUITY							
Share capital	27	**2,218,065**	2,218,065	2,218,065	**2,218,065**	2,218,065	2,218,065
Retained earnings		**(219,450)**	45,197	33,400	**(238,559)**	26,344	18,961
Reserves		**176,903**	132,083	111,437	**198,460**	155,135	123,355
Total equity attributable to the equity holders of the Bank		**2,175,518**	2,395,345	2,362,902	**2,177,966**	2,399,544	2,360,381
Non-controlling interests		**28,548**	30,297	19,463	**-**	-	-
Total equity		**2,204,066**	2,425,642	2,382,365	**2,177,966**	2,399,544	2,360,381
Total liabilities and equity		**24,592,878**	24,129,021	19,098,991	**24,151,658**	23,713,961	18,983,928

These financial Statements were approved for issue by the Board of Directors on the 26th February 2021.

Abdelwafi ATIF	Kamal MOKDAD	Jean-Louis VINCIGUERRA
Chief Executive Officer	Chairperson-Board of Directors	Chairperson- Audit Committee

Consolidated Statement of Changes in equity

for the year ended 31 December 2020

Group	Attributable to equity holders of the Bank								
		Reserves							
	Share capital	Statutory reserve	General banking reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2018	**1,944,015**	**102,322**	**-**	**16,914**	**42,263**	**98,868**	**2,204,382**	**21,417**	**2,225,799**
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	(93,873)	(93,873)	(1,954)	(95,827)
Other differences in consolidation	-	-	-	-	-	21,685	21,685	-	21,685
Other comprehensive income for the year	-	-	-	(23,976)	(26,086)	6,720	(43,342)	-	(43,342)
Total comprehensive income / (loss) for the year	-	-	-	(23,976)	(26,086)	(65,468)	(115,530)	(1,954)	(117,484)
Issue of shares	274,050	-	-	-	-	-	274,050	-	274,050
Balance at 31 December 2018	**2,218,065**	**102,322**		**(7,062)**	**16,177**	**33,400**	**2,362,902**	**19,463**	**2,382,365**
Balance at 01 January 2019	**2,218,065**	**102,322**	**-**	**(7,062)**	**16,177**	**33,400**	**2,362,902**	**19,463**	**2,382,365**
Total comprehensive income									
Profit / (loss) for the year	-	-	-	-	-	11,923	11,923	5,637	17,560
Other differences in consolidation	-	-	-	-	(11,134)	5,637	(5,497)	5,197	(300)
Transfer to statutory reserve	-	1,972	-	-	-	(1,972)	-	-	-
Other comprehensive income for the year	-	-	-	29,808	-	(3,791)	26,017	-	26,017
Total comprehensive income / (loss) for the year	-	1,972	-	29,808	(11,134)	11,797	32,443	10,834	43,277
Balance at 31 December 2019	**2,218,065**	**104,294**	**-**	**22,746**	**5,043**	**45,197**	**2,395,345**	**30,297**	**2,425,642**
Balance at 01 January 2020	**2,218,065**	**104,294**	**-**	**22,746**	**5,043**	**45,197**	**2,395,345**	**30,297**	**2,425,642**
Total comprehensive income									
Profit / (loss) for the year	**-**	**-**	**-**	**-**	**-**	**(260,421)**	**(260,421)**	**(2,440)**	**(262,861)**
Other differences in consolidation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other comprehensive income for the year	**-**	**-**	**-**	**43,325**	**1,495**	**(4,226)**	**40,594**	**691**	**41,285**
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**43,325**	**1,495**	**(264,647)**	**(219,827)**	**(1,749)**	**(221,576)**
Balance at 31 December 2020	**2,218,065**	**104,294**	**-**	**66,071**	**6,538**	**(219,450)**	**2,175,518**	**28,548**	**2,204,066**

Statement of Changes in equity

for the year ended 31 December 2020

Bank	Share capital	Reserves Statutory reserve	 General banking reserve	 Fair value reserve	 Foreign currency translation reserve	Retained earnings	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2018	**1,944,015**	**102,322**	**-**	**16,914**	**28,095**	**56,881**	**2,148,227**
Total comprehensive income							
Profit for the year	-	-	-	-	-	(44,640)	(44,640)
Other comprehensive income for the year	-	-	-	(23,976)	-	6,720	(17,256)
Total comprehensive income for the year	-	-	-	(23,976)	-	(37,920)	(61,896)
Transactions with owners of the Bank							
Issue of shares	274,050	-	-	-	-	-	274,050
At 31 December 2018	**2,218,065**	**102,322**	**-**	**(7,062)**	**28,095**	**18,961**	**2,360,381**
Balance at 01 January 2019	2,218,065	102,322	-	(7,062)	28,095	18,961	2,360,381
Total comprehensive income							
Profit for the year	-	-	-	-	-	13,146	13,146
Other comprehensive income for the year	-	-	-	29,808	-	(3,791)	26,017
Transfer to statutory reserve	-	1,972	-	-	-	(1,972)	-
Total comprehensive income for the year	-	1,972	-	29,808	-	7,383	39,163
At 31 December 2019	**2,218,065**	**104,294**	**-**	**22,746**	**28,095**	**26,344**	**2,399,544**
Balance at 01 January 2020	**2,218,065**	**104,294**	**-**	**22,746**	**28,095**	**26,344**	**2,399,544**
Total comprehensive income							
Profit for the year	**-**	**-**	**-**	**-**	**-**	**(260,677)**	**(260,677)**
Other comprehensive income for the year	**-**	**-**	**-**	**43,325**	**-**	**(4,226)**	**39,099**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**43,325**	**-**	**(264,903)**	**(221,578)**
At 31 December 2020	**2,218,065**	**104,294**	**-**	**66,071**	**28,095**	**(238,559)**	**2,177,966**

Consolidated and separate statement of cash flows

for the year ended 31 December 2020

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Cash flows from operating activities						
Profit / (loss) before tax	**(266,829)**	(16,185)	65,255	**(264,429)**	(25,590)	114,129
Adjustments for:						
- Depreciation and amortisation	**113,204**	96,589	67,705	**94,269**	87,661	64,217
- Net impairment loss on financial assets	**281,711**	71,246	30,076	**280,704**	76,627	18,268
- Net income from financial instruments at fair value through profit and loss	**-**	-	-	**6,742**	(10,949)	(58,477)
	128,086	151,650	163,036	**117,286**	127,749	138,137
Changes in:						
- Loans and advances to banks	**(307,513)**	(1,272,916)	196,962	**(307,513)**	(1,285,754)	196,962
- Loans and advances to customers	**986,825**	(296,113)	(1,452,009)	**1,019,490**	(304,299)	(1,407,022)
- Other assets	**180,786**	(356,755)	(373,831)	**193,235**	(353,749)	(377,077)
- Deposits from banks	**1,979,093**	577,300	9,257	**1,979,093**	584,883	1,690
- Deposits from customers	**8,558**	1,800,672	938,880	**9,747**	1,740,724	1,018,231
- Other liabilities and provisions	**(191,859)**	522,341	145,268	**(187,539)**	294,624	354,323
	2,783,976	1,126,179	(372,437)	**2,823,799**	804,178	(74,756)
Income taxes paid	**(1,096)**	(1,856)	(1,402)	**-**	(800)	(579)
Net cash generated from/(used in) operating activities	**2,782,880**	1,124,323	(373,839)	**2,823,799**	803,378	(75,335)
Cash flows from investing activities						
- Acquisition of investment securities	**(2,332,629)**	(4,538,338)	(2,163,571)	**(2,075,444)**	(4,261,900)	(1,500,000)
- Proceeds from sale of investment securities	**2,517,283**	4,011,255	2,577,912	**2,181,600**	3,676,500	1,978,800
- Acquisition of property and equipment	**(28,155)**	(60,585)	-	**(3,957)**	(35,736)	(17,851)
- Proceeds from sale of property and equipment	**-**	1,521	(8,935)	**-**	1,521	-
- Acquisition of intangible assets	**(28,410)**	(6,897)	(6,335)	**(25,493)**	(6,897)	(9,094)
Net cash used in investing activities	**128,089**	(593,044)	399,071	**76,706**	(626,512)	451,855
Cash flows from financing activities						
Repayment of subordinated liabilities	**-**	-	(202,470)	**-**	-	(202,470)
Repayment of borrowed funds	**(1,165,436)**	1,952,791	485,258	**(1,165,436)**	1,952,791	485,326
Proceeds from issue of shares	**-**	-	274,050	**-**	-	274,050
Payment on Lease liabilities	**(36,953)**	(32,029)	-	**(29,031)**	(28,578)	-
Net cash generated from/(used in) financing activities	**(1,202,389)**	1,920,762	556,838	**(1,194,467)**	1,924,213	556,906
Net Increase in cash and cash equivalents	**1,708,580**	2,452,041	582,070	**1,706,038**	2,101,079	933,426
Cash and cash equivalents at 01 January	**4,864,222**	2,429,797	1,772,246	**4,601,319**	2,532,186	1,598,593
Effect of exchange rate fluctuations on cash and cash equivalents held	**(18,862)**	(17,616)	75,481	**(9,487)**	(31,946)	167
Cash and cash equivalents at 31 December	**6,553,940**	4,864,222	2,429,797	**6,297,870**	4,601,319	2,532,186

NOTES TO AND FORMING PART OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2020

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

BCP Bank (Mauritius) Ltd (the 'Bank') is a privately-owned entity incorporated on 27 June 2003 in the Republic of Mauritius and licensed with the Bank of Mauritius to carry out banking business. The Bank is domiciled in the Republic of Mauritius with registered address as follows:

BCP Bank (Mauritius) Ltd
Corner Silicon Avenue and Bank Street, Cybercity
Maeva Tower, 9th Floor,
Ebène, Mauritius.

2. SIGNIFICANT ACCOUNTING POLICIES

The coronavirus outbreak characterized by the World Health Organisation as a pandemic on 11 March 2020, as well as measures introduced by governments and regulators to tackle the outbreak, have affected the global supply chain as well as demand for goods and services and therefore had a significant impact on the global growth. At the same time, monetary policies have been eased to sustain the economy.

The consolidated financial statements of the Group have been prepared on a going concern basis. The impacts of the pandemic, mitigated by all countercyclical measures such as government and financial support to customers, mainly relate to expected credit losses and asset valuation.

These impacts were estimated against a background of uncertainty about the magnitude of the impact of the outbreak on local and global economies.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

NEW AND REVISED IFRSS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

IFRS16 LEASES

Since 1 January 2019, the Group applies IFRS 16 « Leases ».

The IFRS Interpretation Committee has been requested with a question concerning the determination of a lease term of two types of contracts cancellable or renewable:

- Contracts without no particular contractual term, cancellable at any time with notice period by either the lessee and the lessor without penalty to paid;

- Contracts concluded for an initial short period (normally 12 months), renewable indefinitely by tacit renewal for the same period, unless the lessor and the lessee give notice to the contrary;

At the end of its meeting of 26 November 2019 last, IFRIC confirmed its reading of IFRS 16 by stating that the enforceability of the two types of contract may extend beyond the notice period if either party has an economic incentive not negligible to not terminate the lease. IFRIC also confirmed that if an entity expects to use non-removable leasehold improvement after the date on which the contract can be terminated, the existence of such improvements indicates that the entity may incur a significant economic penalty in the event of termination and in this case the contract becomes enforceable beyond the date of termination.

The Group implemented this decision with no significant impact.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) (CONTINUED)

NEW AND REVISED IFRSS THAT ARE EFFECTIVE FOR THE CURRENT YEAR (Continued)

IFRS16 LEASES (Continued)

On 28 May 2020, the IFRS Board issued an amendment to IFRS 16 Leases to make it easier for lessees to account for covid-19-related rent concessions while still providing useful information about their leases to investors.

IFRS 16 Leases contemplates that changes may occur in lease payments over the term of a lease. The required accounting for such changes (if material) involves the application of judgement and depends on a number of factors, including importantly whether those changes were part of the original terms and conditions of the lease. Changes could arise directly from amendments to the lease contract itself or indirectly—for example, from actions of government in response to the covid-19 pandemic. When accounting for changes in lease payments, an entity considers together the lease contract and any applicable law or regulation. In other words, in applying IFRS 16 an entity treats a change in lease payments in the same way, regardless of whether the change results from a change in the contract itself or, for example, from a change in applicable law or regulation.

IFRS 16 sets out specific requirements for how to account for some changes in lease payments—for example, those arising from changes in an index or rate used to determine lease payments. Otherwise the accounting required by IFRS 16 for a change in lease payments depends on whether that change meets the definition of a lease modification.

Of note: the Bank did not benefit from any concession during the year 2020.

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

IAS1 – Presentation on financial statements – Classification of liabilities as current or non-current – effective 01 January 2023

Definition of Accounting Estimates (Amendments to IAS 8) - effective 01 January 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - Effective 01 January 2023.

Annual Improvements to IFRS Standards 2018–2020 Effective 01 January 2022.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) Effective 01 January 2022.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) Effective 01 January 2022.

Reference to the Conceptual Framework (Amendments to IFRS 3)- Effective 01 January 2022.

The directors anticipate that these standards and interpretations will be applied in the Bank's financial statements at the above effective dates in future periods and have not yet assessed the potential impact of the application of these amendments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) BASIS OF PREPARATION

The consolidated and separate financial statements of Group and the Bank comply with the Mauritian Companies Act 2001 and the Banking Act 2004 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Group and the Bank are concerned.

Where necessary, comparative figures have been amended to conform with changes in presentation, or in accounting policies in the current year.

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Group and the Bank's accounting policies. Changes in assumptions may have a significant impact on the consolidated and separate financial statements in the period that the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (Continued)

(b) BASIS OF MEASUREMENT

The consolidated and separate financial statements have been prepared under the historical cost convention, except for the following assets and liabilities that are measured at fair value:

1. Financial assets measured at fair value through other comprehensive income;

2. Financial assets measured at fair value through profit or loss;

3. Defined benefits pension plan;

4. Derivative assets and liabilities measured at fair value through other comprehensive income; and

5. Derivative assets and liabilities measured at fair value through profit or loss.

(c) BASIS OF CONSOLIDATION

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(c) BASIS OF CONSOLIDATION (Continued)

(iii) Subsidiaries

Subsidiaries are investees controlled by the Group.

The Group 'controls' an investee if it is exposed to, 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. The Group reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

In the Bank's separate financial statements, investment in subsidiary is measured and classified at fair value through profit and loss.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated and separate financial statements are prepared in Mauritian rupees (Rs), which is the Bank's functional and presentation currency. Except when otherwise indicated, financial information presented in Mauritian rupees has been rounded to the nearest thousand.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the closing rate of exchange ruling at the reporting date. Differences arising from reporting monetary items are dealt with in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined. Translation differences on non-monetary items, such as equities classified as financial assets at fair value through other comprehensive income, are included in the fair value reserve in other comprehensive income and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI. If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognized in OCI, and accumulated in the translation reserve within equity.

(e) INTEREST INCOME AND EXPENSES

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount
The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense
The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Presentation
Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets and financial liabilities measured at amortized cost;
- Interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

(f) FEES AND COMMISSION

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see (e) above. Other fees and commission income, which relate mainly to account services, transaction and service fees, card fees, trade finance fees, is recognized as the related services are performed.

Other fees and commission expenses are recognized based on the applicable service contracts, usually on a time-apportionate basis.

(g) NET TRADING INCOME

Net trading income comprises foreign exchange gains less losses related to trading assets and liabilities, and includes all realized and unrealized foreign exchange differences.

(h) NET INCOME FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net income from other financial instruments at fair value through profit or loss relates to financial assets and liabilities designated at fair value through profit or loss, and includes all realized and unrealized fair value changes.

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Recognition

The Group and the Bank initially recognise loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and Measurement

Financial assets
On initial recognition, a financial asset is classified and measured as either: Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Business model assessment

The Group and the Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the following is considered:

- contingent events that would change the amount / timing of cash flows;

- prepayment and extension terms;

- terms that limit the Group's claim to cash flows from specified assets; and

- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans to employees for which the Bank has the option to revise the interest rate upon termination of employment. These reset rights are limited to the market rate at the time of revision. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

The Group and the Bank reclassify debt instruments only when the business model for managing these assets changes. There were no changes during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Equity instruments (Continued)
The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FTVPL are included in the 'Net Gain/Loss from sales of Securities' line in the statement of profit or loss.

Financial liabilities
In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost.

(iii) Derecognition

Financial assets
The Group and the Bank derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group and the Bank neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(iv) Modifications of loans

The Group and Bank sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group and Bank assess whether or not the new terms are substantially different to the original terms.

The Group and Bank do this by considering, among others, the following factors:

• If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;

- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency in which the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group and Bank derecognise the original financial asset and recognises a 'new' asset at fair value and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

(iv) Modifications of loans (Continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Bank currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Group of similar transactions such as in the Group's and the Bank's trading activity.

(vi) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

(vii) Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Group or the Bank determine that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

(vii) Fair value measurement (Continued)

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(viii) Impairment: Expected Credit Losses (ECL)

The Group and Bank recognise loss allowances for ECL on the following financial instruments that are not measured at FVTPL, i.e. i) financial assets that are debt instruments and ii) loan commitments issued.

No impairment loss is recognised on equity investments.

The Group and Bank measure loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (i.e. Stage 1).

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which a 12-month ECL is recognised are referred to as “Stage 1” financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as “Stage 2” financial instruments. Credit-impaired instruments are referred to as “Stage 3” financial instruments.

Measurement of ECL
The Group and the Bank assess on a forward-looking basis the Expected Credit Loss associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Group and the Bank recognise a loss allowance for such losses at each reporting date.

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.

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost are credit-impaired (i.e. Stage 3 financial instruments).

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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Group or the Bank on terms that the Group or the Bank would otherwise not consider;

- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and

- loan commitments: generally, as a provision.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group or 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. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the statement of profit or loss and OCI.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Write-offs (Continued)
Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and Banks's procedures for recovery of amounts due.

(x) Designation at fair value through profit or loss

The Group has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances.

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.

- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 32 provides details of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(j) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(k) INVESTMENT SECURITIES

The "investment securities" caption in the statement of financial position includes:

- debt investment securities measured at amortised cost. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and

- debt securities measured at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;

- ECL and reversals; and

- foreign exchange gains and losses.

(l) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

(m) PROPERTY AND EQUIPMENT

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Improvement to leasehold property	5 years
Computer equipment	3 to 5 years
Office equipment	3 to 5 years
Furniture, fixtures and fittings	3 to 5 years
Motor vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) GOODWILL AND INTANGIBLE ASSETS

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented separately on the Statement of Financial Position. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

(ii) Software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(n) GOODWILL AND INTANGIBLE ASSETS (Continued)

(ii) Software (Continued)

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) DEPOSITS, BORROWED FUND AND SUBORDINATED LIABILITIES

Deposits, borrowed funds and subordinated liabilities are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, borrowed funds and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

(p) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(ii) Bank levies

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

(q) FINANCIAL GUARANTEES AND LOAN COMMITMENTS

'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are recognized as off balance sheet liabilities and commitments respectively.

(r) EMPLOYEE BENEFITS

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Group and the Bank have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund. The present value of the severance allowance payable under the Employment Rights Act 2008 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flow using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they occur. The Group and the Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate to the net defined benefit liability/(asset) and the fair value of the planned asset. Net interest expense/(income) is recognised in consolidated and separate statement of profit or loss. Service costs comprising current service cost and past service cost are recognised immediately in the consolidated and separate statement of profit or loss. Current service cost reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit charges curtailments and settlements.

(r) EMPLOYEE BENEFITS (Continued)

(iii) Preferential loans to employees

The Group and the Bank grants loans to its employees at preferential rates. The prepaid employee benefits on these loans is accounted for under 'other assets' and is recognised in consolidated and separate statement of profit or loss over the shorter of the life of the loan and the expected service life of the employee. The interest rate on the loan reverts to market rate from the day the employee is no longer employed by the Group and the Bank. There may be cases where, following special arrangements, the Bank agrees to keep the loan of the leavers at preferential rates. The prepaid employee benefits is the difference between the present value of future cash flows discounted at commercial rate (which are rates that would be given to similar customers in arm's length transactions), and the carrying amount of the loan. Interest on such loans is then recognised at market rate over the life of the loan.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group and the Bank before the normal retirement date, or when the employee accepts voluntary redundancy in exchange of these benefits. The Bank recognises termination benefits at the earlier of the following dates:

(a) When the Bank can no longer withdraw the offer of those benefits;

(b) When the Bank recognises costs for a restructuring that is within the scope of IAS 37 and involves payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(s) INCOME TAX

Tax expense for the period includes current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In such cases, the tax is recognized in other comprehensive income or directly in equity, respectively.

(i) Current income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are recoverable or unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Special Levy
Special levy on banks was amended under the Finance Act 2018 and 2019 and is now governed under the VAT Act. Every bank shall in every year be liable to pay a special levy calculated at 5.5% where leviable income is less than or equal to Rs 1.2bn or at 4.5% where leviable income is greater than Rs 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.

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 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.

(s) INCOME TAX (Continued)

The bank is liable to tax at the rate at 5% on the first Rs 1.5 bn of its chargeable income and at the rate of 15% above the Rs 1.5 bn.

However, the chargeable income exceeding Rs 1.5 bn up to the amount equivalent to chargeable income of the base year will be taxed at 15%. The remaining chargeable income is then taxed at 5%. As per Income tax Act, 'base year' refer to taxable profit of year of assessment 2017/18, that is, year ended 31 December 2017.

The bank has a tax loss for the year ended 31 December 2019 and 31 December 2020 so that it is not liable to any corporate tax or CSR charge.

(ii) Deferred income tax

Deferred taxes have been computed at the appropriate rates taking into consideration the temporary differences arising from the bank's transactions with resident and non-resident persons.

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authorities.

(t) SHARE CAPITAL AND RESERVES

The Group classifies instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(u) DIVIDEND POLICY

Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations.

(v) LEASED ASSETS

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises 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 tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises 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.

(v) LEASED ASSETS (Continued)

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 Group 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 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 consolidated 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.

The Group remeasures 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 remeasured the lease liabilities for certain lease contracts in 2020. 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 incurs 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. To the extent that the costs relate to a right-ofuse asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects 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 consolidated statement of financial position.

(v) LEASED ASSETS (Continued)

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement 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 the line "Other expenses" in profit or loss (see note 31).

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 Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or nonlease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(w) ACCEPTANCES, LETTERS OF CREDIT AND FINANCIAL GUARANTEE CONTRACTS

Acceptances and letters of credit

Acceptances comprise undertakings by the Group and the Bank to pay bills of exchange drawn on customers. The Group and the Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances and letters of credit are recognized in the accounts as off-balance sheet items and are disclosed as contingent liabilities and commitments.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation calculated to recognise in profit or loss the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. Any increase in the liability relating to guarantees is taken to profit or loss.

(x) SEGMENT REPORTING

Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses and tax assets and liabilities.

(y) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. Gains or losses arising from change in fair value of the derivatives are included in the profit or loss as net gain/(loss) on dealing in foreign currencies and derivatives. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Fair values of forwards involving Mauritian Rupees are based on treasury bills rate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately in profit or loss. The Group and the Bank's derivative transactions, while providing effective economic hedges under the Group and the Bank's Risk Management policies, do not qualify for hedge accounting under the specific rules of IFRS 9 and are, therefore treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

(z) PROVISIONS AND OTHER CONTINGENT LIABILITIES

Provision is recognised in the financial statements when the Bank has 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 judgment is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out indicate that the Group controls an investee Company.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Estimates and judgements are continuously assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require Management to make estimates.

Refer to note 32 (f) fair value hierarchy for sensitivity analysis.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Employee benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year which is validated by the Bank. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Should there be a 1% increase in the future long-term salary increase assumption, there would be an increase in the defined benefit obligation by MUR 6.7m and a 1% increase in discount rate would lead to a decrease of MUR8.9m in the defined benefit obligation.

Deferred tax

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized and/or recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Additional information is disclosed in Note 12.

Allowance for impairment on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 32 (b).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL for loans in Stage 1 and 2, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing relevant forward-looking scenario(s) in the local context; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Group and the Bank reviews individually all loans and advances with past dues at each reporting date (i.e. Stage 3) to assess whether an allowance for impairment should be recorded in the statements of profit or loss and other comprehensive income.

In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Allowance for impairment on loans and advances (Continued)

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all "neither past due nor impaired" loans and advances.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 32 (b).

The allowance for impairment on loans and advances is disclosed in more details in Note 16.

Assets lives and residual values

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

Depreciation policies

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from the disposal of the asset, if the asset were already if the age and in condition expected at the end of its useful life.

Leases

The application of IFRS 16 requires significant judgements and certain key estimations. Critical judgements include determination of whether it is reasonably certain that a termination option will be exercised. Key sources of estimation uncertainty in the application of IFRS16 include estimation of lease terms, determination of the appropriate rate to discount the lease payments and assessment of whether a right-of-use asset is impaired.

Determination of functional currency

The determination of the functional currency of 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 Bank as Mauritian Rupees (MUR).

NOTES TO THE FINANCIAL STATEMENTS

4. NET INTEREST INCOME

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Interest income arising from						
Cash and cash equivalents	**2,394**	5,442	2,754	**2,394**	5,442	2,743
Loans and advances to banks	**10,030**	23,621	16,818	**10,030**	23,621	16,783
Loans and advances to customers	**554,652**	636,784	546,326	**528,297**	612,781	524,612
Investment securities	**74,372**	80,865	72,851	**69,885**	75,725	64,850
Other		-	5,888	**-**	-	5,888
Total interest income	**641,448**	746,712	644,637	**610,606**	717,569	614,876
Interest expense						
Deposits from banks	**(7,385)**	(4,885)	(2,785)	**(7,385)**	(4,885)	(2,785)
Deposits from customers	**(135,573)**	(244,491)	(200,952)	**(127,666)**	(237,551)	(190,563)
Borrowed funds	**(101,852)**	(75,608)	(12,683)	**(101,850)**	(75,608)	(12,655)
Investment securities	**(2,534)**	(1,655)	(1,452)	**(2,534)**	(1,655)	(1,452)
Subordinated liabilities	**-**		(6,744)	**-**	-	(6,744)
Lease Liabilities	**(5,938)**	(6,544)	-	**(5,142)**	(6,220)	-
Total interest expense	**(253,282)**	(333,183)	(224,616)	**(244,577)**	(325,919)	(214,199)
Net interest income	**388,166**	413,529	420,021	**366,029**	391,650	400,677

	Bank		
	2020	2019	2018
	Rs000	Rs000	Rs000
Segment A **Interest income**			
Cash and cash equivalents	**2,394**	625	-
Loans and advances to banks	**285**	1,513	522
Loans and advances to customers	**382,946**	502,571	446,009
Investment securities	**69,885**	75,725	64,850
Other	**-**	-	-
Total interest income from segment A	**455,510**	580,434	511,381
Segment B **Interest income**			
Cash and cash equivalents	**-**	4,817	2,743
Loans and advances to banks	**9,745**	22,108	16,261
Loans and advances to customers	**145,351**	110,210	78,603
Other	**-**	-	5,888
Total interest income from segment B	**155,096**	137,135	103,495
Total interest income from segment A and segment B	**610,606**	717,569	614,876
Segment A **Interest expense**			
Deposits from banks	**-**	(1,696)	(5)
Deposits from customers	**(97,093)**	(203,371)	(159,548)
Borrowed funds	**(368)**	(66)	496
Investment securities	**(2,534)**	(1,655)	(1,452)
Lease liabilities	**(4,576)**	(5,598)	-
Total interest expense from segment A	**(104,571)**	(212,386)	(160,509)
Segment B **Interest expense**			
Deposits from banks	**(7,385)**	(3,189)	(2,780)
Deposits from customers	**(30,573)**	(34,180)	(31,015)
Borrowed funds	**(101,482)**	(75,542)	(13,151)
Subordinated liabilities	**-**	-	(6,744)
Lease liabilities	**(566)**	(622)	-
Total interest expense from segment B	**(140,006)**	(113,533)	(53,690)
Total interest expense from segment A and segment B	**(244,577)**	(325,919)	(214,199)

NOTES TO THE FINANCIAL STATEMENTS

5. NET FEE AND COMMISSION INCOME

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Fee and commission income						
Customer and credit related fees	**134,918**	141,255	175,617	**78,779**	96,584	134,634
Fee and commission expense						
Interbank transaction fees	**(613)**	(2,426)	(2,620)	**(613)**	(2,426)	(2,620)
Other	**(23,357)**	(18,656)	(18,283)	**(21,542)**	(16,787)	(16,520)
Total fee and commission expense	**(23,970)**	(21,082)	(20,903)	**(22,155)**	(19,213)	(19,140)
Net fee and commission income	**110,948**	120,173	154,714	**56,624**	77,371	115,494

	Bank		
	2020	2019	2018
Segment A			
Fee and commission income	**Rs 000**	Rs 000	Rs 000
Customer and credit related fees	**43,631**	55,192	92,887
Total fee and commission income from segment A	**43,631**	55,192	92,887
Segment B			
Fee and commission income			
Customer and credit related fees	**35,148**	41,392	41,747
Total fee and commission income from segment B	**35,148**	41,392	41,747
Total fee and commission income from segment A and segment B	**78,779**	96,584	134,634
Segment A			
Fee and commission expense			
Interbank transaction fees	**(613)**	(2,426)	(2,620)
Other	**(15,120)**	(9,135)	(13,263)
Total fee and commission expense from segment A	**(15,733)**	(11,561)	(15,883)
Segment B			
Fee and commission expense			
Interbank transaction fees	**-**	-	-
Other	**(6,422)**	(7,652)	(3,257)
Total fee and commission expense from segment B	**(6,422)**	(7,652)	(3,257)
Total fee and commission expense from segment A and segment B	**(22,155)**	(19,213)	(19,140)

NOTES TO THE FINANCIAL STATEMENTS

6. NET TRADING INCOME

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Net gain on dealing in foreign currencies and derivatives	**80,561**	85,643	79,728	**63,376**	69,697	65,636
Segment A						
Profit arising from dealing in foreign currencies and derivatives				**50,856**	37,335	49,816
Segment B						
Profit arising from dealing in foreign currencies and derivatives				**12,520**	32,362	15,820
Total Profit arising from dealing in foreign currencies and derivatives from segment A and segment B				**63,376**	69,697	65,636

7. NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE TROUGH PROFIT OR LOSS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Net fair value movement in financial assets at fair value through profit or loss	-	-	-	**(6,742)**	10,949	58,447
Segment A						
Net fair value movement in financial assets at fair value through profit or loss				**-**	-	-
Segment B						
Net fair value movement in financial assets at fair value through profit or loss				**(6,742)**	10,949	58,447
Total Net fair value movement in financial assets at fair value through profit or loss from segment A and segment B				**(6,742)**	10,949	58,447

8. OTHER INCOME

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Management fees	**-**	-	-	**10,000**	10,000	10,000
Other	**10,102**	5,907	806	**7,974**	2,033	700
Other income	**10,102**	5,907	806	**17,974**	12,033	10,700
Segment A						
Other Income				**7,960**	1,879	521
Segment B						
Other Income				**10,014**	10,154	10,179
Total other income from segment A and segment B				**17,974**	12,033	10,700

NOTES TO THE FINANCIAL STATEMENTS

9. PERSONNEL EXPENSES

	Group			Bank		
	2020	2019	2018	2020	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Wages and salaries	**211,206**	211,812	242,635	**193,885**	204,508	235,985
Compulsory social security contributions	**9,487**	7,353	7,625	**7,558**	6,351	6,745
Contributions pension plan	**14,352**	13,640	12,741	**14,352**	13,640	12,741
Increase in liability for pension plans	**3,836**	1,743	1,462	**3,836**	1,743	1,462
Other	**9,852**	3,572	3,747	**8,719**	2,969	3,263
	248,733	238,120	268,210	**228,350**	229,211	260,196
Segment A						
Wages and salaries				**135,720**	169,260	195,273
Compulsory social security contributions				**5,291**	5,256	5,581
Contributions pension plan				**10,046**	11,289	10,543
Increase in liability for pension plans				**2,685**	1,443	1,210
Other				**2,178**	2,457	2,700
				155,920	189,705	215,307
Segment B						
Wages and salaries				**58,165**	35,248	40,712
Compulsory social security contributions				**2,267**	1,095	1,164
Contributions pension plan				**4,306**	2,351	2,198
Increase in liability for pension plans				**1,151**	300	252
Other				**6,541**	512	563
				72,430	39,506	44,889
Total personnel expenses from segment A and segment B				**228,350**	229,211	260,196

	Group and Bank		
	2020	2019	2018
	Rs 000	Rs 000	Rs 000
Reconciliation of present value of defined benefit obligation			
Balance at 01 January 2020	**12,100**	6,803	13,186
Included in profit or loss			
Current service cost	**2,587**	1,287	704
Past service cost	**608**		
Interest expense	**641**	456	758
	3,836	1,743	1,462
Included in OCI			
Remeasurements (loss)/gain:	**(4,226)**	(3,791)	6,720
Other			
Benefit paid	**(770)**	(237)	(1,125)
Balance at 31 December 2020	**19,392**	12,100	6,803

9. PERSONNEL EXPENSES (Continued)

Principal actuarial assumptions at the end of the year

	Group and Bank		
	2020	2019	2018
	Rs 000	Rs 000	Rs 000
Discount rate	**2.50%**	4.70%	6.00%
Rate of salary increases	**1.50%**	3.50%	3.50%
Retirement Age	**65**	65	65

Sensitivity analysis on defined benefit obligation at end of period

	Group and Bank		
	2020	2019	2018
	Rs 000	Rs 000	Rs 000
1% increase in discount rate	**12,062**	7,363	3,775
1% decrease in discount rate	**28,344**	19,223	12,609
1% of increase in salary increase assumption	**26,070**	17,074	10,690
1% of decrease in salary increase assumption	**14,056**	8,706	4,582
Effect of changing longevity - rate up	**18,567**	11,469	6,345
Effect of changing longevity - rate down	**20,169**	12,715	7,242

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the reporting period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cash flows

The funding policy requires the Bank to make provision for all the required contributions, as determined by an Actuarial report.

Weighted average duration of the defined benefit obligation is 15 years.
Retirement Benefit Obligations have been calculated as per the requirements of IFRS and local laws and regulations by an independent actuary, MUA Pension Ltd.

Fund Investment

The contributions under the Bank's Pension Scheme are invested through Unit Linked Fund as per details below:

31% in Local Equity:
40% in Local Fixed Income;
27% in Foreign Investments; and
1% in Property.

These defined benefit plans, through the Fund Investment expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

10. OPERATING LEASES EXPENSES

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Operating lease	**15,244**	14,217	51,223	**9,967**	12,248	45,753

The Group and the Bank lease a number of branches and office premises under operating leases. The leases typically run for periods of 3 to 5 years, with the lease of the Head-office being for 10 years. There are no restrictions placed upon the lessee by entering the leases. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Where the contract provides for the lessor to terminate same at his sole discretion and with respect for the pre-determined notice period, without bearing any financial loss, the Bank has considered the duration of the lease being that of the contract, notwithstanding past practices.The amounts for 2020 represent leases not capitalised under IFRS 16.

At 31 December, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Less than one year	**4,672**	4,844	43,424	**3,968**	4,020	39,634
Between one and five years	**4,654**	-	133,769	**4,654**	-	121,824
More than five years	**-**	-	498	**-**	-	-
	9,326	4,844	177,691	**8,622**	4,020	161,458

11. OTHER EXPENSES

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Software licensing and other IT costs	**73,839**	71,478	64,079	**58,114**	60,578	54,594
Professional fees	**12,864**	21,429	15,551	**11,019**	18,636	14,169
Other	**111,108**	128,358	131,368	**79,364**	102,329	117,826
	197,811	221,265	210,998	**148,497**	181,543	186,589

NOTES TO THE FINANCIAL STATEMENTS

12. INCOME TAXES

(a)Amounts recognised in profit or loss

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Income tax expense	**(216)**	5,167	1,163	**-**	176	804
Deferred tax Charge/(credit)	**(3,752)**	(38,912)	157,965	**(3,752)**	(38,912)	157,965
Total tax credit/(expense)	**(3,968)**	(33,745)	159,128	**(3,752)**	(38,736)	158,769
Segment A						
Deferred tax Charge/(credit)				**(2,312)**	(18,087)	158,090
Income tax (credit) / tax expense from segment A				**(2,312)**	(18,087)	158,090
Segment B						
Current tax Charge				**-**	176	804
Deferred tax movement				**(1,440)**	(20,826)	(125)
Income tax (credit) / expense from segment B				**(1,440)**	(20,650)	679
Total income (credit) / tax expense from segment A and segment B				**(3,752)**	(38,736)	158,769

(b) Reconciliation of income taxes

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
(Loss)/profit before tax	**(266,829)**	(16,185)	65,255	**(264,429)**	(25,590)	114,129
Tax at statutory tax rate	**(14,211)**	3,874	17,477	**(13,446)**	(1,117)	17,119
Foreign tax credit	**-**	-	(8,863)	**-**	-	(8,863)
Non-deductible expenses	**1,473**	16,381	75	**924**	16,381	75
Non-taxable income	**(469)**	-	(3,648)	**(469)**	-	(3,648)
Corporate social responsibility	**-**	-	180	**-**	-	180
Special levy on banks	**-**	-	804	**-**	-	804
Tax impact relating to change in shareholding	**-**	-	124,853	**-**	-	124,853
Tax impact relating to change in rate	**-**	-	57,205	**-**	-	57,205
Tax losses utilised	**(4,510)**	-	-	**(4,510)**	-	-
Under-provision of income tax in previous years	**-**	176	-	**-**	176	-
Deferred tax movements	**13,749**	(54,176)	-	**13,749**	(54,176)	-
Other	**-**	-	(28,955)	**-**	-	(28,956)
Total income tax (expense) / credit	**(3,968)**	(33,745)	159,128	**(3,752)**	(38,736)	158,769

12. INCOME TAXES (Continued)

(b) Reconciliation of income taxes (Continued)

	Group and Bank		
	2020	2019	2018
Segment A	**Rs 000**	Rs 000	Rs 000
Profit/ (loss) before tax	**(38,700)**	8,115	40,273
Tax at statutory tax rate (7%)	**(2,160)**	567	6,041
Non-deductible expenses	**-**	16,264	-
Corporate social responsibility	**-**	-	180
Non taxable income	**(629)**	-	-
Tax losses utilised	**(4,511)**	-	-
Tax impact relating to change in shareholding	**-**	-	121,020
Tax impact relating to change in rate	**-**	-	59,639
Deferred tax movements	**4,988**	(34,918)	-
Other		-	(28,790)
Total income tax expense from segment A	**(2,312)**	(18,087)	158,090

	Group and Bank		
	2020	2019	2018
Segment B	**Rs 000**	Rs 000	Rs 000
Profit/ (loss) before tax	**(225,730)**	(33,705)	73,856
Tax at statutory tax rate (5%)	**(11,286)**	(1,685)	11,078
Foreign tax credit		-	(8,863)
Non-deductible expenses	**1,085**	117	75
Non taxable income		-	(3,648)
Special levy on banks		-	804
Tax impact relating to change in shareholding		-	3,833
Tax impact relating to change in rate		-	(2,434)
Underprovision of income tax in previous years		176	-
Deferred tax movements	**8,761**	(19,258)	-
Other		-	(166)
Total income tax expense from segment B	**(1,440)**	(20,650)	679

As from the financial year ended 31 December 2020, the income tax regime applicable for The Bank would be governed by section 44C of the Income Tax Act. Management of the bank does not expect the chargeable income of the bank to exceed Rs1.5bn in the foreseeable future so that it would liable to tax at the rate of 5% on its chargeable income for the foreseeable future. The bank is also liable to a Corporate Social Responsibility charge computed at 2% of the bank's chargeable income attributable to transactions executed with resident persons only.

Section 59 A (3A) of the Income Tax Act provides that in the event that there is a change of more than 50% in the shareholding of a company, the tax losses may be carried forward only where the company satisfies certain conditions, including an approval from the Ministry of Finance.

The Bank received the necessary approval during the year ended 31 December 2019 and management is of the view that the company will be able to satisfy the other conditions. Accordingly, the deferred tax assets arising on the accumulated tax losses have been recognised.

Special levy

The bank shall be liable to pay the taxation authorities a special levy on its leviable income derived in every accounting period at the rate of 5.5% in the case the bank has a leviable income of not more than Rs 1.2 billion; 4.5% in the case the bank has a leviable income of more than Rs 1.2 billion.

The levy for the bank in operation as at 30 June 2018 shall be either as above or 1.5 times of the levy payable for the year of assessment 2017-2018, whichever is lower. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

12. INCOME TAXES (Continued)

(c) Movement in Deferred tax balances

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Balance at 01 January 2020	**86,995**	50,165	204,294	**86,995**	50,165	204,294
(Charged)/Credited to equity	**1,712**	(2,082)	3,836	**1,712**	(2,082)	3,836
Charged to profit or loss	**3,752**	38,912	(157,965)	**3,752**	38,912	(157,965)
Balance at 31 December 2020	**92,459**	86,995	50,165	**94,479**	86,995	50,165
Deferred tax assets						
Allowance for loan losses	**67,930**	50,243	43,660	**67,930**	50,243	43,660
Other	**31,486**	38,464	6,133	**31,486**	38,464	6,133
	99,416	88,707	49,793	**99,416**	88,707	49,793
Deferred tax liabilities						
Accelerated capital allowances	**(6,957)**	(2,735)	(5,750)	**(6,957)**	(2,735)	(5,750)
Fair value gains	**-**	(2,082)	3,836	**-**	(2,082)	3,836
Other	**-**	3,105	2,286	**-**	3,105	2,286
	(6,957)	(1,712)	(372)	**(6,957)**	(1,712)	372
Net deferred tax assets	**92,459**	86,995	50,165	**92,459**	86,995	50,165

Bank

	Segment A	Segment B	Total
	Rs 000	**Rs 000**	**Rs 000**
2020			
Balance at 01 January	**58,735**	**28,260**	**86,995**
Property, Equipment and Software	**(8,599)**	**(1,092)**	**(9,691)**
Allowance for loan losses	**7,082**	**10,605**	**17,687**
Other adjustments(Tax loss and RBO)	**(4,557)**	**2,025**	**(2,532)**
Balance at 31 December	**52,661**	**39,798**	**92,459**
2019			
Balance at 01 January	42,763	7,402	50,165
Property, Equipment and Software	(1,578)	1,308	(270)
Allowance for loan losses	(1,203)	3,825	2,622
Fair value gains	899	-	899
Other adjustments	17,854	15,725	33,579
Balance at 31 December	**58,735**	**28,260**	**86,995**
2018			
Balance at 01 January	197,438	6,856	204,294
Property, Equipment and Software	(2,145)	(94)	(2,239)
Allowance for loan losses	(2,965)	637	(2,328)
Fair value gains	3,836	-	3,836
Tax impact relating to change in shareholding	(121,020)	(3,833)	(124,853)
Tax impact relating to change in rate	(59,639)	2,434	(57,205)
Other adjustments	27,258	1,402	28,660
Balance at 31 December	**42,763**	**7,402**	**50,165**

(d) Current tax liabilities

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Current tax liabilities	**-**	-	970	**-**	-	624

Segment A			
Current tax liabilities	**-**	-	-
Segment B			
Current tax liabilities	**-**	-	624

13. CASH AND CASH EQUIVALENTS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Cash in hand	**224,266**	213,599	195,185	**117,561**	117,030	160,731
Foreign currency notes	**9,099**	20,989	20,382	**9,099**	20,989	20,382
Unrestricted balances with central banks	**2,243,460**	1,703,562	1,443,415	**2,049,576**	1,515,031	1,316,062
Money market placements	**2,994,123**	2,115,506	734,316	**2,994,123**	2,115,506	734,316
Balances with banks abroad	**1,082,992**	810,566	36,499	**1,127,511**	832,763	300,695
	6,553,940	4,864,222	2,429,797	**6,297,870**	4,601,319	2,532,186

Segment A			
Cash in hand	**104,117**	117,030	160,731
Foreign currency notes and coins	**9,099**	20,989	20,382
Unrestricted balances with central banks	**2,063,020**	1,515,031	1,316,062
	2,176,236	1,653,050	1,497,175
Segment B			
Money market placements	**2,994,123**	2,115,506	734,316
Balances with banks abroad	**1,127,511**	832,763	300,695
	4,121,634	2,948,269	1,035,011
Total cash and cash equivalents from segment A and segment B	**6,297,870**	4,601,319	2,532,186

14. LOANS AND ADVANCES TO BANKS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Loans and advances to banks						
- in Mauritius (Segment A)	**-**	24,825	27,560	**-**	24,825	27,560
- outside Mauritius (Segment B)	**1,636,335**	1,303,996	15,508	**1,636,335**	1,303,996	15,508
	1,636,335	1,328,821	43,068	**1,636,335**	1,328,821	43,068
Less allowance for impairment	**(5,701)**	(12,837)	-	**(5,701)**	(12,837)	-
	1,630,634	1,315,984	43,068	**1,630,634**	1,315,984	43,068
Remaining term to maturity						
Up to 3 months	**1,098,131**	402,695	-	**1,098,131**	402,695	-
Over 3 months and up to 6 months	**500,569**	475,820	16,190	**500,569**	475,820	16,190
Over 6 months and up to 12 months	**37,634**	450,306	26,878	**37,634**	450,306	26,878
Over 1 year and up to 5 years	**-**	-	-	**-**	-	-
Over 5 years	**-**	-	-	**-**	-	-
	1,636,334	1,328,821	43,068	**1,636,334**	1,328,821	43,068

15. LOANS AND ADVANCES TO CUSTOMERS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Retail customers						
- Mortgages	**3,630,947**	3,646,432	3,762,270	**3,630,280**	3,645,616	3,762,113
- Other retail loans	**456,318**	436,285	482,065	**416,458**	433,071	477,027
Corporate customers	**7,903,620**	8,395,463	8,958,525	**7,827,047**	8,315,059	8,851,280
Entities outside Mauritius	**1,167,174**	1,656,984	656,016	**1,167,175**	1,656,984	656,011
	13,158,059	14,135,164	13,858,876	**13,040,959**	14,050,730	13,746,431
Less allowance for impairment	**(902,494)**	(639,322)	(659,147)	**(885,287)**	(619,191)	(631,966)
	12,255,565	13,495,842	13,199,729	**12,155,672**	13,431,539	13,114,465
Remaining term to maturity						
Up to 3 months	**3,358,155**	5,014,747	6,251,187	**3,294,825**	4,939,882	6,154,104
Over 3 months and up to 6 months	**309,002**	500,859	84,085	**308,609**	500,859	84,080
Over 6 months and up to 12 months	**120,115**	222,150	19,066	**111,205**	222,142	14,987
Over 1 year and up to 5 years	**2,730,036**	1,310,633	1,286,640	**2,685,569**	1,301,072	1,275,363
Over 5 years	**6,640,751**	7,086,775	6,217,898	**6,640,751**	7,086,775	6,217,897
	13,158,059	14,135,164	13,858,876	**13,040,959**	14,050,730	13,746,431

	Bank		
	2020	2019	2018
	Rs 000	Rs 000	Rs 000
Segment A			
Retail customers			
- Mortgages	**3,089,528**	3,129,321	3,230,148
- Other retail loans	**351,100**	371,296	419,868
Corporate customers	**6,941,298**	7,374,823	7,776,907
	10,381,926	10,875,440	11,426,923
Less allowance for impairment	**(654,552)**	(545,008)	(562,160)
	9,727,374	10,330,432	10,864,763
Remaining term to maturity			
Up to 3 months	**2,204,046**	2,746,085	4,447,191
Over 3 months and up to 6 months	**206,360**	109,040	82,099
Over 6 months and up to 12 months	**17,239**	222,142	9,402
Over 1 year and up to 5 years	**1,859,358**	1,231,461	1,201,730
Over 5 years	**6,094,923**	6,566,712	5,686,501
	10,381,926	10,875,440	11,426,923
Segment B			
Retail customers			
- Mortgages	**540,752**	516,295	531,965
- Other retail loans	**65,357**	61,775	57,159
Corporate customers	**885,749**	940,236	1,074,373
Entities outside Mauritius	**1,167,175**	1,656,984	656,011
	2,659,033	3,175,290	2,319,508
Less allowance for impairment	**(230,735)**	(74,183)	(69,806)
	2,428,298	3,101,107	2,249,702
Remaining term to maturity			
Up to 3 months	**1,090,779**	2,193,797	1,706,912
Over 3 months and up to 6 months	**102,248**	391,819	1,981
Over 6 months and up to 12 months	**93,965**	-	5,585
Over 1 year and up to 5 years	**826,212**	69,612	73,634
Over 5 years	**545,829**	520,062	531,396
	2,659,033	3,175,290	2,319,508

15. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Credit concentration of risk by industry sectors

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Agriculture and fishing	**809,574**	624,838	275,878	**808,442**	624,288	275,217
Manufacturing	**849,496**	1,323,139	1,848,955	**848,602**	1,321,598	1,845,143
Tourism	**1,348,605**	1,119,560	1,098,837	**1,345,011**	1,116,291	1,094,916
Transport	**366,577**	22,152	49,788	**354,452**	13,566	37,875
Construction	**4,209,104**	4,321,641	4,395,578	**4,204,327**	4,319,414	4,390,742
Financial and business services	**555,390**	1,525,181	1,076,437	**553,233**	1,522,900	1,071,779
Traders	**1,277,401**	1,191,751	1,312,419	**1,225,508**	1,130,200	1,235,786
Personal	**392,230**	363,982	392,470	**353,348**	361,848	390,294
Professional	**64,224**	73,119	85,378	**63,110**	71,223	82,360
Global Business Licence holders	**885,749**	940,236	1,064,993	**885,749**	940,236	1,064,993
Others	**2,399,709**	2,629,565	2,258,143	**2,399,177**	2,629,166	2,257,326
	13,158,059	14,135,164	13,858,876	**13,040,959**	14,050,730	13,746,431

Segment A	**2020**	2019	2018
Agriculture and fishing	**414,942**	260,788	275,217
Manufacturing	**848,602**	1,321,598	1,673,393
Tourism	**1,345,011**	1,116,291	1,094,916
Transport	**354,452**	13,566	13,339
Construction	**3,663,575**	3,803,120	3,858,777
Financial and business services	**553,233**	956,425	613,943
Traders	**854,977**	766,690	1,229,089
Personal	**287,991**	300,073	333,135
Professional	**63,110**	71,223	82,360
Others	**1,996,033**	2,265,666	2,252,754
	10,381,926	10,875,440	11,426,923

Segment B	**2020**	2019	2018
Agriculture and fishing	**393,500**	363,500	-
Manufacturing	**-**	-	171,750
Transport	**-**	-	24,536
Construction	**540,752**	516,295	531,965
Financial and business services	**-**	566,475	457,836
Traders	**370,531**	363,509	6,697
Personal	**65,357**	61,775	57,159
Global Business Licence holders	**885,749**	940,236	1,064,993
Others	**403,144**	363,500	4,572
	2,659,033	3,175,290	2,319,508

16. IMPAIRMENT FOR LOANS AND ADVANCES

(c) Movement in allowance for impairment

	Individual allowances for impairment	Collective allowances and general provisions for Impairment	Low-interest rate loans impairment	Total
Group	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
At 31 December 2017	**591,504**	**146,660**	**-**	**738,164**
Charge for the year	8,474	21,602	-	30,076
Effect of foreign currency movements	(6,162)	(53)	-	(6,215)
Receivable on counter guarantee	(94,549)	-	-	(94,549)
Write-offs	(8,329)	-	-	(8,329)
At 31 December 2018	**490,938**	**168,209**	**-**	**659,147**
Charge for the year	56,228	15,018	-	71,246
Effect of foreign currency movements	8,022	(3)	-	8,019
Reclassification provision in securities	(59,244)	-	-	(59,244)
Write-offs	(27,009)	-	-	(27,009)
At 31 December 2019	**468,935**	**183,224**	**-**	**652,159**
Charge for the year	**235,819**	**45,892**	**-**	**281,711**
Effect of foreign currency movements	**44,848**	**16**	**-**	**44,864**
Reclassification provision in securities	**(54,315)**	**-**	**-**	**(54,315)**
Write-offs	**(16,224)**	**-**	**-**	**(16,224)**
At 31 December 2020	**679,063**	**229,132**	**-**	**908,195**
Bank				
At 31 December 2017	**574,163**	**146,607**	**-**	**720,770**
Charge for the year	(2,293)	20,561	-	18,268
Effect of foreign currency movements	(5,347)	-	-	(5,347)
Receivable on counter guarantee	(94,549)	-	-	(94,549)
Write-offs	(7,176)	-	-	(7,176)
At 31 December 2018	**464,798**	**167,168**	**-**	**631,966**
Charge for the year	61,301	15,326	-	76,627
Effect of foreign currency movements	7,587	-	-	7,587
Reclassification provision in securities	(59,244)	-	-	(59,244)
Write-offs	(24,908)	-	-	(24,908)
At 31 December 2019	**449,534**	**182,494**	**-**	**632,028**
Charge for the year	**234,433**	**46,271**	**-**	**280,704**
Effect of foreign currency movements	**44,419**	**-**	**-**	**44,419**
Reclassification provision in securities	**(54,315)**	**-**	**-**	**(54,315)**
Write-offs	**(11,848)**	**-**	**-**	**(11,848)**
At 31 December 2020	**662,223**	**228,765**	**-**	**890,988**

(d) Net impairment loss on financial assets

	Group			Bank		
	2020	2019	2018	2020	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Collective allowance and general provision for impairment	**45,892**	15,015	(21,602)	**46,271**	15,326	(20,561)
Charge for the year	**247,234**	104,311	(90,209)	**245,841**	101,040	(78,012)
Reversal	**(27,632)**	(20,999)	89,921	**(23,249)**	(14,760)	87,338
Bad debts written off / Recoveries	**16,217**	(27,081)	(8,186)	**11,841**	(24,979)	(7,033)
	281,711	71,246	(30,076)	**280,704**	76,627	(18,268)

16. IMPAIRMENT FOR LOANS AND ADVANCES (Continued)

(e) Allowance for credit impairment by industry sectors

	2020					2019	2018
	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Collective / portfolio allowances and general provisions for impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Group	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs000	Rs000
Agriculture, forestry and fishing	809,574	3,111	144	14,781	14,925	6,261	3,461
Manufacturing	849,496	239,231	208,142	16,090	224,232	179,147	180,476
Accommodation and food service activities	1,348,605	-	-	73,350	73,350	22,653	21,999
Transportation and storage	366,577	4,209	4,209	4,962	9,171	13,489	13,253
Construction	4,209,104	135,560	54,659	29,708	84,367	88,010	93,563
Banks	1,636,335	-	-	5,701	5,701	12,837	-
Other Financial Corporations	555,390	4	4	7,983	7,987	15,357	12,869
Wholesale and retail trade; and repair of motor vehicles and motorcycles	1,277,401	56,857	33,528	19,013	52,541	46,658	65,275
Personal	392,230	152,560	105,867	6,179	112,046	109,977	106,306
Professional	64,224	60,068	39,979	119	40,098	37,291	37,388
Global Business Licence holders	885,749	27,308	27,308	20,401	47,709	34,876	35,406
Others	2,399,709	463,407	205,223	30,845	236,068	85,603	89,151
	14,794,394	1,142,315	679,063	229,132	908,195	652,159	659,147

	2020					2019	2018
	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Collective / portfolio allowances and general provisions for impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Bank	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs000	Rs000
Agriculture, forestry and fishing	808,442	2,824	-	14,760	14,760	6,255	3,452
Manufacturing	848,602	239,230	208,141	16,009	224,150	178,577	179,445
Accommodation and food service activities	1,345,011	-	-	73,332	73,332	22,426	21,921
Transportation and storage	354,452	4,073	4,073	4,908	8,981	13,258	12,956
Construction	4,204,327	133,493	52,592	29,706	82,298	85,785	92,163
Banks	1,636,335	-	-	5,701	5,701	12,837	-
Other Financial Corporations	553,233	4	4	7,980	7,984	15,329	10,734
Wholesale and retail trade; and repair of motor vehicles and motorcycles	1,225,508	43,489	20,160	18,877	39,037	31,339	44,631
Personal	353,348	152,548	105,855	6,129	111,984	109,946	106,274
Professional	63,110	58,954	38,865	119	38,984	36,194	36,236
Global Business Licence holders	885,749	27,308	27,308	20,401	47,709	34,876	35,406
Others	2,399,177	463,407	205,225	30,843	236,068	85,206	88,748
	14,677,294	1,125,330	662,223	228,765	890,988	632,028	631,966

16. IMPAIRMENT FOR LOANS AND ADVANCES (Continued)

(e) Allowance for credit impairment by industry sectors (Continued)

	2020					2019	2018
	Gross amount of loans	**Impaired loans**	**Specific allowances for credit impairment**	**Collective / portfolio allowances and general provisions for impairment**	**Total allowances for credit impairment**	Total allowances for credit impairment	Total allowances for credit impairment
Bank	**Rs000**	**Rs000**	**Rs000**	**Rs000**	**Rs000**	**Rs000**	**Rs000**
Segment A							
Agriculture,Forestry and Fishing	**414,942**	**2,824**	**-**	**7,209**	**7,209**	2,612	3,452
Manufacturing	**848,602**	**239,230**	**208,141**	**16,009**	**224,150**	178,577	177,727
Accomodation and food services activities	**1,345,011**	**-**	**-**	**73,332**	**73,332**	22,426	21,921
Transport and storage	**354,452**	**4,073**	**4,073**	**4,908**	**8,981**	13,258	12,709
Construction	**3,663,575**	**129,622**	**52,592**	**26,865**	**79,457**	78,957	84,252
Other Financial Corporations	**553,233**	**4**	**4**	**7,980**	**7,984**	9,650	6,150
Wholesale and retail trade; and repair of motor vehicles and motorcyles	**854,977**	**43,455**	**20,126**	**14,229**	**34,355**	27,703	44,612
Personal	**287,991**	**130,200**	**87,960**	**3,865**	**91,825**	94,071	86,355
Professional	**63,110**	**58,954**	**38,865**	**119**	**38,984**	36,194	36,236
Others	**1,996,033**	**60,284**	**57,877**	**30,399**	**88,276**	81,561	88,702
	10,381,926	**668,646**	**469,638**	**184,915**	**654,553**	545,009	562,116
Segment B							
Agriculture, Forestry and Fishing	**393,500**	**-**	**-**	**7,551**	**7,551**	3,642	-
Manufacturing	**-**	**-**	**-**	**-**	**-**	-	1,718
Accomodation and food services activities	**-**	**-**	**-**	**-**	**-**	-	-
Transport and storage	**-**	**-**	**-**	**-**	**-**	-	247
Construction	**540,752**	**3,871**	**-**	**2,841**	**2,841**	6,828	7,911
Banks	**1,636,335**	**-**	**-**	**5,701**	**5,701**	12,837	-
Other Financial Corporations	**-**	**-**	**-**	**-**	**-**	5,679	4,584
Wholesale and retail trade and repair of motor vehicles and motocyles	**370,531**	**34**	**34**	**4,648**	**4,682**	3,635	19
Personal	**65,357**	**22,348**	**17,895**	**2,264**	**20,159**	15,875	19,919
Professional	**-**	**-**	**-**	**-**	**-**	-	-
Global Business Licence holders	**885,749**	**27,308**	**27,308**	**20,401**	**47,709**	34,876	35,406
Others	**403,144**	**403,123**	**147,348**	**444**	**147,792**	3,647	46
	4,295,368	**456,684**	**192,585**	**43,850**	**236,435**	87,019	69,850

17. INVESTMENT SECURITIES

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Investment securities at fair value through OCI	**2,335,212**	2,468,928	1,961,203	**2,335,212**	2,391,670	1,823,685
Government of Mauritius bonds	**1,314,705**	1,236,721	1,097,203	**1,314,705**	1,236,721	1,097,203
Treasury Bills	**748,268**	126,474	336,469	**748,268**	49,216	198,951
Bank of Mauritius Bills	**249,116**	1,072,561	449,559	**249,116**	1,072,561	449,559
Corporate Bonds	**231,231**	186,965	172,521	**231,231**	186,965	172,521
Less Impairment	**(208,108)**	(153,793)	(94,549)	**(208,108)**	(153,793)	(94,549)
	2,335,212	2,468,928	1,961,203	**2,335,212**	2,391,670	1,823,685

Segment A			
Government of Mauritius bonds	**1,315,753**	1,236,721	1,097,203
Treasury Bills	**747,756**	49,216	198,951
Bank of Mauritius Bills	**248,580**	1,072,561	449,559
	2,312,089	2,358,498	1,745,713
Segment B			
Corporate Bonds	**231,231**	186,965	172,521
Less Impairment	**(208,108)**	(153,793)	(94,549)
	23,123	33,172	77,972

18. INVESTMENT IN SUBSIDIARY

	2020	2019	2018
	Rs000	Rs000	Rs000
Investment in subsidiary as at 31 December 2020 (Level 3)	**62,653**	69,396	58,447

	2020	2019	2018
	Rs000	Rs000	Rs000
At 01 January 2020	**69,396**	58,447	-
Fair value adjustments (Note 7)	**(6,742)**	10,949	58,447
	62,653	69,396	58,447

Details of investments held by the Bank are as follows:

Name of Investee Company	**Country of incorporation**	**Business Activity**	**Type of shares**	**% holding**		**Fair value**		
				2020	2019	**2020**	2019	2018
						Rs 000	Rs 000	Rs 000
BM Madagascar	Madagascar	Banking	Ordinary shares	**72.67**	72.67	**62,653**	69,396	58,447

NOTES TO THE FINANCIAL STATEMENTS

19. PROPERTY AND EQUIPMENT

	Right-of-use-asset							
	Leasehold property	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Land & Building	Total
Group	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Cost								
Balance at 01 January 2018	-	113,129	99,882	31,224	18,788	13,644	8,188	284,855
Additions	-	7,245	19,536	623	622	17	1,538	29,581
Disposal	-	(545)	-	(1,051)	(923)	-	-	(2,519)
Scrapped assets	-	(62,419)	(8,735)	(5,875)	(9,034)	(21)	-	(86,084)
Foreign currency translation	-	(898)	(885)	(281)	(66)	(120)	(566)	(2,816)
Balance at 31 December 2018	**-**	**56,512**	**109,798**	**24,640**	**9,387**	**13,520**	**9,160**	**223,017**
Balance at 01 January 2018	**-**	**56,512**	**109,798**	**24,640**	**9,387**	**13,520**	**9,160**	**223,017**
Recognition of ROU as at 01 Jan 2019	161,480	-	-	-	-	-	-	161,480
Additions	-	11,420	29,586	212	944	4,698	13,726	60,586
Disposal	-	-	(45)	-	-	(7,349)	(1,538)	(8,932)
Scrapped assets	-	-	(4,629)	-	-	-	-	(4,629)
Reclassification	-	13	1,350	-	-	-	-	1,363
Foreign currency translation	-	65	11	2	-	-	5	83
Balance at 31 December 2019	**161,480**	**68,010**	**136,071**	**24,854**	**10,331**	**10,869**	**21,353**	**432,968**
Balance at 01 January 2020	**161,480**	**68,010**	**136,071**	**24,854**	**10,331**	**10,869**	**21,353**	**432,968**
Additions	**64,625**	**10,726**	**10,355**	**2,641**	**1,012**	**3,334**	**-**	**92,693**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Scrapped assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reclassification	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**-**	**(740)**	**1,219**	**1,242**	**(153)**	**75**	**506**	**2,149**
Balance at 31 December 2020	**226,105**	**77,996**	**147,645**	**28,737**	**11,190**	**14,278**	**21,859**	**527,810**
Accumulated depreciation and impairment losses								
Balance at 01 January 2018	-	94,917	76,099	23,057	17,993	9,805	3,932	225,803
Depreciation for the year	-	6,739	16,927	3,709	304	3,465	(1,934)	29,210
Disposal	-	(529)	-	(1,048)	(923)	-	-	(2,500)
Scrapped assets	-	(62,244)	(8,735)	(5,824)	(9,027)	(21)	-	(85,851)
Foreign currency translation	-	1,128	(727)	(298)	(65)	(119)	(326)	(407)
Balance at 31 December 2018	**-**	**40,011**	**83,564**	**19,596**	**8,282**	**13,130**	**1,672**	**166,255**
Balance at 01 January 2019	**-**	**40,011**	**83,564**	**19,596**	**8,282**	**13,130**	**1,672**	**166,255**
Depreciation for the year	35,082	6,845	14,112	3,505	418	1,535	5,017	66,514
Disposal	-	-	-	-	-	(7,349)	-	(7,349)
Scrapped assets	-	-	(4,629)	-	-	-	-	(4,629)
Foreign currency translation	-	17	(37)	27	-	-	-	7
Balance at 31 December 2019	**35,082**	**46,873**	**93,010**	**23,128**	**8,700**	**7,316**	**6,689**	**220,798**
Balance at 01 January 2020	**35,082**	**46,873**	**93,010**	**23,128**	**8,700**	**7,316**	**6,689**	**220,798**
Depreciation for the year	**38,906**	**7,464**	**20,992**	**1,748**	**567**	**2,504**	**-**	**72,181**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Scrapped assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**(289)**	**313**	**491**	**54**	**(28)**	**48**	**158**	**747**
Balance at 31 December 2020	**73,699**	**54,650**	**114,493**	**24,930**	**9,239**	**9,868**	**6,847**	**293,726**
Carrying amounts								
Balance at 31 December 2018	-	16,501	26,234	5,044	1,105	390	7,488	56,762
Balance at 31 December 2019	126,398	21,137	43,061	1,726	1,631	3,553	14,664	212,170
Balance at 31 December 2020	**152,406**	**23,346**	**33,152**	**3,807**	**1,951**	**4,410**	**15,012**	**234,084**

19. PROPERTY AND EQUIPMENT (Continued)

Included in the above line items are right-of-use assets recognised as at 1st January 2020, over the following:

	Group	Bank
Right of Use Asset	**Rs 000**	**Rs 000**
Non current		
Office building	214,054	153,663
ATM Space	743	743
Archive space	11,308	11,308
Total	**226,105**	**165,714**

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 26) and the movements during the period:

	Group	Bank
	Rs 000	**Rs 000**
As at 01 January 2020	129,450	118,343
Additions	64,625	18,793
Discontinuations	-	-
Accretions of interest	5,938	5,142
Exchange difference	340	-
Payments	(42,891)	(34,173)
As at 31 December 2020	**157,462**	**108,105**

Amount recognised in profit or loss for the year ended 31 December 2020

	Group	Bank
	Rs 000	**Rs 000**
Depreciation expense on right-of-use assets	38,906	30,453
Interest expense on lease liabilities	5,938	5,142
Expenses relating to leases of low-value assets	-	-
Total amount recognised in profit or loss	**44,844**	**35,595**

The group has a total cash outflows for leases of Rs 58,135M
The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of Rs 226,564 as at 01 Jan 2020

19. PROPERTY AND EQUIPMENT (Continued)

	Right-of-use-asset						
	Leasehold property	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Total
Bank	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Cost							
Balance at 01 January 2018	**-**	**100,184**	**87,084**	**27,173**	**17,832**	**11,921**	**244,194**
Additions	-	6,085	14,219	470	622	17	21,413
Disposal	-	(545)	-	(296)	(923)	-	(1,764)
Scrapped assets	-	(62,419)	(8,735)	(5,875)	(9,034)	(21)	(86,084)
Balance at 31 December 2018	**-**	**43,305**	**92,568**	**21,472**	**8,497**	**11,917**	**177,759**
Balance at 01 January 2019	**-**	**43,305**	**92,568**	**21,472**	**8,497**	**11,917**	**177,759**
Recognition of ROU as at 01 Jan 2019	146,921	-	-	-	-	-	146,921
Additions	-	6,433	26,946	-	128	2,229	35,736
Disposal	-	-	-	-	-	(6,415)	(6,415)
Scrapped assets	-	-	(4,629)	-	-	-	(4,629)
Reclassification	-	13	1,351	-	-	-	1,364
Balance at 31 December 2019	**146,921**	**49,751**	**116,236**	**21,472**	**8,625**	**7,731**	**350,736**
Balance at 01 January 2020	**146,921**	**49,751**	**116,236**	**21,472**	**8,625**	**7,731**	**350,736**
Additions	**18,793**	**213**	**2,697**	**960**	**-**	**-**	**22,663**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Scrapped assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**-**	**126**	**(429)**	**454**	**(53)**	**-**	**98**
Balance at 31 December 2020	**165,714**	**50,090**	**118,504**	**22,886**	**8,572**	**7,731**	**373,497**
Accumulated depreciation and impairment losses							
Balance at 01 January 2018	**-**	**84,359**	**65,253**	**19,117**	**17,043**	**8,082**	**193,854**
Depreciation for the year	-	6,506	15,006	3,622	299	3,465	28,898
Disposal	-	(529)	-	(293)	(923)	-	(1,745)
Scrapped assets	-	(62,244)	(8,735)	(5,824)	(9,027)	(21)	(85,851)
Balance at 31 December 2018	**-**	**28,092**	**71,524**	**16,622**	**7,392**	**11,526**	**135,156**
Balance at 01 January 2019	**-**	**28,092**	**71,524**	**16,622**	**7,392**	**11,526**	**135,156**
Depreciation for the year	31,403	6,268	11,150	3,395	331	881	53,428
Disposal	-	-	-	-	-	(6,415)	(6,415)
Scrapped assets	-	-	(4,629)	-	-	-	(4,629)
Balance at 31 December 2019	**31,403**	**34,360**	**78,045**	**20,017**	**7,723**	**5,992**	**177,540**
Balance at 01 January 2020	**31,403**	**34,360**	**78,045**	**20,017**	**7,723**	**5,992**	**177,540**
Depreciation for the year	**30,453**	**5,433**	**16,288**	**1,331**	**314**	**749**	**54,567**
Foreign currency translation	**-**	**1**	**84**	**(24)**	**(54)**	**-**	**7**
Balance at 31 December 2020	**61,856**	**39,794**	**94,417**	**21,324**	**7,983**	**6,741**	**232,115**
Carrying amounts							
Balance at 31 December 2018	-	15,213	21,044	4,849	1,105	391	42,603
Balance at 31 December 2019	115,518	15,391	38,191	1,455	902	1,739	173,196
Balance at 31 December 2020	**103,858**	**10,296**	**24,087**	**1,562**	**589**	**990**	**141,382**

NOTES TO THE FINANCIAL STATEMENTS

19. PROPERTY AND EQUIPMENT (Continued)

	Right-of-use-asset Leasehold property	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Total
Bank	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
2020							
Segment A	**93,472**	**9,266**	**21,677**	**1,406**	**530**	**891**	**127,243**
Segment B	**10,386**	**1,030**	**2,410**	**156**	**59**	**99**	**14,139**
	103,858	**10,296**	**24,087**	**1,562**	**589**	**990**	**141,382**
2019							
Segment A	103,966	13,852	34,372	1,310	812	1,565	155,877
Segment B	11,552	1,539	3,819	145	90	174	17,319
	115,518	**15,391**	**38,191**	**1,455**	**902**	**1,739**	**173,196**
2018							
Segment A	-	13,692	18,939	4,364	994	352	38,341
Segment B	-	1,521	2,105	485	111	39	4,261
	-	**15,213**	**21,044**	**4,849**	**1,105**	**391**	**42,602**

20. INTANGIBLE ASSETS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Cost						
Balance at 01 January	**205,222**	202,294	200,789	**192,167**	187,263	186,285
Additions	**28,517**	6,897	2,826	**25,600**	6,897	1,299
Reclassification	**-**	(1,364)	-	**-**	(1,364)	-
Write-off	**(524)**	(2,605)	(321)	**(524)**	(629)	(321)
Foreign currency translation	**218**	-	(1,000)	**(98)**	-	-
Balance at 31 December	**233,433**	205,222	202,294	**217,145**	192,167	187,263
Accumulated amortisation						
Balance at 01 January	**152,262**	119,059	83,691	**140,166**	105,932	70,934
Amortisation for the year	**41,023**	35,179	36,570	**39,702**	34,234	35,319
Write-off	**-**	(1,976)	(321)	**-**	-	(321)
Foreign currency translation	**299**	-	(881)	**(7)**	-	-
Balance at 31 December	**193,584**	152,262	119,059	**179,861**	140,166	105,932
Net book value						
Balance at 31 December	**39,849**	52,960	83,235	**37,284**	52,001	81,331
Carrying amounts at end of year by segments						
Segment A				**33,556**	46,801	72,384
Segment B				**3,728**	5,200	8,947
				37,284	52,001	81,331

21. OTHER ASSETS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Accounts receivable and prepayments	**30,295**	20,129	17,728	**24,960**	18,450	16,608
Accrued interest receivable	**21,083**	39,617	27,591	**20,671**	38,691	26,964
Mandatory deposits with central banks	**736,687**	776,273	826,306	**736,687**	776,272	826,306
Balances due in clearing	**604,045**	764,599	373,146	**596,494**	742,753	354,233
Other receivables	**59,025**	31,169	30,261	**19,680**	15,561	13,867
	1,451,135	1,631,787	1,275,032	**1,398,492**	1,591,727	1,237,978

Segment A	**2020**	2019	2018
Accounts receivable and prepayments	**22,275**	14,692	16,051
Accrued interest receivable	**18,340**	31,730	21,995
Mandatory deposits with central banks	**736,687**	776,272	826,306
Balances due in clearing	**26,596**	5,303	354,233
Other receivables	**19,680**	13,868	5,489
	823,578	841,865	1,224,074

Segment B			
Accounts receivable and prepayments	**2,685**	3,758	557
Accrued interest receivable	**2,331**	6,961	4,969
Balances due in clearing	**569,898**	737,449	
Other receivables	**-**	1,694	8,378
	574,914	749,862	13,904
Total from segment A and segment B	**1,398,492**	1,591,727	1,237,978

22. DEPOSIT FROM BANKS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Deposits	**2,565,666**	586,573	9,273	**2,565,666**	586,573	1,690

	2020	2019	2018
Segment A	**Rs 000**	Rs 000	Rs 000
Current accounts	**345**	1,014	1,690

	2020	2019	2018
Segment B	**Rs 000**	Rs 000	Rs 000
Time deposit with remaining term to maturity			
Up to 3 months	**2,565,321**	585,559	-

23. DEPOSITS FROM CUSTOMERS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Retail customers						
Current accounts	**1,353,592**	1,099,746	1,144,732	**1,308,378**	1,067,056	1,119,527
Savings accounts	**1,957,254**	1,928,589	1,856,869	**1,927,256**	1,905,059	1,834,084
Time deposits with remaining term to maturity						
Up to 3 months	**177,519**	358,358	259,570	**174,369**	358,358	248,807
Over 3 months and up to 6 months	**236,193**	133,909	113,638	**185,090**	133,582	112,305
Over 6 months and up to 12 months	**545,755**	272,474	354,678	**545,755**	238,525	319,078
Over 1 year and up to 5 years	**624,750**	941,886	770,856	**624,750**	941,886	770,856
Over 5 years	**110,510**	14,010	1,345	**110,510**	14,010	1,345
Corporate customers						
Current accounts	**7,147,793**	6,304,901	4,426,701	**6,975,966**	6,085,782	4,305,531
Savings accounts	**466,474**	112,855	53,315	**466,474**	112,855	53,315
Time deposits with remaining term to maturity						
Up to 3 months	**802,550**	1,747,097	1,672,213	**781,550**	1,747,098	1,667,805
Over 3 months and up to 6 months	**468,053**	513,442	373,471	**467,843**	512,210	331,952
Over 6 months and up to 12 months	**380,521**	438,249	1,073,290	**378,211**	423,093	1,070,625
Over 1 year and up to 5 years	**54,418**	450,205	415,474	**54,418**	450,205	414,869
Over 5 years	**-**	1,103	-	**-**	1,104	-
	14,325,382	14,316,824	12,516,152	**14,000,570**	13,990,823	12,250,099

	Bank		
	2020	2019	2018
	Rs000	Rs000	Rs000
Segment A			
Retail customers			
Current accounts	**829,432**	744,456	796,534
Savings accounts	**1,433,383**	1,452,204	1,422,559
Time deposit with remaining term to maturity			
Up to 3 months	**78,986**	299,626	168,843
Over 3 months and up to 6 months	**104,530**	59,201	48,920
Over 6 months and up to 12 months	**454,969**	157,290	148,737
Over 1 year and up to 5 years	**398,345**	633,521	566,370
Over 5 years	**98,010**	1,510	1,275
Corporate customers			
Current accounts	**1,859,893**	1,971,396	2,465,243
Savings accounts	**466,410**	112,817	53,215
Time deposit with remaining term to maturity			
Up to 3 months	**690,467**	1,253,722	1,619,645
Over 3 months and up to 6 months	**439,898**	486,766	331,952
Over 6 months and up to 12 months	**378,161**	423,043	1,000,482
Over 1 year and up to 5 years	**54,418**	450,205	414,869
Over 5 years		1,103	-
	7,286,903	8,046,860	9,038,644

23. DEPOSITS FROM CUSTOMERS (Continued)

	Bank		
	2020	2019	2018
	Rs000	Rs000	Rs000
Segment B			
Retail customers			
Current accounts	**478,945**	322,600	322,993
Savings accounts	**493,873**	452,855	411,525
Time deposit with remaining term to maturity			
Up to 3 months	**95,383**	58,731	79,964
Over 3 months and up to 6 months	**80,560**	74,381	63,385
Over 6 months and up to 12 months	**90,786**	81,236	170,341
Over 1 year and up to 5 years	**226,404**	308,365	204,486
Over 5 years	**12,500**	12,500	70
Corporate customers			
Current accounts	**5,116,073**	4,114,386	1,840,288
Savings accounts	**64**	38	100
Time deposit with remaining term to maturity			
Up to 3 months	**91,083**	493,376	48,160
Over 3 months and up to 6 months	**27,945**	25,445	-
Over 6 months and up to 12 months	**50**	50	70,143
	6,713,667	5,943,963	3,211,455

24. BORROWED FUNDS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Borrowed funds	**4,424,459**	5,589,895	3,637,104	**4,424,459**	5,589,895	3,637,104
Remaining term to maturity						
Up to 3 months	**124,382**	384,389	3,617,032	**124,382**	384,389	3,617,032
Over 3 months and up to 6 months	**390,184**	1,892,714	-	**390,184**	1,892,714	-
Over 6 months and up to 12 months	**1,176,155**	38,531	-	**1,176,155**	38,531	-
Over 1 year and up to 5 years	**2,733,738**	3,274,261	20,072	**2,733,738**	3,274,261	20,072
Over 5 years		-	-	**-**	-	-
	4,424,459	5,589,895	3,637,104	**4,424,459**	5,589,895	3,637,104
Segment A						
Borrowings from financial institutions				**12,397**	15,626	20,072
Remaining term to maturity						
Up to 3 months				**-**	-	-
Over 6 months and up to 12 months				**-**	-	-
Over 1 year and up to 5 years				**12,397**	15,626	20,072
Over 5 years				**-**	-	-
				12,397	15,626	20,072
Segment B						
Borrowings from banks abroad				**4,412,062**	5,574,269	3,617,032
Remaining term to maturity						
Up to 3 months				**124,382**	384,389	3,617,032
Over 3 months and up to 6 months				**390,184**	1,892,714	-
Over 6 months and up to 12 months				**1,176,155**	38,531	-
Over 1 year and up to 5 years				**2,721,341**	3,258,635	-
Over 5 years					-	-
				4,412,062	5,574,269	3,617,032

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Derivative financial instruments	**(475)**	134	(6)	**(475)**	134	(6)
Segment A						
Derivative financial instruments				**(475)**	134	(6)
Segment B						
Derivative financial instruments (Forward contracts)				**-**	-	-

Derivative financial instruments include mainly foreign exchange forward contracts and currency swaps. These are initially recognized at fair value on the date the derivative contracts are entered into and subsequently remeasured at their fair values. Fair values of derivatives between two currencies are based on interest rate differential between the two currencies. Fair values of forwards are based on treasury bills rate or LIBOR prevailing at reporting date.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

26. OTHER LIABILITIES

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Retirement Benefit Obligations	**19,392**	12,100	6,804	**19,392**	12,100	6,804
Creditors and accruals	**211,467**	201,646	157,233	**179,174**	172,999	133,836
Accrued interest payable	**69,025**	93,314	78,932	**65,932**	92,337	74,991
Lease liabilities	**157,462**	129,450	-	**108,105**	118,343	-
Other	**615,031**	768,536	310,152	**609,919**	751,347	518,393
	1,072,377	1,205,046	553,121	**982,522**	1,147,126	734,024
Segment A						
Recognised liability for defined benefit obligations				**15,514**	10,043	4,898
Creditors and accruals				**173,144**	142,595	114,982
Accrued interest payable				**41,644**	74,342	59,798
Lease liabilities				**108,105**	118,343	-
Other				**28,919**	82,248	360,668
				367,326	427,571	540,346
Segment B						
Recognised liability for defined benefit obligations				**3,878**	2,057	1,906
Creditors and accruals				**6,030**	30,404	18,854
Accrued interest payable				**24,288**	17,995	15,193
Other				**581,000**	669,099	157,725
				615,196	719,555	193,678
Total other liabilitiesfrom segment A and segment B				**982,522**	1,147,126	734,024

Lease liabilities analysis

	Group	Bank
	Rs '000	**Rs '000**
Current	**41,331**	**29,158**
Non Current	**116,131**	**78,947**
	157,462	**108,105**
Maturity analysis:		
Year 1	**41,331**	**29,158**
Year 2	**41,198**	**28,022**
Year 3	**36,787**	**25,886**
Year 4	**26,871**	**23,898**
Year 5	**3,327**	**1,141**
Onwards	**7,948**	**-**
	157,462	**108,105**

27. SHARE CAPITAL

	Group and Bank		
	2020	2019	2018
	Rs000	Rs000	Rs000
Issued capital			
At 01 January 2020,	**2,218,065**	2,218,065	1,944,015
Issue of shares	**-**	-	274,050
At 31 December 2020	**2,218,065**	2,218,065	2,218,065
Number of shares			
At 01 January 2020,	**2,858,174**	2,858,174	2,505,035
Issue of shares	**-**	-	353,139
At 31 December 2020	**2,858,174**	2,858,174	2,858,174

The issued capital comprises ordinary shares at no par value.

28. RESERVES

Nature and purpose of reserves

Foreign Currency Translation Reserve

The Translation Reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations

Fair value reserve

The Fair Value Reserve comprises the cumulative net change in the fair value of available for sale financial assets, until the assets are derecognised or impaired.

Statutory reserve

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

29. CATEGORIES OF FINANCIAL INSTRUMENT

Group	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying Amount	Fair Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2020					
Assets					
Cash and cash equivalents	-	-	6,553,940	6,553,940	6,553,940
Loans and advances to banks	-	-	1,630,634	1,630,634	1,630,634
Loans and advances to customers	-	-	12,255,565	12,255,565	12,255,565
Investment securities	2,335,212	-	-	2,335,212	2,335,212
Other assets	-	-	1,451,135	1,451,135	1,451,135
	2,335,212	**-**	**21,891,274**	**24,226,486**	**24,226,486**
Liabilities					
Deposits from banks	-	-	2,565,666	2,565,666	2,565,666
Deposits from customers	-	-	14,325,382	14,325,382	14,325,382
Borrowed funds	-	-	4,424,459	4,424,459	4,424,459
Derivative financial instruments	-	475	-	475	475
Other liabilities	-	-	914,915	914,915	914,915
	-	**475**	**22,230,422**	**22,230,897**	**22,230,897**
2019					
Assets					
Cash and cash equivalents	-	-	4,864,222	4,864,222	4,864,222
Loans and advances to banks	-	-	1,315,984	1,315,984	1,315,984
Loans and advances to customers	-	-	13,495,842	13,495,842	13,495,842
Investment securities	2,468,928	-	-	2,468,928	2,468,928
Derivative financial instruments	-	134	-	134	134
Other assets	-	-	1,631,787	1,631,787	1,631,787
	2,468,928	**134**	**21,307,835**	**23,776,897**	**23,776,897**
Liabilities					
Deposits from banks	-	-	586,573	586,573	586,573
Deposits from customers	-	-	14,316,824	14,316,824	14,316,824
Borrowed funds	-	-	5,589,895	5,589,895	5,589,895
Other liabilities	-	-	1,075,596	1,075,596	1,075,596
	-	**-**	**21,568,888**	**21,568,888**	**21,568,888**
2018					
Assets					
Cash and cash equivalents	-	-	2,429,797	2,429,797	2,429,797
Loans and advances to banks	-	-	43,068	43,068	43,068
Loans and advances to customers	-	-	13,199,729	13,199,729	13,199,729
Investment securities	1,961,203	-	-	1,961,203	1,961,203
Other assets	-	-	1,275,032	1,275,032	1,275,032
	1,961,203	**-**	**16,947,626**	**18,908,829**	**18,908,829**
Liabilities					
Deposits from banks	-	-	9,273	9,273	9,273
Deposits from customers	-	-	12,516,152	12,516,152	12,516,152
Borrowed funds	-	-	3,637,104	3,637,104	3,637,104
Subordinated liabilities	-	-	-	-	-
Derivative financial instruments	-	6	-	6	6
Other liabilities	-	-	553,121	553,121	553,121
	-	**6**	**16,715,650**	**16,715,656**	**16,715,656**

NOTES TO THE FINANCIAL STATEMENTS
29. CATEGORIES OF FINANCIAL INSTRUMENT (Continued)

Bank	Fair value through OCI	Fair value through profit or loss	Amortised cost	Carrying Amount	Fair Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2020					
Assets					
Cash and cash equivalents	**-**	**-**	**6,297,870**	**6,297,870**	**6,297,870**
Loans and advances to banks	**-**	**-**	**1,630,634**	**1,630,634**	**1,630,634**
Loans and advances to customers	**-**	**-**	**12,155,672**	**12,155,672**	**12,155,672**
Investment securities	**2,335,212**	**-**	**-**	**2,335,212**	**2,335,212**
Other assets	**-**	**-**	**1,398,492**	**1,398,492**	**1,398,492**
	2,335,212	**-**	**21,482,668**	**23,817,880**	**23,817,880**
Liabilities					
Deposits from banks	**-**	**-**	**2,565,666**	**2,565,666**	**2,565,666**
Deposits from customers	**-**	**-**	**14,000,570**	**14,000,570**	**14,000,570**
Borrowed funds	**-**	**-**	**4,424,459**	**4,424,459**	**4,424,459**
Derivative financial instruments	**-**	**475**	**-**	**475**	**475**
Other liabilities	**-**	**-**	**874,417**	**874,417**	**874,417**
	-	**475**	**21,865,112**	**21,865,587**	**21,865,587**
2019					
Assets					
Cash and cash equivalents	-	-	4,601,319	4,601,319	4,601,319
Loans and advances to banks	-	-	1,315,984	1,315,984	1,315,984
Loans and advances to customers	-	-	13,431,539	13,431,539	13,431,539
Investment securities	2,391,670	-	-	2,391,670	2,391,670
Derivative financial instruments	-	134	-	134	134
Other assets	-	-	1,591,729	1,591,729	1,591,729
	2,391,670	**134**	**20,940,571**	**23,332,375**	**23,332,375**
Liabilities					
Deposits from banks	-	-	586,573	586,573	586,573
Deposits from customers	-	-	13,990,823	13,990,823	13,990,823
Borrowed funds	-	-	5,589,895	5,589,895	5,589,895
Other liabilities	-	-	1,028,649	1,028,649	1,028,649
	-	**-**	**21,195,940**	**21,195,940**	**21,195,940**
2018					
Assets					
Cash and cash equivalents	-	-	2,532,186	2,532,186	2,532,186
Loans and advances to banks	-	-	43,068	43,068	43,068
Loans and advances to customers	-	-	13,114,465	13,114,465	13,114,465
Investment securities	1,823,685	-	-	1,823,685	1,823,685
Other assets	-	-	1,237,978	1,237,978	1,237,978
	1,823,685	**-**	**16,927,697**	**18,751,382**	**18,751,382**
Liabilities					
Deposits from banks	-	-	1,690	1,690	1,690
Deposits from customers	-	-	12,250,099	12,250,099	12,250,099
Borrowed funds	-	-	3,637,104	3,637,104	3,637,104
Subordinated liabilities	-	-	-	-	-
Derivative financial instruments	-	6	-	6	6
Other liabilities	-	-	734,024	734,024	734,024
	-	**6**	**16,622,917**	**16,622,923**	**16,622,923**

30. CONTINGENCIES

(a) Commitments

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Undrawn credit facilities	**2,979,999**	2,203,465	2,198,734	**2,967,762**	2,201,430	2,189,717
Segment A						
Undrawn credit facilities				**862,616**	1,019,059	1,134,377
Segment B						
Undrawn credit facilities				**2,105,146**	1,182,371	1,055,340

(b) Pledged assets

	Group and Bank		
	2020	2019	2018
	Rs000	Rs000	Rs000
Government Bonds (Segment A)	**202,000**	217,000	177,000

(c) Contingent liabilities

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Acceptances on account of customers	**83,273**	34,441	60,482	**83,273**	34,441	60,482
Guarantees on account of customers	**1,235,699**	823,095	1,953,530	**1,230,975**	822,069	1,951,148
Letters of credit and other obligations on account of customers	**375,595**	365,718	466,331	**365,457**	365,643	463,797
Foreign exchange contracts	**119,619**	44,159	26,322	**116,518**	37,318	25,408
Other contingent items	**115,285**	129,652	49,312	**1,009**	916	861
	1,929,471	1,397,065	2,555,977	**1,797,232**	1,260,387	2,501,696
Segment A						
Acceptances on account of customers				**-**	-	950
Guarantees on account of customers				**783,345**	568,010	1,755,854
Letters of credit and other obligations on account of customers				**7,730**	14,814	18,966
Foreign exchange contracts				**116,518**	37,318	25,408
Other contingent items				**1,009**	916	861
				908,602	621,058	1,802,039
Segment B						
Acceptances on account of customers				**83,273**	34,441	59,532
Guarantees on account of customers				**447,629**	254,049	195,294
Letters of credit and other obligations on account of customers				**357,728**	350,829	444,831
				888,630	639,319	699,657

NOTES TO THE FINANCIAL STATEMENTS
31. RELATED PARTIES

Related parties are individuals and companies where the individual or company, directly or indirectly, has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The table below lists all balances and transactions conducted with related parties which were carried out under market terms and conditions with exception of loan to Key Management Personnel who benefited from preferential rates as applicable to all employees.

		Group			Bank		
		2020	2019	2018	**2020**	2019	2018
	Nature of relationship	**Rs000**	Rs000	Rs000	**Rs000**	Rs000	Rs000
Placements with banks	Holding company	**3,008,914**	2,108,870	725,080	**3,008,914**	2,108,870	725,080
Loans and advances (Note a)	Holding company	**-**	-	4,573	**-**	-	4,573
	Related companies*	**265,728**	644,430	-	**265,728**	644,430	-
	Key management personnel	**25,622**	26,073	264,754	**24,966**	25,376	264,754
Deposits	Holding company	**-**	-	-	**-**	-	-
	Related companies	**2,323,403**	585,736	129,221	**2,323,403**	585,736	129,221
	Subsidiary	**-**	-	-	**-**	-	52,137
	Key management personnel	**3,726**	4,468	68,677	**3,726**	4,468	68,677
Cash and Cash equivalent	Holding company	**275,344**	24,455	-	**275,344**	24,455	-
	Related companies	**48**	-	-	**48**	-	-
	Subsidiary	**-**	-	-	**44,732**	210	2,574
Borrowed funds (Note b)	Related companies	**4,258,597**	5,391,591	3,617,031	**4,258,597**	5,391,591	3,617,031
Income from Swap	Holding company	**653**	6,639	-	**653**	6,639	-
Income from foreign exchange transactions	Holding company	**5,063**	3,640	-	**5,063**	3,640	-
securities transactions	Related companies	**-**	-	40,121	**-**	-	40,121
	Key management personnel	**-**	-	9,127	**-**	-	9,127
Interest expense	Holding company	**126,876**	-	-	**126,876**	-	-
	Related companies	**10,313**	86,194	5,511	**10,313**	86,194	5,511
	Key management personnel	**77**	51	787	**77**	51	787
Interest Income	Holding company	**9,498**	21,554	-	**9,498**	21,554	-
	Related companies	**8,673**	8,212	-	**8,673**	8,212	-
Fee and commission	Holding company	**1,138**	3,200	-	**1,138**	3,200	-
Fee and commission	Related companies	**428**	4,800	-	**428**	4,800	-
Fee and commission	Subsidiary	**-**	-	-	**909**	-	-
Management Fee Paid	Holding company	**7,905**	8,388	-	**7,905**	8,388	10,000
Management Fee Received	Subsidiary	**-**	-	-	**10,000**	10,000	-

*Exposure of the Bank's top two related parties as at 31 December 2020 were Rs 144.93 M and Rs 120.78 M.

31. RELATED PARTIES (Continued)

These balances represented 7.7 % and 6.4% respectively of the Bank's Tier 1 capital.
In addition, none of the credit facilities granted to the related parties was non-performing as at 31 December 2020.

Note a: All loans and advances to related parties are interest bearing.
Note b: All borrowed funds taken from related parties are interest bearing.

Terms and conditions of transactions with related parties.

The above balances were unsecured.

The related party transactions were carried out under market terms and conditions with exception of loans to key management personnel who benefited from potential rates as applicable to staff of the Bank. Credit facilities granted to related parties are unsecured except for credit cards and loans to key management personnel.

Key management personnel compensation

Key management personnel compensation comprises the following:

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Short-term employee benefits(excluding remuneration and benefits paid to directors)	**58,491**	51,173	47,551	**45,573**	44,942	45,422
Directors Remuneration and benefits	**10,661**	11,659	13,550	**10,661**	11,659	13,550
Post-employment benefits	**2,910**	2,687	2,529	**2,910**	2,687	2,529
	72,062	65,519	63,630	**59,144**	59,288	61,501

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW

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. The Board of Directors is ultimately responsible for risk management. It approves the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Group and the Bank operate.

The principal risks arising from financial instruments to which the Group and the Bank is exposed include credit risk, liquidity risk, market risk and operational risk.

(a) Risk Management framework and governance structure

Effective risk management is fundamental to the sustainability of the Group and the Bank. The role of the risk management function is to identify, assess, measure and manage those risks that arise in the pursuit of the Group's strategic goals.

The Group's and the Bank's approach to managing risk is set out in the various risk and compliance policies as approved by the Risk Management Committee. The policies generally have two components:

- governance committees;
- governance documents.

Governance committees are in place at both, the Board and Management level. They have clearly defined mandates and delegated authorities which are reviewed regularly. Board subcommittees responsible for the oversight of various aspects of risk are the Risk Management Committee, Corporate Governance Committee and Audit Committee. The Management committees responsible for the oversight of risk management as already mentioned are as follows:

- Senior Management Committee (Comité de Direction Générale);
- Credit Committee at local and Group level in compliance to delegation of authority in place;
- Non-Performing Loan review and Provisioning Committee;
- Arrears Committee;
- Risk Committee (including Watchlist);
- Treasury Committee;
- Compliance Committee;
- Operational Committee;
- Organisation & Information Systems Committee;
- Assets and Liabilities Management Committee; and
- Risk Management Committee.

Governance documents comprise frameworks, policies and procedures which set out the requirements for effective oversight of risks, including the identification, assessment, measurement, monitoring, managing and reporting of risks.

The Group and the Bank use the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks.
The first line of defence is made up of the management of business lines as the originators of risk. The second line of defence functions provide independent oversight of risks by the Risk and Compliance Management Functions. They support management in ensuring that their respective risks are effectively managed as close to the source as possible.

Group internal audit (GIA) is the third line of defence and reports to and operates under a mandate from the Chief Executive and Audit Committee. In terms of its mandate, the Internal Audit function's role is to provide independent and objective assurance. It has the authority to independently determine the scope and extent of work to be performed.

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due. Credit risk is composed of counterparty risk and concentration risk.

The Group's credit risk comprises mainly Corporate and retail loans and advances, together with the counterparty credit risk arising from off balance sheet commitments entered into with our clients and market counterparties.

The Group and the Bank manage credit risk through:

- maintaining a strong culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk clearly and accurately across the Group, from the level of individual facilities up to the total portfolio;
- defining, implementing and continually re-evaluating our risk appetite under actual and stress conditions;
- monitoring the Group's credit risk relative to limits; and
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

The primary governance committees overseeing credit risk are the Bank's Credit Committee and BCP Credit Committees, responsible for credit risk and credit concentration risk decision-making, and delegation thereof to credit officers and committees within defined parameters. The committees approve key aspects of rating systems. Regular model validation and reportings to Risk and Audit committees; are undertaken.

The Group and the Bank has adopted the standardised approach for credit risk.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the time factor. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

Credit Portfolio Analysis – Credit Quality	Loans and advances to banks					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Total neither past due nor impaired	**1,636,335**	1,328,821	-	**1,636,335**	1,328,821	-
Individually impaired	**-**	-	-	**-**	-	-
Total	**1,636,335**	1,328,821	-	**1,636,335**	1,328,821	-

	Loans and advances to customers					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Total neither past due nor impaired	**10,449,208**	12,329,340	12,811,040	**10,350,005**	12,272,035	12,736,944
Past due but not impaired						
due up to 30 days	**1,486,042**	625,431	234,002	**1,485,498**	624,912	234,002
31-90 days	**64,578**	358,855	3,652	**64,287**	358,797	3,652
91-180 days	**1,669**	93,589	32,955	**1,669**	93,565	32,955
180 days+	**14,247**	53,773	1	**14,170**	48,370	1
Total past due but not impaired	**1,566,536**	1,131,648	270,610	**1,565,624**	1,125,644	270,610
Individually impaired	**1,142,315**	674,176	777,226	**1,125,330**	653,051	738,877

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

	Investment securities					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Total neither past due nor impaired	**2,312,089**	2,435,756	1,883,231	**2,312,089**	2,358,498	1,745,713
Individually impaired	**231,231**	186,965	172,521	**231,231**	186,965	172,521
Total	**2,543,320**	2,622,721	2,055,752	**2,543,320**	2,545,463	1,918,234

Credit Portfolio Analysis – Allowance for impairment	Loans and advances to Banks					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Allowance for impairment Collective	**5,701**	12,837	-	**5,701**	12,837	-
Total allowance for impairment	**5,701**	12,837	-	**5,701**	12,837	-

	Loans and advances to customers					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Allowance for impairment						
Individual	**679,063**	468,934	490,938	**662,223**	449,534	464,798
Collective	**223,431**	170,388	168,209	**223,064**	169,657	167,168
Total allowance for impairment	902,494	639,322	659,147	885,287	619,191	631,966

	Investment Securities					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Allowance for impairment Individual	**208,108**	153,793	94,549	**208,108**	153,793	94,549
Total allowance for impairment	**208,108**	153,793	94,549	**208,108**	153,793	94,549

Loans and advances with renegotiated terms

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure.

	Loans and advances to customers					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Gross carrying amount	**38,795**	59,971	107,913	**34,198**	55,217	107,913
Of which Impaired amount	**15,383**	43,425	78,412	**15,095**	43,425	78,412
Allowance for impairment	**2,019**	22,269	19,041	**1,875**	22,269	19,041
Net carrying amount	**36,776**	37,702	88,872	**32,323**	32,948	88,872

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Credit Portfolio Analysis – by Risk Grade

The Group and the Bank rates its credit portfolio, according to the perceived risk level, as follows:

- For its Corporate Portfolio, the Group and the Bank have adopted an internal rating model [ONI, Outil de Notation International];

- For its Retail portfolio, the Group and the Bank has adopted an internally developed rating scorecard.

With respect to Banks and Financial Institutions, the Group and the Bank have developed a mapping using ratings of eligible External Rating Agencies.

	Loans and advances to Banks					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Outstanding Exposure						
Grade 0-4	**34,914**	24,825	43,068	**34,914**	24,825	43,068
Grade 5-6	**-**	-	-	**-**	-	-
Grade 7-9	**1,601,421**	1,303,996	-	**1,601,421**	1,303,996	-
Grade X (impaired)	**-**	-	-	**-**	-	-
No credit grading	**-**	-	-	**-**	-	-
Total gross amount	**1,636,335**	1,328,821	43,068	**1,636,335**	1,328,821	43,068
Allowance for impairment (individual and collective)	**(5,701)**	(12,837)	-	**(5,701)**	(12,837)	-
Net carrying amount	**1,630,634**	1,315,984	43,068	**1,630,634**	1,315,984	43,068
Off balance sheet						
Grade 0-4	**-**	-	-	**-**	-	-
Grade 5-6	**-**	-	-	**-**	-	-
Grade 7-9	**870,365**	350,716	-	**870,365**	350,716	-
Grade X (impaired)	**-**	-	-	**-**	-	-
No credit grading	**-**	-	-	**-**	-	-
Total exposure	**870,365**	350,716	-	**870,365**	350,716	-

	Loans and advances to customers					
	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs000	Rs000	Rs000	**Rs000**	Rs000	Rs000
Grade 0-4	**6,507,144**	4,306,888	6,841,820	**6,478,974**	4,250,192	6,781,305
Grade 5-6	**3,590,897**	3,294,449	2,902,117	**3,590,872**	3,294,269	2,901,785
Grade 7-9	**1,856,130**	5,859,637	3,337,713	**1,844,289**	5,853,205	3,324,464
Grade X (impaired)	**1,141,715**	674,190	777,226	**1,126,824**	653,064	738,877
No credit grading	**62,173**	-	-	**-**	-	-
Total gross amount	**13,158,059**	14,135,164	13,858,876	**13,040,959**	14,050,730	13,746,431
Allowance for impairment (individual and collective)	**(902,494)**	(639,322)	(659,147)	**(885,287)**	(619,191)	(631,966)
Net carrying amount	**12,255,565**	13,495,842	13,199,729	**12,155,672**	13,431,539	13,114,465
Off balance sheet						
Grade 0-4	**3,208,379**	2,164,039	3,284,848	**3,080,037**	2,162,446	3,280,137
Grade 5-6	**470,757**	224,357	499,890	**470,740**	224,349	499,890
Grade 7-9	**225,878**	743,818	878,096	**223,778**	743,818	873,996
Grade X (impaired)	**3,556**	4,406	7,725	**3,556**	3,972	7,725
No credit grading	**10,916**	-	205	**-**	-	-
Total exposure	**3,919,486**	3,136,620	4,670,764	**3,778,111**	3,134,585	4,661,748

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Portfolio analysis by market / product

The Group and the Bank assess its credit portfolio in the context of ECL from a market/product perspective, thereby grouping loans by homogeneity in the context of probability of default / loss given default.

Group	2020				2019
	Rs000	Rs000	Rs000	Rs000	Rs000
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to banks at amortised cost					-
Banks and Credit Institutions	1,636,335	-	-	**1,636,335**	1,328,821
	1,636,335	-	-	**1,636,335**	1,328,821
Loss allowance	(5,701)	-	-	**(5,701)**	(12,837)
Carrying amount	1,630,634	-	-	**1,630,634**	1,315,984
Off-balance sheet (loan commitments)					
Banks and Credit Institutions	870,365	-	-	**870,365**	350,716
Total	870,365	-	-	**870,365**	350,716

Group	2020				2019
	Rs000	Rs000	Rs000	Rs000	Rs000
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to customers at amortised cost					
Corporates	6,171,640	1,955,119	867,641	**8,994,400**	9,791,106
Retail	220,018	36,791	194,381	**451,190**	758,969
Banks and Credit Institutions	16	-	-	**16**	282,257
Mortgages	3,584,561	47,599	80,293	**3,712,453**	3,302,832
Sovereign	-	-	-	**-**	-
	9,976,235	2,039,509	1,142,315	**13,158,059**	14,135,164
Loss allowance	(130,753)	(92,678)	(679,063)	**(902,494)**	(639,322)
Carrying amount	9,845,482	1,946,831	463,252	**12,255,565**	13,495,842
Off-balance sheet (loan commitments)					
Corporates	3,597,689	131,981	3,092	**3,732,762**	2,821,673
Retail	41,128	-	20	**41,148**	44,714
Banks and Credit Institutions	-	-	-	**-**	150,845
Mortgages	144,532	600	444	**145,576**	119,388
Sovereign	-	-	-	**-**	-
Total	3,783,349	132,581	3,556	**3,919,486**	3,136,620
Investment securities at amortised cost					
Corporate bond	-	-	231,231	**231,231**	186,965
Loss allowance	-	-	(208,108)	**(208,108)**	(153,793)
Carrying amount	-	-	23,123	**23,123**	33,172

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Portfolio analysis by market / product

Bank	2020				2019
	Rs000	Rs000	Rs000	Rs000	Rs000
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to Banks at amortised cost					
Banks and Credit Institutions	1,636,335	-	-	**1,636,335**	1,328,821
	1,636,335	-	-	**1,636,335**	1,328,821
Loss allowance	(5,701)	-	-	**(5,701)**	(12,837)
Carrying amount	1,630,634	-	-	**1,630,634**	1,315,984
Off-balance sheet (loan commitments)					
Banks and Credit Institutions	870,365	-	-	**870,365**	350,716
Total	870,365	-	-	**870,365**	350,716

Bank	2020				2019
	Rs000	Rs000	Rs000	Rs000	Rs000
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to Customers at amortised cost					
Corporates	6,126,291	1,950,739	850,668	**8,927,698**	9,707,875
Retail	170,311	36,778	194,369	**401,458**	757,767
Banks and Credit Institutions	16	-	-	**16**	282,257
Mortgages	3,583,895	47,599	80,293	**3,711,787**	3,302,831
Sovereign	-	-	-	**-**	-
	9,880,513	2,035,116	1,125,330	**13,040,959**	14,050,730
Loss allowance	(130,413)	(92,651)	(662,223)	**(885,287)**	(619,191)
Carrying amount	9,750,100	1,942,465	463,107	**12,155,672**	13,431,539
Off-balance sheet (loan commitments)					
Corporates	3,456,627	131,981	3,092	**3,591,700**	2,819,645
Retail	40,815	-	20	**40,835**	44,706
Banks and Credit Institutions	-	-	-	**-**	150,845
Mortgages	144,532	600	444	**145,576**	119,389
Sovereign	-	-	-	**-**	-
Total	3,641,974	132,581	3,556	**3,778,111**	3,134,585
Investment securities at amortised cost					
Corporate bond	-	-	231,231	**231,231**	186,965
Loss allowance	-	-	(208,108)	**(208,108)**	(153,793)
Carrying amount	-	-	23,123	**23,123**	33,172

The above segments have been aligned with Basel and loans & advances and loan commitments (on a contract basis) are categorised within the above segments. The classification considers that:

- each counterparty with a real estate loan contract, regardless of its risk segment (individuals or corporate), is allocated to the IFRS 9 segment Mortgage / Real Estate.

- each counterparty with at least one commitment that does not fall into the Mortgage / Real Estate category is allocated to an IFRS 9 asset segment according to its risk segment.

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Expected credit loss measurement

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.

- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired

- Please refer to Note 32 (b) (1) for a description of how the Group and Bank determine when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". Please refer to Note 32 (b) (2) for a description of how the Group and the Bank define credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 32 (b) (3) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 32 (b) (4) includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

1) Determining Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group and Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The Group and Bank use the following criteria for determining whether there has been a significant increase in credit risk at each reporting date:

- Forbearance status: a customer is considered to be in Forbearance if the latter has at least one "modified loan" which is generally a quantitative indicator of SICR.

- Monitoring of customers in the Watch List (WL): The purpose of the WL committees is to review the main performing files that require a particular follow-up (presence of unpaid bills or overruns, alerts on the account, contagion for customers belonging to the same group, decommissioning doubtful).

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (Continued)

- As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group and Bank determine a probation period during which the financial asset is required to demonstrate "good behaviour" to provide evidence that its credit risk has declined sufficiently. The probation period of the Bank is 6 months.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group and the Bank monitor the effectiveness of the criteria used to identify significant increases in credit risk by annual reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

- the criteria do not align with the point in time when an asset becomes 30 days past due;

- the average time between the identification of a significant increase in credit risk and default appears reasonable;

- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and

- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

2) Definition of default and credit-impaired assets

The Group and the Bank define a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 30 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (Continued)

The definition of default largely aligns with the macro prudential rules issued by the Bank of Mauritius.

3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group and the Bank expect to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

- Loss Given Default (LGD) represents the expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

Key assumptions for Stage 1 and Stage 2

The ECL is determined by projecting the PD, LGD and EAD by market as set out in Note 33 (b) Portfolio analysis by market and are applied on a contract basis. The three components are multiplied together to arrive at the ECL. The key assumptions for PD, LGD and EAD are described below, taking into consideration any limitations as regards data used.

Probability of default

For the Application of IFRS 9, the credit risk rating evolution from the Bank's internal rating tool, is not retained due to unavailability of historical information for credit grades (i.e. only available from April 2016 following change in MIS).

For the previous reporting period, the PD has been estimated from a transition perspective over a select timeframe, i.e. "value of new" doubtful loans in year N expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Mortgage, Banking and Financial Institutions and Sovereigns

For the current reporting period, the PD has been estimated from a transition perspective over a select timeframe, i.e. "number of new" arrears and excesses more than 30 days expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Banking and Credit Institutions, Mortgage and Sovereigns.

The Lifetime PD is estimated for all contracts with a remaining maturity of more than 1 year. The Lifetime PD is derived as follows: The notion of Probability of default at maturity will be calculated on the number of years remaining per contract. This allows, for the outstanding amounts in bucket 2, to translate the cumulative effect of expected losses on the years remaining of the contracts.

Exposure at Default

The Exposure at Default considers the current outstanding amounts of the loan book at the reporting date and loan commitments (off balance sheet items which include trade financing facilities, undrawn credit facilities amongst others.

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (Continued)

For loan commitments, the exposure at default is estimated by considering the current drawn balance at the reporting date and adjusting it with a "Credit Conversion Factor (CCF)" which allows for the expected drawdown of the remaining limit by the time of default. These CCF are in line with the BOM requirements. In estimating the Lifetime PD, the EAD at the reporting date will be considered as the EAD throughout the lifetime of the credit facility (as explained above).

Loss Given Default

LGD is the magnitude of the likely loss if there is a default. The Group and the Bank estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD estimation considers the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For the current reporting period, the LGD has been estimated from a transition perspective over a select timeframe, i.e. the recuperation rate of impaired assets.

The Group and the Bank have a limited history of write offs which is volatile by market and by year (i.e. the credit facilities remain at 100% provision of gross exposure until recovery is not completed). Consequently, the LGD for all "markets" have calculated based on the recovery rate. For example, LGD is 1-(RR) where RR is the recovery rates.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

Key assumptions for Stage 3

Credit-impaired assets, as defined earlier, is subject to individual assessment (which also factors in forward-looking information from a more holistic perspective).

As part of the individual assessment, the Group and the Bank determines the expected shortfall between contractual cash flows and expected cash flows. Expected cash flows are either in the form of short term and long-term payments (obtained from discussions with the client or the existence of financial forecasts for corporates) and cash flows to be generated from the foreclosure of collateral (usually fixed and or floating charges). These cash flows are together discounted at the original Effective Interest Rate. The discounts applied in estimating value from foreclosure is the same as the BOM Guidelines.

The ECL is then determined as the difference between the EAD at the reporting date and the expected cash flows to be received, discounted for time value of money.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4) Forward-looking information incorporated in the ECL models

The Group and the Bank incorporate forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The approach taken by the Group and the Bank in applying forward looking information in the estimates of expected losses, is the projection of the risk parameters according to different macroeconomic scenarios, more specifically, the evolution of the projected sectoral growth rates for Segment A while for Segment B the ratings of countries have been taken into consideration. The forecast of the sectoral are obtained from Bank of Mauritius on a monthly basis. For segment B, the ratings of countries are taken from Moody's, Fitch and Standard and Poor.

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (Continued)

5) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2019 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

Group	2020				2019
	Rs000	Rs000	Rs000	Rs000	Rs000
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to Banks at amortised cost					
Balance at 01 January	12,837	-	-	**12,837**	-
New financial assets purchased	2,526	-	-	**2,526**	2,128
Net remeasurement of loss allowance	(9,662)	-	-	**(9,662)**	-
Sub-total	5,701	-	-	**5,701**	2,128
Adjustment for BOM Guidelines *	-	-	-	**-**	10,709
Balance at 31 December	5,701	-	-	**5,701**	12,837
Loans and advances to Customers					
Balance at 01 January	159,181	11,206	468,935	**639,322**	659,147
Transfer to Stage 1	7,270	(6,295)	(975)	**-**	-
Transfer to Stage 2	(18,110)	20,570	(2,460)	**-**	-
Transfer to Stage 3	(5,908)	(845)	6,753	**-**	-
New financial assets purchased	9,502	277	120	**9,899**	37,367
Net remeasurement of loss allowance	(21,182)	67,749	211,771	**258,338**	(58,472)
Write-offs	-	-	(16,224)	**(16,224)**	(27,009)
Foreign exchange and other movements	-	16	11,143	**11,159**	4,321
Sub-total	130,753	92,678	679,063	**902,494**	615,354
Adjustment for BOM Guidelines *	-	-	-	**-**	23,968
Balance at 31 December	130,753	92,678	679,063	**902,494**	639,322
Investment securities at amortised cost					
Balance at 01 January	-	-	153,793	**153,793**	94,549
Net remeasurement of loss allowance	-	-	20,610	**20,610**	55,546
Foreign exchange and other movements	-	-	33,705	**33,705**	3,698
Sub-total	-	-	208,108	**208,108**	153,793
Adjustment for BOM Guidelines *	-	-	-	**-**	-
Balance at 31 December	-	-	208,108	**208,108**	153,793

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (Continued)

Bank	2020				2019
	Rs000	Rs000	Rs000	Rs000	Rs000
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to Banks at amortised cost					
Balance at 01 January	12,837	-	-	**12,837**	-
New financial assets purchased	2,526	-	-	**2,526**	2,128
Net remeasurement of loss allowance	(9,662)	-	-	**(9,662)**	-
Sub-total	5,701	-	-	**5,701**	2,128
Adjustment for BOM Guidelines *	-	-	-	**-**	10,709
Balance at 31 December	5,701	-	-	**5,701**	12,837
Loans and advances at amortised cost					
Balance at 01 January	158,511	11,146	449,534	**619,191**	631,966
Transfer to Stage 1	7,206	(6,231)	(975)	**-**	-
Transfer to Stage 2	(18,058)	20,518	(2,460)	**-**	-
Transfer to Stage 3	(5,908)	(838)	6,746	**-**	-
New financial assets purchased	3,339	248	119	**3,706**	33,042
Net remeasurement of loss allowance	(14,677)	67,808	210,393	**263,524**	(48,766)
Write-offs	-	-	(11,848)	**(11,848)**	(24,908)
Foreign exchange and other movements	-	-	10,714	**10,714**	3,889
Subtotal	130,413	92,651	662,223	**885,287**	595,223
Adjustment for BOM Guidelines *	-	-	-	**-**	23,968
Balance at 31 December	130,413	92,651	662,223	**885,287**	619,191
Investment securities at amortised cost					
Balance at 01 January	-	-	153,793	**153,793**	94,549
Net remeasurement of loss allowance	-	-	20,610	**20,610**	55,546
Foreign exchange and other movements	-	-	33,705	**33,705**	3,698
Sub-total	-	-	208,108	**208,108**	153,793
Adjustment for BOM Guidelines *	-	-	-	**-**	-
Balance at 31 December	-	-	208,108	**208,108**	153,793

* The Bank also computes specific provision and general provisions in line with the requirements of the Bank of Mauritius's Credit Impairment Guideline which has been put on hold since March 2020 and until further notice due to the Covid-19 pandemic impacts.

As regards general provisions, the guideline requires a Minimum Portfolio Provision of on standard credit equivalent to:

(i) 1%. of standard credit facilities consisting of bullet repayment with maturity of more than 2 years, whereby the repayment of the entire principal is at maturity; or

(ii) 1% of standard credit facilities for commercial real estates; or

(Iii) 0.5% of all other standard credit facilities.

In addition to General Provisions, financial institutions are also required to make provisioning for certain sectors, as decided from time to time, as a macro prudential measure. At present, financial institutions shall make Macro prudential Provisions for credit facilities extended to the Resident segment of the following sectors of the economy: 0.5% for Household-Housing, 0.75% for Household-Other than Housing, 1.0% for Accommodation and Construction (including commercial, real estate.

For specific provisions, the guideline requires the use of provision rates (15% to 100%) based on the number of days in NPL, the asset being secured or unsecured and the expected recovery/cash flows. The guidelines also provide the basis for estimating the net realisable value of the collateral (The realisable value of any

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Expected credit loss measurement (Continued)

security should be appraised at least every 2 years, either internally in case the financial institution has developed in-house expertise or by an independent appraiser. The realisable value of any security not appraised for more than two years (either internal or external) will be taken as zero).

The Bank has set up an IFRS 9 model committee, which takes place at least once a year, to review the results of the back-testing studies that are carried out with regular reviews of the parameters of the IFRS 9 general provision model (PD, LGD, Forward Looking) to cater for any subsequent impacts. For instance, during 2020, due to the Covid-19 pandemic; the model has been revised with new inputs over time, concerning additional criteria to be added (distinction between buckets for PD rates, LGD, discounting future cash flows).

General and Portfolio Provisioning

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all "neither past due nor impaired" loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines.

A reconciliation of the level of General Provisions and Macro Prudential Provisions are as follows:

	2020	2019	2018
	Rs000	Rs000	Rs000
	Bank	**Bank**	**Bank**
Gross Loans and advances to customers	**13,040,959**	14,050,730	13,746,431
Add Loans and advances to banks not qualified for exemption	**1,636,335**	1,328,821	-
Add Interest receivable	**-**	-	-
Add credit balances eligible for set off	**-**	-	-
Less Impaired loans	**(1,125,330)**	(653,064)	(738,877)
Less Loans secured by cash collateral	**-**	-	-
Less Loans secured by bank guarantees	**-**	-	-
Less Loans treated as claims on banks and exempted	**-**	-	-
Net adjusted loans and advances	**13,551,964**	14,726,487	13,007,554
1% General Provision	**-**	147,554	130,524
0.5% Macro Prudential Provision	**-**	34,940	36,644
Total General and Macro Prudential Provision	**- ***	182,494	167,168

* Since the Guideline on Credit Impairment and Income Recognition has been suspended by Bank of Mauritius due to COVID-19 pandemic, only IFRS 9 provisions have been calculated in year 2020. Therefore, there was no split between MPP and APP.

	2020	2019	2018
	Rs000	Rs000	Rs000
	Bank	**Bank**	**Bank**
Balance Sheet General Provision	**228,765**	182,494	167,168
General Reserve	**-**	-	-
Balance Sheet General Provision	**228,765**	182,494	167,168

As per Banque Centrale de Madagascar requirements, there is no General Provisioning nor Portfolio Provisioning requirements for the Bank's subsidiary, BM Madagascar. However, provisions have been computed using IFRS 9 model as described above.

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Concentrations of credit risk

The Group and the Bank maintain a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, sectors and geographic location.

Large Exposures

The Group and the Bank adopts the definition of "Large exposures", as defined by the Bank of Mauritius Guidelines on Credit Concentration Risk. The table below shows the "Large exposures" as at 31st December 2020.

Customer / Group of closely related customers	Total exposures after set offs (MMUR)	% of Bank's capital base
1	689	33%
2	592	28%
3	519	25%
4	483	23%
5	472	23%
6	471	23%
7	465	22%
8	461	22%
9	447	21%
10	434	21%
11	409	20%
12	408	20%
13	403	19%
14	397	19%
15	362	17%
16	353	17%
17	345	17%
18	323	15%
19	298	14%
20	261	12%
21	200	10%
22	198	9%
23	190	9%
Aggregate exposure of "Large Exposures"	**12,047**	**576%**

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Concentrations of credit risk (Continued)

Sector wise distribution

	Loans and advances to customers			
	2020		2019	
	Rs 000	Rs 000	Rs 000	Rs 000
	Group	Bank	Group	Bank
Agriculture, Forestry & Fishing	**809,574**	**808,442**	624,838	624,288
Manufacturing	**849,496**	**848,602**	1,323,139	1,321,598
Education	**-**	**-**	-	-
Accommodation and food service activities	**1,348,605**	**1,345,011**	1,119,560	1,116,291
Transportation and Storage	**366,577**	**354,452**	22,152	13,566
Construction	**4,209,104**	**4,204,327**	4,321,641	4,319,414
Other Financial Corporations	**555,390**	**553,233**	1,525,181	1,522,900
Freeport Enterprise Certificate Holders	**-**	**-**	-	-
Wholesale and retail trade and repair of motor vehicles	**1,277,401**	**1,225,508**	1,191,751	1,130,200
Personal	**392,230**	**353,348**	363,982	361,848
Professional	**64,224**	**63,110**	73,119	71,223
Global Business Licence Holders	**885,749**	**885,749**	940,236	940,236
Infrastructure			-	-
Others	**2,399,709**	**2,399,177**	2,629,565	2,629,166
Total amount	**13,158,059**	**13,040,959**	14,135,164	14,050,730

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Concentrations of credit risk (Continued)

Country wise distribution

	Loans and advances to Banks			
	2020		2019	
	Rs 000	Rs 000	Rs 000	Rs 000
	Group	Bank	Group	Bank
Togo	608,223	608,223	1,026,602	1,026,602
Mauritius	-	-	24,825	24,825
Madagascar	24,785	24,785	1	1
France	257,160	257,160	19,683	19,683
Guinee	9,453	9,453	-	-
Kenya	22,454	22,454	-	-
Morocco	34,914	34,914	570	570
Niger	120,775	120,775	-	-
Nigeria	157,381	157,381	-	-
Burkina Faso	332,150	332,150	236,973	236,973
Senegal	69,017	69,017	-	-
Ivory Coast	23	23	20,167	20,167
Total amount	1,636,335	1,636,335	1,328,821	1,328,821

	Loans and advances to customers			
	2020		2019	
	Rs 000	Rs 000	Rs 000	Rs 000
	Group	Bank	Group	Bank
Australia	11,367	11,367	10,606	10,606
Germany	962	962	895	895
Bahrain	33,531	33,531	28,843	28,843
Cameroun	2,497	2,497	2,653	2,653
Canada	3,192	3,192	3,403	3,403
Congo	3,104	3,104	3,177	3,177
France	299,307	299,307	282,508	282,508
Hong-Kong	-	-	202,975	202,975
Italy	2,539	2,539	2,688	2,688
Ivory Coast	37,632	37,632	398,446	398,446
Luxembourg	-	-	1	1
Madagascar	135,307	18,207	100,147	15,713
Maldives	324	324	358	358
Mali	38	38	-	-
Mauritius	11,267,675	11,267,675	11,815,676	11,815,676
Netherlands	-	-	363,500	363,500
Qatar	7,137	7,137	-	-
Senegal	20	20	-	-
Seychelles	1,937	1,937	2,062	2,062
Singapore	429,567	429,567	32,507	32,507
South Africa	24,228	24,228	27,194	27,194
Switzerland	56,895	56,895	51,677	51,677
United Arab Emirates	794,835	794,835	761,624	761,624
United Kingdom	30,786	30,786	31,162	31,162
Thailand	2,688	2,688	2,775	2,775
Zimbabwe	12,491	12,491	10,287	10,287
Total amount	13,158,059	13,040,959	14,135,164	14,050,730

32. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Credit risk mitigation

Collateral, guarantees, derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Policies and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

The main types of collateral taken are:

- Mortgage/fixed charges over residential, commercial and industrial properties;
- floating charge over plant and equipment and the assets of the company.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

(c) Liquidity Risk

Liquidity risk is the risk that the Group and the Bank cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due. The nature of banking gives rise to continuous exposure to liquidity risk. Liquidity risk arises when the Group, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous terms. The Group and the Bank manages liquidity in accordance with approved risk policies, compliant with Bank of Mauritius guideline.

The liquidity risk management framework differentiates between:

- Tactical (shorter-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by the Treasury Committee.

- Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.

- Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

The primary governance committee overseeing this risk is the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(c) Liquidity Risk (Continued)

Group

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
2020	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	6,550,417	3,523	-	-	-	-	-	6,553,940
Loans and advances to banks	628,275	465,624	500,569	37,634	-	-	4,233	1,636,335
Loans and advances to customers	731,878	1,181,698	309,002	110,664	802,423	8,623,707	1,398,687	13,158,059
Investment securities	66,071	328,521	250,439	904,861	891,473	101,955	-	2,543,320
Other assets	-	-	-	-	-	-	1,451,135	1,451,135
	7,976,641	1,979,366	1,060,010	1,053,159	1,693,896	8,725,662	2,854,055	25,342,789
Less allowances for credit impairment								(1,116,303)
Total assets								24,226,486
Liabilities								
Deposits from banks	1,877,485	438,300	-	-	-	-	249,881	2,565,666
Deposits from customers	11,151,483	753,699	629,144	1,001,379	410,114	379,563	-	14,325,382
Borrowed funds	-	124,382	390,184	1,176,155	395,978	2,337,760	-	4,424,459
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	914,915	914,915
	13,028,968	1,316,381	1,019,328	2,177,534	806,092	2,717,323	1,164,796	22,230,422
Equity								2,204,066
Total liabilities								24,434,488
Net Liquidity Gap	(5,052,327)	662,985	40,682	(1,124,375)	887,804	6,008,339	1,689,259	3,112,367
Less allowances for credit impairment								(1,116,303)
								1,996,064
2019								
Assets								
Cash and Cash equivalents	4,857,016	7,206	-	-	-	-	-	4,864,222
Loans and advances to banks	12,607	385,653	475,820	450,306	-	-	4,435	1,328,821
Loans and advances to customers	1,399,774	1,959,750	496,360	227,565	528,906	7,912,655	1,610,154	14,135,164
Investment securities	100,321	584,111	513,334	319,151	895,777	210,027	-	2,622,721
Other assets	-	-	-	-	-	-	1,631,787	1,631,787
	6,369,718	2,936,720	1,485,514	997,022	1,424,683	8,122,682	3,246,376	24,582,715
Less allowances for credit impairment								(805,952)
Total assets								23,776,763
Liabilities								
Deposits from banks	1,014	585,559	-	-	-	-	-	586,573
Deposits from customers	10,267,455	1,253,397	672,419	716,350	923,068	484,135	-	14,316,824
Borrowed funds	-	384,388	1,080,814	850,431	232,647	3,041,615	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	1,075,596	1,075,596
	10,268,469	2,223,344	1,753,233	1,566,781	1,155,715	3,525,750	1,075,596	21,568,888
Equity								2,425,642
Total liabilities								23,994,530
Net Liquidity Gap	(3,898,751)	713,376	(267,719)	(569,759)	268,968	4,596,932	2,170,780	3,013,827
Less allowances for credit impairment								(805,952)
								2,207,875

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(c) Liquidity Risk (Continued)

Group

2018	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	2,429,797	-	-	-	-	-	-	2,429,797
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	2,145,316	2,902,086	350,168	210,532	530,919	6,940,289	779,566	13,858,876
Investment securities	1,049,643	-	-	243,464	590,124	-	172,521	2,055,752
Other assets	37,053	-	-	-	-	-	1,237,979	1,275,032
	5,704,877	2,902,086	350,168	453,996	1,121,043	6,940,289	2,190,066	19,662,525
Less allowances for credit impairment								(753,696)
Total assets								18,908,829
Liabilities								
Deposits from banks	-	-	-	-	-	-	9,273	9,273
Deposits from customers	1,171,400	1,819,591	1,409,589	3,350,810	1,257,694	3,507,068	-	12,516,152
Borrowed funds	3,617,031	-	-	-	-	20,073	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	553,121	-	-	-	-	-	-	553,121
	5,341,552	1,819,591	1,409,589	3,350,810	1,257,694	3,527,141	9,273	16,715,650
Equity								2,382,365
Total liabilities								19,098,015
Net Liquidity Gap	363,325	1,082,495	(1,059,421)	(2,896,814)	(136,651)	3,413,148	2,180,793	2,946,875
Less allowances for credit impairment								(753,696)
								2,193,179

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(c) Liquidity Risk (Continued)

Bank

2020	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-maturity**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	6,294,347	3,523	-	-	-	-	-	6,297,870
Loans and advances to banks	628,275	465,624	500,569	37,634	-	-	4,233	1,636,335
Loans and advances to customers	731,878	1,181,448	308,609	101,754	764,147	8,617,515	1,335,608	13,040,959
Investment securities	66,071	328,521	250,439	904,861	891,473	101,955	-	2,543,320
Other assets	-	-	-	-	-	-	1,398,492	1,398,492
	7,720,571	1,979,116	1,059,617	1,044,249	1,655,620	8,719,470	2,738,333	24,916,976
Less allowances for credit impairment								(1,099,096)
Total assets								23,817,880
Liabilities								
Deposits from banks	1,877,485	438,300	-	-	-	-	249,881	2,565,666
Deposits from customers	10,903,392	730,600	628,934	947,967	410,114	379,563	-	14,000,570
Borrowed funds	-	124,382	390,184	1,176,155	395,978	2,337,760	-	4,424,459
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	874,417	874,417
Total liabilities	12,780,877	1,293,282	1,019,118	2,124,122	806,092	2,717,323	1,124,298	21,865,112
Equity								2,177,966
Total liabilities								24,043,078
Net Liquidity Gap	(5,060,306)	685,834	40,499	(1,079,873)	849,528	6,002,147	1,614,035	3,051,864
Less allowances for impairment								(1,099,096)
								1,952,768

2019	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-maturity**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	4,594,113	7,206	-	-	-	-	-	4,601,319
Loans and advances to banks	12,607	385,653	475,820	450,306	-	-	4,435	1,328,821
Loans and advances to customers	1,391,093	1,959,750	496,360	227,565	474,278	7,912,655	1,589,029	14,050,730
Investment securities	71,074	550,499	513,334	304,752	895,777	210,027	-	2,545,463
Other assets	-	-	-	-	-	-	1,591,727	1,591,727
	6,068,887	2,903,108	1,485,514	982,623	1,370,055	8,122,682	3,185,191	24,118,060
Less allowances for credit impairment								(785,821)
Total assets								23,332,239
Liabilities								
Deposits from banks	1,014	585,559	-	-	-	-	-	586,573
Deposits from customers	9,992,117	1,253,397	670,861	667,245	923,068	484,135	-	13,990,823
Borrowed funds	-	384,388	1,080,814	850,431	232,647	3,041,615	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	1,028,783	1,028,783
Total liabilities	9,993,131	2,223,344	1,751,675	1,517,676	1,155,715	3,525,750	1,028,783	21,196,074
Equity								2,399,544
Total liabilities								23,595,618
Net Liquidity Gap	(3,924,244)	679,764	(266,161)	(535,053)	214,340	4,596,932	2,156,408	2,921,986
Less allowances for impairment								(785,821)
								2,136,165

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(c) Liquidity Risk (Continued)

Bank

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	2,532,186	-	-	-	-	-	-	2,532,186
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	2,084,315	2,902,019	350,163	210,245	526,801	6,934,011	738,877	13,746,431
Investment securities	1,049,643	-	-	105,078	590,124	-	172,521	1,917,366
Other assets	-	-	-	-	-	-	1,237,978	1,237,978
	5,709,212	2,902,019	350,163	315,323	1,116,925	6,934,011	2,149,376	19,477,029
Less allowances for credit impairment								(726,516)
Total assets								18,750,013
Liabilities								
Deposits from banks							1,690	1,690
Deposits from customers	988,601	1,818,054	1,366,740	3,312,545	1,257,091	3,507,068	-	12,250,099
Borrowed funds	3,617,032	-	-	-	-	20,072	-	3,637,104
Other liabilities	734,024	-	-	-	-	-	-	734,024
Total liabilities	5,339,657	1,818,054	1,366,740	3,312,545	1,257,091	3,527,140	1,690	16,622,917
Equity								2,360,381
Total liabilities								18,983,298
Net Liquidity Gap	369,555	1,083,965	(1,016,577)	(2,997,222)	(140,166)	3,406,871	2,147,686	2,854,112
Less allowances for impairment								(726,516)
								2,127,596

32. FINANCIAL RISK REVIEW (Continued)

(d) 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, caused by adverse movements in market variables such as currency exchange and interest rates, credit spreads, recovery rates, correlations, equity, bond and commodity prices, and implied volatilities in all of these variables.

The Group's and the Bank's key market risks are:

- Trading Book Interest Rate risk;
- Banking Book Interest Rate risk; and
- Foreign currency risk.

The governance committees overseeing market risk are the Risk Committee (Board Committee), the Asset & Liability Management Committee and Treasury Committee.

Interest Rate Risk in the Banking Book

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. This is further divided into the following sub risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities;
- Yield curve risk: shifts in the yield curve that have adverse effects on the income or underlying economic value; and
- Basis risk: hedge price not moving in line with the price of the hedged position.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk

Exposure to interest rate risk

Group	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-interest bearing**	**Total**
2020	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	6,550,417	-	-	3,523	-	-	-	6,553,940
Loans and advances to banks	205,188	154,175	1,013,085	243,661	15,993	-	4,233	1,636,335
Loans and advances to customers	378,265	1,376,411	402,144	157,552	367,009	9,086,367	1,390,311	13,158,059
Investment securities	66,071	-	-	996,337	701,227	779,685	-	2,543,320
Other Assets	-	-	-	-	-	-	1,451,135	1,451,135
	7,199,941	1,530,586	1,415,229	1,401,073	1,084,229	9,866,052	2,845,679	25,342,789
Less allowances for credit impairment								(1,116,303)
Total assets								24,226,486
Liabilities								
Deposits from banks	196,750	1,680,735	-	-	438,300	-	249,881	2,565,666
Deposits from customers	10,925,118	48,826	125,754	1,627,772	608,385	989,527	-	14,325,382
Borrowed funds	-	-	514,566	966,200	209,955	2,733,738	-	4,424,459
Subordinated liabilities	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	914,915	914,915
Total liabilities	11,121,868	1,729,561	640,320	2,593,972	1,256,640	3,723,265	1,164,796	22,230,422
Interest rate sensitivity gap	(3,921,927)	(198,975)	774,909	(1,192,899)	(172,411)	6,142,787	1,680,883	3,112,367
Less allowances for credit impairment								(1,116,303)
								1,996,064
Impact Analysis (decrease/increase) on 200 bps								44,612

Group	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-interest bearing**	**Total**
2019	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	4,857,016	7,206	-	-	-	-	-	4,864,222
Loans and advances to banks	-	12,607	832,334	479,445	-	-	4,435	1,328,821
Loans and advances to customers	130,465	1,259,255	2,460,813	135	182,835	8,491,506	1,610,155	14,135,164
Investment securities	76,196	155,631	646,210	320,768	457,060	966,856	-	2,622,721
Other Assets	-	-	-	-	-	-	1,631,787	1,631,787
	5,063,677	1,434,699	3,939,357	800,348	639,895	9,458,362	3,246,377	24,582,715
Less allowances for credit impairment								(805,952)
Total assets								23,776,763
Liabilities								
Deposits from banks	1014	-	585,559	-	-	-	-	586,573
Deposits from customers	9,464,267	140,932	575,344	1,225,527	1,884,579	1,026,175	-	14,316,824
Borrowed funds	-	-	607,928	857,275	1,026,857	3,097,835	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	1,075,596	1,075,596
Total liabilities	9,465,281	140,932	1,768,831	2,082,802	2,911,436	4,124,010	1,075,596	21,568,888
Interest rate sensitivity gap	(4,401,604)	1,293,767	2,170,526	(1,282,454)	(2,271,541)	5,334,352	2,170,781	3,013,827
Less allowances for credit impairment								(805,952)
								2,207,875
Impact Analysis (decrease/increase) on 200 bps								21,993

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

Exposure to interest rate risk

Group	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-interest bearing**	**Total**
2018	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	2,429,797	-	-	-	-	-	-	2,429,797
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	672,603	2,832,656	5,522	27,818	66,975	9,472,753	780,549	13,858,876
Investment securities	1,105,863	142,401	74,670	-	312,738	247,559	172,521	2,055,752
Other Assets	37,054	-	-	-	-	-	1,237,978	1,275,032
	4,288,385	2,975,057	80,192	27,818	379,713	9,720,312	2,191,048	19,662,525
Less allowances for credit impairment								(753,696)
Total assets								18,908,929
Liabilities								
Deposits from banks	-	-	-	-	9,273	-	-	9,273
Deposits from customers	1,161,144	1,818,054	1,376,991	3,314,185	1,338,103	3,507,670	-	12,516,147
Borrowed funds	240,450	3,376,581	-	-	20,072	-	-	3,637,103
Other Liabilities	553,121	-	-	-	-	-	-	553,121
Total liabilities	1,954,715	5,194,635	1,376,991	3,314,185	1,367,448	3,507,670	-	16,715,644
Interest rate sensitivity gap	2,333,670	(2,219,578)	(1,296,799)	(3,286,367)	(987,735)	6,212,642	2,191,048	2,946,881
Less allowances for credit impairment								(753,696)
								2,193,185
Impact Analysis (decrease/increase) on 200 bps								36,253

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

Exposure to interest rate risk

Bank	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-interest bearing**	**Total**
2020	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	**6,294,347**	**-**	**-**	**3,523**	**-**	**-**	**-**	**6,297,870**
Loans and advances to banks	**205,188**	**154,176**	**1,013,085**	**243,660**	**15,993**	**-**	**4,233**	**1,636,335**
Loans and advances to customers	**369,890**	**1,376,411**	**402,136**	**155,491**	**332,329**	**9,069,093**	**1,335,609**	**13,040,959**
Investment securities	**66,071**	**-**	**-**	**996,337**	**701,227**	**779,685**	**-**	**2,543,320**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,398,492**	**1,398,492**
	6,935,496	**1,530,587**	**1,415,221**	**1,399,011**	**1,049,549**	**9,848,778**	**2,738,334**	**24,916,976**
Less allowances for credit impairment								**(1,099,096)**
Total assets								**23,817,880**
Liabilities								
Deposits from banks	**196,750**	**1,680,735**	**-**	**-**	**438,300**	**-**	**249,881**	**2,565,666**
Deposits from customers	**10,678,076**	**48,827**	**125,754**	**1,552,311**	**606,075**	**989,527**	**-**	**14,000,570**
Borrowed funds	**-**	**-**	**514,566**	**966,200**	**209,955**	**2,733,738**	**-**	**4,424,459**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**874,417**	**874,417**
Total liabilities	**10,874,826**	**1,729,562**	**640,320**	**2,518,511**	**1,254,330**	**3,723,265**	**1,124,298**	**21,865,112**
Interest rate sensitivity gap	**(3,939,330)**	**(198,975)**	**774,901**	**(1,119,500)**	**(204,781)**	**6,125,513**	**1,614,036**	**3,051,864**
Less allowances for credit impairment								**(1,099,096)**
								1,952,768
Impact Analysis (decrease/increase) on 200 bps								**49,506**

Bank	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**	**Non-interest bearing**	**Total**
2019	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and Cash equivalents	4,594,113	7,206	-	-	-	-	-	4,601,319
Loans and advances to banks	-	12,607	832,334	479,445	-	-	4,435	1,328,821
Loans and advances to customers	121,785	1,259,255	2,460,813	135	128,208	8,491,506	1,589,028	14,050,730
Investment securities	71,074	99,511	646,210	304,752	457,060	966,856	-	2,545,463
Other Assets	-	-	-	-	-	-	1,591,727	1,591,727
	4,786,972	1,378,579	3,939,357	784,332	585,268	9,458,362	3,185,190	24,118,060
Less allowances for credit impairment								(785,821)
Total assets								23,332,239
Liabilities								
Deposits from banks	1,014	-	585,559	-	-	-	-	586,573
Deposits from customers	9,188,929	140,932	575,344	1,217,321	1,842,290	1,026,007	-	13,990,823
Borrowed funds	-	-	607,928	857,275	1,026,857	3,097,835	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	1,028,743	1,028,743
Total liabilities	9,189,943	140,932	1,768,831	2,074,596	2,869,147	4,123,842	1,028,743	21,196,034
Interest rate sensitivity gap	(4,402,971)	1,237,647	2,170,526	(1,290,264)	(2,283,879)	5,334,521	2,156,447	2,922,026
Less allowances for credit impairment								(785,821)
								2,136,205
Impact Analysis (decrease/increase) on 200 bps								15,404

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

Exposure to interest rate risk

Bank	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and Cash equivalents	2,532,186	-	-	-	-	-	-	2,532,186
Loans and advances to banks	43,068	-	-	-	-	-	-	43,068
Loans and advances to customers	619,912	2,832,572	252	27,818	64,653	9,462,347	738,877	13,746,431
Investment securities	1,105,861	98,928	-	-	293,365	247,559	172,521	1,918,234
Other Assets	-	-	-	-	-	-	1,237,978	1,237,978
	4,301,027	2,931,500	252	27,818	358,018	9,709,906	2,149,376	19,477,897
Less allowances for credit impairment								(726,516)
Total assets								18,751,381
Liabilities								
Deposits from banks	-	-	-	-	1,690	-	-	1,690
Deposits from customers	988,601	1,818,054	1,366,740	3,312,545	1,257,091	3,507,068	-	12,250,099
Borrowed funds	240,450	3,376,582	-	-	20,072	-	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-	-	-
Other Liabilities	734,024	-	-	-	-	-	-	734,024
Total liabilities	1,963,075	5,194,636	1,366,740	3,312,545	1,278,853	3,507,068	-	16,622,917
Interest rate sensitivity gap	2,337,952	(2,263,136)	(1,366,488)	(3,284,727)	(920,835)	6,202,838	2,149,376	2,854,980
Less allowances for credit impairment								(726,516)
								2,128,464
Impact Analysis (decrease/increase) on 200 bps								37,767

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

Currency risk

The Group's and the Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

Group

	MUR	USD	GBP	EUR	Other	Total
2020	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets						
Cash and Cash equivalents	**923,349**	**3,409,746**	**42,470**	**1,816,652**	**361,723**	**6,553,940**
Loans and advances to banks	**-**	**337,032**	**18,314**	**1,264,389**	**16,600**	**1,636,335**
Loans and advances to customers	**5,925,794**	**3,544,463**	**6,040**	**3,564,083**	**117,679**	**13,158,059**
Investment securities	**2,312,089**	**-**	**-**	**231,231**	**-**	**2,543,320**
Other assets	**734,543**	**165,728**	**3,555**	**539,921**	**7,388**	**1,451,135**
	9,895,775	**7,456,969**	**70,379**	**7,416,276**	**503,390**	**25,342,789**
Less allowances for credit impairment						**(1,116,303)**
Total assets						**24,226,486**
Liabilities						
Deposits from banks	**44**	**1,184,380**	**-**	**1,381,242**	**-**	**2,565,666**
Deposits from customers	**7,159,809**	**4,478,174**	**66,189**	**2,237,187**	**384,023**	**14,325,382**
Borrowed funds	**-**	**1,506,023**	**-**	**2,918,436**	**-**	**4,424,459**
Subordinated liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**119,801**	**51,739**	**4,188**	**631,039**	**108,148**	**914,915**
Total liabilities	**7,279,654**	**7,220,316**	**70,377**	**7,167,904**	**492,171**	**22,230,422**
Net on-balance sheet position	**2,616,121**	**236,653**	**2**	**248,372**	**11,219**	**3,112,367**
less allowances for credit impairment						**(1,116,303)**
Net on-balance sheet position less allowances for credit impairment						**1,996,064**

Group

	MUR	USD	GBP	EUR	Other	Total
2019	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets						
Cash and Cash equivalents	662,289	2,358,756	18,399	1,490,058	334,720	4,864,222
Loans and advances to banks	24,825	12,609	3,665	1,271,134	16,588	1,328,821
Loans and advances to customers	6,596,075	4,419,655	12,932	3,022,074	84,428	14,135,164
Investment securities	2,358,498	-	-	186,965	77,258	2,622,721
Other assets	746,417	172,408	1,953	688,594	22,415	1,631,787
	10,388,104	6,963,428	36,949	6,658,825	535,409	24,582,715
Less allowances for credit impairment						(805,952)
Total assets						23,776,763
Liabilities						
Deposits from banks	57	383,536	-	202,980	-	586,573
Deposits from customers	7,519,431	4,088,503	30,807	2,273,259	404,824	14,316,824
Borrowed funds	-	2,379,926	-	3,209,969	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	191,640	63,486	6,139	775,524	38,807	1,705,596
Total liabilities	7,711,128	6,915,451	36,946	6,461,732	443,631	22,198,888
Net on-balance sheet position	2,676,976	47,977	3	197,093	91,778	2,383,827
less allowances for credit impairment						(805,952)
Net on-balance sheet position less allowances for credit impairment						1,577,875

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

Currency risk (Continued)

Group

2018	MUR Rs 000	USD Rs 000	GBP Rs 000	EUR Rs 000	Other Rs 000	Total Rs 000
Assets						
Cash and Cash equivalents	550,051	625,696	25,552	1,034,937	193,561	2,429,797
Loans and advances to banks	27,560	-	2,390	-	13,118	43,068
Loans and advances to customers	7,592,569	2,649,816	18,587	3,485,505	112,399	13,858,876
Investment securities	1,745,713	-	-	172,521	137,518	2,055,752
Other assets	272,484	3,537	529	3,230	995,252	1,275,032
	10,188,377	3,279,049	47,058	4,696,193	1,451,848	19,662,525
Less allowances for credit impairment						(753,696)
Total assets						18,908,829
Liabilities						
Deposits from banks	9,273	-	-	-	-	9,273
Deposits from customers	6,545,094	2,040,682	70,373	3,428,192	431,811	12,516,152
Borrowed funds	-	618,300	-	3,018,804	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	186,458	264,594	2,132	103,642	37,687	594,513
Total liabilities	6,740,825	2,923,576	72,505	6,550,638	469,498	16,757,042
Net on-balance sheet position	3,447,552	355,473	(25,447)	(1,854,445)	982,350	2,905,483
less allowances for credit impairment						(753,696)
Net on-balance sheet position less allowances for credit impairment						2,151,787

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

Currency risk (Continued)

Bank

	MUR	USD	GBP	EUR	Other	Total
2020	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets						
Cash and Cash equivalents	971,875	3,409,253	42,470	1,810,922	63,350	6,297,870
Loans and advances to banks	-	337,032	18,314	1,264,389	16,600	1,636,335
Loans and advances to customers	5,925,794	3,544,459	6,040	3,564,080	586	13,040,959
Investment securities	2,312,089	-	-	231,231	-	2,543,320
Other assets	734,542	116,531	3,555	542,290	1,574	1,398,492
	9,944,300	7,407,275	70,379	7,412,912	82,110	24,916,976
Less allowances for credit impairment						(1,099,096)
Total assets						23,817,880
Liabilities						
Deposits from banks	44	1,184,380	-	1,381,242	-	2,565,666
Deposits from customers	7,148,490	4,477,756	66,189	2,233,825	74,310	14,000,570
Borrowed funds	-	1,506,023	-	2,918,436	-	4,424,459
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	228,997	2,467	4,188	630,966	7,799	874,417
Total liabilities	7,377,531	7,170,626	70,377	7,164,469	82,109	21,865,112
Net on-balance sheet position	2,566,769	236,649	2	248,443	1	3,051,864
less allowances for credit impairment						(1,099,096)
Net on-balance sheet position less allowances for credit impairment						1,952,768

Bank

	MUR	USD	GBP	EUR	Other	Total
2019	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets						
Cash and Cash equivalents	662,159	2,358,373	18,399	1,482,290	80,098	4,601,319
Loans and advances to banks	24,825	12,609	3,665	1,271,134	16,588	1,328,821
Loans and advances to customers	6,596,075	4,419,651	12,932	3,022,072	-	14,050,730
Investment securities	2,358,498	-	-	186,965	-	2,545,463
Other assets	746,417	149,797	1,953	687,994	5,566	1,591,727
	10,387,974	6,940,430	36,949	6,650,455	102,252	24,118,060
Less allowances for credit impairment						(785,821)
Total assets						23,332,239
Liabilities						
Deposits from banks	57	383,536	-	202,980	-	586,573
Deposits from customers	7,519,431	4,088,148	30,807	2,269,277	83,160	13,990,823
Borrowed funds	-	2,379,926	-	3,209,969	-	5,589,895
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	191,573	36,454	6,139	775,524	19,093	1,028,783
Total liabilities	7,711,061	6,888,064	36,946	6,457,750	102,253	21,196,074
Net on-balance sheet position	2,676,913	52,366	3	192,705	(1)	2,921,986
less allowances for credit impairment						(785,821)
Net on-balance sheet position less allowances for credit impairment						2,136,165

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

Currency risk (Continued)

Bank

	MUR	USD	GBP	EUR	Other	Total
2018	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and Cash equivalents	550,051	625,251	25,552	1,299,458	31,874	2,532,186
Loans and advances to banks	27,560	-	2,390	-	13,118	43,068
Loans and advances to customers	7,592,569	2,649,783	18,587	3,485,481	11	13,746,431
Investment securities	1,745,713	-	-	172,521	-	1,918,234
Other assets	272,484	3,537	529	3,072	958,356	1,237,978
	10,188,377	3,278,571	47,058	4,960,532	1,003,359	19,477,897
Less allowances for credit impairment						(720,770)
Total assets						18,751,381
Liabilities						
Deposits from banks	1,690	-	-	-	-	1,690
Deposits from customers	6,545,094	2,037,108	70,373	3,426,980	170,544	12,250,099
Borrowed funds	-	618,300	-	3,018,804	-	3,637,104
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	145,068	205,594	2,133	376,776	4,453	734,024
Total liabilities	6,691,852	2,861,002	72,506	6,822,560	174,997	16,662,917
Net on-balance sheet position	3,496,525	417,569	(25,448)	(1,862,028)	828,362	2,814,980
less allowances for credit impairment						(720,770)
Net on-balance sheet position less allowances for credit impairment						2,094,210

The foreign currency risk sensitivity analysis below reflects the expected financial impact, in MUR equivalent, resulting from a 1% shock to foreign currency risk exposures, with respect to designated financial instruments, foreign-denominated cash balances and accruals and intragroup foreign-denominated debt.

	Group			Bank		
	2020	2019	2018	**2020**	2019	2018
	Rs 000	Rs 000	Rs 000	**Rs 000**	Rs 000	Rs 000
Effect of +/- 1% change	**9,927**	3,213	5,435	**9,702**	2,451	6,407

32. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management

The Group's and the Bank's objective in its capital management function is designed to ensure that regulatory requirements are met at all times and that the Group and the Bank are capitalised in line with the regulatory requirements. During the past year, the Group and the Bank have complied in full with all its externally imposed capital requirements.

At the regulatory level, the minimum capital adequacy ratio set by BoM for banks presently stands at 10% of risk-weighted assets, with newly-unveiled Basel III rules which came into force as from 1 July 2014, in relation to the Guideline on Scope of Application of Basel III and Eligible Capital as well as the Guideline for dealing with Domestic – Systemically Important Banks.

As per the Bank of Mauritius Guideline of Eligible Capital for the implementation of Basel III, the following limits and minima are applicable:

- A minimum Core Equity Tier 1 ratio of 5.5% ;
- A minimum Tier 1 ratio of 6.5%; and
- A Minimum Capital Adequacy Ratio of 10%.

The Group and the Bank are well positioned to comply with the requirements that are subject to phase-in rules when they become effective.

Implementation of new capital requirements under Basel III

The below reflects the minimum capital requirements and phase-in periods applicable to banks in Mauritius.

	July 2014	2015	2016	2017	2018	2019	2020
	(All dates are as of 1 January)						
Minimum CET 1 CAR	5.5 %	6.0 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %
Capital Conservation Buffer				0.625 %	1.25 %	1.875 %	2.5 %
Minimum CET 1 CAR plus Capital Conservation Buffer	5.5 %	6.0%	6.5 %	7.125 %	7.75 %	8.375 %	9.0 %
Phase in of deductions from CET 1			50%	60%	80%	100%	100%
Minimum Tier 1 CAR	6.5 %	7.5 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %
Minimum Total CAR	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %
Minimum Total CAR Plus Capital Conservation Buffer	10.0 %	10.0 %	10.0 %	10.625 %	11.25 %	11.875%	12.5 %*
Capital instruments that no longer qualify as AT1 capital or Tier 2capital	Phased out over 10 year horizon beginning 1 July 2014						

* In response to the COVID-19 pandemic, the Bank of Mauritius has maintained a capital buffer of 1.875% in 2020 and up to end March 2022.

32. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management (Continued)

Capital Structure

Regulatory capital adequacy is measured through three risk-based ratios:

- CET I: ordinary share capital, share premium and retained earnings divided by total risk-weighted assets;

- Tier I: CET I plus perpetual, non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative preference shares issued under Basel I and II are included in tier I capital but are subject to regulatory phase-out requirements; and

- Total capital adequacy: Tier I plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III divided by total risk-weighted assets. Subordinated debt issued under Basel I and Basel II are included in total capital but are subject to regulatory phase-out requirements.

For each of the three categories above, the Bank of Mauritius has defined in its Guideline on Eligible Capital a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

As at 31st December 2020, the Bank's and Group's capital instruments comprised of only Ordinary Shares issued;

The Bank's CET 1, Tier 1 and Tier 2 capital are as per below:

	Group			Bank		
	2020	2019	2018	2020	2019	2018
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
BASEL III **Tier 1 Capital**						
Paid up or assigned capital (note 26)	2,218	2,218	2,218	2,218	2,218	2,218
Statutory reserve	104	104	102	104	104	102
Other disclosed free reserves, including undistributed balance in income statement	(219)	45	33	(238)	26	19
Current year's retained profits						
Minority interests	-	-	4	-	-	-
Deduct:						
Investment in Subsidiary (note 18)	-	-	-	(63)	(69)	(47)
Intangible assets (note 20)	(40)	(52)	(83)	(37)	(52)	(81)
Deferred Tax (note 12)	(92)	(87)	(50)	(92)	(87)	(50)
CET 1 Capital	2,190	2,228	2,224	1,891	2,140	2,161
Additional Tier 1 Capital	-	-	-	-	-	-
Total Tier 1 Capital	2,190	2,228	2,224	1,891	2,140	2,161
Tier 2 Capital						
Portfolio Provision (note 16)*	203	183	168	198	183	167
Subordinated debts (note 26)	-	-	-	-	-	-
Deduct:						
Investment in Subsidiary (note 18)	-	-	-	-	-	(12)
Total Tier 2 Capital	203	183	168	198	183	155
Total Capital Base	2,393	2,411	2,392	2,089	2,323	2,316

* The Portfolio provisions included in Tier 2 Capital, are subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach.

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management (Continued)

Risk Weighted Assets for Credit Risk

The Bank has adopted the Standardised Approach for credit risk capital allocation.

		GROUP		BANK	
Risk Weighted On-Balance Sheet Assets	**Risk Weight**	**Exposures after CRM**	**Risk Weighted Assets**	**Exposures after CRM**	**Risk Weighted Assets**
	%		**Rs M**		
Cash items	0 – 20	237	-	127	-
Claims on Sovereigns	0 – 150	2,244	0	2,244	-
Claims on Central banks	0 – 150	1,711	194	1,518	-
Claims on Multilateral development banks	0 – 150	-	-	-	-
Claims on banks	20 – 150	5,718	2,691	5,718	2,691
Claims on non-central government public sector entities	0 – 150	-	-	-	-
Claims on corporates	20 – 150	7,627	7,627	7,567	7,567
Claims included in the regulatory retail portfolio	75	112	83	102	76
Claims secured by residential property	35-100	3,611	1,601	3,610	1,601
Claims secured by commercial real estate	100-125	375	440	375	440
Past due claims	50-150	1,341	1,003	1,323	995
Other assets	100	1,199	1,199	1,024	1,024
Total Risk Weighted On-Balance Sheet Assets		**24,175**	**14,839**	**23,608**	**14,394**

Risk Weighted Off-Balance Sheet Assets	Credit Conversion Factor	Risk Weight	Exposures after CRM	Risk Weighted Assets	Exposures after CRM	Risk Weighted Assets
Transaction-related contingent items	50	0-100	1,126	563	1,121	560
Trade-related contingencies	20	0-100	559	165	559	165
Other commitments	20	0-100	2,980	695	2,968	690
Foreign exchange contracts	2	100	116	9	116	9
Total Risk Weighted Off-Balance Sheet Assets			**4,781**	**1,432**	**4,764**	**1,424**

Total Risk Weighted On & Off Balance Sheet Assets	**28,956**	**16,271**	**28,372**	**15,818**

In the face of the challenges posed by COVID-19 pandemic and its potential effect on economic activity, Bank of Mauritius has introduced the following measure in to provide flexibility to banks to support economic stakeholders, households and individuals impacted by the outbreak of COVID-19:

Guideline on Standardised Approach to Credit Risk

i. Claims included in the regulatory retail portfolio
The threshold for claims included in the regulatory retail portfolio is being increased from Rs12 million to Rs20 million.

ii. Claims secured by residential property
The risk weight for claims secured by residential property excluding loans granted under the IRS and RES schemes is being reviewed as follows:

(a) 35% risk weight for the portion of loans up to Rs 10 million.

(b) 75% risk weight for the portion of loans greater than Rs 10 million and up to Rs 20 million.

(c) 100% risk weight for the portion of loans exceeding Rs 20 million.

iii. Claims on Bank of Mauritius denominated in currency other than the Mauritian Rupee
Claims on Bank of Mauritius in currency other than the Mauritian Rupee will henceforth be risk weighted at 0%.

32. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management (Continued)

Risk Weighted Assets for Operational Risk

The Group applies the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

The Capital Charge for the Group has been computed as follows:

- Annual gross income: Rs 590 million
- Average gross income over 3 years: Rs 636 million
- Capital charge for operational risk: Rs 95 million

The Capital Charge for the Bank has been computed as follows:

- Annual gross income: Rs 497 million
- Average gross income over 3 years: Rs 583 million
- Capital charge for operational risk: Rs 87 million

Risk Weighted Capital Adequacy Ratio

The regulatory Capital Adequacy Ratio is as follows:

	Group			Bank		
	2020	2019	2018	2020	2019	2018
	Rs M	Rs M	Rs M	**Rs M**	Rs M	Rs M
Core Equity Tier 1 Capital	**1,971**	2,228	2,224	**1,891**	2,140	2,161
Total Tier 1 Capital	**1,971**	2,228	2,224	**1,891**	2,140	2,161
Total Tier 2 Capital	**203**	183	168	**198**	183	155
Total Capital Base	**2,174**	2,411	2,392	**2,089**	2,323	2,316
Risk Weighted Assets	**17,242**	17,570	16,830	**16,709**	17,191	16,188
CET 1 Ratio	**11.4%**	12.7%	13.2%	**11.3%**	12.5%	13.3%
Tier 1 Ratio	**11.4%**	12.7%	13.2%	**11.3%**	12.5%	13.3%
Capital Adequacy Ratio	**12.6%**	13.7%	14.2%	**12.5%**	13.5%	14.3%

32. FINANCIAL RISK REVIEW (Continued)

(f) Fair values of financial instruments

The tables that follow analyse the Group's and Bank's financial assets and liabilities that are measured at fair value at the end of the reporting period, by level of fair value hierarchy as required by IFRS. The different levels are based on the extent to which observable market data and inputs are used in the calculation of the fair value of the financial assets and liabilities. The levels of the hierarchy are defined as follows:

Level 1 – fair values are based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – fair values are calculated using valuation techniques based on observable inputs, either directly (that is, as prices) or indirectly (that is, derived from prices). This category includes financial assets and liabilities valued using quoted market prices in active markets for similar financial assets or liabilities, quoted prices for identical or similar financial assets or liabilities in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly derived or corroborated from observable market data.

Level 3 – fair values are based on valuation techniques using significant unobservable inputs. This category includes financial assets and liabilities where the valuation technique includes unobservable inputs that have a significant effect on the financial asset or liability's valuation. This category includes financial assets and liabilities that are valued based on quoted prices for similar financial assets or liabilities and for which significant unobservable adjustments or assumptions are required to reflect differences between the financial assets or liabilities.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group
2020

	Fair Value			
In Rs 000	Level 1	Level 2	Level 3	Carrying amount
Assets				
Investment securities	-	2,335,212	-	2,335,212
Liabilities				
Derivatives financial instruments	-	-	475	475

Group
2019

	Fair Value			
In Rs 000	Level 1	Level 2	Level 3	Carrying amount
Assets				
Investment securities	-	2,468,928	-	2,468,928
Derivatives financial instruments	-	-	134	134
Liabilities				
Derivatives financial instruments	-	-	-	-

Group
2018

	Fair Value			
In Rs 000	Level 1	Level 2	Level 3	Carrying amount
Assets				
Investment securities	-	1,961,203	-	1,961,203
Liabilities				
Derivatives financial instruments	-	-	6	6

NOTES TO THE FINANCIAL STATEMENTS

32. FINANCIAL RISK REVIEW (Continued)

(f) Fair values of financial instruments (Continued)

Bank
2020

In Rs 000	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
Assets				
Investment securities	-	2,335,212	-	2,335,212
Investment in subsidiary	-	-	62,653	62,653
Liabilities				
Derivatives financial instruments	-	-	475	475

Bank
2019

In Rs 000	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
Assets				
Investment securities	-	2,391,670	-	2,391,670
Investment in subsidiary	-	-	69,396	69,396
Derivatives financial instruments	-	-	134	134
Liabilities				
Derivatives financial instruments	-	-	-	-

Bank
2018

In Rs 000	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
Assets				
Investment securities	-	1,823,685	-	1,823,685
Investment in subsidiary	-	-	58,447	58,447
Liabilities				
Derivatives financial instruments	-	-	6	6

Level 2 financial assets and financial liabilities

The above table sets out the group's principal valuation techniques as at 31 December 2020 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

Level 3 financial assets and financial liabilities

The fair value of an unquoted equity investment is deemed to be reliably measured if:

- The variability in the range of reasonable fair value estimates is not significant; or
- The probabilities of the various estimates within the range can be reasonably assessed.

In case of investment in subsidiary (operating in Madagascar) the Bank has considered the Net Assets approach as an appropriate estimate of fair value at the year ended 31 December 2020.

Hence, there are no significant quantitative observable inputs which will affect the fair value of the investment in subsidiary.

33. SUPPLEMENTARY INFORMATION AS REQUIRED BY THE BANK OF MAURITIUS.

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into segments A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

STATEMENT OF PROFIT AND LOSS

Bank		2020			2019			2018		
Rs'000		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
	Note	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income		455,510	155,096	610,606	580,434	137,135	717,569	511,381	103,495	614,876
Interest expense		(104,573)	(140,004)	(244,577)	(212,387)	(113,532)	(325,919)	(160,509)	(53,690)	(214,199)
Net interest income	4	350,937	15,092	366,029	368,047	23,603	391,650	350,872	49,805	400,677
Fee and commission income		43,631	35,148	78,779	55,192	41,392	96,584	92,887	41,747	134,634
Fee and commission expense		(15,733)	(6,422)	(22,155)	(11,560)	(7,653)	(19,213)	(15,883)	(3,257)	(19,140)
Net fee and commission income	5	27,898	28,726	56,624	43,632	33,739	77,371	77,004	38,490	115,494
Net trading income	6	50,856	12,520	63,376	37,335	32,362	69,697	49,816	15,820	65,636
Net income/(loss) from other financial instruments at fair value through profit or loss	7	-	(6,742)	(6,742)	-	10,949	10,949	-	58,447	58,447
Net gain from sales of Securities		97	-	97	-	-	-	4,609	33,589	38,198
Other income	8	7,960	10,014	17,974	1,879	10,154	12,033	521	10,179	10,700
		58,913	15,792	74,705	39,214	53,465	92,679	54,946	118,035	172,981
Revenue		437,749	59,610	497,358	450,893	110,807	561,700	482,822	206,330	689,152
Personnel expenses	9	(155,920)	(72,430)	(228,350)	(189,705)	(39,506)	(229,211)	(215,307)	(44,889)	(260,196)
Operating lease expenses	10	(8,871)	(1,096)	(9,967)	(11,023)	(1,225)	(12,248)	(41,260)	(4,493)	(45,753)
Depreciation and amortization	19 & 20	(83,900)	(10,369)	(94,269)	(78,996)	(8,665)	(87,661)	(57,910)	(6,307)	(64,217)
Other expenses	11	(120,933)	(27,564)	(148,497)	(163,388)	(18,155)	(181,543)	(163,926)	(22,663)	(186,589)
		(369,624)	(111,459)	(481,083)	(443,112)	(67,551)	(510,663)	(478,403)	(78,352)	(556,755)
Operating profit		68,124	(51,849)	16,275	7,781	43,256	51,037	4,419	127,978	132,397
Net impairment loss on financial assets	16(a)(ii)	(106,826)	(173,878)	(280,704)	294	(76,921)	(76,627)	35,803	(54,071)	(18,268)
Profit / (Loss) before tax		(38,702)	(225,727)	(264,429)	8,075	(33,665)	(25,590)	40,222	73,907	114,129
Income tax (Expense) / Credit	12(i)	2,312	1,440	3,752	18,086	20,650	38,736	(158,090)	(679)	(158,769)
Profit / (Loss)		(36,390)	(224,287)	(260,677)	26,161	(13,015)	13,146	(117,868)	73,228	(44,640)

NOTES TO THE FINANCIAL STATEMENTS

33. SUPPLEMENTARY INFORMATION AS REQUIRED BY THE BANK OF MAURITIUS (Continued)

STATEMENTS OF FINANCIAL POSITION

	Note	Segment A	Segment B	2020	Segment A	Segment B	2019	Segment A	Segment B	2018
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS										
Cash and cash equivalents	13	**2,176,236**	**4,121,634**	**6,297,870**	1,653,051	2,948,268	4,601,319	1,497,175	1,035,011	2,532,186
Loans and advances to banks	14	**-**	**1,630,634**	**1,630,634**	24,797	1,291,187	1,315,984	27,560	15,508	43,068
Loans and advances to customers	15	**9,727,374**	**2,428,298**	**12,155,672**	10,330,432	3,101,106	13,431,539	11,426,923	2,319,508	13,114,465
Investment securities	17	**2,312,089**	**23,123**	**2,335,212**	2,358,498	33,172	2,391,670	1,745,713	77,972	1,823,685
Investment in subsidiary	18	**-**	**62,653**	**62,653**	-	69,396	69,396	-	58,447	58,447
Property and equipment	19	**127,243**	**14,139**	**141,382**	155,877	17,320	173,196	38,343	4,260	42,603
Intangible assets	20	**33,556**	**3,728**	**37,284**	46,801	5,200	52,001	73,198	8,133	81,331
Deferred tax assets	12(i)	**52,661**	**39,798**	**92,459**	58,735	28,260	86,995	42,763	7,402	50,165
Derivative financial instruments	25	**-**	**-**	**-**	-	134	134	-	-	-
Other assets	21	**823,578**	**574,914**	**1,398,492**	841,865	749,862	1,591,727	1,224,074	13,904	1,237,978
Total assets		**15,252,737**	**8,898,921**	**24,151,658**	15,470,056	8,243,905	23,713,961	13,775,735	15,513,631	18,983,928
LIABILITIES										
Deposits from banks	22	**345**	**2,565,321**	**2,565,666**	-	586,573	586,573	1,690	-	1,690
Deposits from customers	23	**7,286,903**	**6,713,667**	**14,000,570**	8,046,860	5,943,963	13,990,823	9,038,645	3,211,454	12,250,099
Borrowed funds	24	**12,397**	**4,412,062**	**4,424,459**	15,626	5,574,269	5,589,895	-	3,637,104	3,637,104
Derivative financial instruments	25	**475**	**-**	**475**	-	-	-	6	-	6
Current tax liabilities	12 (iii)	**-**	**-**	**-**	-	-	-	-	624	624
Other liabilities	26	**367,326**	**615,196**	**982,522**	427,571	719,554	1,147,126	541,490	192,534	734,024
Total liabilities		**7,667,446**	**14,306,246**	**21,973,692**	8,490,058	12,824,359	21,314,417	9,581,831	7,041,716	16,623,547
Equity										
Share capital	27			**2,218,065**			2,218,065			2,218,065
Retained earnings				**(238,559)**			26,344			18,961
Reserves	28			**198,460**			155,135			123,355
Total equity attributable to the equity holders of the Bank				**2,177,966**			2,399,544			2,360,381
Total liabilities and equity				**24,151,658**			23,713,961			18,983,928

NOTES TO THE FINANCIAL STATEMENTS

34. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At reporting date, the directors considered Banque Centrle Populaire, an entity incorporated under laws of Morocco as the Bank's immediate and ultimate holding company.

35. LIQUIDITY COVERAGE RATIO

During FY 2020, due to the persistence of excess liquidity conditions in MUR, the LCR ratio was maintained above 100%; in foreign currencies, the Bank constituted the required stock of High-Quality Liquid Assets to meet the regulatory requirement. The overall ratio stands at 572 % which demonstrates the bank's resilience should if face any shortfall of liquidity.

	TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
HIGH-QUALITY LIQUID ASSETS		
Total High-Quality Liquid Assets (HQLA)	4,681,781,012	4,681,781,012
CASH OUTFLOWS		
Retail deposits and term deposits from small business customser	3,119,275,175	150,391,523
Unsecured wholesale funding	7,899,250,972	2,621,638,427
Credit and liquidity facilitise	2,967,761,558	390,585,056
Other contractual funding obligations	113,735,667	113,735,667
TOTAL CASH OUTLOWS	**14,100,023,372**	**3,276,350,672**
CASH INFLOWS		
Other cash inflows	4,624,163,056	4,233,802,288
TOTAL CASH INFLOWS	**4,624,163,056**	**4,233,802,288**
	TOTAL ADJUSTED VALUE	
TOTAL HQLA		**4,681,781,012**
TOTAL NET CASH OUTFLOWS		**819,087,668**
LIQUIDITY COVERAGE RATIO (%)		**572%**