ANNUAL REPORT

BCP BANK (MAURITIUS)

2023

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About BCP BANK (MAURITIUS) Ltd

BCP Bank (Mauritius) Ltd (the ‘Bank’) is a subsidiary of the Banque Centrale Populaire (BCP) Group (the ‘Group’), since October 2018.

The Bank presents the advantage of being the only North and West-African banking institution present in Mauritius. It supports investors seeking international expansion worldwide, with a particular focus on Africa, where the group holds a strong presence and has developed an in-depth knowledge of the region’s specificities.

BCP Bank (Mauritius) Ltd has a universal banking model with a strong focus on Corporate & Institutional Banking and Premium/Private Banking.

CHAIRMAN'S MESSAGE

With the close of yet another transformative year, I am honored to report on the significant progress and achievements we have made in 2023. In the midst of a constantly evolving global landscape, our commitment to fostering strategic growth, enhancing the resilience and adaptability of our activities, and crafting innovative solutions/services has remained steadfast, leading to stronger financials.

We have pursued our efforts to strengthen our position in the market, get our presence known in key regions, and deliver sustainable value to our clients, and communities.

I am also very happy to report that one of the highlights of 2023 has been our significant growth of business opportunities in the African market. Despite prevailing economic and geopolitical uncertainties, we have strategically expanded our footprint across the continent, tapping into new markets and seizing emerging opportunities. This sustained investment confirms our confidence in Africa's potential and our commitment to being a catalyst for economic development in the region through structured financing solutions.

Our Structured trade finance indeed plays a pivotal role in facilitating international trade and driving economic growth on the continent. Building on our strategic decision to become a niche player in the cross-border banking business and feeding on our aspiration to play a meaningful role in building Africa's prosperity, we are making substantial progress in developing tailored solutions to meet the evolving needs of our clients.

We have strengthened our presence in the Global Business banking sector with a niche approach. We offer specialized lending solutions, be it in trade finance, project finance, and more, through innovative financing mechanisms, risk mitigation strategies.

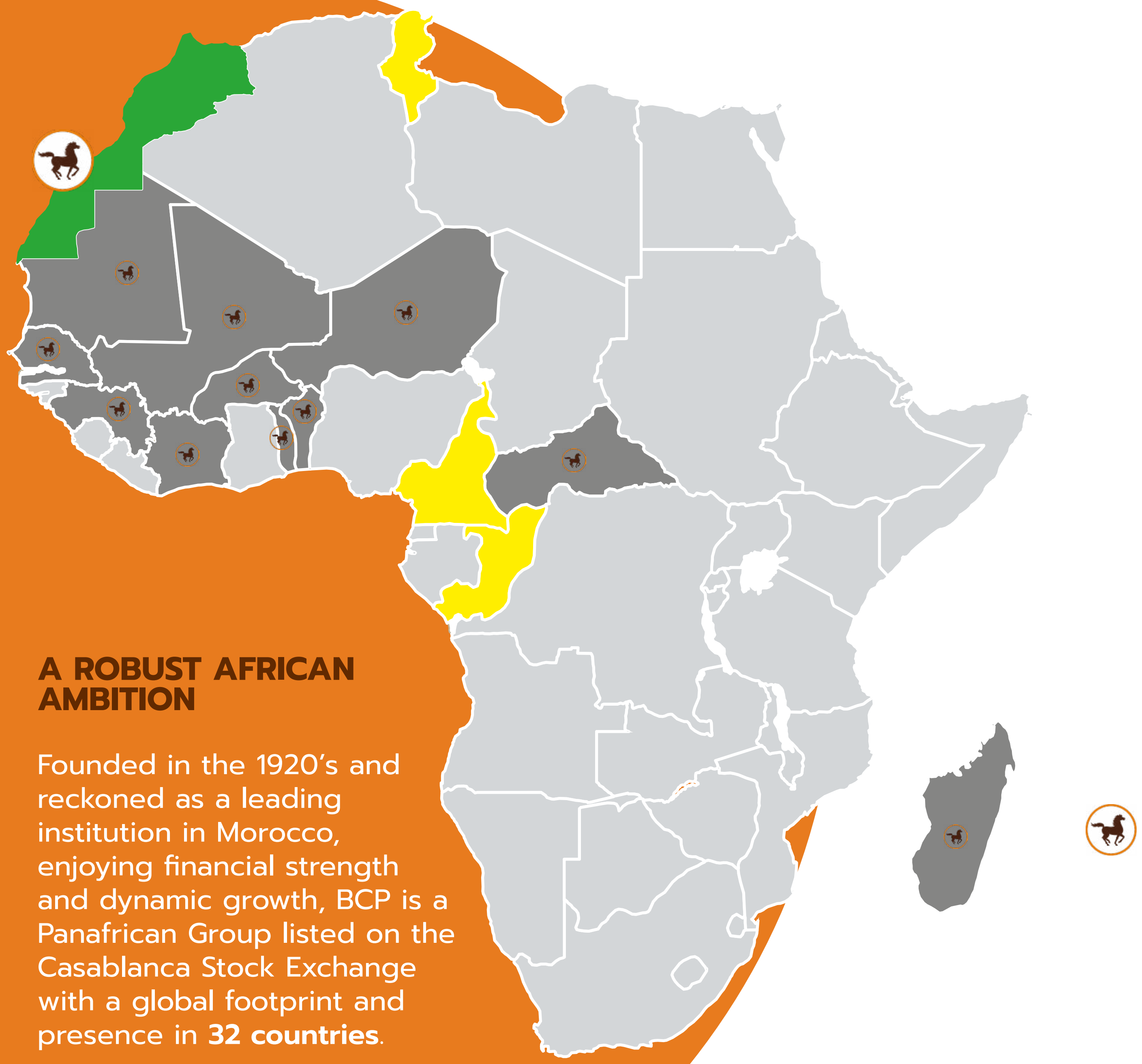
We have committed to being a responsible corporate citizen. As such, our bank places sustainability at the core of its business ethos, a commitment that shines through in our recent launch of a new green loan, designed to support environmentally friendly initiatives. Throughout the year, we have intensified our efforts towards environmental stewardship and social responsibility. By integrating sustainability into our strategy, we are not only mitigating risks but also creating long-term value for all stakeholders.

Our strategic repositioning and deployment of the Target Operating Model on the domestic market have also been key instruments of our momentum. After having successfully consolidated our Retail Business into one Business Centre, thus streamlining our operations, we are now focusing on a premium retail segment and we are developing our support to the SME segment as we believe that assisting SMEs is essential in the overall economic development of the country.

Looking ahead, I am confident that, fueled by the core values of BCP Group, Performance, Innovation, Proximity and Citizenship, we are well positioned to tap on emerging opportunities. Our commitment to sustainable growth will also continue to drive our business decisions, in keeping with the sector's increasing efforts to align with ESG practices.

I am proud of what we have accomplished together and excited about the opportunities that lie ahead. To conclude, I extend my heartfelt gratitude to the Board of Directors, the Management, our dedicated colleagues for their sustained efforts and commitment, and to our valued clients and partners for their continued trust and collaboration.

KAMAL MOKDAD
Chairman of BCP Bank (Mauritius) Ltd
Also Chief Executive Officer (CEO) at Banque Centrale Populaire (BCP)



A ROBUST AFRICAN AMBITION

Founded in the 1920's and reckoned as a leading institution in Morocco, enjoying financial strength and dynamic growth, BCP is a Panafrican Group listed on the Casablanca Stock Exchange with a global footprint and presence in **32 countries**.

In Africa, BCP ranks as the 6th largest Bank by total assets.

RATINGS

STANDARD &POOR'S **BB / stable**

MOODY'S **Ba1 / stable**

BCP GROUP

AT A GLANCE

5 Billion / 49 Billion
- Market capitalization of USD 5 Billion (as of 21/09/23)
- Consolidated total assets of USD 49 Billion (as of 30/06/23)

Approx. 9.3 Million
- 7.2 million clients in Morocco
- Approx. 2.1 million clients in Sub-Saharan Africa

Listed on Casablanca Stock Exchange

8,852 / 18,600
- 8,852 distribution points, including 1,374 bank branches in Morocco and 393 in Sub-Saharan Africa
- Around 18,600 employees

AWARDS

CEO'S REPORT

I am pleased to present our annual report for the year 2023, a year that represented a major turning point in our pursuit of excellence and progress. In spite of the challenges posed by profound disruptive forces at play in the global politico-economic ecosystem, and supported by a new operating model implemented one year earlier, we were able to consolidate our strategic positioning while significantly improving our financial results.

The rollout of a new operational model has delivered exceptional outcomes for our bank, leading to a strengthened financial performance in 2023. This model focused on the consolidation of our branch network into a Business Center in Port Louis to service our premium Retail and SME markets. It also entails a selective commercial approach in the Private Banking and Domestic Corporate segment, and an aggressive strategy to develop the bank's international business, which now accounts for nearly half of our loan and deposit portfolio.

The success of this model is reflected in our financial performance, with revenue up by more than 30%, an improved cost/income ratio, and a controlled cost of risk thanks to the careful choice and maintenance of a high-quality loan portfolio. Our net income nearly doubled, confirming our growth dynamics, as already observed in 2022.

This growth trajectory not only reflects the relevance of our strategy; it also bears testament to our resilience of a challenging economic environment – high inflation and tight monetary policy-, and the commitment of our teams to our clients, partners, and stakeholders. We have as a team tried to innovate by developing new products and enhance our services to cater for new clienteles.

One significant initiative was the branding of our private banking segment, as Signature. This new brand reinforced a client-centric approach, enabling us to better anticipate our customers' needs, meet their specific requirements, and provide them with a unique "Boutique Banking" experience. It also enables our Private Banking segment to leverage on intragroup synergy and map out its strategy to export its services beyond Mauritian borders and explore the African market.

2023 also saw a focus on our Group's core values, which are the foundation of our corporate culture. We undertook an extensive effort to foster innovation, performance, proximity, and citizenship within our teams. Through this work on values, we have embarked on a constructive journey to Build, Create, and Prosper, Together.

Outlook for 2024. The socioeconomic conditions remain challenging. Interest rates are high and geopolitical issues continue to weigh heavily on the local market. Imported inflation is a significant concern, driven by soaring prices of goods and raw materials, as well as increased maritime freight costs. Banks like ours must therefore navigate growing geopolitical uncertainty that impacts their margins and overall profitability.

However, leveraging on our recent achievements, we enter 2024 with the ambition of developing a range of expertise to position ourselves as a benchmark bank for our customers, partners and the Group. We also looking forward to developing high value-added and customized products, seizing new business opportunities and undertaking significant projects that align with our development strategy. We also intend to pursue our development in a sustainable, balanced and responsible manner.

We will continue to expand our international activities and remain focused on our core activities: Trade Finance, Global Business, Cross-Border Financing and Private Banking. We will also continue to extend support to our domestic corporates, personal banking clients and SMEs. These are the pillars of our growth and we will continue to leverage our Group's extensive network.

I would like to extend my sincere thanks and gratitude to our Group, our Board of Directors, and my entire team and put on record the support from our clients, partners, regulators and all stakeholders.

ABDELWAFI ATIF
Chief Executive Officer and Executive Director

SHAREHOLDING

The shareholding and group structure of BCP is as follows:

BANQUE POPULAIRE — 100% → BCP BANK (MAURITIUS)

BANQUE CENTRALE POPULAIRE

OUR BUSINESS SEGMENTS

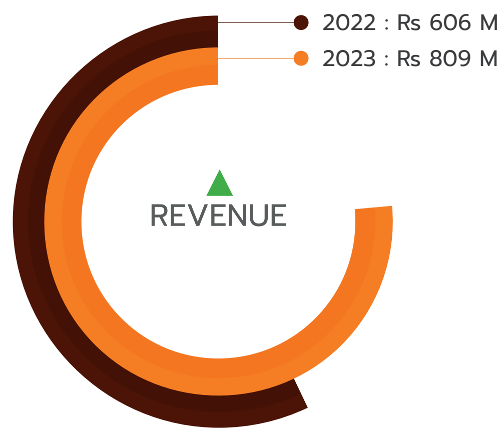
- Global Business
- Trade Finance
- Corporate Banking
- Premium Banking
- Cross border lending
- Small and Medium Enterprise (SME)

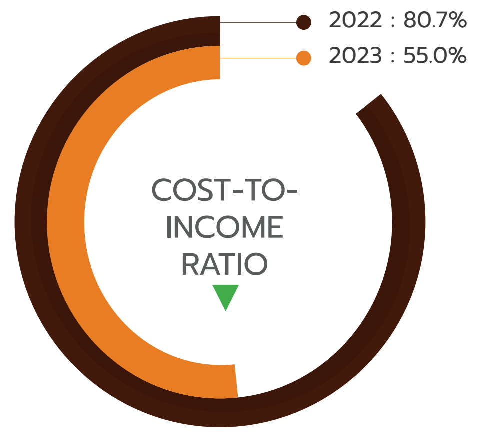
OUR CORRESPONDENT BANKING NETWORK

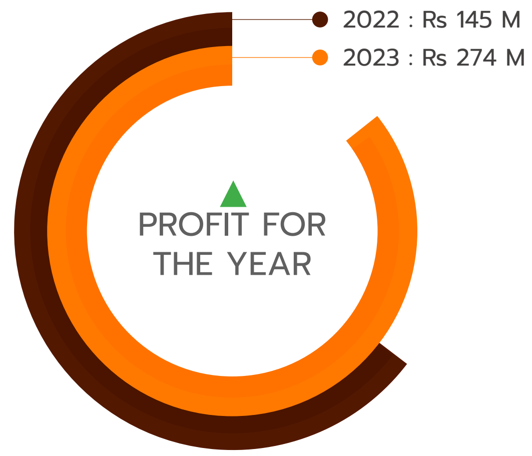
NATIXIS SA, Paris
NATIONAL BANK OF CANADA, Montréal
BANK OF CHINA (MAURITIUS) LIMITED, Mauritius
CAIXABANK SA, Barcelona
IDFC FIRST BANK LIMITED, India
SBM BANK (INDIA) LIMITED, India
SUMITOMO MITSUI BANKING CORPORATION, Tokyo
BANQUE CENTRALE POPULAIRE (BCP), Morocco
WELLS FARGO BANK NATIONAL ASSOCIATION, New York
CHAABI INTERNATIONAL BANK OFFSHORE, Morocco
BANQUE ATLANTIQUE COTE D'IVOIRE, Ivory Coast
STANDARD BANK OF SOUTH AFRICA LTD, Johannesburg

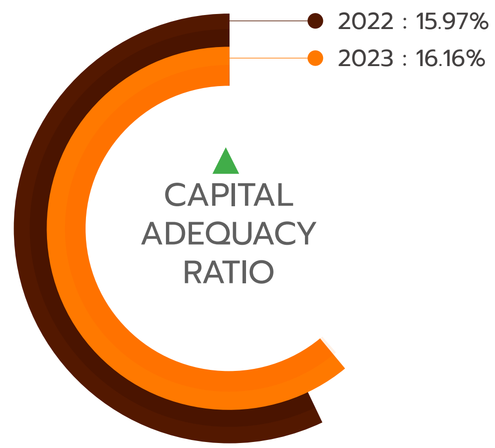
AS A SUBSIDIARY OF GROUPE BANQUE CENTRALE POPULAIRE, BCP BANK (MAURITIUS) LTD HAS ACCESS TO OVER 1000 CORRESPONDENT BANKING PARTNERS.

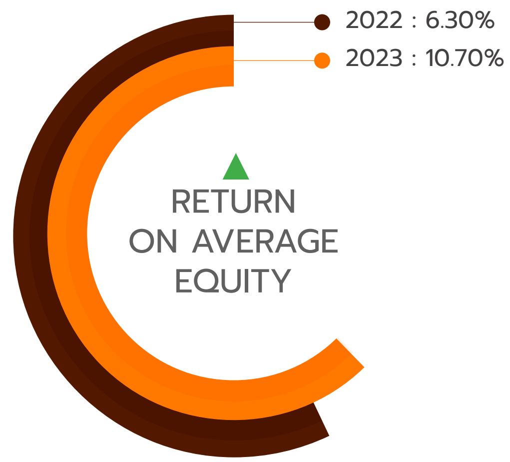
FINANCIAL HIGHLIGHTS

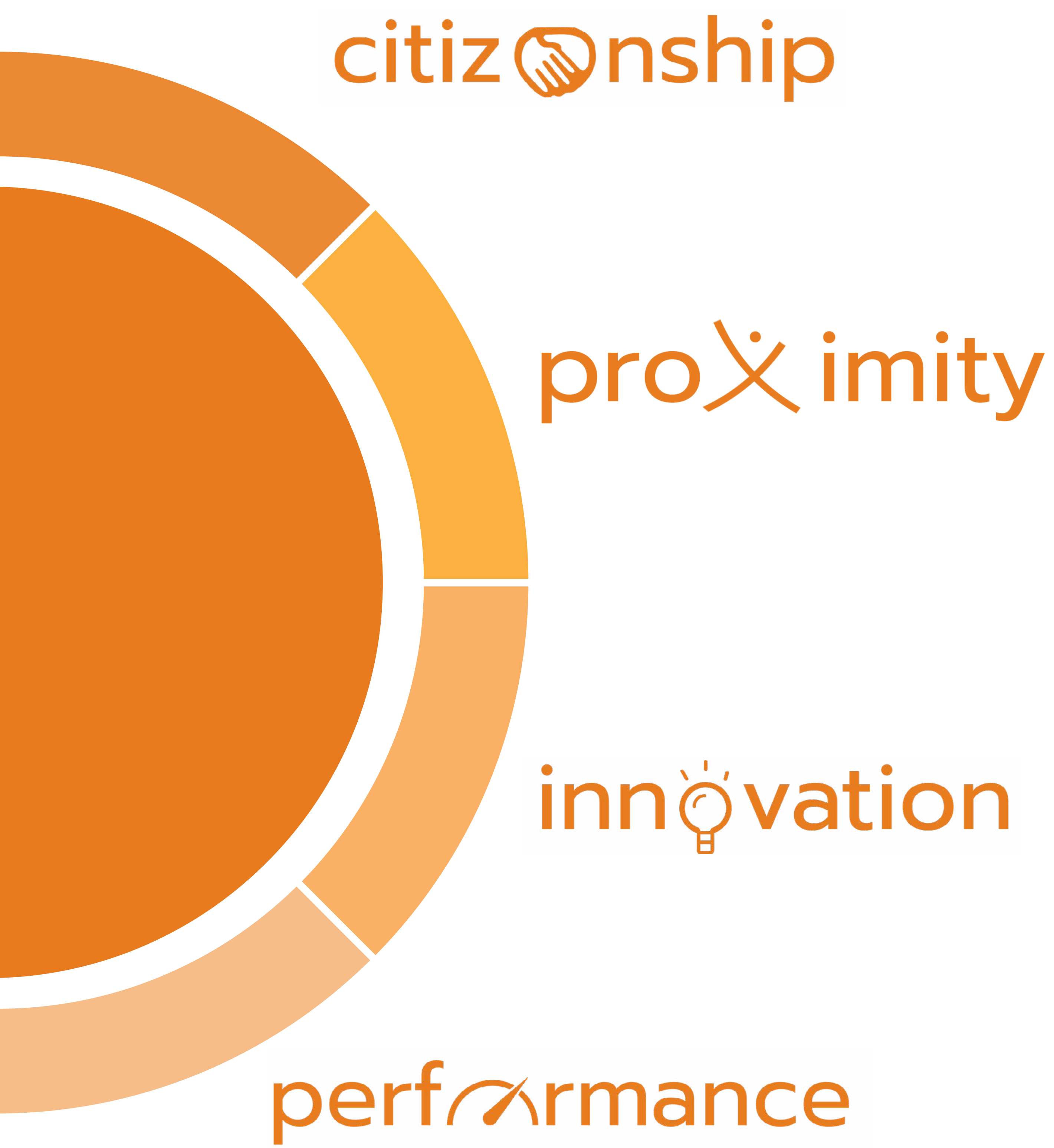






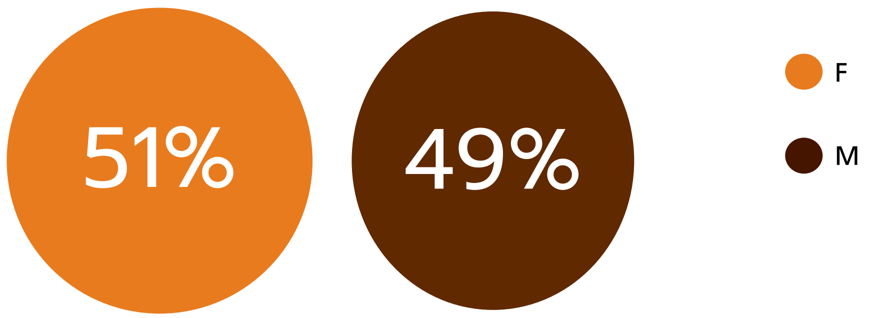




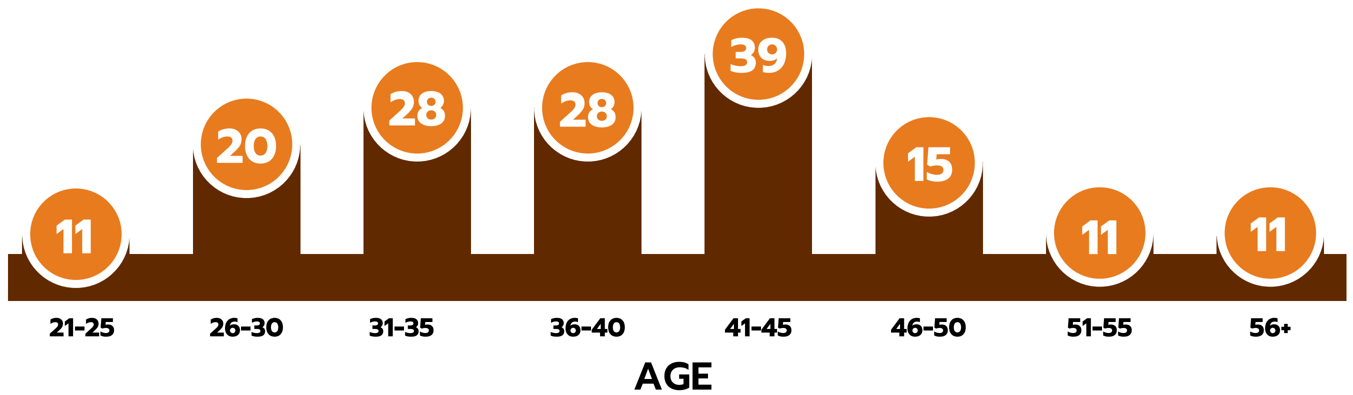


OUR PEOPLE

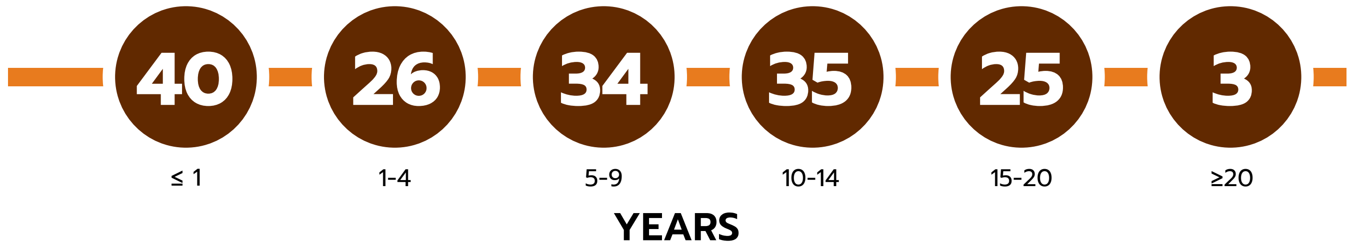
GENDER BALANCE



AGE GROUP



SENIORITY



OUR 2023 JOURNEY

Beyond financial performance, our commitment to holistic growth is exemplified by a myriad of initiatives, some of them transcending traditional banking activities. From nurturing our internal culture to participating in global conferences, promoting health awareness, and fostering community engagement, we were involved in a diverse range of initiatives that define our commitment to making a positive impact as an institution.

OUR JOURNEY IN CULTURE SHAPING

In 2023, our banking institution embarked on a journey centered around our core values: Performance, Innovation, Proximity, and Citizenship.

Recognizing the importance of a shared culture, we undertook a series of employee-centric activities to embed our corporate values and vision within our teams. These efforts included a thought-provoking workshop that laid the groundwork for our culture-shaping journey, resulting in the creation of our new internal mission statement "Build, Create, Prosper Together".

During the last quarter, four core teams of "values ambassadors" were set up, playing an active role in continuously embedding our values to the culture of our organization. From the Top Management to every individual team member, there has been a concerted effort to make our values part of who we are through a lineup of internal activities. These include, but are not limited to, an innovation contest, daily quotes on performance, initiatives fostering proximity and camaraderie amongst employees and a citizenship activity to promote Financial Literacy among schoolchildren.

These initiatives have been instrumental in reminding us our identity of a subsidiary of a very important pan African banking group – Banque Centrale Populaire and guiding our actions as we strive for excellence and performance in everything we do.

OUR COMMUNICATIONS INITIATIVES

Throughout the year, we highlighted our dedication to our values and global presence through a series of impactful events and sponsorships. Our Team orchestrated a vibrant Africa Week in May, a celebration of African unity that resonated throughout our Bank and culminated with a lunch featuring popular dishes of countries across Africa.

BCP Bank (Mauritius) as member of Mauritius Finance was elected to the Board of Directors of Mauritius Finance and held the office of Vice Chairperson for the said year.

The launch of Signature, the new identity of our Private Banking segment, was another standout moment of the year. It was marked by a memorable event in June, showcasing our renewed commitment to excellence and personalized services. This repositioning reflects the unique approach of our Private Banking segment, embodying the personal touch to align with our clients' uniqueness and better anticipate their needs.

Sustainability and innovation also took center stage as we introduced our latest product for funding eco-friendly initiatives – our iPreserve offer. Recognizing the current environmental challenges, BCP Bank (Mauritius) sought to contribute to the collective effort to support the country's energy transition. The Bank is promoting iPreserve, a tailored financing solution with attractive terms that offers clients the opportunity to embrace sustainable practices, whether it is for financing green real estate projects or acquiring a hybrid or electric vehicle.

Our Corporate and Institutional Banking segment made it a point to nurture relations with stakeholders such as management companies, through Meet and Greet events organized during the second semester. These gatherings, which began in May, consist of networking meetings with partners and aim to showcase the services offered by CIB and foster fruitful exchanges in a friendly environment, promoting the development of new collaboration opportunities.

Another notable highlight was our sponsorship of the Africa Partnership Conference whose theme was "Unity in Partnership", an international event organized by the Economic Development Board, reaffirming our global footprint. Additionally, our colleagues participated in various conferences in Mauritius and abroad, such as GTR, Africa Property Investment Summit, and Africa Wealth Summit, reflecting our commitment to staying at the forefront of industry advancements.

Our HR team also had the opportunity to increase the Bank's visibility as a key player in the financial services sector and as an employer of choice at the Career Fair organized by the Ministry of Financial Services and Good Governance. The team actively promoted career opportunities and engaged in discussions with young talents.

On another note, our colleagues proudly represented BCP Bank (Mauritius) in the Mauritius Finance Sports Competition, embodying the spirit of teamwork and healthy competition.

OUR JOURNEY THROUGH CITIZENSHIP

As part of our Citizenship initiatives, we organized several CSR activities aimed at giving back to the community. One of the main activities of our CSR committee was a "bring and buy" event to raise funds towards a kids end-of-year activity. Aligning with our CSR mission – to support children and their education – we chose to allocate these funds to Future Hope, a non-profit organization dedicated to improving the lives of underprivileged children through education, and to treat them to an educational outing at Odysseo, based at Les Salines.

In the spirit of living up to our values of citizenship and proximity, our Health & Safety committee also organized a blood donation drive in collaboration with NATEC Medical and the Blood Bank of Mauritius. This act of solidarity underscores our dedication to contributing to the well-being of the broader community and our employees. Health conferences also took place, contributing to the ongoing education and awareness of our employees regarding health and safety practices.

As we reflect on our journey over the past year, we are proud of the progress we have made for ourselves and for our stakeholders. Moving forward, we remain committed to living our values and continuing to make a meaningful difference around us.

CORPORATE INFORMATION

Company Secretary

Ms Nashreen Rojoa

Registered Office

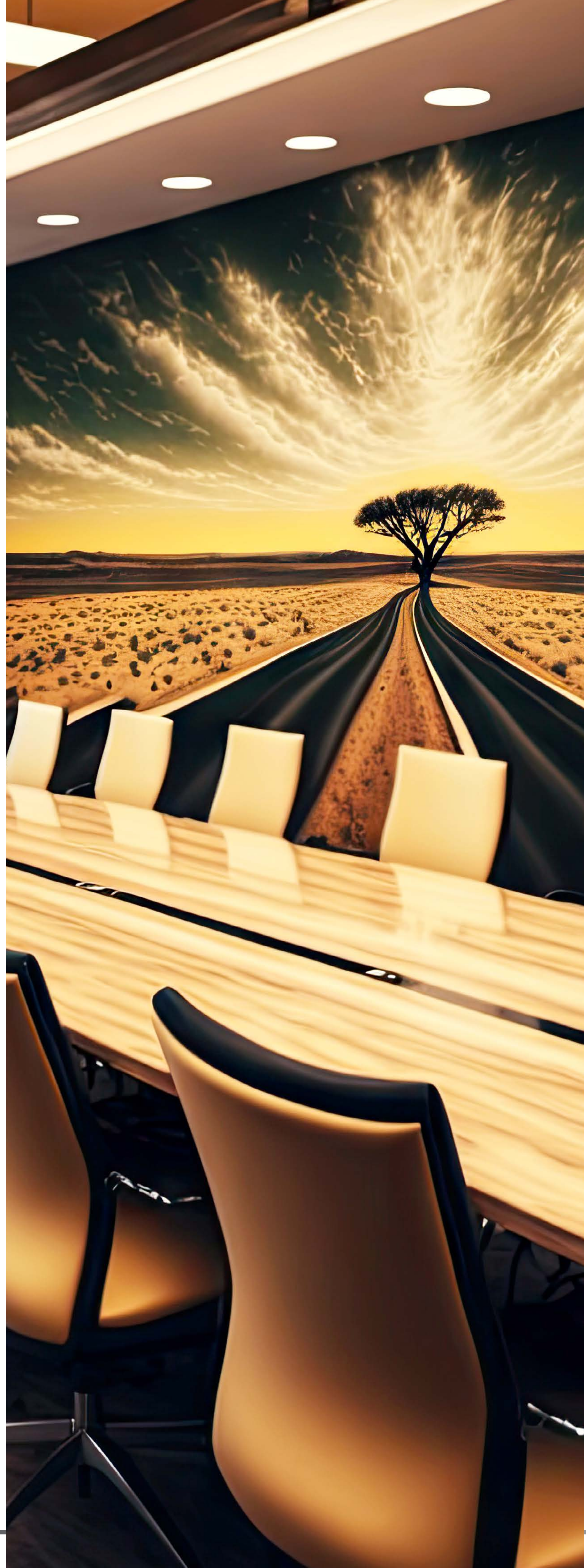
9th Floor, Maeva Tower,
Corner Silicon Avenue and
Bank Street,
CyberCity
Ebène
Mauritius

Auditors

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius

Nature Of Business

BCP Bank (Mauritius) Ltd - incorporated as a private company on 27 June 2003 in the Republic of Mauritius. It is also regulated and licensed by the Bank of Mauritius and the Financial Services Commission for its banking activities.



BOARD OF DIRECTORS
DIRECTORS' PROFILE

The Board consists of 8 members who are experienced professionals with expertise in a variety of fields.

- Members of the Board
- Audit Committee
- Risk Management Committee
- Corporate Governance Committee
- Nomination and Remuneration Committee
- Credit Committee

C	Chairperson
CM	Committee Member
NED	Non-Executive Directors
ED	Executive Directors

NED | C
C
C
C

KAMAL MOKDAD (Chairperson)

Kamal Mokdad is the "Directeur Général de la BCP et de l'International". He is also the CEO of BCP Consulting, BCP Group's consulting arm, which enables the execution of strategic and operational projects at Group level. Kamal is also the Chairman of the Casablanca Stock-Exchange and chairs the boards for many entities of the BCP Group.

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

Kamal Mokdad holds a degree in Economics and Finance from the Institute of Political Studies Paris (Sciences-Po Paris), as well as an international certificate in political studies. He is a Chartered Accountant and holds an MBA.

Country of residence : Morocco

NED | CM
CM
CM
CM

HANANE EL BOURY

Hanane El Boury is the Executive Director of the Financial Institutions Group at Banque Centrale Populaire. Hanane holds an MBA from ESA Toulouse. She sits as Non-Executive Director on the Boards of different entities of the BCP Group. She has over 24 years of experience in the financial services sector.

Country of residence : Morocco

OTHMANE TAJEDDINE

Othmane Tajeddine is the 'Directeur Banque des Marchés de Capitaux' at Banque Centrale Populaire. Othmane holds a 'Mastère en Economie et Gestion des Entreprises' from University Hassan II.

Country of residence : Morocco

ABDESLAM BENNANI

Abdeslam Bennani is the ''Directeur Général de BCP International'' in the BCP Group. Abdeslam Bennani holds a 'Diplôme d'études Supérieures spécialisée en Contrôle de gestion et Audit Interne' from the University of Bordeaux IV. He has over 26 years of experience in the financial services sector.

Country of residence : Morocco

SOUMIA FATHALLAH

Soumia Fathallah is currently the Executive Director of the Group Transaction Banking division at Banque Centrale Populaire and has 25 years of experience in the financial services sector. She holds a Master Système d'Information et Contrôle de Gestion from University of Rennes and a bachelor in Business Administration from the University of Al Akhawayn.

Country of residence : Morocco

HICHAM BELCAID

Hicham Belcaid is the 'Directeur Banque de l'Entreprise'' at BCP International and has 29 years of experience in the banking sector. He holds a 'Maîtrise en Sciences de Gestion' and 'DESS en Ingénierie et Gestion des Systèmes d'Information' from University of Toulouse.

Country of residence : Morocco

BOARD OF DIRECTORS
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 has completed the Management Development Program at the Harvard Business School. Jean-Louis Vinciguerra has been the Director of 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 also served as Head of the Asia Department at Crédit Agricole Indosuez.

Country of residence : Morocco

ABDELWAFI ATIF
(Executive Director)

Abdelwafi Atif is the Chief Executive Officer (CEO) of the Bank. He holds a 'Diplôme des Etudes Universitaires Générales Sciences Economiques' from the University Sidi Med Ben Abdellah in Morocco and a 'Diplôme des Etudes Supérieure Bancaires' from Institut Technique de Banque/CNAM in Paris. Before joining BCP Bank (Mauritius) Ltd, he was the Chief Executive Officer of Chaabi International Bank Offshore, a subsidiary of Banque Centrale Populaire. Abdelwafi has over 35 years of banking experience and holds directorships in two of the BCP Group's international subsidiaries.

Country of residence : Mauritius

SENIOR MANAGEMENT TEAM

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 SENIOR MANAGEMENT TEAM

The profiles of the Senior Management Team led by Mr Abdelwafi ATIF are as follows:

SANGEETHA RAMKELAWON

Deputy Chief Executive Officer

Sangeetha Ramkelawon is the Deputy Chief Executive Officer at BCP Bank (Mauritius) Ltd. She has more than 20 years of experience in the financial services sector since she graduated in Management with a specialisation in International Finance. She has extensive experience in the Global Business sector, which she has built since her early days in her career. She held senior positions at Deutsche Bank for 13 years where she led the cash management and trade finance business with extensive exposure to Europe, Asia and US markets. In 2016, she joined one of the leading French banking group BPCE subsidiary in Mauritius-Banque des Mascareignes Ltee as Director of Corporate and Institutional Banking. In 2018, she was the Interim CEO during the phase of the acquisition of the Bank by Groupe Banque Centrale Populaire. As from November 2018, she was appointed Deputy Chief Executive Officer by the Board of Directors of the Bank. Sangeetha serves as Vice Chairperson and Director of Mauritius Finance. Sangeetha is a member of Mauritius Institute of Directors and Women Directors Forum. She also serves as Alternate Director on the Board of the Mauritius Bankers Association.

Country of residence : Mauritius

SHAKIL DABY

Director of Corporate and Institutional Banking

Shakil Daby joined the Bank in September 2016 in the capacity of Head of Corporate and was appointed as Director Corporate and Institutional Banking in January 2019. Shakil has a career spanning over 18 years of banking experience within the international banking sector in wholesale and global banking markets. Prior to joining BCP Bank (Mauritius) Ltd, Shakil held various roles in Mauritius and abroad with HSBC Bank (Mauritius) Limited and corporate firms where he was actively involved in driving corporate strategy, revenue expansion and market growth. Shakil is a Chartered Banker from the UK Chartered Banker Institute and is a holder of a Bachelor of Arts (with Honours) in Law and Management from Middlesex University London, UK.

Country of residence : Mauritius

SENIOR MANAGEMENT TEAM

PROFILE OF THE SENIOR MANAGEMENT TEAM (Continued)

NADIA DANDJEE

Director Finance and Operations

Nadia Dandjee holds a Master's degree in Business Administration with a specialisation in Accounting, from HEC Business School in France. She started her career in 1995 as auditor with Deloitte Touche Tohmatsu. She joined BNP Paribas in 1997, where she occupied several management positions in Finance and IT over 14 years. From 2010 to 2012, she was successively promoted to Operations Manager and Product and Business Development Manager in the Outsourcing business unit of the Harel Mallac Group. In 2012, she joined BCP Bank (Mauritius) Ltd as "Responsable – Organisation et Maitrise d'Ouvrage". In 2016, she was promoted to Finance Director. In 2017, she successfully followed the ESSEC General Management Program and was appointed as Director Finance and Operations.

Country of residence : Mauritius

RAVIND KUMAR (ASHLAY) BHOJUN

Chief Risk Officer

Ravind is the Chief Risk Officer of BCP Bank (Mauritius) since 1st September 2023. He has more than 16 years of experience in the banking industry with an expertise in credit risk underwriting, risk management and commercial banking. Prior to his appointment as Chief Risk Officer at BCP Bank (Mauritius), he occupied key roles such as Head of Credit Risk Management. He is a holder of a BSc (Hons) in Economics and Finance and a M.A. in Economics.

Country of residence : Mauritius

01
MANAGEMENT DISCUSSION & ANALYSIS

02

03

04

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. BCP Bank (Mauritius) Ltd (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.

FINANCIAL HIGHLIGHTS

	2023	2022	2021
Income Statement (Rs' million)			
Net interest income	672	447	374
Revenue	809	606	544
Profit before tax	295	174	16
Profit for the year	274	145	19
Statement of Financial Position (Rs' million)			
Total assets	31,961	27,205	27,274
Total loans (net)	18,737	17,349	16,692
Total deposits	20,474	14,825	17,856
Shareholder fund	2,708	2,430	2,166
Risk weighted assets	22,705	18,956	16,992
Performance Ratios (%)			
Return on average assets	0.9	0.5	0.1
Return on average equity	10.7	6.3	0.9
Non-interest income	16.9	26.1	31.3
Loans to deposits ratio	91.5	117.0	93.5
Cost-to-income ratio	55.0	80.7	82.8
Asset Quality (%)			
Non-performing asset ratio	5.2	5.9	7.5
Provision coverage ratio	76.0	60.2	67.7

FINANCIAL HIGHLIGHTS (Continued)

PERFORMANCE AGAINST OBJECTIVES 2023 AND FORECAST FOR 2024

Objectives for FY 2023	Performance in FY 2023	Objectives for FY 2024
Revenue		
The revenue is expected to post a double-digit growth, driven by further intensification of cross-border operations.	Net interest income benefited from the sharply rising yield environment, and revenue surged by 34%.	The Bank will continue to expand its footprint regionally and globally to new countries and businesses, and revenue is expected to grow by 31%.
Operating expenses		
Fuelled by the current inflationary environment and the on-going capacity building initiatives, the operating expenses are anticipated to increase by circa 9%.	Operating expenses dropped by 9%.	Operating expenses will increase, on the back of an extensive investment plan in technology and human capital.
Cost- to- income ratio		
The cost-to-income ratio will improve further.	The cost-to-income ratio improved significantly to 55%.	The cost-to income ratio is projected to remain above 50%.
Return on equity (ROE)		
The ROE is forecast to remain at a satisfactory level.	ROE showed improvement, reaching a 10.7% level.	The Bank aims to achieve a ROE of 10%.
Return on average assets (ROAA)		
Continuous efforts will be maintained to reach the industry standard.	ROAA increased to reach 0.9%.	The Bank will maintain a minimum ROAA of 0.9%.
Asset quality		
The asset quality is projected to remain close to the current level.	The gross non-performing ratio declined marginally from 5.9% to 5.2%.	The growth of the loan portfolio, coupled with the close monitoring of credit risk will lead to the NPL to decrease further.
Capital Adequacy Ratio (CAR)		
The CAR will be above the regulatory requirement.	CAR improved and stood at 16.16%.	The CAR will remain well above the regulatory threshold.
Loans and advances (net)		
The loans and advances book is expected to record a more than 25% growth, mainly supported by the further expansion of the international banking segment.	On the back of less favourable than expected external factors, the loan book grew by around 8%.	The Bank will maintain its focus on the development of its Trade Finance, Global Business, and Cross-border activities; and the loans and advances book is anticipated to show a solid expansion of 35%.
Deposits		
Deposits are expected to increase significantly in order to refinance growth in asset book.	Deposits experienced a growth of 38%.	Deposits are the Bank's main source of funding, and are expected to demonstrate a 22% growth to sustain its financing operations.

INTERNATIONAL ECONOMIC OUTLOOK 2023

Amidst the enduring COVID-19 pandemic and the Russia-conflict, the global economy witnessed a wave of pessimism, reflected in fluctuations in both Gross Domestic Product (GDP) growth and inflation rates. Despite efforts to rebound, it continued to face challenges in 2023. Projections indicate a decline in GDP growth from 3.5% to 3.0% in 2023, with a further drop to 2.9% in 2024, primarily due to widespread adoption of contractionary macroeconomic policies.

With a steady GDP growth of 2.1% in 2023, the Unites States (US) stood out as the only country to surpass pre-pandemic growth levels. However, projections forecast a decline to 1.5% in 2024, influenced by factors such as sluggish wage growth, persistent contractionary monetary policies by the Federal Reserve, and depletion of pandemic-related savings. Meanwhile, China exhibited signs of recovery from its real estate crisis and COVID-19 lockdowns, with a projected GDP growth of 5.4%, compared to 3.0% in 2022. However, a subsequent decrease to 4.2% in 2024 is anticipated due to reduced investment, stemming from the real estate crisis. The Euro Area is affected by tightening macroeconomic policies and rising energy costs, and GDP growth is projected to decline to 0.7% in 2023 which is down 3.6 percent in 2022. However, a slight improvement to 1.2% GDP growth is predicted for 2024, sustained by a resurgence in domestic demand. In the Sub-Saharan African region, a slowdown in GDP growth to 3.3% in 2023 is expected, attributed to global economic deceleration and domestic supply challenges. However, a rebound to 4.0% is projected in 2024, despite hindrances such as violence and conflict in the African region, and climate shocks.

With regard to inflation, a global decline from 8.7% in 2022 to 6.9% in 2023 is anticipated, with a further decrease to 5.8% in 2024, primarily due to tightening monetary policies and falling commodity prices. However, potential disruptions such as export restrictions, energy price fluctuations, and climate change risks could pose challenges.

Looking ahead, uncertainties persist, with potential disruptions from events such as the Israel-Hamas conflict, Red Sea attacks, and the real estate crisis in China. Climate change remains a significant concern, with implications for African economies. Despite signs of recovery, the International Monetary Fund (IMF) warned of mediocre global growth prospects in the medium term, with the outcome of the 2024 United States election likely to influence the global economy.

MAURITIUS ECONOMIC OUTLOOK 2023

The springing up of the Mauritian economy in 2023, captured by hoisted GDP growth and a notable decline in inflation, relative to 2022, hailed from the thriving of the tourism sector, the tumbling of global commodity prices and deliberate adjustments in monetary policy by the Bank of Mauritius (BOM).

Examining GDP growth, Statistics Mauritius came forward with a revision in the GDP growth rate from 6.8% in September 2023 to 7.1% in December 2023 which stands as a sign of resilience and robustness. This growth was particularly driven by a substantial expansion of 31% in accommodation and food service activities, coupled with a surge in tourist arrivals, predominantly from Europe. Additionally, contributions from ''Construction'', "Transport and storage" and "Financial and insurance" activities bolstered economic expansion.

Inflationary pressures also moderated significantly in 2023, with headline inflation declining to 7.0% and core inflation plummeting to 5.2%. This trend was primarily driven by the Mauritian economy's openness to global trade and the impact of monetary policy adjustments implemented by Bank of Mauritius (BoM) throughout 2022. In 2023, the Key Rate remained unchanged by BOM, and stood at 4.50% per annum.

Furthermore, notable improvements were observed in key economic indicators. External debt decreased, unemployment rates dipped to 6.3% in the third quarter of 2023, and public sector debt exhibited a downward revision. Efforts outlined in the National Budget 2023/24 are anticipated to further reduce unemployment rates and support labour market dynamics sustainably.

In the realm of foreign exchange, the General Official International Reserves (GIOR) stood strong at Rs 297 billion in November 2023, providing ample coverage for imports.

With regard to the banking sector, 2023 started with the implementation by BoM of Monetary Policy Framework. Under this framework, the primary instrument for monetary policy operations is the issuance of the 7-Day BoM bill at the Key Rate of 4.50%. Additionally, banks have the option to utilise the Overnight Deposits with BoM as needed. Scrutinising the liquidity and solvency position of the Mauritian banking sector, the Capital Adequacy Ratio (CAR) was 20.3% in September 2023, as opposed to 19.0% in September 2022, indicating that banks in Mauritius are well-equipped to withstand unforeseen losses. The aggregate Liquidity Coverage Ratio (LCR) also improved to 278.9% in September, compared to 252% in September 2022, comfortably exceeding the statutory minimum of 100%. Asset quality remained stable, with the ratio of Non-performing Loans to Gross Loans at 4.7% in September 2023, slightly up from 4.4% in September 2022. Despite reasonable obstacles from macro-financial events, stress tests conducted by the BOM affirmed the resilience of the Mauritian banking sector.

Challenges for the Mauritian economy for 2024 remain in ameliorating the balance of trade, the fallout from the Red Sea attacks, the impact of the Israel-Hamas conflict, and the potential toll on the stability of the financial sector from the climate change risks, as recognised by BoM.

Sources:
- IMF
- United Nations
- OECD
- Reuters:
- Statistics Mauritius
- Bank of Mauritius

INCOME STATEMENT ANALYSIS

NET PROFIT AND OPERATING INCOME

The Bank concluded 2023 with a net profit after tax of Rs 274 million representing an increase of 90% over the previous year. The operating profit increased from Rs 117 million in 2022 to close at Rs 364 million in 2023 (representing 212% growth).

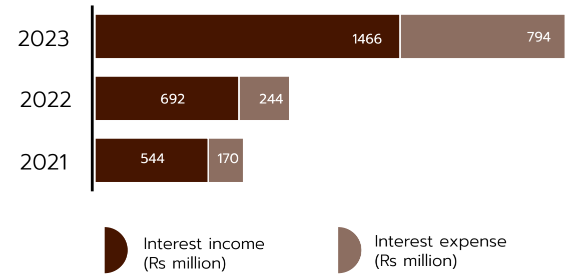
NET INTEREST INCOME

The Net Interest Income reached Rs 672 million, showing a remarkable increase of 50% compared to 2022, following:

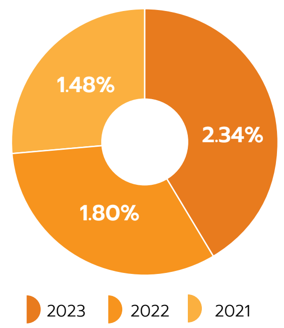
- an increase of 112% in interest income to Rs 1.5 billion, on the back of the rise in interest rates and to a lesser extent, a growth in the Bank's assets.
- a rise of 225% in interest expense to Rs 794 million, due to a higher cost of funds in the rising rate environment.

Overall, net interest income to average earning assets increased by around 54 basis points to 2.34%.

Both the ratio of net interest income to total average interest earnings and net interest income to average assets witnessed a substantial improvement of more than 50 points each, reaching 2.34% and 2.31% respectively.



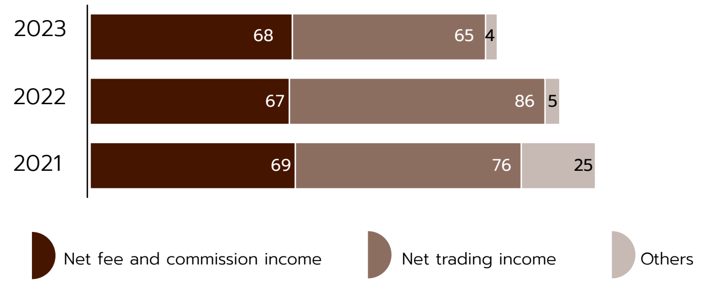
Net interest income to average earning assets



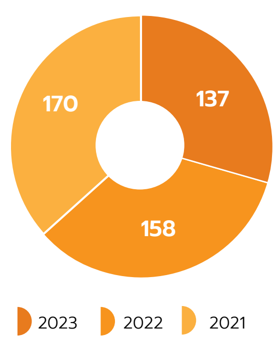
NON-INTEREST INCOME

Non-interest income, totalling Rs 137 million, experienced a 13% decline over the year. Net and fee commission income remained relatively stable at Rs 68 million. Reflecting the challenges in the foreign exchange market, net trading declined by 24% to Rs 65 million.

Breakdown of Non-interest income (in Rs million)



Total Non-interest income (in Rs million)



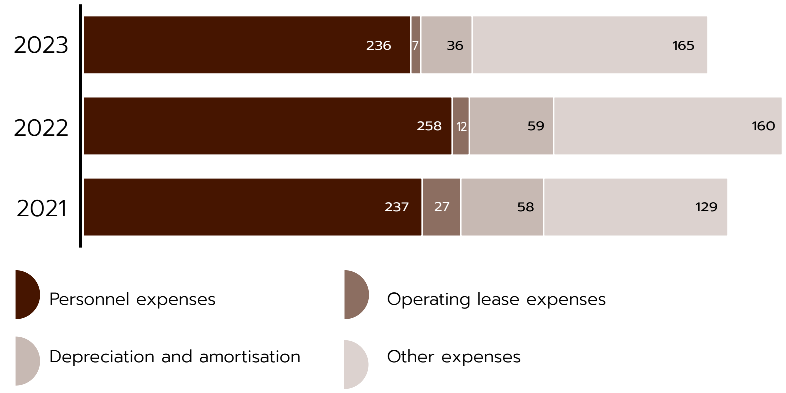
INCOME STATEMENT ANALYSIS (Continued)

OPERATING EXPENSES

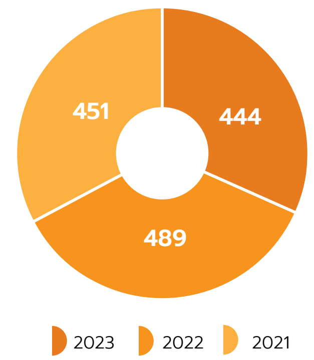
Operating expenses posted a year-on-year decrease of 9%. The main components of operating expenses are personnel expenses, and other expenses mainly linked to software and IT-related costs. Excluding the impact of the early retirement scheme deployed in 2022, staff costs experienced a growth of 8% which confirms the Bank's commitment to invest in its human capital.

The decrease in operating expenses, coupled with the increase by 34% in revenue, weighed positively on the cost to income ratio, which was drastically brought down to 55.0% in 2023 compared to 80.7% in 2022

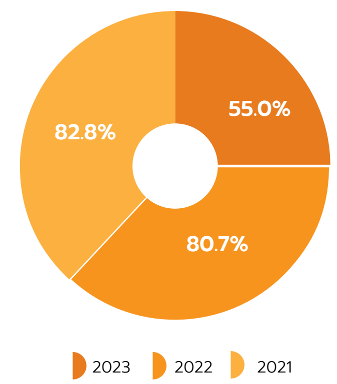
Breakdown of non-interest expenses (in Rs million)



Total non-interest expenses (in Rs million)



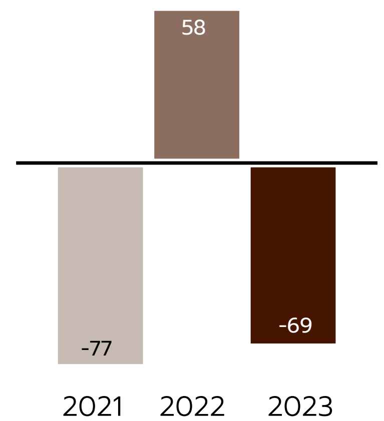
Cost to income ratio



IMPAIRMENT CHARGES

Recovery actions proved to be successful over the year, and could partially offset the additional provision made on a single large impaired exposure, which coverage ratio has now reached a satisfactory level. An overall net impairment charge of Rs 69 million was recognized in the 2023 accounts.

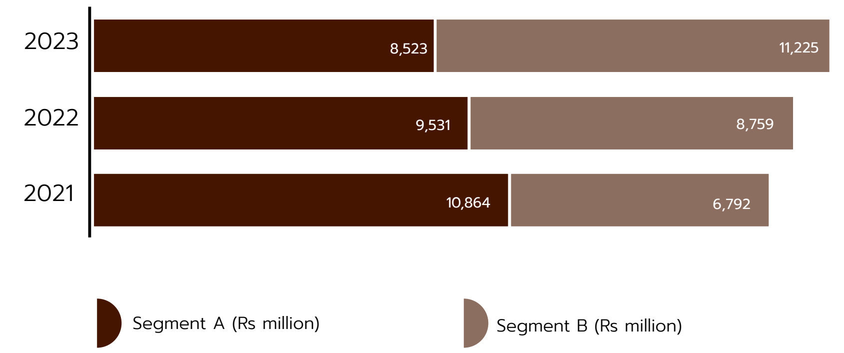
Net (impairment)/reversal on financial assets (Rs million)



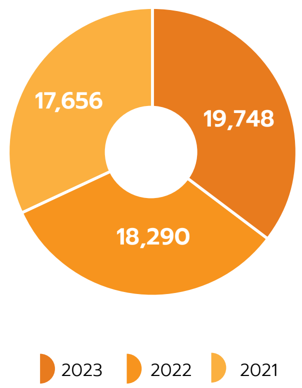
INCOME STATEMENT ANALYSIS (Continued)

LOANS AND ADVANCES (GROSS)

Gross loans and advances went up by 8%, and reached Rs 19.7 billion, mainly driven by the sustained expansion in the cross-border activities. Indeed, loans extended to entities outside Mauritius segment demonstrated a 38% growth. On the domestic market, the corporate loan portfolio remained relatively steady, while the retail segment decreased by 7%, due to a highly competitive market.

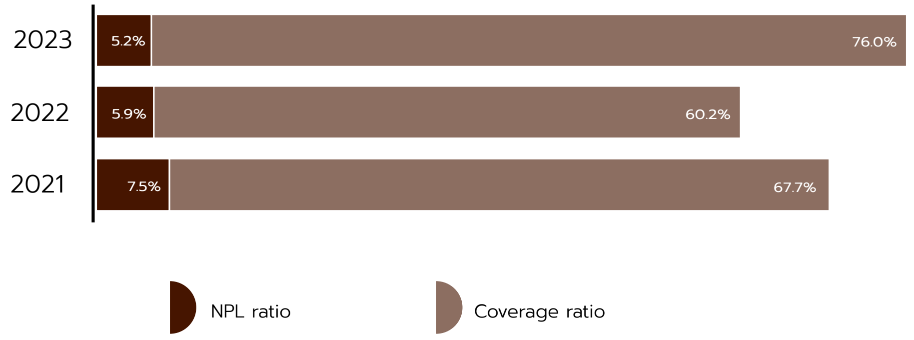


Total (Rs million)

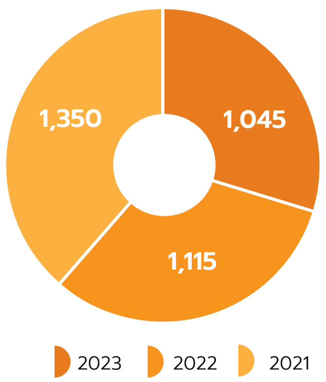


ASSET QUALITY

With regard to asset quality, the dip in impaired assets and the growth in the loan book had a combined effect on the non-performing ratio, which improved over the year, and went down to 5.2% compared to 5.9% in December 2022. The coverage ratio improved to 76.0% in December 2023 from 60.2% in December 2022. This reflects the Bank's prudent approach in credit risk management and its proactive measures to mitigate credit losses.



Impaired assets (Rs million)

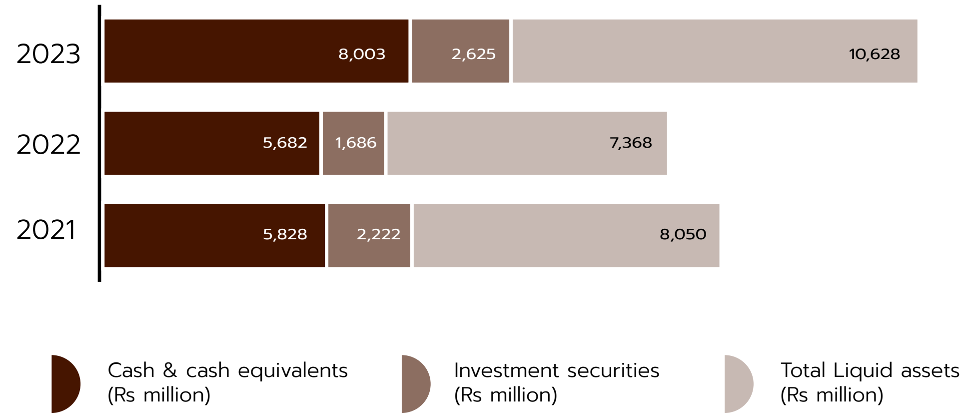


MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

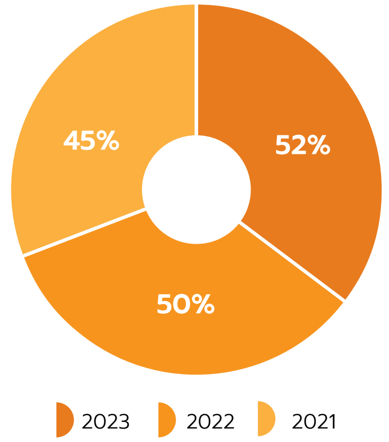
INCOME STATEMENT ANALYSIS (Continued)

LIQUID ASSETS

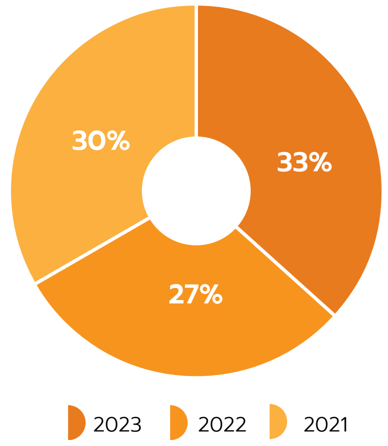
The Bank's liquid assets, comprising of cash and cash equivalents along with investment securities, reached Rs 10.6 billion as at end of December 2023, marking a notable increase of 43% compared to 2022. This upward trend underscores the Bank's steadfast commitment to maintaining a robust liquid position. Ensuring adequate cash resources to meet current and future financial obligations remains a major priority for the Bank, both in normal and stressed scenarios. The Bank's liquid assets as a percentage of its total deposits represented 52% as at end of December 2023, against 50% in the preceding year. Moreover, these liquid assets constituted 33% of the Bank's total assets as at end of December 2023, compared to the 27% reported in the previous year.



% liquid assets / Total deposits



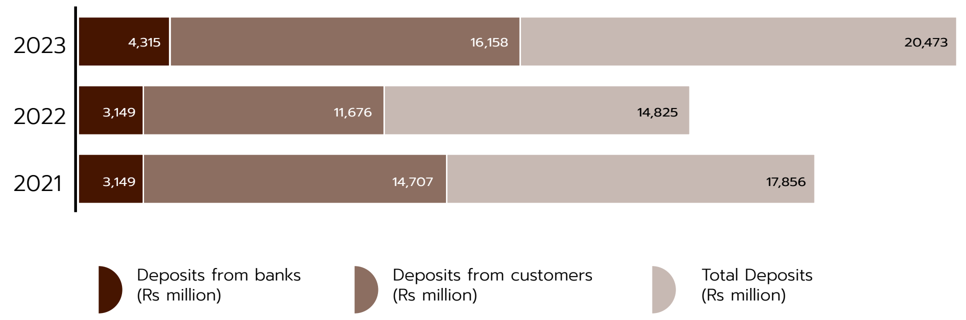
% liquid assets / Total assets



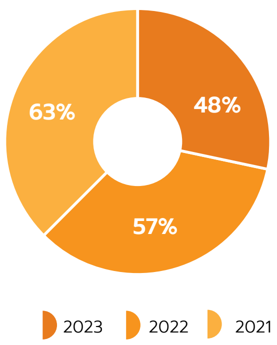
DEPOSITS

Total deposits, which are the Bank's main source of funding, surged to Rs 20.5 billion as at end of December 2023, reflecting an impressive 38% growth from December 2022. This performance was primarily supported by the global business line of business, whose contribution to the total deposit base rose to 63% against 52% last year. Despite challenging market conditions, the Bank remains committed to attract and retain deposits to support the expansion of its cross-border lending activities.

The CASA (Current Account Savings Account) ratio fell to 48% as at end of December 2023 from 57% as at end of December 2022. The Bank is actively monitoring and managing this ratio to ensure optimal balance and efficiency in its funding structure.



CASA deposits ratio



BORROWED FUNDS

The Bank's reliance on borrowed funds decreased notably, as a consequence of the significant growth in the Bank's deposits. Borrowed funds dropped by 23%, from Rs 6.9 billion as at end of December 2022 to Rs 5.3 billion as at end of December 2023. These borrowings, predominantly in foreign currency, are sourced from affiliated entities within the group, and reputable development financial institutions. These funds are directed towards bolstering the Bank's cross-border banking endeavours.

CAPITAL MANAGEMENT

In 2023, the Bank's capital base was further strengthened with the final USD 8.8 million drawdown of a subordinated debt with the parent company. The Bank closed the financial year 2023 with a respectable capital adequacy ratio of 16.16%, above the regulatory requirement of 12.50%.

BUSINESS SEGMENT REVIEW

CORPORATE & INTERNATIONAL BANKING - CIB

In a year marked by economic challenges and political instability across markets, CIB has demonstrated resilience and agility. Our division managed to grow our exposures within sectors of interest both locally and across border, showcasing the effectiveness of our tailored financial solutions and risk management strategies. The balance sheet remains robust, reflecting our commitment to maintaining a strong financial position.

The team has now a deep understanding and capacity to meet the specific financial needs of our corporate clients which is central to our success. We have continued to develop and offer innovative financial products and services, providing vanilla and exotic solutions that empower our clients to navigate the complexities of the business landscape.

As part of our objective to improve client experience, we have embarked on a journey of digital transformation. Our investment in advanced technologies will not only enhance the efficiency of our operations but should also enable us to offer our corporate clients seamless and sophisticated digital banking solutions. This commitment to innovation positions us as a trusted partner in our clients' growth journey.

For 2024. we will continue to evolve our offerings with specific focus on payments and cash management and trade finance, leveraging technology and market insights to provide unparalleled financial solutions. Our dedication to building lasting relationships and contributing to the growth of businesses will continue to remain at the core of our strategy.

BUSINESS CENTRE

Throughout the past year 2023, the resilience of Retail and SME Banking was tested, and yet, a triumphant emergence was witnessed by reinventing the business model. The strategic launch of the Unique Business Centre in Port Louis signalled a shift towards servicing premium and SME customers.

With unwavering commitment, the Business Centre focused on retaining existing customers and driving growth through innovative offers, exemplary service, and operational efficiency The year witnessed continuous progress, in the development of products, investment in talent, and the establishment of enduring engagements with customers. This success is a testament to strategic vision and the dedication of experienced staff.

Tangible results have been achieved, with a notable increase in customer numbers and measured growth in lending. Customer advocacy, reflected in referrals and positive comments, attests to satisfaction.

We focused on SME Segment, with dedicated Relationship Managers and tailor-made products providing essential support to new and medium-sized customers.

At the core of success lies the customer-centric approach embedded in processes. Diligent focus on delivering positive outcomes for customers, ensuring their understanding of products and services to make informed decisions.

The new business model from 2022 has proven to be a success.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
COMPLIANCE
COMPLIANCE FUNCTION

The Compliance function at 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, through a board approved compliance policy. The policy sets out the principles and standards for compliance as well as the management of compliance risks at the Bank and serves as a general guidance to help business and support units to fulfil their obligations and effectively manage their inherent compliance risks.

Positioned in the second line of defence, its objective is to assess, monitor and report on compliance risks covering regulatory and anti-money laundering & combatting the financing of terrorism and proliferation (AML-CFTP). The general approach adopted 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.

At BCP Bank (Mauritius), the compliance framework is based on a risk-based model to ensure that the Bank carries out its daily activities with internal and external regulatory norms and standards, while at the same time contribute in achieving the Bank's business development objectives. A compliance programme, which sets out the yearly planned compliance activities, is approved by the Board.

Core activities of the Compliance function from a holistic approach:

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
COMPLIANCE (Continued)
CODE OF CONDUCT & ETHICS

In relation to conduct and ethics, the Bank has adopted the values integrity, loyalty, professionalism, quality, confidentiality transparency and solidarity as benchmarks. These core principles and values are clearly articulated in the Bank's Code de Déontologie & Ethique, which has been drawn up in compliance with the BCP Group's philosophy and expectations as well as the local regulations in force in order to instill a culture of integrity throughout the organisation and further strengthen the relationship of trust with its customers and external partners.

The Board of Directors has direct oversight on the implementation of the Code and any breach thereof. All employees are personally accountable and are required to act in accordance with the Code. The Compliance and the Internal Audit functions are responsible to ensure that the rules mentioned in the Code are respected, by carrying out adequate assurance checks on a regular basis.

The Internal Audit Function provides independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

INDEPENDENCE OF THE INTERNAL AUDIT TEAM

In alignment to Section 40 (4) of the Mauritius Banking Act 2004, BCP Bank (Mauritius) Ltd Internal Audit's independence is secured through its direct reporting line to the Audit Committee. The Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Executive Officer. The Head of Internal Audit has access to the Chairperson of the Audit Committee and is an invitee to the Audit committee meetings.

The Internal Audit department has updated its audit charter in 2022, which has been approved by the Audit Committee and the Board of Directors. The charter mainly aims to define and establish the objective, scope, authority, responsibilities, and position of the Internal Audit function within BCP Bank (Mauritius) Ltd, in line with good governance principles. It also sets the professional and moral terms required of the auditors.

The charter guarantees the Head of Internal Audit direct, regular, and unrestricted access to the Chairperson of the Board and the Audit Committee. In addition, the Internal Audit function has access to all information, systems and people required to carry out audit assignments. In this context, no professional secrecy or reserved area can be opposed to it except for regulated sectors.

AUDIT PLAN

The Internal Audit's plan is subject to review by the BCP Group Internal Audit department in Morocco, through analysis of the risk assessment and methodology applied for the conception of the plan. The latter has a broad oversight on the local audit plan to ensure coverage of key risk areas and ensures alignment of the audit methodology across the Group in line with the industry best practices.

Thereafter, the Internal Audit plan is approved annually by the Audit Committee. The plan is conceptualised using a risk-based approach designed to add value and improve the Bank's operations and caters for variations to be more responsive to ad-hoc requests from the Board and Management.

The progress of the audit plan is reviewed on a quarterly basis by the Audit Committee. The Internal Audit findings and agreed action plans are reported to the Audit Committee. The Audit Committee is also apprised of the follow-up of recommendations as well as any other emerging matters related to the Audit department.

QUALIFICATIONS AND EXPERIENCES

The Internal audit function comprises of multi-skilled staff, having an average of over 20 years of banking experience. The audit staff hold diverse qualifications related to the banking and auditing fields.

CRO STATEMENTLL

The post COVID-19 recovery years have been unpredictable with new continuing challenges arising at international level. The Russia-Ukraine war, the Israeli-Palestino war, and the China-Taiwan conflict amongst others, all resulting in spillover geo-political consequences affecting the commodities supplies, leading to hyperinflation and higher interest rate, thereby impacting various vulnerable economies.

The African continent, primarily the Western region, has been undergoing a very unstable phase with many countries having to face 'coup d'etats'. On the domestic front, the Mauritian economy has performed relatively well during 2023. The tourism sector is back to pre-COVID-19 level, the construction and real-estate sector continue to contribute a significant portion to the country's GDP, and the sound and profitable financial sector is still luring foreign investments to the island. However, imported inflation and foreign exchange (FX) instability remain the main macroeconomic concern of the Bank of Mauritius (BoM). The BoM continues to closely monitor the situation through its regular Monetary Policy Committee (MPC) and intervenes in the market to stabilize the FX market as and when required.

Given the uncertainties prevailing, we accordingly adjusted our risk management framework to remain vigilant and resilient. The risk management framework is based on a robust and integrated approach which considers all relevant risks, including credit, market, liquidity, operational, legal, compliance and reputational risks. A risk-based approach is applied to identify the material risks and develop appropriate mitigation strategies to ensure we operate within the risk appetite as approved by the Board. The Bank's robust risk management efforts have indeed been effective and helped in having a stable asset quality portfolio despite operating within such unprecedented environment and conditions.

The perspectives for 2024 are expected to remain as uncertain as 2023 with legislative/ presidential elections happening in many critical countries. The Risk function at BCP Bank (Mauritius) will closely monitor the situation and ensure all risks are properly managed and mitigated.

Furthermore, conscious of the importance of having an advanced risk management technology to adapt to the evolving market conditions, the Bank has embarked on a journey in modernizing and improving its risk management framework and related tools. As such, during 2024, the Bank's internal rating and Expected Credit Loss (ECL) tools will be revisited and updated. The stress testing methodology and ICAAP scenarios will be further enhanced to adapt to the current market conditions.

Cyber-Security risk management will remain a top priority during the year 2024 with the Bank effecting the required investment to mitigate this increasing risk, and to align with the new BoM Guideline on Cyber and Technology Risk Management, which will be effective as from June 2024.

Climate and Environmental related risks will continue to be on our 2024 agenda as we shall expand on the current framework to factor in the climate-related financial risk in our decision-making process.

RISK GOVERNANCE STRUCTURE

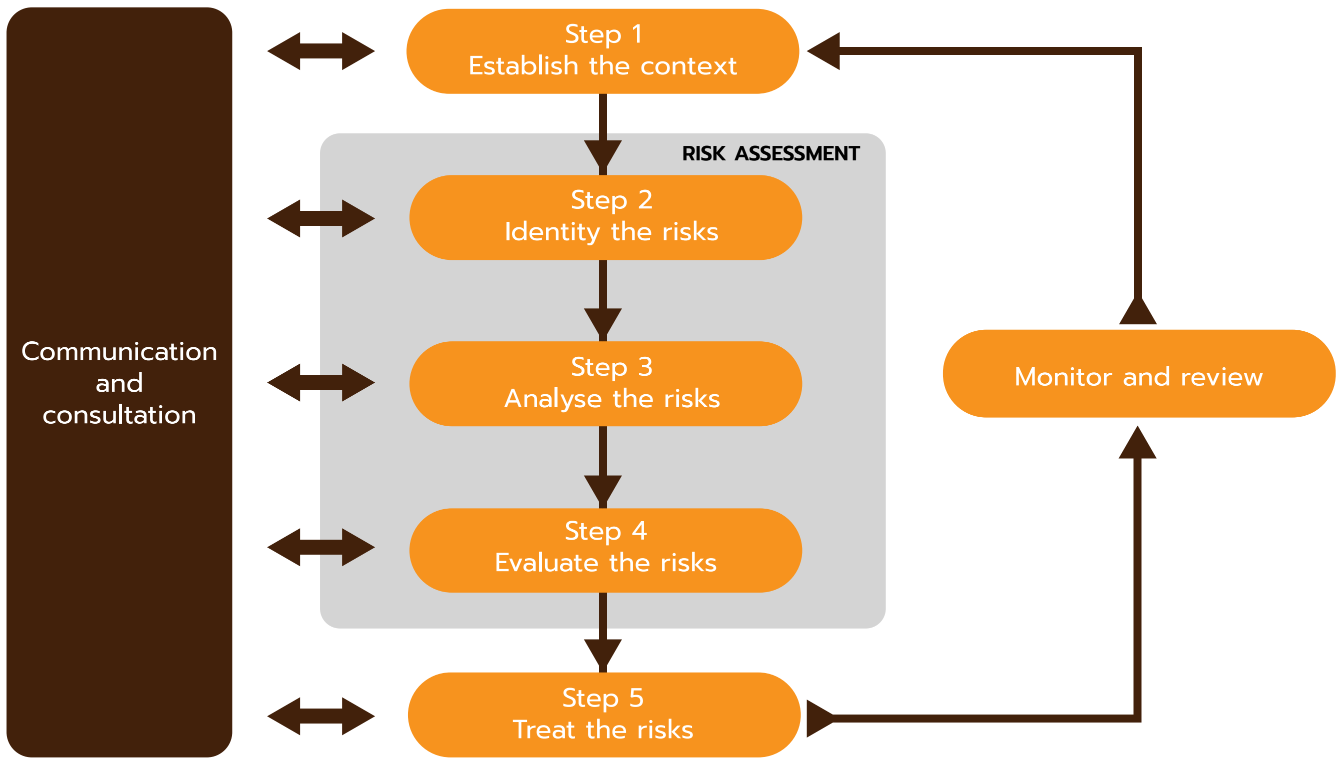
The Risk and Compliance framework and policies, as approved by the Risk Management Committee and the Board, outlines the approach to manage risk at the Bank.

Governance committees are held at both the Board and Management level which have clearly stipulated directives and delegated authorities that are reviewed regularly. The Board oversees and ensures adequate risk management across the Bank and delegates specific duties to sub committees for a scrutiny of the risk management process. The composition and function of these committees, at Board and Management level, are described in the Corporate Governance Report. The Committees with oversight on Risk management are:

At Board Level	At Management Level
• Risk Management Committee (RMC) • Audit Committee (AC) • Credit Committee (CC)	• Risk Committee (RC) • Credit Committee (CC) • Provision, Watchlist and Arrears Committee • Treasury Committee • Assets and Liability Committee (ALCO) • Compliance Committee • Organizational & Information System Committee

RISK MANAGEMENT FRAMEWORK

The Risk Management framework and policies set out the requirements for effective surveillance of risks, including the identification, assessment, measurement, monitoring, managing, and reporting of risks, and requirements for the effective management of capital.



RISK MANAGEMENT FRAMEWORK (Continued)

The risk management function adopts a consistent and integrated approach to identify and assess the potential risks arising from its banking activities. All material risks are treated, based on the Bank's strategic objectives and regular monitoring is performed based on the internal control mechanisms in line with risk policies and related procedures, and compliance to legal and regulatory requirements.

The Bank adopt the 3-lines of defence governance model, and it aims at promoting transparency, accountability and consistency through the clear identification and segregation of risks.

1

• **FIRST LINE OF DEFENCE**
- Functions that own and manage risk - Operational and Business functions

2

• **SECOND LINE OF DEFENCE**
- Functions that oversee risks - Risk, Compliance, Finance control functions

3

• **THIRD LINE OF DEFENCE**
- Internal functions that provide independent assurance - Internal Audit

Retaining a top-down approach, the Board of Directors ensures the risk appetite of the Bank is in adequation with the strategic objectives of the organisation and the projected risk appetite is cascaded to business lines that helps in the decision-taking process to promote soundness of activities.

The Board is ultimately responsible for assuring a proper identification, measurement, mitigation, monitoring, and management of risks. In addition, the Board ensures that the Bank abides to internal policies and prudential norms, regulatory and legal requirements.

The key risk types faced and managed by the Bank include:

RISKS	DESCRIPTION
Credit Risk	Credit risk, also known as counterparty risk, is the risk of default of a debt that may arise from a borrower failing to honour its contractual obligations of any financial contract. In line with all the relevant BoM Guidelines, the Bank adopts internationally proven best practices in respect to its credit risk evaluation process/approval. Despite the global uncertainties and increased credit risk, the Bank has been resilient with a very stable asset quality. Moreover, a few watchlist accounts were also successfully accompanied, cured and reclassified as Stage 1 assets.
Country Risk	Country risk, also referred to as cross-border risk is the uncertainty arising when economic, social, and political conditions and events in a particular country adversely affect counterparty's ability to fulfil its financial obligations. As part of its risk strategy and appetite, the Bank undergoes a proper country risk assessment prior to onboarding any cross-border transaction. The Bank has a pre-defined country risk assessment matrix that is used to evaluate whether the credit exposure and sources of income to service debt facilities are considered as an acceptable risk and falling within the Bank's appetite. Avoiding any concentration to specific countries, the Bank has a pre-approved country limit methodology which is mainly dependent on the sovereign external credit rating (by Moody's, S&P, Fitch) and the Bank's Tier 1.
Market Risk	Market risk is the risk that arises from movements in stock prices, interest rates, exchange rates, and commodity prices. In addition, to adherence to the regulatory norms, the Bank has set internal limits for the monitoring of market risk, based on the market environment and business objectives. Several factors, such as market volatility, product liquidity and accommodation of client business and management experiences are taken into consideration while setting the limits.
Liquidity Risk	Liquidity risk is defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a sustainable cost. Preventing any significant gap between the maturity profile of assets and liabilities, the Bank ensures that it holds a liquidity reserve composed of high-quality liquid assets whose market value and liquidity would be preserved during adverse market conditions. The Bank's liquidity risk tolerance is transposed into comprehensive risk indicators and supported by adequate limits, both internal and regulatory.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
RISK MANAGEMENT REPORT (Continued)
RISK MANAGEMENT FRAMEWORK (Continued)

RISKS	DESCRIPTION
Operational Risk	Operational risk is a key focus area for the Bank and range from potential loss resulting from inadequate or failed internal processes, people, and information systems or from external events that can disrupt the flow of business operations. In view to enhance and strengthen the Bank's capability in all areas of operational risk, the key area of focus is as follows: (a) implement an enhanced Risk Control Self-Assessment (RCSA) framework; (b) enhance the duty and responsibilities of the 'Controle Permanent' unit operating as a non-traditional middle office sitting between the second and third line of defence.
Information Risk	The risk relating to potential adverse effect on the confidentiality, availability, or integrity of information or information systems due to unauthorised access, use, modification, disclosure, destruction of digital information, or breach of information systems.
Cyber & Technology Risk	With the ever-increasing geopolitical tensions, banks are faced with a deteriorating cyber threat environment with attacks becoming more frequent and sophisticated. The Bank has taken various measures to mitigate this risk, including: • frequent cybersecurity assessments, and a secured environment with a reinforced robust access control system; • regular vulnerability assessment and pen tests exercises are carried out to identify both internal and external threats to ensure secured device configurations, up-to-date software including vulnerability patches; • Virtual private network (VPN) is used for remote access together with 2 factor authentication; and • staff training with regular awareness campaign are done to sensitize our staffs on cyber threats and attacks. The Bank is also investing in the latest applications and software to reduce the likelihood of a successful cyber-attack. Such investment will also help the Bank to align with the new BoM Guideline on Cyber and Technology Risk Management which will be effective as from June 2024.

RISKS	DESCRIPTION
Climate-related financial risks	Climate-related financial risks refer to the set of potential risks that may result from climate change that could potentially impact the safety and soundness of individual financial institutions and have broader financial stability implications for the banking system. A bank's most material climate-related risks result from its lending to customers, with the latter being unable to repay its debt due to credit-related losses incurred because of climate-related changes. During the year 2023 the Bank has successfully aligned itself to the BoM's Guideline on Climate-Related and Environmental Financial Risk. As per a detailed impact assessment effected, it was highlighted that only approximately 5.5% of the Bank's corporate portfolio was classified as customers with 'high' climate-related risks.
Compliance Risk	Compliance risk is an organization's potential exposure to legal penalties, financial forfeiture, and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. The Bank is fully compliant with prudential regulations and continues to further enhance its compliance risk management framework in line with international best practices.
Reputational Risk	BCP Bank (Mauritius) being part of the BCP pan-African Group has the responsibility to preserve the Group's established market reputation. As such, the Bank ensures that proper and extensive due diligence is carried out prior to being involved in any activity, event, or transaction. The Bank has not been involved or hit in by any adverse events during the year 2023.

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, Groupe Banque Centrale Populaire.

The Bank's risk policy, as approved by the Risk Management Committee and the Board of Directors 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, by Group 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; and
- The market risk (liquidity, currency, and interest rate risk).

A. CREDIT RISK

Credit risk also known as counterparty risk, is the risk of default of a debt that may arise from a borrower failing to honour their contractual obligations of any financial contract. Concentration risk, which is also a component of credit risk, is described as the level of risk in a Bank's portfolio arising from concentration to a single counterparty, group, sector, or country. The major capital requirement arises from credit exposures and banks are required to maintain sufficient capital to remain within regulatory norms.

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 collaterals. The facilities should match the customers' credit worthiness, financial 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 with regards to 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.

CREDIT RISK MANAGEMENT PROCESS

Effective management of credit risk requires the establishment of an appropriate credit risk process in line with the Bank's risk appetite and in compliance with Bank of Mauritius guidelines.

CREDIT ORIGINATION

Credit origination is undertaken by the relationship managers in the front-office. Credit origination involves operational evaluation of the credit request, with details on the deal and rationale for financing, details on clients' background, competitor, environment, client financials, products base, 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 or 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
RISK MANAGEMENT REPORT (Continued)
A. CREDIT RISK (Continued)

CREDIT RISK CONTROL AND MONITORING

The role of the Risk Control and Monitoring functions, independent from the credit risk evaluation process include the following:

- monitor credit risk (review of warning signals, impairment, unauthorised overdraft, financial difficulties, watchlist monitoring);
- monitor compliance with risk policy and the regulatory guidelines;
- monitor compliance with limits approved as well as with the terms and conditions of approval;
- monitor on-going compliance, after the disbursement of funds.

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.

In addition, with regards to its cross-border exposure and to comply with the Guideline on Cross Border Exposure, the Bank ensures that a set of additional minimum standards are adhered to, to mitigate the main cross-border risks.

IMPAIRMENT AND PROVISIONING

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

- Performing loans are loans that are neither past due nor specifically impaired, 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 Bank have 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 discounted 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 committees relating to impairment and provisioning are the Arrears and Provisioning Committee. The committees review 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

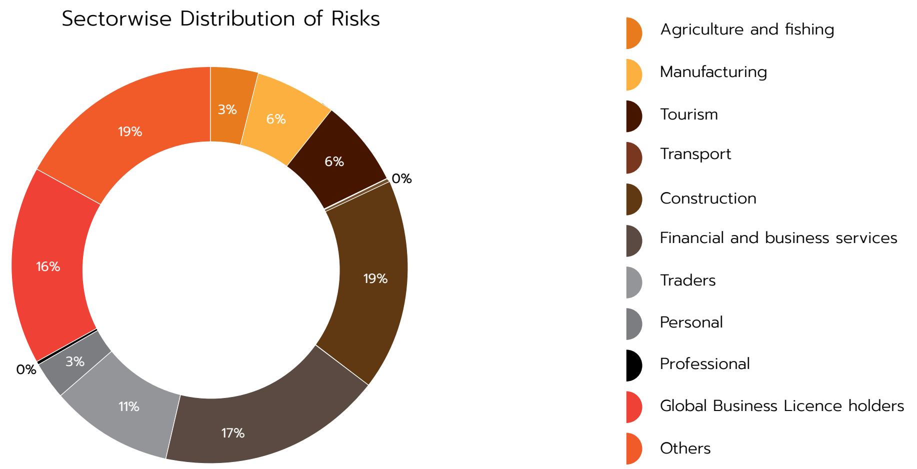
The Bank maintains a portfolio of credit risk that is adequately diversified and avoids unnecessarily excessive concentration risks. Diversification is achieved through setting maximum exposure guidelines to individual counterparties, group, sectors, and countries.

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

As at 31 December 2023, the aggregate concentration ratio of large exposures above 10% of the Bank's Tier 1 Capital was at 555%, well within the regulatory limit as shown below:

Regulatory Concentration Limit	As at 31 December 2023
Credit exposure (in MUR) to any single customer shall not exceed 25% of the Bank's Tier 1 capital base.	Highest single customer (MUR): Nil
Credit exposure (in FCY) to any single customer shall not exceed 50% of the Bank's Tier 1 capital base.	Highest single customer (FCY): 30%
Credit exposure (in MUR) to any group of connected counterparties customer shall not exceed 40% of the Bank's Tier 1 capital base.	Highest group of closely related customers (MUR): 20%
Credit exposure (in FCY) to any group of connected counterparties customer shall not exceed 75% of the Bank's Tier 1 capital base.	Highest group of closely related customers (FCY): 33%
Aggregate large credit exposures to all customers and group of connected counterparties shall not exceed 800% (MUR) or 1200% (FCY) of the Bank's Tier 1 Capital base.	Aggregate large credit exposures (MUR): 83% Aggregate large credit exposures (FCY): 472%

The sector-wise distribution of credit of the Bank as at 31 December 2023 is as per shown below:

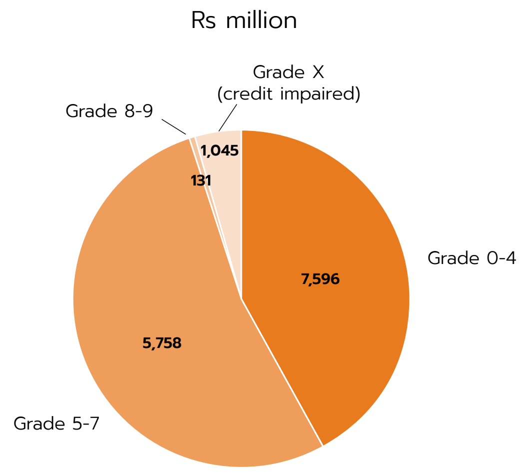


CREDIT QUALITY

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

For corporate customers (domestic and international customers), the Bank uses a scorecard-based risk rating tool. The model uses both qualitative and quantitative information to rate counterparties, whereby the rating scale ranges between 0 to 9. The lowest risk is rated 0 and highest risk 9, while all credit impaired counterparties are rated X.

The Bank's loan portfolio as of 31 December 2023 can be demonstrated herewith in terms of their ratings.



CREDIT RISK MITIGATION

Collateral, guarantees, derivatives, on-balance sheet 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 the credit risk mitigation used, all decisions are based upon the customer or counterparty's credit profile, cash flow performance, ability to repay and collaterals.

The main types of collateral taken are:

- fixed charge over residential, commercial and industrial properties;
- floating charge over plant and equipment and other assets;
- guarantee and pledge over financial instruments such as debt securities, equities, and banks deposits;
- Insurance cover from insurance companies with investment grade; and
- corporate guarantee/cross guarantee.

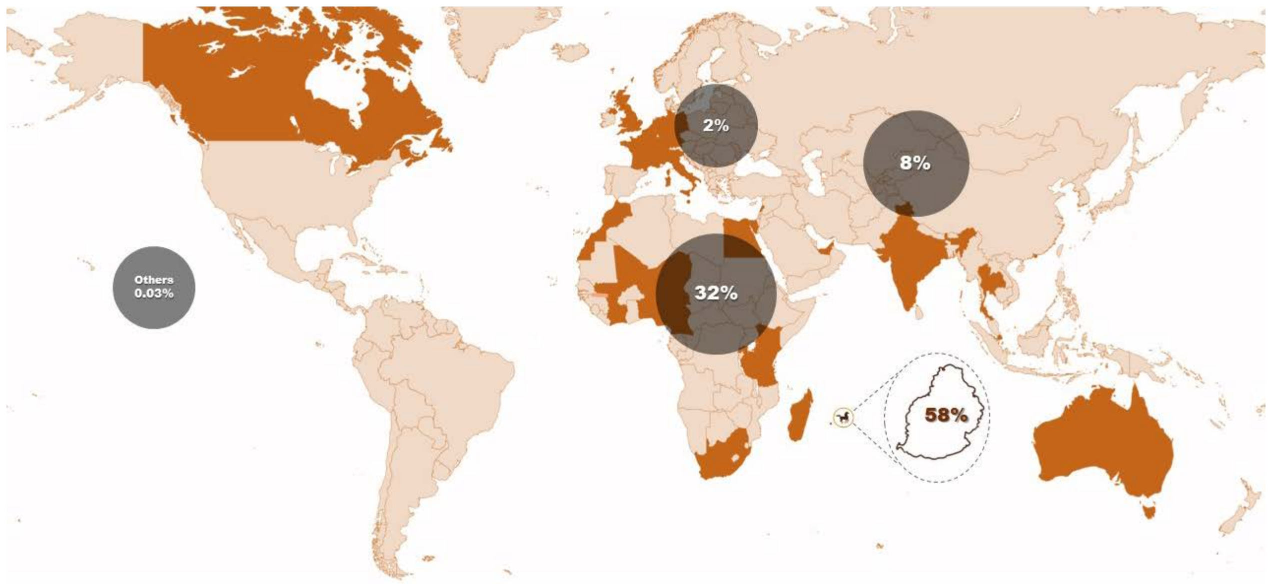
B. COUNTRY RISK

Country risk refers to the uncertainty arising when economic, social, and political conditions and events in a particular country adversely affect counterparties or a financial institution's ability to fulfil its financial obligations. The Bank determines the capital requirement for country risk by taking into consideration the country risk grading and assigning a risk weightage depending on the maturities of the financial contracts as per the Guideline on Standardised Approach to Credit Risk.

The Risk Management Committee and the Board approve the limits for country exposure which have been set at Bank in consultation with the BCP Group and these limits are reviewed annually. The Bank monitors the country risk events such as the downgrading of the credit risk grading of the sovereign impacted political and social factors, deterioration of economic indicators and currency depreciation. In addition, the Bank ensures that the exposures to these countries are regularly monitored and in case of any adverse event, the limits are reviewed, capped, or put on hold as required.

All countries to which the Banque Centrale Populaire (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 Bank'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 Bank's credit rating models, with credit loan conditions and covenants linked to country risk events.

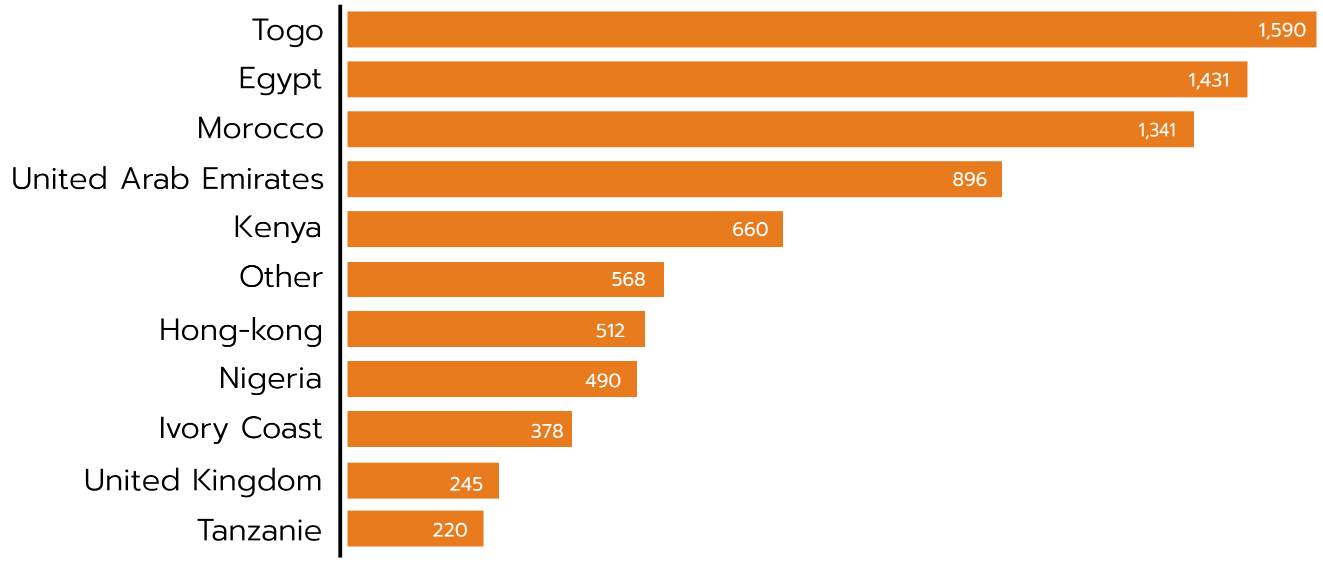
The map below illustrates the countries whereby the Bank currently hold exposures as of 31 December 2023 and the concentration of exposure by region.



B. COUNTRY RISK (Continued)

The distribution of exposures by country other than Mauritius is illustrated below as of 31 December 2023.

Countrywise distribution of risk (Rs million)



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 after obtaining an appropriate legal advice/opinion from a reputable legal counsel in the relevant jurisdiction.

C. MARKET RISK

Market risk is the risk that arises from movements in stock prices, interest rates, exchange rates, and commodity prices. In essence, market risk is the risk arising from changes in the markets to which an organization has exposure. Market risk is rated based upon, but not limited to, an assessment of the following evaluation factors:

- The sensitivity of the financial institution's earnings or the economic value of its capital to adverse changes in interest rates, foreign exchanges rates, commodity prices, or equity prices.
- The ability of management to identify, measure, monitor, and control exposure to market risk given the institution's size, complexity, and risk profile;
- The nature and complexity of interest rate risk exposure arising from non-trading positions; and
- Where appropriate, the nature and complexity of market risk exposure arising from trading and foreign operations.

The most common types of market risk include interest rate risk, equity risk, commodity risk, and currency risk. The Bank's key market risks are:

- foreign currency risk; and
- interest rate risk in the banking book.

The Governance committees overseeing market risk are the Risk Management 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.

In addition to adherence to the regulatory norms, the Bank has set internal limits for the monitoring of market risk, based on the market environment and business objectives. Several factors, such as market volatility, product liquidity and accommodation of client business and management experiences are taken into consideration while setting the limits.

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
- FX Exposure limit - FX exposure is monitored daily in line with the Bank of Mauritius guideline and the daily reporting requirement.

C. MARKET RISK (Continued)

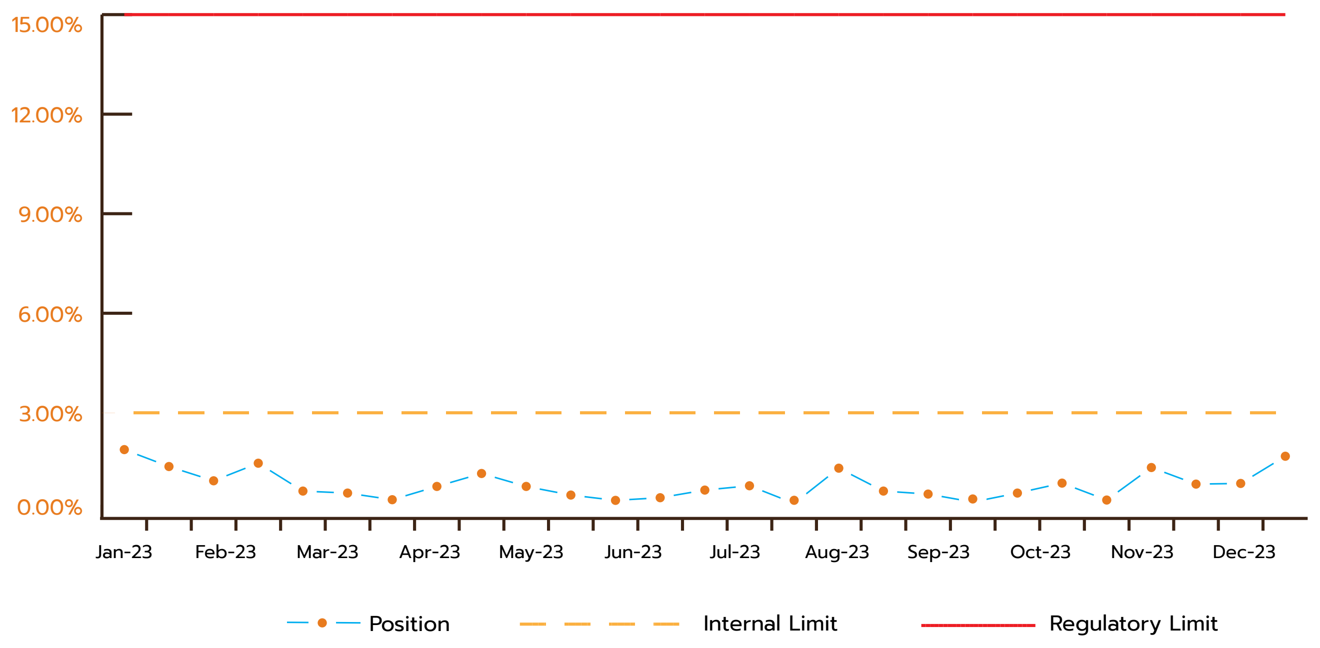
FOREIGN CURRENCY RISK

The currency risk is managed according to existing regulations and guidelines of the regulators. It considers naturally offsetting risk positions and manages the residual risk through limit setting. The Bank holds 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.

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 Bank does 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.

FX Exposure - Regulatory Limit (%)



The Bank's net open position, either overbought/oversold, against the Rupee has not exceeded the 15% of Tier I capital regulatory limit, throughout the financial year ended 31 December 2023, in compliance with the Bank of Mauritius requirement.

C. MARKET RISK (Continued)

INTEREST RATE RISK

Interest rate risk is the risk that has an impact on net interest income that arises 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 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 (ALM).

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
RISK MANAGEMENT REPORT (Continued)

D. LIQUIDITY RISK

Liquidity risk is defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a sustainable cost. Banks manage their liquidity risk through effective Asset Liability Management.

Liquidity reflects the capacity of a Bank to deploy cash, convert assets into cash, or secure funds in a timely manner to meet obligations as they come due without incurring undue losses. A Bank transforms short term deposits into long term loans which makes it inherently vulnerable to liquidity risk. This vulnerability can extend beyond the Bank and affect the market. Effective liquidity risk management protects the Bank and the system from disruptive effects of liquidity shortfall. Liquidity shortfall at one institution can have system-wide repercussions.

The Bank's funding strategy is to prevent any significant gap between the maturity profile of assets and liabilities and ensures that it holds a liquidity reserve composed of high-quality liquid securities whose market value and liquidity would be preserved during adverse market conditions. The Bank's liquidity risk tolerance is transposed into comprehensive risk indicators and supported by adequate limits. The main indicators are the liquidity gap and the liquidity ratios, which are calculated under stress scenarios.

The Bank manages liquidity in accordance with the regulatory norms and within its risk appetite. The liquidity risk management governance framework supports the measurement and management of liquidity across the Bank to ensure that payment obligations can be met, under both normal and stressed conditions. Liquidity risk management ensures that the Bank has the appropriate amount, diversification and tenor of funding and liquidity to always support its asset base.

The Board Committee, the Risk Management Committee, the Assets & Liabilities Management Committee and the Treasury Committee oversee the liquidity positions and ensure that the resulting liquidity risk that the Bank is exposed to is managed efficiently with the internal limits set and regulatory guidelines issued by the Bank of Mauritius.

As per principles outlined in the Bank's liquidity risk policy, the following approach is adopted to manage the liquidity risk:

TACTICAL (SHORT-TERM) LIQUIDITY RISK MANAGEMENT

- Managing intraday liquidity positions and daily cash flow requirements;
- Monitoring adherence to prudential and internal requirements;
- 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.

CONTINGENCY LIQUIDITY RISK MANAGEMENT

- Monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans;
- Undertaking regular liquidity stress testing;
- 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, to highlight potential risks within 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.

FUNDING STRATEGY

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

A Contingency Funding Plan (CFP) is, at its core, a liquidity crisis management instrument. The document is prepared as a directive for a future emergency and as a response plan and potential forecast of how a distant liquidity event may unfold.

The CFP's value lies in its utility both as a crisis management document and as a regular deep dive into the Bank's liquidity profile. As an assessment tool, the contingency planning process provides additional insight into the Bank's liquidity strengths and weaknesses beyond the Bank's normal reporting activities. In this role, the CFP serves as a comprehensive evaluation, which complements ongoing asset/liability monitoring. This endeavour can provide new risk mitigation knowledge that management can use to protect the Bank both in an emergency and in the day-to-day competitive arena.

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
RISK MANAGEMENT REPORT (Continued)
D. LIQUIDITY RISK (Continued)

LIQUIDITY COVERAGE RATIO

In line with Basel III principles, the Bank of Mauritius introduced in 2017 the Liquidity Coverage Ratio ("LCR") requirements for banks through the Guideline on Liquidity Risk Management. The objective of the LCR is to ensure that banks maintain an adequate stock of unencumbered high quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30-calendar daytime period, under a severe liquidity stress scenario.

$$\frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days)}} \geq 100\%$$

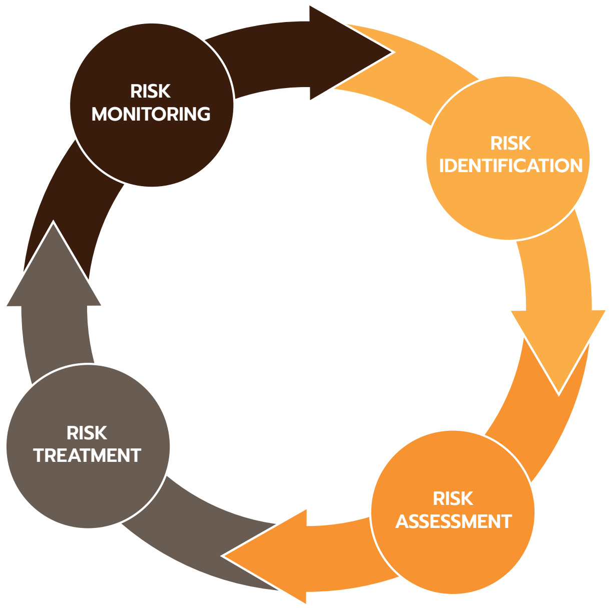
As per regulatory requirements, the Bank reports the LCR status to the Bank of Mauritius on a fortnightly basis and publishes the LCR on a quarterly basis. The Bank's consolidated LCR position as at December 2023 stands at 433%, which is comfortably above the 100% regulatory limit requirement.

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 based on diversification and liquidity.

Operational risk, as defined by the Basel Committee on Banking Supervision (BCBS), is "the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk but excludes strategic and reputational risks."

The Bank's operational risk management approach is governed by the regulatory norms as guided by the Bank of Mauritius Guideline on Operational Risk Management and Capital Adequacy Determination through a systematic and continuous identification and evaluation of risks as they pertain to the Bank, followed by action risk strategies such as: terminate, transfer, accept or mitigate each risk. The following diagram illustrates the overall risk management process:



The risk reporting is based on this approach and with a view to maintaining sound operations. The primary governance committees overseeing operational risk, including the various subtypes, are:

- Risk Management Committee (Board Committee);
- Audit Committee (Board Committee);
- Risk Committee;
- Compliance Committee.

INCIDENT REPORTING

The Bank has in place an Operational Risk tool, namely 'eFront', provided by the Group where all operational risk losses related to operational errors and internal control breaches, including 'near misses' are recorded. The gathering and examination of the Bank's own loss data provides management with essential information and serves as the foundation for operational risk management.

The platform is a crucial component of the Operational Risk framework and serves as a radar for capturing occurrences related to operational risk events. It is accessible to designated members across the Bank who carry the responsibility to promptly report and escalate any operational risk incident following occurrence within their business line.

OPERATIONAL RISK CAPITAL CHARGE

The Bank 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 measured by applying 15% to the average of positive annual gross income over the previous three years.

BUSINESS CONTINUITY MANAGEMENT AND RESILIENCE

Business Continuity Management (BCM) is a framework for identifying an organisation's risk of exposure to internal and external threats. The goal of BCM is to provide the Bank with the ability to respond effectively to threats such as natural disasters or data breaches and protect the business interests of the organisation. BCM includes disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning.

The Bank's business continuity management system emphasises the importance of:

- Understanding continuity and preparedness needs, as well as the necessity for establishing business continuity management policy and objectives;
- Implementing and operating controls and measures for managing an organisation's overall continuity risks;
- Monitoring and reviewing the performance and effectiveness of the business continuity management system; and
- Continual improvement based on objective measurements.

The Bank's BCM framework forms an integral part of the BCM policy that clearly defines the roles and responsibilities of each member involved in the BCM Plan and the framework is governed and controlled by the Risk Management department. There is a dedicated Crisis Management Committee in place that is constituted of key members of Senior Management during a crisis.

Check and controls have been diligently implemented to ensure the following:

- Readiness of the infrastructure and other services for employees working from home;
- Systems can be managed remotely without the physical presence of IT employees (Operations, Support etc.);
- Setup of sufficient IT support for remotely working employees and review the number of application licenses that ensure enhanced secured remote access; and
- Diligent checks and controls to ensure the above, the readiness of infrastructure, safeguard all its activities, clients, and the organisation.

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.

F. CYBER & TECHNOLOGY RISK

With the ever-increasing geopolitical tensions, banks are faced with a deteriorating cyber threat environment with attacks becoming more frequent and sophisticated. The Bank have taken various measures to mitigate this risk, including frequent cybersecurity assessments, vulnerability testing and staff training.

The Bank has ensured a secured environment with a reinforced robust access control system. Regular vulnerability assessment and pen tests 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. Virtual private network (VPN) is 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 is also investing in the latest applications and software to reduce the likelihood of a successful cyber-attack. Such investment will also help the Bank to align with the new BoM Guideline on Cyber and Technology Risk Management which will be effective as from June 2024.

G. CLIMATE-RELATED AND ENVIRONMENTAL FINANCIAL RISK

Environmental risks are the risks posed by the exposure of institutions to counterparties that may be negatively affected by environmental factors, including factors resulting from climate change and factors resulting from other environmental degradation. There are multiple drivers of environmental risk such as climate change, air pollution, water pollution, scarcity of freshwater, land contamination, biodiversity loss and deforestation. Of these environmental risk drivers, climate change stands out due to its wider impact and ability to exacerbate other environmental risk drivers at a global level. Climate risk is one of the prominent environmental risks.

As a lending institution, BCP Bank (Mauritius) faces climate risks on a twofold basis:

- Climate risks from the Bank's own business operations
- Accelerated conventional risks (i.e., credit, market, operational, liquidity etc.) due to climate risks faced by the Bank's customers

BCP Group proactively implemented an Environmental and Social (E&S) Responsibility Framework in 2012 and in 2016. The BCP Group also launched its first green products and further consolidated its pledge by defining 15 strategic commitments covering four main areas, namely:

(1) demonstrating ethics in its day-to-day activities;
(2) committing to socio-economic development;
(3) acting against climate change; and
(4) acting as a responsible employer.

BCP Bank (Mauritius) has always been a responsible corporate citizen through its focus on diverse environmental, social and governance initiatives. The Bank's ESG policy highlights its commitment to sustainable business practices and making a positive impact on society. Moving forward to the financial year under review, triggered by the Bank of Mauritius Guideline on Climate-related and Environmental Financial Risk Management, BCP Bank (Mauritius) has embarked on a journey to embed climate-related and environmental financial risks in the Bank's strategy, risk management, governance and is also considering implementing ESG metrics as part of the Bank's performance monitoring. The Bank is accompanied by an external consultant on this project and much progress has already been made including the following:

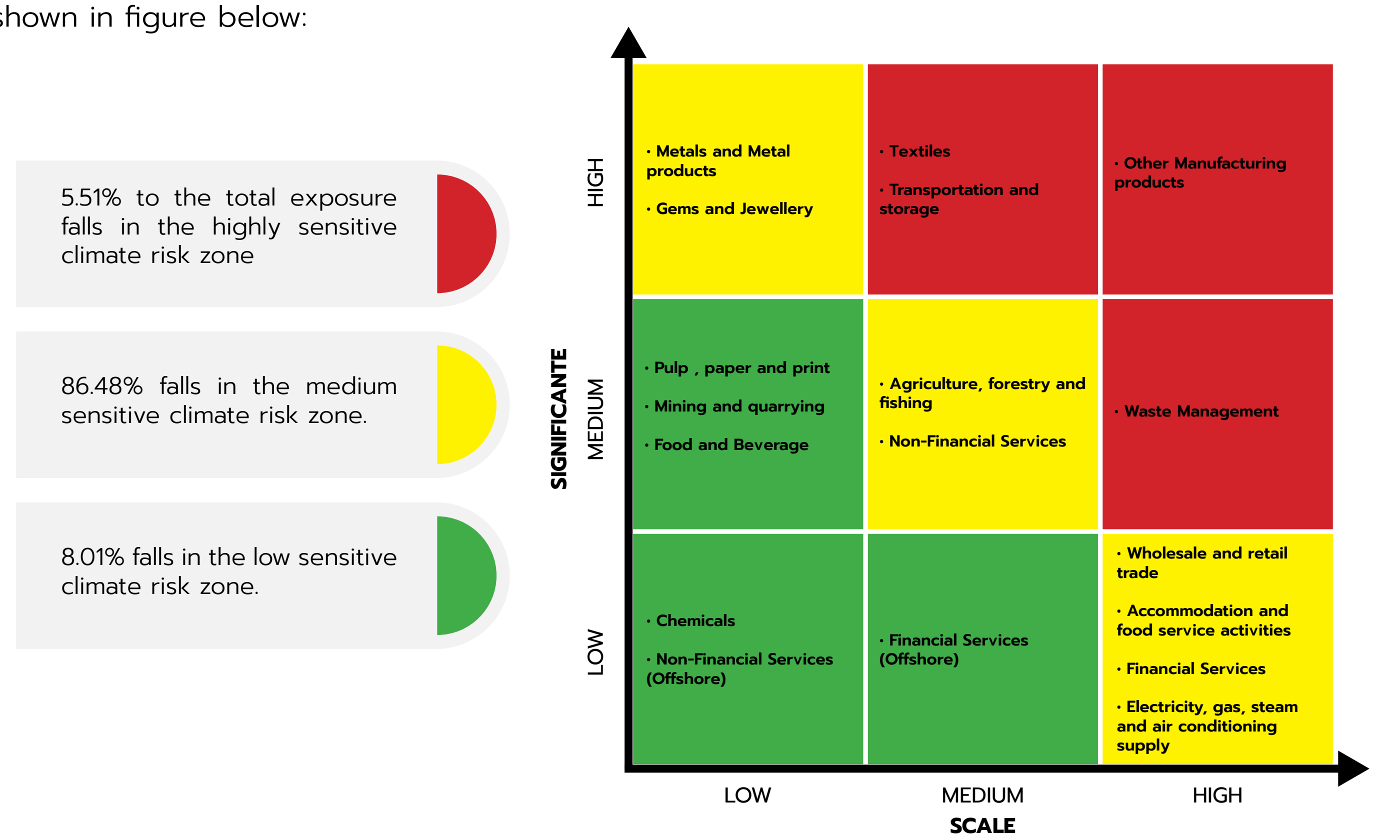
- **Governance:** The Bank is implementing climate governance practices and is incorporating E&S roles & responsibilities at all levels from Board, Board sub-committees, Management and Support, and Business functions.
- **Strategy:** The Bank has identified areas of climate risks and opportunities which will be incorporated in strategy going forward; refer to below sensitivity analysis.
- **Risk Management:** The Bank has done a sensitivity analysis and climate scenario analysis of its corporate lending book, the latter being material to the Bank. This allowed the Bank to understand the financial implications of climate change on the business. Accordingly, to ensure that climate related risks are effectively managed, the Bank is implementing a Climate Risk Management Policy.
- **Metrics and Targets:** The Bank is putting in place processes to track and report on relevant sustainability related KPIs.

RESULTS OF THE SENSITIVITY ANALYSIS

The sensitivity analysis conducted on the corporate book of BCP Bank (Mauritius) is based on significance and scale to evaluate the climate sensitivity of the Bank to sectors where it has exposure.

- Significance is defined as a combination of the sector wise GHG emissions and transition risk as well as the sector wise credit risk.
- Scale is defined as the materiality of the exposure towards the sector in terms of credit exposure size and exposure weighted tenor.

Based on the significance and scale of each sector where BCP Bank (Mauritius) has exposure, the climate risk sensitivity score for each sector and the overall portfolio has been assigned as shown in figure below:



As at date, only 5.51% of the total exposure of BCP Bank (Mauritius) falls in the highly sensitive climate risk zone, 86.48% falls in the medium sensitive climate risk zone and 8.01% falls in the low sensitive climate risk zone.

H. CAPITAL MANAGEMENT

The Bank's fundamental objective as regards to capital management is to ensure that the Bank maintains an acceptable level of capital resources for effective business operations and sustainable business development.

The Risk Management function is designed to ensure that the Bank remains within regulatory requirements and that the Bank is capitalised in line with the BCP Group's target ratios and regulations, as approved by the Board; the 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 (CAR) set by Bank of Mauritius for banks presently stands at 10% of risk weighted assets plus a capital conservation buffer of 2.50%. 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, revised June 2021, (Superseding the 2008 Guidelines on Eligible Capital & Basel II), is effective as from 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;
- 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.

Overall, the Bank is committed to comply with the stipulated thresholds, including capital limits and buffers that will be phased-in the forthcoming years as per the transitional arrangements defined by the Central Bank.

BASEL III

Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in November 2010 in response to the financial crisis of 2007–2008. Basel III accord has been introduced in order to improve the Banks' ability to handle shocks in financial stress and thus be more resilient and in order to promote stability in the international financial system. The measures aim to strengthen the regulation, supervision and risk management of banks globally.

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.

OBJECTIVES OF BASEL III

The main objectives of Basel III rules are to ensure that banks hold sufficient capital, maintain healthy leverage and liquidity ratios, and build up countercyclical buffers.

Increased quality, quantity, and consistency of capital	Increased focus on Common Equity Tier (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; and
	Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	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 qualifying other assets. The ratio is calculated as Tier 1 qualifying capital/ on and off-balance sheet exposures, as defined by the Basel Committee on Banking Supervision (BCBS), and to measure against the BoM prescribed minimum ratio.

CAPITAL STRUCTURE

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

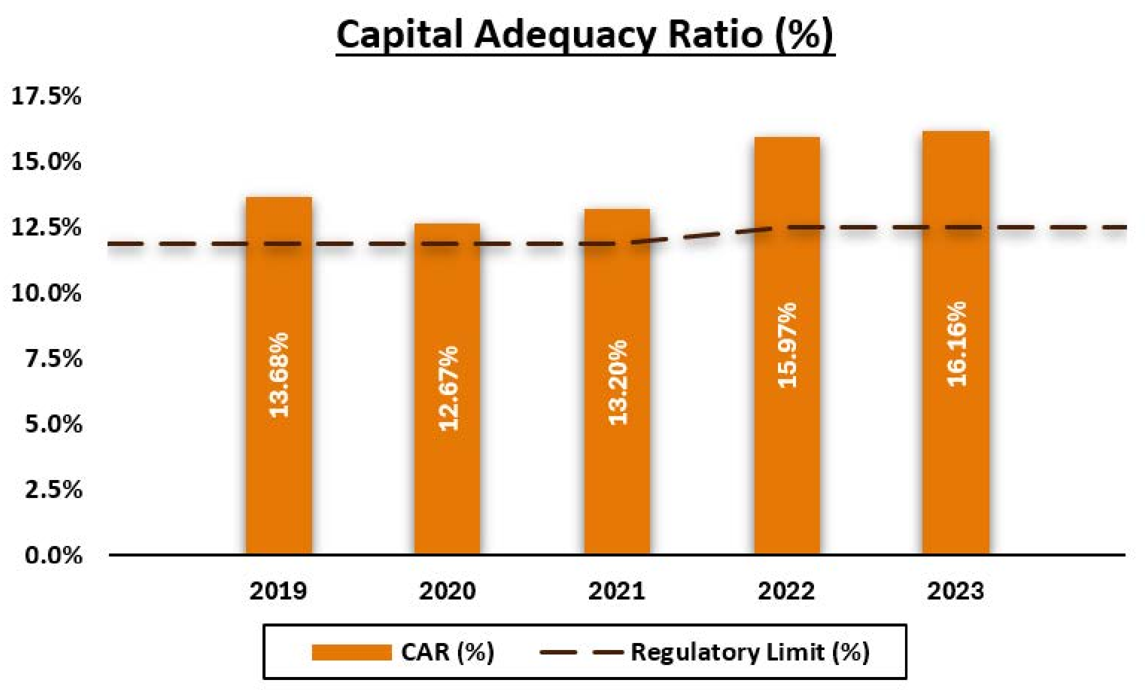
- CET I: Ordinary share capital, share premium and retained earnings divided by total risk-weighted assets;
- Tier I: CET I plus perpetual non-cumulative instruments with principal loss absorption features issued under the Basel III rules divided by total risk-weighted assets. Perpetual non-cumulative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

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 of date:

- 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 12.50% as from 1st April 2022 per Bank of Mauritius.

The Bank's Capital Adequacy Ratio stood at 16.16% as at 31 December 2023, against the applicable regulatory minimum requirement of 12.50%.



SUPERVISORY REVIEW PROCESS - INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Bank is guided by its ICAAP which includes the assessment of capital adequacy concerning the risk profile, the business environment, growth, and strategic plans for the forthcoming years. Furthermore, the results of the assessment are used as an input to the capital contingency plan and capital plan and for the formulation of its risk appetite.

The overall purpose of the ICAAP document is to inform the Board of the ongoing assessment of the risks the Bank faces and how they intend to mitigate those risks along with how much capital is needed both now and, in the future, having considered all mitigating factors. It contains an informative description of the methodology and procedures that the Bank uses to assess and mitigate its risks and to make sure that adequate capital is maintained 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 to 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. 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 annually to ensure that the Bank remains well capitalised after considering all material risks.

Stress tests represent an important tool for exploring potential vulnerabilities to exceptional but plausible events and therefore forms an integral part of the ICAAP. The ICAAP exercise takes into account the assessment of Pillar 1 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 carried out over a three-year horizon 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 key objective of the stress-testing framework is to ensure that the organisation adopts a consistent and integrated approach to risk identification, mitigation and management.

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 shares 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.

The concept of adequacy covers both an honest and efficient operation of the ICAAP and a sound conceptual approach, including the timeliness, the relevance, and the reasonableness of the methodological underpinnings.

01

02
CORPORATE GOVERNANCE REPORT

03

04

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 Gouvernance 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, as set out in the 'Charte de Gouvernance et d'Entreprise et Regles de Bonne Conduite' which has been duly approved by the Board. 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 Governance Framework is as follows:

- Board of Directors

- Board committees, namely:

  - Audit Committee;
  - Risk Management Committee;
  - Corporate Governance Committee;
  - Remuneration and Nomination Committee; and
  - Credit 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 Bank's strategic direction. It ensures that strategy is aligned with the Bank'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 Bank and is accountable to shareholder for financial and operational performance. An annual meeting of shareholder is held every year to that effect.

In line with banking regulations, the Board decides on the Bank'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 is carried out annually. The 2023 assessment is being carried out and will be presented in the Corporate Governance Committee scheduled in March 2024.

The Board's terms of reference are set out in a written charter, the Charte de Gouvernance d'Entreprise et Règles de Bonne Conduite (hereinafter referred to as 'the Board Charter'), as approved by the Board. The Board charter is reviewed as and when required and complies with the provisions of the Guideline on Corporate Governance, the Companies Act 2001, the Banking Act 2004, the Bank's Constitution, and 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 Bank'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 the Annual General Meeting; and
- approve significant acquisitions, mergers, takeovers, divestments of operating companies, equity investments and new strategic alliances.
- 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;

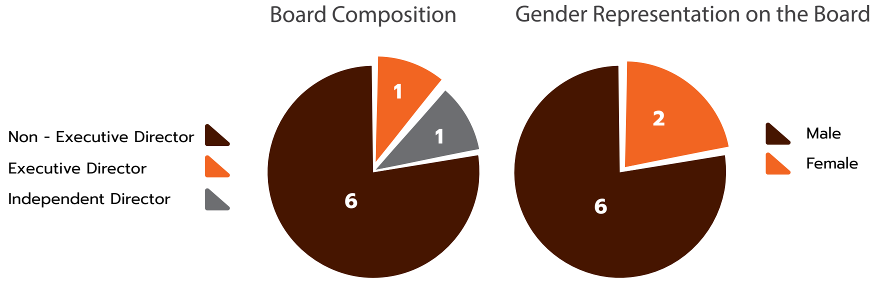
- review and approve all credit facility with related parties; and
- ensure that transactions which could materially affect the financial stability of the Bank are identified at source and review all related party transactions when said dealings are above 2% of Tier 1 Capital.

Board meetings allow sufficient time for consideration of all items. Care is taken to ensure that the Board attends to matters critical to the Bank'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 information, training and development. In this respect, the 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 ensure 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 challenge 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 to the Board of Directors. All directors have access to the services and advice of the Company Secretary, whose role is defined in the Companies Act 2001.

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.

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. The Board has, through its Risk Management Committee, approved a comprehensive information security policy (Charte de Securité des Systèmes d'Informations), an information policy and an information technology policy.

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 and key audit matters, 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 Bank'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;
- monitor compliance with the Companies Act 2001, Banking Act 2004 and all other applicable legislations and guidelines;
- overseeing the Bank's financial reporting process and risks ensuring the integrity thereof and satisfying itself that significant judgement made by management are sound; and
- managing the level and nature of non-audit services, if any, provided by the External Auditors.

The Audit Committee is comprised of 3 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 Auditors, 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

The present External Auditors were initially appointed upon the recommendation of the Audit Committee by the Board in February 2021 and approved at the Annual Shareholder's Meeting. Their mandate has been subsequently renewed for the financial year 2023. The aforesaid appointment is done in line with the Banking Act 2004. The fees incurred by the Bank are:

Rs 000	2023	2022	2021
Audit fees payable to auditors	5,380	4,948	4,718
The fee payable to auditor for agreed-upon procedures engagement	41	41	39

Non-audit fee payable to auditors in 2023 is nil (2022: nil).

Subject to the approval of the Central Bank, KPMG will be proposed for reappointment as auditors for the year ending 31 December 2024.

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 Bank's risk appetite;
- monitor the current and future risk profile to ensure that the Bank 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 (Internal Capital Adequacy Assessment Process) 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 Bank;
- 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.

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, Head of 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 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 Guideline 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
- assess the effectiveness of the Board, its committees and its individual directors, on an annual basis.

The Corporate Governance Committee is comprised of 2 non-executive directors and 1 independent director. In line with the Banking Act 2004, the Bank being a subsidiary of a foreign entity, its Board of directors can be composed of 40% of non-executive directors instead of 40% of independent directors. The Board of the Bank is composed of 78% of non-executive directors. The Company Secretary and relevant Senior Management officers (as and when required) attend the committee. The Company Secretary acts as secretary to the Corporate Governance Committee. The report is made by the Chairman to the Board.

The Corporate Governance Committee meets at least once a year.

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.

The experience and skills of the directors are disclosed in the director's profile on pages 11 to 13. The responsibilities of the Nomination and Remuneration Committee include:

- ascertaining whether the potential directors, Chief Executive Officer, 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 Senior Management;
- reviewing the performance of the Chief Executive Officer and the Deputy Executive Officer; and
- reviewing the succession plan of senior executives and the list of talents.

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

BOARD COMMITTEES (Continued)

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:

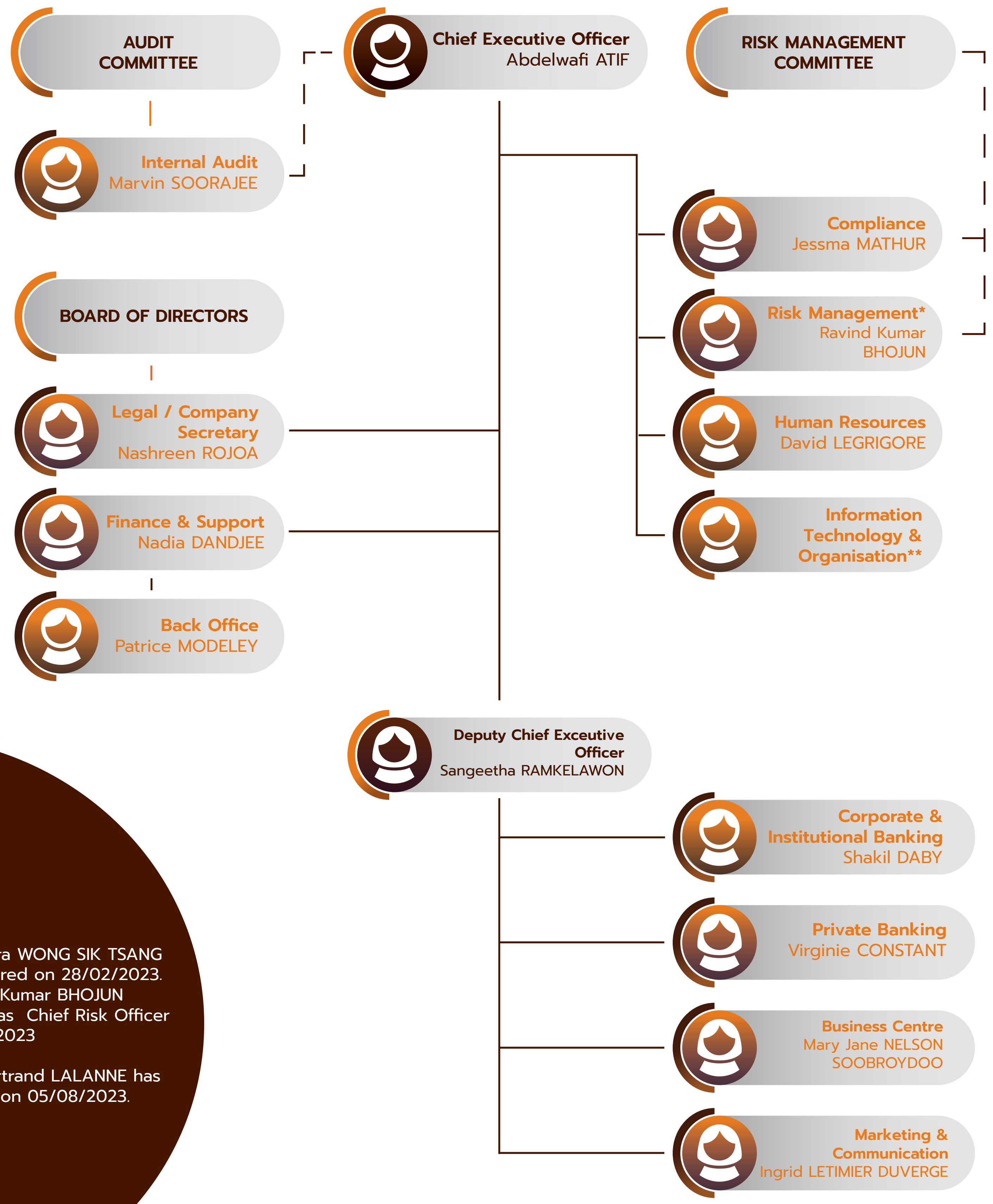
- reviewing the credit requests; and
- approving the credit requests.

The Credit Committee meets as and when required.

ATTENDANCE FOR BOARD MEETING AND COMMITTEE

		Board Committee			
		Board of Directors	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee
Number of meetings held from January to December 2023		4	4	4	1
Executive	Abdelwafi ATIF	4	4	4	1
Non Executive	Kamal MOKDAD	4	n/a	n/a	1
	Soumia FATHALLAH	4	4	n/a	n/a
	Abdeslam BENNANI	4	n/a	n/a	1
	Hicham BELCAID	4	3	2	n/a
	Hanane EL BOURY	4	3	3	n/a
	Othmane TAJEDDINE	3	n/a	3	1
Independent	Jean-Louis VINCIGUERRA	4	4	n/a	n/a

ORGANISATION CHART



* - Laura WONG SIK TSANG has retired on 28/02/2023. Ravind Kumar BHOJUN joined as Chief Risk Officer 01/09/2023

** - Bertrand LALANNE has retired on 05/08/2023.

MATERIAL CLAUSES OF THE BANK'S CONSTITUTION

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

- the duration of the Bank is unlimited;
- the Bank 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.

DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

STATEMENT OF RECRUITMENT AND REMUNERATION PHILOSOPHY

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

REMUNERATION OF DIRECTORS

The non-executive directors (external to the Bank) 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 Nomination and Remuneration Committee.

Remuneration paid to the Directors is as follows:

		Director's attendance and remuneration							
Directors	Status	"Remuneration 2023"	Annual fees 2023	Board	Audit Committee	Risks and Management/ Conduct Review Committee	Corporate Governance Committee	Nomination and Remuneration Committee	Total (Rs)
Kamal MOKDAD	Chairman	-	1,291,029	297,773	-	-	-	74,513	1,663,315
Jean-Louis VINCIGUERRA	Independent	-	347,401	238,218	238,218	-	-	-	823,837
Abdelslam BENNANI	Non Executive	-	-	198,515	-	-	-	49,675	248,190
Soumia FATHALLAH	Non Executive	-	-	198,515	198,515	-	-	-	397,030
Hanane EL BOURY	Non Executive	-	-	198,515	148,745	148,745	-	-	496,005
Hicham BELCAID	Non Executive	-	-	198,515	148,035	99,070	-	-	445,620
Othmane TAJEDDINE	Non Executive	-	347,401	117,918	-	238,218	-	59,610	763,147
Abdelwafi ATIF	Executive	7,053,909	-	-		-		-	7,053,909
Total		7,053,909	1,985,831	1,447,969	733,513	486,033	-	183,798	11,891,053

INTEGRATED SUSTAINABILITY REPORTING

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 Bank's values and to the Bank's Code of Ethics. The Bank'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 Bank's values and Code of Ethics. The Bank has in place a whistleblowing policy to ensure a fair and ethical environment for its staff.

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

SHAREHOLDERS' AGREEMENT

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

SIGNIFICANT CONTRACTS

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

MANAGEMENT AGREEMENTS

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

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) Ltd 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, with donations amounting to Rs 214,500.

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 and revised in November 2022. No dividend was distributed in 2023.

RELATED PARTY TRANSACTIONS POLICIES AND PRACTICES

The Bank of Mauritius' Guideline on Related Party Transactions, as revised in May 2022, is articulated around three main elements, namely:

- the role of the Board of Directors of a financial institution 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.

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:

- 60% of Tier 1 capital for category 1; and
- 150% thereof for the total of categories 1 and 2.

The Bank adheres to the Guideline on Related Party Transactions ('Guideline'). In line with this guideline, the Board of Directors meets on a quarterly basis, reviews all related party transactions, approve Category 1, 2 and 3 related party transactions and monitor compliance with the Guideline. The related party reporting to the Bank of Mauritius is made on a quarterly basis. Conflicts-of-interest and related party transactions are conducted in accordance with the related party transactions policy and Code of Ethics.

Note 30 to the Financial Statements sets out on and off-balance sheet exposures to related parties as at 31 December 2023.

A copy of the annual report is available on the Bank's website.

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

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

Reporting Period: 31 December 2023

We, the directors of BCP Bank (Mauritius) Ltd, confirm that, to the best of our knowledge, the Bank has complied with all of its obligations and requirements under the National Code of Corporate Governance for Mauritius (2016) and Guideline on Corporate Governance, in all material aspects.

Abdelwafi ATIF
Chief Executive Officer

Kamal MOKDAD
Chairperson-Board of Directors

The financial statements of 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 Bank 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, Corporate Governance, Risk Management Committee and the Board which comprise of an Independent Director, 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, KPMG, 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
Chief Executive Officer

Kamal MOKDAD
Chairperson-Board of Directors

Jean-Louis VINCIGUERRA
Chairperson – Audit Committee

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of BCP Bank (Mauritius) Ltd (the "Bank"), I hereby confirm that, to the best of my knowledge and belief, the Bank has filed with the Registrar of Companies, for the financial year ended 31 December 2023, all such returns as are required of the Bank under the Companies Act 2001.

Nashreen ROJOA
Date : 20 March 2024

02

03 INDEPENDENT AUDITORS' REPORT

04

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius

Telephone	+230 406 9999
Telefax	+230 406 9988
BRN No.	F07000189
Website	www.kpmg.mu

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BCP Bank (Mauritius) Ltd (the Bank), which comprise the statement of financial position as at 31 December 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including the material accounting policies, as set out on pages 94 to 187.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BCP Bank (Mauritius) Ltd as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Mauritius Companies Act, Banking Act and Financial Reporting Act.

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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Key Audit Matter

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

Expected credit losses ("ECL") for loans and advances to customers

Refer to the following notes in the financial statements:

Note 1 (h) (vi) – Material accounting policies – Impairment: Expected Credit Losses (ECL)
Note 2 – Critical estimates and judgements – Allowance for impairment on loans and advances
Note 13 – Loans and advances to customers
Note 14 – Impairment on loans and advances to banks and to customers
Note 31 (b) – Financial risk review – Credit risk

Key audit matter	How the matter was addressed in our audit
The Bank's gross loans and advances to customers amounts to Rs 14,530 million as at 31 December 2023 and the related ECL amounted to Rs 989 million for the year then ended. The Bank follows a three-stage approach to recognise the ECL as explained below: **Stage 1 and 2 exposures:** Complex models are used for the purposes of determining the ECL for stage 1 and stage 2 exposures. These include a number of significant judgments, such as: • Determining the criteria for a significant increase in credit risk, which includes defining the forbearance and delinquency status for customers and determination of the number of days past due. • Choosing appropriate models and assumptions for the measurement of ECL which includes determining the Probability of Default (PD), Loss Given default (LGD), and Exposure at Default (EAD) parameters. • Establishing relevant forward-looking macro economic scenario(s) by considering macro economic factors.	Our audit procedures included the following: Obtained an understanding of management's credit risk management processes and tested the design and implementation, and operating effectiveness of controls over credit origination, credit monitoring and credit remediation, including controls over management's ECL model which supports the assumptions used in determining the PD, LGD and EAD, as well as the governance process over forward-looking information and macro-economic scenarios. Assessed the adequacy and accuracy of ECL disclosures in accordance with IFRS 9, Financial instruments ("IFRS 9") and IFRS 13, Fair Value Measurement ("IFRS 13"). **Stage 1 and 2 exposures:** Our procedures included the following: Evaluated the completeness and accuracy of the data used in the model. For completeness, we performed a reconciliation of all loans and advances to customers, subject to ECL against the ECL model of the Bank. For a sample of loans and advances to customers, we traced the data inputs to source documents in order to determine the accuracy of data used in the model.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Key Audit Matter (Continued)

Expected credit losses ("ECL") for loans and advances to customers

Refer to the following notes in the financial statements:

Note 1 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses (ECL)
Note 2 – Critical estimates and judgements – Allowance for impairment on loans and advances
Note 14 – Loans and advances to customers
Note 15 – Impairment on loans and advances to banks and to customers
Note 32 (b) – Financial risk review – Credit risk

Key audit matter	How the matter was addressed in our audit
Stage 3 exposures: For loans and advances which are credit impaired (stage 3 exposures), ECL are based on lifetime expected credit losses. Assets are considered to be credit impaired when they meet the regulatory definition of default which includes indicators such as long-term forbearance, insolvency, breach of financial covenant(s), disappearance of an active market for financial asset, financial difficulties and bankruptcy of obligors as well as any assets that are more than 90 days past due. Significant judgements, estimates and assumptions are applied to: • Determine if the loan or advance is credit impaired; and • Evaluate the adequacy and recoverability of collateral; this is performed by determining the expected cash flows to be collected from the collaterals based on the values assessed by managements independent appraisers and discounted at the original effective interest rate; based on the estimated realisation period calculated using historic data and a collateral haircut. Due to the significance of loans and advances to customers and the estimation uncertainty and judgements applied in the determination of expected credit losses for loans and advances to customers, additional audit effort was applied and thus ECL on loans and advances to customers was a key audit matter.	Where credit losses were calculated on a modelled basis (stage 1 and stage 2) we performed the following audit procedures, in conjunction with our credit risk specialists: • Critically assessed the ECL modelling methodology applied by management to determine the appropriateness of the PDs, LGDs and EADs used to compute the stage 1 and 2 ECL allowances against the requirements of IFRS 9 and the Bank's internal policies. • Performed an independent ECL estimate based on independently derived PDs, LGDs and EADs and compared the ECL output to the Bank's ECL. • Incorporated independently estimated forward-looking information in our independent ECL calculation, to assess the reasonability of management's forward-looking information. • Performed independent credit reviews over a sample of loans and advances to customers to evaluate whether there has been any significant increase in credit risk for these exposures and whether they are adequately covered by collateral and to critically assess whether they are classified under the correct stage.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Key Audit Matter (Continued)

Expected credit losses ("ECL") for loans and advances to customers

Refer to the following notes in the financial statements:

Note 1 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses (ECL)
Note 2 – Critical estimates and judgements – Allowance for impairment on loans and advances
Note 14 – Loans and advances to customers
Note 15 – Impairment on loans and advances to banks and to customers
Note 32 (b) – Financial risk review – Credit risk

Key audit matter	How the matter was addressed in our audit
	Stage 3 exposures: For stage 3 exposures, our procedures included the following: • Our internal IT specialists performed testing over the IT application controls in respect of the calculation of days past due to ensure that exposures with more than 90 days past due are classified as stage 3. • Challenged the valuation of credit losses on a sample of stage 3 loans and advances by developing our own expectation of the amount of the expected credit losses based on our assessment of the expected future cash flows and recoverability of collateral held. • Where collateral was applied in the determination of the ECL, we inspected, on a sample basis, the valuation reports of the collateral held and assessed whether the valuation amounts are reasonable in comparison to most recent external market data. • Evaluated the independence, competence and capabilities of the independent appraisers with reference to their qualifications and industry experience. • Assessed the collateral valuation techniques applied by the independent appraisers against the Bank's policy, industry standards and IFRS 13.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "BCP BANK (MAURITIUS), ANNUAL REPORT 2023" but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Mauritius Companies Act, Banking Act and Financial Reporting Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Bank or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on the Audit of the Financial Statements

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our Report

This report is made solely to the Bank's shareholder, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Bank's shareholder, those matters that we are required to state in an auditors' 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 opinions we have formed.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Bank other than in our capacity as auditors. We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act

In our opinion, the 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 of the Bank of Mauritius.

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP BANK (MAURITIUS) LTD

Report on Other Legal and Regulatory Requirements

Financial Reporting Act

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Bank has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

KPMG

KPMG
Ebène, Mauritius

Mervyn Lam Hung
Licensed by FRC

Date: 28 March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	2023	2022	2021
		Rs 000	Rs 000	Rs 000
Interest income		**1,465,654**	691,792	544,364
Interest expense		**(793,910)**	(244,476)	(170,423)
Net interest income	3	**671,744**	447,316	373,941
Fee and commission income		**91,395**	97,312	92,477
Fee and commission expense		**(23,308)**	(29,956)	(22,934)
Net fee and commission income	4	**68,087**	67,356	69,543
Net trading income	5	**64,826**	85,398	75,277
Net (loss)/gain from financial derivatives at fair value through profit or loss	5	**(879)**	95	513
Net gain from sale of investment	16	**-**	-	22,849
Net gain from sales of securities	6	**-**	3,104	-
Other income	6	**4,935**	2,427	2,284
		136,969	158,380	170,466
Revenue		**808,713**	605,696	544,407
Personnel expenses	7(a)	**(236,441)**	(257,730)	(236,948)
Operating lease expenses	8	**(6,846)**	(12,034)	(26,696)
Depreciation and amortisation	17&18	**(36,433)**	(58,570)	(58,056)
Other expenses	9	**(164,702)**	(160,524)	(129,237)
		(444,422)	(488,858)	(450,937)
Operating profit		**364,291**	116,838	93,470
Net (impairment)/reversal on financial assets	14(b)	**(68,998)**	57,514	(76,993)
Profit before tax		**295,293**	174,352	16,477
Taxation (charge)/credit	10(a)	**(20,941)**	(29,757)	2,655
Profit for the year		**274,352**	144,595	19,132
Other comprehensive income net of tax:				
Items that may be reclassified to profit or loss				
Net change in fair value of financial assets held at fair value through other comperehensive income		**11,625**	(51,802)	(37,666)
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit obligations	7(b)	**(5,307)**	(9,550)	6,538
Other comprehensive income/(loss)		**6,318**	(61,352)	(31,128)
Total comprehensive income/(loss) for the year		**280,670**	83,243	(11,996)

The notes on pages 98 to 187 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023	Restated 2022	* Restated 2021
	Notes	**Rs 000**	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	11	**8,003,310**	**5,682,174	**5,827,617
Loans and advances to banks	12	**5,195,145**	4,082,741	3,294,041
Loans and advances to customers	13	**13,541,379**	13,265,759	13,398,400
Investment securities	15	**2,625,111**	1,686,317	2,222,586
Derivative financial instruments	23	**-**	133	38
Property and equipment	17	**36,429**	51,202	90,277
Intangible assets	18	**50,691**	25,646	28,809
Deferred tax assets	10(c)	**64,979**	67,514	95,983
Other assets	19	**2,443,534**	**2,343,459	**2,316,405
Total assets		**31,960,578**	27,204,945	27,274,156
LIABILITIES				
Deposits from banks	20	**4,315,294**	3,149,054	3,148,830
Deposits from customers	21	**16,158,503**	11,675,660	14,707,108
Borrowed funds	22	**5,305,982**	6,882,728	4,585,387
Derivative financial instruments	23	**746**	-	-
Subordinated liabilities	24	**854,208**	464,654	-
Current tax liabilities	10(d)	**18,025**	868	869
Provisions	25	**93,204**	101,023	89,824
Other liabilities	25	**2,503,973**	2,500,985	2,576,168
Total liabilities		**29,249,935**	24,774,972	25,108,186
EQUITY				
Share capital	26	**2,398,825**	2,398,825	2,218,065
Retained earnings		**153,584**	(74,308)	(187,664)
Reserves		**158,234**	105,456	135,569
Total equity		**2,710,643**	2,429,973	2,165,970
Total liabilities and equity		**31,960,578**	27,204,945	27,274,156

* In accordance with IAS 1, when there is a restatement, the opening balances of the financial position of the preceding year are required to be disclosed. (i.e as at 1 January 2022). The Bank had disclosed the financial position as at 31 December 2021 and management confirmed that there has not been any material change which occurred between 31 December 2021 and 1 January 2022 which requires further disclosure.

** The prior year comparatives have been restated to conform to current year figures following change in accounting policy. Refer to note 1 for more details.

These financial statements were approved and authorised for issue by the Board of Directors on the 20 March 2024.

Abdelwafi ATIF
CHIEF EXECUTIVE OFFICER

Kamal MOKDAD
CHAIRPERSON - BOARD OF DIRECTORS

Jean-Louis VINCIGUERRA
CHAIRPERSON - AUDIT COMMITTEE

The notes on pages 98 to 187 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

As at ended 31 December 2023

	Share capital	Statutory reserve	Reserves General banking reserve	Fair value reserve	Retained earnings	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance at 01 January 2021	2,218,065	104,294	-	66,071	(210,464)	2,177,966
Total comprehensive income						
Profit for the year	-	-	-	-	19,132	19,132
Other comprehensive income for the year	-	-	-	(37,666)	6,538	(31,128)
Transfer to statutory reserve	-	2,870	-	-	(2,870)	-
Total comprehensive income for the year	-	2,870	-	(37,666)	22,800	(11,996)
At 31 December 2021	2,218,065	107,164	-	28,405	(187,664)	2,165,970
Balance at 01 January 2022	2,218,065	107,164	-	28,405	(187,664)	2,165,970
Increase in share capital	180,760	-	-	-	-	180,760
Total comprehensive income						
Profit for the year	-	-	-	-	144,595	144,595
Other comprehensive income for the year	-	-	-	(51,802)	(9,550)	(61,352)
Transfer to statutory reserve	-	21,689	-	-	(21,689)	-
Total comprehensive income for the year	-	21,689	-	(51,802)	113,356	83,243
At 31 December 2022	2,398,825	128,853	-	(23,397)	(74,308)	2,429,973
Balance at 01 January 2023	**2,398,825**	**128,853**	**-**	**(23,397)**	**(74,308)**	**2,429,973**
Total comprehensive income						
Profit for the year	**-**	**-**	**-**	**-**	**274,352**	**274,352**
Other comprehensive income for the year	**-**	**-**	**-**	**11,625**	**(5,307)**	**6,318**
Transfer to statutory reserve	**-**	**41,153**	**-**	**-**	**(41,153)**	**-**
Total comprehensive income for the year	**-**	**41,153**	**-**	**11,625**	**227,892**	**280,670**
At 31 December 2023	**2,398,825**	**170,006**	**-**	**(11,772)**	**153,584**	**2,710,643**

The notes on pages 98 to 187 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023	Restated 2022	Restated 2021
		Rs 000	Rs 000	Rs 000
Cash flows from operating activities				
Profit before tax		**295,293**	174,352	16,477
Adjustments for:				
- Depreciation and amortisation	17&18	**36,433**	58,570	58,056
- Net impairment/(reversal) on financial assets	14(b)	**68,998**	(57,514)	76,993
- Profit on sale of investment	16	**-**	-	(22,849)
- Profit on sale of property and equipment		**(3,873)**	(230)	(294)
- Profit on sale of investment securities	6	**-**	(3,104)	-
- Net interest income	3	**(671,744)**	(447,316)	(373,941)
- Unrealised foreign exchange gain		**(28,447)**	(12,434)	(1,133)
		(303,340)	(287,676)	(246,691)
Changes in:				
- Loans and advances to banks		**(1,002,947)**	(885,279)	(1,580,063)
- Loans and advances to customers		**(137,048)**	31,431	(870,785)
- Investment securities		**(958,040)**	382,594	52,987
- Other assets		**31,465**	*(97,882)	*(1,594,454)
- Deposits from banks		**1,126,319**	56,882	426,390
- Deposits from customers		**4,444,388**	(2,951,093)	223,887
- Other liabilities		**(215,423)**	881	1,711,257
		2,985,374	(3,750,142)	(1,877,472)
Interest received		**1,441,759**	665,222	512,345
Interest paid		**(678,778)**	(203,743)	(199,157)
Income tax paid		**(868)**	(869)	-
Net cash generated/(used in) from operating activities		**3,747,487**	(3,289,532)	(1,564,284)
Cash flows from investing activities				
- Proceeds from sale of investment in subsidiary		**-**	-	85,503
- Acquisition of property and equipment		**(8,701)**	(2,870)	(3,767)
- Proceeds from sale of property and equipment		**18,716**	1,175	1,526
- Acquisition of intangible assets		**(37,832)**	(7,298)	(15,630)
Net cash (used in)/generated from investing activities		**(27,817)**	(8,993)	67,632
Cash flows from financing activities				
- Proceeds from subordinated loan		**384,696**	459,598	-
- Proceeds from (repayment)/issue of borrowed funds	22	**(1,844,682)**	2,454,531	(24,902)
- Proceeds from issue of shares	26	**-**	180,760	-
- Payment on lease liabilities	17	**(19,538)**	(25,698)	(13,818)
- Interest paid on lease liabilities	17	**(1,780)**	(2,951)	(2,247)
Net cash (used in)/generated from financing activities		**(1,481,304)**	3,066,240	(40,967)
Net increase/(decrease) in cash and cash equivalents		**2,238,366**	(232,285)	(1,537,619)
Cash and cash equivalents at 01 January		***5,682,174**	*5,827,617	7,021,113
Effect of exchange rate fluctuations on cash and cash equivalents held		**82,770**	86,842	344,123
Cash and cash equivalents at 31 December		**8,003,310**	*5,682,174	*5,827,617

* **The prior year comparatives have been restated to conform to current year figures following change in accounting policy. Refer to note 1 for more details.**

The notes on pages 98 to 187 form an integral part of these financial statements.

03

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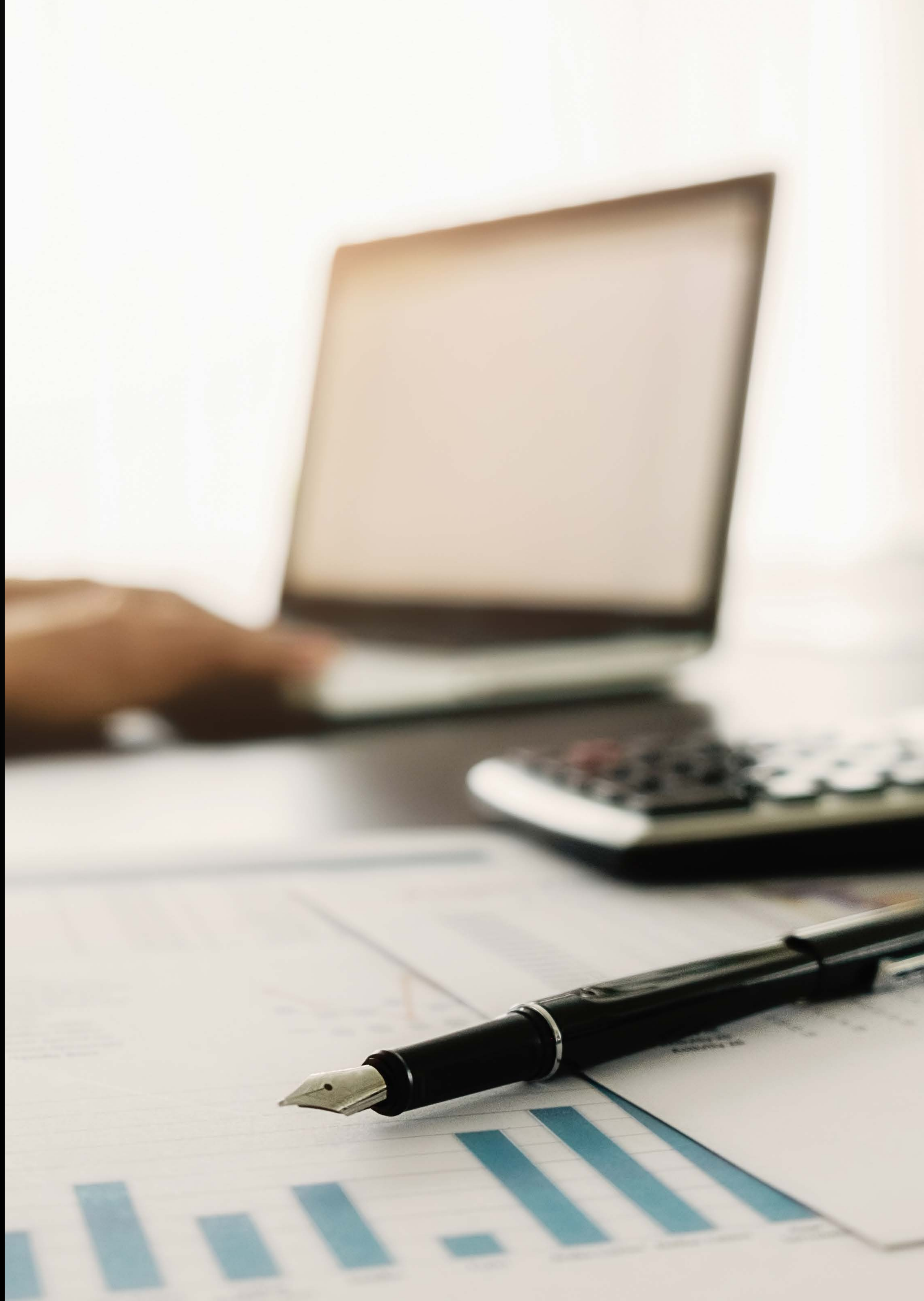
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS



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. In addition, the Bank adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material" rather than "significant" accounting policies. These amendments did not result in any changes to the accounting policies themselves, and the below-disclosed policies are all material from the revised IAS 1 norm perspective.

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

NEW AND REVISED IFRS ADOPTED DURING THE YEAR

The following new and revised IFRSs have been adopted in these financial statements. Where applicable, these new and revised IFRSs has not had any material impact on the amounts recorded for the current and prior periods.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ➔ Amendments regarding the definition of accounting estimates.

IAS 12 - Income Taxes ➔ Amendments clarifying that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

IAS 12 – Incomes taxes ➔ Amendments granting a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing the GloBE model rules, and introducing new disclosures, that companies are required to provide in their financial statements from 31 December 2023 before and after top-up tax is effective.

CHANGES IN ACCOUNTING POLICY

The Bank effected the following financial reporting change during the current reporting period:

The IFRS Accounting Standards Interpretation Committee published an agenda decision on 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of cash flows) – Agenda Paper 3' in April 2022. Based on the afore-mentioned agenda decision, the Statement of cash flows of the Bank has been reviewed and it was concluded that the cash reserve balance held with the Bank of Mauritius should be included as 'Cash and cash equivalents' in the Statement of financial position and Statement of cash flow.

In terms of the latest Bank of Mauritius guidelines, the Bank is required to maintain a minimum cash balance with Central Bank which is equivalent to 9% of the banks average rupee (MUR) and foreign currency (FCY). If the Bank encounters liquidity issues, then the mandatory restricted cash balance can become available to the Bank on demand hence can be treated as cash and cash equivalents as follows:

- the terms and conditions of the restricted deposit does not prevent the Bank from accessing the funds.
- the Bank has a contractual obligation to hold restricted balance which is being held for a specified purpose and should the Bank be using the funds for any other purpose; this would be a breach of the contractual obligation resulting in a penalty to the Bank.

- the funds would be accessible to the Bank within 3 months of request. If the Bank does not meet the minimum liquidity ratio set by the Bank of Mauritius, this will be in breach of the statutory conditions and the Bank would incur a penalty fee and need to take the required steps to remediate the issue.

There are no other restrictions on this minimum cash balance.

As required by IAS 8, the afore-mentioned change has been applied retrospectively to all prior periods affected.

The following tables summaries the impacts of the restatement:

Statement of Financial Position			
	Previously reported	Adjustment	**Restated**
31 Dec 2022:	Rs'000	Rs'000	**Rs'000**
Total assets	27,204,945	-	**27,204,945**
Other assets	2,993,788	(650,329)	**2,343,459**
Cash and cash equivalents	5,031,845	650,329	**5,682,174**

Statement of Financial Position			
	Previously reported	Adjustment	**Restated**
31 Dec 2021:	Rs'000	Rs'000	**Rs'000**
Total assets	27,274,156	-	**27,274,156**
Other assets	3,032,008	(715,603)	**2,316,405**
Cash and cash equivalents	5,112,014	715,603	**5,827,617**

Statement of Cash Flows			
	Previously reported	Adjustment	**Restated**
31 Dec 2022:	Rs'000	Rs'000	**Rs'000**
Changes in operating assets and liabilities	(3,684,868)	(65,274)	**(3,750,142)**
Decrease in other assets	(32,608)	(65,274)	**(97,882)**
Cash and cash equivalents	5,031,845	650,329	**5,682,174**

Statement of Cash Flows			
	Previously reported	Adjustment	**Restated**
31 Dec 2021:	Rs'000	Rs'000	**Rs'000**
Changes in operating assets and liabilities	(1,869,832)	(7,640)	**(1,877,472)**
Decrease in other assets	(1,586,814)	(7,640)	**(1,594,454)**
Cash and cash equivalents	5,112,014	715,603	**5,827,617**

The adjustment did not have any other impact which requires further disclosure.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards are effective and applicable to the Bank for annual periods beginning after 1 January 2024, and earlier application is permitted; however, the Bank has not opted for early application of the new or amended standards in preparing these financial statements.

Effective 1 January 2024

IAS 1 - Presentation of Financial Statements ➔ Amendments published in 2020 regarding the classification of liabilities as current or non-current; in addition, companies may need to provide new disclosures for liabilities subject to covenants.

IFRS16 - Property, Plant and Equipment ➔ Amendments specifying requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction.

Effective 1 J January 2025

IAS 21 – The effect of changes in Foreign Exchange Rates ➔ Amendments regarding new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS
1. MATERIAL ACCOUNTING POLICIES (Continued)

a) BASIS OF PREPARATION

The financial statements of BCP Bank (Mauritius) Ltd (the "Bank"), have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the Financial Reporting Act 2004, and in compliance with the Mauritian Companies Act 2001, the Banking Act 2004, and regulations and guidelines issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

The Bank's financial statements have been prepared on a going concern basis.

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

The preparation of 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 Bank's accounting policies. Changes in assumptions may have a significant impact on the 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 2.

b) BASIS OF MEASUREMENT

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

- Financial assets measured at fair value through other comprehensive income;
- Defined contribution pension plan; and
- Derivative financial instruments.

c) FUNCTIONAL AND PRESENTATION CURRENCY

These 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 the statement of profit or loss and other comprehensive income. 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 statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date the fair value was determined.

d) INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized in the statement of profit or loss and other comprehensive income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts throughout 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 Bank 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.

All fees received between parties to the contract, transaction costs and all other premiums or discounts are included in the calculation of effective interest rate.

i) Amortised cost and gross carrying amount

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 of any difference between that initial amount and the maturity amount using the effective interest method and, for financial assets, adjusted for any loss allowance.

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

ii) 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 amortised 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 amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

iii) Presentation

Interest income presented in the statement of profit or loss and other comprehensive income include:

- Interest on financial assets measured at amortised cost;
- Interest on debt instruments measured at fair value through other comprehensive income (FVOCI).

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortised cost.

e) 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 (d) above). Other fees and commission income, which relate mainly to transaction and service fees, card fees, credit-related fees, are 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.

f) PROFIT ARISING FROM DEALING IN FOREIGN CURRENCIES

Profit arising from dealing in foreign currencies comprise of net gains on foreign exchange transactions.

g) NET GAIN/(LOSS) FROM FINANCIAL DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) from financial instruments at fair value through profit or loss includes all realized income/(expense), and unrealized fair value changes arising on derivatives designated at fair value through profit or loss.

h) FINANCIAL ASSETS

i) Initial Recognition of financial assets

The Bank initially recognises loans and advances to banks and customers on the date on which they are originated. All other financial instruments (including regular way purchases and sales of and investment securities or any other financial assets) are recognised on the trade date, which is the date on which the Bank 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 of 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 financial asset 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. The Bank's investment securities are measured at FVOCI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by- investment basis. The Bank has elected to measure its investment in Swift at FVOCI.

No asset is recognised at FVTPL in the Bank's statement of financial position.

➔ Business model assessment

The Bank makes an assessment of the objective of a business model in which 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 Bank'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 Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The Bank's operations comprise primarily of loans to customers that are held for collecting contractual cash-flows.

➔ Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

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 Bank considers 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 Bank'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 takes into consideration the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS
1. MATERIAL ACCOUNTING POLICIES (Continued)
h) FINANCIAL ASSETS (Continued)
ii) Classification and measurement of financial assets (Continued)

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

iii) 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.

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 recognise equity investments at 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 the statement of profit or loss and other comprehensive income as other income when the Bank's right to receive payments is established.

iv) Derecognition of financial assets

The Bank derecognises 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, or (i) substantially all of the risks and rewards of ownership of the financial asset are transferred or (ii) the Bank neither transfers nor retains substantially all of the risks and rewards of ownership nor it has retained control of the financial asset.

v) Modification of financial assets

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms.

The Bank does 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 Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates 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 Bank also assesses 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.

v) Modification of financial assets (continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, the Bank recalculates 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).

vi) Impairment of financial assets

Expected Credit Losses (ECL)

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets carried at amortised cost and FVOCI;
- loan commitments issued; and
- financial guarantee contracts.

No impairment loss is recognised on equity investments.

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

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

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

Financial instruments for which 12-months 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 Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Bank recognises 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.

vi) Impairment of financial assets (Continued)
Expected Credit Losses (ECL) (Continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets financial assets measured at amortised cost.

Credit-impaired

At each reporting date, the Bank assesses 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 Bank on terms that 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.

vii) Restructured financial assets

If the terms of a financial asset are 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.

h) FINANCIAL ASSETS (Continued)

viii) 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 Bank determines 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 "net impairment on financial assets" in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

i) FINANCIAL LIABILITIES

i) Recognition of financial liabilities

The Bank initially recognises deposits from banks and customers, borrowed funds, and other 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 Bank becomes a party to the contractual provisions of the instrument.

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

ii) Classification and measurement of financial liabilities

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

iii) Derecognition of financial liabilities

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

iv) Modification of financial liabilities

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different.

i) FINANCIAL LIABILITIES (Continued)

iv) Modification of financial liabilities (Continued)

If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognises any adjustment to the amortised cost of the financial liability in the statement of profit or loss and other comprehensive income as income or expense at the date of the modification. Modification gains are presented in 'other operating income' and modification losses are presented in 'other operating expenses' in the statement of profit or loss and other comprehensive income.

j) OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has 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 similar transactions such as in the Bank's foreign exchange trading activities.

k) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Bank 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 Bank 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 Bank determines 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.

k) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Portfolios of financial assets and financial liabilities exposed to market risk and credit risk that are managed by the Bank 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 Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

l) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, balances held with the Central Bank and amounts due to or from other financial institutions which are short term, highly liquid with original maturities of three months or less from the acquisition date, and that are subject to an insignificant risk of changes in their fair value.

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

m) INVESTMENT SECURITIES

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

- debt 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 and equity instruments 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.

NOTES TO THE FINANCIAL STATEMENTS
1. MATERIAL ACCOUNTING POLICIES (Continued)

n) 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 the statement of profit or loss and other comprehensive income.

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 the statement of profit or loss and other comprehensive income. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank 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	3-5 years
Computer equipment	3-5 years
Office equipment	3-5 years
Furniture, fixtures and fittings	5 years
Motor vehicles	3 years

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

o) INTANGIBLE ASSETS

Intangible assets mainly comprise of software.

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

Expenditure on internally developed software is recognised as an asset when the Bank 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 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.

o) INTANGIBLE ASSETS (Continued)

Software is amortised on a straight-line basis in the statement of profit or loss and other comprehensive income 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.

p) IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Bank 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.

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

q) PROVISIONS

A provision is recognised if, as a result of a past event, the Bank 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.

r) EMPLOYEE BENEFITS

i) Defined contribution plan

The Bank operate a defined contribution plan. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has 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 a defined contribution plan are recognised as an expense when employees have rendered service that entitle them to the contributions.

ii) Retirement and other benefit obligations

The present value of retirement gratuities under The Workers' Rights Act 2019 is recognised in the statement of financial position as a liability. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statements of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

r) EMPLOYEE BENEFITS (Continued)

ii) Retirement and other benefit obligations (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- net interest expense or income on the net defined benefit liability or asset
- remeasurement of the net defined benefit liability or asset

The Bank present the first two components of defined benefit costs in profit or loss in the line item personnel expenses. Curtailment/settlement gains and losses are accounted for as past service costs.

iii) Preferential loans to employees

The Bank grants loans to its employees at preferential rates. The interest rate on the loan reverts to market rate from the day the employee is no longer employed by the Bank.

iv) Termination benefits

Termination benefits are payable when employment is terminated by 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:

- when the Bank can no longer withdraw the offer of those benefits;
- 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 assets and/or liabilities

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.

A 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.

s) INCOME TAX (Continued)

ii) Special Levy

Special levy on banks was amended under the Finance Act 2018 and 2019 and is now governed under the VAT Act. Special levy on Banks having leviable income are calculated at the rate of 5.5% of net interest income and other income before deduction of expenses. Special levy is applicable on income derived from transactions with residents other than companies holding Global Business License. The levy for the Bank in operation as from 30 June 2018 shall be either as above or 1.5 times of the levy payable for the year of assessment 2017-2018 (financial year ended 31 Decemeber 2017) whichever is lower. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

iii) Corporate Social Responsibility

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. The Bank makes a statutory provision for CSR activities at the rate of 2% of chargeable income (Segment A only) as per Income Tax Act 1995 Section 50L. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income arising from banking transactions with residents other than companies holding a Global Business Licence, 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.

iv) 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 Bank 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.

NOTES TO THE FINANCIAL STATEMENTS
1. MATERIAL ACCOUNTING POLICIES (Continued)

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) LEASES

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank 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 Bank 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.

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 Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of:

- 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 within the "Other Liabilities" caption note to the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank 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); and

- 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.

Whenever the Bank 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-of- use 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 transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank 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 within the "Property and Equipment" caption note to the statement of financial position.

The Bank 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 and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Operating lease expenses" in the statement of profit or loss and other comprehensive income (see note 8).

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 Bank has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non lease components, the Bank 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 Bank to pay bills of exchange drawn on customers. 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 issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of:

- the loss allowance determined in accordance with IFRS 9; and
- the premium received on initial recognition less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

x) SEGMENT REPORTING

In accordance with the Bank of Mauritius Guidelines, the Bank's business has been split into Segment A and Segment B. Segment B is essentially directed to the provision of international financial services that gives rise to foreign source income. Such services may be fund based or non-fund based. Segment A relates to banking business other than Segment B business. 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.

y) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include forward 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 statement of profit or loss and other comprehensive income as net gain/(loss) from financial derivatives at fair-value through profit or loss. Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies.

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 Bank's derivative transactions, while providing effective economic hedges under 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 the statement of profit or loss and other comprehensive income.

z) OTHER CONTINGENT LIABILITIES

In the ordinary course of its business, the Bank may be involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank record a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

The Bank 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 Bank's results and financial situation due to their materiality.

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).

Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-months ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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 31 (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.

At each reporting date, the Bank reviews individually all loans and advances classified in 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 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.

Allowance for impairment on loans and advances (Continued)

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 31 (b).

The allowance for impairment on loans and advances is disclosed in more details in Note 14.

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 retirement benefit obligation by Rs 12.6m and a 1% increase in discount rate would lead to a decrease of Rs 12.3m in the retirement benefit obligation.

Asset lives and residual values

The Bank reviews the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

Deferred Tax

Deferred Tax are recognized to the extent that it is probable that future taxable income will be available against which unused tax losses can be utilized. 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. Recognition of deferred tax assets depends on management's intention of the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefit thereon. The outcome of their actual utilization may be different.

3. NET INTEREST INCOME

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Interest income			
Cash and cash equivalents *	**228,648**	27,498	14,303
Loans and advances to banks*,**	**308,381**	104,010	43,227
Loans and advances to customers*,**	**856,691**	501,085	431,025
Investment securities****	**71,934**	59,199	55,809
Total interest income	**1,465,654**	691,792	544,364
Interest expense			
Cash and cash equivalents***	**2,037**	(7,860)	(8,853)
Deposits from banks***	**(146,460)**	(32,729)	(13,486)
Deposits from customers***	**(282,941)**	(74,278)	(72,440)
Borrowed funds***	**(306,174)**	(121,207)	(70,793)
Investment securities*****	**(329)**	(3,744)	(2,604)
Subordinated loan	**(58,263)**	(1,707)	-
Lease liabilities	**(1,780)**	(2,951)	(2,247)
Total interest expense	**(793,910)**	(244,476)	(170,423)
Net interest income	**671,744**	447,316	373,941

* Interest income arises on financial assets measured at amortised cost.
** Interest income on loans and advances to customers and banks has been calculated using the contractual rate which approximates the effective interest rate method.
*** Interest expense arises on financial liabilities measured at amortised cost.
**** Interest income arises on investment securities measured at fair value through OCI.
***** Relates to premium incurred on acquisition of treasury products.

	2023	2022	2021
Segment A	**Rs 000**	Rs 000	Rs 000
Interest income			
Cash and cash equivalents	**136,642**	15,323	1,967
Loans and advances to banks	**30,082**	13,933	4,746
Loans and advances to customers	**536,875**	387,015	344,334
Investment securities	**56,532**	59,096	55,809
Total interest income from segment A	**760,131**	475,367	406,856
Segment B			
Interest income			
Cash and cash equivalents	**92,006**	12,175	12,336
Loans and advances to banks	**278,299**	90,077	38,481
Loans and advances to customers	**319,816**	114,070	86,691
Investment securities	**15,402**	103	-
Total interest income from segment B	**705,523**	216,425	137,508
Total interest income from segment A and segment B	**1,465,654**	691,792	544,364
Segment A			
Interest expense			
Cash and cash equivalents	**1,690**	(4,586)	(5,268)
Deposits from customers	**(166,845)**	(59,215)	(61,842)
Borrowed funds	**(214,322)**	(80,805)	(55,196)
Investment securities	**(329)**	(3,744)	(2,604)
Lease liabilities	**(1,499)**	(2,546)	(1,921)
Total interest expense from segment A	**(381,305)**	(150,896)	(126,831)
Segment B			
Interest expense			
Cash and cash equivalents	**347**	(3,274)	(3,585)
Deposits from banks	**(146,460)**	(32,729)	(13,486)
Deposits from customers	**(116,096)**	(15,063)	(10,598)
Borrowed funds	**(91,852)**	(40,402)	(15,597)
Subordinated loan	**(58,263)**	(1,707)	-
Lease liabilities	**(281)**	(405)	(326)
Total interest expense from segment B	**(412,605)**	(93,580)	(43,592)
Total interest expense from segment A and segment B	**(793,910)**	(244,476)	(170,423)

4. NET FEE AND COMMISSION INCOME

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Fee and commission income			
Service fees	**7,727**	8,402	8,895
Transactional	**43,052**	43,312	36,957
Credit-related fees – Guarantees	**30,246**	31,020	32,196
Cards	**9,806**	12,323	10,400
Other	**564**	2,255	4,029
Total fee and commission income	**91,395**	97,312	92,477
Fee and commission expense			
Interbank fees	**(17,308)**	(16,555)	(12,076)
Other	**(6,000)**	(13,401)	(10,858)
Total fee and commission expense	**(23,308)**	(29,956)	(22,934)

	2023	2022	2021
Segment A	**Rs 000**	Rs 000	Rs 000
Fee and commission income			
Service fees	**4,218**	4,738	5,360
Transactional	**12,035**	15,226	12,303
Credit-related fees – Guarantees	**8,638**	12,954	10,499
Cards	**8,247**	11,904	9,907
Other	**563**	1,945	1,824
Total fee and commission income from segment A	**33,701**	46,767	39,893
Fee and commission expense			
Interbank fees	**(5,194)**	(4,132)	(968)
Other	**(1,191)**	(2,950)	(6,622)
Total fee and commission expense from segment A	**(6,385)**	(7,082)	(7,590)

	2023	2022	2021
Segment B	**Rs 000**	Rs 000	Rs 000
Fee and commission income			
Service fees	**3,509**	3,664	3,535
Transactional	**31,017**	28,086	24,654
Credit-related fees – Guarantees	**21,608**	18,066	21,696
Cards	**1,559**	419	494
Other	**1**	310	2,205
Total fee and commission income from segment B	**57,694**	50,545	52,584
Fee expense			
Interbank fees	**(12,114)**	(12,423)	(11,108)
Other	**(4,809)**	(10,451)	(4,236)
Total fee expense from segment B	**(16,923)**	(22,874)	(15,344)

The contract liabilities primarily relate to the non-refundable up-front fees received from customers on disbursed syndicated loans. This is recognised over the period for which the repayment of the syndicated loans are expected to effected. The weighted-average expected period at 31 December 2023 was 5.9 years (2022: 6.8 years).

The amount of MUR 5.8 million included in contract liabilities at 31 December 2022 has been recognised as revenue for the year ended 31 December 2023 (2022: MUR 1.6 million).

5. NET TRADING INCOME & NET (LOSS)/GAIN FROM FINANCIAL DERIVATIVES

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Net trading income	**64,826**	85,398	75,277
Net (loss)/gain from financial derivatives at fair value through profit or loss	**(879)**	95	513
Net gain on dealing in foreign currencies and derivatives	**63,947**	85,493	75,790
Segment A			
Profit arising from dealing in foreign currencies and derivatives	**33,389**	76,901	27,943
Segment B			
Profit arising from dealing in foreign currencies and derivatives	**30,558**	8,592	47,847
Total profit arising from dealing in foreign currencies and derivatives from segment A and segment B	**63,947**	85,493	75,790

6. OTHER INCOME

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Net gain on sales of securities	**-**	3,104	-
Other	**4,935**	2,427	2,284
Other income	**4,935**	5,531	2,284
Segment A			
Other income	**4,156**	5,198	1,954
Segment B			
Other income	**779**	333	330
Total other income from segment A and segment B	**4,935**	5,531	2,284

7. PERSONNEL EXPENSES

(a) Personnel expenses	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Wages and salaries	**196,796**	185,550	196,052
Compulsory social security contributions	**10,773**	10,043	9,988
Contributions in pension plan	**13,614**	13,165	13,313
Increase in liability for pension plan	**7,668**	1,848	8,567
Other personnel expenses	**7,590**	47,124	9,028
	236,441	257,730	236,948
Segment A			
Wages and salaries	**149,830**	139,726	139,807
Compulsory social security contributions	**8,348**	7,745	7,628
Contributions in pension plan	**10,550**	10,152	10,167
Increase in liability for pension plan	**5,942**	1,425	6,543
Other personnel expenses	**1,773**	32,144	2,477
	176,443	191,192	166,622
Segment B			
Wages and salaries	**46,966**	45,825	56,188
Compulsory social security contributions	**2,425**	2,298	2,360
Contributions in pension plan	**3,064**	3,013	3,145
Increase in liability for pension plan	**1,726**	423	2,024
Other personnel expenses	**5,817**	14,979	6,609
	59,998	66,538	70,326
Total personnel expenses from segment A and segment B	**236,441**	257,730	236,948

(b) Retirement benefit obligation	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Reconciliation of present value of retirement benefit obligation			
Balance at 01 January	**27,842**	19,748	19,392
Included in profit or loss			
Current service cost	**3,572**	2,317	1,405
Past service cost	**-**	157	6,769
Interest expense	**3,096**	823	393
Curtailment/settlement loss on obligation	**1,000**	-	-
	7,668	3,297	8,567
Included in OCI			
Remeasurement loss/(gain)*	**5,688**	9,970	(6,538)
Other			
Benefits paid	**(3,510)**	(3,724)	(1,673)
Curtailment/settlement gain on obligation	**-**	(1,449)	-
	(3,510)	(5,173)	(1,673)
Balance at 31 December	**37,688**	27,842	19,748
* Remeasurements (gain)/loss arises from:			
Change in financial assumptions	**(11,068)**	1,508	(8,063)
Experience loss	**5,380**	8,462	1,525
Remeasurements (gain)/loss	**(5,688)**	9,970	(6,538)

Deferred tax movement on retirement benefit obligation is for the year 31 December 2023 is Rs 381k (2022: Rs 420k).

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Principal actuarial assumptions at the end of the year			
Discount rate	**5.19%**	5.91%	4.28%
Rate of salary increases	**5%**	5%	3%
Retirement age	**65**	65	65
Sensitivity analysis on retirement benefit obligation at end of period			
1% increase in discount rate	**25,377**	18,043	11,498
1% decrease in discount rate	**52,658**	39,742	30,315
1% of increase in salary increase assumption	**50,286**	37,577	28,113
1% of decrease in salary increase assumption	**27,395**	19,939	13,237
Effect of changing longevity - rate up	**36,897**	27,131	18,987
Effect of changing longevity - rate down	**38,432**	28,511	20,468

7. PERSONNEL EXPENSES (Continued)

(b) Retirement benefit obligation (Continued)

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.

The weighted average duration of the defined benefit obligation is 19 years (2022: 16 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:

- 34% in Local Equity:
- 38% in Local Fixed Income;
- 22% in Foreign Investments; and
- 6% in Liquidity

These defined contribution plans, through the fund investment, expose the Bank to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

8. OPERATING LEASE EXPENSES

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Operating lease expenses	**6,846**	12,034	26,696

The Bank leases a number of branches under operating leases. The leases typically run for periods up to 1 year. 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.

During second quarter of 2023, some of the Bank's existing branches ceased operations.

As at 31 December 2023, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Less than one year	**-**	1,316	1,235
Between one and five years	**-**	-	395
	-	1,316	1,630

9. OTHER EXPENSES

	2023	2021	2020
	Rs 000	Rs 000	Rs 000
Software licensing and other IT costs	**88,706**	74,570	71,509
Professional fees	**13,690**	19,028	16,085
Other*	**62,306**	66,926	41,643
	164,702	160,524	129,237

* Other mostly includes license fees, management fee, repairs & maintenance expenses, professional indemnity insurance fees and other expenses incurred for services rendered.

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAXES

(a) Amounts recognised in profit or loss

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Current tax charge	**18,025**	868	869
Deferred tax charge/(credit)	**2,916**	28,889	(3,524)
Total income tax charge/(credit)	**20,941**	29,757	(2,655)
Segment A			
Current tax charge	**8,025**	868	869
Deferred tax charge/(credit)	**8,471**	9,385	(4,459)
Income tax charge/(credit) from Segment A	**16,496**	10,253	(3,590)
Segment B			
Current tax expense	**10,000**	-	-
Deferred tax (credit)/expense	**(5,555)**	19,504	935
Income tax expense from Segment B	**4,445**	19,504	935
Total income tax expense/(credit) from Segment A and Segment B	**20,941**	29,757	(2,655)

(b) Reconciliation of income taxes

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Profit before tax	**295,293**	174,352	16,477
Tax at statutory tax rate	**19,139**	10,868	(153)
Non-deductible expenses *	**1,242**	1,008	1,122
Non-taxable income **	**(259)**	(217)	(1,991)
Special levy on banks	**869**	868	869
Tax impact relating to offsetting of taxable profits and tax losses	**-**	2,385	-
Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit	**-**	-	5,786
Other deferred tax movement	**(50)**	14,845	(8,288)
Total income tax charge/(credit)	**20,941**	29,757	(2,655)

* Non deductible expenses include net impairment on financial assets and increase in retirement benefit obligations.
** Non taxable income include proceeds from sale of investment and gain on disposal of PPE.

	2023	2022	2021
Segment A	**Rs 000**	Rs 000	Rs 000
Profit before tax	**218,712**	107,578	(48,833)
Tax at statutory tax rate (7%)	**15,310**	7,530	(3,418)
Non-deductible expenses	**431**	305	64
Special levy on banks	**869**	868	869
Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit	**-**	-	5,155
Non taxable income	**(228)**	(217)	-
Other deferred tax movement	**114**	1,767	(6,260)
Total income tax charge/(credit) from Segment A	**16,496**	10,253	(3,590)

(b) Reconciliation of income taxes (Continued)

Segment B	2023 Rs 000	2022 Rs 000	2021 Rs 000
Profit before tax	**76,581**	66,774	65,310
Tax at statutory tax rate (5%)	**3,829**	3,338	3,265
Non-deductible expenses	**811**	703	1,058
Non taxable income	**(31)**	-	(1,991)
Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit	**-**	-	631
Tax impact relating to offsetting of taxable profits and tax losses	**-**	2,385	-
Other deferred tax movement	**(164)**	13,078	(2,028)
Total income tax charge from Segment B	**4,445**	19,504	935

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 case the Bank has a leviable income of not more than Rs 1.2 billion; and a rate of 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 from 30 June 2018 shall be either as above or 1.5 times of the levy payable for the year of assessment 2017-2018 (financial year ended 31 Decemeber 2017) whichever is lower. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

NOTES TO THE FINANCIAL STATEMENTS
10. INCOME TAXES (Continued)

(c) Movement in Deferred tax balances

	2023 Rs 000	2022 Rs 000	2021 Rs 000
Balance at 01 January	**67,514**	95,983	92,459
Credited to equity	**381**	420	-
(Charged)/credited to profit or loss	**(2,916)**	(28,889)	3,524
Balance at 31 December	**64,979**	67,514	95,983
Deferred tax assets			
Allowance for loan losses	**61,144**	59,986	73,851
Other	**2,563**	5,494	18,774
	63,707	65,480	92,625
Deferred tax liabilities			
Accelerated capital allowances	**1,272**	2,034	3,358
Net deferred tax assets	**64,979**	67,514	95,983

	Segment A Rs 000	Segment B Rs 000	Total Rs 000
2023			
Balance at 01 January	**48,155**	**19,359**	**67,514**
Property, equipment and software	**(726)**	**(36)**	**(762)**
(Reversal)/charge on the allowance for loan losses	**(8,067)**	**9,225**	**1,158**
Tax losses and retirement benefit obligation	**620**	**(3,551)**	**(2,931)**
Balance at 31 December	**39,982**	**24,997**	**64,979**
2022			
Balance at 01 January	57,120	38,863	95,983
Property, equipment and software	(1,106)	(219)	(1,325)
Reversal on the allowance for loan losses	(3,283)	(10,581)	(13,864)
Tax losses and retirement benefit obligation	(4,576)	(8,704)	(13,280)
Balance at 31 December	48,155	19,359	67,514
2021			
Balance at 01 January	52,661	39,798	92,459
Property, equipment and software	25,437	2,427	27,864
Allowance for loan losses	(14,239)	2,515	(11,724)
Tax losses and retirement benefit obligation	(6,739)	(5,877)	(12,616)
Balance at 31 December	57,120	38,863	95,983

(d) Current tax liabilities (Incl special levy)

	2023 Rs 000	2022 Rs 000	2021 Rs 000
Current tax liabilities	**18,025**	868	869
Segment A			
Current tax liabilities	**8,025**	868	869
Segment B			
Current tax liabilities	10,000	-	-

11. CASH AND CASH EQUIVALENTS

	2023	Restated 2022	Restated 2021
	Rs 000	Rs 000	Rs 000
Cash in hand	**18,460**	21,364	85,621
Foreign currency notes and coins	**3,616**	12,380	27,941
Balances with Central Bank*	**2,112,377**	2,837,229	3,055,961
Money market placements**	**5,563,079**	2,411,645	1,981,495
Balances with banks abroad	**305,778**	399,556	676,599
	8,003,310	5,682,174	5,827,617
Segment A			
Cash in hand	**18,460**	21,364	85,621
Foreign currency notes and coins	**3,616**	12,380	27,941
Money market placements**	**982,409**	-	-
Balances with central bank*	**2,112,377**	2,837,229	3,055,961
	3,116,862	2,870,973	3,169,523
Segment B			
Money market placements**	**4,580,670**	2,411,645	1,981,495
Balances with banks abroad	**305,778**	399,556	676,599
	4,886,448	2,811,201	2,658,094
Total cash and cash equivalents from Segment A and Segment B	**8,003,310**	5,682,174	5,827,617

* The 'Balances with Central Bank' includes the mandatory restricted cash balance.
** Money market placement includes ECL amounting to MUR 499K.

12. LOANS AND ADVANCES TO BANKS

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Loans and advances to banks			
- in Mauritius (Segment A)	**48,238**	436,500	432,500
- outside Mauritius (Segment B)	**5,169,435**	3,670,443	2,877,436
	5,217,673	4,106,943	3,309,936
Less allowance for impairment			
- Segment A	**-**	(1,875)	(2,252)
- Segment B	**(22,528)**	(22,327)	(13,643)
Total allowance for impairment	**(22,528)**	(24,202)	(15,895)
	5,195,145	4,082,741	3,294,041
Remaining term to maturity			
Up to 3 months	**1,629,970**	1,737,962	1,346,376
Over 3 months and up to 6 months	**1,989,061**	1,239,077	1,053,298
Over 6 months and up to 12 months	**1,158,442**	227,204	477,762
Over 1 year and up to 5 years	**440,200**	902,700	432,500
	5,217,673	4,106,943	3,309,936

13. LOANS AND ADVANCES TO CUSTOMERS

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Retail customers			
- Mortgages	**2,692,907**	2,909,196	3,339,494
- Other retail loans	**388,700**	414,760	419,533
Corporate customers	**8,653,485**	8,763,511	8,845,385
Entities outside Mauritius	**2,795,020**	2,095,745	1,741,787
	14,530,112	14,183,212	14,346,199
Less allowance for impairment	**(988,733)**	(917,453)	(947,799)
	13,541,379	13,265,759	13,398,400
Remaining term to maturity			
Up to 3 months	**4,072,782**	3,738,040	3,422,649
Over 3 months and up to 6 months	**1,247,946**	1,051,691	1,718,589
Over 6 months and up to 12 months	**350,186**	261,363	200,723
Over 1 year and up to 5 years	**2,507,778**	2,081,840	2,317,184
Over 5 years	**6,351,420**	7,050,278	6,687,054
	14,530,112	14,183,212	14,346,199

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Segment A			
Retail customers			
- Mortgages	**2,350,289**	2,442,220	2,781,530
- Other retail loans	**336,215**	356,474	359,969
Corporate customers	**5,788,297**	6,295,773	7,289,614
	8,474,801	9,094,467	10,431,113
Less allowance for impairment	**(517,950)**	(633,550)	(682,670)
	7,956,851	8,460,917	9,748,443
Remaining term to maturity			
Up to 3 months	**2,266,389**	2,488,806	2,458,722
Over 3 months and up to 6 months	**40,102**	77,689	120,710
Over 6 months and up to 12 months	**129,948**	41,856	13,660
Over 1 year and up to 5 years	**1,180,811**	1,084,679	1,699,258
Over 5 years	**4,857,551**	5,401,437	6,138,763
	8,474,801	9,094,467	10,431,113
Segment B			
Retail customers			
- Mortgages	**342,618**	466,975	557,964
- Other retail loans	**52,485**	58,286	59,564
Corporate customers	**2,865,188**	2,467,739	1,555,771
Entities outside Mauritius	**2,795,020**	2,095,745	1,741,787
	6,055,311	5,088,745	3,915,086
Less allowance for impairment	**(470,783)**	(283,903)	(265,129)
	5,584,528	4,804,842	3,649,957
Remaining term to maturity			
Up to 3 months	**1,806,393**	1,249,233	963,927
Over 3 months and up to 6 months	**1,207,844**	974,002	1,597,879
Over 6 months and up to 12 months	**220,238**	219,507	187,063
Over 1 year and up to 5 years	**1,326,967**	997,161	617,926
Over 5 years	**1,493,869**	1,648,842	548,291
	6,055,311	5,088,745	3,915,086

13. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Credit concentration of risk by industry sectors

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Agriculture and fishing	**392,582**	551,886	1,004,090
Manufacturing	**908,867**	918,641	1,088,709
Tourism	**880,449**	1,094,587	1,419,213
Transport	**4,551**	205,406	281,404
Construction	**2,766,297**	3,244,288	3,863,493
Financial and business services	**2,440,276**	1,746,828	1,627,674
Traders	**1,593,512**	1,395,984	650,896
Personal	**355,203**	410,070	358,774
Professional	**5,921**	4,690	60,759
Global Business licence holders	**2,354,594**	2,214,900	1,555,770
Others	**2,827,860**	2,395,932	2,435,417
	14,530,112	14,183,212	14,346,199
Segment A			
Agriculture and fishing	**392,582**	551,886	571,590
Manufacturing	**738,849**	870,332	1,087,566
Tourism	**880,449**	1,094,587	1,419,213
Transport	**4,551**	205,406	281,399
Construction	**2,423,679**	2,777,313	3,305,528
Financial and business services	**1,185,969**	481,278	762,669
Traders	**745,361**	863,189	650,839
Personal	**302,724**	351,966	299,210
Professional	**5,914**	4,508	60,759
Others	**1,794,723**	1,894,002	1,992,340
	8,474,801	9,094,467	10,431,113
Segment B			
Agriculture and fishing	**-**	-	432,500
Manufacturing	**170,018**	48,309	1,143
Transport	**-**	-	5
Construction	**342,618**	466,975	557,965
Financial and business services	**1,254,307**	1,265,550	865,005
Traders	**848,151**	532,795	57
Personal	**52,479**	58,104	59,564
Professional	**7**	182	-
Global Business licence holders	**2,354,594**	2,214,900	1,555,770
Others	**1,033,137**	501,930	443,077
	6,055,311	5,088,745	3,915,086

NOTES TO THE FINANCIAL STATEMENTS

14. IMPAIRMENT ON LOANS AND ADVANCES TO BANKS AND TO CUSTOMERS

(a) Movement in allowance for credit impairment

	Specific allowances for credit impairment	Collective allowances for credit impairment	Total
	Rs 000	**Rs 000**	**Rs 000**
At 1 January 2021	662,223	228,765	890,988
Charge for the year	12,353	60,352	72,705
At 31 December 2021	674,576	289,117	963,693
Charge for the year	(3,027)	(15,929)	(18,956)
At 31 December 2022	**671,549**	**273,188**	**944,737**
Charge for the year	**122,772**	**(53,528)**	**69,244**
At 31 December 2023	**794,321**	**219,660**	**1,013,981**

(b) Net impairment/(reversal) on financial assets

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Collective allowance for impairment (Note 14(a))	**(53,528)**	(15,929)	60,352
Specific provision on loans and advances (Note 14(a))	**122,772**	(3,027)	12,353
Specific provision on investment securities	**-**	(239,560)	31,452
Foreign exchange changes	**(1,363)**	11,914	(27,527)
Recovered amount	**(2)**	(36,563)	-
Write-offs	**1,119**	225,651	363
	68,998	(57,514)	76,993

(c) Allowance for credit impairment by industry sectors

	2023					2022	2021
	Gross amount of loans	**Impaired loans**	**Specific allowances for credit impairment**	**Collective allowances for credit impairment**	**Total allowances for credit impairment**	Total allowances for credit impairment	Total allowances for credit impairment
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	Rs 000	Rs 000
Agriculture and fishing	**392,582**	**1,150**	**3**	**5,784**	**5,787**	8,483	18,564
Manufacturing	**908,867**	**195,515**	**195,515**	**9,429**	**204,944**	229,890	242,474
Tourism	**880,449**	**-**	**-**	**14,032**	**14,032**	61,318	82,984
Transport	**4,551**	**4,551**	**4,551**	**-**	**4,551**	7,540	9,045
Construction	**2,766,297**	**60,427**	**30,048**	**19,208**	**49,256**	74,171	67,673
Banks	**5,217,673**	**-**	**-**	**22,528**	**22,528**	27,284	15,895
Financial and business services	**2,440,276**	**-**	**-**	**27,156**	**27,156**	28,641	19,973
Traders	**1,593,512**	**20,289**	**20,285**	**25,337**	**45,622**	44,209	34,836
Personal	**355,203**	**221,658**	**115,850**	**13,993**	**129,843**	142,593	116,420
Professional	**5,921**	**2,995**	**2,995**	**92**	**3,087**	3,064	38,695
Global Business licence holders	**2,354,594**	**29,468**	**29,468**	**44,028**	**73,496**	64,615	59,390
Others	**2,827,860**	**508,719**	**395,606**	**35,353**	**430,959**	252,929	257,744
	19,747,785	**1,044,772**	**794,321**	**216,940**	**1,011,261**	944,737	963,693

14. IMPAIRMENT ON LOANS AND ADVANCES TO BANKS AND TO CUSTOMERS (Continued)

	2023					2022	2021
	Gross amount of loans	**Impaired loans**	**Specific allowances for credit impairment**	**Collective allowances for credit impairment**	**Total allowances for credit impairment**	Total allowances for credit impairment	Total allowances for credit impairment
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	Rs 000	Rs 000
Segment A							
Agriculture and fishing	**392,582**	**1,150**	**3**	**5,784**	**5,787**	8,483	11,630
Manufacturing	**738,849**	**195,515**	**195,515**	**6,792**	**202,307**	229,890	241,520
Tourism	**880,449**	**-**	**-**	**14,032**	**14,032**	61,318	82,984
Transport	**4,551**	**4,551**	**4,551**	**-**	**4,551**	7,540	9,045
Construction	**2,423,679**	**46,683**	**27,543**	**17,238**	**44,781**	68,240	64,705
Banks	**48,238**	**-**	**-**	**-**	**-**	1,883	2,252
Financial and business services	**1,185,969**	**-**	**-**	**7,488**	**7,488**	3,036	6,757
Traders	**745,361**	**20,289**	**20,285**	**13,055**	**33,340**	36,550	34,779
Personal	**302,724**	**198,984**	**109,330**	**9,245**	**118,575**	126,862	97,314
Professional	**5,914**	**2,995**	**2,995**	**92**	**3,087**	3,061	38,695
Others	**1,794,723**	**57,754**	**57,381**	**26,621**	**84,002**	88,569	95,243
	8,523,039	**527,921**	**417,603**	**100,347**	**517,950**	635,432	684,924
Segment B							
Agriculture and fishing	**-**	**-**	**-**	**-**	**-**	-	6,934
Manufacturing	**170,018**	**-**	**-**	**2,637**	**2,637**	-	954
Construction	**342,618**	**13,744**	**2,505**	**1,970**	**4,475**	5,931	2,968
Banks	**5,169,435**	**-**	**-**	**22,528**	**22,528**	25,401	13,643
Financial and business services	**1,254,307**	**-**	**-**	**19,668**	**19,668**	25,605	13,216
Traders	**848,151**	**-**	**-**	**12,282**	**12,282**	7,659	57
Personal	**52,479**	**22,674**	**6,520**	**4,748**	**11,268**	15,731	19,106
Professional	**7**	**-**	**-**	**-**	**-**	3	-
Global Business licence holders	**2,354,594**	**29,468**	**29,468**	**44,028**	**73,496**	64,615	59,390
Others	**1,033,137**	**450,965**	**338,225**	**8,732**	**346,957**	164,360	162,501
	11,224,746	**516,851**	**376,718**	**116,593**	**493,311**	309,305	278,769

NOTES TO THE FINANCIAL STATEMENTS

15. INVESTMENT SECURITIES

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Investment securities	**2,625,111**	1,686,317	2,222,586
Held at fair value through OCI:			
Government of Mauritius bonds	**987,541**	479,706	1,422,393
Bank of Mauritius notes	**299,179**	-	50,573
Treasury bills	**732,775**	199,870	199,368
Bank of Mauritius bills	**454,080**	1,004,706	548,503
Equity shares	**2,282**	2,035	1,749
Held at amortised cost:			
Corporate bond	**151,401**	-	239,560
Less allowance for impairment	**(2,147)**	-	(239,560)
	2,625,111	1,686,317	2,222,586
Segment A			
Government of Mauritius bonds and Bank of Mauritius notes	**1,286,720**	479,706	1,472,966
Treasury bills	**294,958**	199,870	199,368
Bank of Mauritius bills	**454,080**	1,004,706	548,503
Corporate bond	**151,401**	-	-
Less: allowance for impairment	**(2,147)**	-	-
	2,185,012	1,684,282	2,220,837
Segment B			
Treasury bills	**437,817**	-	-
Corporate bond	**-**	-	239,560
Equity shares	**2,282**	2,035	1,749
Less: allowance for impairment	**-**	-	(239,560)
	440,099	2,035	1,749

Equity shares are shares allocated to the Bank by SWIFT SC as per SWIFT By-Laws. These are not held for trading purpose, and the Bank has irrevocably elected to present subsequent changes in fair value through OCI.

16. INVESTMENT IN SUBSIDIARY

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Investment in subsidiary (Level 3)	**-**	-	-

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
At 01 January	**-**	-	62,653
Proceeds from sale of investment	**-**	-	(85,502)
Net gain from sale of investment	**-**	-	22,849
	-	-	-

17. PROPERTY AND EQUIPMENT

	Right-of-use asset						
	Leasehold property	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost							
Balance at 01 January 2021	165,714	50,090	118,504	22,886	8,572	7,731	373,497
Additions	754	226	3,476	65	-	-	4,521
Discontinuations	(21,672)	-	-	-	-	-	(21,672)
Disposal	-	-	-	(351)	-	(1,175)	(1,526)
Scrapped assets	-	(176)	-	(398)	(78)	-	(652)
Reclassification	-	-	-	26	-	-	26
Balance at 31 December 2021	144,796	50,140	121,980	22,228	8,494	6,556	354,194
Balance at 01 January 2022	144,796	50,140	121,980	22,228	8,494	6,556	354,194
Additions	15,677	473	1,941	456	-	-	18,547
Discontinuations	(43,663)	-	-	-	-	-	(43,663)
Disposal	-	-	-	-	-	(1,175)	(1,175)
Scrapped assets	-	(20,930)	(51)	(3,382)	(527)	(887)	(25,777)
Balance at 31 December 2022	116,810	29,683	123,870	19,302	7,967	4,494	302,126
Balance at 01 January 2023	**116,810**	**29,683**	**123,870**	**19,302**	**7,967**	**4,494**	**302,126**
Additions	**1,290**	**4,083**	**1,814**	**171**	**-**	**2,647**	**10,005**
Write-off	**-**	**-**	**-**	**(15)**	**-**	**-**	**(15)**
Disposal	**-**	**(2,611)**	**(11,769)**	**(1,866)**	**(204)**	**(2,265)**	**(18,715)**
Scrapped assets	**-**	**(3,424)**	**(46)**	**(1,914)**	**(2,044)**	**-**	**(7,428)**
Balance at 31 December 2023	**118,100**	**27,731**	**113,869**	**15,678**	**5,719**	**4,876**	**285,973**
Accumulated depreciation and impairment losses							
Balance at 01 January 2021	61,856	39,794	94,417	21,324	7,983	6,741	232,115
Depreciation for the year	13,848	4,394	13,668	995	270	744	33,919
Disposal	-	-	-	(351)	-	(1,175)	(1,526)
Scrapped assets	-	(121)	-	(398)	(72)	-	(591)
Balance at 31 December 2021	75,704	44,067	108,085	21,570	8,181	6,310	263,917
Balance at 01 January 2022	75,704	44,067	108,085	21,570	8,181	6,310	263,917
Depreciation for the year	25,359	3,202	12,299	552	188	246	41,846
Disposal	-	-	-	-	-	(1,175)	(1,175)
Scrapped assets	(27,887)	(20,930)	(51)	(3,382)	(527)	(887)	(53,664)
Balance at 31 December 2022	73,176	26,339	120,333	18,740	7,842	4,494	250,924
Balance at 01 January 2023	**73,176**	**26,339**	**120,333**	**18,740**	**7,842**	**4,494**	**250,924**
Depreciation for the year	**18,653**	**2,525**	**2,459**	**286**	**113**	**495**	**24,531**
Write-off	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Disposal	**-**	**(2,390)**	**(11,769)**	**(1,854)**	**(204)**	**(2,265)**	**(18,482)**
Scrapped assets	**-**	**(3,424)**	**(46)**	**(1,914)**	**(2,044)**	**-**	**(7,428)**
Balance at 31 December 2023	**91,829**	**23,050**	**110,977**	**15,257**	**5,707**	**2,724**	**249,544**
Carrying amounts							
Balance at 31 December 2021	69,092	6,073	13,895	658	313	246	90,277
Balance at 31 December 2022	43,634	3,344	3,537	562	125	-	51,202
Balance at 31 December 2023	**26,271**	**4,681**	**2,892**	**421**	**12**	**2,152**	**36,429**

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY AND EQUIPMENT (Continued)

	Right-of-use asset						
	Leasehold property	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2023							
Segment A	**23,644**	**4,213**	**2,603**	**379**	**11**	**1,937**	**32,787**
Segment B	**2,627**	**468**	**289**	**42**	**1**	**215**	**3,642**
	26,271	**4,681**	**2,892**	**421**	**12**	**2,152**	**36,429**
2022							
Segment A	39,271	3,010	3,183	506	113	-	46,083
Segment B	4,363	334	354	56	12	-	5,119
	43,634	3,344	3,537	562	125	-	51,202
2021							
Segment A	62,183	5,466	12,505	592	282	221	81,249
Segment B	6,909	607	1,390	66	31	25	9,028
	69,092	6,073	13,895	658	313	246	90,277

Included in the above line items are right-of-use asset recognised as at 31 December 2023, over the following :

Right-of-use asset	**Rs 000**
Non-current asset	
Office building	**118,100**

Lease liabilities - Carrying amount	**Rs 000**
As at 01 January 2023-Effect of adoption of IFRS 16 (refer to materail accounting policies)	**46,751**
Additions	**1,290**
Payments on lease liabilities*	**(19,538)**
As at 31 December 2023	**28,503**

Amount recognised in profit or loss for the year ended 31 December 2023	**Rs 000**
Depreciation expense on right-of-use assets	**18,653**
Interest expense on lease liabilities	**1,780**
Total amount recognised in profit or loss	**20,433**

* The payment on lease liabilities for the year ended 31 December 2022 amounted to Rs 25,698k (2021: Rs 13,818k).

18. INTANGIBLE ASSETS

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Cost			
Balance at 01 January	**246,368**	232,807	217,145
Additions	**6,282**	7,298	15,630
Work in progress	**31,550**	6,263	58
Reclassification	**-**	-	(26)
Write-off	**(885)**	-	-
Balance at 31 December	**283,315**	246,368	232,807
Accumulated amortisation			
Balance at 01 January	**220,722**	203,998	179,861
Amortisation for the year	**11,902**	16,724	24,137
Balance at 31 December	**232,624**	220,722	203,998
Net book value			
Balance at 31 December	**50,691**	25,646	28,809
Carrying amounts at end of year by segments			
Segment A	**45,622**	23,081	25,928
Segment B	**5,069**	2,565	2,881
	50,691	25,646	28,809

NOTES TO THE FINANCIAL STATEMENTS

19. OTHER ASSETS

	2023	Restated 2022	Restated 2021
	Rs 000	Rs 000	Rs 000
Accounts receivable and prepayments	**265,107**	38,263	31,867
Accrued interest receivable**	**103,155**	79,260	52,690
Restricted balances with Central Bank*	**13,444**	13,444	13,444
Balances due in clearing	**2,003,672**	2,188,492	2,192,898
Other receivables	**58,156**	24,000	25,506
	2,443,534	2,343,459	2,316,405
Segment A			
Accounts receivable and prepayments	**38,744**	31,175	28,437
Accrued interest receivable**	**39,048**	68,352	47,429
Restricted balances with Central Bank*	**13,444**	13,444	13,444
Balances due in clearing	**64**	813	18,418
Other receivables	**58,156**	24,000	25,506
	149,456	137,784	133,234
Segment B			
Accounts receivable and prepayments	**226,363**	7,088	3,430
Accrued interest receivable**	**64,107**	10,908	5,261
Balances due in clearing	**2,003,608**	2,187,679	2,174,480
	2,294,078	2,205,675	2,183,171
Total from segment A and segment B	**2,443,534**	2,343,459	2,316,405

* These numbers have been restated, refer to change in accounting policy (Note 1) for more details.
** Accrued interest receivable includes ECL amounting to MUR 74K.

20. DEPOSITS FROM BANKS

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Deposits	**4,315,294**	3,149,054	3,148,830
Segment A			
Current accounts	**61**	1,304	2,072
Segment B			
Current accounts	**1,976**	5,085	-
Time deposit with remaining term to maturity			
Up to 3 months	**2,871,280**	3,002,805	3,146,758
Over 3 months and up to 6 months	**717,526**	139,860	-
Over 6 months and up to 12 months	**724,451**	-	-
	4,313,257	3,142,665	3,146,758

21. DEPOSITS FROM CUSTOMERS

	2023 Rs 000	2022 Rs 000	2021 Rs 000
Retail customers			
Current accounts	**1,044,884**	1,177,588	1,279,470
Savings accounts	**1,466,564**	1,656,690	1,854,290
Time deposits with remaining term to maturity			
Up to 3 months	**347,487**	162,054	206,320
Over 3 months and up to 6 months	**208,686**	73,813	154,284
Over 6 months and up to 12 months	**1,123,953**	840,227	629,492
Over 1 year and up to 5 years	**506,504**	648,227	729,356
Over 5 years	**-**	-	97,000
Corporate customers			
Current accounts	**7,243,975**	5,576,283	7,764,968
Savings accounts	**101,248**	45,354	248,944
Time deposits with remaining term to maturity			
Up to 3 months	**2,391,712**	766,128	1,031,773
Over 3 months and up to 6 months	**266,950**	386,444	215,377
Over 6 months and up to 12 months	**349,905**	153,107	276,394
Over 1 year and up to 5 years	**1,106,635**	189,745	219,440
	16,158,503	11,675,660	14,707,108

	2023 Rs 000	2022 Rs 000	2021 Rs 000
Segment A			
Retail customers			
Current accounts	**662,789**	740,264	865,510
Savings accounts	**1,118,824**	1,259,574	1,332,955
Time deposit with remaining term to maturity			
- Up to 3 months	**141,122**	97,609	96,662
- Over 3 months and up to 6 months	**150,080**	64,117	101,019
- Over 6 months and up to 12 months	**839,270**	640,096	529,084
- Over 1 year and up to 5 years	**369,276**	431,578	484,988
- Over 5 years	**-**	-	97,000
Corporate customers			
Current accounts	**2,447,519**	2,754,617	2,904,675
Savings accounts	**101,175**	45,297	248,862
Time deposit with remaining term to maturity			
- Up to 3 months	**1,110,859**	537,671	828,038
- Over 3 months and up to 6 months	**222,930**	184,563	189,427
- Over 6 months and up to 12 months	**185,880**	153,057	233,094
- Over 1 year and up to 5 years	**226,235**	189,745	219,440
	7,575,959	7,098,188	8,130,754

21. DEPOSITS FROM CUSTOMERS (Continued)

	2023 Rs 000	2022 Rs 000	2021 Rs 000
Segment B			
Retail customers			
Current accounts	**382,095**	437,324	413,960
Savings accounts	**347,740**	397,116	521,335
Time deposit with remaining term to maturity			
- Up to 3 months	**206,364**	64,445	109,658
- Over 3 months and up to 6 months	**58,606**	9,696	53,265
- Over 6 months and up to 12 months	**284,684**	200,131	100,408
- Over 1 year and up to 5 years	**137,228**	216,649	244,368
Corporate customers			
Current accounts	**4,796,456**	2,821,666	4,860,293
Savings accounts	**73**	57	82
Time deposit with remaining term to maturity			
- Up to 3 months	**1,280,853**	228,457	203,735
- Over 3 months and up to 6 months	**44,020**	201,881	25,950
- Over 6 months and up to 12 months	**164,025**	50	43,300
- Over 1 year and up to 5 years	**880,400**	-	-
	8,582,544	4,577,472	6,576,354

22. BORROWED FUNDS

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Borrowed funds	**5,305,982**	6,882,728	4,585,387
Remaining term to maturity			
- Up to 3 months	**980,200**	1,747,221	1,227,125
- Over 3 months and up to 6 months	**1,225,250**	1,672,865	-
- Over 6 months and up to 12 months	**1,477,943**	991,141	987,998
- Over 1 year and up to 5 years	**1,622,589**	1,816,751	2,370,264
- Over 5 years	**-**	654,750	-
	5,305,982	6,882,728	4,585,387
Segment A			
Borrowings from financial institutions	**356,436**	423,818	497,148
Borrowings from local banks	**-**	218,250	-
	356,436	642,068	497,148
Remaining term to maturity			
- Up to 3 months	**-**	642,068	490,850
- Over 6 months and up to 12 months	**-**	-	6,298
- Over 1 year and up to 5 years	**356,436**	-	-
	356,436	642,068	497,148
Segment B			
Borrowings from financial institutions	**534,655**	635,727	736,275
Borrowings from banks abroad	**4,414,891**	5,604,933	3,351,964
	4,949,546	6,240,660	4,088,239
Remaining term to maturity			
- Up to 3 months	**980,200**	1,105,153	736,275
- Over 3 months and up to 6 months	**1,225,250**	1,672,865	-
- Over 6 months and up to 12 months	**1,477,943**	991,141	981,700
- Over 1 year and up to 5 years	**1,266,153**	1,816,751	2,370,264
- Over 5 years	**-**	654,750	-
	4,949,546	6,240,660	4,088,239

Repayment of borrowed funds

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Gross opening balance	**6,882,728**	4,585,387	4,424,459
Less : gross closing balance	**(5,305,982)**	(6,882,728)	(4,585,387)
Effect of exchange rate fluctuations	**267,936**	(157,190)	185,830
Cash flow from financing activities	**1,844,682**	(2,454,531)	24,902

NOTES TO THE FINANCIAL STATEMENTS

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Derivative financial instruments	**(746)**	133	38
Segment A			
Derivative financial instruments	**-**	133	38
Segment B			
Derivative financial instruments	**(746)**	-	-

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.

24. SUBORDINATED LIABILITIES

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Subordinated loan	**854,208**	464,654	-
Remaining term to maturity			
- Over 5 years	**854,208**	464,654	-
Segment B			
Borrowings from banks abroad	**854,208**	464,654	-

25. OTHER LIABILITIES

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Retirement benefit obligations	**37,688**	27,843	19,748
Creditors and accruals	**242,175**	159,093	149,011
Accrued interest payable	**186,085**	72,733	34,951
Lease liabilities	**28,503**	46,751	73,370
Provisions	**93,204**	101,023	89,824
Other liabilities	**2,009,522**	2,194,565	2,299,088
	2,597,177	2,602,008	2,665,992
Segment A			
Retirement benefit obligations	**29,205**	21,471	15,798
Creditors and accruals	**112,881**	118,022	143,945
Accrued interest payable	**110,852**	50,339	22,076
Lease liabilities	**28,503**	46,751	73,370
Provisions	**78,487**	87,147	71,484
Other liabilities	**2,548**	7,629	7,819
	362,476	331,359	334,492
Segment B			
Retirement benefit obligations	**8,483**	6,372	3,950
Creditors and accruals	**129,294**	41,071	5,066
Accrued interest payable	**75,233**	22,394	12,875
Provisions	**14,717**	13,876	18,340
Other liabilities	**2,006,974**	2,186,936	2,291,269
	2,234,701	2,270,649	2,331,500
Total other liabilities from segment A and segment B	**2,597,177**	2,602,008	2,665,992

Lease liabilities analysis

	2023
	Rs 000
Current	**20,564**
Non Current	**7,939**
	28,503
Maturity analysis:	
Year 1	**20,564**
Year 2	**3,303**
Year 3	**3,452**
Year 4	**1,184**
	28,503

Provisions

	2023
	Rs 000
Current	**93,204**
Provision analysis:	
Opening balance	**101,023**
Provision made during the year	**147,695**
Provision utilized during the year	**(153,329)**
Provision reversed during the year	**(2,185)**
Closing balance	**93,204**

The provisions are based on expenses for the year ended 31 December 2023 which will be paid for in the year 2024.

26. SHARE CAPITAL

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Authorised and fully paid up ordinary share capital			
At 01 January,	**2,398,825**	2,218,065	2,218,065
Increase share in capital	**-**	180,760	-
At 31 December	**2,398,825**	2,398,825	2,218,065
Number of shares			
At 01 January,	**3,091,098**	2,858,172	2,858,172
Increase share in capital	**-**	232,926	-
At 31 December	**3,091,098**	3,091,098	2,858,172

The issued capital comprises of fully paid ordinary shares at no par value.
The holder of ordinary shares is entitled to receive dividend and entitled to one vote per share at shareholder's meetings of the Bank.

27. RESERVES

Nature and purpose of reserves

FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through OCI, 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.

GENERAL BANKING RESERVE

This represents the amounts set aside by the Bank as appropriation of earnings, for unforseeable risks and future loss, in accordance with the Bank of Mauritius' macro-prudential matters.

The Guideline on Credit Impairment and Income Recognition has been suspended by the Bank of Mauritius since March 2020, as such no transfers have been made to the reserve. The balance of the reserve is nil since the Bank has always maintained a provision of more than 1% on its portfolio assessed financial assets.

28. CATEGORIES OF FINANCIAL INSTRUMENT

The table on the next page summarises the carrying amount and approximate fair values of the Bank's financial assets and liabilities. It also illustrates the financial assets and liabilities on the Bank's financial position which are not measured at fair value.

The fair value of these financial assets and liabilities approximate their carrying amounts because they comprise of financial instruments which are liquid, have a short-term maturity, are linked to prime lending rate, do not have specific maturity, or are granted at a variable rate.

28. CATEGORIES OF FINANCIAL INSTRUMENT (Continued)

	Fair value through OCI	Fair value through profit or loss	Fair value at amortised cost	Carrying Amount	Fair value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
2023					
Assets					
Cash and cash equivalents	**-**	**-**	**8,003,310**	**8,003,310**	**8,003,310**
Loans and advances to banks	**-**	**-**	**5,195,145**	**5,195,145**	**5,195,145**
Loans and advances to customers	**-**	**-**	**13,541,379**	**13,541,379**	**13,541,379**
Investment securities	**2,625,111**	**-**	**-**	**2,625,111**	**2,625,111**
Other assets	**-**	**-**	**2,443,534**	**2,443,534**	**2,443,534**
	2,625,111	**-**	**29,183,368**	**31,808,479**	**31,808,479**
Liabilities					
Deposits from banks	**-**	**-**	**4,315,294**	**4,315,294**	**4,315,294**
Deposits from customers	**-**	**-**	**16,158,503**	**16,158,503**	**16,158,503**
Borrowed funds	**-**	**-**	**5,305,982**	**5,305,982**	**5,305,982**
Derivative financial instruments	**-**	**746**	**-**	**746**	**746**
Subordinated liabilities	**-**	**-**	**854,208**	**854,208**	**854,208**
Provisions	**-**	**-**	**93,204**	**93,204**	**93,204**
Other liabilities	**-**	**-**	**2,503,973**	**2,503,973**	**2,503,973**
	-	**746**	**29,231,164**	**29,231,910**	**29,231,910**
2022					
Assets					
Cash and cash equivalents*	-	-	5,682,174	5,682,174	5,682,174
Loans and advances to banks	-	-	4,082,741	4,082,741	4,082,741
Loans and advances to customers	-	-	13,265,759	13,265,759	13,265,759
Investment securities	1,686,317	-	-	1,686,317	1,686,317
Derivative financial instruments	-	133	-	133	133
Other assets*	-	-	2,343,459	2,343,459	2,343,459
	1,686,317	133	25,374,133	27,060,583	27,060,583
Liabilities					
Deposits from banks	-	-	3,149,054	3,149,054	3,149,054
Deposits from customers	-	-	11,675,660	11,675,660	11,675,660
Borrowed funds	-	-	6,882,728	6,882,728	6,882,728
Subordinated liabilities	-	-	464,654	464,654	464,654
Provisions	-	-	101,023	101,023	101,023
Other liabilities	-	-	2,500,985	2,500,985	2,500,985
	-	-	24,774,104	24,774,104	24,774,104
2021					
Assets					
Cash and cash equivalents*	-	-	5,827,617	5,827,617	5,827,617
Loans and advances to banks	-	-	3,294,041	3,294,041	3,294,041
Loans and advances to customers	-	-	13,398,400	13,398,400	13,398,400
Investment securities	2,222,586	-	-	2,222,586	2,222,586
Derivative financial instruments	-	38	-	38	38
Other assets*	-	-	2,316,405	2,316,405	2,316,405
	2,222,586	38	24,836,463	27,059,087	27,059,087
Liabilities					
Deposits from banks	-	-	3,148,830	3,148,830	3,148,830
Deposits from customers	-	-	14,707,108	14,707,108	14,707,108
Borrowed funds	-	-	4,585,387	4,585,387	4,585,387
Provisions	-	-	89,824	89,824	89,824
Other liabilities	-	-	2,576,168	2,576,168	2,576,168
	-	-	25,107,317	25,107,317	25,107,317

* These numbers have been restated, refer to change in accounting policy (Note 1) for more details.

NOTES TO THE FINANCIAL STATEMENTS

29. CONTINGENCIES

(a) Commitments	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Undrawn credit facilities	**2,349,228**	1,305,720	1,016,929
Segment A			
Undrawn credit facilities	**752,584**	513,905	657,825
Segment B			
Undrawn credit facilities	**1,596,644**	791,815	359,104

(b) Pledged assets	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Government Bonds (Segment A)	-	*245,000	*227,000

(c) Contingent liabilities	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Acceptances on account of customers	**56,729**	6,961	347,010
Guarantees on account of customers	**1,188,730**	813,406	1,083,764
Letters of credit and other obligations on account of customers	**898,534**	160,883	69,974
Foreign exchange contracts	**391,445**	214,077	1,928
	2,535,438	1,195,327	1,502,676
Segment A			
Acceptances on account of customers	**-**	1,483	1,219
Guarantees on account of customers	**534,430**	623,374	666,785
Letters of credit and other obligations on account of customers	**2,833**	3,370	3,102
Foreign exchange contracts	**391,445**	214,077	1,928
	928,708	842,304	673,034
Segment B			
Acceptances on account of customers	**56,729**	5,479	345,791
Guarantees on account of customers	**654,300**	190,032	416,979
Letters of credit and other obligations on account of customers	**895,701**	157,512	66,872
	1,606,730	353,023	829,642

* These relate to securities pledged as collateral under the overnight facility provided by Bank of Mauritius.

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 are measured in accordance with the material accounting policies disclosed under note 1, for the respective line items.

		2023	2022	2021
Balances at year end:	**Nature of relationship**	**Rs 000**	Rs 000	Rs 000
Placements with banks	Holding company	**4,225,920**	1,746,000	1,773,250
	Related companies	**-**	-	98,170
Loans and advances (Note a)	Holding company*	**55,260**	8,954	11,796
	Related companies*	**170,855**	10,023	67,108
	Key management personnel	**25,360**	18,033	30,358
Deposits	Related companies	**4,080,883**	3,147,750	3,146,682
	Key management personnel	**37,077**	36,614	32,274
Cash and cash equivalents	Holding company	**3**	3	-
	Related companies	**394,208**	189,580	318,336
Borrowed funds (Note b)	Holding company	**594,270**	654,750	-
	Related companies	**2,350,321**	4,204,262	3,351,964
Subordinated liabilities	Related companies	**854,208**	464,654	-
Transactions during te year:				
(Loss)/gain from revaluation of swaps	Holding company	**2,928**	(17,436)	732
Income/(Loss) from foreign exchange transactions*	Holding company	**153,005**	211	(64)
	Related companies	**502**	(1,157)	575
Profit on sale of subsidiary	Holding company	**-**	-	15,932
	Related companies	**-**	-	6,917
Interest expense	Holding company	**17,217**	7,568	-
	Related companies	**391,972**	120,803	75,886
	Key management personnel	**962**	254	157
Interest income	Holding company	**145,252**	23,104	13,761
	Related companies	**16,902**	2,209	2,911
	Key management personnel	**610**	719	882
Fee and commission income	Related companies	**1,085**	374	922
Fee and commission expense	Related companies	**4,310**	19	-
Technical assistance	Holding company	**3,445**	4,359	9,436
Management fee expense	Holding company	**12,041**	9,095	8,134
Reversal of previous management fee	Holding company	**-**	(54)	(16,928)

* Exposure of the Bank's top two related parties as at 31 December 2023 were Rs 55M and Rs 171M.

In addition, none of the credit facilities granted to the related parties was non-performing as at 31 December 2023.
Note a: All loans and advances and placements to banks to related parties are interest bearing.
Note b: All borrowed funds and deposits taken from related parties are interest bearing.

Terms and conditions of transactions with related parties.

All balances with related parties were unsecured.

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

Key management personnel compensation

Key management personnel compensation comprises the following:

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Short-term employees benefits (excluding remuneration and benefits paid to directors)	**48,309**	51,070	46,097
Directors' Remuneration and benefits	**11,891**	10,234	15,189
Post-employment benefits	**2,961**	2,400	2,680
	63,161	63,704	63,966

Compensation of the Bank's key management personnel includes salaries and contributions to the post-employment retirement plan.

The Risk Management framework and policies set out the requirements for effective surveillance of risks, including the identification, assessment, measurement, monitoring, managing, and reporting of risks, and requirements for the effective management of capital.

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

(a) RISK MANAGEMENT FRAMEWORK AND GOVERNANCE STRUCTURE

The Bank adopt the 3-lines of defence governance model, and it aims at promoting transparency, accountability and consistency through the clear identification and segregation of risks.

Governance committees are held at both the Board and Management level which have clearly stipulated directives and delegated authorities that are reviewed regularly. The Board oversees and ensures adequate risk management across the Bank and delegates specific duties to sub committees for a scrutiny of the risk management process. The composition and function of these committees, at Board and Management level, are described in the Corporate Governance Report. The Committees with oversight on Risk management are:

AT BOARD LEVEL	AT MANAGEMENT LEVEL
• Risk Management Committee (RMC)	• Risk Committee (RC)
• Audit Committee (AC)	• Credit Committee (CC)
• Credit Committee (CC)	• Provision, Watchlist and Arrears Committee
	• Treasury Committee
	• Assets and Liability Committee (ALCO)
	• Compliance Committee
	• Organizational & Information System Committee

(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 Bank's credit risk comprises mainly of corporate and retail loans and advances, together with the counterparty credit risk arising from off balance sheet commitments entered into with the Bank's clients and market counterparties.

The Bank manages 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 Bank, 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 Bank 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 the BCP Group Credit Committees, responsible for credit risk and 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 reporting to Risk and Audit committees are undertaken.

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 Bank 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		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Total neither past due nor credit impaired	5,217,673	4,106,943	3,309,936
Specifically impaired	-	-	-
Total	5,217,673	4,106,943	3,309,936

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

Credit Portfolio Analysis – Credit Quality (Continued)

	Loans and advances to customers		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Total neither past due nor credit impaired	**13,065,907**	12,800,461	12,027,015
Past due but not credit impaired			
due up to 30 days	**141,815**	243,584	499,728
31-90 days	**75,919**	20,323	29,380
91-180 days	**201,699**	1,896	614,949
180 days+	**-**	1,616	64,885
Total past due but not credit impaired	**419,433**	267,419	1,208,942
Individually impaired	**1,044,772**	1,115,332	1,110,242

	Investment securities		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Total neither past due nor credit impaired	**2,627,259**	1,686,317	2,222,586
Individually impaired	**-**	-	239,560
Total	**2,627,259**	1,686,317	2,462,146

Credit Portfolio Analysis – Allowance for impairment

	Loans and advances to banks		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Maturity less than 3 months	**499**	3,035	-
Maturity more than 3 months	**22,528**	24,202	15,885
Accrued interest	**74**	47	10
Total allowance for impairment - Collective	**23,101**	27,284	15,895

	Loans and advances to customers		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Allowance for impairment			
Specific	**794,321**	671,549	674,576
Collective	**194,412**	245,904	273,223
Total allowance for impairment	**988,733**	917,453	947,799

	Investment securities		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Total allowance for impairment - Collective	**2,147**	-	239,560

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

LOANS AND ADVANCES MODIFIED

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position.

	Loans and advances to customers		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Gross carrying amount	**132,197**	147,965	24,951
Out of which fully impaired	***6,959***	*-*	*4,730*
Allowance for impairment	**(2,284)**	(11,686)	(881)
Net carrying amount	**129,913**	136,279	24,070

	Loans and advances to customers		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Financial assets modified during the year			
Gross carrying amount	**4,646**	140,026	9,757

None of the modifications in financial assets during the year resulted into a net modification gain or loss.

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

CREDIT PORTFOLIO ANALYSIS-BY RISK GRADE

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

- For its Corporate portfolio, the Bank has adopted an internal rating model [ONI, Outil de Notation International];
- For its Retail portfolio, the Bank has adopted an internally developed rating scorecard.

With respect to banks and financial institutions, the Bank has developed a mapping using ratings of eligible External Rating Agencies. The cash and cash equivalents are held with the Central Bank and financial institutions that are rated at least A+ to B-, based on Standard and Poor's ratings.

	Loans and advances to banks*		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Outstanding exposure			
Grade 0-4	103,498	10,797	15,626
Grade 5-7	5,114,175	4,096,146	3,294,310
Grade 8-9	-	-	-
Grade X (impaired)	-	-	-
No credit grading	-	-	-
Total gross amount	5,217,673	4,106,943	3,309,936
Allowance for impairment (collective)	(22,528)	(24,202)	(15,895)
Net carrying amount	5,195,145	4,082,741	3,294,041
Off-balance sheet			
Grade 0-4	-	-	-
Grade 5-7	655,757	145,734	410,242
Grade 8-9	-	-	-
Grade X (impaired)	-	-	-
No credit grading	-	-	-
Total exposure	655,757	145,734	410,242

* Includes only loans and advances to banks with a maturity of greater than 3 months.

	Loans and advances to customers		
	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Grade 0-4	7,596,374	6,222,440	6,375,985
Grade 5-7	5,757,706	6,532,498	5,984,938
Grade 8-9	131,260	312,942	875,034
Grade X (credit impaired)	1,044,772	1,115,332	1,110,242
No credit grading	-	-	-
Total gross amount	14,530,112	14,183,212	14,346,199
Allowance for impairment (specific and collective)	(988,733)	(917,453)	(947,799)
Net carrying amount	13,541,379	13,265,759	13,398,400
Off-balance sheet			
Grade 0-4	2,511,499	1,726,904	1,956,918
Grade 5-7	1,324,526	412,430	145,085
Grade 8-9	1,313	1,702	4,731
Grade X (impaired)	125	200	700
No credit grading	-	-	-
Total exposure	3,837,463	2,141,236	2,107,434

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

CREDIT QUALITY ANALYSIS

2023						
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total
Loans and advances to banks at amortised cost						
Grade 0-4	0-0.01	103,498	-	-	-	103,498
Grade 5-7	0-0.01	5,061,319	52,856	-	-	5,114,175
Grade 8-9	0-0.01	-	-	-	-	-
Grade X (Credit-impaired)	100	-	-	-	-	-
Gross carrying amount		5,164,817	52,856	-	-	5,217,673
Loss allowance		(22,528)	-	-	-	(22,528)
Carrying amount		5,142,289	52,856	-	-	5,195,145
Loans and advances to customers at amortised cost						
Grade 0-4	0.01-0.32	7,581,760	14,614	-	-	7,596,374
Grade 5-7	0.01-0.55	5,348,073	409,633	-	-	5,757,706
Grade 8-9	0.02-0.67	117,250	14,010	-	-	131,260
Grade X (Credit-impaired)	100	-	-	1,044,772	-	1,044,772
Gross carrying amount		13,047,083	438,257	1,044,772	-	14,530,112
Loss allowance		(184,263)	(10,149)	(794,321)	-	(988,733)
Carrying amount		12,862,820	428,108	250,451	-	13,541,379

2022						
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total
Loans and advances to banks at amortised cost						
Grade 0-4	0-0.01	10,797	-	-	-	10,797
Grade 5-7	0-0.01	3,790,596	305,550	-	-	4,096,146
Grade 8-9	0-0.01	-	-	-	-	-
Grade X (Credit-impaired)	100	-	-	-	-	-
Gross carrying amount		3,801,393	305,550	-	-	4,106,943
Loss allowance		(14,137)	(10,065)	-	-	(24,202)
Carrying amount		3,787,256	295,485	-	-	4,082,741
Loans and advances to customers at amortised cost						
Grade 0-4	0.01-0.27	4,887,802	1,334,638	-	-	6,222,440
Grade 5-7	0.01-0.61	5,842,136	690,362	-	-	6,532,498
Grade 8-9	0.02-1.00	159,554	153,388	-	-	312,942
Grade X (Credit-impaired)	100	-	-	1,115,332	-	1,115,332
Gross carrying amount		10,889,492	2,178,388	1,115,332	-	14,183,212
Loss allowance		(149,427)	(96,477)	(671,549)	-	(917,453)
Carrying amount		10,740,065	2,081,911	443,783	-	13,265,759

CREDIT QUALITY ANALYSIS (Continued)

	2021					
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total
Loans and advances to banks at amortised cost						
Grade 0-4	0-0.07	15,626	-	-	-	15,626
Grade 5-7	0.01-0.05	3,294,310	-	-	-	3,294,310
Grade 8-9	0.01-0.07	-	-	-	-	-
Grade X (Credit-impaired)	100	-	-	-	-	-
Gross carrying amount		3,309,936	-	-	-	3,309,936
Loss allowance		(15,895)	-	-	-	(15,895)
Carrying amount		3,294,041	-	-	-	3,294,041
Loans and advances to customers at amortised cost						
Grade 0-4	0-0.07	5,623,283	752,702	-	-	6,375,985
Grade 5-7	0.01-0.05	5,194,231	790,707	-	-	5,984,938
Grade 8-9	0.01-0.07	180,487	694,547	-	-	875,034
Grade X (Credit-impaired)	100	-	-	1,108,654	1,588	1,110,242
Gross carrying amount		10,998,001	2,237,956	1,108,654	1,588	14,346,199
Loss allowance		(161,319)	(111,904)	(674,001)	(575)	(947,799)
Carrying amount		10,836,682	2,126,052	434,653	1,013	13,398,400

CREDIT PORFOLIO ANALYSIS - BY MARKET

	2023				2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	Stage 1	Stage 2	Stage 3	Total	Total	Total
Loans and advances to banks at amortised cost						
Banks and financial institutions	5,164,817	52,856	-	5,217,673	4,106,943	3,309,936
Loss allowance	(22,528)	-	-	(22,528)	(24,202)	(15,895)
Carrying amount	5,142,289	52,856	-	5,195,145	4,082,741	3,294,041
Off-balance sheet (loan commitments)						
Banks and financial institutions	655,757	-	-	655,757	145,734	410,242
Total	655,757	-	-	655,757	145,734	410,242

NOTES TO THE FINANCIAL STATEMENTS
31. FINANCIAL RISK REVIEW (Continued)
(b) CREDIT RISK (Continued)

CREDIT PORFOLIO ANALYSIS - BY MARKET (Continued)

	2023				2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	Stage 1	Stage 2	Stage 3	Total	Total	Total
Loans and advances to customers at amortised cost						
Corporate	9,204,094	404,076	784,286	10,392,456	10,358,022	9,993,975
Retail	147,825	18,564	223,182	389,571	458,061	404,531
Banks and Credit Institutions	967,011	-	-	967,011	396,473	534,153
Mortgages	2,728,152	15,618	37,304	2,781,074	2,970,656	3,413,540
	13,047,082	438,258	1,044,772	14,530,112	14,183,212	14,346,199
Allowance for impairment	(184,263)	(10,149)	(794,321)	(988,733)	(917,453)	(947,799)
Carrying amount	12,862,819	428,109	250,451	13,541,379	13,265,759	13,398,400
Off-balance sheet (loan commitments)						
Corporate	2,925,644	-	125	2,925,769	2,039,674	2,000,682
Retail	40,307	-	-	40,307	40,530	48,580
Banks and Credit Institutions	814,061	-	-	814,061	25,000	-
Mortgages	57,326	-	-	57,326	36,032	58,173
Total	3,837,338	-	125	3,837,463	2,141,236	2,107,435
Investment securities at amortised cost						
Corporate bond	151,401	-	-	151,401	-	239,560
Loss allowance	(2,147)	-	-	(2,147)	-	(239,560)
Carrying amount	149,254	-	-	149,254	-	-

The Bank assesses its credit portfolio with regards to ECL from a market/product perspective, thereby grouping loans by homogeneity in the context of probability of default/loss given default.

The above segments have been aligned with Basel and loans and 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; and that
- 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.

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 Bank;
- 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 Part (1) of 'Expected credit loss measurement' of the present note for a description of how the Bank determines 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 Part (2) of 'Expected credit loss measurement' of the present note for a description of how the Bank defines 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 and 3 have their ECL measured based on expected credit losses on a lifetime basis respectively. Please refer to Part (3) of 'Expected credit loss measurement' of the present note 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. Part (4) of 'Expected credit loss measurement' of the present note includes an explanation of how the Bank 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

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

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 Bank considers 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 Bank's historical experience and expert credit assessment and including forward-looking information.

The Bank uses 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).
- As a backstop, the Bank 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 Bank determines 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 Bank monitors 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 Bank defines 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 90 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.

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 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).

3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

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 31 (b) Credit 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.

For the current reporting period, the PD has been estimated from a transition perspective over a selected timeframe, i.e. "number of contracts" in arrears and excesses and doubtful loans 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 Stage 2, to translate the cumulative effect of expected losses on the years remaining of the contracts.

Exposure at Default

The EAD 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).

For loan commitments, the EAD 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).

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

3) Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

Key assumptions for Stage 1 and Stage 2 (Continued)

Loss Given Default

LGD is the magnitude of the likely loss if there is a default. The Bank estimates 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 selected timeframe, i.e. the recuperation rate of impaired assets.

The Bank has 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" is 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, are subject to individual assessment (which also factors in forward-looking information from a more holistic perspective).

As part of the individual assessment, 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 contractual rate, which approximates the Effective Interest Rate. The discounts applied in estimating value from foreclosure are as per the requirement of 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 Bank incorporates 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 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 sector wise growth rates for Segment A, which are obtained from Bank of Mauritius. While for Segment B, the ratings of countries have been taken into consideration from Moody's, Fitch and Standard and Poor.

4) Forward-looking information incorporated in the ECL models (Continued)

The Bank formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, which is used for strategic planning and budgeting, and two less likely scenarios, one upside and one downside scenario. External information used includes economic data and forecasts published by the Bank of Mauritius for sectoral growth and data published by Moody's, Fitch and Standard and Poor. In order to account for prevailing macroeconomic conditions, the Bank has reviewed the economic forecasts used as input in the ECL calculation during the year 2023 by considering an impact of ±5% on the parameters.

Impairment provision under IFRS 9 is referred to as Expected Credit Loss (ECL) because it is determined based on the estimated expectation of an economic loss of asset under consideration. IFRS 9 provides a forward-looking approach laying out the requirement for making provision based on the expectation of credit losses even at the initial recognition of assets.

The major factors involved in the calculation of ECL are:

- Exposure at Default (EAD) – For any asset for which ECL is getting calculated, EAD represents the projected credit risk exposure at any given point of time;
- Probability of Default (PD) – This represents the projected possibility of default with respect to any asset;
- Loss Given Default (LGD) – This represents a projected economic loss to the company in case of default happens with respect to any asset. Existence of collateral and their valuation play an important role in the computation of this factor for any asset;
- The general formula for calculating the Expected Loss is defined as follows: EL = EAD x PDIFRS9 FWD x LGD IFRS9; and
- The Bank's ECL model is a general approach referred to as a two-stage approach because of the impact of changes in credit risk over the period of the asset on the ECL calculation. The major feature in this approach is determining the requirement for 12 months ECL or lifetime ECL by analysing whether there is a significant increase in the credit risk of an asset or not.

In determining whether there is a significant increase in credit risk or not, the following details have been analysed relating to the asset/receivable accounts which are under consideration for ECL:

- Any fluctuations with respect to external market indicators such as cost of debt or equity;
- Existence of any adverse changes in operational/economic situations;
- Any fluctuations with respect to internal value indicators including negative changes in credit rating;
- Fluctuations in the market value of the collateral held or changes in the repayment pattern;
- Major decline in the operating results; and
- Defaults in payments.

31. 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 2023, 2022 and 2021 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

	2023				2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	Stage 1	Stage 2	Stage 3	Total	Total	Total
Loans and advances to banks at amortised cost						
Balance at 01 January	14,137	10,065	-	24,202	15,895	5,701
New loans disbursed	8,934	-	-	8,934	18,076	11,488
Net remeasurement of loss allowance	(543)	(10,065)	-	(10,608)	(9,769)	(1,294)
Sub-total	22,528	-	-	22,528	24,202	15,895
Adjustment for BOM Guidelines *	-	-	-	-	-	-
Balance at 31 December	22,528	-	-	22,528	24,202	15,895
Loans and advances to customers at amortised cost						
Balance at 01 January	149,427	96,477	671,549	917,453	947,799	885,287
Transfer to Stage 1	115,775	(95,702)	(20,073)	-	-	-
Transfer to Stage 2	(5,860)	5,885	(25)	-	-	-
Transfer to Stage 3	(4,512)	(869)	5,381	-	-	-
New loans disbursed	22,066	2	-	22,068	25,295	20,668
Net remeasurement of loss allowance	(92,633)	4,356	139,438	51,161	(53,947)	65,801
Write-offs	-	-	(1,119)	(1,119)	-	(363)
Foreign exchange and other movements	-	-	(830)	(830)	(1,694)	(23,594)
Subtotal	184,263	10,149	794,321	988,733	917,453	947,799
Adjustment for BOM Guidelines *	-	-	-	-	-	-
Balance at 31 December	184,263	10,149	794,321	988,733	917,453	947,799
Investment securities at amortised cost						
Balance at 01 January	-	-	-	-	239,560	208,108
Net remeasurement of loss allowance	2,147	-	-	2,147	-	34,024
Write-offs	-	-	-	-	(225,651)	-
Foreign exchange and other movements	-	-	-	-	(13,909)	(2,572)
Sub-total	2,147	-	-	2,147	-	239,560
Adjustment for BOM Guidelines *	-	-	-	-	-	-
Balance at 31 December	2,147	-	-	2,147	-	239,560

* The Bank also computes specific provision and general provisions in line with the requirements of the Bank of Mauritius Guideline on Classification, Provisioning and Write-Off of Credit Exposures which has been put on hold since February 2024 until further notice.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

5) Loss allowance (Continued)

As regards to general provisions, the Guideline requires a Minimum Portfolio Provision on standard credit equivalent to:

- 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
- 0.5% of all other standard credit facilities.

In addition to General Provisions, financial institutions are also required to make provision 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 (25% to 100%) based on the number of days in NPL, the asset being secured or unsecured and the expected recovery/cash flows. The Guideline also provides the basis for estimating the net realisable value of the collateral. The realisable value of any security should be appraised at least every 2 years, either internally in case the financial institution has developed in-house expertise or by independent appraisers. 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.

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

5) Loss allowance (Continued)

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 credit 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:

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Gross Loans and advances to customers	14,530,112	14,183,212	14,346,199
Add Loans and advances to banks not qualified for exemption	5,217,673	4,106,943	3,309,936
Add Interest receivable	-	-	-
Add credit balances eligible for set off	-	-	-
Less Impaired loans	(1,044,772)	(1,115,332)	(1,110,242)
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	18,703,013	17,174,823	16,545,893
1% General Provision	-	-	-
0.5% Macro Prudential Provision	-	-	-
Total General and Macro Prudential Provision	-*	-*	-

* The Bank also computes specific provision and general provisions in line with the requirements of the Bank of Mauritius Guideline on Classification, Provisioning and Write-Off of Credit Exposures which has been put on hold since February 2024 until further notice.

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Balance sheet General Provision	219,660	273,188	289,117
General Reserve	-	-	-
	219,660	273,188	289,117

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

5) Loss allowance (Continued)

Significant changes in gross carrying amount

The table below illustrates the significant changes in gross carrying amount that contribute to changes in the loss allowance.

	2023		
	Impact: increase/(decrease)		
	Stage 1	Stage 2	Stage 3
	Rs 000	Rs 000	Rs 000
Loans and advances to customers at amortised cost			
Increase in corporate portfolio by Rs 1,616 M	10,085	-	-
Increase in global business portfolio by Rs 2,648 M	28,231	-	-
Decrease in the corporate portfolio by Rs 1,045 M	-	(68,141)	-
Decrease in global business portfolio by Rs 466 M	-	(13,389)	-
Increase in existing provision of global business clients	-	-	165,871
Decrease in the textile and construction portfolio by Rs 52.3 M	-	-	(20,385)
Loans and advances to banks at amortised cost			
Acquisition of new clients in the financial institution by Rs 1,979 M	8,330	-	-
Repayment of credit facilities by financial institution of Rs 1,593 M	(5,018)	(10,065)	-
Investment securities at amortised cost			
Acquisition of new securities of Rs 150 M	2,147	-	-

	2022		
	Impact: increase/(decrease)		
	Stage 1	Stage 2	Stage 3
	Rs 000	Rs 000	Rs 000
Loans and advances to customers at amortised cost			
Decreased in global business portfolio by Rs 547.8 M	(10,965)	-	-
Acquisition of new clients in the global business book by Rs 466.2 M	-	13,388	-
Decrease in tourism portfolio by Rs 29.8 M due to transfer of a client from stage 2 to stage 1.	-	(24,251)	-
An increase in housing portfolio amounting to 11.426 M	-	-	4,345
A decrease in outstanding balance of retail portfolio of 19.687 M	-	-	(6,897)
Loans and advances to banks at amortised cost			
Acquisition of new clients in the financial institution by Rs 1,532 M	5,721	-	-
Repayment of credit facilities by financial institution of RS 544 M	(5,548)	-	-
Transfer of a financial institution client from stage 1 to stage 2	-	7,997	-

	2021		
	Impact: increase/(decrease)		
	Stage 1	Stage 2	Stage 3
	Rs 000	Rs 000	Rs 000
Loans and advances to customers at amortised cost			
Acquisition of new clients increased the global business book by Rs 1,181 M	20,911	-	-
A decrease in term loan and bank guarantee reduced the global business portfolio by Rs 839 M	(13,170)	-	-
Acquisition of new clients in the accommodation and food service activities increased the tourism portfolio by Rs 433 M	-	22,923	-
Decrease in retail portfolio by Rs 20 M due to a reduction in housing and restructured loans	-	(431)	-
Loans and advances to banks at amortised cost			
Acquisition of new clients in the financial institution by Rs 2,146 M	11,487	-	-
A decrease in financial institution by Rs 0.483 M due to bills discounting	(75)	-	-

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

5) Loss allowance (Continued)

CONCENTRATION OF CREDIT RISK

The Bank maintains 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 Bank adopts the definition of "Large exposures", as defined by the Bank of Mauritius Guideline on Credit Concentration Risk. The table below shows the "Large exposures" as at 31 December 2023.

Customer / Group of closely related customers	Total exposures after set offs (Rs'm)	% of Tier 1 capital
1	869	33%
2	771	30%
3	717	28%
4	686	26%
5	660	25%
6	636	24%
7	585	23%
8	545	21%
9	539	21%
10	510	20%
11	499	19%
12	497	19%
13	494	19%
14	467	18%
15	456	18%
16	451	17%
17	443	17%
18	442	17%
19	440	17%
20	432	17%
21	422	16%
22	420	16%
23	390	15%
24	389	15%
25	368	14%
26	362	14%
27	330	13%
28	305	12%
29	263	10%
Aggregate exposure of "Large Exposures"	**14,390**	**555%**

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

CONCENTRATION OF CREDIT RISK (Continued)

SECTOR WISE DISTRIBUTION

Loans and advances to customers	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Agriculture and Fishing	**392,582**	551,886	1,004,090
Manufacturing	**908,867**	918,641	1,088,709
Tourism	**880,449**	1,094,587	1,419,213
Transport	**4,551**	205,406	281,404
Construction	**2,766,297**	3,244,288	3,863,493
Financial and business services	**2,440,276**	1,746,828	1,627,674
Traders	**1,593,512**	1,395,984	650,896
Personal	**355,203**	410,070	358,774
Professional	**5,921**	4,690	60,759
Global Business Licence Holders	**2,354,594**	2,214,900	1,555,770
Others	**2,827,860**	2,395,932	2,435,417
Total amount	**14,530,112**	14,183,212	14,346,199

COUNTRY WISE DISTRIBUTION

Loans and advances to banks	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Togo	**1,590,078**	1,516,617	1,106,867
Mauritius	**48,238**	436,500	432,500
Madagascar	**-**	24,848	-
France	**-**	1,843	3,830
Guinea	**-**	-	178,347
Kenya	**660,300**	28,984	-
Morocco	**55,260**	8,954	11,796
Niger	**52,856**	-	78,975
Nigeria	**490,100**	684,450	-
Burkina Faso	**-**	-	193,691
Senegal	**-**	-	-
Ivory Coast	**350,616**	10,023	406,448
Cameroon	**-**	-	67,082
Rwanda	**-**	-	216,250
Ghana	**-**	305,550	614,150
Benin	**-**	209,790	-
Egypt	**1,430,650**	661,134	-
Tanzania	**220,100**	218,250	-
United Kingdom	**220,100**	-	-
Mali	**99,375**	-	-
Total amount	**5,217,673**	4,106,943	3,309,936

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

CONCENTRATION OF CREDIT RISK (Continued)

COUNTRY WISE DISTRIBUTION (CONTINUED)

Loans and advances to customers

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
	Bank	Bank	Bank
Australia	5,958	7,106	8,189
Austria	-	1	-
Germany	7,517	7,663	868
Bahrain	40,123	41,471	47,520
Belgium	9,179	9,544	10,964
Cameroon	390	1,072	1,843
Canada	323	417	509
Democratic Republic of Congo	-	-	52.00
France	87,240	107,614	130,486
Guinea	-	-	9
Hong-Kong	511,534	481,707	16,381
Italy	2,035	2,194	2,365
India	-	-	-
Ivory Coast	27,083	29,474	36,411
Liban	1	-	-
Luxembourg	-	4	-
Madagascar	11,280	17,730	21,173
Maldives	-	-	-
Mali	-	35	36
Mauritius	11,369,115	11,589,975	11,996,004
Malta	2,211	2,546	-
Monaco	7	-	-
Morocco	1,285,892	799,346	-
Netherlands	1	1	-
Qatar	-	4,378	11,310
Reunion	83,129	118,987	145,065
Rwanda	1,800	1,846	474
Russia	1	-	-
Senegal	2	-	-
Seychelles	-	1,914	1,888
Singapore	123,093	37,434	479,526
South Africa	3,435	8,641	23,951
Switzerland	36,090	42,275	51,593
United Arab Emirates	895,850	836,831	450,196
United Kingdom	24,403	30,510	894,937
Thailand	2,418	2,496	2,593
Togo	2	-	-
Zimbabwe	-	-	11,856
Total amount	14,530,112	14,183,212	14,346,199

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK (Continued)

CREDIT RISK MITIGATION

Collateral

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. Credit worthiness is established for the guarantor as for other counterparty credit approvals.

The below table illustrates credit risk exposure before and after taking into account the effects of collateral.

	2023		2022		2021	
	Carrying Amount	Collateral	Carrying Amount	Collateral	Carrying Amount	Collateral
Retail and corporate	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Stage 1 and 2	23,697,873	11,957,018	17,911,703	16,435,560	14,854,331	9,975,445
Stage 3	1,045,025	1,185,512	1,115,332	1,543,237	1,111,053	1,864,644

(c) LIQUIDITY RISK

Liquidity risk is the risk that 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 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. 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.

31. FINANCIAL RISK REVIEW (Continued)

(c) LIQUIDITY RISK (Continued)

2023	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	7,648,560	245,050	-	-	-	-	110,199	8,003,809
Loans and advances to banks	607,787	1,022,183	1,989,061	1,158,442	440,200	-	-	5,217,673
Loans and advances to customers	1,370,178	1,282,664	1,246,983	351,149	1,301,444	7,557,754	1,419,940	14,530,112
Investment securities	256,218	638,598	445,220	226,270	907,270	-	153,683	2,627,259
Other assets	100,141	-	-	-	-	-	2,290,022	2,390,163
	9,982,884	3,188,495	3,681,264	1,735,861	2,648,914	7,557,754	3,973,844	32,769,016
Less : allowance for credit impairment								(1,013,981)
Total assets								31,755,034
Liabilities								
Deposits from banks	2,215,591	663,384	-	1,488,427	-	-	-	4,367,402
Deposits from customers	11,060,335	1,143,056	882,367	1,529,939	1,532,822	218,405	-	16,366,924
Borrowed funds	980,200	-	490,100	2,213,093	137,228	1,485,361	-	5,305,982
Subordinated liabilities	-	-	-	-	-	854,208	-	854,208
Other liabilities and provisions	31,140	11,926	37,036	54,231	11,953	39,787	2,411,104	2,597,177
Total liabilities	14,287,266	1,818,366	1,409,503	5,285,690	1,682,003	2,597,761	2,411,104	29,491,693
Equity								2,710,643
Total liabilities								32,202,336
Net Liquidity Gap	(4,304,382)	1,370,129	2,271,761	(3,549,829)	966,911	4,959,993	1,562,740	3,277,323
Less : allowance for impairment								(1,013,981)
								2,263,342

Restated* 2022	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*	5,016,529	300,000	-	-	-	-	368,680	5,685,209
Loans and advances to banks	650,349	1,087,613	1,239,077	227,204	902,700	-	-	4,106,943
Loans and advances to customers	1,497,800	682,007	1,051,691	262,231	1,734,303	7,395,053	1,560,127	14,183,212
Investment securities	818,743	385,834	-	-	369,063	110,642	2,035	1,686,317
Other assets*	78,993						2,240,331	2,319,324
	8,062,414	2,455,454	2,290,768	489,435	3,006,066	7,505,695	4,171,173	27,981,005
Less : allowance for credit impairment								(944,737)
Total assets								27,036,268
Liabilities								
Deposits from banks	2,820,361	186,545	140,150	-	-	-	6,389	3,153,445
Deposits from customers	8,953,517	415,436	425,701	1,054,141	389,005	512,690	-	11,750,490
Borrowed funds	1,510,895	236,326	1,672,865	991,141	1,816,751	654,750	-	6,882,728
Subordinated liabilities	-	-	-	-	-	464,654	-	464,654
Other liabilities and provisions	2,318	2,464	7,234	13,022	6,309	10,728	2,559,932	2,602,007
Total liabilities	13,287,091	840,771	2,245,950	2,058,304	2,212,065	1,642,822	2,566,321	24,853,324
Equity								2,429,973
Total liabilities								27,283,297
Net Liquidity Gap	(5,224,677)	1,614,683	44,818	(1,568,869)	794,001	5,862,873	1,604,852	3,127,681
Less : allowance for impairment								(944,737)
								2,182,944

* These numbers have been restated, refer to change in accounting policy

Restated* 2021	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*	5,717,542	110,075	-	-	-	-	-	5,827,617
Loans and advances to banks	717,829	1,843,289	748,818	-	-	-	-	3,309,936
Loans and advances to customers	2,124,579	1,300,126	1,718,589	212,815	1,133,196	7,856,894	-	14,346,199
Investment securities	249,995	99,878	199,368	1,061,096	489,917	120,584	241,309	2,462,147
Other assets*	52,609						2,247,326	2,299,935
	8,862,554	3,353,368	2,666,775	1,273,911	1,623,113	7,977,478	2,488,635	28,245,834
Less : allowance for credit impairment								(1,203,254)
Total assets								27,042,580
Liabilities								
Deposits from banks	1,017,575	2,131,255	-	-	-	-	-	3,148,830
Deposits from customers	11,432,708	954,911	371,576	913,222	606,434	503,085	-	14,781,936
Borrowed funds	1,227,125	-	-	987,998	2,095,388	274,876	-	4,585,387
Other liabilities and provision	1,800	2,967	2,455	6,287	10,545	7,376	2,634,562	2,665,992
Total liabilities	13,679,208	3,089,133	374,031	1,907,507	2,712,367	785,337	2,634,562	25,182,145
Equity								2,165,969
Total liabilities								27,348,114
Net Liquidity Gap	(4,816,654)	264,235	2,292,744	(633,596)	(1,089,254)	7,192,141	(145,927)	3,063,689
Less : allowance for impairment								(1,203,254)
								1,860,435

* These numbers have been restated, refer to change in accounting policy

(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 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.

<u>INTEREST RATE RISK IN THE BANKING BOOK</u>

These are risks that have an impact on net interest income that arises 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.

31. FINANCIAL RISK REVIEW (Continued)

(d) MARKET RISK (Continued)

INTEREST RATE RISK IN THE BANKING BOOK (Continued)

2023	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
Assets								
Cash and cash equivalents	5,741,066	333,603	-	-	-	-	1,929,140	8,003,809
Loans and advances to banks	607,787	1,022,183	1,989,061	1,158,442	440,200	-	-	5,217,673
Loans and advances to customers	1,342,602	1,282,664	1,246,983	351,149	1,301,444	7,585,330	1,419,940	14,530,112
Investment securities	-	101,548	300,435	128,869	907,270	-	1,189,137	2,627,259
Other assets	17,537	-	-	-	-	-	2,400,202	2,417,739
	7,708,992	2,739,998	3,536,479	1,638,460	2,648,914	7,585,330	6,938,419	32,796,592
Less : allowances for credit impairment								(1,013,981)
Total assets								31,782,611
Liabilities								
Deposits from banks	2,210,980	660,300	-	1,441,977	-	-	2,037	4,315,294
Deposits from customers	10,704,633	1,135,938	870,962	1,480,280	1,428,814	184,826	353,050	16,158,503
Borrowed funds	980,200	-	490,100	2,213,093	137,228	1,485,361	-	5,305,982
Subordinated liabilities	-	-	-	-	-	854,208	-	854,208
Other liabilities and provision	10,507	8,562	21,025	38,770	8,005	11,721	2,498,587	2,597,177
Total liabilities	13,906,320	1,804,800	1,382,087	5,174,120	1,574,047	2,536,116	2,853,674	29,231,164
Interest rate sensitivity gap	(6,197,329)	935,198	2,154,393	(3,535,660)	1,074,867	5,049,214	4,084,745	3,565,428
Less : allowances for credit impairment								(1,013,981)
								2,551,447
Impact Analysis (decrease/increase) on 200 bps								55,111

Restated* 2022	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
Assets								
Cash and cash equivalents*	2,386,620	357,897	-	-	-	-	2,940,692	5,685,209
Loans and advances to banks	650,349	1,087,613	1,239,077	227,204	902,700	-	-	4,106,943
Loans and advances to customers	1,497,800	682,007	1,051,691	262,231	1,734,303	7,395,053	1,560,127	14,183,212
Investment securities	818,743	385,834	-	-	369,063	110,642	2,035	1,686,317
Other assets*	78,993	-	-	-	-	-	2,240,331	2,319,324
	5,432,505	2,513,351	2,290,768	489,435	3,006,066	7,505,695	6,743,185	27,981,005
Less : allowances for credit impairment								(944,737)
Total assets								27,036,268
Liabilities								
Deposits from banks	2,816,325	186,480	139,860	-	-	-	6,389	3,149,054
Deposits from customers	8,563,727	413,749	423,786	1,046,805	368,957	469,015	389,621	11,675,660
Borrowed funds	1,510,895	236,326	1,672,865	991,141	1,816,751	654,750	-	6,882,728
Subordinated liabilities	-	-	-	-	-	464,654	-	464,654
Other liabilities and provisions	2,318	2,464	7,234	13,022	6,309	10,728	2,559,933	2,602,008
Total liabilities	12,893,265	839,019	2,243,745	2,050,968	2,192,017	1,599,147	2,955,943	24,774,104
Interest rate sensitivity gap	(7,460,760)	1,674,332	47,023	(1,561,533)	814,049	5,906,548	3,787,242	3,206,901
Less: allowances for impairment								(944,737)
								2,262,164
Impact Analysis (decrease/increase) on 200 bps								61,881

* These numbers have been restated, refer to change in accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK REVIEW (Continued)

(d) MARKET RISK (Continued)

INTEREST RATE RISK IN THE BANKING BOOK (Continued)

Restated* 2021	Up to 1 month Rs 000	1-3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-3 years Rs 000	Over 3 years Rs 000	Non-interest bearing Rs 000	Total Rs 000
Assets								
Cash and cash equivalents*	2,909,214	375,144	-	-	-	-	2,543,259	5,827,617
Loans and advances to banks	717,829	1,843,289	748,818	-	-	-	-	3,309,936
Loans and advances to customers	2,124,579	1,300,126	1,718,589	212,815	1,133,196	7,856,894	-	14,346,199
Investment securities	249,995	99,878	199,368	1,061,096	489,917	120,584	241,309	2,462,147
Other assets*	52,609	-	-	-	-	-	2,247,326	2,299,935
	6,054,226	3,618,437	2,666,775	1,273,911	1,623,113	7,977,478	5,031,894	28,245,834
Less : allowances for credit impairment								(1,203,254)
Total assets								27,042,580
Liabilities								
Deposits from banks	908,250	2,131,255	-	-	-	-	109,325	3,148,830
Deposits from customers	10,975,384	953,225	369,661	905,887	586,386	459,410	457,155	14,707,108
Borrowed funds	1,227,125	-	-	987,998	2,095,388	274,876	-	4,585,387
Other liabilities and provision	1,800	2,967	2,455	6,287	10,545	7,376	2,634,562	2,665,992
Total liabilities	13,112,559	3,087,447	372,116	1,900,172	2,692,319	741,662	3,201,042	25,107,317
Interest rate sensitivity gap	(7,058,333)	530,990	2,294,659	(626,261)	(1,069,206)	7,235,816	1,830,852	3,138,517
Less : allowances for credit impairment								(1,203,254)
								1,935,263
Impact Analysis (decrease/increase) on 200 bps								47,726

* These numbers have been restated, refer to change in accounting policy.

31. FINANCIAL RISK REVIEW (Continued)

(d) MARKET RISK (Continued)

CURRENCY RISK

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.

	MUR	USD	GBP	EUR	Other	Total
2023	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and cash equivalents	1,666,612	4,826,079	85,295	1,364,391	61,432	8,003,809
Loans and advances to banks	-	2,677,883	55,260	2,436,292	48,238	5,217,673
Loans and advances to customers	5,595,598	5,625,500	974	3,308,040	-	14,530,112
Investment securities	2,187,159	437,817	-	2,282	-	2,627,258
Other assets	199,751	227,098	1,024	2,014,920	741	2,443,534
	9,649,120	13,794,377	142,553	9,125,925	110,411	32,822,386
Less : allowances for credit impairment						(1,013,981)
Total assets						31,808,405
Liabilities						
Deposits from banks	26	3,491,552	-	823,718	-	4,315,296
Deposits from customers	6,029,926	7,550,094	141,151	2,332,921	104,418	16,158,510
Borrowed funds	-	1,837,946	-	3,468,037	-	5,305,983
Subordinated liabilities	-	854,208	-	-	-	854,208
Other liabilities and provisions	422,617	82,939	2,718	2,088,158	744	2,597,176
Total liabilities	6,452,569	13,816,739	143,869	8,712,834	105,162	29,231,173
Net on-balance sheet position	3,196,551	(22,362)	(1,316)	413,091	5,249	3,591,213
Less : allowances for credit impairment						(1,013,981)
Net on-balance sheet position less allowances for credit impairment						2,577,232

	MUR	USD	GBP	EUR	Other	Total
Restated* 2022	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and cash equivalents*	1,541,029	2,534,169	73,200	1,458,669	75,107	5,682,174
Loans and advances to banks	-	2,111,766	10,797	1,984,380	-	4,106,943
Loans and advances to customers	5,648,847	4,897,164	1,929	3,635,270	2	14,183,212
Investment securities	1,684,282	-	-	2,035	-	1,686,317
Other assets*	1,449	73,725	5,143	2,237,402	1,606	2,319,325
	8,875,607	9,616,824	91,069	9,317,756	76,715	27,977,971
Less : allowances for credit impairment						(944,737)
Total assets						27,033,234
Liabilities						
Deposits from banks	44	2,120,180	-	1,028,830	-	3,149,054
Deposits from customers	5,859,278	4,294,724	89,216	1,373,788	58,654	11,675,660
Borrowed funds	-	2,195,268	-	4,687,460	-	6,882,728
Subordinated liabilities	-	464654	-	-	-	464,654
Other liabilities and provisions	338,334	40,584	2,162	2,220,657	270	2,602,007
Total liabilities	6,197,656	9,115,410	91,378	9,310,735	58,924	24,774,103
Net on-balance sheet position	2,677,951	501,414	(309)	7,021	17,791	3,203,868
Less : allowances for credit impairment						(944,737)
Net on-balance sheet position less allowances for credit impairment						2,259,131

* These numbers have been restated, refer to change in accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK REVIEW (Continued)

(d) MARKET RISK (Continued)

CURRENCY RISK (Continued)

	MUR	USD	GBP	EUR	Other	Total
Restated* 2021	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and cash equivalents*	1,904,377	2,124,608	22,554	1,695,702	80,376	5,827,617
Loans and advances to banks	-	1,441,247	11,796	1,853,064	3,829	3,309,936
Loans and advances to customers	6,145,718	4,771,068	4,787	3,424,518	108	14,346,199
Investment securities	2,220,837	-	-	241,309	-	2,462,146
Other assets*	1,311	259,563	3,556	2,044,787	7,188	2,316,405
	10,272,243	8,596,486	42,693	9,259,380	91,501	28,262,303
Less : allowances for credit impairment						(1,203,254)
Total assets						27,059,049
Liabilities						
Deposits from banks	62	1,764,024	-	1,384,744	-	3,148,830
Deposits from customers	7,350,479	4,817,626	38,694	2,428,587	71,722	14,707,108
Borrowed funds	-	1,398,381	-	3,187,006	-	4,585,387
Other liabilities	274,998	356,353	3,996	2,010,866	19,779	2,665,992
Total liabilities	7,625,539	8,336,384	42,690	9,011,203	91,501	25,107,317
Net on-balance sheet position	2,646,704	260,102	3	248,177	-	3,154,986
Less : allowances for credit impairment						(1,203,254)
Net on-balance sheet position less allowances for credit impairment						1,951,732

* These numbers have been restated, refer to change in accounting policy

The foreign currency risk sensitivity analysis below reflects the expected financial impact on profit or loss and equity, in MUR equivalent, resulting from a change in foreign currency risk exposures, with respect to designated financial instruments, foreign-denominated cash balances and accruals and intragroup foreign-denominated debt. A 6% movement to foreign currency risk exposures was used for the year 2021, a 5% change for 2022 and a 2% change was used for year 2023.

	2023	2022	2021
	Rs 000	Rs 000	Rs 000
Effect of change on profit or loss and equity	**(8,525)**	28,354	30,497

(e) CAPITAL MANAGEMENT

The Bank's objective in its capital management function is designed to ensure that regulatory requirements are adhered to and that the Bank are capitalised in line with the regulatory requirements. During the past year, the Bank have complied fully with all its externally imposed capital requirements.

At the regulatory level, the minimum capital adequacy ratio set by the Bank of Mauritius 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 on Eligible Capital for the implementation of Basel III, the following limits and minima are applicable:

- A minimum Core Equity Tier 1 ratio of 6.5% ;
- A minimum Tier 1 ratio of 8%; and
- A Minimum Capital Adequacy Ratio of 10%.

NOTES TO THE FINANCIAL STATEMENTS
31. FINANCIAL RISK REVIEW (Continued)

(e) CAPITAL MANAGEMENT

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 2023, the Bank's capital instruments comprised of only Ordinary Shares issued. The Bank's CET 1, Tier 1 and Tier 2 capital are as per below:

	2023	Restated 2022	Restated 2021
	Rs 000	Rs 000	Rs 000
BASEL III			
Tier 1 Capital			
Authorised and fully paid up ordinary share capital (note 26)	**2,398,825**	2,398,825	2,218,065
Retained Earnings	**153,584**	(74,308)	(187,664)
Accumulated other comprehensive income and other disclosed reserves	**158,234**	105,456	135,569
Deduct:			
Investment in subsidiary (note 16)	**-**	-	-
Intangible Assets (note 18)	**(50,691)**	(25,646)	(28,809)
Deferred Tax (note 10(c))	**(64,979)**	(67,514)	(95,983)
CET 1 Capital	**2,594,973**	2,336,813	2,041,178
Additional Tier 1 Capital	**-**	-	-
Total Tier 1 Capital	**2,594,973**	2,336,813	2,041,178
Tier 2 Capital			
Subordinated liabilities (note 24)	**854,208**	464,654	-
Provisions or Loan-loss Reserves*	**219,659**	225,710	202,236
Deduct:			
Investment in Subsidiary (note 16)	**-**	-	-
Total Tier 2 Capital	**1,073,867**	690,364	202,236
Total Capital Base	**3,668,840**	3,027,177	2,243,414

* The portfolio provision is subject to a maximum of 1.25% of credit risk-weighted assets calculated under the standardised approach.

31. FINANCIAL RISK REVIEW (Continued)

(e) CAPITAL MANAGEMENT

RISK-WEIGHTED ASSETS CALCULATED UNDER THE STANDARDIZED APPROACH

Risk Weighted Assets for Credit Risk

The Bank has adopted the Standardised Approach for credit risk capital allocation.

		2023	
Risk Weighted On-Balance Sheet Assets	**Risk Weight**	**Exposures after CRM**	**Risk Weighted Assets**
	%	**Rs 000**	**Rs 000**
Cash items	0 – 20	22,076	-
Claims on Sovereigns	0 – 150	2,496,500	-
Claims on Central banks	0	3,091,386	-
Claims on Multilateral development banks	0 – 150	-	-
Claims on banks	20 – 150	10,129,567	5,223,710
Claims on non-central government public sector entities	0 – 150	-	-
Claims on corporates	20 – 150	10,738,805	10,912,241
Claims included in the regulatory retail portfolio	75	34,224	25,668
Claims secured by residential property	35-125	2,687,364	1,271,240
Claims secured by commercial real estate	100-125	35,870	35,870
Past due claims	50-150	250,796	214,568
Other assets	100	2,649,725	2,649,725
Total Risk Weighted On-Balance Sheet Assets		32,136,313	20,333,022

Risk Weighted Off-Balance Sheet Assets	**Credit Conversion Factor**	**Risk Weight**	**Exposures after CRM**	**Risk Weighted Assets**
Transaction-related contingent items	50	0-100	896,098	448,049
Trade-related contingencies	20-100	0-100	1,212,717	242,543
Other commitments	20-50	0-100	2,349,140	653,783
Foreign exchange contracts	2	100	-	-
Total Risk Weighted Off-Balance Sheet Assets			4,457,955	1,344,375

Total Risk Weighted On & Off Balance Sheet Assets	36,594,268	21,677,397

31. FINANCIAL RISK REVIEW (Continued)

(e) CAPITAL MANAGEMENT

RISK-WEIGHTED ASSETS CALCULATED UNDER THE STANDARDIZED APPROACH (Continued)

Risk Weighted Assets for Credit Risk (Continued)

		Restated 2022	
Risk Weighted On-Balance Sheet Assets	Risk Weight	Exposures after CRM	Risk Weighted Assets
	%	Rs 000	Rs 000
Cash items	0 – 20	33,744	-
Claims on Sovereigns	0 – 150	1,706,950	-
Claims on Central banks	0	3,487,649	-
Claims on Multilateral development banks	0 – 150	-	-
Claims on banks	20 – 150	6,495,069	3,034,393
Claims on non-central government public sector entities	0 – 150	-	-
Claims on corporates	20 – 150	9,664,730	9,897,898
Claims included in the regulatory retail portfolio	75	50,742	38,056
Claims secured by residential property	35-125	2,906,533	1,403,395
Claims secured by commercial real estate	100-125	307,384	369,866
Past due claims	50-150	443,785	449,372
Other assets	100	1,849,924	1,849,924
Total Risk Weighted On-Balance Sheet Assets		26,946,510	17,042,904

Risk Weighted Off-Balance Sheet Assets	Credit Conversion Factor	Risk Weight	Exposures after CRM	Risk Weighted Assets
Transaction-related contingent items	50	0-100	746,514	373,257
Trade-related contingencies	20-100	0-100	181,387	179,969
Other commitments	20-50	0-100	1,305,720	460,651
Foreign exchange contracts	2	100	-	-
Total Risk Weighted Off-Balance Sheet Assets			2,233,621	1,013,877

Total Risk Weighted On & Off Balance Sheet Assets	29,180,131	18,056,781

		Restated 2021	
Risk Weighted On-Balance Sheet Assets	Risk Weight	Exposures after CRM	Risk Weighted Assets
	%	Rs 000	Rs 000
Cash items	0 – 20	113,563	-
Claims on Sovereigns	0 – 150	2,190,000	-
Claims on Central banks	0 – 150	3,772,947	-
Claims on Multilateral development banks	0 – 150	-	-
Claims on banks	20 – 150	5,969,971	1,682,757
Claims on non-central government public sector entities	0 – 150	-	-
Claims on corporates	20 – 150	9,247,447	9,247,447
Claims included in the regulatory retail portfolio	75	25,695	19,271
Claims secured by residential property	35-100	3,378,055	1,525,818
Claims secured by commercial real estate	100-125	333,131	393,680
Past due claims	50-150	435,749	435,544
Other assets	100	1,886,858	1,796,582
Total Risk Weighted On-Balance Sheet Assets		27,353,416	15,101,099

Risk Weighted Off-Balance Sheet Assets	Credit Conversion Factor	Risk Weight	Exposures after CRM	Risk Weighted Assets
Transaction-related contingent items	50	0-100	915,175	457,587
Trade-related contingencies	20	0-100	472,310	287,946
Other commitments	20	0-100	1,016,929	241,897
Foreign exchange contracts	2	100	1,917	38
Total Risk Weighted Off-Balance Sheet Assets			2,406,331	987,468

Total Risk Weighted On & Off-Balance Sheet Assets	29,759,747	16,088,567

31. FINANCIAL RISK REVIEW (Continued)

(e) CAPITAL MANAGEMENT

RISK-WEIGHTED ASSETS CALCULATED UNDER THE STANDARDIZED APPROACH (Continued)

Risk Weighted Assets for Operational Risk

The Bank 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 operational risk: Rs 98 million (2022: Rs 82 million, 2021: Rs 80 million).

Risk Weighted Capital Adequacy Ratio

The regulatory Capital Adequacy Ratio is as follows:

	2023	Restated 2022	Restated 2021
	Rs' 000	Rs' 000	Rs' 000
Core Equity Tier 1 Capital	2,594,973	2,336,813	2,041,178
Total Tier 1 Capital	2,594,973	2,336,813	2,041,178
Total Tier 2 Capital	1,073,867	690,364	202,236
Total Capital Base	3,668,840	3,027,177	2,243,414
Risk Weighted Assets*	22,705,429	18,956,353	16,992,157
CET 1 Ratio	11.43%	12.33%	12.01%
Tier 1 Ratio	11.43%	12.33%	12.01%
Capital Adequacy Ratio	16.16%	15.97%	13.20%

* Weighted assets relating to on-balance sheet and off-balance sheet exposures, operational risk and aggregate net open foreign exchange position.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK REVIEW (Continued)

(f) Fair values of financial instruments

The tables that follow analyse the 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 also summarises carrying amounts and fair values of those financial assets not presented on the Bank's statement of financial position at their fair values. The fair value of those financial assets and financial liabilities approximates their carrying amounts because they comprise financial instruments which are liquid, have short-term maturity, are linked to prime lending rate, do not have a specific maturity, or are granted at a variable rate.

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

2023	Fair Value			
	Level 1	Level 2	Level 3	Carrying amount
Assets	Rs 000	Rs 000	Rs 000	Rs 000
Cash and cash equivalents	-	8,003,310	-	8,003,310
Loans and advances to banks	-	5,195,145	-	5,195,145
Loans and advances to customers	-	13,338,164	203,215	13,541,379
Liabilities				
Deposits from banks	-	4,315,294	-	4,315,294
Deposits from customers	-	16,158,503	-	16,158,503
Borrowed funds	-	5,305,982	-	5,305,982

31. FINANCIAL RISK REVIEW (Continued)

(f) Fair values of financial instruments (Continued)

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (Continued)

Restated* 2022	Fair Value			
	Level 1	Level 2	Level 3	Carrying amount
Assets	Rs 000	Rs 000	Rs 000	Rs 000
Cash and cash equivalents*	-	5,682,174	-	5,682,174
Loans and advances to banks	-	4,082,741	-	4,082,741
Loans and advances to customers	-	13,069,143	196,616	13,265,759
Liabilities				
Deposits from banks	-	3,149,054	-	3,149,054
Deposits from customers	-	11,675,660	-	11,675,660
Borrowed funds	-	6,882,728	-	6,882,728

Restated* 2021	Fair Value			
	Level 1	Level 2	Level 3	Carrying amount
Assets	Rs 000	Rs 000	Rs 000	Rs 000
Cash and cash equivalents*	-	5,827,617	-	5,827,617
Loans and advances to banks	-	3,294,041	-	3,294,041
Loans and advances to customers	-	13,173,091	225,309	13,398,400
Liabilities				
Deposits from banks	-	3,148,830	-	3,148,830
Deposits from customers	-	14,707,108	-	14,707,108
Borrowed funds	-	4,585,387	-	4,585,387

* These numbers have been restated, refer to change in accounting policy.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

2023	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
Assets	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Investment securities	**-**	**2,625,111**	**-**	**2,625,111**
Derivatives financial instruments	-	-	-	-

2022	Fair Value			
	Level 1	Level 2	Level 3	Carrying amount
Assets	Rs 000	Rs 000	Rs 000	Rs 000
Investment securities	-	1,686,317	-	1,686,317
Derivatives financial instruments	-	133	-	133

2021	Fair Value			
	Level 1	Level 2	Level 3	Carrying amount
Assets	Rs 000	Rs 000	Rs 000	Rs 000
Investment securities	-	2,222,586	-	2,222,586
Investment in subsidiary	-	38	-	38

Level 2 financial assets and financial liabilities

The above table sets out the Bank's principal valuation techniques as at 31 December 2023 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy. The fair value of investment securities and derivative financial instruments were determined using the discounted cash flow model.

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 the specific case of investment in subsidiary, the Bank had 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.

NOTES TO THE FINANCIAL STATEMENTS

32. SEGMENTAL REPORTING

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

		2023			2022			2021		
		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		**760,131**	**705,523**	**1,465,654**	475,367	216,425	691,792	406,856	137,508	544,364
Interest expense		**(381,305)**	**(412,605)**	**(793,910)**	(150,896)	(93,580)	(244,476)	(121,563)	(48,860)	(170,423)
Net interest income	3	**378,826**	**292,918**	**671,744**	324,471	122,845	447,316	285,293	88,648	373,941
Fee and commission income		**33,701**	**57,694**	**91,395**	46,767	50,545	97,312	39,893	52,584	92,477
Fee and commission expense		**(6,385)**	**(16,923)**	**(23,308)**	(7,082)	(22,874)	(29,956)	(7,590)	(15,344)	(22,934)
Net fee and commission income	4	**27,316**	**40,771**	**68,087**	39,685	27,671	67,356	32,303	37,240	69,543
Net trading income	5	**33,838**	**30,988**	**64,826**	76,816	8,582	85,398	27,764	47,513	75,277
Net (loss)/gain on derivative held at fair value through profit or loss	5	**(449)**	**(430)**	**(879)**	85	10	95	179	334	513
Net gain on sale of investment	16	**-**	**-**	**-**	-	-	-	-	22,849	22,849
Net gain from sales of securities	6	**-**	**-**	**-**	3,104	-	3,104	-	-	-
Other income	6	**4,156**	**779**	**4,935**	2,094	333	2,427	1,954	330	2,284
		64,861	**72,108**	**136,969**	121,784	36,596	158,380	62,200	108,266	170,466
Revenue		**443,687**	**365,026**	**808,713**	446,255	159,441	605,696	347,493	196,914	544,407
Personnel expenses	7(a)	**(176,443)**	**(59,998)**	**(236,441)**	(191,192)	(66,538)	(257,730)	(166,622)	(70,326)	(236,948)
Operating lease expenses	8	**(5,765)**	**(1,081)**	**(6,846)**	(10,381)	(1,653)	(12,034)	(22,826)	(3,870)	(26,696)
Depreciation and amortisation	17&18	**(30,680)**	**(5,753)**	**(36,433)**	(50,526)	(8,044)	(58,570)	(49,638)	(8,418)	(58,056)
Other expenses	9	**(129,127)**	**(35,575)**	**(164,702)**	(130,707)	(29,817)	(160,524)	(117,920)	(11,317)	(129,237)
		(342,015)	**(102,407)**	**(444,422)**	(382,806)	(106,052)	(488,858)	(357,006)	(93,931)	(450,937)
Operating profit		**101,672**	**262,619**	**364,291**	63,449	53,389	116,838	(9,513)	102,983	93,470
Net (impairment)/ reversal on financial assets	14(b)	**117,040**	**(186,038)**	**(68,998)**	44,129	13,385	57,514	(39,320)	(37,673)	(76,993)
Profit before tax		**218,712**	**76,581**	**295,293**	107,578	66,774	174,352	(48,833)	65,310	16,477
Taxation (charge)/credit	10(a)	**(16,496)**	**(4,445)**	**(20,941)**	(10,253)	(19,504)	(29,757)	3,590	(935)	2,655
Profit for the year		**202,216**	**72,136**	**274,352**	97,325	47,270	144,595	(45,243)	64,375	19,132

STATEMENTS OF FINANCIAL POSITION

		2023			*Restated 2022			*Restated 2021		
		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
ASSETS										
Cash and cash equivalents	11	**3,116,862**	**4,886,448**	**8,003,310**	**2,870,973	**2,811,201	**5,682,174	**3,169,523	**2,658,094	**5,827,617
Loans and advances to banks	12	**48,238**	**5,146,907**	**5,195,145**	434,625	3,648,116	4,082,741	430,248	2,863,793	3,294,041
Loans and advances to customers	13	**7,956,851**	**5,584,528**	**13,541,379**	8,460,917	4,804,842	13,265,759	9,748,443	3,649,957	13,398,400
Investment securities	15	**2,185,012**	**440,099**	**2,625,111**	1,684,282	2,035	1,686,317	2,220,837	1,749	2,222,586
Derivative financial instruments	23	**-**	**-**	**-**	133	-	133	38	-	38
Property and equipment	17	**32,787**	**3,642**	**36,429**	46,083	5,119	51,202	81,249	9,028	90,277
Intangible assets	18	**45,622**	**5,069**	**50,691**	23,081	2,565	25,646	25,928	2,881	28,809
Deferred tax assets	10(c)	**39,982**	**24,997**	**64,979**	48,155	19,359	67,514	57,119	38,864	95,983
Other assets	19	**149,456**	**2,294,078**	**2,443,534**	**137,784	**2,205,675	**2,343,459	**133234	**2,183,171	**2,316,405
Total assets		**13,574,810**	**18,385,768**	**31,960,578**	13,706,033	13,498,912	27,204,945	15,866,619	11,407,537	27,274,156
LIABILITIES										
Deposits from banks	20	**61**	**4,315,233**	**4,315,294**	1,304	3,147,750	3,149,054	2,072	3,146,758	3,148,830
Deposits from customers	21	**7,575,959**	**8,582,544**	**16,158,503**	7,098,188	4,577,472	11,675,660	8,130,754	6,576,354	14,707,108
Borrowed funds	22	**356,436**	**4,949,546**	**5,305,982**	642,068	6,240,660	6,882,728	497,148	4,088,239	4,585,387
Derivative financial instruments	23	**-**	**746**	**746**	-	-	-	-	-	-
Subordinated liabilities	24	**-**	**854,208**	**854,208**	-	464,654	464,654	-	-	-
Current tax liabilities	10(d)	**8,025**	**10,000**	**18,025**	868	-	868	869	-	869
Provisions	25	**78,487**	**14,717**	**93,204**	87,147	13,876	101,023	71,484	18,340	89,824
Other liabilities	25	**283,989**	**2,219,984**	**2,503,973**	244,212	2,256,773	2,500,985	263,008	2,313,160	2,576,168
Total liabilities		**8,302,957**	**20,946,978**	**29,249,935**	8,073,787	16,701,185	24,774,972	8,965,335	16,142,851	25,108,186
Equity										
Share capital	26			**2,398,825**			2,398,825			2,218,065
Retained earnings				**153,584**			(74,308)			(187,664)
Reserves				**158,234**			105,456			135,569
Total equity attributable to the equity holders of the Bank				**2,710,643**			2,429,973			2,165,970
Total liabilities and equity				**31,960,578**			27,204,945			27,274,156

* In accordance with IAS 1, when there is a restatement, the opening balances of the financial position of the preceding year are required to be disclosed. (i.e as at 1 January 2022). The Bank had disclosed the financial position as at 31 December 2021 and management confirmed that there has not been any material change which occurred between 31 December 2021 and 1 January 2022 which requires further disclosure.

** The prior year comparatives have been restated to conform to current year figures following change in accounting policy. Refer to note 1 for more details.

33. IMMEDIATE AND ULTIMATE HOLDING COMPANY

Banque Centrale Populaire, an entity incorporated under laws of Morocco is the Bank's immediate and ultimate holding company.

34. LIQUIDITY COVERAGE RATIO

During FY 2023, 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 433% which demonstrates the Bank's resilience should it face any shortfall of liquidity.

TOTAL UNWEIGHTED VALUE (AVERAGE)	**TOTAL UNWEIGHTED VALUE (AVERAGE)**	**TOTAL WEIGHTED VALUE (AVERAGE)**
	Rs 000	**Rs 000**
HIGH-QUALITY LIQUID ASSETS		
Total High-Quality Liquid Assets (HQLA)	**5,109,020**	**5,109,020**
CASH OUTFLOWS		
Retail deposits and term deposits from small business customers	3,364,197	123,177
Unsecured wholesale funding	9,345,393	3,580,052
Credit and liquidity facilities	2,349,228	505,838
Other contractual funding obligations	514,032	514,032
TOTAL CASH OUTLOWS	**15,572,850**	**4,723,099**
CASH INFLOWS		
Other contractual funding obligations	6,865,257	6,226,660
TOTAL CASH INFLOWS	**6,865,257**	**6,226,660**
	TOTAL ADJUSTED VALUE	
TOTAL HQLA		**5,109,020**
TOTAL NET CASH OUTFLOWS		**1,180,775**
LIQUIDITY COVERAGE RATIO (%)		**433%**

35. SUBSEQUENT EVENT

There are no material events that occurred subsequent to the reporting date that would require adjustment to the financial statements.