BCP BANK (MAURITIUS)

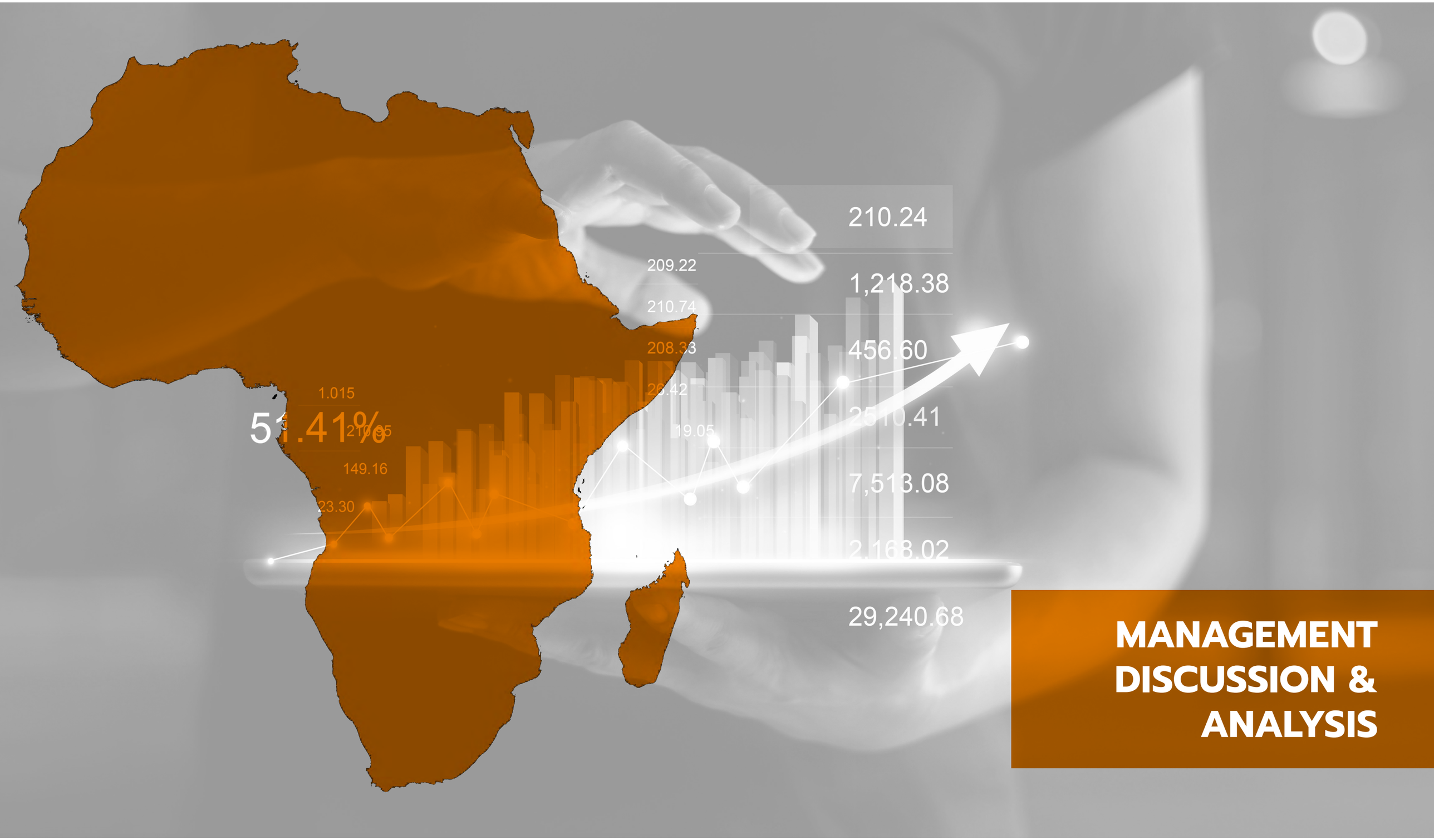
GROUPE BANQUE CENTRALE POPULAIRE

# ANNUAL REPORT 2021

# CONTENTS

# CORPORATE INFORMATION


| | |
|---|---|
| **Chief Executive Officer:** | *Mr Abdelwafi ATIF* |
| **Company Secretary:** | *Ms Nashreen Rojoa* |
| **Registered Office:** | *9th Floor, Maeva Tower,*<br>*Corner Silicon Avenue and Bank Street,*<br>*CyberCity, Ebène* |
| **Auditors:** | *KPMG*<br>*KPMG Centre*<br>*31, Cybercity*<br>*Ebène*<br>*Mauritius* |




# MANAGEMENT DISCUSSION & ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS
## Cautionary Note

The Management Discussion Analysis (MDA) includes forward-looking statements and there are risks that forecasts, projections and assumptions contained therein may not materialise, and actual results may vary from the plans and expectations. 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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Income Statement (Rs' million)** | | | |
| Net interest income | 374 | 366 | 392 |
| Revenue | 544 | 497 | 562 |
| Profit /(loss) before tax | 16 | (264) | (26) |
| Profit /(loss) for the year | 19 | (261) | 13 |
| **Statement of Financial Position (Rs' million)** | | | |
| Total assets | 27,274 | 24,152 | 23,714 |
| Total loans (net) | 16,692 | 13,786 | 14,748 |
| Total deposits | 17,856 | 16,566 | 14,577 |
| Shareholder fund | 2,166 | 2,178 | 2,400 |
| Risk weighted assets | 17,708 | 16,709 | 17,191 |
| **Performance Ratios (%)** | | | |
| Return on average assets | 0.1 | (1.1) | 0.1 |
| Return on average equity | 0.9 | (11.4) | 0.6 |
| Non-interest income | 31.3 | 26.4 | 30.3 |
| Loans to deposits ratio | 93.5 | 83.2 | 101.2 |
| Cost-to-income ratio | 82.8 | 96.7 | 90.9 |
| **Asset Quality (%)** | | | |
| Non-performing asset ratio | 7.5 | 9.1 | 5.4 |
| Provision coverage ratio | 67.7 | 64.2 | 71.8 |



# MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
## FINANCIAL HIGHLIGHTS (Continued)

### PERFORMANCE AGAINST OBJECTIVES

| Objectives for FY 2021 | Performance in FY 2021 | Objectives for FY 2022 |
|---|---|---|
| **Revenue** | | |
| Revenue will increase by 14% in 2021. | Revenue amounted to Rs 544 million, thus showing a growth of 9.5%. | Revenue is expected to increase by 27%, predominantly supported by the expansion in international banking. |
| **Operating expenses** | | |
| Operating costs expected to increase by 7%, as the Bank's operations and projects are anticipated to go back progressively to the pre-pandemic level. | Operating costs went down by 6.3% as a result of the cost-containment plan. | Operating costs are forecasted to increase by 20%, on the back of product and business development, and continuous investment in technology and human capital. |
| **Cost- to- income ratio** | | |
| Income growth combined with cost discipline will lead to an improved cost-to-income ratio of 90.6% in 2021. | Cost-to-income ratio improved to 82.8%, lower than previous year. | Cost-to-income ratio is expected to improve further to 78.1%. |
| **Return on equity (ROE)** | | |
| To achieve a reasonable return on equity. | ROE increased to 0.9% from (11.4%) in the preceding year. | ROE is forecasted to be relatively stable. |
| **Return on average assets (ROAA)** | | |
| To improve ROAA in 2021. | ROAA improved to 0.1% as at end of December 2021 (against -1.1% in 2020). | ROAA is expected to remain stable. |
| **Asset quality** | | |
| No further deterioration of the asset book's quality. | Asset quality improved with a gross non-performing ratio decreasing to 7.5% and a satisfactory provision coverage of 67.7% in 2021. | Asset quality will improve further. |
| **Capital Adequacy Ratio (CAR)** | | |
| To maintain the overall capital adequacy ratio and the Tier 1 ratio beyond the regulatory level. | CAR stood at 12.56% as at end of December 2021, above the regulatory limit of 11.875%. | The capital adequacy ratio will be maintained above the regulatory threshold. |
| **Loans and advances (net)** | | |
| The loan book is forecasted to grow by more than 35%, driven by an expansion in segment B credit portfolio. | The loans and advances book grew by 21%, driven by the expansion on segment cross-border exposures as per plan. | The Bank's loans and advances book will expand significantly, with a growth of 36%, driven by cross-border activities. |
| **Deposits** | | |
| To strengthen our deposit base to fund our selective asset growth across key markets, with an objective of a 18% growth in 2021. | The deposit base grew by 7.8 %, mainly in foreign currency. | An increase in the deposit from customers by 22% will sustain our asset growth in 2022. |

## INTERNATIONAL ECONOMIC OUTLOOK 2021

The year 2021 was marked by a rebound of the global economy following the pandemic lows of 2020. The first semester of the year witnessed a strong recovery momentum following an upsurge in household consumption and business investment in major economies, namely the United States and China, underpinned by accommodative monetary and fiscal policy support and vaccine rollout. However, in spite of the pickup in global activity, supply disruptions hindering the manufacturing sector, and rising infection rates driven by the emergence of the Delta and Omicron variants led to a slowdown of the world economy, particularly in the second half of last year. Widening inequality between advanced and developing economies and rising inflation further impeded global recovery. In its January 2022 World Economic Outlook report, the IMF (International Monetary Fund) estimated that the global economy grew by 5.9% in 2021. As for 2022, the world's projected growth rate has been revised down by 0.5% to 4.4%, from the October 2021 forecast because of a slowdown of the world's two largest economies. The United States' economy is expected to expand by only 4.0% in 2022, compared to the previous projection of 5.2%, owing to gradual withdrawal of policy support amidst continued supply chain disruptions and elevated inflationary pressures. Regarding the Chinese economy, the IMF has downgraded its GDP (Gross Domestic Product) growth for 2022 from 5.6% predicted back in October 2021 to 4.8%, as the country suffers from declining real estate investment and private consumption. After witnessing an expansion of 5.2% in 2021, the European economy is projected to grow by 3.9% in 2022, as mobility restrictions following the surge in coronavirus cases, delayed production due to supply bottlenecks especially in Germany, and elevated energy prices could contribute to slowing growth this year. Concerning emerging markets and developing economies, the outlook remains downcast with a projected growth of 4.8% for 2022 as opposed to 6.5% in 2021, against a backdrop of higher inflation environment, sluggish vaccination, tighter fiscal and monetary policies, and rising debt burdens. As regards the sub-Saharan African region, the IMF downgraded this year's forecasted growth by 0.1% to 3.7%, on account of higher food and energy prices. Altogether, global recovery remains uneven across regions and slower in 2022 owing to persisting rising inflation, the pandemic-related uncertainty, climate disasters and high geopolitical tensions.

## MAURITIAN ECONOMIC OUTLOOK 2021

### GDP

After facing a pandemic-induced steep recession of 14.9% in 2020, the Mauritian economy started its slow and gradual path to recovery in 2021, specifically as from the second quarter of last year since the outbreak of the pandemic. In the first quarter of 2021, the domestic economy declined by 8.4% year-on-year, followed by growths of 17.8% and 5.5% in the second and third quarter respectively. This growth momentum stemmed from a pick-up in the local economic activities after the island's second lockdown in March 2021, spurred by a growing vaccine coverage and monetary and fiscal policy support. In its December 2021 issue, Statistics Mauritius estimated a growth of 4.8% of the GDP in 2021 for Mauritius as almost all sectors of the economy registered an upturn. Two major sectors of the economy, construction and manufacturing, rebounded in 2021 by 25.0% and 10.9% correspondingly. In contrast, the tourism and hospitality sector contracted by 18.8% as tourist arrivals plummeted by 42% in comparison to 2020. On the expenditure side, a 2.0% expansion in final consumption expenditure was estimated for 2021 on the back of a surge in household consumption. With regards to investment, a growth of 11.2% was estimated for 2021, in view of a rise of 13.6% and 3.5% in both private and public sector investment respectively. On the other hand, the balance of trade deficit worsened in 2021, representing 23.7% of GDP in comparison to 18.7% in 2020 as a result of an increase in imports by 5.9% and a fall of 1.1% in exports of goods and services. For 2022, the domestic economic prospects remain optimistic, as the tourism sector is set to pick up momentum with positive spillover effect to other sectors, and the removal of Mauritius from the FATF (Financial Action Task Force) grey list and EU (European Union) blacklist together with the implementation of infrastructure projects are expected to bolster the economy. However, this projected upturn is subject to uncertainties, given the evolution of the pandemic and the vulnerability of our economy to global trends.





## MAURITIAN ECONOMIC OUTLOOK 2021 (Continued)

### Tourism sector

The tourism and hospitality sector continued to suffer from the effects of the pandemic in 2021, with a contraction of 18.8% in the industry group 'accommodation food service activities', after a decline of 65.8% in 2020. With the partial and full reopening of frontiers to international travel in July and October 2021 respectively amidst the accelerated vaccination campaign, the tourism activity picked up, benefiting the local economy including the foreign exchange market. However, tourist arrivals registered a yearly drop of 41.8% to reach 179,780 arrivals as at end of December 2021, far from the 325,000 forecasted by authorities for the year. In 2021, more than 80% of tourist arrivals were from Europe, mainly France and United Kingdom, though a 29.8% fall was recorded in European arrivals as compared to 2020. For the first nine months of 2021, total tourisms earnings registered a year-on-year decrease of 84.6%, representing a shortfall of around Rs 14.3 billion in comparison to the corresponding period of 2020. Against a backdrop of uncertainty related to the Delta and faster-spreading Omicron variants, the tourism sector remained subdued in 2021, especially impacting low rated hotels. Nonetheless, a positive outlook is anticipated for the tourism industry in 2022, but the pace of recovery will hinge on better economic conditions globally.

### Manufacturing sector

In 2020, the manufacturing sector was the second hardest hit sector in Mauritius after the tourism sector, with a decline of 17.8%. An upturn in the sector was registered in 2021, with an estimated growth of 10.9% as per Statistics Mauritius in its December 2021 issue. This positive output was underpinned by a rebound in almost all sub-sectors amidst subdued demand from our main export markets and disruption in supply chains. As for the 'textile manufacturing' sub-sector, a 13.7% rebound was estimated for 2021 following a contraction of 28.6% in the previous year. Furthermore, a growth of 8.2% was estimated for our export-oriented manufacturing sector in 2021. Contrastingly, sugar production declined in both 2020 and 2021 by 17.2% and 7.1% respectively. Post pandemic, the operating context became more challenging, with exports of goods and services receding and henceforward the need to diversity our market and transform the aforementioned sector remained a priority for the government. The setting up of a Rs 5 billion Modernisation and Transformation Fund, and tax benefits and capital assistance in promoting the emerging pharmaceutical industry, are foreseen to boost the sector in the medium term.

### Construction sector

After posting a slump of 25.8% in 2020, the construction sector rebounded in 2021 by 25.0%, fuelled by the ongoing execution of large-scale infrastructure projects, mainly from the public sector. Quarterly results showed a tepid growth of 0.6% in the first quarter of 2021, before construction activities bounced back by an impressive 566.6% and 12.8% in the second and third quarter respectively. Furthermore, investment in 'Building and construction work' grew by 17.9% in 2021, as opposed to a decline of 24.9% in the prior year. Considered as one of the main drivers to economic recovery post the pandemic, the construction sector is projected to expand further in 2022, with Rs 65 billion of public sector investment for infrastructure development over the next three years, like land drainage, improved road network, building of social housing and sports and recreational facilities, and embellishment projects. In addition, an upsurge in private sector investments in the logistics, energy and real estate sectors, is forecasted, bolstered by the creation of incentives such as tax, infrastructure and public facilities and duties. Nonetheless, the elevated prices of construction materials owing to the ongoing supply disruption and higher inflation climate, might present a downside risk to residential construction projects.

### Consumer Price Index (CPI) and inflation

With inflationary pressures on the rise worldwide, and given Mauritius' dependence on imports, the domestic headline inflation shot up to 4.0% in 2021 from 2.5% in 2020, owing to the supply-side disruptions arising from abroad. The increase in freight costs, energy and commodity prices together with the relative weakening of the Mauritian rupee contributed to the higher inflation environment in the country. In the same context, the CPI hiked by 6.8% year-on-year from 106.1 in December 2020 to stand at 113.3 in December 2021. The main contributors to this CPI pick up were higher prices of food products, cigarettes, alcoholic beverages, gasoline, medicines, private tertiary institutions fees and other commodities. Looking ahead, the Bank of Mauritius (BOM) anticipates that inflation is to recede in the medium term on the back of the local economy on the mend and contained demand-side pressures whilst international supply constraints are to ease.

### Foreign Direct Investment (FDI)

The gross direct investment flows in Mauritius declined by 20.5% year-on-year from Rs 10.7 billion to reach Rs 8.5 billion for the first nine months of 2021. The sector with the highest inflows for the period under review was the 'Real estate activities' sector, with 65% of the total inflow, albeit less by 16.2% in comparison to the previous year. More positively, a rise of inflows was registered in the 'Accommodation and food service activities' from Rs 35 million to Rs 944 million for the said period. As for the Manufacturing and Financial and Insurance activities sectors, foreign direct investment flows fell by 92.1% and 77.3% respectively. In terms of markets, our main sources of inflows remained France and South Africa, accounting about 31.7% and 10.8% correspondingly as at the third quarter of 2021.

On a related note, gross direct investment outflows plummeted by 45.5% to stand at Rs 1.2 billion for the first three quarters of 2021 as opposed to the same period of 2020. 'Real estates activities' and manufacturing sectors were the main sectors investing the highest abroad, representing together about 46.4% of the total outflows. More than a quarter of these outflows were directed towards Asia, followed by Europe, representing 22.5% of these flows abroad.

### Unemployment

After two challenging years caused by COVID-19, the unemployment sector is showing a sign of slight recovery. Indeed, according to official statistics, the unemployment rate in Mauritius fell marginally by 0.9%, from 10.4% in the third quarter 2020 to 9.5% in the third quarter 2021, supported by the Government measures such as Wage Assistance and Self-Employed Assistance schemes. The male unemployment rate remained stable over the second and third quarter 2021, at 9.2%, and against 9.1% in the third quarter 2020. The female unemployment rate in the third quarter improved to 9.9% as opposed to 12.5% in the previous quarter 2021 and 12.4% in third quarter 2020. For its part, the labour forces reach 525 900 in the third quarter 2021 in contrast to 521 400 during the second quarter 2021 and 566 500 during the corresponding quarter of 2020. Consequently, the activity rate for the third quarter decreased by 4.4% to 52.1% compared to the corresponding quarter of 2020, backed with both male and female activity rate decreased by 3.9% and 4.8% respectively.

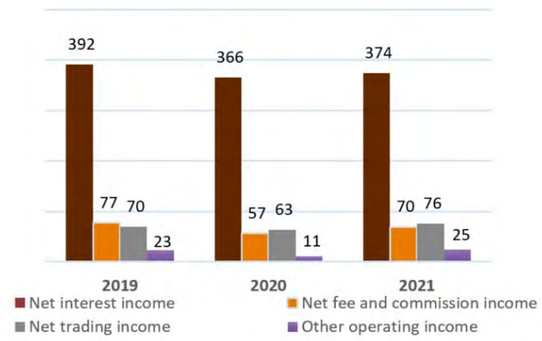




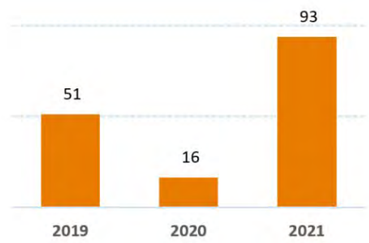
### INCOME STATEMENT ANALYSIS

The Bank reported a net profit of Rs 19 million for the year ended 31 December 2021. The Bank's revenue increased by 9.5% to reach Rs 544 million, underpinned by higher non-interest income in the financial year. Operating expenses dropped by 6.3% in comparison to the year 2020. Consequently, the Bank's operating profit increased significantly from Rs 16 million in 2020 to Rs 93 milion in 2021. In addition, impairment charge went down by 72.6% compared to 2020 and amounted to Rs 77.0 million in 2021.

Operating income (in Rs million)




Operating profit (in Rs million)

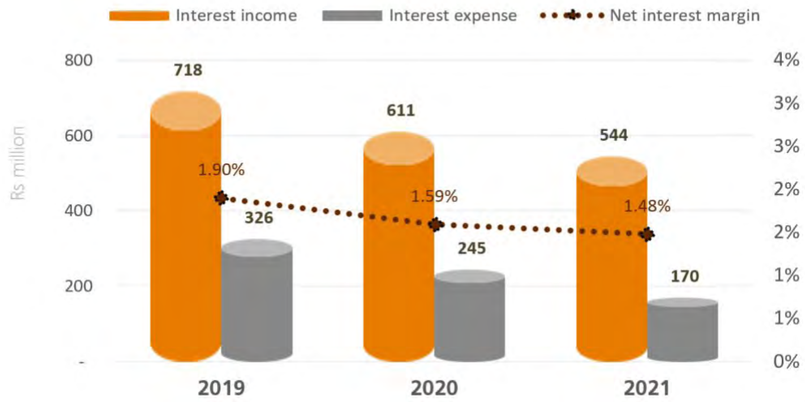



### Interest income

Interest income declined by 10.8% to stand at Rs 544 million for the year under review, with lower yields offsetting the effect of an increase in the loan portfolio. Interest expense registered a yearly drop of 30.3% from Rs 245 million to Rs 170 million, on account of a sharp decline in interest rates over the year. As a result, net interest income witnessed a slight uplift of 2.2% to reach Rs 374 million in 2021 as opposed to Rs 366 million in the prior year.

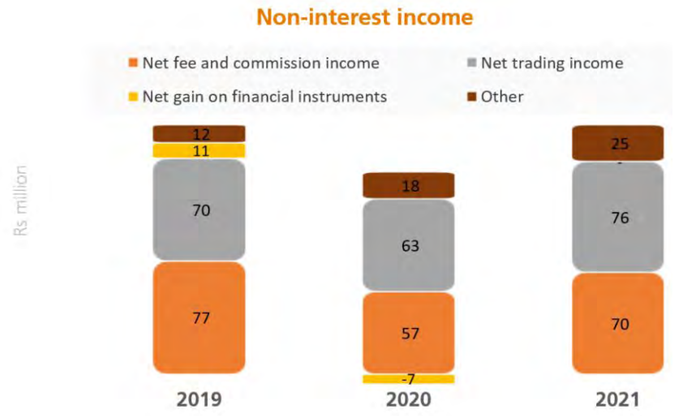
The lower interest rate environment has however continued to put some pressures on margins. Consequently, the net interest income to average earnings assets decreased by 11 basis points to 1.48% as at end of 2021.

Net interest income



### Non-interest income

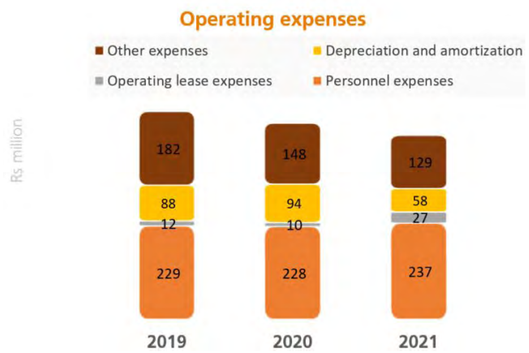
For the financial year 2021, non-interest income recorded a substantial growth of 29.8% and stood at Rs 170 million. Net fee and commission income, amounting to Rs 70 million for the twelve months ended 31 December 2021, achieved an appreciable increase of 22.8%, boosted by trade finance transactions and fees derived from international payments. In spite of challenging market conditions, the Bank's forex profits achieved a yearly growth of 19.6% to reach Rs 76 million. Other operating income mainly comprised of net gain arising from the sale of the Bank's shareholding in Banky First (formerly known as BM Madagascar) to BCP Group and Atlantic Microfinance for Africa (AMIFA).

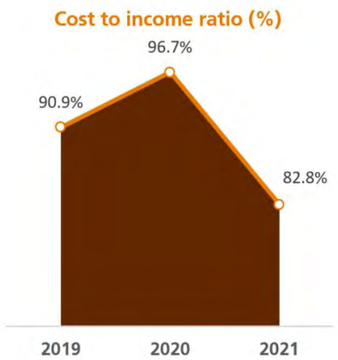



### Cost control

In 2021, the Bank pursued its cost-containment plan, which resulted in a 6.3% drop in operating costs. Depreciation and amortisation costs decreased by 38.4% relative to 2020 as 2021 was the last year of amortization of the investment in the core banking system. Likewise, other expenses registered a dip of 13.0% over the period and stood at Rs 129 million as at 31 December 2021. On the other hand, the Bank maintained its investment in human capital, and personnel expenses remained stable at Rs 237 million in the reported year.

The cost to income ratio improved from 96.7% last year to 82.8%, supported by lower operating costs and increased revenue.



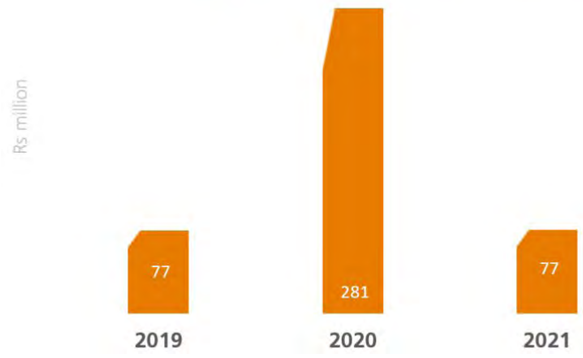








### Impairment charge

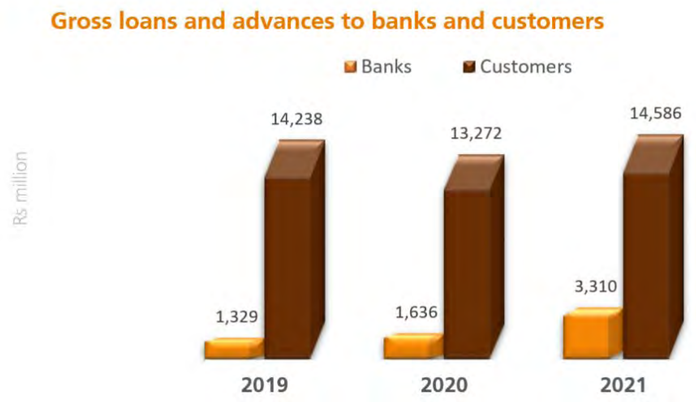
On the impairment side, a slump of 72.6%, from Rs 281 million to Rs 77 million, was recorded for the period under review. The specific provision witnessed a sharp decline from Rs 234 million to Rs 17 million in 2021, as the Bank's credit risk did not increase over the year. Rs 60 million of expected credit losses were booked during the year on stage 1 and stage 2, in line with the increase in loan portfolio.



## FINANCIAL POSITION STATEMENT ANALYSIS

### Loans and advances

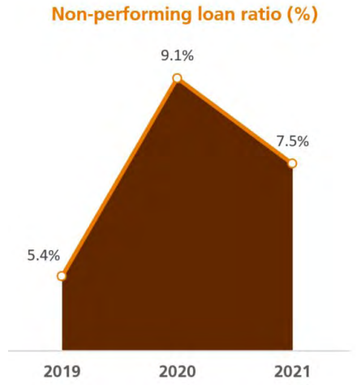
Total gross loans and advances of the Bank registered a substantial growth of 20% when compared to December 2020, to reach Rs 17.9 billion as at end of December 2021. Gross loans and advances to banks double-sized compared to December 2020, from Rs 1.6 billion to Rs 3.3 billion as at end of December 2021, while gross loans and advances to customers rose by 10%. This performance was driven by the Corporate and Institutional business segment. Meanwhile, on the back of difficult market conditions, the Retail segment experienced a downward trend of its exposure with a drop of 7.1% over the year to Rs 3.8 billion as at end of December 2021.

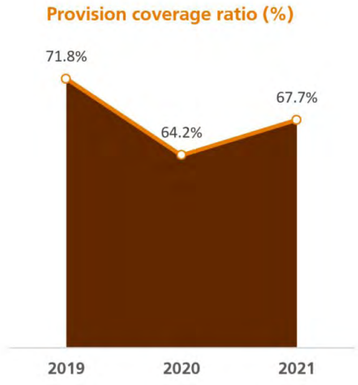



* Gross loans and advances to customers also include corporate bonds classified under Investment Securities.

### Asset quality

The stability of the non-performing assets as at December 2021 combined with the expansion of the loan portfolio resulted in non-performing asset ratio dropping from 9.1% in December 2020 to 7.5% in December 2021. The specific provision coverage ratio increased from 64.2% to 67.7% over the period under review.





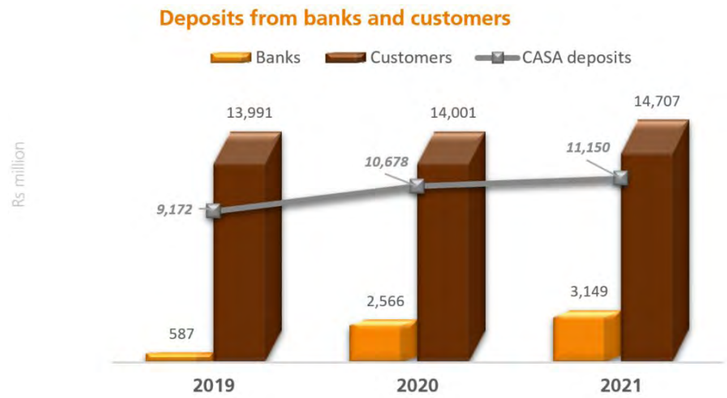



### Investment securities

The Bank's investment portfolio recorded a decrease of 4.8%, amounting to Rs 2.2 billion as at 31 December 2021 against Rs 2.3 billion in December 2020. As at end of 2021, the Bank's liquidity position remained healthy, with investment securities representing 30.2% of the Bank's overall MUR (Mauritian Rupees) deposits portfolio.

### Deposits

The Bank's deposit base recorded an uplift of 7.8% for the year under review, from Rs 16.6 billion to Rs 17.9 billion. Current and savings deposits increased by 4.4% over the year, from Rs 10.7 billion to Rs 11.1 billion. Deposits in CASA (Current Account Savings Accounts) represented 63.0% of the total deposit base, against 66.0% in 2020. The foreign currency deposits showed a notable rise of 11.5% during the financial year 2021, while rupee-denominated deposits saw a slight growth of 2.8%.




### Borrowed funds

Excluding rupee depreciation effect, the Bank's borrowed funds remained quite stable, with a yearly drop of 0.8%. The funding lines are in major foreign currencies, and mostly with group entities.

## BUSINESS SEGMENT REVIEW

### Corporate and Institutional Banking (CIB)

2021 has been a year of global turbulence, where the resurgence of COVID-19 variants, inflation, supply chain disruptions and geopolitical instability have had profound impact on many businesses. However, on a brighter note, we also observed a more positive outlook towards the end of 2021 in certain markets.

CIB has continued to improve it's performance in line with our strategy and this has helped us maintain a robust balance sheet growth with loans and advances up by 37% and deposits increase of 9%. While we have seen traditional trade corridors in between US and China on the decline, our trade book growth in between Asia and Africa has been increasing constantly on the back of our geographical footprint.

Our strong relationships and continued partnership with our clients helped our teams to tailor bespoke banking solutions to our clients that has helped them protect and grow their businesses in changing and difficult market environments. Our team has mobilised their efforts on infrastructure projects, agriculture value chains development, and trade finance which has contributed towards a positive 2021 whilst carefully managing our exposure to clients and industries that were in financial distress. To the extent possible we have supported the viability and sustainability of many clients whose businesses experienced short-term shocks due to the crisis.

#### Outlook

The most important characteristic of the current economic context is its scope where all countries of the world, without exception, are affected. The recovery of the local tourist industry and other main export markets will be very much dependent on how the global pandemic evolves. The FTA (Free Trade Agreement) signed by the Mauritius government with India and China together with the African Continental Free Trade Area (AFTCA) will certainly provide new opportunities for business growth. Many African countries are experiencing steep rises in their inflation rates commodity price increases as a result of the disruption in distribution channels coupled with the fall in exchange rates of local currencies and foreign currency reserves amid the economic crisis precipitated by the pandemic. For 2022, the rise in oil prices and raw materials, fall in interest rates and support from development financing institutions (DFIs) encourage a sense of optimism regarding the ability of the region to witness a gradual economic recovery. That being said, the political context in countries such as Burkina Faso, Guinea, Malawi and Mali which is subject to CEDEAO sanctions will have to be monitored closely.

### Consumer Banking

2021 proved to be one of the most challenging years for Consumer Banking with the second wave of the pandemic significantly affecting the business plan for the year.

We observed a change in customer behaviour with an increased utilisation of funds held in savings and current Accounts. Nevertheless, we managed to grow our liabilities book by securing deposits from high-net-worth individuals.

Although the pandemic resulted in an increase in demand for loans and advances to customers, a prudent approach was undertaken when assessing requests for credit; especially with household support programs being run to assist consumers in meeting their existing credit commitments.

Our teams played a vital role in providing access to banking services to our customers and the public at large during the lockdown period by offering free cash withdrawals through our ATM network and branches remaining operational over restricted hours, offering basic banking services.





The role of the risk management function is very crucial for banks in order to identify and assess various risks such as operational risk, credit risk, market risk and other types of risks that banks face every day. The risk management function of the Bank adopts a consistent and integrated approach to identify and assess the potential risks arising in the banking business. Every risk is prioritised and treated, based on the Bank's strategic objectives and continuous monitoring is ensured through adequate internal control mechanisms, up-to-date risk policies and related procedures, compliance to legal and regulatory requirements and reliable decision-making support.

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's level. The framework is comprised of two components:

- Governance committees; and
- Governance documents.

Governance committees are held at both the Board and Management level which have clearly stipulated directives and delegated authorities that are reviewed regularly.

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

The COVID-19 viral pandemic is an unprecedented global phenomenon with wide-ranging effects and it continues to be the major concern globally. As it has been the case in 2020, the resurgence of viral cases and the emergence of new and more virulent strains of the COVID-19 virus in 2021 have had a profound impact on the macroeconomic and sectoral performance worldwide.

According to the IMF report, World Economic Outlook, published in October 2021, the global recovery continues but the momentum has weakened, hobbled by the pandemic. Fuelled by the highly transmissible Delta variant, the recorded global COVID-19 death toll has risen around to 5 million and health risks abound, holding back a full return to normalcy. Pandemic outbreaks in critical links of global supply chains have resulted in longer-than-expected supply disruptions, further feeding inflation in many countries. Overall, risks to economic prospects have increased, and policy trade-offs have become more complex.

Compared to the July forecast, the global growth projection for 2021 has been revised down marginally to 5.9 percent and at 4.9 percent for 2022.

This modest headline revision, however, masks large downgrades for many countries. The outlook for the low-income developing country group has darkened considerably due to worsening pandemic dynamics. The downgrade also reflects more difficult near-term prospects for the advanced economy group, in part due to supply disruptions. Partially offsetting these changes, projections for some commodities exporters have been upgraded on the back of rising commodity prices. Pandemic-related disruptions to contact-intensive sectors have caused the labour market recovery to significantly lag the output recovery in most countries.

Beyond 2022 global growth is projected to moderate to about 3.3 percent over the medium term.

Advanced economy output is forecast to exceed pre-pandemic medium-term projections; largely reflecting sizeable anticipated further policy support that includes measures to increase potential. By contrast, persistent output losses are anticipated for the emerging market and developing economy group due to slower vaccine rollouts and generally, less policy support compared to advanced economies.

Headline inflation rates have increased rapidly in many countries including some emerging market and developing economies. In most cases, rising inflation reflects pandemic-related supply-demand mismatches and higher commodity prices compared to their low base from a year ago. For the most part, price pressures are expected to subside in 2022. In some emerging market and developing economies, price pressures are expected to persist because of increased food prices, lagged effects of higher oil prices, and exchange rate depreciation lifting the prices of imported goods. However, great uncertainty surrounds inflation prospects—primarily stemming from the path of the pandemic, the duration of supply disruptions, and how inflation expectations may evolve in this environment.

Multilateral efforts to speed up global vaccine access, provide liquidity and debt relief to constrained economies, and mitigate and adapt to climate change remain essential. Speeding up the vaccination of the world population remains the top policy priority, while continuing the push for widespread testing and investing in therapeutics. This would save millions of lives, help prevent the emergence of new variants, and hasten the global economic recovery.

On the domestic front, in these challenging times, the domestic economy has been operating well below productive capacity. Cautious spending patterns and economic uncertainty continue to affect both household consumption expenditure and private investment. However, as a positive sign in economic activities, several economic indicators such as currency in circulation, registration of new and second-hand vehicles, and monetary transactions, have been gradually pointing towards an improvement in economic activity. Equity indices such as SEMDEX and SEM-10 have partly recouped their losses since the resumption of trading operations on the Stock Exchange of Mauritius. The labour market has seen an increase in unemployment but not to the extent initially anticipated. Fiscal support has mitigated the anticipated deterioration in the rate of unemployment. The lacklustre performance of exports continues to influence domestic output negatively. On the other hand, imports have declined further, reflecting supply-chain disruptions as well as a fall in demand. Like many Central Banks and monetary authorities in many countries, Mauritius continues to intervene in financial markets including the adoption of an array of fiscal policy initiatives to stimulate the economy.

As part of its ongoing assistance to Mauritian businesses across all economic sectors, households and individuals, the Bank of Mauritius has been extending specific measures under its existing COVID-19 Support Programme.

In 2021, as part of the series of measures under its Support Programme, Bank of Mauritius announced that it will again bear the interest payable on the outstanding household loans with commercial banks. And in light of the evolution of the economic context, the Bank of Mauritius has taken additional appropriate measure to maintain the stability of the financial system and mitigate any adverse impact on economic growth and development, consistent with its statutory responsibilities.

During 2021, in the current economic context, and in line with arrangements being made by central banks and other regulatory institutions around the world, Bank of Mauritius introduced transitional arrangements for the regulatory capital treatment of IFRS 9 provisions. This decision aimed at alleviating the impact of the COVID-19 pandemic on the provisioning levels of banks and non-bank deposit taking institutions.

Transitional arrangements will allow financial institutions to add back a portion of their IFRS 9 provisions to their regulatory capital. These arrangements, which started in 2021, will phase out over a 4-year period.

Furthermore, the Bank of Mauritius announced the extension of the specific measures under its existing COVID-19 Support Programme up to June 2022 as follows:

- The extension of moratorium on loans granted to economic operators, SMEs, households and individuals impacted by COVID-19 under specific conditions.
- The Special Relief Amount facility of Rs 5.0 billion made available to banks by the Bank of Mauritius has also been extended to 30 June 2022. This amount aims at meeting cash flow and working capital requirements of economic operators directly impacted by COVID-19. Disbursement will continue to be effected through commercial banks and interest rate on these advances to impacted economic operators remains capped at the fixed rate of 1.5% per annum.





- The reduction of the Cash Reserve Ratio applicable to commercial banks from 9 per cent to 8 per cent has equally been extended to 30 June 2022. This reduction was intended to further support banks to assist businesses which are being directly impacted by COVID-19.

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

Despite the handling of the public health emergency, the economic impact was severe due to the centrality of tourism in the Mauritian economy. The effects of COVID-19 have reversed recent gains in poverty reduction and women's labour force participation. A gradual recovery has been witnessed for 2021 and is expected beyond, against a backdrop of gradual resumption of tourism in the second semester of 2021 as travel restrictions are eased following important advances in vaccination, and continued recovery of manufacturing exports in line with global demand, and uptakes in construction, wholesale trade, and financial and insurance services. This recovery remains subject to significant downside risks, including a prolonged pandemic or failure to address longstanding structural constraints to investment, competitiveness, and skills development. The economic and fiscal outlook depends heavily on a timely unwinding of COVID-19-support measures and global measures.

An additional challenge for Mauritius is that it is highly dependent on the global economy for food and for its core industries. Its small island economy rests on a strategy of being open to imports and exports. Given the small domestic market, being open gives the economy the opportunity to grow. The country's core industries – tourism, financial services and business process outsourcing – all rely on business and customers from abroad. Material exports are led by fish, clothing and sugar. The current pandemic is bound to have an impact on the island's economy because of its outward focus. Most of its international markets have been hit, some quite severely, by COVID-19. Many countries have also suspended all international travel, which will affect the tourism industry in the immediate and mid-term.

In terms of financial services, the sector remains well capitalized both in terms of fiscal premise and intellectual resources, and continues to attract cross-border interest, further renewed by two recent and major FTAs, the China-Mauritius FTA, the first of its kind for Africa, and the India-Mauritius FTA, known as Comprehensive Economic Cooperation and Partnership Agreement (CECPA), again the first of its kind in Africa.

ICT (Information and Communication Technology) and related industries are also pulling their weight in support of the economic contributions to the country, and since most of the sectors are export lead, experiencing a transaction gain as a result of the depreciation of the rupee.

The depreciation of the rupee remains a concern in the otherwise positive outlook, as Mauritius is a net importer of goods and services, primarily for its energy and food needs. However, Mauritius has maintained its import reserves despite the circumstances, and this will help maintain overall fiscal stability for businesses.

Finally but not the least; following a highly successful evaluation of Mauritius' regime against Money laundering and the financing of terrorism, the FATF removed Mauritius from the list of non-compliant jurisdictions on 21 October 2021. Shortly after, the United Kingdom also removed Mauritius from its list of high-risk countries under the UK Money Laundering and Terrorist Financing (Amendment No. 3 high-risk countries) Regulations 2021. It was therefore only a matter of time before the European Union, who had placed Mauritius on its high-risk third countries based on the findings of the FAFT, also removed Mauritius from the EU Blacklist. This has now become a reality and on 07 January 2022, the European Commission removed Mauritius from the EU Blacklist by acknowledging that it no longer presents strategic deficiencies on the basis of the criteria laid down in its Directive (EU) 2015/849. The whitelisting by the FATF, the UK and now the EU goes a long way to demonstrate our commitment to improving the legal, regulatory and enforcement measures in the fight against money laundering and terrorist financing. With its removal from the EU Blacklist, Mauritius is now cleared from all international lists of non-compliant jurisdictions, and it spells a new dawn for the future of the Mauritius IFC (International Finance Center).

In addition, the combination of monetary, fiscal and other policies put in place by the Mauritian government have been able to address macroeconomic and financial market issues with a low but still steady growth over the past few years and same is expected beyond.

### RISK GOVERNANCE STRUCTURE

The Board of Directors has the ultimate responsibility for proper identification, measurement, monitoring, mitigation and management of risks. 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 is described in the Corporate Governance Report.

### RISK MANAGEMENT FRAMEWORK

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

- The Bank operates within a clearly defined risk policy and risk control framework to achieve financial strength and sustainable growth;
- The Bank's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for their actions and their incentives are aligned with the overall business objectives; and
- Risk transparency, knowledge sharing and responsiveness to change.

### RISK MANAGEMENT STRUCTURE

Retaining a top down approach, the Board of Directors determines the risk appetite of the Bank in accordance 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 roles of the Board and its committees are described in the Corporate Governance Report.

The Board Committees with oversight on Risk Management are:
- Audit Committee;
- Risk Management Committee;
- Conduct Review Committee; and
- Credit Committee.

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

### ENTERPRISE-WIDE RISK POLICY

The Bank is directly regulated by the Bank of Mauritius and falls under the consolidated supervision of its Moroccan parent bank, Groupe Banque Centrale Populaire. In 2021, the Board of directors of the Bank and Banky First have approved the reallocation of the shareholding at BCP Group level. The regulatory authorisations have been obtained and the financial transaction has been carried out and consequently, Banky First has become a direct subsidiary of the BCP Group.





### ENTERPRISE-WIDE RISK POLICY (Continued)

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

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

### A. CREDIT RISK

Credit risk 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, sector or country. The major capital requirement arises from credit exposures and banks are required to maintain sufficient capital to be in line with the regulatory norms. The Bank follows the directives set by the regulatory Guideline on Standardised Approach to Credit Risk.

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 regard 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 and to continue to effectively build-up quality assets of credit decision making and to continue to effectively build-up quality assets.

## Credit Risk Management Process

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

### Credit Origination

Credit origination is undertaken by the 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 client's background, competitor, environment, client financials, base 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.

### Credit Risk Control and Monitoring

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

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

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 new Guideline on Cross Border Exposure, the Bank ensures that a set of additional minimum standards to provide a risk-based management framework aiming to mitigate the main cross-border banking risks.





### Impairment and Provisioning

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

- Performing loans are loans that are neither past due nor specifically impaired loans, 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 discontinued future cash flows, including collateral.

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

  - The strategy for recovery; and
  - The fair value of the loan and hence the required level of specific provisions.

### Credit Risk Concentration

The 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 countries.

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

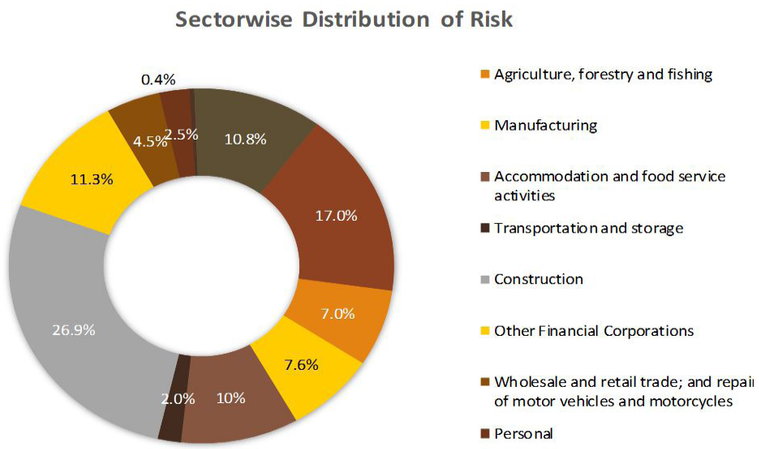
- a maximum exposure (in MUR) to any single customer of 25% and to related Group of companies to 40% of the Bank's Tier 1 capital base; and
- a maximum exposure (in foreign currency) to any single customer of 50% and to related Group of companies to 75% of the Bank's Tier 1 capital base.

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

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

As at 31 December 2021, the concentration ratio of large exposures above 10% of the Bank's Tier 1 Capital before set-off was 509% well within the regulatory limit of 800%. After set off, the aggregate exposure under large exposure remained at 618%.

The sector-wise distribution of credit of the Bank as at year end is as per shown below:

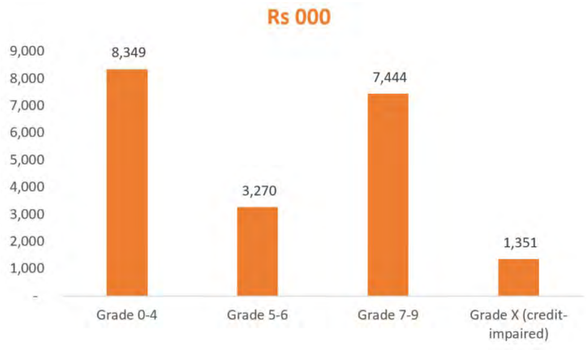



### Credit Quality

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

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

The Bank's loan portfolio as at 31 December 2021 can be demonstrated below in terms of their ONI.




### Credit Risk Mitigation

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

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





The main types of collateral taken are:

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

### Credit risk - Focus areas for 2022

The Bank aims at upholding a well-diversified portfolio anchored on sound credit risk management principles to achieve a targeted risk-return profile of the portfolio. Focus will be laid on enhanced stress-testing practices and the result will be used in defining the Bank's strategic objectives whilst constantly measuring our ability to maintain enough buffer to stay afloat under extreme scenarios and to implement robust risk mitigation and management practices.

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

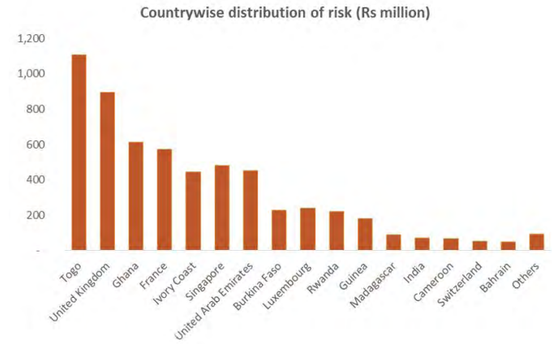
## B. COUNTRY RISK

Country risk refers to the uncertainty arising when economic, social, and political conditions and events in a particular country adversely affect a counterparty's 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 constantly supervised and in the case of any adverse event, the limits are instantly reviewed and frozen if required.

All countries to which the Groupe Banque Centrale Populaire 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 distribution of exposure by country other than Mauritius is illustrated in the following bar chart.



**B. COUNTRY RISK (Continued)**

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.

### Country Risk - Focus areas for 2022

The Bank will continue to monitor its country risk through an enhanced comprehensive framework and adequate control processes and to; determine the country risk appetite and allocate exposures accordingly country risk mitigation techniques will be fostered in response to the challenging global economic and political trends whilst adhering strictly to the regulatory Guideline on Cross-Border Exposure, effective as from 4 September 2020 and specific monitoring is carried out for country risk exposures.

**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.





**C. MARKET RISK (Continued)**

The Bank maintains different levels of limits:

- Dealers' limits - dealers operate within limits approved and the middle office treasury make a second level of control with sign-off from delegated signatories ahead of a deal that triggers their dealing limits are required;
- Counterparty limits - exposure is determined according to the nature of the contract and its maturity;
- Product limits - dealers can only transact in products that have been approved. Product limits are tightly monitored at the treasury back office as a first level of control and the treasury middle office being the second level of control; and
- Forex exposure limits - FX exposure is monitored daily and a report is sent to the Bank of Mauritius every day.

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

### Foreign Currency Risk

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

Currency exposure may not exceed USD 3 million, which is equivalent to circa 6.5% of the Bank's Tier 1 capital. For trading activities with the BCP Group, a counterparty limit of EUR 5M has been imposed.

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

While the 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.

The Bank's net open position, either overbought/oversold, against the Rupee has been no more than 15% of Tier I capital, throughout the financial year ended 31 December 2021, which is in compliance with the Bank of Mauritius requirements.

### Interest Rate Risk

Since the Bank surrendered its Primary Dealer's license in 2014, all financial instruments are classified under the Banking Book.

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

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities;
- Yield curve risk: shifts in the yield curve that have adverse effects on the 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.

## C. MARKET RISK (Continued)

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.

### Market Risk - Focus areas for 2022

The Bank will focus on monitoring, reporting and controlling the overall market risk exposures, including counterparty risk as well as profit and loss risks arising from the Bank's market risk activities. The Bank will also focus on the phasing out of LIBOR (London Interbank Offered Rate) (scheduled as from end 2021 for which regular meetings are being held with Bank of Mauritius).

As announced by the ICE Benchmark Administration ("IBA"), LIBOR will be discontinued as of 31 December 2021. Therefore, starting from 2022 almost all LIBOR rates (with the exception of USD LIBOR, which will continue until June 2023) will no longer be published. Following the communication of the LIBOR discontinuance, alternative risk-free rates ("RfRs") have been introduced for various currencies. Such RfRs, however, are mostly published as overnight rates and due to the lack of liquidity on their derivative markets this situation will likely persist for the foreseeable future. This is a major change compared to the LIBOR rates that are published in various terms (e.g. 1 month, 3 months, etc.).

The Bank of Mauritius communicated a guidance on LIBOR transition. The guidance, which was first issued in April 2021, aimed to assist banks in the transition process and sets out the key milestones and timelines that banks need to meet in their preparation process for the phasing out of LIBOR. The LIBOR settings ceased after December 31, 2021, in the case of all Sterling, Euro, Swiss franc, and Japanese yen settings, as well as the 1-week and 2-month US dollar settings; the remaining US dollar settings will cease immediately after June 30, 2023. To be fully prepared for the phasing out of LIBOR by end of 2021 and 30 June 2023, as applicable, BOM recommended the following milestones:

- By the end of the third quarter of 2021, banks should have conducted the risk and impact assessment, identified the mitigation measures, established a Board-approved transition plan, established organizational and operational structure to manage the transition, identified existing LIBOR exposures maturing after the end of 2021 and beyond, and ceased initiation of new LIBOR-linked products that expire after the end of 2021 (except for the USD LIBOR settings expiring after the end of June 2023).

- By the end of the third quarter of 2021, banks should also have started using alternative reference rates in new contracts as far as possible, communicated with clients about the LIBOR transition and the actions being taken to support the switch to alternative rates. They should have completed and tested necessary changes to key systems and processes to enable transition to alternative rates and ensured that necessary setup is available from Treasury Management Systems/vendors for determination and the use of term rates. Where possible, they should have completed the conversion of all legacy LIBOR-linked contracts expiring after end-2021/June 30, 2023 to alternative rates, and, if not feasible, ensured robust fallbacks are adopted.

- By the end of 2021, banks should have stopped offering new LIBOR-linked products in all LIBOR settings and all new business should be conducted using alternative risk-free rates. For any legacy contracts for which it has not been possible to make amendments, banks should have considered and discussed between the parties the implications of cessation or lack of representativeness of LIBOR settings ending at the end of 2021 and taken steps to prepare for this outcome as needed. By this time, they should also ensure that all critical processes and systems can be operated without reliance on LIBOR settings ending at the end of 2021 and use the alternative risk-free rates.





## C. MARKET RISK (Continued)

### Market Risk - Focus areas for 2022 (Continued)

- By the end of June 2023, banks should, for any remaining USD LIBOR legacy contracts for which it has not been possible to make amendments, have considered and discussed between the parties the implications of cessation or lack of representativeness and taken steps to prepare for this outcome as needed.

The Bank is ensuring to be fully compliant to the above requirements and that all critical processes and systems can be operated without reliance on USD LIBOR settings ending at the end of June 2023.

## 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 Lability 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 as a whole. Effective liquidity risk management protects the bank and the system as a whole 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 support its asset base at all times.

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.

The Bank's liquidity risk management framework differentiates between:

- Tactical (short-term) risk management: managing intraday liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by Treasury Committee.
- Structural (long-term) liquidity risk management: ensuring a structurally sound balance sheet, a diversified funding base and prudent term funding requirements.
- Contingent liquidity risk management: monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and setting liquidity buffers in accordance with anticipated stress events.

### Structural liquidity mismatch

Structural liquidity mismatch analysis is performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the 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.

**D. LIQUIDITY RISK(Continued)**

**Structural liquidity mismatch (Continued)**

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 Bank's funding strategies is executed depending on the market, competitive and regulatory environment. The Bank make use of a diversified funding strategy, sourcing liquidity in both domestic and international markets, and incorporates a coordinated approach to access loan across the BCP Group.

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

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

### Contingency funding plans

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.

### Liquidity buffer

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

### Liquidity Risk - Focus areas for 2022

The Risk Management Team will continue to ensure close monitoring of its liquidity position and endeavours to maintain adequate levels of liquidity and have recourse to the funding sources so as to meet customer demands and enhance business development and optimisation of its funding strategies using continuous updated parameters.

**E. OPERATIONAL RISK**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events that can disrupt the flow of business operations.

Operational risk is critical to the effective management and control of this risk category. Operational risk exists in the natural course of business activity.





**E. OPERATIONAL RISK (Continued)**

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.

The Bank considers the full range of material operational risks that it faces and captures the most significant causes of severe operational losses as follows:

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

The Bank's approach to manage operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profile while maximising their operational performance and efficiency. It aims at encouraging an adequate risk culture within the organisation to embrace proper attitudes and behaviours.

The Bank's operational risk management function is independent from business line management and is part of the second line of defence. It is mandated to develop and maintain the operational risk governance framework, facilitate the adoption of the framework across all business lines, oversight and reporting, as well as for challenging the risk profile.

This is carried out through the "Incident Reporting Mechanism" and the "Business Process Analysis". The team works alongside their business areas and facilitates the adoption of the operational risk governance framework.

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

### Incident Reporting

The Bank has set up its Operational Group Risk tool named 'Front Risk' whereby all operational risk events are recorded by a designated officer in each business line and validated by the head of the business. Following validation, the Risk Management team systematically analyses the root causes, trends and emerging threats, advises on the remediation of potential control weaknesses and recommends best practice solutions.

The incident reporting process contributes to reinforce visibility and understanding of the Bank's overall operational risk profile. This process plays a catalytic role in embedding operational risk management practices in the day-to-day business activities. The operational risk incident reporting serves to report, track and escalate operational risk issues within the Bank and supports decision making and timely resolution.

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

### Business Process Analysis

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

## E. OPERATIONAL RISK (Continued)

### Business Process Analysis (Continued)

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

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

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

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

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

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

The 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% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital.

### Operational Risk Subtypes

#### Legal risk

Legal risk may vary from institution to institution depending on the manner in which it conducts its business and the documentation it follows. The legal risks primarily arise either due to lack of clarity of the documentation of the product or the act of the counterparty. Change in legal environment due to legislative changes and Court interpretations / proceedings result in legal risk. Legal risk includes risk of non-enforceability of contract or incorrect documentation resulting in the increased probability of loss. Broadly, legal risks may result in (i) claims against institution, (ii) fines, penalties, punitive damages, (iii) unenforceable contracts resulting from defective documentation and, (iv) loss of institutional reputation.

The Bank has a dedicated department with documented processes and controls that have been put in place to manage its legal risks. Failure to manage these risks effectively could result in legal proceedings impacting the Bank adversely, both on financial and reputational level.

#### Compliance risk

Compliance risk is an organisation'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. Compliance risk is also known as integrity risk.

According to the Basel Committee of Banking Supervision, compliance risk refers to "the financial and reputational costs that a bank may suffer from its failure to comply with a set of laws, rules, related self-regulatory organization standards, or applicable codes of conduct".





## E. OPERATIONAL RISK (Continued)

### Operational Risk Subtypes (Continued)

#### Environmental and social risk

Environmental and social risk to a financial institution (FI) stems from the environmental and social issues that are related to a client's/investee's operations. A financial institution's transaction with a client/investee can represent a financial, legal and/or reputational risk to the financial institution.

Environmental and social risk management in banks enables banks to intentionally avoid financing business activities that cause human rights violation, undermine biodiversity and cultural heritage of communities. It is not good business for banks to support businesses whose activities result in environmental pollution, human safety and security concerns. Environmental and social risk management (ESRM) may also mean supporting clients and investments whose net impact contributes to positive environmental and social outcomes.

The Bank's credit portfolio is directly and indirectly exposed to environment and social risks through its financing activities in several countries. Through adequate risk management framework, the Bank aims at contributing to the sustainable development of these countries by allocating capital to more sustainable sectors and adopting business practices, which will be in the clients' interest and that of broader societal goals.

When financing customers, the Bank integrates climate-change-related risks into our decision-making when those risks may potentially affect a customer's long-term success. Risks and opportunities associated with the impacts of climate change, typically related to their activities and/or physical locations, vary by customer. So, we evaluate climate risk on a case-by-case basis. Risk categories we consider include, but are not limited to physical risk, regulatory risk and transition risk.

#### 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.
- 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. Following the outbreak of the COVID-19 pandemic in 2020, a dedicated Crisis Management Team has been set up and is commanded by key members of Senior Management during a crisis.

As it has been the case in 2020, in response to the COVID-19 pandemic and following the announcement made by the Government for a temporary lockdown on mid March 2021, the Bank activated its Business Continuity Plan, with the key objective successfully executed to ascertain the continuity of activities during the uncertain times. Under the guidance of the Crisis Management Team, the Bank has been able to safeguard the safety and health of the employees and clients.

Check and controls have been diligently put in place to ensure the following:

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

With regards to cyber risk, 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. VPN are used for remote access together with 2 factor authentication and regular awareness campaign are done to sensitize our staffs on cyber threats and attacks. The Bank has also catered to employee risks as well as business and operational risks with the following: analyze key roles that require on-site access, plan a backup plan in case of their absence (e.g. substitutability); arrange a method of assigning and distributing employees at various levels of operational reduction and setting up of access for employee mobility (division of shifts, transport, etc.).

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

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

#### Technology risk management

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

#### Information risk management

Information risk encompasses all the challenges that result from the need to control and protect the Bank's information. These risks can culminate from accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity or availability of information. The Bank has adopted a risk-based approach to managing information risks

The Institute of Operational Risk management function oversees the information security management system, policies and practices across the Bank. The execution of these policies and practices is driven through system, within the Risk Division.

#### Occupational health and safety

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





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

#### Operational Risk - Focus areas for 2022

Focus is laid on robust control over balance sheet substantiation and other key financial controls. In addition, training and awareness initiatives will continue to be undertaken to ensure that staff members are aware of their regulatory responsibilities relating to relevant legislation. The Bank has already identified the key potential operational risk threats for 2022.

### F. CAPITAL MANAGEMENT

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

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

- Risk-adjusted performance measurement, and managing the ICAAP and capital planning process, including stress testing;
- Measurement and analysis of regulatory and economic capital, internal and external reporting and implementation of new regulatory requirements; and
- Providing support on deal pricing, balance sheet utilisation and management of capital consumption against budgets.

At the regulatory level, the minimum capital adequacy ratio set by Bank of Mauritius for banks presently stands at 10% of risk weighted assets. As part of its action for Basel III implementation, the Bank of Mauritius has issued the following Guidelines:

- Guideline on Scope of Application of Basel III and Eligible Capital (Superseding the 2008 Guidelines on Eligible Capital & Basel II), effective 1st July 2014. The main purpose of the guideline is to set out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework and to formulate the definition of regulatory capital, regulatory adjustments, transitional arrangements, disclosure requirements and capital conservation buffer;
- 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; and
- 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 2007–08. 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 (Continued)

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); and<br>- 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.<br>- Asset value correlation being the increased capital charge on exposures to financial institutions; and<br>- Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing. |
| Capital conservation buffer | - In response to the COVID-19 pandemic, the Bank of Mauritius has maintained a capital buffer of 1.875% in 2021 and up to end March 2022; and<br>- 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.<br>- 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. |





### Implementation of new capital requirements under Basel III

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

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| | (All dates are as of 01 January) | | | | | |
| Minimum CET 1 CAR | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |
| Capital Conservation Buffer | - | 0.625% | 1.25% | 1.875% | 2.50%* | 2.50%* |
| Minimum CET 1 CAR plus | 6.50% | 7.125% | 7.75% | 8.375% | 9.00% | 9.00% |
| Phase in of deductions from CET 1 | 50.00% | 60.00% | 80.00% | 100.00% | 100.00% | 100.00% |
| Minimum Tier 1 CAR | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Minimum Total CAR | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Minimum Total CAR Plus Capital Conservation Buffer | 10.00% | 10.625% | 11.25% | 11.875% | 12.50%* | 12.50%* |
| Capital Instruments that no longer qualify as AT1 capital or Tier 2 capital | Phased out over 10 year horizon beginning 1 July 2014 | | | | | |

***To provide additional flexibility to banks to support local economic operators and households impacted by the COVID-19 pandemic, the Bank of Mauritius has maintained a capital conservation buffer of 1.875% in 2021 and up to end March 2022.**

### Capital Structure

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

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

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

## F. CAPITAL MANAGEMENT (Continued)

### Capital Structure (Continued)

#### Limits and minima applicable

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

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

As at 31 December 2021, the Bank has complied with all the limits and minimum requirements of the Bank of Mauritius guidelines.

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

The Bank is guided by its Internal Capital Adequacy Assessment Process (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 kept to support its risks beyond the core minimum requirements. It delineates the process through which the Bank assesses the extent to which it holds sufficient capital 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. Actually, the ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius Guideline on Supervisory Review Process in April 2010. The document which is approved by the Board is reviewed 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 share or subordinated debt, in multiple currencies. In addition, the Bank uses various instruments issued by its shareholder to mitigate its credit risk, namely through unfunded risk participation and others.

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





#### Code of Ethics & Conduct

BCP has adopted a set of values such as integrity, loyalty, professionalism, quality, confidentiality, transparency and solidarity as benchmarks for its day-to-day management. 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 Group BCP's philosophy and expectations as well as the local regulations in force in order to further strengthen the relationship of trust with its customers and external partners.

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

In the year 2021, the Compliance Function, in collaboration with the Human Resource and the Communication departments, has organized a three weeks awareness campaign on the Code with the participation of all employees of the Bank. The campaign included a training session on the Bank's Code de Déontologie & Ethique, thematic discussions and animated videos, experiences shared by various employees and weekly quiz. The objective was to get all employees acquainted with the requirements of the Code and explain to them their duties and responsibilities as an employee of the Bank.

#### Environmental & Social Responsibility

In 2012, BCP Group implemented an Environmental and Social (E&S) Responsibility Framework and has since then strived with the objective of integrating sustainability into its operations and product offerings worldwide. In 2016, the Bank 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.

In year 2021, the Bank has decided to adopt the E&S strategy of BCP Group. The E&S Policy statement of the Bank covers the following:

- Compliance with legislation, regulations and good social and environmental practices
- Ethical commitment to its customers, shareholders, suppliers, human capital as well as other stakeholders
- Protection of the environment through community involvement and internal initiatives
- Support for children and education in deprived areas
- Supporting civic and community activities
- Controlling E&S risks
- Implementing a social and environmental risk management system
- Adopt an exclusion list where E&S risks are significantly high

As an initial step, the established E&S risk framework targets project finance and investment loans under the Corporate Segment.

#### Regulatory Compliance & AML

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

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

## COMPLIANCE (Continued)

### Regulatory Compliance & AML (Continued)

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

At BCP, the Compliance framework is based on a risk-based approach to ensure that the Bank carries out its daily activities with internal and external regulatory norms and standards. A compliance programme, which sets out the yearly planned compliance activities, is approved by the BCP Group and the Board Risk Management Committee.

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

- Identification of regulations and guidelines applicable to the Bank and translate these into compliance requirements for adoptions and adherence.
- Testing the level of Bank's compliance with respect to these compliance requirements;
- Fostering a control environment with proper segregation of duties to avoid possible conflict of interest.
- Maintaining communication and collaboration with business and support units by providing regulatory advisory services and training.
- Maintaining a trusted line of communication with the regulatory and supervisory authorities; and
- Promoting awareness on AML/CFT and proliferation financing to all employees of the Bank.

In terms of its AML/CFT responsibilities and the increasing regulatory obligations over the last two years, the Bank has reviewed a number of its policies and processes during 2021. The Bank has also implemented sophisticated screening tools such as the Swift Sanction Screening (SSS) Tool and SIRON KYC (compliance software for KYC management) in order to meet its obligations on financial prohibitions prescribed by different regulatory bodies worldwide. The Swift Sanction Screening is a web-based tool, which allows the Bank to screen any inward or outward transaction, whether local, or cross-border, against comprehensive updated international sanction lists on a real-time basis in order to mitigate any sanction risks. On the other hand, the SIRON KYC Tool allows the Bank to screen a prospect prior to onboarding as well as on an ongoing basis against reliable sanction lists and risk intelligence databases.





## INTERNAL AUDIT FUNCTION AND INTERNAL CONTROL

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

# CORPORATE GOVERNANCE REPORT

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

## GOVERNANCE FRAMEWORK

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

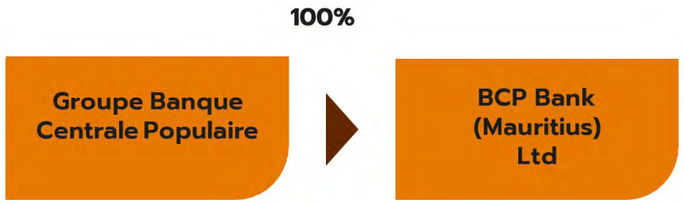
Board committees facilitate the discharge of Board responsibilities and provide in-depth focus on specific areas. Each committee has a mandate, which the Board reviews regularly. Mandates for each committee set out its role, responsibilities, scope of authority, composition and terms of reference. The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

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

## GOVERNANCE STRUCTURE

Prior to 26th November 2021, the shareholding and Group structure of the Bank was as follows:


Post 26th November 2021, the shareholding and Group structure is as follows:






# CORPORATE GOVERNANCE REPORT (Continued)

## GOVERNANCE STRUCTURE (Continued)

The Governance Framework is as follows:

- Board of Directors

- Board Committees, namely:
  - Audit Committee;
  - Risk Management Committee;
  - Conduct Review Committee;
  - Corporate Governance Committee;
  - Remuneration and Nomination Committee; and
  - Credit Committee.

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

## BOARD OF DIRECTORS

The role of the Board:

The Board provides effective leadership based on an ethical foundation. It strives to balance the interests of the Bank and those of its various stakeholders. It is the highest decision-making body in the Bank and is responsible for the 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 2021 assessment is being carried out and will be presented in the Corporate Governance Committee scheduled in April/May 2022.

The Board's terms of reference are set out in a written charter, the *Charte de Bonne Governance d'Entreprise et Règles de Bonne Conduite* (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:

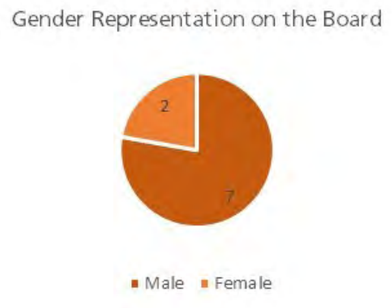
- provide effective leadership based on an ethical foundation;
- approve the strategy and ensure that the Bank's objectives take into account the need to align its strategy and risk profile, together with the performance levels and sustainability concerns of stakeholders;
- review the corporate governance 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.

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 challenging of the views of executive directors and management is encouraged.

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






The Company Secretary acts as secretary 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.

## BOARD COMMITTEES

### The Audit Committee

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

- review the interim and annual financial statements, summarised financial information, dividend declaration and all financial information and recommend them to the Board for approval;
- evaluate the adequacy and effectiveness of the accounting policies and all proposed changes in accounting policies and practices;
- review the basis for determination as a going concern;
- review the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls;
- review the impact of new financial systems, tax and litigation matters on financial reporting;
- review and approve the Bank external audit plan;
- oversee the appointment of external auditors, their terms of engagement and fees;
- review significant differences of opinion between external auditors and management;
- review the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensure that management takes appropriate action to satisfactorily resolve issues;
- review, approve and monitor the internal audit plan and charter;
- consider and review the internal auditors' significant findings and management's response;
- evaluate annually the role, independence and effectiveness of the internal audit function in the overall context of the 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; and
- monitor compliance with the Companies Act 2001, Banking Act 2004 and all other applicable legislations and guidelines.

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

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

### External Auditors

Following the completion of the five-year term of our previous external auditor, a tender exercise, was effected and audit firms submitted their proposals to the Bank. The proposals were then presented to the Audit Committee. The present external auditor was selected, approved by the Board and then at the Shareholder's Meeting. The appointment of the external auditors is renewed on a yearly basis based on their performance. The maximum tenor of the external auditor is of 5 years.

### 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 and 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 Conduct Review Committee

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

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

The Conduct Review Committee is comprised of 3 non-executive directors of the Bank. The Chairman of the Board is not a member of the Committee. The Chief Risk Officer and relevant Senior Management officers attend the committee. The Company Secretary acts as secretary to the Conduct Review Committee. The Conduct Review Committee reports to the Board, through its Chairman.

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





### The Corporate Governance Committee

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

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

The Corporate Governance Committee is comprised of 2 non-executive directors, 1 executive director and 1 independent director. 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 responsibilities of the Nomination and Remuneration Committee include:

- ascertaining whether the potential directors, chief executive, deputy chief executive officer and senior officers are fit and proper persons, have the required skills and expertise, and are free from material conflicts of interest, and ensuring that an induction programme is provided to new directors;
- reviewing the Board structure, size and composition (including balance between independent / non-executive / executive) and the composition of Board Committees;
- reviewing, for submission to the Board, remunerations for directors and executives / senior officers as well as proposals of promotion to the General Management;
- 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.

### The Credit Committee

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

The responsibilities of the Credit Committee include:

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

The Credit Committee meets as and when required.

## MEMBERS OF THE BOARD

### Non-Executive Directors

- Kamal Mokdad (Chairperson);
- Karim Mounir (resigned on 15TH October 2021);
- Fahed Mekouar;
- Jalil Sebti;
- Hanane El Boury;
- Ghizlane Bouzoubaa;
- Othmane Tajeddine;
- Abdelslam Bennani;and
- Jean-Louis Vinciguerra (Independent Director)

### Executive Director

- Abdelwafi Atif (Resident)

## MEMBERS OF COMMITTEES OF THE BOARD

### Audit Committee

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

### Risk Management Committee

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

### Conduct Review Committee

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

### Corporate Governance Committee

The Corporate Governance Committee consists of two non-executive members, one executive member and an independent director and the composition is as follows:

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

### Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

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

### Credit Committee

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





## DIRECTORS' PROFILE

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

### Kamal Mokdad (Chairperson)

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

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

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

### Karim Mounir

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

### Fahed Mekouar

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

### Hanane El Boury

Hanane El Boury is the Head of International Business Development of Banque Centrale Populaire. Hanane El Boury holds an MBA from ESA Toulouse. She is on the Board of different banks belonging to the BCP group in Morocco. She has over 23 years of experience in the Financial Sector.

### Jalil Sebti

Jalil Sebti is Chief Executive Officer of Banque Populaire of Rabat and Kenitra. Jalil Sebti holds two masters from Bruxelles University and an Executive MBA from Ecole des Hautes Etudes Commerciale.

### Ghizlane Bouzoubaa

Ghizlane Bouzoubaa is the Chief Financial Officer of Banque Centrale Populaire. She is a Chartered Accountant and has over 19 years of banking experience.

### Othmane Tajeddine

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

## Abdelslam Bennani

Abdelslam Bennani is a Director (Directeur Général Adjoint Banque de l'International) of Banque Centrale Populaire. Abdelslam Bennani holds a Diplôme d'études Supérieures spécialisée en Contrôle de gestion et Audit Interne from the University of Bordeau IV. He has over 25 years of experience in the Financial Sector.

## 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

## Abdelwafi Atif (Executive Director)

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





## Attendance for Board Meeting and Committee

| | | Board of Directors | Audit Committee | Risk Management Committee | Conduct Review Committee | Corporate Governance Committee | Remuneration and Nomination Committee |
|---|---|---|---|---|---|---|---|
| | | Board Committee | | | | | |
| Number of meetings held from January to December 2021 | | 4 | 4 | 4 | 4 | 1 | 1 |
| Executive | Abdelwafi ATIF | 4 | 4 | 4 | 4 | 1 | A |
| Non Executive | Kamal Mokdad | 4 | n/a | n/a | n/a | 1 | 1 |
| | Fahed Mekouar | 3 | 4 | n/a | 4 | n/a | n/a |
| | Jalil Sebti | 1 | n/a | n/a | n/a | n/a | A |
| | Abdelsalm Bennani | 3 | n/a | n/a | n/a | n/a | n/a |
| | Karim Mounir | A | n/a | n/a | n/a | n/a | n/a |
| | Hanane El Boury | 4 | 3 | 1 | 3 | n/a | n/a |
| | Ghizlaine Bouzoubaa | 3 | 3 | n/a | n/a | n/a | n/a |
| | Tajeddine Othmane | 4 | n/a | 4 | 3 | 1 | 1 |
| Independent | Jean-Louis Vinciguerra | 4 | 4 | n/a | n/a | A | n/a |

**A : Absent**

## 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 Remuneration and Nomination Committee.

Remuneration paid to the Directors is as follows:

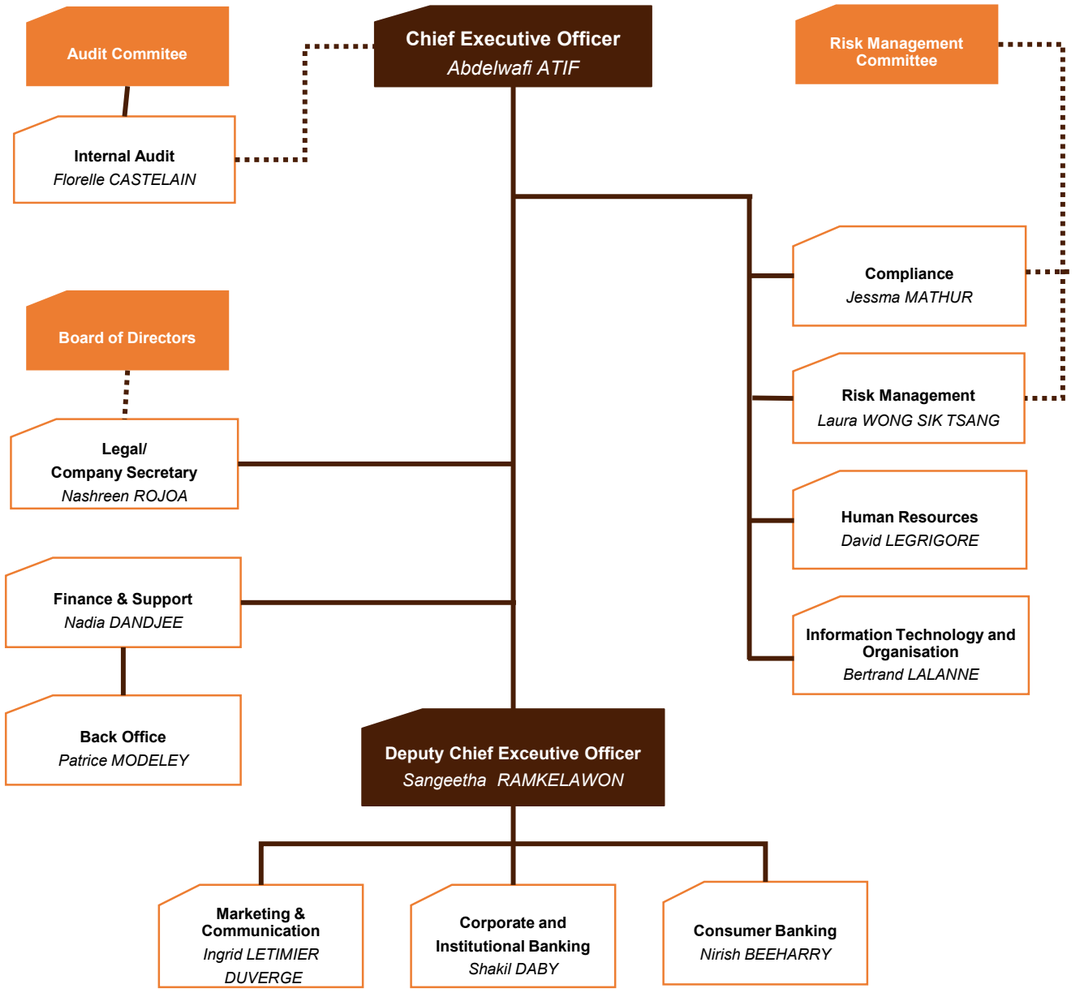
| | | Director's attendance and remuneration | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | Status | Remuneration 2021 | Annual fees 2021 | Board | Audit Committee | Risks and Management Committee | Conduct Review Committee | Corporate Governance Committee | Nomination and Remuneration Committee | Total (Rs) |
| **Kamal MOKDAD** | **Chairman** | - | 871,259 | 220,883 | - | - | - | 73,628 | 73,628 | **1,239,398** |
| **Jean-Louis VINCIGUERRA** | **Independent** | - | 257,696 | 176,706 | 176,706 | - | - | - | - | **611,108** |
| **Abdelslam BENNANI** | **Non Executive** | - | - | 49,085 | - | - | - | - | - | **49,085** |
| **Fahed MEKOUAR** | **Non Executive** | - | 257,696 | 117,804 | 176,706 | - | 176,706 | - | - | **728,912** |
| **Hanane EL BOURY** | **Non Executive** | - | - | 147,255 | 98,170 | 49,085 | 98,170 | - | - | **392,680** |
| **Ghizlane BOUZOUBAA** | **Non Executive** | - | - | 98,170 | 98,170 | - | - | - | - | **196,340** |
| **Othmane TAJEDDINE** | **Non Executive** | - | 257,696 | 176,706 | - | 176,706 | 117,804 | 58,902 | 58,902 | **846,716** |
| **Abdelwafi ATIF** | **Executive** | 5,890,736 | - | - | - | - | - | - | - | **5,890,736** |
| Total | | 5,890,736 | 1,644,347 | 986,609 | 549,752 | 225,791 | 392,680 | 132,530 | 132,530 | 9,954,975 |

**Note:** *Jalil Sebti attended one board meeting in the last quarter 2021, and was paid in January 2022.*





## ORGANISATION CHART



## 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 teams, excluding Mr. Abdelwafi Atif, which appears in the Directors' Profile's section are given hereunder:

### Ramkelawon Sangeetha – Deputy Chief Executive Officer

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

### Daby Shakil - Director of Corporate and Institutional Banking

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

### Beeharry Nirish – Director of Consumer Banking

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





## PROFILE OF THE SENIOR MANAGEMENT TEAM (Continued)

### Wong Sik Tsang Laura – Chief Risk Officer

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

### Dandjee Nadia – Director Finance and Operations

Nadia Dandjee holds a Master 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 13 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.

## MANAGEMENT COMMITTEES

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

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

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

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

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

The Committee:

- reviews performance against budgets and approves operational strategies to the Bank's medium to long term plan; and
- reviews market intelligence reports and competitor reviews.

The committee meets on a monthly basis.

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

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





## MANAGEMENT COMMITTEES (Continued)

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

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

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

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

**The Organisation and Information System Committee** is composed of the Chief Executive Officer, the Deputy Chief Executive Officer, the Director of Finance and Operations, the Director of Consumer Banking, the Chief Risk Officer and Compliance, the Head of Marketing and Business Development, the Manager of Information System and Organisation, the Head of Technical Unit, the Head of Organisation and Business Analysts, the Manager of Business Analysts, the Manager of IT Security, the Head of Operations, and the Head of Information System and Organisation.The Committee is chaired by the either the Chief Executive Officer or the Deputy Chief Executive Officer. The purpose of the Committee is to have a follow up of projects relating mainly to IT. The committee meets on a monthly basis. The Board has, through its Risk Management Committee, approved a comprehensive Information Security Policy (Charte de Sécurité des Systèmes d'Informations), as well as sub-policies directed at end-users and technical teams.

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

## MATERIAL CLAUSES OF THE BANK'S CONSTITUTION

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

- The duration of the 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.

## INTEGRATED SUSTAINABILITY REPORTING

### 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.

### 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 Banking 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.

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.

There was a shareholders' agreement between the Bank and its subsidiary, BM Madagascar (now known as Banky First). The shareholders' agreement described the terms and conditions of the set-up of the subsidiary as well as future capital injections, governance structures and required technical support from the Bank.

The shareholder's agreement came to an end upon transfer of the shares of the Bank.





## INTEGRATED SUSTAINABILITY REPORTING (Continued)

### 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 200,000.

### POLITICAL CONTRIBUTIONS

No political contribution was made during the year under review.

### GOING CONCERN

There is no reason to believe that the Bank will not be a going concern in the year ahead. Refer to note 37 for more details.

### 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 2021. No dividend was distributed in 2021.

### EXTERNAL AUDITORS' FEES PAYABLE

| Rs 000 | 2021 | 2020 | 2019 |
|---|---|---|---|
| Audit fees payable to auditors | 4,757 | 3,195 | 2,634 |

### RELATED PARTY TRANSACTIONS POLICIES AND PRACTICES

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

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

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

Related party transactions include:

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

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

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

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

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

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

Note 31 to the Financial Statements sets out on and off balance sheet exposures to related parties as at 31 December 2021.

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





## STATEMENT OF COMPLIANCE

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

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

**Reporting Period: 31 December 2021**

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

## STATEMENT OF DIRECTOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

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, Conduct Review & Corporate Governance and Risk Management Committee, which comprise of Independent Directors, oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's Head of Internal Audit, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's Compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank as it deems necessary.

The Bank's external auditors, 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 2021, all such returns as are required of the Bank under the Companies Act 2001.

Nashreen ROJOA
Date : 28th March 2022

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# INDEPENDENT AUDITOR'S REPORT

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 for the year ended 31 December 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 79 to 177.

In our opinion, these financial statements give a true and fair view of the financial position of BCP Bank (Mauritius) Ltd for the year ended 31 December 2021, and of its financial performance and cash flows for the year ended in accordance with International Financial Reporting 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.

*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.





**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*<br><br>Refer to the following notes in the financial statements:<br><br>Note 2 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses (ECL)<br>Note 3 – Critical estimates and judgements – Allowance for impairment on loans and advances<br>Note 15 – Loans and advances to customers<br>Note 16 – Impairment on loans and advances to banks and to customers<br>Note 32 (b) – Financial risk review – Credit risk | |
|---|---|
| **Key audit matter** | **How the matter was addressed in our audit** |
| The Bank's loans and advances to customers amount to MUR 14,346,199k for the year ended 31 December 2021 and the related Expected Credit Loss (ECL) amounts to MUR 947,799k for the year then ended.<br><br>The Bank follows a three-stage approach to measure the recognition of credit impairments as explained below.<br><br>Complex statistical models are used for the purposes of ECL recognition for stage 1 and stage 2 exposures. These include a number of significant judgments, such as:<br><br>• Determining the criteria for a significant increase in credit risk, which includes defining the forbearance and delinquency status for customers and determination number of days past due. | Our audit procedures included the following:<br><br>Loans and advances to customers:<br><br>• Obtained an understanding of management's credit risk management process and tested the operating effectiveness of controls over credit origination, credit monitoring and credit remediation.<br><br>Expected Credit Loss:<br><br>• Tested the completeness and accuracy of the data used in the model. For completeness, we have performed a reconciliation of all financial assets subject to ECL against the ECL model of the Bank. For a sample of loans and advances to customers, we have traced back the data inputs to the source documents in order to confirm 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 2 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses (ECL)
Note 3 – Critical estimates and judgements – Allowance for impairment on loans and advances
Note 15 – Loans and advances to customers
Note 16 – 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 |
|---|---|
| • Choosing appropriate models and assumptions for the measurement of ECL which includes determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD).<br><br>• Establishing relevant forward-looking scenarios.<br><br>For loans and advances which are credit impaired (stage 3 exposures), ECL are based on lifetime losses.<br><br>Assets are considered to be credit impaired when they meet the regulatory definition of default which includes indicators such as a decline in credit quality, restructuring of the obligation and bankruptcy of obligors as well as any assets that are more than 90 days past due.<br><br>Significant judgements, estimates and assumptions are applied to:<br><br>• Determine if the loan or advance is credit impaired. | • Where credit losses were calculated on a modelled basis we performed the following audit procedures, in conjunction with our credit risk specialists:<br>○ Critically assessed the ECL modelling methodology applied by management to determine the Probability of Default (PD), Loss Given default (LGD), and Exposure at Default (EAD) used to compute the stage 1 and 2 ECL allowances against the requirements of IFRS 9 'Financial Instruments' and the Bank's internal policies.<br><br>○ Re-performed the calculation of the ECL using independent inputs derived by the KPMG specialist team based on risk calculations.<br><br>○ Performed an independent ECL estimate based on the input parameters using a challenger model and compared the ECL output to the Bank's ECL. |





**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 2 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses (ECL)
Note 3 – Critical estimates and judgements – Allowance for impairment on loans and advances
Note 15 – Loans and advances to customers
Note 16 – 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 |
|---|---|
| • 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 independent valuers and discounted at the original effective interest rate; and based on the estimated realisation period calculated using historic data.<br><br>Due to the significance of loans and advances to customers and the significant estimates and judgement applied, the determination of expected credit losses for loans and advances to customers was considered to be a key audit matter. | ○ Performed independent credit reviews to assess whether loans and advances to customers were properly classified as stage 1 and 2 exposures as per the Bank's impairment policy.<br><br>For credit impaired exposures, our procedures included the following:<br><br>• Challenged the valuation of credit losses on stage 3 loans and advances that had been incurred by developing our own expectation of the amount of the expected credit losses based on our assessment of the expected cash flows and recoverability of collateral. Where collaterals were used, we assessed, on a sample basis, the reasonableness of the time taken into account to realise those collaterals and the objectivity and qualifications of the respective independent valuers.<br><br>• We assessed the collateral valuation techniques applied against the Bank's policy, industry standards, IFRS 13 'Fair value measurement' and International Valuation standards. |

**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*<br><br>Refer to the following notes in the financial statements:<br><br>Note 2 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses (ECL)<br>Note 3 – Critical estimates and judgements – Allowance for impairment on loans and advances<br>Note 15 – Loans and advances to customers<br>Note 16 – Impairment on loans and advances to banks and to customers<br>Note 32 (b) – Financial risk review – Credit risk | |
|---|---|
| **Key audit matter** | **How the matter was addressed in our audit** |
| | • Evaluated the adequacy and appropriateness of the financial statement disclosures in accordance with IFRS 9, including disclosures of the key assumptions, judgments and sensitivities. |

*Emphasis of Matter*

We draw attention to Note 33 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2020 and 31 December 2019 have been restated. Our opinion is not modified in respect of this matter.

*Other Matter Relating to Comparative Information*

The financial statements of the Bank as at and for the years ended 31 December 2020 and 31 December 2019 (from which the statement of financial position as at 1 January 2020 has been derived), excluding the adjustments described in note 33 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 February 2021.

As part of our audit of the financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in note 33 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020 and the statement of financial position as at 1 January 2020.

We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2020 or 31 December 2019 or to the statement of financial position as at 1 January 2020, other than with respect to the adjustments described in note 33 to the financial statements.



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

**Report on the Audit of the Financial Statements**

*Other Matter Relating to Comparative Information (Continued)*

Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in note 33 are appropriate and have been properly applied.

*Other Information*

The directors are responsible for the other information. The other information comprises the Management Discussion and Analysis, the Corporate Governance Report, the Statement of Compliance, the Statement of Director's Responsibility for Financial Reporting and the Secretary's Certificate, 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 International Financial Reporting 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 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)*

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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**
Ebène, Mauritius

**Mervyn Lam Hung**
*Licensed by FRC*

Date: **18 April 2022**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### For the year ended 31 December 2021

| | Notes | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| | | **Rs 000** | Rs 000 | Rs 000 |
| Interest income | | **544,364** | 610,606 | 717,569 |
| Interest expense | | **(170,423)** | (244,577) | (325,919) |
| **Net interest income** | 4 | **373,941** | 366,029 | 391,650 |
| Fee and commission income | | **92,477** | 78,779 | 96,584 |
| Fee and commission expense | | **(22,934)** | (22,155) | (19,213) |
| **Net fee and commission income** | 5 | **69,543** | 56,624 | 77,371 |
| Net trading income | 6 | **75,790** | 63,376 | 69,697 |
| Net (loss)/gain on investment held at fair value through profit or loss | 7 | **-** | (6,742) | 10,949 |
| Net gain from sale of investment | 18 | **22,849** | - | - |
| Net gain from sales of securities | | - | 97 | - |
| Other income | 8 | **2,284** | 17,974 | 12,033 |
| | | **170,466** | 131,329 | 170,050 |
| **Revenue** | | **544,407** | 497,358 | 561,700 |
| Personnel expenses | 9(a) | **(236,948)** | (228,350) | (229,211) |
| Operating lease expenses | 10 | **(26,696)** | (9,967) | (12,248) |
| Depreciation and amortisation | 19 & 20 | **(58,056)** | (94,269) | (87,661) |
| Other expenses | 11 | **(129,237)** | (148,497) | (181,543) |
| | | **(450,937)** | (481,083) | (510,663) |
| **Operating profit** | | **93,470** | 16,275 | 51,037 |
| Net impairment loss on financial assets | 16(b) | **(76,993)** | (280,704) | (76,627) |
| **Profit/(loss) before tax** | | **16,477** | (264,429) | (25,590) |
| Taxation credit | 12(a) | **2,655** | 3,752 | 38,736 |
| **Profit/(loss) for the year** | | **19,132** | (260,677) | 13,146 |
| **Other comprehensive income** | | | | |
| *Items that may be reclassified to profit or loss* | | | | |
| Net change in fair value of financial assets through other comprehensive income | | **(37,666)** | 43,325 | 29,808 |
| *Items that will not be reclassified to profit or loss* | | | | |
| Remeasurement of retirement benefit obligations | 9(b) | **6,538** | (4,226) | (3,791) |
| **Other comprehensive income** | | **(31,128)** | 39,099 | 26,017 |
| **Total comprehensive income for the year** | | **(11,996)** | (221,578) | 39,163 |

The notes on pages 84 to177 form an integral part of these financial statements

## STATEMENT OF FINANCIAL POSITION

### For the year ended 31 December 2021

| | Notes | 2021 | 2020 Restated* | 2019 Restated* |
|---|---|---|---|---|
| | | **Rs 000** | Rs 000 | Rs 000 |
| **ASSETS** | | | | |
| Cash and cash equivalents | 13 | **5,112,014** | 6,297,870 | 4,601,319 |
| Loans and advances to banks | 14 | **3,294,041** | 1,630,634 | 1,315,984 |
| Loans and advances to customers | 15 | **13,398,400** | 12,155,672 | 13,431,539 |
| Investment securities | 17 | **2,222,586** | 2,335,212 | 2,391,670 |
| Derivative financial instruments | 25 | **38** | - | 134 |
| Investment in subsidiary | 18 | **-** | 62,653 | 69,396 |
| Property and equipment | 19 | **90,277** | 141,382 | 173,196 |
| Intangible assets | 20 | **28,809** | 37,284 | 52,001 |
| Deferred tax assets | 12(c) | **95,983** | 92,459 | 86,995 |
| Other assets | 21 | **3,032,008** | 1,398,492 | 1,591,727 |
| **Total assets** | | **27,274,156** | 24,151,658 | 23,713,961 |
| **LIABILITIES** | | | | |
| Deposits from banks | 22 | **3,148,830** | 2,565,666 | 586,573 |
| Deposits from customers | 23 | **14,707,108** | 14,000,570 | 13,990,823 |
| Borrowed funds | 24 | **4,585,387** | 4,424,459 | 5,589,895 |
| Derivative financial instruments | 25 | **-** | 475 | - |
| Current tax liabilities | 12(d) | **869** | - | - |
| Provisions | 26 | **89,824** | 71,671 | 45,315 |
| Other liabilities | 26 | **2,576,168** | 910,851 | 1,101,811 |
| **Total liabilities** | | **25,108,186** | 21,973,692 | 21,314,417 |
| **EQUITY** | | | | |
| Share capital | 27 | **2,218,065** | 2,218,065 | 2,218,065 |
| Retained earnings | | **(187,664)** | (210,464) | 54,439 |
| Reserves | | **135,569** | 170,365 | 127,040 |
| **Total equity** | | **2,165,970** | 2,177,966 | 2,399,544 |
| **Total liabilities and equity** | | **27,274,156** | 24,151,658 | 23,713,961 |

*** The Bank has restated this column item for prior years. Please refer to note 33.**
**These financial statements were approved and authorised for issue by the Board of Directors on the 28th March 2022.**

Abdelwafi ATIF
Chief Executive Officer

Kamal MOKDAD
Chairperson - Board of Directors

Jean-Louis VINCIGUERRA
Chairperson - Audit Committee

The notes on pages 84 to177 form an integral part of these financial statements



## STATEMENT OF CHANGES IN EQUITY

### For the year ended 31 December 2021

| | Share capital | Reserves: Statutory reserve | Reserves: General banking reserve | Reserves: Fair value reserve | Retained earnings Restated * | Total |
|---|---|---|---|---|---|---|
| | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** |
| **Balance at 01 January 2019** | 2,218,065 | 102,322 | - | (7,062) | 47,056 | 2,360,381 |
| **Total comprehensive income** | | | | | | |
| Profit for the year | - | - | - | - | 13,146 | 13,146 |
| Other comprehensive income for the year | - | - | - | 29,808 | (3,791) | 26,017 |
| Transfer to statutory reserve | - | 1,972 | - | - | (1,972) | - |
| **Total comprehensive income for the year** | - | 1,972 | - | 29,808 | 7,383 | 39,163 |
| **At 31 December 2019** | 2,218,065 | 104,294 | - | 22,746 | 54,439 | 2,399,544 |
| **Balance at 01 January 2020** | 2,218,065 | 104,294 | - | 22,746 | 54,439 | 2,399,544 |
| **Total comprehensive income** | | | | | | |
| Loss for the year | - | - | - | - | (260,677) | (260,677) |
| Other comprehensive income for the year | - | - | - | 43,325 | (4,226) | 39,099 |
| Transfer to statutory reserve | - | - | - | - | - | - |
| **Total comprehensive income for the year** | - | - | - | 43,325 | (264,903) | (221,578) |
| **At 31 December 2020** | 2,218,065 | 104,294 | - | 66,071 | (210,464) | 2,177,966 |
| **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** |

*** The Bank has restated this column item for prior years. Please refer to note 33.**

The notes on pages 84 to177 form an integral part of these financial statements

# STATEMENT OF CASH FLOWS

## For the year ended 31 December 2021

| | Notes | 2021 | 2020 Restated* | 2019 Restated* |
|---|---|---|---|---|
| | | **Rs 000** | Rs 000 | Rs 000 |
| **Cash flows from operating activities** | | | | |
| **Profit/(loss) before tax** | | **16,477** | (264,429) | (25,590) |
| **Adjustments for:** | | | | |
| - Depreciation and amortisation | 19 & 20 | **58,056** | 94,269 | 87,661 |
| - Net impairment loss on financial assets | 16(b) | **76,993** | 280,704 | 76,627 |
| - Net loss/(gain) on investment held at fair value through profit or loss | 7 | **-** | 6,742 | (10,949) |
| - Profit on sale of investment | 18 | **(22,849)** | - | - |
| - Profit on sale of property and equipment | | **(294)** | - | - |
| - Net interest income | 4 | **(373,941)** | (366,029) | (391,650) |
| - Unrealised foreign exchange (gain)/loss | | **(1,133)** | (12,318) | 1,840 |
| | | **(246,691)** | (261,061) | (262,061) |
| **Changes in:** | | | | |
| - Loans and advances to banks | | **(1,580,063)** | (77,518) | (1,257,706) |
| - Loans and advances to customers | | **(870,785)** | 1,956,273 | 2,344 |
| - Investment securities | | **52,987** | 88,214 | (580,598) |
| - Other assets | | **(1,586,814)** | 289,094 | (317,853) |
| - Deposits from banks | | **426,390** | 1,831,591 | 573,169 |
| - Deposits from customers | | **223,887** | (745,921) | 1,484,946 |
| - Other liabilities | | **1,711,257** | (293,305) | 211,820 |
| | | **(1,869,832)** | 2,787,367 | (145,939) |
| Interest received | | **512,345** | 628,626 | 705,842 |
| Interest paid | | **(201,404)** | (270,982) | (308,573) |
| Income tax paid | | **-** | - | (800) |
| Net cash (used in)/generated from operating activities | | **(1,558,891)** | 3,145,011 | 250,530 |
| **Cash flows from investing activities** | | | | |
| - Proceeds from sale of investment in subsidiary | 18 | **85,503** | - | - |
| - Acquisition of property and equipment | | **(3,767)** | (3,957) | (35,736) |
| - Proceeds from sale of property and equipment | | **1,526** | - | 1,521 |
| - Acquisition of intangible assets | | **(15,630)** | (25,493) | (6,897) |
| Net cash generated from/(used in) investing activities | | **67,632** | (29,450) | (41,112) |
| **Cash flows from financing activities** | | | | |
| - Repayment of borrowed funds | 24 | **(24,902)** | (1,910,294) | 1,767,327 |
| - Payment on lease liabilities | 19 | **(13,818)** | (29,031) | (28,578) |
| **Net cash (used in)/generated from financing activities** | | **(38,720)** | (1,939,325) | 1,738,749 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,529,979)** | 1,176,236 | 1,948,167 |
| **Cash and cash equivalents at 01 January** | | **6,297,870** | 4,601,319 | 2,532,186 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | | **344,123** | 520,315 | 120,966 |
| **Cash and cash equivalents at 31 December** | | **5,112,014** | 6,297,870 | 4,601,319 |

* **The Bank has restated this column item for prior years. Please refer to note 33.**

The notes on pages 84 to 177 form an integral part of these financial statements



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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NEW AND REVISED IFRS ADOPTED DURING THE YEAR

### Interest Rate Benchmark Reform phase 2

In August 2020, the International Accounting Standards Board (Board) issued Interest Rate Benchmark Reform - Phase 2, which amends IFRSs 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

For around 50 years IBOR (interbank offered rates) have been the basis for determination of time value of money in numerous transactions worldwide (loans, borrowings, derivatives, leases, insurance contracts). Currently, the reform of the interest rate market is being conducted. IBOR rates will be replaced with alternative reference rates, which will be based on executed transactions instead of declarations of market participants (panelists).

Starting from the beginning of 2022 some significant LIBOR rates will cease to be published (i.a. CHF LIBOR, GBP LIBOR, EUR LIBOR).

Contracts based on variable interest rates have to be amended (changes in interest rate calculation, fall-back clauses, spread between IBOR and new rates). In response to the changes in financial markets, amendments to IFRS have been introduced in two phases:

Phase 1 amendments provide temporary exceptions for specific hedge accounting requirements impacted by uncertainties arising from the reform before the existing IBOR is replaced with an alternative benchmark interest rate. These amendments apply to annual reporting periods beginning on or after 1 January 2020.

Phase 2 amendments relate to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate. The amendments are relevant for many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. The Phase 2 amendments apply to annual reporting periods beginning on or after 1 January 2021, with early adoption permitted, and relate to:

- changes to contractual cash flows - a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting - a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures - a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NEW AND REVISED IFRS ADOPTED DURING THE YEAR (CONTINUED)

### Interest Rate Benchmark Reform phase 2 (Continued)

LIBOR - London Interbank Offered Rate -Interest Rate Transition

LIBOR (London Interbank Offered Rate) is a widely referenced benchmark interest rate used globally for loans, bonds, derivatives and other floating rate instruments. The discontinuation of LIBOR has been evolving since 2017 when the United Kingdom's Financial Conduct Authority first called for LIBOR to be phased out by 2021. Currently, ICE Benchmark Administration (the publisher of LIBOR) has stopped publication of the one-week and two-month LIBOR on December 31, 2021, and has already planned to discontinue publication of overnight, one-month, three-month, six-month, and twelve-month LIBOR on June 30, 2023. In October 2020, the International Swaps and Derivatives Association announced fallback language for derivative contracts incorporating SOFR (the Secured Overnight Funding Rate, published by the Federal Reserve Bank of New York), as well as a process by which counterparties to such contracts could elect to apply the fallback language to existing derivatives on or after January 25, 2021. SOFR was identified by the Alternative Reference Rates Committee, a group of private-market participants convened to help ensure a successful transition from LIBOR in the United States, as the recommended replacement to LIBOR in the United States. The adoption of the fallback protocols does not change the index for subject swap agreements from LIBOR to SOFR, but simply creates the legal framework for that to occur in the future.

Central banks and Regulators in a number of key jurisdictions are committed to a transition away from the various Interbank Offered Rates (IBORs) to alternative risk free rates expected to be more robust and less vulnerable to manipulation. In Mauritius, the Bank of Mauritius issued a Guidance on Libor transition in April 2021 and updated in September 2021. The Guidance has set the key milestones and related timelines that banks are expected to meet in the process for the phasing out of Libor.

The IBORs represent an average of the rates at which Panel Banks believe that they could borrow money in various currencies in the interbank market and reflect both the interest rate environment and the expected credit and liquidity risks faced when lending on the interbank market.

Transitioning from LIBORs to alternative rates requires replacing the interest rate benchmarks used for financial transactions and will impact BCP BM products which reference LIBOR or are hedged using LIBOR.

Following the LIBOR Transition, effective 01st January 2022 a variety of Risk Free Rates (RFRs) have been proposed by regulatory authorities – Bank of Mauritius - and industry working groups – Mauritius Bankers' Association- as alternative benchmark rates to replace the LIBORs, as follows:

| Alternative Risk - Free Rates for Major Currencies | | | | |
|---|---|---|---|---|
| Major Currencies and their RFRs | | | | |
| Jurisdiction | Current IBOR | New RFR | Type | Administrator |
| Euro Area | EONIA, EURIBOR, EUR LIBOR | €STR (Euro Short Term Rate) | Unsecured rate that captures overnight wholesale deposit transactions (new) | ECB |
| United Kingdom | GBP LIBOR | SONIA (Sterling Overnight Index Average) | Unsecured rate that covers overnight wholesale deposit transactions (enhanced) | BoE |
| United States of America | USD LIBOR | SOFR (Secured Overnight Financing Rate) | Secured rate that covers multiple overnight repo market segments (new) | FED |
| Switzerland | CHF LIBOR | SARON (Swiss Average Rate Overnight) | Secured rate that reflects interest paid on interbank overnight repo rate (existing) | SIX Exchange |
| Japan | JPY LIBOR | TONAR (Tokyo Overnight Average Rate) | Unsecured rate that overnight call rate market (existing) | BoJ |

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NEW AND REVISED IFRS ADOPTED DURING THE YEAR (CONTINUED)

**Interest Rate Benchmark Reform phase 2 (Continued)**

LIBOR - London Interbank Offered Rate -Interest Rate Transition (Continued)

The Bank has been actively preparing to transition from the LIBORs and is committed to assist its clients throughout the process.

The following steps have been taken:

- Identify and inventory instruments referencing LIBOR, such as floating rate debt, bank loans, LIBOR-linked derivatives (if any), held in client accounts, together with other potential impacts such as, direct lending by funds with contracts which do not address the discontinuation of LIBOR and extend past 2021 and exemptive orders that reference LIBOR (such as certain inter-fund lending orders).
- Assess the impact the discontinuation of LIBOR will have on these investments, agreements and arrangements (e.g., investments without reference rate fallback language, or with fallback language that does not contemplate the discontinuation of LIBOR, could become less liquid and/or change in value as the date approaches when LIBOR will no longer be updated).
- Develop an action plan for selecting an appropriate alternative reference rate, assessing the impact of that reference rate on operations, financial statements, risks, profitability and costs, and updating existing contracts and documentation, incorporate new market datas sources/calculation methodologies into systems as well as templates, accordingly.
- Ensure development of policies and procedures which will govern the transition away from LIBOR and amend existing policies and procedures which will be impacted by the same. Develop additional or enhanced risk disclosures relating to the transition away from LIBOR to be made to customers as appropriate.

In the lending book, the Bank has only loan exposures but does not have any exposure under the USD LIBOR rate - "1 week LIBOR" and "2 months LIBOR" which are no longer quoted since 31.12.2021.

In addition, the GBP LIBOR rate has also phased out since 31.12.2021. Of the 4 contracts held at the Bank under GBP LIBOR, only 2 contracts have been transferred to an alternative rate - synthetic LIBOR - for a total exposure of GBP 43,000. For the remaining two contracts, one has been converted to a loan in MUR and for the other, the customer has opted for an early repayment.

Application of the new rates for the two existing files under GBP LIBOR; the new rate - i.e. Synthetic Libor GBP 1 month for the maturity date of February 28, 2022 - will be applied as from signature of the "Amendment Letter" sent to them in February 2022.

Of note: The Bank does not hold any exposure under LIBOR for Derivatives products.

Medium and Long-term exposure under GBP LIBOR as at 31.12.2021 are as follows:

| Business Segment | Currency | Remaining maturity | | | Total |
|---|---|---|---|---|---|
| | | 1-5 | 5-10 | >10 | |
| Corporate and Institutional Banking | GBP'000 | - | - | - | - |
| Consumer banking | GBP'000 | 39 | 43 | - | 82 |
| **Total** | **GBP'000** | **39** | **43** | **-** | **82** |

| Business Segment | Currency | Remaining maturity | | | Total |
|---|---|---|---|---|---|
| | | 1-5 | 5-10 | >10 | |
| Corporate and Institutional Banking | USD'000 | 112,471 | - | 40,470 | 152,941 |
| Consumer banking | USD'000 | 979 | 419 | 340 | 1,738 |
| **Total** | **USD'000** | **113,450** | **419** | **40,810** | **154,679** |





## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NEW AND REVISED IFRS ADOPTED DURING THE YEAR (CONTINUED)

**Interest Rate Benchmark Reform phase 2 (Continued)**

LIBOR - London Interbank Offered Rate -Interest Rate Transition (Continued)

For instance, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use LIBOR interest rates calculation and revision of operational controls related to the reform and regulatory risks.

Financial risk is predominantly limited to interest rate risk. The Bank has established a cross-functional LIBOR working Group to manage its transition to alternative rates. (Refer to Market Risk - Focus areas for 2022)

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

IFRS3 - Business Combinations: Reference to the Conceptual Framework - effective 01 January 2022
IAS16 - Proceeds before Intended Use - Effective from 1 January 2022
IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract - Effective from 01 January 2022.
Annual Improvements to IFRS Standards 2018–2020 Cycle (Amendments to IFRS9) - Effective from 01 January 2022.
Disclosure of accounting policies (Amendments to IAS1 and IFRS Practice Statement 2) – Effective from 01 January 2023.
Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12) – Effective from 01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8) - effective from 01 January 2023.

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.

**(a) BASIS OF PREPARATION**

The financial statements of the Bank comply with the Mauritian Companies Act 2001 and the Banking Act 2004 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned. The Bank has disposed of its investment in its subsidiary, Banky First (previously known as BM Madagascar) on 25 November 2021. Based on the assessment performed by management, the Bank lost control of Banky First on 11 March 2021. The Bank did not have any stake in Banky First as at 31 December2021. Accordingly, no consolidated financial statements have been prepared for the year ended 31 December 2021. Refer to note 18 for more details. The resulting gain on the disposal of the subsidiary has been recognised in the statement of profit and loss under the line item Net gain from sale of investment.

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 3.

### (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;
- Financial assets measured at fair value through profit or loss;
- 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 profit or loss. Transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

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

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

### (d) INTEREST INCOME AND EXPENSES

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the 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.

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

#### Amortised cost and gross carrying amount

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

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





### (d) INTEREST INCOME AND EXPENSES (Continued)

#### Calculation of interest income and expense

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

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

#### Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income (OCI) includes:

- Interest on financial assets and financial liabilities measured at amortized 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 OCI 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, is recognized as the related services are performed.

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

### (f) NET TRADING INCOME

Net trading income includes all realized and unrealized foreign exchange differences.

### (g) NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

### (h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Recognition

The Bank initially recognise loans and advances to banks and customers, deposits from banks and customers, investment securities and borrowed funds 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 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

**(h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)**

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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.

All other financial assets are classified and measured at FVTPL.

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 Retail and Corporate banking business comprises primarily of loans to customers that are held for collecting contractual cash-flows. In the retail business, the loans comprise of mortgages, overdrafts, unsecured personal lendings and credit cards facilities. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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





**(h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)**

(ii) Classification and measurement of financial assets (Continued)

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

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

- contingent events that would change the amount / timing of cash flows;
- prepayment and extension terms;
- terms that limit the 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 consideration the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

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

Equity instruments

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

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

Gains and losses on equity investments at FVPTL are included in the net (loss)/gain on investment held at fair-value through profit in the statement of profit or loss.

Financial liabilities

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

(iii) Derecognition

Financial assets

The 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

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

(iv) Modifications of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. 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.

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).

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the 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 a Bank of similar transactions such as in the Bank's trading activity.

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the 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.




(vi) Fair value measurement (Continued)

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.

Portfolios of financial assets and financial liabilities that are 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

(vii) Impairment: Expected Credit Losses (ECL)

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL, i.e. i) financial assets that are debt instruments and ii) loan commitments issued.
No impairment loss is recognised on equity investments.

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

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

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

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

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

Measurement of ECL

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

**(h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)**

(vii) Impairment: Expected Credit Losses (ECL) (Continued)

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.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the 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.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- loan commitments: generally, as a provision.

(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.





**(h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)**

(viii) Write-offs (Continued)

Recoveries of amounts previously written off are included in "net impairment loss 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 Banks's procedures for recovery of amounts due.

(ix) Designation at fair value through profit or loss

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

- The liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 32 provides details of each class of financial assets that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in OCI (the amount of change of fair value of financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk. This also includes any changes in fair value as a result of a change in the Bank's own credit risk) and partially profit or loss (the remaining amount of change in the fair value of the liability).

**(i) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include notes and coins on hand, unrestricted 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.

**(j) INVESTMENT SECURITIES**

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

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

**(k) 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.

**(l) PROPERTY AND EQUIPMENT**

(i) Recognition and measurement

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

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

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

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

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the 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 | 5 years |
| Computer equipment | 3 to 5 years |
| Office equipment | 3 to 5 years |
| Furniture, fixtures and fittings | 3 to 5 years |
| Motor vehicles | 3 years |

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

**(m) 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 assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

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





**(n) DEPOSITS FROM BANKS, DEPOSITS FROM CUSTOMERS, BORROWED FUNDS AND OTHER LIABILITIES**

Deposits from banks, deposits from customers, borrowed funds, and other liabilities are the Bank's sources of debt funding.

Deposits from banks, deposits from customers, borrowed funds, and other liabilities are classified as financial liabilities at amortised cost. They are initially measured at fair value and subsequently carried at amortised cost.

**(o) 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.

(i) Onerous contracts

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

(ii) Bank levies

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

**(p) EMPLOYEE BENEFITS**

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to defined contribution plans are recognised as an expense when employees have rendered service that entitle them to the contributions. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund. The present value of the severance allowance payable under the Workers' Rights Act 2019 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

**(p) EMPLOYEE BENEFITS(Continued)**

(ii) Preferential loans to employees

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

(iii) 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.

**(q) INCOME TAX**

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

(i) Current income tax

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

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

**Special Levy**

Special levy on banks was amended under the Finance Act 2018 and 2019 and is now governed under the VAT Act. Every bank shall in every year be liable to pay a special levy calculated at 5.5% where leviable income is less than or equal to Rs 1.2bn or at 4.5% where leviable income is greater than Rs 1.2bn. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT Act.

**Corporate Social Responsibility**

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Mauritius Revenue Authority at the time of submission of the income tax return on the year under review. The Bank is liable to tax at the rate at 5% on the first Rs 1.5 bn of its chargeable income and at the rate of 15% above the Rs 1.5 bn.





**(q) INCOME TAX (Continued)**

(i) Current income tax (Continued)

**Corporate Social Responsibility (Continued)**

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

The Bank has accumulated tax losses for the year ended 31 December 2021 and it is not liable to any corporate tax or CSR charge.

(ii) Deferred income tax

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

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

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

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

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

**(r) 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.

**(s) 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.

**(t) LEASED ASSETS**

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.

**(t) LEASED ASSETS(Continued)**

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line within the "Other Liabilities" caption of the notes 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).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank remeasured the lease liabilities for certain lease contracts in 2020. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the 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 of the notes 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 profit or loss (see note 10).

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 a contracts that contain a lease component and one or more additional lease or nonlease 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.





**(u) 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 amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

**(v) 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.

**(w) DERIVATIVE FINANCIAL INSTRUMENTS**

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

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 profit or loss.

**(x) PROVISIONS AND OTHER CONTINGENT LIABILITIES**

Provision is recognised in the financial statements when the Bank has met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

In specific circumstances, significant judgment is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The 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.

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 8.4m and a 1% increase in discount rate would lead to a decrease of Rs 8.2m in the retirement benefit obligation.

Allowance for impairment on loans and advances

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

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

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

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

In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the 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.

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.





## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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 32 (b).

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

Determination of functional currency

The determination of the functional currency of the Bank is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. The directors have considered those factors therein and have determined the functional currency of the Bank as Mauritian Rupees (MUR).

# NOTES TO THE FINANCIAL STATEMENTS
## 4. INTEREST INCOME

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| **Interest income** | | | |
| Cash and cash equivalents* | **14,303** | 11,647 | 26,938 |
| Loans and advances to banks*,** | **43,227** | 1,106 | 2,209 |
| Loans and advances to customers*,** | **431,025** | 527,968 | 612,697 |
| Investment securities**** | **55,809** | 69,885 | 75,725 |
| Total interest income | **544,364** | 610,606 | 717,569 |
| **Interest expense** | | | |
| Cash and cash equivalents*** | **(8,853)** | (7,385) | (4,885) |
| Deposits from banks*** | **(13,486)** | (11,646) | (857) |
| Deposits from customers*** | **(72,440)** | (116,020) | (236,694) |
| Borrowed funds*** | **(70,793)** | (101,850) | (75,608) |
| Investment securities***** | **(2,604)** | (2,534) | (1,655) |
| Lease liabilities | **(2,247)** | (5,142) | (6,220) |
| Total interest expense | **(170,423)** | (244,577) | (325,919) |
| **Net interest income** | **373,941** | 366,029 | 391,650 |

* 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 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.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Segment A | **Rs 000** | Rs 000 | Rs 000 |
| **Interest income** | | | |
| Cash and cash equivalents | **1,967** | 2,304 | 625 |
| Loans and advances to banks | **4,746** | 375 | 1,513 |
| Loans and advances to customers | **344,334** | 382,946 | 502,571 |
| Investment securities | **55,809** | 69,885 | 75,725 |
| **Total interest income from segment A** | **406,856** | 455,510 | 580,434 |
| Segment B | | | |
| **Interest income** | | | |
| Cash and cash equivalents | **12,336** | 9,343 | 26,313 |
| Loans and advances to banks | **38,481** | 731 | 696 |
| Loans and advances to customers | **86,691** | 145,022 | 110,126 |
| **Total interest income from segment B** | **137,508** | 155,096 | 137,135 |
| **Total interest income from segment A and segment B** | **544,364** | 610,606 | 717,569 |
| Segment A | | | |
| **Interest expense** | | | |
| Cash and cash equivalent | **-** | - | (1,696) |
| Deposits from customers | **(61,842)** | (97,093) | (203,371) |
| Borrowed funds | **(55,196)** | (368) | (66) |
| Investment securities | **(2,604)** | (2,534) | (1,655) |
| Lease liabilities | **(1,921)** | (4,578) | (5,599) |
| **Total interest expense from segment A** | **(121,563)** | (104,573) | (212,387) |
| Segment B | | | |
| **Interest expense** | | | |
| Cash and cash equivalent | **(8,853)** | (7,385) | (3,189) |
| Deposits from banks | **(13,486)** | (11,646) | (857) |
| Deposits from customers | **(10,598)** | (18,927) | (33,323) |
| Borrowed funds | **(15,597)** | (101,482) | (75,542) |
| Lease liabilities | **(326)** | (564) | (621) |
| **Total interest expense from segment B** | **(48,860)** | (140,004) | (113,532) |
| **Total interest expense from segment A and segment B** | **(170,423)** | (244,577) | (325,919) |



# NOTES TO THE FINANCIAL STATEMENTS
## 5. NET FEE AND COMMISSION INCOME

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| **Fee and commission income** | | | |
| Service fees | **8,895** | 11,604 | 11,801 |
| Transactional | **36,957** | 31,447 | 27,109 |
| Credit-related fees – Guarantees | **32,196** | 22,450 | 39,283 |
| Cards | **10,400** | 11,371 | 14,845 |
| Other | **4,029** | 1,907 | 3,546 |
| **Total fee and commission income** | **92,477** | 78,779 | 96,584 |
| **Fee expense** | | | |
| Interbank fees | **12,076** | 13,634 | 9,007 |
| Other | **10,858** | 8,521 | 10,206 |
| **Total fee expense** | **22,934** | 22,155 | 19,213 |

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Segment A** | **Rs 000** | Rs 000 | Rs 000 |
| **Fee and commission income** | | | |
| Service fees | **5,360** | 8,618 | 8,456 |
| Transactional | **12,303** | 13,623 | 12,100 |
| Credit-related fees – Guarantees | **10,499** | 9,595 | 18,951 |
| Cards | **9,907** | 10,884 | 14,186 |
| Other | **1,824** | 911 | 1,499 |
| **Total fee and commission income segment A** | **39,893** | 43,631 | 55,192 |
| **Fee expense** | | | |
| Interbank fees | **968** | 7,280 | 1,749 |
| Other | **6,622** | 8,453 | 9,811 |
| **Total fee and commission expense segment A** | **7,590** | 15,733 | 11,560 |

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Segment B** | **Rs 000** | Rs 000 | Rs 000 |
| **Fee and commission income** | | | |
| Service fees | **3,535** | 2,986 | 3,345 |
| Transactional | **24,654** | 17,824 | 15,009 |
| Credit-related fees – Guarantees | **21,696** | 12,855 | 20,332 |
| Cards | **494** | 487 | 659 |
| Other | **2,205** | 996 | 2,047 |
| **Total fee and commission income segment B** | **52,584** | 35,148 | 41,392 |
| **Fee expense** | | | |
| Interbank fees | **11,108** | 6,354 | 7,258 |
| Other | **4,236** | 68 | 395 |
| **Total fee expense segment B** | **15,344** | 6,422 | 7,653 |

Comparative figures for this note have been amended to conform with changes in presentation in the current year. The fee and commission income and expense have been further disaggregated to show the nature upon which they arise, as well as in accordance with the accounting policy. There has not been any changes made in the total balances.

## 6. NET TRADING INCOME

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Net gain on dealing in foreign currencies and derivatives | **75,790** | 63,376 | 69,697 |
| ***Segment A*** | | | |
| Profit arising from dealing in foreign currencies and derivatives | **27,943** | 50,856 | 37,335 |
| ***Segment B*** | | | |
| Profit arising from dealing in foreign currencies and derivatives | **47,847** | 12,520 | 32,362 |
| **Total profit arising from dealing in foreign currencies and derivatives from segment A and segment B** | **75,790** | 63,376 | 69,697 |

## 7. NET (LOSS)/GAIN ON INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Net fair value movement in financial assets at fair value through profit or loss | **-** | (6,742) | 10,949 |
| ***Segment A*** | | | |
| Net fair value movement in financial assets at fair value through profit or loss | **-** | - | - |
| ***Segment B*** | | | |
| Net fair value movement in financial assets at fair value through profit or loss | **-** | (6,742) | 10,949 |
| **Total net fair value movement in financial assets at fair value through profit or loss from segment A and segment B** | **-** | (6,742) | 10,949 |

## 8. OTHER INCOME

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Management fees | **-** | 10,000 | 10,000 |
| Other | **2,284** | 7,974 | 2,033 |
| **Other income** | **2,284** | 17,974 | 12,033 |
| ***Segment A*** | | | |
| Other Income | **1,954** | 7,960 | 1,879 |
| ***Segment B*** | | | |
| Other Income | **330** | 10,014 | 10,154 |
| **Total other income from segment A and segment B** | **2,284** | 17,974 | 12,033 |





## 9. PERSONNEL EXPENSES

| **(a) Personnel expenses** | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Wages and salaries | **196,052** | 193,885 | 204,508 |
| Compulsory social security contributions | **9,988** | 7,558 | 6,351 |
| Contributions in pension plan | **13,313** | 14,352 | 13,640 |
| Increase in liability for pension plans | **8,567** | 3,836 | 1,743 |
| Other personnel expenses | **9,028** | 8,719 | 2,969 |
| | **236,948** | 228,350 | 229,211 |
| ***Segment A*** | | | |
| Wages and salaries | **139,807** | 135,720 | 169,260 |
| Compulsory social security contributions | **7,628** | 5,291 | 5,256 |
| Contributions in pension plan | **10,167** | 10,046 | 11,289 |
| Increase in liability for pension plans | **6,543** | 2,685 | 1,443 |
| Other personnel expenses | **2,477** | 2,178 | 2,457 |
| | **166,622** | 155,920 | 189,705 |
| ***Segment B*** | | | |
| Wages and salaries | **56,188** | 58,165 | 35,248 |
| Compulsory social security contributions | **2,360** | 2,267 | 1,095 |
| Contributions in pension plan | **3,145** | 4,306 | 2,351 |
| Increase in liability for pension plans | **2,024** | 1,151 | 300 |
| Other personnel expenses | **6,609** | 6,541 | 512 |
| | **70,326** | 72,430 | 39,506 |
| **Total personnel expenses from segment A and segment B** | **236,948** | 228,350 | 229,211 |

| **(b) Retirement benefit obligation** | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| **Reconciliation of present value of retirement benefit obligation** | | | |
| Balance at 01 January | **19,392** | 12,100 | 6,803 |
| **Included in profit or loss** | | | |
| Current service cost | **1,405** | 2,587 | 1,287 |
| Past service cost | **6,769** | 608 | - |
| Interest expense | **393** | 641 | 456 |
| | **8,567** | 3,836 | 1,743 |
| **Included in OCI** | | | |
| Remeasurements (gain)/loss* | **(6,538)** | 4,226 | 3,791 |
| **Other** | | | |
| Benefits paid | **(1,673)** | (770) | (237) |
| **Balance at 31 December** | **19,748** | 19,392 | 12,100 |
| *Remeasurements (gain) /loss arises from: | | | |
| Change in financial assumptions | **(8,063)** | 7,665 | 4,354 |
| Experience loss/(gain) | **1,525** | (3,439) | (563) |
| **Remeasurements (gain)/loss** | **(6,538)** | 4,226 | 3,791 |

**Principal actuarial assumptions at the end of the year**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Discount rate | **4.28%** | 2.50% | 4.70% |
| Rate of salary increases | **3%** | 1.50% | 3.50% |
| Retirement Age | **65** | 65 | 65 |
| **Sensitivity analysis on retirement benefit obligation at end of period** | | | |
| 1% increase in discount rate | **11,498** | 12,062 | 7,363 |
| 1% decrease in discount rate | **30,315** | 28,344 | 19,223 |
| 1% of increase in salary increase assumption | **28,113** | 26,070 | 17,074 |
| 1% of decrease in salary increase assumption | **13,237** | 14,056 | 8,706 |
| Effect of changing longevity - rate up | **18,987** | 18,567 | 11,469 |
| Effect of changing longevity - rate down | **20,468** | 20,169 | 12,715 |

## 9. 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 15 years.

Retirement Benefit Obligations have been calculated as per the requirements of IFRS and local laws and regulations by an independent actuary, MUA Pension Ltd.

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

- 36% in Local Equity:
- 33% in Local Fixed Income;
- 27% in Foreign Investments;
- 1% in Property; and
- 3% 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.

## 10. OPERATING LEASES EXPENSES

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Operating lease expenses | **26,696** | 9,967 | 12,248 |

The Bank leases a number of branches and ATMs under operating leases. The leases typically run for periods up to 1 year. The Bank also leases ATMs over which it does not have control and which runs over a period of 1 to 5 years. There are no restrictions placed upon the lessee by entering the leases. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

As at 31 December 2021, the future minimum lease payments under non-cancellable operating leases were payable as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Less than one year | **1,235** | 3,968 | 4,020 |
| Between one and five years | **395** | 4,654 | - |
| | **1,630** | 8,622 | 4,020 |

## 11. OTHER EXPENSES

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Software licensing and other IT costs | **71,509** | 58,114 | 60,578 |
| Professional fees | **16,085** | 11,019 | 18,636 |
| Other | **41,643** | 79,364 | 102,329 |
| | **129,237** | 148,497 | 181,543 |





## 12. INCOME TAXES

**(a) Amounts recognised in profit or loss**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Current tax expense | **869** | - | 176 |
| Deferred tax credit | **(3,524)** | (3,752) | (38,912) |
| Total income tax credit | **(2,655)** | (3,752) | (38,736) |
| ***Segment A*** | | | |
| Current tax expense | **869** | - | - |
| Deferred tax credit | **(4,459)** | (2,312) | (18,086) |
| **Income tax credit from Segment A** | **(3,590)** | (2,312) | (18,086) |
| ***Segment B*** | | | |
| Current tax expense | **-** | - | 176 |
| Deferred tax expense/(credit) | **935** | (1,440) | (20,826) |
| **Income tax expense/(credit) from Segment B** | **935** | (1,440) | (20,650) |
| **Total income tax credit from Segment A and Segment B** | **(2,655)** | (3,752) | (38,736) |

**(b) Reconciliation of income taxes**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Profit/(loss) before tax | **16,477** | (264,429) | (25,590) |
| Tax at statutory tax rate | **(153)** | (13,995) | (1,118) |
| Non-deductible expenses * | **1,122** | 1,085 | 16,382 |
| Non-taxable income ** | **(1,991)** | (80) | - |
| Special levy on banks | **869** | - | - |
| Tax losses utilised | **-** | (4,511) | - |
| Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit | **5,786** | - | - |
| Under-provision of income tax in previous years | **-** | - | 176 |
| Deferred tax movements | **(8,288)** | 13,749 | (54,176) |
| **Total income tax credit** | **(2,655)** | (3,752) | (38,736) |

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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| ***Segment A*** | **Rs 000** | Rs 000 | Rs 000 |
| (Loss)/profit before tax | **(48,832)** | (38,702) | 8,075 |
| Tax at statutory tax rate (7%) | **(3,418)** | (2,709) | 565 |
| Non-deductible expenses | **64** | - | 16,267 |
| Corporate social responsibility | **-** | - | - |
| Special levy on banks | **869** | - | - |
| Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit | **5,155** | - | |
| Non taxable income | **-** | (80) | - |
| Tax losses utilised | **-** | (4,511) | - |
| Deferred tax movements | **(6,260)** | 4,988 | (34,918) |
| **Total income tax credit from Segment A** | **(3,590)** | (2,312) | (18,086) |

**(b) Reconciliation of income taxes ( Continued)**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| ***Segment B*** | **Rs 000** | Rs 000 | Rs 000 |
| Profit/ (loss) before tax | **65,309** | (225,727) | (33,665) |
| Tax at statutory tax rate (5%) | **3,265** | (11,286) | (1,683) |
| Non-deductible expenses | **1,058** | 1,085 | 115 |
| Non taxable income | **(1,991)** | - | - |
| Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit | **631** | - | - |
| Underprovision of income tax in previous years | **-** | - | 176 |
| Deferred tax movements | **(2,028)** | 8,761 | (19,258) |
| **Total income tax expense from segment B** | **935** | (1,440) | (20.650) |

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

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

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

### Special levy

The Bank shall be liable to pay the taxation authorities a special levy on its leviable income derived in every accounting period at the rate of 5.5% in 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 at 30 June 2018 shall be either as above or 1.5 times of the levy payable for the year of assessment 2017-2018, whichever is lower. No levy shall be paid for an accounting period where a Bank incurred a loss in the accounting period.





**(c) Movement in Deferred tax balances**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Balance at 01 January | **92,459** | 86,995 | 50,165 |
| (Charged)/credited to equity | **-** | 1,712 | (2,082) |
| Credited to profit or loss | **3,524** | 3,752 | 38,912 |
| **Balance at 31 December** | **95,983** | 92,459 | 86,995 |
| **Deferred tax assets** | | | |
| Accelerated capital allowances | **3,358** | - | - |
| Allowance for loan losses | **73,851** | 67,930 | 50,243 |
| Other | **18,774** | 31,486 | 38,464 |
| | **95,983** | 99,416 | 88,707 |
| **Deferred tax liabilities** | | | |
| Accelerated capital allowances | **-** | (6,957) | (2,735) |
| Fair value gains | **-** | - | (2,082) |
| Other | **-** | - | 3,105 |
| | **-** | (6,957) | (1,712) |
| **Net deferred tax assets** | **95,983** | 92,459 | 86,995 |

| | Segment A | Segment B | Total |
|---|---|---|---|
| | **Rs 000** | **Rs 000** | **Rs 000** |
| 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** |
| 2020 | | | |
| Balance at 01 January | 58,735 | 28,260 | 86,995 |
| Property, Equipment and Software | (8,599) | (1,092) | (9,691) |
| Allowance for loan losses | 7,082 | 10,605 | 17,687 |
| Tax losses and Retirement Benefit Obligation | (4,557) | 2,025 | (2,532) |
| Balance at 31 December | 52,661 | 39,798 | 92,459 |
| 2019 | | | |
| Balance at 01 January | 42,763 | 7,402 | 50,165 |
| Property, Equipment and Software | (1,578) | 1,308 | (270) |
| Allowance for loan losses | (1,203) | 3,825 | 2,622 |
| Fair value gains | 899 | - | 899 |
| Tax impact relating to change in shareholding | 17,854 | 15,725 | 33,579 |
| Balance at 31 December | 58,735 | 28,260 | 86,995 |

**(d) Current tax liabilities**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Current tax liabilities | **869** | - | - |
| ***Segment A*** | | | |
| Current tax liabilities | **869** | - | - |

## 13. CASH AND CASH EQUIVALENTS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Cash in hand | **85,621** | 117,561 | 117,030 |
| Foreign currency notes and coins | **27,941** | 9,099 | 20,989 |
| Unrestricted balances with central bank | **2,340,358** | 2,049,576 | 1,515,031 |
| Money market placements | **1,981,495** | 2,994,123 | 2,115,506 |
| Balances with banks abroad | **676,599** | 1,127,511 | 832,763 |
| | **5,112,014** | 6,297,870 | 4,601,319 |
| ***Segment A*** | | | |
| Cash in hand | **85,621** | 117,561 | 117,030 |
| Foreign currency notes and coins | **27,941** | 9,099 | 20,989 |
| Unrestricted balances with central bank | **2,340,358** | 2,049,576 | 1,515,031 |
| | **2,453,920** | 2,176,236 | 1,653,050 |
| ***Segment B*** | | | |
| Money market placements | **1,981,495** | 2,994,123 | 2,115,506 |
| Balances with banks abroad | **676,599** | 1,127,511 | 832,763 |
| | **2,658,094** | 4,121,634 | 2,948,269 |
| **Total cash and cash equivalents from Segment A and Segment B** | **5,112,014** | 6,297,870 | 4,601,319 |

## 14. LOANS AND ADVANCES TO BANKS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Loans and advances to banks | | | |
| - in Mauritius (Segment A) | **432,500** | - | 24,825 |
| - outside Mauritius (Segment B) | **2,877,436** | 1,636,335 | 1,303,996 |
| | **3,309,936** | 1,636,335 | 1,328,821 |
| Less allowance for impairment | | | |
| - Segment A | **(2,252)** | - | - |
| - Segment B | **(13,643)** | (5,701) | (12,837) |
| Total allowance for impairment | **(15,895)** | (5,701) | (12,837) |
| | **3,294,041** | 1,630,634 | 1,315,984 |
| **Remaining term to maturity** | | | |
| Up to 3 months | **1,346,376** | 1,098,131 | 402,695 |
| Over 3 months and up to 6 months | **1,053,298** | 500,569 | 475,820 |
| Over 6 months and up to 12 months | **477,762** | 37,634 | 450,306 |
| Over 1 year and up to 5 years | **432,500** | - | - |
| | **3,309,936** | 1,636,334 | 1,328,821 |





## 15. LOANS AND ADVANCES TO CUSTOMERS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Retail customers | | | |
| - Mortgages | **3,339,494** | 3,630,280 | 3,645,616 |
| - Other retail loans | **419,533** | 416,457 | 433,071 |
| Corporate customers | **8,845,385** | 7,827,047 | 8,315,059 |
| Entities outside Mauritius | **1,741,787** | 1,167,175 | 1,656,984 |
| | **14,346,199** | 13,040,959 | 14,050,730 |
| Less allowance for impairment | **(947,799)** | (885,287) | (619,191) |
| | **13,398,400** | 12,155,672 | 13,431,539 |
| **Remaining term to maturity** | | | |
| Up to 3 months | **3,422,649** | 3,294,825 | 4,939,882 |
| Over 3 months and up to 6 months | **1,718,589** | 308,609 | 500,859 |
| Over 6 months and up to 12 months | **200,723** | 111,205 | 222,142 |
| Over 1 year and up to 5 years | **2,317,184** | 2,685,569 | 1,301,072 |
| Over 5 years | **6,687,054** | 6,640,751 | 7,086,775 |
| | **14,346,199** | 13,040,959 | 14,050,730 |

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| ***Segment A*** | | | |
| Retail customers | | | |
| - Mortgages | **2,781,530** | 3,089,528 | 3,129,321 |
| - Other retail loans | **359,969** | 351,100 | 371,296 |
| Corporate customers | **7,289,614** | 6,941,298 | 7,374,823 |
| | **10,431,113** | 10,381,926 | 10,875,440 |
| Less allowance for impairment | **(682,670)** | (654,552) | (545,008) |
| | **9,748,443** | 9,727,374 | 10,330,432 |
| ***Remaining term to maturity*** | | | |
| Up to 3 months | **2,458,722** | 2,204,046 | 2,746,085 |
| Over 3 months and up to 6 months | **120,710** | 206,360 | 109,040 |
| Over 6 months and up to 12 months | **13,660** | 17,239 | 222,142 |
| Over 1 year and up to 5 years | **1,699,258** | 1,859,358 | 1,231,461 |
| Over 5 years | **6,138,763** | 6,094,923 | 6,566,712 |
| | **10,431,113** | 10,381,926 | 10,875,440 |
| ***Segment B*** | | | |
| Retail customers | | | |
| - Mortgages | **557,964** | 540,752 | 516,295 |
| - Other retail loans | **59,564** | 65,357 | 61,775 |
| Corporate customers | **1,555,771** | 885,749 | 940,236 |
| Entities outside Mauritius | **1,741,787** | 1,167,175 | 1,656,984 |
| | **3,915,086** | 2,659,033 | 3,175,290 |
| Less allowance for impairment | **(265,129)** | (230,735) | (74,183) |
| | **3,649,957** | 2,428,298 | 3,101,107 |
| ***Remaining term to maturity*** | | | |
| Up to 3 months | **963,927** | 1,090,779 | 2,193,797 |
| Over 3 months and up to 6 months | **1,597,879** | 102,248 | 391,819 |
| Over 6 months and up to 12 months | **187,063** | 93,965 | - |
| Over 1 year and up to 5 years | **617,926** | 826,212 | 69,612 |
| Over 5 years | **548,291** | 545,829 | 520,062 |
| | **3,915,086** | 2,659,033 | 3,175,290 |

## 15. LOANS AND ADVANCES TO CUSTOMERS (Continued)

**Credit concentration of risk by industry sectors**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Agriculture and fishing | **1,004,090** | 808,442 | 624,288 |
| Manufacturing | **1,088,709** | 848,602 | 1,321,598 |
| Tourism | **1,419,213** | 1,345,011 | 1,116,291 |
| Transport | **281,404** | 354,452 | 13,566 |
| Construction | **3,863,493** | 4,204,327 | 4,319,414 |
| Financial and business services | **1,627,674** | 553,233 | 1,522,900 |
| Traders | **650,896** | 1,225,508 | 1,130,200 |
| Personal | **358,774** | 353,348 | 361,848 |
| Professional | **60,759** | 63,110 | 71,223 |
| Global Business licence holders | **1,555,770** | 885,749 | 940,236 |
| Others | **2,435,417** | 2,399,177 | 2,629,166 |
| | **14,346,199** | 13,040,959 | 14,050,730 |
| ***Segment A*** | | | |
| Agriculture and fishing | **571,590** | 414,942 | 260,788 |
| Manufacturing | **1,087,566** | 848,602 | 1,321,598 |
| Tourism | **1,419,213** | 1,345,011 | 1,116,291 |
| Transport | **281,399** | 354,452 | 13,566 |
| Construction | **3,305,528** | 3,663,575 | 3,803,120 |
| Financial and business services | **762,669** | 553,233 | 956,425 |
| Traders | **650,839** | 854,977 | 766,690 |
| Personal | **299,210** | 287,991 | 300,073 |
| Professional | **60,759** | 63,110 | 71,223 |
| Others | **1,992,340** | 1,996,033 | 2,265,666 |
| | **10,431,113** | 10,381,926 | 10,875,440 |
| ***Segment B*** | | | |
| Agriculture and fishing | **432,500** | 393,500 | 363,500 |
| Manufacturing | **1,143** | - | - |
| Transport | **5** | - | - |
| Construction | **557,965** | 540,752 | 516,295 |
| Financial and business services | **865,005** | - | 566,475 |
| Traders | **57** | 370,531 | 363,509 |
| Personal | **59,564** | 65,357 | 61,775 |
| Global Business licence holders | **1,555,770** | 885,749 | 940,236 |
| Others | **443,077** | 403,144 | 363,500 |
| | **3,915,086** | 2,659,033 | 3,175,290 |





## 16. IMPAIRMENT ON LOANS AND ADVANCES TO BANKS AND TO CUSTOMERS

| | Individual allowances for impairment | Collective allowances for Impairment | Total |
|---|---|---|---|
| **(a) Movement in allowance for impairment** | | | |
| | **Rs 000** | **Rs 000** | **Rs 000** |
| At 1 January 2019 | 464,798 | 167,168 | 631,966 |
| Charge for the year | (15,264) | 15,326 | 62 |
| At 31 December 2019 | 449,534 | 182,494 | 632,028 |
| Charge for the year | 212,689 | 46,271 | 258,960 |
| At 31 December 2020 | **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** |

| **(b) Net impairment loss on financial assets** | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Collective allowances for impairment (Note 16(a)) | **60,352** | 46,271 | 15,326 |
| Specific provision on loans and advances (Note 16(a)) | **12,353** | 212,689 | (15,264) |
| Specific provision on investment securities (Note 17) | **31,452** | 54,315 | 59,244 |
| Foreign exchange changes | **(27,527)** | (44,418) | (7,587) |
| Write offs | **363** | 11,847 | 24,908 |
| | **76,993** | 280,704 | 76,627 |

**(c) Allowance for credit impairment by industry sectors**

| | 2021 | | | | | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| | **Gross amount of loans** | **Impaired loans** | **Specific allowances for credit impairment** | **Collective allowances for 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 | **1,004,090** | **2,161** | **7** | **18,557** | **18,564** | 14,760 | 6,255 |
| Manufacturing | **1,088,709** | **247,092** | **214,091** | **28,383** | **242,474** | 224,150 | 178,577 |
| Tourism | **1,419,213** | **4** | **4** | **82,980** | **82,984** | 73,332 | 22,426 |
| Transport | **281,404** | **4,472** | **4,472** | **4,573** | **9,045** | 8,981 | 13,258 |
| Construction | **3,863,493** | **71,758** | **41,044** | **26,629** | **67,673** | 82,298 | 85,785 |
| Banks | **3,309,936** | **-** | **-** | **15,895** | **15,895** | 5,701 | 12,837 |
| Financial and business services | **1,627,674** | **6** | **6** | **19,967** | **19,973** | 7,984 | 15,329 |
| Traders | **650,896** | **22,089** | **20,225** | **14,611** | **34,836** | 39,037 | 31,339 |
| Personal | **358,774** | **173,333** | **107,229** | **9,191** | **116,420** | 111,984 | 109,946 |
| Professional | **60,759** | **57,497** | **38,574** | **121** | **38,695** | 38,984 | 36,194 |
| Global business licence holders | **1,555,770** | **29,018** | **29,021** | **30,369** | **59,390** | 47,709 | 34,876 |
| Others | **2,435,417** | **502,812** | **219,903** | **37,841** | **257,744** | 236,068 | 85,206 |
| | **17,656,135** | **1,110,242** | **674,576** | **289,117** | **963,693** | 890,988 | 632,028 |

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

| | 2021 | | | | | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| | 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 | 571,590 | 2,161 | 7 | 11,623 | 11,630 | 7,209 | 2,612 |
| Manufacturing | 1,087,566 | 247,092 | 214,091 | 27,429 | 241,520 | 224,150 | 178,577 |
| Tourism | 1,419,213 | 4 | 4 | 82,980 | 82,984 | 73,332 | 22,426 |
| Transport | 281,399 | 4,472 | 4,472 | 4,573 | 9,045 | 8,981 | 13,258 |
| Construction | 3,305,528 | 66,115 | 41,004 | 23,701 | 64,705 | 79,457 | 78,957 |
| Banks | 432,500 | - | - | 2,252 | 2,252 | - | - |
| Financial and business services | 762,669 | 6 | 6 | 6,751 | 6,757 | 7,984 | 9,650 |
| Traders | 650,839 | 22,032 | 20,168 | 14,611 | 34,779 | 34,355 | 27,703 |
| Personal | 299,210 | 153,137 | 89,581 | 7,733 | 97,314 | 91,825 | 94,071 |
| Professional | 60,759 | 57,497 | 38,574 | 121 | 38,695 | 38,984 | 36,194 |
| Others | 1,992,340 | 59,735 | 57,953 | 37,290 | 95,243 | 88,276 | 81,561 |
| | 10,863,613 | 612,251 | 465,860 | 219,064 | 684,924 | 654,553 | 545,009 |
| ***Segment B*** | | | | | | | |
| Agriculture and fishing | 432,500 | - | - | 6,934 | 6,934 | 7,551 | 3,642 |
| Manufacturing | 1,143 | - | - | 954 | 954 | - | - |
| Transport | 5 | - | - | - | - | - | - |
| Construction | 557,965 | 5,643 | 40 | 2,928 | 2,968 | 2,841 | 6,828 |
| Banks | 2,877,436 | - | - | 13,643 | 13,643 | 5,701 | 12,837 |
| Financial and business services | 865,005 | - | - | 13,216 | 13,216 | - | 5,679 |
| Traders | 57 | 57 | 57 | - | 57 | 4,682 | 3,635 |
| Personal | 59,564 | 20,196 | 17,648 | 1,458 | 19,106 | 20,159 | 15,875 |
| Professional | - | - | - | - | - | - | - |
| Global business licence holders | 1,555,770 | 29,018 | 29,021 | 30,369 | 59,390 | 47,709 | 34,876 |
| Others | 443,077 | 443,077 | 161,950 | 551 | 162,501 | 147,792 | 3,647 |
| | 6,792,522 | 497,991 | 208,716 | 70,053 | 278,769 | 236,435 | 87,019 |





## 17. INVESTMENT SECURITIES

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| Investment securities | 2,222,586 | 2,335,212 | 2,391,670 |
| Held at fair value through OCI: | | | |
| Government of Mauritius bonds | 1,422,393 | 1,285,355 | 1,041,135 |
| Bank of Mauritius notes | 50,573 | 29,350 | 195,586 |
| Treasury bills | 199,368 | 748,268 | 49,216 |
| Bank of Mauritius bills | 548,503 | 249,116 | 1,072,561 |
| Equity shares | 1,749 | - | - |
| Held at amortised cost : | | | |
| Corporate bond | 239,560 | 231,231 | 186,965 |
| Less: allowance for impairment | (239,560) | (208,108) | (153,793) |
| | 2,222,586 | 2,335,212 | 2,391,670 |
| ***Segment A*** | | | |
| Government of Mauritius bonds and Bank of Mauritius notes | 1,472,966 | 1,315,753 | 1,236,721 |
| Treasury bills | 199,368 | 747,756 | 49,216 |
| Bank of Mauritius bills | 548,503 | 248,580 | 1,072,561 |
| | 2,220,837 | 2,312,089 | 2,358,498 |
| ***Segment B*** | | | |
| Corporate bond | 239,560 | 231,231 | 186,965 |
| Equity shares | 1,749 | - | - |
| Less: allowance for impairment | (239,560) | (208,108) | (153,793) |
| | 1,749 | 23,123 | 33,172 |

**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.**

## 18. INVESTMENT IN SUBSIDIARY

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| Investment in subsidiary (Level 3) | - | 62,653 | 69,396 |

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| At 01 January | 62,653 | 69,396 | 58,447 |
| Proceed from sale of investment | (85,502) | - | - |
| Net gain on sale of investment | 22,849 | - | - |
| Fair value adjustments (Note 7) | - | (6,742) | 10,949 |
| | - | 62,653 | 69,396 |

Details of investments held by the Bank are as follows:

| | | | | % holding | | Fair value | |
|---|---|---|---|---|---|---|---|
| **Name of Investee Company** | **Country of incorporation** | **Business Activity** | **Type of shares** | 2020 | 2019 | 2020 | 2019 |
| | | | | % | % | Rs 000 | Rs 000 |
| Banky First (Previously known as BM Madagascar) | Madagascar | Banking/Microfinance | Ordinary shares | 72.67 | 72.67 | 62,653 | 69,396 |

**In 2021, as part of the strategic reorientation defined for Banky First (formerly known as BM Madagascar), the Bank transferred its 72.67% participation in Banky First to Groupe Banque Centrale Populaire for 50.67%, and Atlantic Micro Finance for Africa ("AMIFA") for 22%.**

## 19. 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 2019 | - | 43,305 | 92,568 | 21,472 | 8,497 | 11,917 | 177,759 |
| Recognition of ROU as at 01 Jan 2019 | 146,921 | - | - | - | - | - | 146,921 |
| Additions | - | 6,433 | 26,946 | - | 128 | 2,229 | 35,736 |
| Disposal | - | - | - | - | - | (6,415) | (6,415) |
| Scrapped assets | - | - | (4,629) | - | - | - | (4,629) |
| Reclassification | - | 13 | 1,351 | - | - | - | 1,364* |
| Balance at 31 December 2019 | 146,921 | 49,751 | 116,236 | 21,472 | 8,625 | 7,731 | 350,736 |
| Balance at 01 January 2020 | 146,921 | 49,751 | 116,236 | 21,472 | 8,625 | 7,731 | 350,736 |
| Additions | 18,793 | 213 | 2,697 | 960 | - | - | 22,663 |
| Foreign currency translation | - | 126 | (429) | 454 | (53) | - | 98 |
| Balance at 31 December 2020 | 165,714 | 50,090 | 118,504 | 22,886 | 8,572 | 7,731 | 373,497 |
| **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** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Balance at 01 January 2019 | - | 28,092 | 71,524 | 16,622 | 7,392 | 11,526 | 135,156 |
| Depreciation for the year | 31,403 | 6,268 | 11,150 | 3,395 | 331 | 880 | 53,427 |
| Disposal | - | - | - | - | - | (6,414) | (6,414) |
| Scrapped assets | - | - | (4,629) | - | - | - | (4,629) |
| Balance at 31 December 2019 | 31,403 | 34,360 | 78,045 | 20,017 | 7,723 | 5,992 | 177,540 |
| Balance at 01 January 2020 | 31,403 | 34,360 | 78,045 | 20,017 | 7,723 | 5,992 | 177,540 |
| Depreciation for the year | 30,453 | 5,433 | 16,288 | 1,331 | 313 | 749 | 54,567 |
| Foreign currency translation | - | 1 | 84 | (24) | (53) | - | 8 |
| Balance at 31 December 2020 | 61,856 | 39,794 | 94,417 | 21,324 | 7,983 | 6,741 | 232,115 |
| **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** |
| **Carrying amounts** | | | | | | | |
| Balance at 31 December 2019 | 115,518 | 15,391 | 38,191 | 1,455 | 902 | 1,739 | 173,196 |
| Balance at 31 December 2020 | 103,858 | 10,296 | 24,087 | 1,562 | 589 | 990 | 141,382 |
| **Balance at 31 December 2021** | **69,092** | **6,073** | **13,895** | **658** | **313** | **246** | **90,277** |

**The Bank has recognized rights of use assets on properties leased for the premises and related facilities, as well as for all the branches that it operates.**
*** Down payments on acquisition of IT equipment were incorrectly classified as intangible assets for the year ended 31 December 2018 and were subsequently corrected during the year ended 31 December 2019**





## 19. PROPERTY AND EQUIPMENT (Continued)

| | Right-of-use-asset | | | | | | |
|---|---|---|---|---|---|---|---|
| | Leasehold property | Improvement to leasehold property | Computer equipment | Office equipment | Furniture, fixtures & fittings | Motor vehicles | Total |
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **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** |
| 2020 | | | | | | | |
| Segment A | 93,472 | 9,266 | 21,677 | 1,406 | 530 | 891 | 127,242 |
| Segment B | 10,386 | 1,030 | 2,410 | 156 | 59 | 99 | 14,140 |
| | 103,858 | 10,296 | 24,087 | 1,562 | 589 | 990 | 141,382 |
| 2019 | | | | | | | |
| Segment A | 103,966 | 13,852 | 34,372 | 1,310 | 812 | 1,565 | 155,877 |
| Segment B | 11,552 | 1,539 | 3,819 | 145 | 90 | 174 | 17,319 |
| | 115,518 | 15,391 | 38,191 | 1,455 | 902 | 1,739 | 173,196 |

**Included in the above line items are right of use assets recognised as at 31 December 2021,over the following**

| **Right of Use Asset** | **Rs 000** |
|---|---|
| Non-current | |
| Office building | **132,784** |
| ATM | **1,497** |
| Archive space | **10,515** |
| **Total** | **144,796** |

| **Lease liabilities - Carrying amount** | **Rs 000** |
|---|---|
| As at 01 January 2021 | **108,105** |
| Additions | **754** |
| Discontinuations | **(21,671)** |
| Payment on lease liabilities* | **(13,818)** |
| **As at 31 December 2021** | **73,370** |

| **Amount recognised in profit or loss for the year ended 31 December 2021** | **Rs 000** |
|---|---|
| Depreciation expense on right-of-use assets | **13,848** |
| Interest expense on lease liabilities | **2,247** |
| | **16,095** |

*** The payment on lease liabilities for the year ended 31 December 2020 amounted to Rs 29,031k (2019: Rs 28,578k).**

## 20. INTANGIBLE ASSETS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| **Cost** | | | |
| **Balance at 01 January** | **217,145** | 192,167 | 187,263 |
| Additions | **15,630** | 25,600 | 6,897 |
| Work in progress | **58** | - | - |
| Reclassification | **(26)** | - | (1,364)* |
| Write-off | **-** | (524) | (629) |
| Foreign currency translation | **-** | (98) | - |
| **Balance at 31 December** | **232,807** | 217,145 | 192,167 |
| **Accumulated amortisation** | | | |
| **Balance at 01 January** | **179,861** | 140,166 | 105,932 |
| Amortisation for the year | **24,137** | 39,702 | 34,234 |
| Foreign currency translation | **-** | (7) | - |
| **Balance at 31 December** | **203,998** | 179,861 | 140,166 |
| **Net book value** | | | |
| **Balance at 31 December** | **28,809** | 37,284 | 52,001 |
| **Carrying amounts at end of year by segments** | | | |
| **Segment A** | **25,928** | 33,556 | 46,801 |
| **Segment B** | **2,881** | 3,728 | 5,200 |
| | **28,809** | 37,284 | 52,001 |

*** Down payments on acquisition of IT equipment were incorrectly classified as intangible assets for the year ended 31 December 2018 and were subsequently corrected during the year ended 31 December 2019.**





## 21. OTHER ASSETS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Accounts receivable and prepayments | **31,867** | 24,960 | 18,450 |
| Accrued interest receivable | **52,690** | 20,671 | 38,691 |
| Restricted balances with Central Bank* | **729,047** | 736,687 | 776,272 |
| Balances due in clearing | **2,192,898** | 596,494 | 742,752 |
| Other receivables | **25,506** | 19,680 | 15,562 |
| | **3,032,008** | 1,398,492 | 1,591,727 |
| ***Segment A*** | | | |
| Accounts receivable and prepayments | **28,437** | 22,275 | 14,692 |
| Accrued interest receivable | **47,429** | 18,340 | 31,730 |
| Restricted balances with Central Bank | **729,047** | 736,687 | 776,272 |
| Balances due in clearing | **18,418** | 26,596 | 5,303 |
| Other receivables | **25,506** | 19,680 | 13,868 |
| | **848,837** | 823,578 | 841,865 |
| ***Segment B*** | | | |
| Accounts receivable and prepayments | **3,430** | 2,685 | 3,758 |
| Accrued interest receivable | **5,261** | 2,331 | 6,961 |
| Balances due in clearing | **2,174,480** | 569,898 | 737,449 |
| Other receivables | **-** | - | 1,694 |
| | **2,183,171** | 574,914 | 749,862 |
| **Total from segment A and segment B** | **3,032,008** | 1,398,492 | 1,591,727 |

*** The restricted balance with the Central Bank represents the Cash Reserve Ratio with Bank of Mauritius which is not available to finance the Bank's day-to-day operations.**

## 22. DEPOSIT FROM BANKS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Deposits | **3,148,830** | 2,565,666 | 586,573 |
| ***Segment A*** | | | |
| Current accounts | **2,072** | 345 | 1,014 |
| ***Segment B*** | | | |
| Time deposit with remaining term to maturity | | | |
| Up to 3 months | **3,146,758** | 2,565,321 | 585,559 |

## 23. DEPOSITS FROM CUSTOMERS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| **Retail customers** | | | |
| Current accounts | **1,279,470** | 1,308,378 | 1,067,056 |
| Savings accounts | **1,854,290** | 1,927,256 | 1,905,059 |
| Time deposits with remaining term to maturity | | | |
| Up to 3 months | **206,320** | 174,369 | 358,358 |
| Over 3 months and up to 6 months | **154,284** | 185,090 | 133,582 |
| Over 6 months and up to 12 months | **629,492** | 545,755 | 238,525 |
| Over 1 year and up to 5 years | **729,356** | 624,750 | 941,886 |
| Over 5 years | **97,000** | 110,510 | 14,010 |
| **Corporate customers** | | | |
| Current accounts | **7,764,968** | 6,975,966 | 6,085,782 |
| Savings accounts | **248,944** | 466,474 | 112,855 |
| Time deposits with remaining term to maturity | | | |
| Up to 3 months | **1,031,773** | 781,550 | 1,747,098 |
| Over 3 months and up to 6 months | **215,377** | 467,843 | 512,210 |
| Over 6 months and up to 12 months | **276,394** | 378,211 | 423,093 |
| Over 1 year and up to 5 years | **219,440** | 54,418 | 450,205 |
| Over 5 years | **-** | - | 1,104 |
| | **14,707,108** | 14,000,570 | 13,990,823 |

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| ***Segment A*** | | | |
| **Retail customers** | | | |
| Current accounts | **865,510** | 829,433 | 744,456 |
| Savings accounts | **1,332,955** | 1,433,383 | 1,452,204 |
| Time deposit with remaining term to maturity | | | |
| - Up to 3 months | **96,662** | 78,986 | 299,626 |
| - Over 3 months and up to 6 months | **101,019** | 104,530 | 59,201 |
| - Over 6 months and up to 12 months | **529,084** | 454,969 | 157,290 |
| - Over 1 year and up to 5 years | **484,988** | 398,345 | 633,521 |
| - Over 5 years | **97,000** | 98,010 | 1,510 |
| **Corporate customers** | | | |
| Current accounts | **2,904,675** | 1,859,893 | 1,971,396 |
| Savings accounts | **248,862** | 466,410 | 112,817 |
| Time deposit with remaining term to maturity | | | |
| - Up to 3 months | **828,038** | 690,467 | 1,253,722 |
| - Over 3 months and up to 6 months | **189,427** | 439,898 | 486,766 |
| - Over 6 months and up to 12 months | **233,094** | 378,161 | 423,043 |
| - Over 1 year and up to 5 years | **219,440** | 54,418 | 450,205 |
| - Over 5 years | **-** | - | 1,103 |
| | **8,130,754** | 7,286,903 | 8,046,860 |





## 23. DEPOSITS FROM CUSTOMERS (Continued)

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| ***Segment B*** | | | |
| **Retail customers** | | | |
| Current accounts | **413,960** | 478,945 | 322,600 |
| Savings accounts | **521,335** | 493,873 | 452,855 |
| Time deposit with remaining term to maturity | | | |
| - Up to 3 months | **109,658** | 95,383 | 58,731 |
| - Over 3 months and up to 6 months | **53,265** | 80,560 | 74,381 |
| - Over 6 months and up to 12 months | **100,408** | 90,786 | 81,236 |
| - Over 1 year and up to 5 years | **244,368** | 226,405 | 308,365 |
| - Over 5 years | **-** | 12,500 | 12,500 |
| **Corporate customers** | | | |
| Current accounts | **4,860,293** | 5,116,073 | 4,114,386 |
| Savings accounts | **82** | 64 | 38 |
| Time deposit with remaining term to maturity | | | |
| - Up to 3 months | **203,735** | 91,083 | 493,376 |
| - Over 3 months and up to 6 months | **25,950** | 27,945 | 25,445 |
| - Over 6 months and up to 12 months | **43,300** | 50 | 50 |
| | **6,576,354** | 6,713,667 | 5,943,963 |

## 24. BORROWED FUNDS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| **Borrowed funds** | **4,585,387** | 4,424,459 | 5,589,895 |
| Remaining term to maturity | | | |
| - Up to 3 months | **1,227,125** | 124,382 | 384,389 |
| - Over 3 months and up to 6 months | **-** | 390,184 | 1,892,714 |
| - Over 6 months and up to 12 months | **987,998** | 1,176,155 | 38,531 |
| - Over 1 year and up to 5 years | **2,370,264** | 2,733,738 | 3,274,261 |
| | **4,585,387** | 4,424,459 | 5,589,895 |
| ***Segment A*** | | | |
| Borrowings from financial institutions | **497,148** | 12,397 | 15,626 |
| ***Remaining term to maturity*** | | | |
| - Up to 3 months | **490,850** | - | - |
| - Over 6 months and up to 12 months | **6,298** | - | - |
| - Over 1 year and up to 5 years | **-** | 12,397 | 15,626 |
| | **497,148** | 12,397 | 15,626 |
| ***Segment B*** | | | |
| Borrowings from banks abroad | **4,088,239** | 4,412,062 | 5,574,269 |
| ***Remaining term to maturity*** | | | |
| - Up to 3 months | **736,275** | 124,382 | 384,389 |
| - Over 3 months and up to 6 months | **-** | 390,184 | 1,892,714 |
| - Over 6 months and up to 12 months | **981,700** | 1,176,155 | 38,531 |
| - Over 1 year and up to 5 years | **2,370,264** | 2,721,341 | 3,258,635 |
| | **4,088,239** | 4,412,062 | 5,574,269 |

**Repayment of borrowed funds**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Gross opening balance | **4,424,459** | 5,589,895 | 3,637,104 |
| Less : gross closing balance | **(4,585,387)** | (4,424,459) | (5,589,895) |
| Effect of exchange rate fluctuations | **185,830** | 744,858 | 185,464 |
| Cash flow from financing activities | **24,902** | 1,910,294 | (1,767,327) |

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Derivative financial instruments | **38** | (475) | 134 |
| ***Segment A*** | | | |
| Derivative financial instruments | **38** | (475) | 134 |
| ***Segment B*** | | | |
| Derivative financial instruments | **-** | - | - |





## 25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

## 26. OTHER LIABILITIES

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Retirement benefit obligations | **19,748** | 19,392 | 12,100 |
| Creditors and accruals | **149,011** | 107,503 | 127,684 |
| Accrued interest payable | **34,951** | 65,932 | 92,337 |
| Lease liabilities | **73,370** | 108,105 | 118,343 |
| Provisions | **89,824** | 71,671 | 45,315 |
| Other liabilities | **2,299,088** | 609,919 | 751,347 |
| | **2,665,992** | 982,522 | 1,147,126 |
| ***Segment A*** | | | |
| Retirement benefit obligation | **15,798** | 15,514 | 10,043 |
| Creditors and accruals | **143,945** | 102,500 | 107,518 |
| Accrued interest payable | **22,076** | 41,644 | 74,343 |
| Lease liabilities | **73,370** | 108,105 | 118,343 |
| Provisions | **71,484** | 70,644 | 45,315 |
| Other liabilities | **7,819** | 28,919 | 82,248 |
| | **334,492** | 367,326 | 437,810 |
| ***Segment B*** | | | |
| Retirement benefit obligation | **3,950** | 3,878 | 2,057 |
| Creditors and accruals | **5,066** | 5,003 | 20,166 |
| Accrued interest payable | **12,875** | 24,288 | 17,994 |
| Lease liabilities | **-** | - | - |
| Provisions | **18,340** | 1,027 | - |
| Other liabilities | **2,291,269** | 581,000 | 669,099 |
| | **2,331,500** | 615,196 | 709,316 |
| **Total other liabilities from segment A and segment B** | **2,665,992** | 982,522 | 1,147,126 |

**Lease liabilities analysis**

| | 2021 |
|---|---|
| | **Rs 000** |
| **Current** | **26,101** |
| **Non Current** | **47,269** |
| | **73,370** |
| **Maturity analysis:** | |
| Year 1 | **26,101** |
| Year 2 | **24,117** |
| Year 3 | **22,111** |
| Year 4 | **1,041** |
| | **73,370** |

## 26. OTHER LIABILITIES (Continued)

**Provision**

| | 2021 |
|---|---|
| | **Rs 000** |
| **Current** | **89,824** |
| **Provision analysis:** | |
| **Opening balance** | **71,671** |
| Provision made during the year | **164,276** |
| Provision utilized during the year | **(145,697)** |
| Provision reversed during the year | **(426)** |
| **Closing balance** | **89,824** |

**The provisions are based on expenses for the year ended 31 December 2021 which will be paid for in the year 2022.**

## 27. SHARE CAPITAL

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| **Authorised and fully paid up ordinary share capital** | | | |
| At 01 January, | **2,218,065** | 2,218,065 | 2,218,065 |
| **At 31 December** | **2,218,065** | 2,218,065 | 2,218,065 |
| **Number of shares** | | | |
| At 01 January, | **2,858,174** | 2,858,174 | 2,858,174 |
| **At 31 December** | **2,858,174** | 2,858,174 | 2,858,174 |

**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.**

## 28. 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.

## 29. 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 statement of 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.





## 29. 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** |
| **2021** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | **-** | **-** | **5,112,014** | **5,112,014** | **5,112,014** |
| 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 | **-** | **-** | **3,015,538** | **3,015,538** | **3,015,538** |
| | **2,222,586** | **38** | **24,819,993** | **27,042,617** | **27,042,617** |
| **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** |
| 2020 | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | - | - | 6,297,870 | 6,297,870 | 6,297,870 |
| Loans and advances to banks | - | - | 1,630,634 | 1,630,634 | 1,630,634 |
| Loans and advances to customers | - | - | 12,155,672 | 12,155,672 | 12,155,672 |
| Investment securities | 2,335,212 | - | - | 2,335,212 | 2,335,212 |
| Investment in subsidiary | - | 62,653 | - | 62,653 | 62,653 |
| Other assets | - | - | 1,385,010 | 1,385,010 | 1,385,010 |
| | 2,335,212 | 62,653 | 21,469,186 | 23,867,051 | 23,867,051 |
| Liabilities | | | | | |
| Deposits from banks | - | - | 2,565,666 | 2,565,666 | 2,565,666 |
| Deposits from customers | - | - | 14,000,570 | 14,000,570 | 14,000,570 |
| Borrowed funds | - | - | 4,424,459 | 4,424,459 | 4,424,459 |
| Derivative financial instruments | - | 475 | - | 475 | 475 |
| Provisions | - | - | 71,671 | 71,671 | 71,671 |
| Other liabilities | - | - | 910,851 | 910,851 | 910,851 |
| | - | 475 | 21,973,217 | 21,973,692 | 21,973,692 |
| 2019 | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | - | - | 4,601,319 | 4,601,319 | 4,601,319 |
| Loans and advances to banks | - | - | 1,315,984 | 1,315,984 | 1,315,984 |
| Loans and advances to customers | - | - | 13,431,539 | 13,431,539 | 13,431,539 |
| Investment securities | 2,391,670 | - | - | 2,391,670 | 2,391,670 |
| Investment in subsidiary | - | 69,396 | - | 69,396 | 69,396 |
| Derivative financial instruments | - | 134 | - | 134 | 134 |
| Other assets | - | - | 1,587,863 | 1,587,863 | 1,587,863 |
| | 2,391,670 | 69,530 | 20,936,705 | 23,397,905 | 23,397,905 |
| Liabilities | | | | | |
| Deposits from banks | - | - | 586,573 | 586,573 | 586,573 |
| Deposits from customers | - | - | 13,990,823 | 13,990,823 | 13,990,823 |
| Borrowed funds | - | - | 5,589,895 | 5,589,895 | 5,589,895 |
| Provisions | - | - | 45,315 | 45,315 | 45,315 |
| Other liabilities | - | - | 1,101,811 | 1,101,811 | 1,101,811 |
| | - | - | 21,314,417 | 21,314,417 | 21,314,417 |

## 30. CONTINGENCIES

| (a) Commitments | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Undrawn credit facilities | **1,016,929** | 2,967,762 | 2,201,430 |
| ***Segment A*** | | | |
| Undrawn credit facilities | **657,825** | 862,616 | 1,019,059 |
| ***Segment B*** | | | |
| Undrawn credit facilities | **359,104** | 2,105,146 | 1,182,371 |

| (b) Pledged assets | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Government Bonds (Segment A) * | **227,000** | 202,000 | 217,000 |

| (c) Contingent liabilities | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Acceptances on account of customers | **347,010** | 83,273 | 34,441 |
| Guarantees on account of customers | **1,083,764** | 1,230,975 | 822,069 |
| Letters of credit and other obligations on account of customers | **69,974** | 365,457 | 365,643 |
| Foreign exchange contracts | **1,928** | 116,518 | 37,318 |
| Other contingent items | **-** | 1,009 | 916 |
| | **1,502,676** | 1,797,232 | 1,260,387 |
| ***Segment A*** | | | |
| Acceptances on account of customers | **1,219** | - | - |
| Guarantees on account of customers | **666,785** | 783,345 | 568,010 |
| Letters of credit and other obligations on account of customers | **3,102** | 7,730 | 14,814 |
| Foreign exchange contracts | **1,928** | 116,518 | 37,318 |
| Other contingent items | **-** | 1,009 | 916 |
| | **673,034** | 908,602 | 621,058 |
| ***Segment B*** | | | |
| Acceptances on account of customers | **345,791** | 83,273 | 34,441 |
| Guarantees on account of customers | **416,979** | 447,629 | 254,049 |
| Letters of credit and other obligations on account of customers | **66,872** | 357,728 | 350,829 |
| | **829,642** | 888,630 | 639,319 |

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





## 31. RELATED PARTIES

Related parties are individuals and companies where the individual or company, directly or indirectly, has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The table below lists all balances and transactions conducted with related parties which are measured in accordance with the accounting policies disclosed under note 2, for the respective line items.

| | | 2021 | 2020 Restated | 2019 Restated |
|---|---|---|---|---|
| **Balances at year end:** | **Nature of relationship** | **Rs 000** | Rs 000 | Rs 000 |
| Placements with banks | Holding company | **1,773,250** | 3,008,914 | 2,108,870 |
| | Related companies | **98,170** | - | - |
| Loans and advances (Note a) | Holding company* | **11,796** | - | - |
| | Related companies* | **67,108** | 265,728 | 644,430 |
| | Key management personnel | **30,358** | 24,966 | 25,376 |
| Deposits | Related companies | **3,146,682** | 2,323,403 | 585,736 |
| | Key management personnel** | **32,274** | 31,828 | 25,693 |
| Cash and Cash equivalent | Holding company | **-** | 275,344 | 24,455 |
| | Related companies | **318,336** | 48 | - |
| | Subsidiary | **-** | 44,732 | 210 |
| Borrowed funds (Note b) | Related companies | **3,351,964** | 4,258,597 | 5,391,591 |
| **Transactions during the year:** | | | | |
| Income from swap | Holding company | **732** | 653 | 6,639 |
| (Loss) / Gain from foreign exchange transactions | Holding company** | **(64)** | (1,142) | 3,640 |
| | Related companies** | **575** | 638 | - |
| Profit on sale of subsidiary | Holding company | **15,932** | - | - |
| | Related companies | **6,917** | - | - |
| Interest expense | Holding company | **-** | 126,876 | - |
| | Related companies | **75,886** | 10,313 | 86,194 |
| | Key management personnel | **157** | 77 | 51 |
| Interest income | Holding company | **13,761** | 9,498 | 21,554 |
| | Related companies | **2,911** | 8,673 | 8,212 |
| | Key management personnel | **882** | - | - |
| Fee and commission | Holding company | **-** | 1,138 | 3,200 |
| Fee and commission | Related companies | **922** | 428 | 4,800 |
| Fee and commission | Subsidiary | **-** | 909 | - |
| Management fee expense | Holding company** | **8,134** | 8,540 | 8,388 |
| Management fee income | Subsidiary | **-** | 10,000 | 10,000 |
| Reversal of previous management fee | Holding company | **(16,928)** | - | - |

*** Exposure of the Bank's top two related parties as at 31 December 2021 were Rs 67.08M and Rs 11.80M.**
**** The Bank has restated each of these line items for prior years. Please refer to note 33 for the correction of errors.**
**In addition, none of the credit facilities granted to the related parties was non-performing as at 31 December 2021.**
**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.**

## 31. RELATED PARTIES (Continued)

### 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:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Short-term employees benefits (excluding remuneration and benefits paid to directors) | **46,097** | 45,573 | 44,942 |
| Directors remuneration and benefits | **15,189** | 10,661 | 11,659 |
| Post-employment benefits | **2,680** | 2,910 | 2,687 |
| | **63,966** | 59,144 | 59,288 |

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





## 32. FINANCIAL RISK REVIEW

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Board of Directors is ultimately responsible for risk management. It approves the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Bank operates.

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

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

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

- governance committees;
- governance documents.

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

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

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

The Bank use the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of risks.

The first line of defence is made up of the management of business lines as the originators of risk. The second line of defence functions provide independent oversight of risks by the Risk and Compliance Management Functions. They support management in ensuring that their respective risks are effectively managed as close to the source as possible.

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

### (b) Credit Risk

The below notes were erroneously omitted in the financial statements of the prior years and have been included in the current year under note 32 (b).

- Credit quality analysis
- Financial assets modified during the year
- Loss allowance - significant changes in gross carrying amount
- Credit risk mitigation - collateral

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 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 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 reportings 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 | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Total neither past due nor credit impaired | 3,309,936 | 1,636,335 | 1,328,821 |
| Individually impaired | - | - | - |
| Total | 3,309,936 | 1,636,335 | 1,328,821 |





### (b) Credit Risk (Continued)

#### CREDIT PORTFOLIO ANALYSIS – CREDIT QUALITY (Continued)

| | Loans and advances to customers | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Total neither past due nor credit impaired | 12,027,015 | 10,350,005 | 12,272,035 |
| Past due but not credit impaired | | | |
| due up to 30 days | 499,728 | 1,485,498 | 624,912 |
| 31-90 days | 29,380 | 64,287 | 358,797 |
| 91-180 days | 614,949 | 1,669 | 93,565 |
| 180 days+ | 64,885 | 14,170 | 48,370 |
| Total past due but not credit impaired | 1,208,942 | 1,565,624 | 1,125,644 |
| Individually impaired | 1,110,242 | 1,125,330 | 653,051 |

| | Investment securities | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Total neither past due nor credit impaired | 2,222,586 | 2,312,089 | 2,358,498 |
| Individually impaired | 239,560 | 231,231 | 186,965 |
| Total | 2,462,146 | 2,543,320 | 2,545,463 |

#### CREDIT PORTFOLIO ANALYSIS – ALLOWANCE FOR IMPAIRMENT

| | Loans and advances to banks | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Total allowance for impairment - Collective | 15,895 | 5,701 | 12,837 |

| | Loans and advances to customers | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs000 |
| Allowance for impairment | | | |
| Specific | 674,576 | 662,223 | 449,534 |
| Collective | 273,223 | 223,064 | 169,657 |
| Total allowance for impairment | 947,799 | 885,287 | 619,191 |

| | Investment securities | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Total allowance for impairment - Specific | 239,560 | 208,108 | 153,793 |

## LOANS AND ADVANCES MODIFIED

Renegotiated loans and advances (including request for moratoriums due to COVID-19) 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* | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Gross carrying amount | **24,951** | 53,432 | 55,217 |
| *Out of which fully impaired* | ***4,730*** | *15,095* | *43,425* |
| Allowance for impairment | **(881)** | (1,875) | (22,269) |
| Net carrying amount | **24,070** | 51,557 | 32,948 |

| | Loans and advances to customers* | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Financial assets modified during the year | | | |
| Gross carrying amount* | **9,757** | 39,974 | 1,305 |

***The credit risk disclosure relating to the gross carrying amount of financial assets modified during the period was incomplete for the prior years. The disclosure has been expanded and prior periods restated to resolve this error.**

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

## 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.





## CREDIT PORTFOLIO ANALYSIS-BY RISK GRADE (Continued)

| | Loans and advances to Banks | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Outstanding exposure | | | |
| Grade 0-4 | **15,626** | 34,914 | 24,825 |
| Grade 5-6 | **-** | - | - |
| Grade 7-9 | **3,294,310** | 1,601,421 | 1,303,996 |
| Grade X (credit-impaired) | **-** | - | - |
| No credit grading | **-** | - | - |
| Total gross amount | **3,309,936** | 1,636,335 | 1,328,821 |
| Allowance for impairment (specific and collective) | **(15,895)** | (5,701) | (12,837) |
| Net carrying amount | **3,294,041** | 1,630,634 | 1,315,984 |
| Off balance sheet | | | |
| Grade 0-4 | **-** | - | - |
| Grade 5-6 | **-** | - | - |
| Grade 7-9 | **410,242** | 870,365 | 350,716 |
| Grade X (credit-impaired) | **-** | - | - |
| No credit grading | **-** | - | - |
| Total exposure | **410,242** | 870,365 | 350,716 |

| | Loans and advances to customers | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | Rs 000 | Rs 000 | Rs 000 |
| Grade 0-4 | **6,375,985** | 6,478,974 | 4,250,192 |
| Grade 5-6 | **3,193,994** | 3,590,872 | 3,294,269 |
| Grade 7-9 | **3,665,978** | 1,844,289 | 5,853,205 |
| Grade X (credit-impaired) | **1,110,242** | 1,126,824 | 653,064 |
| No credit grading | **-** | - | - |
| Total gross amount | **14,346,199** | 13,040,959 | 14,050,730 |
| Allowance for impairment (specific and collective) | **(947,799)** | (885,287) | (619,191) |
| Net carrying amount | **13,398,400** | 12,155,672 | 13,431,539 |
| Off balance sheet | | | |
| Grade 0-4 | **1,956,918** | 3,080,037 | 2,162,446 |
| Grade 5-6 | **76,104** | 470,740 | 224,349 |
| Grade 7-9 | **73,712** | 223,778 | 743,818 |
| Grade X (credit-impaired) | **700** | 3,556 | 3,972 |
| No credit grading | **-** | - | - |
| Total exposure | **2,107,434** | 3,778,111 | 3,134,585 |

### CREDIT QUALITY ANALYSIS

**2021**

| | 12-month PD ranges | Rs 000 Stage 1 | Rs 000 Stage 2 | Rs 000 Stage 3 | Rs 000 Purchased credit-impaired | Rs 000 Total |
|---|---|---|---|---|---|---|
| **Loans and advances to banks at amortised cost** | | | | | | |
| Grade 0-4 | 0 - 0.07 | 15,626 | - | - | - | 15,626 |
| Grade 5-6 | 0.01 - 0.05 | - | - | - | - | - |
| Grade 7-9 | 0.01 - 0.07 | 3,294,310 | - | - | - | 3,294,310 |
| 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 5-6 | 0.01 - 0.05 | 3,183,792 | 10,202 | - | - | 3,193,994 |
| Grade 7-9 | 0.01 - 0.07 | 2,190,764 | 1,475,214 | - | - | 3,665,978 |
| Grade X (Credit-impaired) | 100 | - | - | 1,108,654 | 1,588 | 1,110,242 |
| Gross carrying amount | | 10,997,839 | 2,238,118 | 1,108,654 | 1,588 | 14,346,199 |
| Loss allowance | | (161,319) | (111,904) | (674,001) | (575) | (947,799) |
| Carrying amount | | 10,836,520 | 2,126,214 | 434,653 | 1,013 | 13,398,400 |

**2020***

| | 12-month PD ranges | Rs 000 Stage 1 | Rs 000 Stage 2 | Rs 000 Stage 3 | Rs 000 Purchased credit-impaired | Rs 000 Total |
|---|---|---|---|---|---|---|
| **Loans and advances to banks at amortised cost** | | | | | | |
| Grade 0-4 | 0.01-0.06 | 34,914 | - | - | - | 34,914 |
| Grade 5-6 | 0.01-0.06 | - | - | - | - | - |
| Grade 7-9 | 0.01-0.06 | 1,601,421 | - | - | - | 1,601,421 |
| Grade X (Credit-impaired) | 100 | - | - | - | - | - |
| Gross carrying amount | | 1,636,335 | - | - | - | 1,636,335 |
| Loss allowance | | (5,701) | - | - | - | (5,701) |
| Carrying amount | | 1,630,634 | - | - | - | 1,630,634 |
| **Loans and advances to customers at amortised cost** | | | | | | |
| Grade 0-4 | 0.01-0.06 | 4,794,746 | 1,674,641 | - | - | 6,469,387 |
| Grade 5-6 | 0.01-0.06 | 3,556,929 | 33,972 | - | - | 3,590,901 |
| Grade 7-9 | 0.01-0.06 | 1,528,756 | 326,502 | - | - | 1,855,258 |
| Grade X (Credit-impaired) | 100 | - | - | 1,125,413 | - | 1,125,413 |
| Gross carrying amount | | 9,880,430 | 2,035,115 | 1,125,413 | - | 13,040,959 |
| Loss allowance | | (130,413) | (92,651) | (662,223) | - | (885,287) |
| Carrying amount | | 9,750,017 | 1,942,464 | 463,190 | - | 12,155,672 |





### CREDIT QUALITY ANALYSIS (Continued)

**2019***

| | 12-month PD ranges | Rs 000 Stage 1 | Rs 000 Stage 2 | Rs 000 Stage 3 | Rs 000 Purchased credit-impaired | Rs 000 Total |
|---|---|---|---|---|---|---|
| **Loans and advances to banks at amortised cost** | | | | | | |
| Grade 0-4 | 0.01-0.04 | 24,825 | - | - | - | 24,825 |
| Grade 5-6 | 0.01-0.06 | - | - | - | - | - |
| Grade 7-9 | 0.01-0.04 | 1,303,996 | - | - | - | 1,303,996 |
| Grade X (Credit-impaired) | 100 | - | - | - | - | - |
| Gross carrying amount | | 1,328,821 | - | - | - | 1,328,821 |
| Loss allowance | | (12,837) | - | - | - | (12,837) |
| Carrying amount | | 1,315,984 | - | - | - | 1,315,984 |
| **Loans and advances to customers at amortised cost** | | | | | | |
| Grade 0-4 | 0.01-0.04 | 3,670,025 | 580,167 | - | - | 4,250,192 |
| Grade 5-6 | 0.01-0.06 | 3,193,960 | 100,309 | - | - | 3,294,269 |
| Grade 7-9 | 0.01-0.04 | 5,714,715 | 138,489 | - | - | 5,853,205 |
| Grade X (Credit-impaired) | 100 | - | - | 653,064 | - | 653,064 |
| Gross carrying amount | | 12,578,701 | 818,965 | 653,064 | - | 14,050,730 |
| Loss allowance | | (158,511) | (10,729) | (449,951) | - | (619,191) |
| Carrying amount | | 12,420,190 | 808,236 | 203,113 | - | 13,431,539 |

***The credit risk disclosure relating to the credit quality analysis by rating grade and stage during the period was incomplete for the prior years. The disclosure has been expanded and prior periods restated to resolve this error.**

### CREDIT PORFOLIO ANALYSIS - BY MARKET

| | 2021 | | | | 2020 | 2019 |
|---|---|---|---|---|---|---|
| | 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 | 3,309,936 | - | - | 3,309,935 | 1,636,335 | 1,328,821 |
| Loss allowance | (15,895) | - | - | (15,895) | (5,701) | (12,837) |
| **Carrying amount** | 3,294,041 | - | - | 3,294,041 | 1,630,634 | 1,315,984 |
| **Off-balance sheet (loan commitments)** | | | | | | |
| Banks and financial institutions | 410,242 | - | - | 410,242 | 870,365 | 350,716 |
| Total | 410,242 | - | - | 410,242 | 870,365 | 350,716 |

| | 2021 | | | | 2020 | 2019 |
|---|---|---|---|---|---|---|
| | 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** | | | | | | |
| Corporates | 6,927,934 | 2,192,713 | 873,328 | 9,993,975 | 8,927,698 | 9,707,875 |
| Retail | 175,980 | 13,891 | 214,660 | 404,531 | 401,458 | 757,767 |
| Banks and financial institutions | 534,065 | 88 | - | 534,153 | 16 | 282,257 |
| Mortgages | 3,359,860 | 31,426 | 22,254 | 3,413,540 | 3,711,787 | 3,302,831 |
| | 10,997,839 | 2,238,118 | 1,110,242 | 14,346,199 | 13,040,959 | 14,050,730 |
| Loss allowance | (161,319) | (111,904) | (674,576) | (947,799) | (885,287) | (619,191) |
| **Carrying amount** | 10,836,520 | 2,126,214 | 435,666 | 13,398,400 | 12,155,672 | 13,431,539 |
| **Off-balance sheet (loan commitments)** | | | | | | |
| Corporates | 1,999,982 | - | 700 | 2,000,682 | 3,591,700 | 2,819,645 |
| Retail | 48,580 | - | - | 48,580 | 40,835 | 44,706 |
| Banks and financial institutions | - | - | - | - | - | 150,845 |
| Mortgages | 58,173 | - | - | 58,172 | 145,576 | 119,389 |
| Total | 2,106,735 | - | 700 | 2,107,434 | 3,778,111 | 3,134,585 |
| **Investment securities at amortised cost** | | | | | | |
| Corporate bond | - | - | 239,560 | 239,560 | 231,231 | 186,965 |
| Loss allowance | - | - | (239,560) | (239,560) | (208,108) | (153,793) |
| Carrying amount | - | - | - | - | 23,123 | 33,172 |





### CREDIT PORFOLIO ANALYSIS - BY MARKET (Continued)

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

The above segments have been aligned with Basel and loans & advances and loan commitments (on a contract basis) are categorised within the above segments. The classification considers that:

- Each counterparty with a real estate loan contract, regardless of its risk segment (individuals or corporate), is allocated to the IFRS 9 segment Mortgage / Real Estate.
- Each counterparty with at least one commitment that does not fall into the Mortgage/Real Estate category is allocated to an IFRS 9 asset segment according to its risk segment.

### 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 |

**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 consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the 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.





**2) Definition of default and credit-impaired assets (Continued)**

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).

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 32 (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 (i.e. only available from April 2016 following change in MIS).

For the previous reporting period, the PD has been estimated from a transition perspective over a select timeframe, i.e. "value of new" doubtful loans in year N expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Mortgage, Banking and Financial Institutions and Sovereigns.

For the current reporting period, the PD has been estimated from a transition perspective over a select timeframe, i.e. "number of new" arrears and excesses more than 30 days expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Banking and Credit Institutions, Mortgage and Sovereigns.

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

Key assumptions for Stage 1 and Stage 2 (Continued)

*Probability of default (Continued)*

The lifetime PD is estimated for all contracts with a remaining maturity of more than 1 year. The lifetime PD is derived as follows: The notion of probability of default at maturity will be calculated on the number of years remaining per contract. This allows, for the outstanding amounts in bucket 2, to translate the cumulative effect of expected losses on the years remaining of the contracts.

*Exposure at Default*

The Exposure at Default considers the current outstanding amounts of the loan book at the reporting date and loan commitments (off balance sheet items which include trade financing facilities, undrawn credit facilities amongst others).

For loan commitments, the exposure at default is estimated by considering the current drawn balance at the reporting date and adjusting it with a "Credit Conversion Factor (CCF)" which allows for the expected drawdown of the remaining limit by the time of default. These CCF are in line with the BOM requirements. In estimating the Lifetime PD, the EAD at the reporting date will be considered as the EAD throughout the lifetime of the credit facility (as explained above).

*Loss Given Default*

LGD is the magnitude of the likely loss if there is a default. The 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 select 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 original 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 sectorwise growth rates for Segment A while for Segment B, the ratings of countries have been taken into consideration. The forecast of the sectorwise growth rates are obtained from Bank of Mauritius on a monthly basis. For segment B, the ratings of countries are taken from Moody's, Fitch and Standard and Poor.

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 rating agencies Moody's, Fitch and Standard and Poor. To take into consideration the impact of the pandemic COVID-19, the Bank has revised its economic forecasts used as an input into ECL during the year 2020 by increasing the parameters by 5%.

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.

Actually, 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 plays 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
- 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 including COVID-19 impacts/ Inclusion of Mauritius as high-risk juridiction
- 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
- Defaults in payments

## 32. FINANCIAL RISK REVIEW (Continued)

### (b) Credit Risk (Continued)

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

For the year 2022, our key challenges in updating our ECL calculation model are:

- Availability of the external reliable information such as ratings of the companies, macroeconomic factors, discount rates etc. to be used in the ECL calculation model
- Availability of internal historical data in the required detailed level to formulate the trends and to customise the calculations
- Application of company and sector-specific details into the ECL model
- Documentation of the calculation models and assumptions used, enabling the update of data in the model as and when required
- Incorporating the changes into an existing ECL model for any major change in the business of the company or fluctuations in the economy in which the company is operating.

ECL calculation involves consideration of macro-economic factors such as GDP growth. Uncertainty that the pandemic has created all across the world has made it very difficult with respect to the forecasts and projections relating to these economic factors used in arriving at the assumptions in the ECL models. For example, most of the regions have been facing a negative GDP growth since 2020 because of the pandemic compared to a positive growth percentage of the previous year. This change has significantly impacted the ECL results and companies find it extremely challenging in updating the ECL working models to incorporate this economic decline due to its unpredictable nature. Also, another major impact of this declining economic scenario happens to be in the fair valuation of assets held as collateral as part of the calculation of one of the major factor of ECL computation which is "LGD" (Loss Given Default).

With the continual support of its Group experts, the Bank is actually in the process of reviewing its ECL calculation model to ensure that it takes into consideration the above to ensure calculations at an optimum level.

If all Stage 1 instruments were classified in Stage 2, the impact would be an increase in ECL amounting to Rs 208 M and a decrease of Rs 56 M if all Stage 2 instruments were classified in Stage 1. If all economic scenarios were weighted at 100%, the impact on ECL would be a decrease of Rs 23 M.





## 32. FINANCIAL RISK REVIEW (Continued)

### (b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

#### 5) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2020 and 2019 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

| | 2021 | | | | 2020 | 2019 |
|---|---|---|---|---|---|---|
| | 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 | 5,701 | - | - | 5,701 | 12,837 | - |
| New financial assets purchased | 11,488 | - | - | 11,488 | 2,526 | 2,128 |
| Net remeasurement of loss allow-ance | (1,294) | - | - | (1,294) | (9,662) | - |
| Sub-total | 15,895 | - | - | 15,895 | 5,701 | 2,128 |
| Adjustment for BOM Guidelines * | - | - | - | - | - | 10,709 |
| Balance at 31 December | 15,895 | - | - | 15,895 | 5,701 | 12,837 |
| **Loans and advances to customers at amortised cost** | | | | | | |
| Balance at 01 January | 130,413 | 92,651 | 662,223 | 885,287 | 619,191 | 631,966 |
| Transfer to Stage 1 | 10,480 | (2,313) | (8,167) | - | - | - |
| Transfer to Stage 2 | (7,328) | 12,328 | (5,000) | - | - | - |
| Transfer to Stage 3 | (103) | (168) | 271 | - | - | - |
| New financial assets purchased | 20,564 | 1 | 103 | 20,668 | 3,706 | 33,042 |
| Net remeasurement of loss allow-ance | 7,293 | 9,405 | 49,103 | 65,801 | 263,524 | (48,766) |
| Write-offs | - | - | (363) | (363) | (11,848) | (24,908) |
| Foreign exchange and other movements | - | - | (23,594) | (23,594) | 10,714 | 3,889 |
| Subtotal | 161,319 | 111,904 | 674,576 | 947,799 | 885,287 | 595,223 |
| Adjustment for BOM Guidelines * | - | - | - | - | - | 23968 |
| Balance at 31 December | 161,319 | 111,904 | 674,576 | 947,799 | 885,287 | 619,191 |
| **Investment securities at amortised cost** | | | | | | |
| Balance at 01 January | - | - | 208,108 | 208,108 | 153,793 | 94,549 |
| Net remeasurement of loss allow-ance | - | - | 34,024 | 34,024 | 20,610 | 55,546 |
| Foreign exchange and other movements | - | - | (2,572) | (2,572) | 33,705 | 3,698 |
| Sub-total | - | - | 239,560 | 239,560 | 208,108 | 153,793 |
| Adjustment for BOM Guidelines * | - | - | - | - | - | - |
| Balance at 31 December | - | - | 239,560 | 239,560 | 208,108 | 153,793 |

*The Bank also computes specific provision and general provisions in line with the requirements of the Bank of Mauritius's Credit Impairment Guideline which has been put on hold since March 2020 and until further notice due to the Covid-19 pandemic impacts.

## 32. FINANCIAL RISK REVIEW (Continued)

### (b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

**5) Loss allowance (Continued)**

As regards 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
- 1% of standard credit facilities for commercial real estates; 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 (15% to 100%) based on the number of days in NPL, the asset being secured or unsecured and the expected recovery/cash flows. The guidelines also provide the basis for estimating the net realisable value of the collateral. The realisable value of any security should be appraised at least every 2 years, either internally in case the financial institution has developed in-house expertise or by an independent appraiser. The realisable value of any security not appraised for more than two years (either internal or external) will be taken as zero.

The Bank has set up an IFRS 9 model committee, which takes place at least once a year, to review the results of the back-testing studies that are carried out with regular reviews of the parameters of the IFRS 9 general provision model (PD, LGD, Forward Looking) to cater for any subsequent impacts.

*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.





## 32. FINANCIAL RISK REVIEW (Continued)

### (b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

**5) Loss allowance (Continued)**

*General and Portfolio Provisioning (Continued)*

A reconciliation of the level of General Provisions and Macro Prudential Provisions are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Gross Loans and advances to customers | **14,346,199** | 13,040,959 | 14,050,730 |
| Add Loans and advances to banks not qualified for exemption | **3,309,936** | 1,636,335 | 1,328,821 |
| Add Interest receivable | **-** | - | - |
| Add credit balances eligible for set off | **-** | - | - |
| Less Impaired loans | **(1,110,242)** | (1,125,330) | (653,064) |
| 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** | **16,545,893** | 13,551,964 | 14,726,487 |
| 1% General Provision | **-** | - | 147,554 |
| 0.5% Macro Prudential Provision | **-** | - | 34,940 |
| **Total General and Macro Prudential Provision** | **-*** | - * | 182,494 |

* Since the Guideline on Credit Impairment and Income Recognition has been suspended by Bank of Mauritius due to COVID-19 pandemic, only IFRS 9 provisions have been calculated in year 2021. Therefore, there was no split between Macro Prudential Provision and Additional Portfolio Provision.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Balance Sheet General Provision | **289,117** | 228,765 | 182,494 |
| General Reserve | **-** | - | - |
| Balance Sheet General Provision | **289,117** | 228,765 | 182,494 |

## 32. 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.

| | 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) | - | - |

| | 2020 | | |
|---|---|---|---|
| | Impact: increase (decrease) | | |
| | Stage 1 | Stage 2 | Stage 3 |
| | Rs 000 | Rs 000 | Rs 000 |
| Loans and advances to customers at amortised cost | | | |
| Reclassificaton of clients under the tourism sector under stage 2 due to COVID 19 by Rs 1,477 M | - | 69,055 | - |
| A decrease in term loans reduced the global business portfolio by Rs 1,421 M | (10,720) | - | - |
| Loans and advances to banks at amortised cost | | | |
| Increase in the financial institution portfolio by Rs 371 M | 2,718 | - | - |

| | 2019 | | |
|---|---|---|---|
| | 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 the corporate and global business portfolio by Rs 5,330 M following disbursement of investment loans and syndicated loans | 37,532 | - | - |
| Decrease in retail portfolio by Rs 30 M due to a reduction in housing, personal and vehicle loans | (34,588) | - | - |
| Decrease in Corporate portfolio by Rs 2,347 M due to reclassification into Bucket 1 | - | (19,979) | - |
| Loans and advances to banks at amortised cost | | | |
| Acquisition of new clients in the financial institution by Rs 1,647 M | 5,718 | - | - |





## 32. FINANCIAL RISK REVIEW (Continued)

### (b) Credit Risk (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 Guidelines on Credit Concentration Risk. The table below shows the "Large exposures" as at 31 December 2021.

| Customer / Group of closely related customers | Total exposures after set offs (MMUR) | % of Bank's capital base |
|---|---|---|
| 1 | 887 | 40% |
| 2 | 714 | 33% |
| 3 | 629 | 29% |
| 4 | 604 | 27% |
| 5 | 491 | 22% |
| 6 | 450 | 20% |
| 7 | 443 | 20% |
| 8 | 437 | 20% |
| 9 | 434 | 20% |
| 10 | 433 | 20% |
| 11 | 433 | 20% |
| 12 | 433 | 20% |
| 13 | 422 | 19% |
| 14 | 415 | 19% |
| 15 | 413 | 19% |
| 16 | 406 | 19% |
| 17 | 398 | 18% |
| 18 | 376 | 17% |
| 19 | 373 | 17% |
| 20 | 346 | 16% |
| 21 | 345 | 16% |
| 22 | 342 | 16% |
| 23 | 321 | 15% |
| 24 | 318 | 14% |
| 25 | 310 | 14% |
| 26 | 295 | 13% |
| 27 | 278 | 13% |
| 28 | 268 | 12% |
| 29 | 245 | 11% |
| 30 | 243 | 11% |
| 31 | 227 | 10% |
| 32 | 217 | 10% |
| 33 | 217 | 10% |
| 34 | 216 | 10% |
| 35 | 200 | 9% |
| **Aggregated exposure of "Large Exposures"** | **13,580** | **618%** |

## Sector wise distribution

| Loans and advances to customers | 2021 | 2020 | 2019 |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| Agriculture and fishing | **1,004,090** | 808,442 | 624,288 |
| Manufacturing | **1,088,709** | 848,602 | 1,321,598 |
| Tourism | **1,419,213** | 1,345,011 | 1,116,291 |
| Transport | **281,404** | 354,452 | 13,566 |
| Construction | **3,863,493** | 4,204,327 | 4,319,414 |
| Financial and business services | **1,627,674** | 553,233 | 1,522,900 |
| Traders | **650,896** | 1,225,508 | 1,130,200 |
| Personal | **358,774** | 353,348 | 361,848 |
| Professional | **60,759** | 63,110 | 71,223 |
| Global business licence holders | **1,555,770** | 885,749 | 940,236 |
| Others | **2,435,417** | 2,399,177 | 2,629,166 |
| Total amount | **14,346,199** | 13,040,959 | 14,050,730 |

## Country wise distribution

| Loans and advances to banks | 2021 | 2020 | 2019 |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| Togo | **1,106,867** | 608,223 | 1,026,602 |
| Mauritius | **432,500** | - | 24825 |
| Madagascar | **-** | 24,785 | 1 |
| France | **3,830** | 257,160 | 19,683 |
| Guinee | **178,347** | 9,453 | - |
| Kenya | **-** | 22,454 | - |
| Morocco | **11,796** | 34,914 | 570 |
| Niger | **78,975** | 120,775 | - |
| Nigeria | **-** | 157,381 | - |
| Burkina Faso | **193,691** | 332,150 | 236,973 |
| Senegal | **-** | 69,017 | - |
| Ivory Coast | **406,448** | 23 | 20,167 |
| Cameroon | **67,082** | - | - |
| Rwanda | **216,250** | - | - |
| Ghana | **614,150** | - | - |
| Total amount | **3,309,936** | 1,636,335 | 1,328,821 |





## Country wise distribution (Continued)

| Loans and advances to customers | 2021 | 2020 | 2019 |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| | Bank | Bank | Bank |
| Australia | **8,189** | 11,367 | 10,606 |
| Germany | **868** | 962 | 895 |
| Bahrain | **47,520** | 33,531 | 28,843 |
| Belgium | **10,964** | - | - |
| Cameroun | **1,843** | 2,497 | 2653 |
| Canada | **509** | 3,192 | 3,403 |
| Congo | **52** | 3,104 | 3,177 |
| France | **130,486** | 299,307 | 282,508 |
| Guinea | **9** | - | - |
| Hong-Kong | **16,381** | - | 202975 |
| Italy | **2,365** | 2,539 | 2,688 |
| Ivory Coast | **36,411** | 37,632 | 398,446 |
| Luxembourg | **-** | - | 1 |
| Madagascar | **21,173** | 18,207 | 15,713 |
| Maldives | **-** | 324 | 358 |
| Mali | **36** | 38 | - |
| Mauritius | **11,996,004** | 11,267,675 | 11,815,676 |
| Netherlands | **-** | - | 363,500 |
| Qatar | **11,310** | 7,137 | - |
| Reunion | **145,065** | - | - |
| Rwanda | **474** | - | - |
| Senegal | **-** | 20 | - |
| Seychelles | **1,888** | 1,937 | 2,062 |
| Singapore | **479,526** | 429,567 | 32,507 |
| South Africa | **23,951** | 24,228 | 27,194 |
| Switzerland | **51,593** | 56,895 | 51,677 |
| United Arab Emirates | **450,196** | 794,835 | 761,624 |
| United Kingdom | **894,937** | 30,786 | 31,162 |
| Thailand | **2,593** | 2,688 | 2,775 |
| Zimbabwe | **11,856** | 12,491 | 10,287 |
| Total amount | **14,346,199** | 13,040,959 | 14,050,730 |

## (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 tables illustrates credit risk exposure before and after taking into account the effects of collateral.

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| **Loans and advances to customers** | **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** | **14,854,331** | **9,975,445** | 15,709,324 | 9,070,882 | 16,160,085 | 6,738,985 |
| **Stage 3** | **1,111,053** | **1,864,644** | 1,128,995 | 1,242,170 | 678,597 | 1,124,787 |

## (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.





## (c) Liquidity Risk (Continued)

| | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Non-maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **2021** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | **5,001,939** | **110,075** | **-** | **-** | **-** | **-** | **-** | **5,112,014** |
| 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** | **-** | **-** | **-** | **-** | **-** | **2,962,929** | **3,015,538** |
| | **8,146,951** | **3,353,368** | **2,666,775** | **1,273,911** | **1,623,113** | **7,977,478** | **3,204,238** | **28,245,834** |
| Less : allowances 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** | **(5,532,257)** | **264,235** | **2,292,744** | **(633,596)** | **(1,089,254)** | **7,192,141** | **569,676** | **3,063,689** |
| **Less : allowances for impairment** | | | | | | | | **(1,203,254)** |
| | | | | | | | | **1,860,435** |

| | 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 |
| 2020<br>**Assets** | | | | | | | | |
| Cash and cash equivalents | 6,294,347 | 3,523 | - | - | - | - | - | 6,297,870 |
| Loans and advances to banks | 628,275 | 465,624 | 500,569 | 37,634 | - | - | 4,233 | 1,636,335 |
| Loans and advances to customers | 731,878 | 1,181,448 | 308,609 | 101,754 | 764,147 | 8,617,515 | 1,335,608 | 13,040,959 |
| Investment securities | 66,071 | 328,521 | 250,439 | 904,861 | 891,473 | 101,955 | - | 2,543,320 |
| Other assets | 20,525 | - | - | - | - | - | 1,364,485 | 1,385,010 |
| | 7,741,096 | 1,979,116 | 1,059,617 | 1,044,249 | 1,655,620 | 8,719,470 | 2,704,326 | 24,903,494 |
| Less : allowances for credit impairment | | | | | | | | (1,099,096) |
| **Total assets** | | | | | | | | 23,804,398 |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 1,877,485 | 438,300 | - | - | - | - | 249,881 | 2,565,666 |
| Deposits from customers | 10,903,519 | 732,243 | 633,087 | 960,410 | 424,891 | 422,554 | - | 14,076,704 |
| Borrowed funds | - | 124,382 | 390,184 | 1,176,155 | 395,978 | 2,337,760 | - | 4,424,459 |
| Other liabilities and provision | 2,421 | 12,829 | 12,918 | 18,562 | 6,343 | 7,606 | 921,843 | 982,522 |
| Total liabilities | 12,783,425 | 1,307,754 | 1,036,189 | 2,155,127 | 827,212 | 2,767,920 | 1,171,724 | 22,049,351 |
| Equity | | | | | | | | 2,177,966 |
| **Total liabilities** | | | | | | | | 24,227,317 |
| **Net Liquidity Gap** | (5,042,329) | 671,362 | 23,428 | (1,110,878) | 828,408 | 5,951,550 | 1,532,602 | 2,854,143 |
| **Less : allowances for impairment** | | | | | | | | (1,099,096) |
| | | | | | | | | 1,755,047 |

### (c) Liquidity Risk (Continued)

| | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Non-maturity | Total |
|---|---|---|---|---|---|---|---|---|
| 2019 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 4,594,113 | 7,206 | - | - | - | - | - | 4,601,319 |
| Loans and advances to banks | 12,607 | 385,653 | 475,820 | 450,306 | - | - | 4,435 | 1,328,821 |
| Loans and advances to customers | 1,391,093 | 1,959,750 | 496,360 | 227,565 | 474,278 | 7,912,655 | 1,589,029 | 14,050,730 |
| Investment securities | 71,074 | 550,499 | 513,334 | 304,752 | 895,777 | 210,027 | - | 2,545,463 |
| Other assets | 38,016 | - | - | - | - | - | 1,549,845 | 1,587,861 |
| | 6,106,903 | 2,903,108 | 1,485,514 | 982,623 | 1,370,055 | 8,122,682 | 3,143,309 | 24,114,194 |
| Less : allowances for credit impairment | | | | | | | | (785,821) |
| **Total assets** | | | | | | | | 23,328,373 |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 1,014 | 585,559 | - | - | - | - | - | 586,573 |
| Deposits from customers | 9,993,089 | 1,259,545 | 679,035 | 682,878 | 980,064 | 555,038 | - | 14,149,649 |
| Borrowed funds | - | 384,388 | 1,080,814 | 850,431 | 232,647 | 3,041,615 | - | 5,589,895 |
| Other liabilities and provision | 12,192 | 14,643 | 10,791 | 20,721 | 19,807 | 7,297 | 1,061,675 | 1,147,126 |
| Total liabilities | 10,006,295 | 2,244,135 | 1,770,640 | 1,554,030 | 1,232,518 | 3,603,950 | 1,061,675 | 21,473,243 |
| Equity | | | | | | | | 2,399,544 |
| **Total liabilities** | | | | | | | | 23,872,787 |
| **Net Liquidity Gap** | (3,899,392) | 658,973 | (285,126) | (571,407) | 137,537 | 4,518,732 | 2,081,634 | 2,640,951 |
| **Less : allowance for impairment** | | | | | | | | (785,821) |
| | | | | | | | | 1,855,130 |





### (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.

INTEREST RATE RISK IN THE BANKING BOOK

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.

## 32. FINANCIAL RISK REVIEW (Continued)

### (d) Market Risk (Continued)

INTEREST RATE RISK IN THE BANKING BOOK (Continued)

| 2021 | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 2,909,214 | 375,144 | - | - | - | - | 1,827,656 | 5,112,014 |
| 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 | - | - | - | - | - | 2,962,929 | 3,015,538 |
| | 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 |

| 2020 | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 6,294,347 | 3,523 | - | - | - | - | - | 6,297,870 |
| Loans and advances to banks | 628,275 | 465,624 | 500,569 | 37,634 | - | - | 4,233 | 1,636,335 |
| Loans and advances to customers | 731,878 | 1,181,448 | 308,609 | 101,754 | 764,147 | 8,617,515 | 1,335,608 | 13,040,959 |
| Investment securities | 66,071 | 328521 | 250439 | 904,861 | 891,473 | 101,955 | - | 2,543,320 |
| Other assets | 20,525 | - | - | - | - | - | 1,364,485 | 1,385,010 |
| | 7,741,096 | 1,979,116 | 1,059,617 | 1,044,249 | 1,655,620 | 8,719,470 | 2,704,326 | 24,903,494 |
| Less : allowances for credit impairment | | | | | | | | (1,099,096) |
| Total assets | | | | | | | | 23,804,398 |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 1,877,485 | 438,300 | - | - | - | - | 249,881 | 2,565,666 |
| Deposits from customers | 10,903,392 | 730,600 | 628,934 | 947,967 | 410,114 | 379,563 | - | 14,000,570 |
| Borrowed funds | - | 124382 | 390,184 | 1,176,155 | 395,978 | 2,337,760 | - | 4,424,459 |
| Other liabilities and provision | 2,421 | 12,829 | 12,918 | 18,562 | 6,343 | 7,606 | 921,843 | 982,522 |
| Total liabilities | 12,783,298 | 1,306,111 | 1,032,036 | 2,142,684 | 812,435 | 2,724,929 | 1,171,724 | 21,973,217 |
| Interest rate sensitivity gap | (5,042,202) | 673,005 | 27,581 | (1,098,435) | 843,185 | 5,994,541 | 1,532,602 | 2,930,277 |
| Less : allowances for credit impairment | | | | | | | | (1,099,096) |
| | | | | | | | | 1,831,181 |
| Impact Analysis (decrease/increase) on 200 bps | | | | | | | | 49,506 |





## 32. FINANCIAL RISK REVIEW (Continued)

### (d) Market Risk (Continued)

INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

| 2019 | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | 4,594,113 | 7,206 | - | - | - | - | - | 4,601,319 |
| Loans and advances to banks | 12,607 | 385,653 | 475,820 | 450,306 | - | - | 4,435 | 1,328,821 |
| Loans and advances to customers | 1,391,093 | 1,959,750 | 496,360 | 227,565 | 474,278 | 7,912,655 | 1,589,029 | 14,050,730 |
| Investment securities | 71,074 | 550,499 | 513,334 | 304,752 | 895,777 | 210,027 | - | 2,545,463 |
| Other assets | 38,016 | - | - | - | - | - | 1,549,845 | 1,587,861 |
| | 6,106,903 | 2,903,108 | 1,485,514 | 982,623 | 1,370,055 | 8,122,682 | 3,143,309 | 24,114,194 |
| Less : allowances for credit impairment | | | | | | | | (785,821) |
| **Total assets** | | | | | | | | 23,328,373 |
| **Liabilities** | | | | | | | | |
| Deposits from banks | 1,014 | 585,559 | - | - | - | - | - | 586,573 |
| Deposits from customers | 9,992,117 | 1,253,397 | 670,861 | 667,245 | 923,068 | 484,135 | - | 13,990,823 |
| Borrowed funds | - | 384,388 | 1,080,814 | 850,431 | 232,647 | 3,041,615 | - | 5,589,895 |
| Other liabilities and provision | 12,192 | 14,643 | 10,791 | 20,721 | 19,807 | 7,297 | 1,061,675 | 1,147,126 |
| Total liabilities | 10,005,323 | 2,237,987 | 1,762,466 | 1,538,397 | 1,175,522 | 3,533,047 | 1,061,675 | 21,314,417 |
| Interest rate sensitivity gap | (3,898,420) | 665,121 | (276,952) | (555,774) | 194,533 | 4,589,635 | 2,081,634 | 2,799,777 |
| Less : allowances for credit impairment | | | | | | | | (785,821) |
| | | | | | | | | 2,013,956 |
| Impact Analysis (decrease/increase) on 200 bps | | | | | | | | 15,404 |

## 32. 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.

| 2021 | MUR<br>Rs 000 | USD<br>Rs 000 | GBP<br>Rs 000 | EUR<br>Rs 000 | Other<br>Rs 000 | Total<br>Rs 000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 1,188,774 | 2,124,608 | 22,554 | 1,695,702 | 80,376 | 5,112,014 |
| 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 | 716,914 | 259,563 | 3,556 | 2,044,787 | 7,188 | 3,032,008 |
| | 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 and provision | 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 |

| 2020 | MUR<br>Rs 000 | USD<br>Rs 000 | GBP<br>Rs 000 | EUR<br>Rs 000 | Other<br>Rs 000 | Total<br>Rs 000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 971,875 | 3,409,253 | 42,470 | 1,810,922 | 63,350 | 6,297,870 |
| Loans and advances to banks | - | 337,032 | 18,314 | 1,264,389 | 16,600 | 1,636,335 |
| Loans and advances to customers | 5,925,794 | 3,544,459 | 6,040 | 3,564,080 | 586 | 13,040,959 |
| Investment securities | 2,312,089 | - | - | 231,231 | - | 2,543,320 |
| Other assets | 734,542 | 116,531 | 3,555 | 542,290 | 1,574 | 1,398,492 |
| | 9,944,300 | 7,407,275 | 70,379 | 7,412,912 | 82,110 | 24,916,976 |
| Less : allowances for credit impairment | | | | | | (1,099,096) |
| Total assets | | | | | | 23,817,880 |
| **Liabilities** | | | | | | |
| Deposits from banks | 44 | 1,184,380 | - | 1,381,242 | - | 2,565,666 |
| Deposits from customers | 7,148,490 | 4,477,756 | 66,189 | 2,233,825 | 74,310 | 14,000,570 |
| Borrowed funds | - | 1,506,023 | - | 2,918,436 | - | 4,424,459 |
| Other liabilities | 337,102 | 2,467 | 4,188 | 630,966 | 7,799 | 982,522 |
| Total liabilities | 7,485,636 | 7,170,626 | 70,377 | 7,164,469 | 82,109 | 21,973,217 |
| Net on-balance sheet position | 2,458,664 | 236,649 | 2 | 248,443 | 1 | 2,943,759 |
| Less : allowances for credit impairment | | | | | | (1,099,096) |
| Net on-balance sheet position less allowances for credit impairment | | | | | | 1,844,663 |





## 32. FINANCIAL RISK REVIEW (Continued)

### (d) Market Risk (Continued)

CURRENCY RISK (Continued)

| 2019 | MUR<br>Rs 000 | USD<br>Rs 000 | GBP<br>Rs 000 | EUR<br>Rs 000 | Other<br>Rs 000 | Total<br>Rs 000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 662,159 | 2,358,373 | 18,399 | 1,482,290 | 80,098 | 4,601,319 |
| Loans and advances to banks | 24,825 | 12,609 | 3,665 | 1,271,134 | 16,588 | 1,328,821 |
| Loans and advances to customers | 6,596,075 | 4,419,651 | 12,932 | 3,022,072 | - | 14,050,730 |
| Investment securities | 2,358,498 | - | - | 186,965 | - | 2,545,463 |
| Other assets | 746,417 | 149,797 | 1,953 | 687,994 | 5,566 | 1,591,727 |
| | 10,387,974 | 6,940,430 | 36,949 | 6,650,455 | 102,252 | 24,118,060 |
| Less : allowances for credit impairment | | | | | | (785,821) |
| Total assets | | | | | | 23,332,239 |
| **Liabilities** | | | | | | |
| Deposits from banks | 57 | 383,536 | - | 202,980 | - | 586,573 |
| Deposits from customers | 7,519,431 | 4,088,148 | 30,807 | 2,269,277 | 83,160 | 13,990,823 |
| Borrowed funds | - | 2,379,926 | - | 3,209,969 | - | 5,589,895 |
| Other liabilities and provision | 309,916 | 36,454 | 6,139 | 775,524 | 19,093 | 1,147,126 |
| Total liabilities | 7,829,404 | 6,888,064 | 36,946 | 6,457,750 | 102,253 | 21,314,417 |
| Net on-balance sheet position | 2,558,570 | 52,366 | 3 | 192,705 | (1) | 2,803,643 |
| Less : allowances for credit impairment | | | | | | (785,821) |
| Net on-balance sheet position less allowances for credit impairment | | | | | | 2,017,822 |

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 1% movement to foreign currency risk exposures was used for the year 2020 and 2019 and a 6% change was used for year 2021.``

| | 2021<br>Rs 000 | 2020<br>Rs 000 | 2019<br>Rs 000 |
|---|---|---|---|
| Effect of change on profit or loss and equity | **30,497** | 9,702 | 2,451 |

### (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%.

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

**Implementation of new capital requirements under Basel III**

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

| | July 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | **2021** |
|---|---|---|---|---|---|---|---|
| | (All dates are as of 1 January) | | | | | | |
| Minimum CET 1 CAR | 6.0 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | 6.5 % | **6.5 %** |
| Capital Conservation Buffer | - | - | 0.625 % | 1.25 % | 1.875 % | 2.5 % | **2.5 %** |
| Minimum CET 1 CAR plus Capital Conservation Buffer | 6.0% | 6.5 % | 7.125 % | 7.75 % | 8.375 % | 9.0 % | **9.0 %** |
| Phase in of deductions from CET 1 | - | 50% | 60% | 80% | 100% | 100% | **100%** |
| Minimum Tier 1 CAR | 7.5 % | 8.0 % | 8.0 % | 8.0 % | 8.0 % | 8.0 % | **8.0 %** |
| Minimum Total CAR | 10.0 % | 10.0 % | 10.0 % | 10.0 % | 10.0 % | 10.0 % | **10.0 %** |
| Minimum Total CAR Plus Capital Conservation Buffer | 10.0 % | 10.0 % | 10.625 % | 11.25 % | 11.875% | 12.5 %* | **12.5 %*** |
| Capital instruments that no longer qualify as AT1 capital or Tier 2capital | Phased out over 10 year horizon beginning 1 July 2014 | | | | | | |

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





### (e) Capital Management (Continued)

CAPITAL STRUCTURE

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

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

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

As at 31st December 2021, 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:

| | **2021** | **2020** | 2019 |
|---|---|---|---|
| | **Rs 000** | **Rs 000** | Rs 000 |
| **BASEL III** | | | |
| **Tier 1 Capital** | | | |
| Authorised and fully paid up ordinary share capital (note 27) | **2,218,065** | 2,218,065 | 2,218,065 |
| Statutory reserve | **107,164** | 104,294 | 104,294 |
| Other disclosed free reserves, including undistributed balance in income statement | **(187,664)** | (210,464) | 54,439 |
| Deduct: | | | |
| Investment in subsidiary (note 18) | **-** | (62,653) | (69,396) |
| Intangible assets (note 20) | **(28,809)** | (37,284) | (52,001) |
| Deferred tax (note 12) | **(95,983)** | (92,459) | (86,995) |
| **CET 1 Capital** | **2,012,773** | 1,919,499 | 2,168,406 |
| **Additional Tier 1 Capital** | **-** | - | - |
| **Total Tier 1 Capital** | **2,012,773** | 1,919,499 | 2,168,406 |
| **Tier 2 Capital** | | | |
| Portfolio Provision (note 16)* | **211,181** | 197,732 | 182,495 |
| Deduct: | | | |
| Investment in subsidiary (note 18) | **-** | - | - |
| **Total Tier 2 Capital** | **211,181** | 197,732 | 182,495 |
| **Total Capital Base** | **2,223,954** | 2,117,231 | 2,350,901 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL RISK REVIEW (Continued)

### (e) Capital Management (Continued)

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.

| | | 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 bank | 0 – 150 | **3,057,344** | **-** |
| 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 | **2,602,462** | **2,602,462** |
| **Total Risk Weighted On-Balance Sheet Assets** | | **27,353,417** | **15,906,979** |

| 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** | **29,759,748** | **16,894,447** |



# NOTES TO THE FINANCIAL STATEMENTS

## 32. FINANCIAL RISK REVIEW (Continued)

### (e) Capital Management (Continued)

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

**Risk Weighted Assets for Credit Risk (Continued)**

| | | 2020 | |
|---|---|---|---|
| Risk Weighted On-Balance Sheet Assets | Risk Weight | Exposures after CRM | Risk Weighted Assets |
| | % | Rs 000 | Rs 000 |
| Cash items | 0 – 20 | 126,659 | - |
| Claims on Sovereigns | 0 – 150 | 2,243,900 | - |
| Claims on Central banks | 0 – 150 | 1,517,614 | - |
| Claims on Multilateral development banks | 0 – 150 | - | - |
| Claims on banks | 20 – 150 | 5,718,073 | 2,691,222 |
| Claims on non-central government public sector entities | 0 – 150 | - | - |
| Claims on corporates | 20 – 150 | 7,566,529 | 7,566,529 |
| Claims included in the regulatory retail portfolio | 75 | 101,685 | 76,263 |
| Claims secured by residential property | 35-100 | 3,609,983 | 1,601,178 |
| Claims secured by commercial real estate | 100-125 | 375,438 | 439,906 |
| Past due claims | 50-150 | 1,323,495 | 994,723 |
| Other assets | 100 | 1,024,296 | 1,024,296 |
| Total Risk Weighted On-Balance Sheet Assets | | 23,607,672 | 14,394,117 |

| Risk Weighted Off-Balance Sheet Assets | Credit Conversion Factor | Risk Weight | Exposures after CRM | Risk Weighted Assets |
|---|---|---|---|---|
| Transaction-related contingent items | 50 | 0-100 | 1,120,844 | 560,422 |
| Trade-related contingencies | 20 | 0-100 | 558,861 | 164,949 |
| Other commitments | 20 | 0-100 | 2,967,762 | 690,368 |
| Foreign exchange contracts | 2 | 100 | 116,308 | 8,669 |
| Total Risk Weighted Off-Balance Sheet Assets | | | 4,763,775 | 1,424,408 |

| | | |
|---|---|---|
| Total Risk Weighted On & Off-Balance Sheet Assets | 28,371,447 | 15,818,525 |

### (e) Capital Management (Continued)

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

**Risk Weighted Assets for Credit Risk (Continued)**

| | | 2019 | |
|---|---|---|---|
| Risk Weighted On-Balance Sheet Assets | Risk Weight | Exposures after CRM | Risk Weighted Assets |
| | % | Rs 000 | Rs 000 |
| Cash items | 0 – 20 | 138,019 | - |
| Claims on Sovereigns | 0 – 150 | 2,358,753 | - |
| Claims on Central banks | 0 – 150 | 2,291,303 | 532,821 |
| Claims on Multilateral development banks | 0 – 150 | - | - |
| Claims on banks | 20 – 150 | 4,267,710 | 1,478,178 |
| Claims on non-central government public sector entities | 0 – 150 | - | - |
| Claims on corporates | 20 – 150 | 9,236,361 | 9,236,361 |
| Claims included in the regulatory retail portfolio | 75 | 127,671 | 95,754 |
| Claims secured by residential property | 35-100 | 3,621,185 | 2,372,765 |
| Claims secured by commercial real estate | 100-125 | 197,476 | 197,473 |
| Past due claims | 50-150 | 234,859 | 244,175 |
| Other assets | 100 | 1,032,099 | 1,032,099 |
| Total Risk Weighted On-Balance Sheet Assets | | 23,505,436 | 15,189,626 |

| Risk Weighted Off-Balance Sheet Assets | Credit Conversion Factor | Risk Weight | Exposures after CRM | Risk Weight-ed Assets |
|---|---|---|---|---|
| Transaction-related contingent items | 50 | 0-100 | 830,619 | 415,309 |
| Trade-related contingencies | 20 | 0-100 | 415,663 | 83,133 |
| Other commitments | 20 | 0-100 | 2,201,430 | 607,978 |
| Foreign exchange contracts | 2 | 100 | 6,753 | 135 |
| Total Risk Weighted Off-Balance Sheet Assets | | | 3,454,465 | 1,106,555 |

| | | |
|---|---|---|
| Total Risk Weighted On & Off-Balance Sheet Assets | 26,959,901 | 16,296,181 |

In the face of the challenges posed by COVID-19 pandemic and its potential effect on economic activity, Bank of Mauritius has introduced the following measure in to provide flexibility to banks to support economic stakeholders, households and individuals impacted by the outbreak of COVID-19.

**Guideline on Standardised Approach to Credit Risk**

**Claims included in the regulatory retail portfolio**

The threshold for claims included in the regulatory retail portfolio is being increased from Rs 12 million to Rs 20 million.

**Claims secured by residential property**

The risk weight for claims secured by residential property excluding loans granted under the IRS and RES schemes is being reviewed as follows:

- 35% risk weight for the portion of loans up to Rs 10 million.
- 75% risk weight for the portion of loans greater than Rs 10 million and up to Rs 20 million.
- 100% risk weight for the portion of loans exceeding Rs 20 million.

**Claims on Bank of Mauritius denominated in currency other than the Mauritian Rupee**

Claims on Bank of Mauritius in currency other than the Mauritian Rupee will henceforth be risk-weighted at 0%.





### (e) Capital Management (Continued)

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 the Bank has been computed as follows:

- Annual gross income: Rs 544 million (2020: Rs 497 million, 2019: Rs 562 million)
- Average gross income over 3 years: Rs 534 million (2020: Rs 583 million, 2019: Rs 593 million)
- Capital charge for operational risk: Rs 80 million (2020: Rs 87 million, 2019: Rs 89 million)

**Risk Weighted Capital Adequacy Ratio**

The regulatory Capital Adequacy Ratio is as follows:

| | 2021 | 2020 Restated* | 2019 Restated* |
|---|---|---|---|
| | **Rs 000** | Rs 000 | Rs 000 |
| Core Equity Tier 1 Capital | **2,012,773** | 1,919,499 | 2,168,406 |
| Total Tier 1 Capital | **2,012,773** | 1,919,499 | 2,168,406 |
| Total Tier 2 Capital | **211,181** | 197,732 | 182,495 |
| **Total Capital Base** | **2,223,954** | 2,117,231 | 2,350,901 |
| **Risk Weighted Assets** | **17,707,760** | 16,709,204 | 17,190,861 |
| **CET 1 Ratio** | **11.37%** | 11.49% | 12.61% |
| Tier 1 Ratio | **11.37%** | 11.49% | 12.61% |
| Capital Adequacy Ratio | **12.56%** | 12.67% | 13.68% |

***The Bank has restated these figures for the prior years. Refer to Note 33 for more details on the correction of errors.**

### (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

| 2021 | Level 1 | Level 2 | Level 3 | Carrying amount |
|---|---|---|---|---|
| **Assets** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** |
| Cash and cash equivalents | - | 5,112,014 | - | 5,112,014 |
| 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 |

| 2020 | Fair Value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Carrying amount |
| **Assets** | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Cash and cash equivalents | - | 6,297,870 | - | 6,297,870 |
| Loans and advances to banks | - | 1,630,634 | - | 1,630,634 |
| Loans and advances to customers | - | 11,912,633 | 243,039 | 12,155,672 |
| **Liabilities** | | | | |
| Deposits from banks | - | 2,565,666 | - | 2,565,666 |
| Deposits from customers | - | 14,000,570 | - | 14,000,570 |
| Borrowed funds | - | 4,424,459 | - | 4,424,459 |

| 2019 | Fair Value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Carrying amount |
| **Assets** | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Cash and cash equivalents | - | 4,601,319 | - | 4,601,319 |
| Loans and advances to banks | - | 1,315,984 | - | 1,315,984 |
| Loans and advances to customers | - | 13,198,067 | 233,472 | 13,431,539 |
| **Liabilities** | | | | |
| Deposits from banks | - | 586,573 | - | 586,573 |
| Deposits from customers | - | 13,990,823 | - | 13,990,823 |
| Borrowed funds | - | 5,589,895 | - | 5,589,895 |





FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

| 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 |
| Derivatives financial instruments | - | 38 | - | 38 |

| 2020 | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Carrying amount |
| **Assets** | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Investment securities | - | 2,335,212 | - | 2,335,212 |
| Investment in subsidiary | | - | 62,653 | 62,653 |
| **Liabilities** | | | | |
| Derivatives financial instruments | - | 475 | - | 475 |

| 2019 | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Carrying amount |
| **Assets** | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Investment securities | - | 2,391,670 | - | 2,391,670 |
| Investment in subsidiary | | - | 69,396 | 69,396 |
| Derivatives financial instruments | - | 134 | - | 134 |

### Level 2 financial assets and financial liabilities

The above table sets out the Bank's principal valuation techniques as at 31 December 2021 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.

## 33. CORRECTION OF ERRORS

During the year 2021, the Bank has restated its comparative figures for the years ended 31 December 2020 and 2019, and the opening balance as at 1 January 2019 in accordance with IAS 8 "Accounting policies changes in accounting estimates and errors".

The impact of the prior period errors is shown in the notes below.

The effect of the restatements is summarised as follows:

### A. Statement of cash flows

The Bank has adjusted the prior year statement of cash flows in order to consider the effects of transactions of a non-cash nature including accrued interests, unrealised foreign exchange gain or loss, provisions made under IAS 37, retirement benefits obligations and the effects of exchange rate changes on account balances.

Cash flows relating to investment securities initially recorded under "investing activities" have been reclassified under "operating activities" as they form part of the main revenue-producing activities of the Bank. A portion of the cash flows previously included in investing activities related to accrued interest which has been adjusted for as a non cash item in operating activities as part of the correction. Cash flows relating to investment securities have been re-adjusted at cost price rather than the nominal amount.

The correction of these errors has no impact on the other primary statements.





## 33. CORRECTION OF ERRORS (Continued)

### A. Statement of cash flows (Continued)

*Impact of correction of prior year figures*

| | Year ended 31 December 2020 (as previously stated) | Effects of adjustment | **Year ended 31 December 2020 (Restated)** | Year ended 31 December 2019 (as previously stated) | Effects of adjustment | **Year ended 31 December 2019 (Restated)** |
|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | **Rs 000** | Rs 000 | Rs 000 | **Rs 000** |
| Cash flows from operating activities | | | | | | |
| Adjustments for: | | | | | | |
| Net interest income | - | (366,029) | **(366,029)** | - | (391,650) | **(391,650)** |
| Unrealised foreign exchange (gain)/loss | - | (12,318) | **(12,318)** | - | 1,840 | **1,840** |
| Changes in: | | | | | | |
| Loans and advances to banks | (307,513) | 229,995 | **(77,518)** | (1,285,754) | 28,048 | **(1,257,706)** |
| Loans and advances to customers | 1,019,490 | 936,783 | **1,956,273** | (304,299) | 306,643 | **2,344** |
| Investment securities | - | 88,214 | **88,214** | - | (580,598) | **(580,598)** |
| Other assets | 193,235 | 95,859 | **289,094** | (353,749) | 35,896 | **(317,853)** |
| Deposits from banks | 1,979,093 | (147,502) | **1,831,591** | 584,883 | (11,714) | **573,169** |
| Deposits from customers | 9,747 | (755,668) | **(745,921)** | 1,740,724 | (255,778) | **1,484,946** |
| Other liabilities | (187,539) | (105,766) | **(293,305)** | 294,624 | (82,804) | **211,820** |
| Interest received | - | 628,626 | **628,626** | - | 705,842 | **705,842** |
| Interest paid | - | (270,982) | **(270,982)** | - | (308,573) | **(308,573)** |
| **Cash flows from investing activities** | | | | | | |
| Acquisition of investment securities | (2,075,444) | 2,075,444 | **-** | (4,261,900) | 4,261,900 | **-** |
| Proceeds from sale of investment securities | 2,181,600 | (2,181,600) | **-** | 3,676,500 | (3,676,500) | **-** |
| **Cash flows from financing activities** | | | | | | |
| Repayment of borrowed funds | (1,165,436) | (744,858) | **(1,910,294)** | 1,952,791 | (185,464) | **1,767,327** |
| Effect of exchange rate fluctuations on cash and cash equivalents held | (9,487) | 529,802 | **520,315** | (31,946) | 152,912 | **120,966** |
| **Impact on sub-totals:** | | | | | | |
| Net cash (used in)/generated from operating activities | 2,823,799 | 321,212 | **3,145,011** | 803,378 | (552,848) | **250,530** |
| Net cash generated from/(used in) investing activities | 76,706 | (106,156) | **(29,450)** | (626,512) | 585,400 | **(41,112)** |
| Net cash (used in)/generated from financing activities | (1,194,467) | (744,858) | **(1,939,325)** | 1,924,213 | (185,464) | **1,738,749** |
| Net (decrease)/increase in cash and cash equivalents | 1,706,038 | (529,802) | **1,176,236** | 2,101,079 | (152,912) | **1,948,167** |

### B. Related parties note

The Bank has the following types of deposit accounts: fixed deposit, savings account and current account. For the years ended 31 December 2020 and 2019, only fixed deposits from key management personnel were disclosed under the related parties note.

The Bank enters into spot and forward spot transactions with its parent company and affiliated companies. The total loss arising fron these transactions were disclosed under the holding company for the year ending 31 December 2020. Management has reclassified the loss between the holding company and the related companies.

Management fees charged during the year 2020 were not correctly reported in the "Related Party" disclosure.

The Bank has corrected the above errors retrospectively by restating the note for the prior periods.

The correction of these errors has no impact on the primary statements, and impacts the related parties disclosure note.

## 33. CORRECTION OF ERRORS (Continued)

### B. Related parties note (Continued)

*Impact of correction of prior year figures*

| | | Year ended 31 December 2020 (as previously stated) | Effects of adjustment | **Year ended 31 December 2020 (Restated)** | Year ended 31 December 2019 (as previously stated) | Effects of adjustment | **Year ended 31 December 2019 (Restated)** |
|---|---|---|---|---|---|---|---|
| | | Rs 000 | Rs 000 | **Rs 000** | Rs 000 | Rs 000 | **Rs 000** |
| Deposits | Key management personnel | 3,726 | 28,102 | **31,828** | 4,468 | 21,225 | **25,693** |
| (Loss)/Gain from foreign exchange transactions | Holding company | 5,063 | (6,205) | **(1,142)** | - | - | **-** |
| Gain from foreign exchange transactions | Related companies | - | 638 | **638** | - | - | **-** |
| Management fees expenses | Holding company | 7,905 | 635 | **8,540** | - | - | **-** |

### C. Transfer from foreign currency translation reserve to retained earnings

The Bank's foreign currency translation reserve arose in the previous years. The Bank has not entered into any transaction for the year ended 31 December 2019, being the earliest comparative prior period information presented, which could give rise to a foreign currency translation reserve.

The Bank's foreign currency translation reserve has been retrospectively released to the opening balance of the retained earnings for the year ended 31 December 2019 in the current year.

*Impact of correction of prior year figures on statement of changes in equity*

| | For the year ended 31 December 2020 | For the year ended 31 December 2019 |
|---|---|---|
| | Rs 000 | Rs 000 |
| *Foreign currency translation reserve* | | |
| **Balance at 01 January- as previously stated** | 28,095 | 28,095 |
| Transfer from foreign currency translation reserve to retained earnings | (28,095) | (28,095) |
| **Balance at 01 January- restated** | - | - |
| Total comprehensive income for the year | - | - |
| **At 31 December - restated** | - | - |
| Retained earnings | | |
| **Balance at 01 January- as previously stated** | 26,344 | 18,961 |
| Transfer from foreign currency translation reserve to retained earnings | 28,095 | 28,095 |
| **Balance at 01 January- restated** | **54,439** | **47,056** |
| Total comprehensive income for the year | (264,903) | 7,383 |
| **At 31 December - restated** | **(210,464)** | **54,439** |

*Impact of correction of prior year figures on statement of financial position*

| | For the year ended 31 December 2020 | | | For the year ended 31 December 2019 | | | As at 1 January 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | **Rs 000** | Rs 000 | Rs 000 | **Rs 000** | Rs 000 | Rs 000 | **Rs 000** |
| | (as previously stated) | Effects of adjustment | **(Restated)** | (as previously stated) | Effects of adjustment | **(Restated)** | (as previously stated) | Effects of adjustment | **(Restated)** |
| Retained earnings | (238,559) | 28,095 | **(210,464)** | 26,344 | 28,095 | **54,439** | 18,961 | 28,095 | **47,056** |
| Reserves | 198,460 | (28,095) | **170,365** | 155,135 | (28,095) | **127,040** | 123,355 | (28,095) | **95,260** |

*The correction of these errors has no impact on the other primary statements.*





## 33. CORRECTION OF ERRORS (Continued)

### C. Transfer from foreign currency translation reserve to retained earnings (Continued)

*Impact of correction of prior year figures on 32(E)- Capital management*

#### Capital Structure

| | Year ended 31 December 2020 (as previously stated) | Effects of adjustment | **Year ended 31 December 2020 (Restated)** | Year ended 31 December 2019 (as previously stated) | Effects of adjustment | **Year ended 31 December 2019 (Restated)** |
|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | **Rs 000** | Rs 000 | Rs 000 | **Rs 000** |
| **BASEL III** | | | | | | |
| **Tier 1 Capital** | | | | | | |
| Authorised and fully paid up ordinary share capital (note 27) | 2,218,065 | - | 2,218,065 | 2,218,065 | - | 2,218,065 |
| Statutory reserve | 104,294 | - | 104,294 | 104,294 | - | 104,294 |
| Other disclosed free reserves, including undistributed balance in income statement | (238,559) | 28,095 | (210,464) | 26,344 | 28,095 | 54,439 |
| Deduct: | | | | | | |
| Investment in Subsidiary (note 18) | (62,653) | - | (62,653) | (69,396) | - | (69,396) |
| Intangible assets (note 20) | (37,284) | - | (37,284) | (52,001) | - | (52,001) |
| Deferred Tax (note 12) | (92,459) | - | (92,459) | (86,995) | - | (86,995) |
| **CET 1 Capital** | 1,891,404 | 28,095 | 1,919,499 | 2,140,311 | 28,095 | 2,168,406 |
| **Additional Tier 1 Capital** | | | - | | | - |
| **Total Tier 1 Capital** | 1,891,404 | 28,095 | 1,919,499 | 2,140,311 | 28,095 | 2,168,406 |
| **Tier 2 Capital** | | | | | | |
| Portfolio Provision | 197,732 | - | 197,732 | 182,495 | - | 182,495 |
| Deduct: | | | | | | |
| Investment in Subsidiary | - | | - | | | - |
| **Total Tier 2 Capital** | 197,732 | - | 197,732 | 182,495 | - | 182,495 |
| **Total Capital Base** | 2,089,136 | 28,095 | 2,117,231 | 2,322,806 | 28,095 | 2,350,901 |

#### Risk Weighted Capital Adequacy Ratio

| | Year ended 31 December 2020 as previously stated | Effects of adjustment | 2020 restated | Year ended 31 December 2019 as previously stated | Effects of adjustment | 2019 restated |
|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | **Rs 000** | Rs 000 | Rs 000 | **Rs 000** |
| Core Equity Tier 1 Capital | 1,891,404 | 28,095 | 1,919,499 | 2,140,311 | 28,095 | 2,168,406 |
| Total Tier 1 Capital | 1,891,404 | 28,095 | 1,919,499 | 2,140,311 | 28,095 | 2,168,406 |
| Total Tier 2 Capital | 197,732 | - | 197,732 | 182,495 | - | 182,495 |
| **Total Capital Base** | 2,089,136 | 28,095 | 2,117,231 | 2,322,806 | 28,095 | 2,350,901 |
| **Risk Weighted Assets** | 16,709,204 | - | 16,709,204 | 17,190,861 | - | 17,190,861 |
| **CET 1 Ratio** | 11.32% | 0.17 bp | 11.49% | 12.45% | 0.16 bp | 12.61% |
| Tier 1 Ratio | 11.32% | 0.17 bp | 11.49% | 12.45% | 0.16 bp | 12.61% |
| Capital Adequacy Ratio | 12.50% | 0.17 bp | 12.67% | 13.51% | 0.16 bp | 13.68% |

## 34. 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

| | | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **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 | | **406,856** | **137,508** | **544,364** | 455,510 | 155,096 | 610,606 | 580,434 | 137,135 | 717,569 |
| Interest expense | | **(121,563)** | **(48,860)** | **(170,423)** | (104,573) | (140,004) | (244,577) | (212,387) | (113,532) | (325,919) |
| **Net interest income** | 4 | **285,293** | **88,648** | **373,941** | 350,937 | 15,092 | 366,029 | 368,047 | 23,603 | 391,650 |
| Fee and commission income | | **39,893** | **52,584** | **92,477** | 43,631 | 35,148 | 78,779 | 55,192 | 41,392 | 96,584 |
| Fee and commission expense | | **(7,590)** | **(15,344)** | **(22,934)** | (15,733) | (6,422) | (22,155) | (11,560) | (7,653) | (19,213) |
| **Net fee and commission income** | 5 | **32,303** | **37,240** | **69,543** | 27,898 | 28,726 | 56,624 | 43,632 | 33,739 | 77,371 |
| Net trading income | 6 | **27,943** | **47,847** | **75,790** | 50,856 | 12,520 | 63,376 | 37,335 | 32,362 | 69,697 |
| Net (loss)/gain on investment held at fair value through profit or loss | 7 | **-** | **-** | **-** | - | (6,742) | (6,742) | - | 10,949 | 10,949 |
| Net gain on sale of investment | 18 | **-** | **22,849** | **22,849** | - | - | - | - | - | - |
| Net gain from sales of securities | | **-** | **-** | **-** | 97 | - | 97 | - | - | - |
| Other income | 8 | **1,954** | **330** | **2,284** | 7,960 | 10,014 | 17,974 | 1,879 | 10,154 | 12,033 |
| | | **29,897** | **71,026** | **100,923** | 58,913 | 15,792 | 74,705 | 39,214 | 53,465 | 92,679 |
| **Revenue** | | **347,493** | **196,914** | **544,407** | 437,749 | 59,610 | 497,358 | 450,893 | 110,807 | 561,700 |
| Personnel expenses | 9 | **(166,622)** | **(70,326)** | **(236,948)** | (155,920) | (72,430) | (228,350) | (189,705) | (39,506) | (229,211) |
| Operating lease expenses | 10 | **(22,826)** | **(3,870)** | **(26,696)** | (8,871) | (1,096) | (9,967) | (11,023) | (1,225) | (12,248) |
| Depreciation and amortisation | 19 & 20 | **(49,638)** | **(8,418)** | **(58,056)** | (83,900) | (10,369) | (94,269) | (78,996) | (8,665) | (87,661) |
| Other expenses | 11 | **(117,920)** | **(11,317)** | **(129,237)** | (120,933) | (27,564) | (148,497) | (163,388) | (18,155) | (181,543) |
| | | **(357,006)** | **(93,931)** | **(450,937)** | (369,624) | (111,459) | (481,083) | (443,112) | (67,551) | (510,663) |
| **Operating profit** | | **(9,513)** | **102,983** | **93,470** | 68,124 | (51,849) | 16,275 | 7,781 | 43,256 | 51,037 |
| Net impairment loss on financial assets | 16(b) | **(39,320)** | **(37,673)** | **(76,993)** | (106,826) | (173,878) | (280,704) | 294 | (76,921) | (76,627) |
| **Profit/(Loss) before tax** | | **(48,833)** | **65,310** | **16,477** | (38,702) | (225,727) | (264,429) | 8,075 | (33,665) | (25,590) |
| Taxation credit | 12(a) | **3,590** | **(935)** | **2,655** | 2,312 | 1,440 | 3,752 | 18,086 | 20,650 | 38,736 |
| **Profit/(Loss) for the year** | | **(45,243)** | **64,375** | **19,132** | (36,390) | (224,287) | (260,677) | 26,161 | (13,015) | 13,146 |





## 34. SEGMENTAL REPORTING (Continued)

### STATEMENT OF FINANCIAL POSITION

| | | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **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 | 13 | **2,453,920** | **2,658,094** | **5,112,014** | 2,176,236 | 4,121,634 | 6,297,870 | 1,653,051 | 2,948,268 | 4,601,319 |
| Loans and advances to banks | 14 | **430,248** | **2,863,793** | **3,294,041** | - | 1,630,634 | 1,630,634 | 24,825 | 1,291,159 | 1,315,984 |
| Loans and advances to customers | 15 | **9,748,443** | **3,649,957** | **13,398,400** | 9,727,374 | 2,428,298 | 12,155,672 | 10,330,432 | 3,101,107 | 13,431,539 |
| Investment securities | 17 | **2,220,837** | **1,749** | **2,222,586** | 2,312,089 | 23,123 | 2,335,212 | 2,358,498 | 33,172 | 2,391,670 |
| Derivative financial instruments | 25 | **38** | **-** | **38** | - | - | - | - | 134 | 134 |
| Investment in subsidiary | 18 | **-** | **-** | **-** | - | 62,653 | 62,653 | - | 69,396 | 69,396 |
| Property and equipment | 19 | **81,249** | **9,028** | **90,277** | 127,242 | 14,140 | 141,382 | 155,877 | 17,319 | 173,196 |
| Intangible assets | 20 | **25,928** | **2,881** | **28,809** | 33,556 | 3,728 | 37,284 | 46,801 | 5,200 | 52,001 |
| Deferred tax assets | 12(c) | **57,119** | **38,864** | **95,983** | 52,660 | 39,799 | 92,459 | 58,735 | 28,260 | 86,995 |
| Other assets | 21 | **848,837** | **2,183,171** | **3,032,008** | 823,578 | 574,914 | 1,398,492 | 841,865 | 749,862 | 1,591,727 |
| **Total assets** | | **15,866,619** | **11,407,537** | **27,274,156** | 15,252,735 | 8,898,923 | 24,151,658 | 15,470,084 | 8,243,877 | 23,713,961 |
| **LIABILITIES** | | | | | | | | | | |
| Deposits from banks | 22 | **2,072** | **3,146,758** | **3,148,830** | 345 | 2,565,321 | 2,565,666 | 1,014 | 585,559 | 586,573 |
| Deposits from customers | 23 | **8,130,754** | **6,576,354** | **14,707,108** | 7,286,903 | 6,713,667 | 14,000,570 | 8,046,860 | 5,943,963 | 13,990,823 |
| Borrowed funds | 24 | **497,148** | **4,088,239** | **4,585,387** | 12,397 | 4,412,062 | 4,424,459 | 15,626 | 5,574,269 | 5,589,895 |
| Derivative financial instruments | 25 | **-** | **-** | **-** | 475 | - | 475 | - | - | - |
| Current tax liabilities | 12 (d) | **-** | **869** | **869** | - | - | - | - | - | - |
| Provisions | 26 | **71,484** | **18,340** | **89,824** | 70,644 | 1,027 | 71,671 | 45,315 | - | 45,315 |
| Other liabilities | 26 | **263,008** | **2,313,160** | **2,576,168** | 296,682 | 614,169 | 910,851 | 392,495 | 709,316 | 1,101,811 |
| **Total liabilities** | | **8,964,466** | **16,143,720** | **25,108,186** | 7,667,446 | 14,306,246 | 21,973,692 | 8,501,130 | 12,813,107 | 21,314,417 |
| **Equity** | | | | | | | | | | |
| Share capital | 27 | | | **2,218,065** | | | 2,218,065 | | | 2,218,065 |
| Retained earnings | | | | **(187,664)** | | | (210,464) | | | 54,439 |
| Reserves | 28 | | | **135,569** | | | 170,365 | | | 127,040 |
| **Total equity attributable to the equity holders of the Bank** | | | | **2,165,970** | | | 2,177,966 | | | 2,399,544 |
| **Total liabilities and equity** | | | | **27,274,156** | | | 24,151,658 | | | 23,713,961 |

## 35. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At reporting date, the directors considered Banque Centrale Populaire, an entity incorporated under laws of Morocco as the Bank's immediate and ultimate holding company.

## 36. LIQUIDITY COVERAGE RATIO

During FY 2021, 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 495 % which demonstrates the bank's resilience should if face any shortfall of liquidity.

| TOTAL UNWEIGHTED VALUE (AVERAGE) | TOTAL UNWEIGHTED VALUE (AVERAGE) Rs 000 | TOTAL WEIGHTED VALUE (AVERAGE) Rs 000 |
|---|---|---|
| **HIGH-QUALITY LIQUID ASSETS** | | |
| Total High-Quality Liquid Assets (HQLA) | **4,793,425** | **4,793,425** |
| **CASH OUTFLOWS** | | |
| Retail deposits and term deposits from small business customers | 3,219,084 | 142,718 |
| Unsecured wholesale funding | 9,312,614 | 3,621,165 |
| Credit and liquidity facilities | 1,016,929 | 106,888 |
| Other contractual funding obligations | 1,929 | 1,929 |
| **TOTAL CASH OUTLOWS** | **13,550,556** | **3,872,700** |
| **CASH INFLOWS** | | |
| | 3,535,536 | 3,301,800 |
| **TOTAL CASH INFLOWS** | **3,535,536** | **3,301,800** |
| | TOTAL ADJUSTED VALUE | |
| **TOTAL HQLA** | | **4,793,425** |
| **TOTAL NET CASH OUTFLOWS** | | **968,175** |
| **LIQUIDITY COVERAGE RATIO (% )** | | **495%** |





## 37. GOING CONCERN

The directors assess the Bank's future performance and financial position on an ongoing basis. In light of the continued impact of COVID-19, the directors have assessed the Bank's ability to continue as a going concern.

The Bank has generated a profit of Rs 19,132k for the year ended 31 December 2021 (loss for the year ended 31 December 2020: Rs 260,677k). As of that date, the Bank's total assets exceeded its total liabilities by Rs 2,165,970k (31 December 2020: Rs 2,177,966k).

In accordance with the Bank of Mauritius (BoM) Guideline on Scope of Application of Basel III and Eligible Capital issued in June 2014, the Bank is required to maintain a capital adequacy ratio (CAR) of 11.875% for the year ended 31 December 2021. Effective from 1 January 2020, banks in Mauritius were required to maintain a minimum capital adequacy ratio of 12.5%, including the capital conservation buffer of 0.625%. In the same year, as part of its COVID-19 relief measures to support the banking sector in Mauritius, BoM decided to defer the implementation of the said Capital Conservation buffer to 1 January 2021. On 11 January 2021, the BoM issued a communique to state that the relief has been extended till 31 March 2022. The Bank's CAR (audited) stood at 12.56% for the year ended 31 December 2021, which is above the required regulatory threshold of 11.875% valid until 31st March 2022. Subsequent to year-end, the Bank's CAR for the period ended 28 February 2022 stood at 12.99% (unaudited), and management expects that the Bank's CAR will be above the 12.5% threshold as at and subsequent to 31 March 2022.

The Bank is a wholly owned subsidiary of Groupe Banque Centrale Populaire, one of the largest banking group in Africa. The Bank can rely on its parental support to operate as a going concern and will remain in compliance with the regulatory CAR.

The capital reinforcement to support the growth plans of the Bank was approved by the Board of Directors on 15 November 2021 and the process has been finalized.

The financial statements are prepared based on the accounting policies applicable to a going concern. This basis presumes that funds will be available to finance the future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

## 38. SUBSEQUENT EVENT

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