BCP BANK
(MAURITIUS)

ANNUAL REPORT
2022

CONTENTS

BCP BANK (MAURITIUS) LTD

OVERVIEW

About BCP BANK (MAURITIUS) Ltd

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

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

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

SHAREHOLDING

The shareholding and group structure of BCP is as follows:

BANQUE POPULAIRE — 100% → BCP BANK (MAURITIUS)

BANQUE CENTRALE POPULAIRE

OUR PEOPLE

No of staffs (exc trainees)	Of which Operational Committee (OPCO) members
83	8
71	9

OUR BUSINESS SEGMENTS

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

FINANCIAL HIGHLIGHTS

Revenue ▲
Rs 606 M
2021 : Rs 544 M

Cost-to-income ratio ▼
81%
2021 : 83%

Profit for the year ▲
Rs 145 M
2021 : Rs 19 M

Risk-weighted assets ▲
Rs 19,606 M
2021 : Rs 17,708 M

Gross NPA ratio ▼
5.9%
2021 : 7.5%

Capital adequacy ratio ▲
15.60%
2021 : 12.56%

Return on average equity ▲
6.30%
2021 : 0.90%

OUR CORRESPONDENT BANKING NETWORK

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

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

AT A GLANCE

5 Billions / 47 Billions

- Market capitalization of USD 5 Billion (as of 27/09/2022)
- Consolidated total assets of USD 47 Billion (as of 30/06/2022)

Approx. 8.7 Millions

- 6.7 millions of clients in Morocco
- Approx. 2 millions of clients in Sub-Saharan Africa

Listed on Casablanca Stock Exchange

7,873 / 18,600

- 7,873 distribution points, including nearly 1,407 bank branches in Morocco and around 380 in Sub-Saharan Africa
- Around 18,600 employees

RATINGS

STANDARD &POOR'S	**BB+ / stable**
MOODY'S	**Ba1 / negative**

A ROBUST AFRICAN AMBITION

Founded in the 1920's and reckoned as a leading institution in Morocco, enjoying financial strength and dynamic growth, BCP is a Panafrican Group listed on the Casablanca Stock Exchange with a global footprint and presence in **32 countries**.
In Africa, BCP ranks as the 6th largest Bank by Tier 1 Capital.

BANQUE POPULAIRE
GRANDIR. ENSEMBLE.

VALUES

AWARDS

Best Moroccan bank in Trade Finance (2022)
WORLD'S BEST TRADE FINANCE AND SUPPLY CHAIN FINANCE PROVIDERS

Deal of the year (2018)
FINANCIAL AFRIK

Best bank of West Africa (2016)
AFRICAN BANKER AWARDS

Best African Bank of the year (2015)
AFRICAN BANKER AWARDS

Best Bank of North Africa (2014)
AFRICAN BANKER AWARDS

Best African Retail Bank (2013)
AFRICAN BANKER AWARDS

BCP GROUP

CEO REPORT

I am pleased to address this report commenting on the 2022 performance of our Bank. Despite the ongoing challenges still marked by the pandemic COVID-19 and the global turmoil, we have been able to pursue our strategy of transforming our business model that has led to positive results.

Groupe Banque Centrale Populaire, our shareholder since October 2018, is the leading financial institution in Morocco and one of the top banking groups in the continent, with presence in 32 countries globally and 18 countries on the African Continent. We have since then communicated on our strategy to become a niche player in the cross border banking business, with a focus on being an active Global Business banking and specialised lending on the trade finance, project finance, etc. We also decided to be present on the domestic market with a boutique approach on both Retail and Corporate Banking business. Finally yet importantly, create our space in Private Banking, which is our priority for 2023.

2022 was marked by the continued disruption in the supply chain, the increasing cost of commodities, market disruptions, uncertainty and the rise in inflation globally. All this has contributed to the rising interest rates environment witnessed across. We had to be smart and pave gracefully in this environment by ring fencing the risks and keeping the Client at the centre of our decisions. The Banking sector has remained resilient. Banks continue to have strong capital and liquidity positions.

BCP Bank (Mauritius) Ltd has had a challenging yet interesting year. When it comes to challenges there are also opportunities leading to growth.

Our “We bring Africa to You” campaign had set the tone for an eventful year. The focused message is in line with what we stand for and where we are heading towards: BCP Group’s Africa strategy, as we have increased our trade finance business particularly on the African continent.

On the domestic market, the Bank maintains its niche positioning to support its Premium Retail and Corporate clients in their projects.

Our strategic repositioning has driven our momentum in 2022, and we deployed our Target Operating Model, which concerned mainly the review of our Retail Banking Business. We decided to consolidate our Retail Business into one Business Centre. With the support of our Board of Directors, Partners and our staff, we have been able to ensure a seamless transition to this model. Our Port Louis Business Centre has been adequately staffed to service our valued customers and we have been encouraging our clients to benefit from our mobile and online banking services.

Our shareholder has shown its support by strengthening our capital base in 2022 to cater for the expected growth in our business.

Mauritius has been able to position itself as an IFC of choice and for BCP, this is where we have a value-add since we have extensive presence in Africa, where there are opportunities to do business. We are pleased to report that our Cross Border Banking business represents 40% of our revenue.

Our people are key to our business and various HR initiatives have been rolled out towards Q4-2022 with more to come in 2023.

Outlook for 2023
Challenges remain with the external factors influencing our economy and market conditions. We will continue to expand our international activities and remain focused on our core activities: Trade Finance, Global Business, Cross-Border Financing and Private Banking. These are the pillars of our growth by also leveraging our Group’s extensive network of countries of presence mainly in the African continent and globally.

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

Abdelwafi ATIF
Chief Executive Officer and Executive Director

BOARD OF DIRECTORS
DIRECTORS’ PROFILE

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

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

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

NED | C
C
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Kamal Mokdad (Chairperson)

Kamal Mokdad is the Chief Executive Officer (CEO) at Banque Centrale Populaire (BCP) in Morocco. 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 a MBA, which he obtained in 2014.

Country of residence : Morocco

NED | CM
C
CM

Fahed Mekouar (until 09/11/2022)*

Fahed Mekouar is the Head of Retail and Very Small Business Banking. Fahed Mekouar holds a Masters of Sciences in Business Administration from Ecole des Hautes Etudes Commerciales.

Country of residence : Morocco

NED | CM
CM
CM
CM
CM

Hanane El Boury

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

Country of residence : Morocco

BOARD OF DIRECTORS (CONTINUED)
DIRECTORS' PROFILE (CONTINUED)

NED | CM

CM

CM

Jalil Sebti (until 09/11/2022)**

Jalil Sebti is 'Directeur Général Banque de Détail'. Jalil Sebti holds two masters from Bruxelles University and an Executive MBA from Ecole des Hautes Etudes Commerciale.

Country of residence : Morocco

NED | CM

CM

Ghizlane Bouzoubaa (until 09/11/2022)

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

Country of residence : Morocco

NED | CM

C

C

CM

CM

Othmane Tajeddine

Othmane Tajeddine is the 'Directeur 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.

Country of residence : Morocco

NED | CM

CM

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.

Country of residence : Morocco

BOARD OF DIRECTORS (CONTINUED)
DIRECTORS' PROFILE (CONTINUED)

NED | CM

C

CM

Jean-Louis Vinciguerra (Independent Director)

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

Country of residence : Morocco

ED

CM

Abdelwafi Atif (Executive Director)

Abdelwafi Atif is the Chief Executive Officer (CEO) of the Bank. He holds a 'Diplôme des Etudes Universitaires Générales Sciences Economiques' from the University Sidi Med Ben Abdellah, Morocco and a 'Diplôme des Etudes Supérieure Bancaires' from Institut Technique de Banque/CNAM, Paris. Before joining BCP Bank (Mauritius) Ltd, 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.

Country of residence : Mauritius

* Replaced by Soumia FATHALLAH, appointed on 09/11/2022, subject to completion of formalities.
** Replaced by Hicham BELCAID, appointed on 09/11/2022, subject to completion of formalities.

SENIOR MANAGEMENT TEAM
ROLE AND RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER

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

PROFILE OF THE SENIOR MANAGEMENT TEAM

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

Sangeetha Ramkelawon
Deputy Chief Executive Officer

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

Country of residence : Mauritius

Shakil Daby
Director of Corporate and Institutional Banking

Shakil Daby joined the Bank in September 2016 in the capacity of Head of Corporate and was appointed as Director Corporate and Institutional Banking in January 2019. 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.

Country of residence : Mauritius

SENIOR MANAGEMENT TEAM (Continued)
PROFILE OF THE SENIOR MANAGEMENT TEAM (Continued)

Nirish Beeharry (until 15/10/2022)
Director of Consumer Banking

Before joining BCP Bank (Mauritius) Ltd in May 2017, Nirish Beeharry held the position of Executive Head of Consumer Banking for MauBank Ltd in Mauritius. 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.

Country of residence : Mauritius

Laura Wong Sik Tsang (retired on 28/02/2023)
Chief Risk Officer

With more than 16 years of expertise in the banking sector, Laura was the Chief Risk officer since May 2019. Since Laura joined the 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 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.

Country of residence : Mauritius

Nadia Dandjee
Director Finance and Operations

Nadia Dandjee holds a Master's degree in Business Administration with a specialisation in Accounting, from HEC Business School in France. She started her career in 1995 as auditor with Deloitte Touche Tohmatsu. She joined BNP Paribas in 1997, where she occupied several management positions in Finance and IT over 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.

Country of residence : Mauritius

CORPORATE INFORMATION

Company Secretary

Ms Nashreen Rojoa

Registered Office

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

Auditors

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius

Nature Of Business

BCP Bank (Mauritius) Ltd is an entity regulated by the Bank of Mauritius and the Financial Services Commission.

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 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

	2022	2021	2020
Income Statement (Rs' million)			
Net interest income	447	374	366
Revenue	606	544	497
Profit /(loss) before tax	174	16	(264)
Profit /(loss) for the year	145	19	(261)
Statement of Financial Position (Rs' million)			
Total assets	27,205	27,274	24,152
Total loans (net)	17,349	16,692	13,786
Total deposits	14,825	17,856	16,566
Shareholder fund	2,430	2,166	2,178
Risk weighted assets	19,606	17,708	16,709
Performance Ratios (%)			
Return on average assets	0.5	0.1	(1.1)
Return on average equity	6.3	0.9	(11.4)
Non-interest income	26.1	31.3	26.4
Loans to deposits ratio	117.0	93.5	83.2
Cost-to-income ratio	80.7	82.8	96.7
Asset Quality (%)			
Non-performing asset ratio	5.9	7.5	9.1
Provision coverage ratio	60.2	67.7	64.2

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

PERFORMANCE AGAINST OBJECTIVES

Objectives for FY 2022	Performance in FY 2022	Objectives for FY 2023
Revenue		
Revenue is expected to increase by 27%, predominantly supported by the expansion in international banking.	Revenue registered a 11% growth bolstered by the segment B operations.	The revenue is expected to post a double-digit growth, driven by further intensification of cross-border operations.
Operating expenses		
Operating costs are forecasted to increase by 20%, on the back of product and business development, and continuous investment in technology and human capital.	Operating expenses increased by 8%.	Fuelled by the current inflationary environment and the on-going capacity building initiatives, the operating expenses are anticipated to increase by circa 9%.
Cost- to- income ratio		
Cost-to-income ratio is expected to improve further to 78.1%	The cost-to-income ratio improved from 82.8% the previous year to 80.7%.	The cost-to-income ratio will improve further.
Return on equity (ROE)		
ROE is forecasted to be relatively stable.	ROE climbed to 6.0% in 2022 from 0.9% the previous year.	The ROE is forecast to remain at a satisfactory level.
Return on average assets (ROAA)		
ROAA is expected to remain stable.	ROAA improved, increasing to 0.5%.	Continuous efforts will be maintained to reach the industry standard.
Asset quality		
Asset quality will improve further.	The gross non-performing ratio dropped to 5.9%.	The asset quality is projected to remain close to the current level.
Capital Adequacy Ratio (CAR)		
The capital adequacy ratio will be maintained above the regulatory threshold.	The Bank consolidated its capital base and the CAR stood at 15.60%.	The CAR will be above the regulatory requirement.
Loans and advances (net)		
The Bank's loans and advances book will expand significantly, with a growth of 36%, driven by cross-border activities.	Despite the uncertain economic environment and the difficult operating context, the loan book witnessed a 4% growth.	The loans and advances book is expected to record a more than 25% growth, mainly supported by the further expansion of the international banking segment.
Deposits		
An increase in the deposits from customers by 22% will sustain our asset growth in 2022.	The deposit base was adjusted to alleviate pressures on net interest margin – the deposit book decreased by 17%.	Deposits are expected to increase significantly in order to refinance growth in asset book.

INTERNATIONAL ECONOMIC OUTLOOK 2022

Succeeding a rapid but uneven recovery from the pandemic in 2021, the global economy faced new and multiple shocks in 2022. The on-going COVID-19 outbreak, the Russian invasion of Ukraine, along with the rising inflation rates and the overall tightening of financial conditions that followed, weigh negatively on the key economic metrics. In its World Economic Outlook report October 2022, the International Monetary Fund (IMF) forecasted a slowdown in global GDP growth from 6% in 2021 to 3.2% in 2022 and then to 2.7% in 2023. The IMF characterises this to be "the weakest growth profile since 2001, except for the global financial crisis and the acute phase of the COVID-19 pandemic." More than a third of the global economy will experience a downturn this year or next. In the United States, growth will decline from 5.7% to 1.6% this year and 1% next year due to lower consumer spending and tighter monetary policy. In China, the zero-COVID policy's lockdown and the worsening real-estate crisis have dragged growth to 3.2% this year, the slowest in more than four decades excluding the pandemic. However, China's economic growth is expected to pick up modestly next year to around 4.4%. And in the euro area, growth is forecasted at 3.1% this year, and at 0.5% in 2023, reflecting again the impact of the war in Ukraine and the tighter monetary policy. For the Sub-Saharan Africa region, economic growth is anticipated to decelerate from 4.7% in 2021 to 3.6% in 2022 and 3.7% in 2023. This less optimistic prognosis is due to slower growth among trading partners, tighter monetary and financial conditions, and a change in terms of trade for commodities.

Going forward, inflation is a concern, as it is still high and will remain elevated for some time. Global inflation is expected to increase from 4.7% in 2021 to 8.8% this year before falling to 6.5% in 2023, according to the International Monetary Fund (IMF). The overall rise in inflation reflects the impact of COVID-19 related lockdowns and the rise in energy and food prices, notably after the commencement of the conflict in Ukraine on 24 February 2022. To counter high inflation, the IMF claims that "Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation."

MAURITIAN ECONOMIC OUTLOOK 2022

Since the COVID-19 outbreak, the Mauritian economy has faced mounting challenges, but as from 2022, it has been steadily recovering.

In September, Statistics Mauritius revised up its estimate of growth in 2022 by 0.6%. Positive contributions to GDP growth for the current year come from manufacturing, financial & insurance activities, and accommodation & food services activities. Compared to a 14.6% contraction in 2020 and a 3.5% rebound in 2021, the economy is set to grow by 7.8% in 2022. For 2022, the tourism sector would have a significant rise of 200.8%, provided that the goal of attracting one million tourists by the end of the year is achieved. With regards to financial services, the global business sector would have remained healthy and would have expanded by 3.7% in 2022. The exit of Mauritius from the Financial Action Task Force (FATF) listing and its equivalent in the UK and the EU has supported the growth of the sector.

In line with the economic recovery, the unemployment rate kept decreasing and was 8.1% in the second quarter of 2022, from 10.5% in the second quarter 2021.

The headline domestic inflation is predicted to soar, from 4.0% in 2021 to 10.8% in December 2022, due to growing global inflationary pressures and Mauritius' dependence on imports. Although local authorities implemented certain measures during the year, such as subsidies for some basic necessities and a relative stabilisation of the rupee against the dollar, headline inflation remained elevated.

MAURITIAN ECONOMIC OUTLOOK 2022 (Continued)

The country's foreign exchange reserves are growing stronger and are still enough to safeguard the economy from external shocks. The General Official International Reserves (GOIR) were Rs 294.7 billion in November 2022, covering approximately 13.9 months' worth of imports. Concerning the domestic foreign exchange (FX) market, the Bank of Mauritius (BOM) injected USD 982 million in the domestic market, including interventions of USD 770 million, to reduce exchange rate volatility. In its Mauritius Economy Update January 2023, CareEdge declared that "Forex market intervention by the BOM helped the Mauritian rupee recover from the record low of 45.61 per USD in July 2022, as the domestic currency strengthened by 3% in the last five months".

The Mauritius Policy Monetary (MPC) increased the Key Repo Rate (KRR) by a total of 265 basis points during the year. According to the BOM, the major reasons for this hike are to reduce rate differentials with other countries, combat the FX's market excessive volatility and continued inflationary pressures. As at the end of December 2022, the KRR stood at 4.50%.

The Banking sector remained sound and resilient. Banks continued to have strong capital and liquidity positions. The Capital Adequacy Ratio (CAR) stood at 19.0% as at 30 September 2022, well above the regulatory threshold. The aggregate Liquidity Coverage Ratio (LCR) was 252% in October 2022, above the statutory minimum of 100%. In addition, the asset quality has continued to improve during the year. At the end of September 2022, the ratio of Non-Performing Loans (NPLs) to gross loans was 4.4%, compared to 4.9% as at end of December 2021.

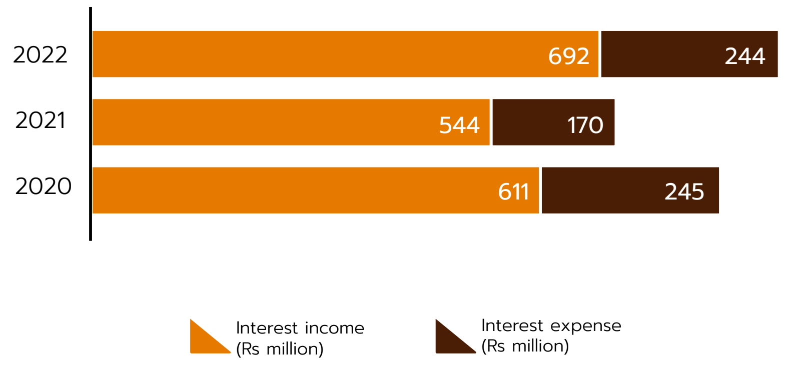
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

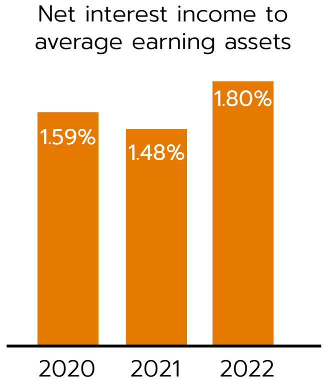
FINANCIAL REVIEW

INCOME STATEMENT ANALYSIS

NET INTEREST INCOME

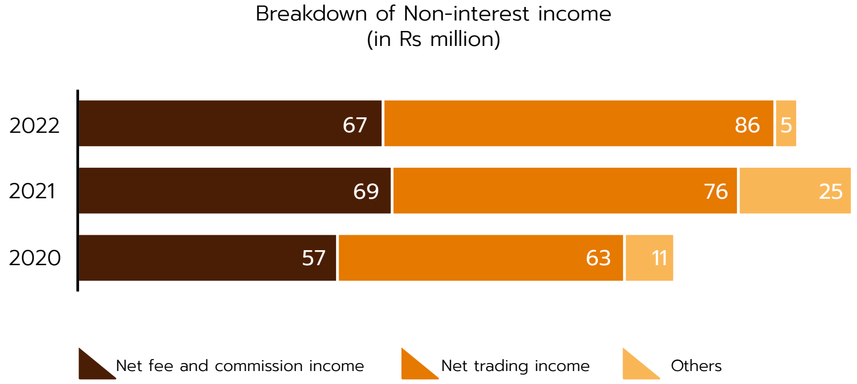
For the year under review, interest income reached Rs 692 million, reflecting an interesting increase of 27%, fuelled by both the growth in the Bank's loan book and the advantageous increasing interest rate environment. Nevertheless, the latter adversely impacted the interest-bearing liabilities, and interest expense rose from Rs 170 million to Rs 244 million, thus increasing by 43%. This combination resulted in a 20% increase in overall net interest income. Consequently, the ratio of net interest income to total average interest earning assets and net interest income to total average assets both improved by 32 points, to 1.80% and 1.77% respectively.

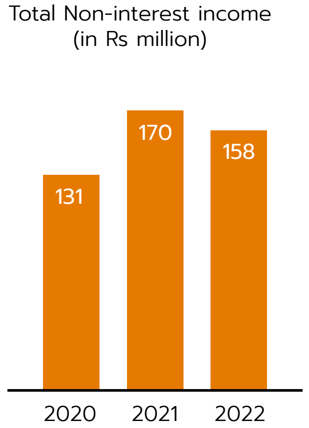




NON-INTEREST INCOME

Excluding the one-off gain of Rs 22 million from the sale of subsidiary recognised in the previous year, non-interest income grew by 7% to reach Rs 158 million in 2022. Whilst fee and commission income declined slightly by 3% to Rs 67 million, trading income recorded a yearly growth of 13%, to reach Rs 86 million, in line with the sustained economic recovery, particularly in the tourism sector.





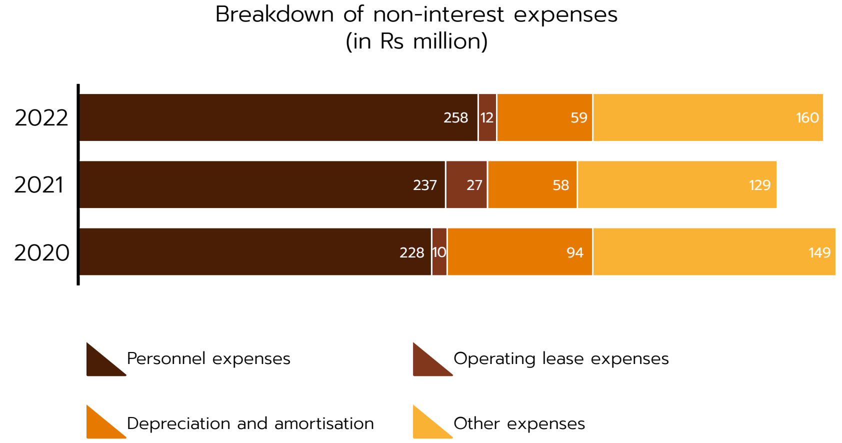
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

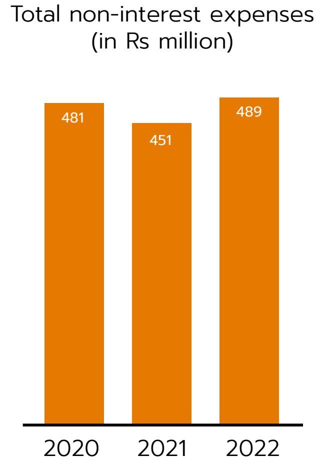
FINANCIAL REVIEW (Continued)

INCOME STATEMENT ANALYSIS (Continued)

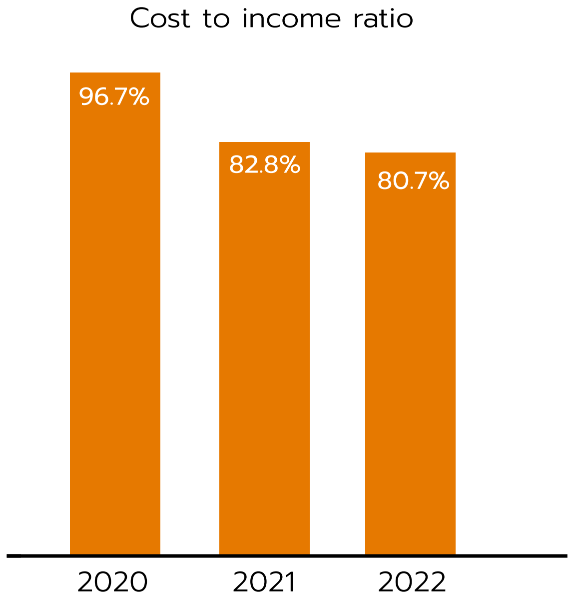
COST CONTROL

The non-interest expenses posted an increase of 8% reaching Rs 489 million for the year ending 31 December 2022, and included exceptional items related to the roll-out of the Bank's strategic transformation plan. Operating leases dropped by 56%, from Rs 27 million to Rs 12 million as a result of the consolidation of the Bank's retail network. Personnel expenses rose by 9% to Rs 258 million, following the introduction of an early retirement scheme. Depreciation and amortisation costs were stable at Rs 59 million in 2022. Other expenses were mainly administrative expenses, IT representing a large part, which reflects the Bank's continued efforts towards digitalisation.





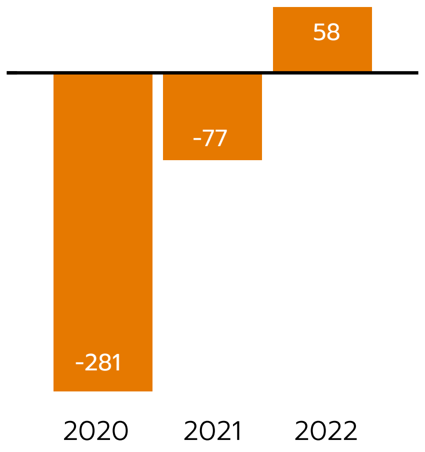
The cost to income ratio improved to 80.7% for the period under review vis-à-vis 82.8% in the previous year.



IMPAIRMENT CHARGES

In 2022, the Bank recorded a net gain on impaired financial assets of Rs 58 million compared to a net loss of Rs 77 million the previous year. This was the result of the disposal of a significant impaired asset and lower Expected Credit Losses (ECL).

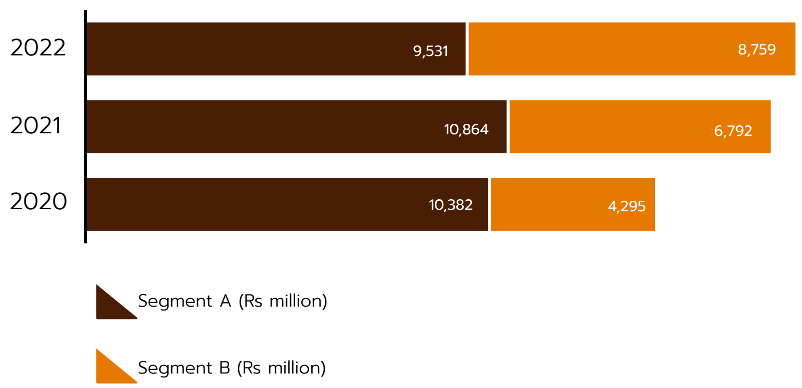
Net impairment gain / (loss) on financial assets
(Rs million)



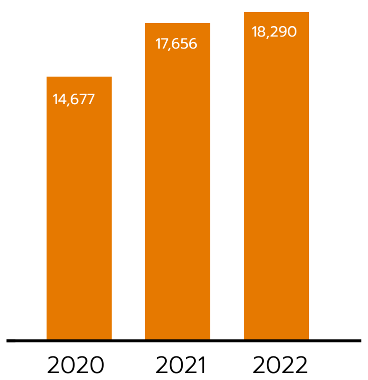
FINANCIAL POSITION STATEMENT ANALYSIS

LOANS AND ADVANCES (GROSS)

Gross loans and advances to bank recorded a year-on-year growth of 24% and stood at Rs 4.1 billion as the end of the financial year 2022. Whilst the overall domestic loan portfolio remained relatively flat on the back of the challenging operating context, the Bank's foreign activities expanded significantly, with related credit to customers increasing by 20% over the year under review. From a segmental perspective, a 48% share in segment B can be observed in the Bank's total loan book.

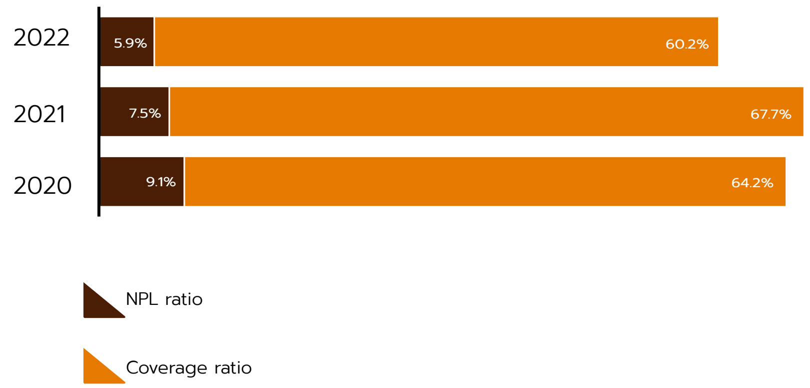


Total (Rs million)

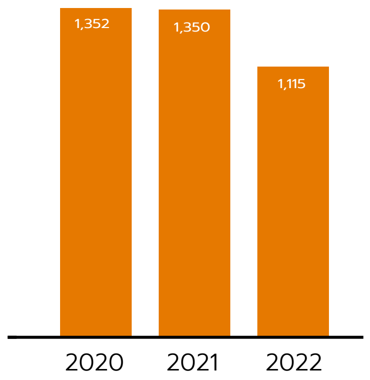


ASSET QUALITY

The Bank's non-performing loan (NPL) ratio improved significantly in 2022 and reached 5.9% in December 2022 compared to 7.5% in December 2021. One large non-performing exposure was disposed of, and no significant increase in credit risk was witnessed during the year under review. The Bank adopted a qualitative growth strategy and monitored closely its credit risk. The coverage ratio was at a satisfactory level of 60.2%.

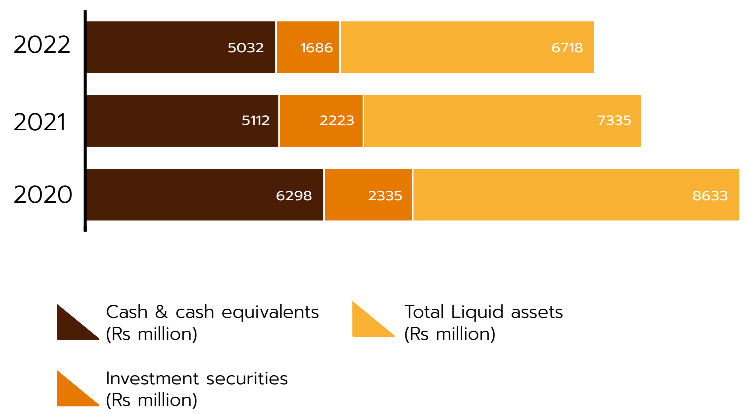


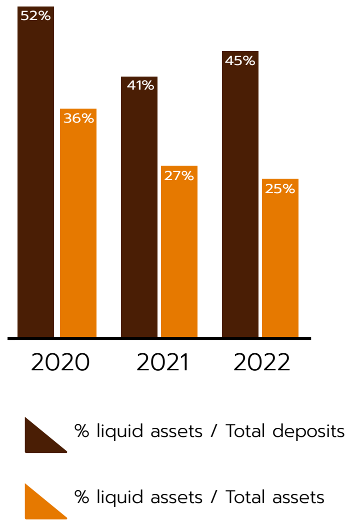
Impaired assets
(Rs million)



LIQUID ASSETS

Liquid assets consist of cash and cash equivalents and investment securities. As at 31 December 2022, these assets amounted Rs 6.7 billion, from Rs 7.3 billion as at the end of December 2021. Overall, the Bank continues to maintain a healthy liquid position and ensures it has adequate level of cash resources to cover its present and future financial commitments, both in normal and stressed conditions. At the end of 2022, liquid assets as a percentage of total deposit base were at 45%, up from 41% the previous year and represented 25% of total assets as at the end of December 2022, compared with 27% as at the end of the previous year.



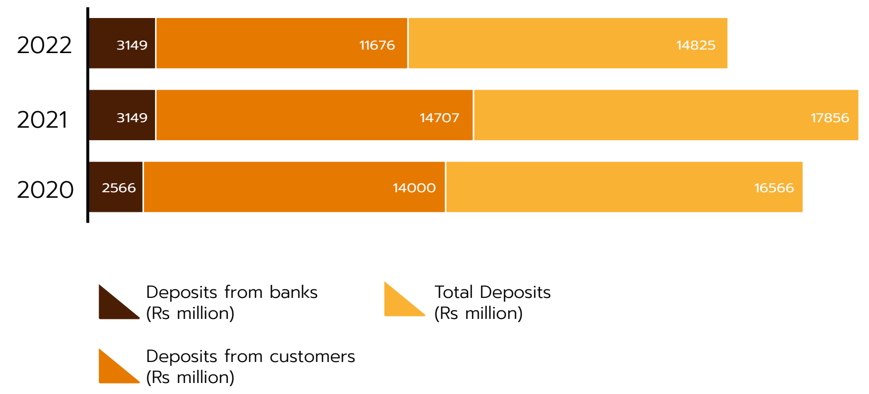


FINANCIAL POSITION STATEMENT ANALYSIS (Continued)

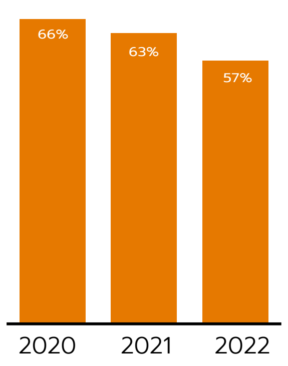
DEPOSITS

For the year under review, the bank's deposit base decreased by 17% to reach Rs 14.8 billion as at December 2022. In the context of increasing interest rates environment, the Bank optimised its sources of funding, off-loading high-interest bearing deposits, and leveraging on its credit lines.

The deposit-mix showed a predominance of CASA (Current Account and Saving Account) accounts, which represented 57% of the total deposit base, compared to 63% in the previous year.



CASA deposits ratio



BORROWED FUNDS

In line with the expansion of the Bank's loan book, borrowed funds increased by 50% from Rs 4.6 billion on 31 December 2021 to Rs 6.9 billion on 31 December 2022. The debt is in foreign currency, and is raised from group entities and development financial institutions. These borrowings are steered towards the Bank's cross-border banking business.

CAPITAL MANAGEMENT

The Bank's capital base was strengthened during the year under review in the form of a USD 10 million subordinated debt and a EUR 4 million capital increase, reflecting its shareholder's support in the deployment of the Bank's strategic transformation plan.

As a result, the capital adequacy ratio of the Bank stood at 15.60% as at end of December 2022, thus benchmarking the industry standard.

BUSINESS SEGMENT REVIEW

2022 has not been short of economic events with the most notable one being the Russian invasion of Ukraine, which in turn brought changes to geopolitics, increased gas prices and food costs. The supply chain disruption for many countries got worst when the post-covid recovery era was only starting to begin. We also note that today there are key themes such as energy and food security that have started to emerge as topics of concern.

Amongst all these, it is easy to forget that 2022 has also been a year where interest rates have started to rise at an extraordinary speed. The Fed lifted its key official rate six times in the course of the year from near zero levels to 4.5%. Other central banks across the world followed suit and Mauritius has been of no exception.

The twelve years of super low rates with quantitative easing has been unprecedented and it now appears that the era of nearly free money has come to an end with the normalisation of interest rates.

At CIB level, the Bank has continued in its strategy to develop a portfolio with focus in building a strong client franchise around trade finance and payments and cash management solutions. In 2022, the Bank has scaled up its activities on financial institutions' trade finance risks, particularly on the African continent and the team has been involved in a number of project finance deals despite the challenging economic context. India and the Asian market remain a key continent and the experienced fund relationship managers have been instrumental in partnering with clients to provide banking solutions for their investments into these markets.

2022 has been a year where the Bank has been able to navigate the difficult economic context in many markets and partnered with its clients to drive growth in key sectors such as agriculture, fast-moving consumer goods (FMCG), and logistics. We have proposed banking solutions in supplier finance, trade finance, working capital, and acquisition finance to accompany clients' African expansion strategy.

The Bank has steered 2022 with a prudent but quality asset book growth on segment B whilst on segment A the lower corporate activity and appetite to borrow has impacted performance marginally. The Bank's collaboration with the group structured finance desk has resulted in a number of deals origination underpinning the group's capacity for robust structuring and this allows the Bank to enter 2023 with a cautious optimism across all CIB segments.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

BUSINESS SEGMENT REVIEW (Continued)

2022 has been a year of strategic repositioning of the Bank's business model, where it redefined its ambition to grow premium client segment across consumer banking. Indeed it has been a year recovery in spite of a very challenging context, with the first half year still heavily impacted by the pandemic and ensuing restrictions whilst the second half saw geopolitical tensions with the Ukraine/Russia conflict, causing havoc & disruptions on international markets. The after effects of the pandemic caused a number of clients and partners to review and/or readjust their initial plans.

The year also started with the Repo rate at a historic low and a weakened MUR against the US dollar. The Repo rate has been reviewed a number of times by the Monetary Policy Committee during the year, in an attempt to curb the ever-increasing imported inflation. These hikes, coupled with market changes and uncertainties, have also negatively impacted investment plans and borrowing capacity of the Bank's local and international customers. With travel restrictions limiting movements, there was a shift in customer expectations and an increasing need for digitalised services.

In spite of these challenging circumstances, the Bank still witnessed a gradual recovery that not only maintained but also increased in momentum in the second semester.

2022 was the beginning of a new era for BCP Bank (Mauritius) Ltd especially for the Retail Banking segment. Banks can now reinvent themselves in a more favourable environment and it is in this perspective that a strategic decision was taken to consolidate the management and servicing of the Retail and SME banking customers within a single strategically located Business Centre in Port Louis. This approach is geared towards a modern business model that favours autonomy and proximity and will be further consolidated during 2023 and beyond with a target of premium clientele.

Amidst rising inflation and interest rates, the Bank remains committed to helping its customers achieve their ambitions through relationship banking and solutions to cater for transactional, savings and credit requirements.

The Bank has consolidated and stabilised its book with an aim of growing it through a number of initiatives launched, which include cross selling, within internal business segments for the domestic retail and private client business and develop intragroup synergies with the group by leveraging its presence in 18 countries on the African continent. Product development and campaigns to support this segment are also being worked along with the various stakeholders, which will help drive the revenue growth of this segment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

RISK MANAGEMENT REPORT

The role of the risk management function is very crucial for banks 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, which 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. The Audit Committee has the authority to independently determine the scope and extent of work to be performed.

The global economy is experiencing several turbulent challenges. Inflation higher than seen in several decades, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Normalization of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions, for example, in China.

This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a Euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. About a third of the world economy faces two consecutive quarters of negative growth. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging market and developing economies.

On the domestic front, the economic dashboard continues to show positive signals. The accommodation and food service activities sector registered triple-digit growth in the first semester of 2022. Tourist arrivals reached 997,290 for the period running from January to December 2022. The positive impetus to the tourism sector continues to generate favourable spill overs for other sectors, such as wholesale and retail trade, transportation, construction and real estate. The financial and insurance activities sector has remained resilient and continues to benefit from the reputational advantage gained with the country's exit from the Financial Action Task Force list of countries under enhanced monitoring, the UK's, and the EU's lists of high-risk countries.

On the expenditure side, higher consumption spending and strong investment activity have largely supported the positive growth momentum. Household consumption expanded by 7.2%, on average, during the first semester of 2022. Gross fixed capital formation surged, with growth of 20.2%, underpinned by higher spending in both 'building and construction work' and 'machinery and equipment'. The pick-up in economic activity bodes well for labour market conditions which have so far improved during the first half of 2022. Unemployment rate fell to 8.1% in the second quarter of 2022, from 8.7% in the first quarter.

Exports of goods and services grew by 31.4% in the first half of 2022 compared to a year ago, bolstered by the recovery in external demand and buoyant tourism activities. With household spending gathering pace and commodity prices picking up globally, imports of goods and services rose by 14.0% during the same period. Tourism earnings, a major component of the services segment of the current account, amounted to Rs 48,283 million from January to October 2022 – representing 96% of the corresponding 2019 level. The increase in flight connectivity and forward bookings also point to a bright outlook for the tourism industry and are expected to contribute positively to the services segment. The current account deficit is nonetheless projected at 14.0% of GDP in 2022 compared to 13.2% of GDP in 2021. Financial flows are expected to strengthen in the light of recent initiatives at the national level aimed at strengthening the country's AML-CFT regime. Cross-border GBC investments are projected to gain further traction. For non-GBC flows, the real estate sector is expected to continue to attract high influx of foreign direct investment in Mauritius. Gross Official International Reserves (GOIR) remained broadly adequate as a buffer against external shocks. As at end-November 2022, GOIR provided coverage for around 13.9 months of imports.

Headline inflation in Mauritius maintained its upward trajectory in December 2022 and closed the month at 10.8%, up from 8.0% in June 2022 and 4.6% in January 2022. Year-on-year inflation, which reflects the inherent dynamics in the Consumer Price Index, stood at 12.1% in November 2022, up from 9.6% in June 2022 and 7.4% in January 2022. The increase in inflation throughout 2022 can be attributed to international factors, namely the geopolitically induced soaring global food and energy prices during the first half of 2022, while domestic factors, including weather-related disturbances also influenced prices of local food items. Core inflation, a measure which abstracts highly volatile items, and which is a more reliable indicator of whether inflationary pressures are broad-based and permanent, took an ascending trend during the year.

The Bank pursued its open market operations to ensure orderly liquidity conditions and to align market rates with its policy rate, the Key Repo Rate (KRR). Accordingly, average excess liquidity dropped from Rs27.7 billion in January 2022 to Rs12.7 billion in November 2022. The four successive rounds of increases in the KRR by the Bank during the year largely influenced market rates. The 7-Day Bill yield, which stood at 0.66% at the inaugural issuance in August 2022, increased to 2.00% as at-end November 2022. The 91-Day Bill yield, the operational target under the current monetary policy framework, evolved within the lower bound of the interest rate corridor for most of the year. The upward hikes in KRR during the year impacted on the Prime Lending Rate and the Savings Deposit Rate, which rose from a range of 4% to 6.85% and 0.15% to 0.60%, respectively, in January 2022 to 6.15% to 9% and 1% to 2.45%, respectively, in November 2022. On a weighted average basis, the rupee lending rate and deposit rate of banks moved in line with their base lending and deposit rates.

Activity on the domestic foreign exchange (FX) market has been positive and resilient with the ongoing economic recovery and pick-up in tourism during the year. The peak season for tourist arrivals and end-of-year festivities at the turn of the year are expected to further catalyse the FX market. For the period running from January to November 2022, the Bank injected a total amount of USD 982 million in the domestic market, including interventions to the tune of USD 770 million in an effort to contain undue volatility in the exchange rate. The rupee continues to reflect domestic economic fundamentals as well as developments in the global currency market. The rupee strengthened in, both, nominal and real effective exchange rate terms during the period January to November 2022. Yield differentials adjusted for exchange rate movements of the rupee against the US Dollar, albeit still negative, are closing as a result of the successive rounds of KRR hikes during the year.

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

As a small open island economy, the growth trajectory of Mauritius is scenario-based and is linked to the pace of global recovery. The positive momentum across all economic sectors appears well entrenched during 2022. The real GDP growth forecast is maintained at above 7% for 2022. For 2023, growth is projected at around 5%. The growth outlook, nonetheless, is subject to downside risks due principally to the aggressive global monetary tightening worldwide which may generate a slowdown in some advanced and emerging market developing economies in 2023. The ongoing geopolitical conflict, if prolonged, may also dampen the recovery in external demand and, by ricochet, impact the domestic growth impulse.

Inflation in Mauritius has been influenced by external factors, given the country's relatively high openness and high propensity to import. Going forward, inflation is forecast to moderate progressively. Inflation expectations are anticipated to be anchored by the normalisation in monetary policy. Domestic price pressures are expected to ease away as the effects of commodity price declines during the second half of 2022 begin to seep in. The slowdown in global economic activity and the decisions by major trading partner countries to raise their interest rates will help keep a tab on foreign inflation. Consequentially, inflation in Mauritius is projected to take a downward trajectory in 2023 and is forecast within the range of 5% to 6% for the year.

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.

Retaining a top-down approach, the Board of Directors ensures the risk appetite of the Bank is in adequation with the strategic objectives of the organisation and the projected risk appetite is cascaded to business lines that helps in the decision-taking process to promote soundness of activities. The Board is ultimately responsible for assuring a proper identification, measurement, mitigation, monitoring and management of risks. In addition, the Board ensures that the Bank abides to internal policies and prudential norms, regulatory and legal requirements. The 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 (including Watchlist Committee); and
- Credit Committee.

RISK MANAGEMENT STRUCTURE

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.

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, by Group and by currency;
  - The main guidelines in respect of credit impairment monitoring, management and recovery; and
  - Cross-border lending and exposures.
- The Governance Structure and terms of reference for the various risk management committee;
- The operational risk; and
- The market risk (liquidity, currency and interest rate risk).

A. CREDIT RISK

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

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

A. CREDIT RISK (Continued)

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.

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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 clients' background, competitor, environment, client financials, products base, markets, details of the key business risks locally and overseas (whenever applicable) and a review of MCIB database and search report.

CREDIT EVALUATION

The credit evaluation decision is independent of the front office functions. Credit evaluation involves:

- Risk rating of the underlying prospective borrower. The Bank has implemented a grading model, the Outil de Notation International (ONI) for the risk grading of corporate clients. With respect to retail clients, an internally developed scorecard is used;
- Evaluation of the credit request taking into consideration the quantitative and qualitative information on the counterparty and analysing the inherent risks. The evaluation exercise also looks at the resulting risks, after mitigating factors, for example security taking;
- Assessing the risk-return relationship, through the use of an internally developed tool; and
- Review and analysis of compliance with limits as set by the Bank and/or regulators.

CREDIT APPROVAL

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

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, are current and fully compliant with all contractual terms and conditions.

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

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

- Impaired loans are those loans that are regarded as non-performing and for which there has been a measurable decrease in estimated future cash flows. All non-performing loans are individually assessed for impairment and impairment provisions are recognised in line with IFRS 9. The 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.

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

CREDIT RISK CONCENTRATION

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

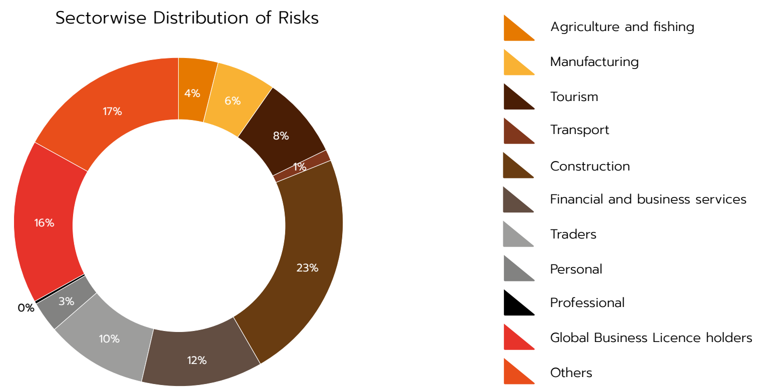
The Bank of Mauritius Guidelines on Credit Concentration (revised August 2019) restricts the granting of credit facilities to non-financial institutions and other related parties, to:

- 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 ensured that its large exposures are kept within the regulatory limits.

As at 31 December 2022, the concentration ratio of large exposures above 10% of the Bank's Tier 1 Capital before and after set-off was at 607% well within the regulatory limit of 800%.

The sector-wise distribution of credit of the Bank as at 31 December 2022 is as per shown below:



CREDIT QUALITY

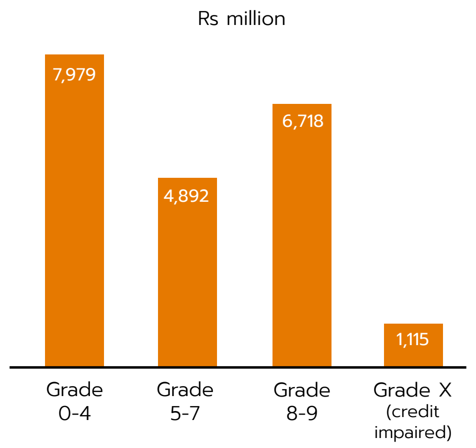
The Bank's Risk Management framework include the risk grading of all credit counterparties.

For the corporate customers (domestic and international customers), the Bank uses a risk rating tool. 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 of 31 December 2022 can be demonstrated below in terms of their ratings.

A. CREDIT RISK (Continued)

CREDIT QUALITY (CONTINUED)



CREDIT RISK MITIGATION

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

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

The main types of collateral taken are:

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

CREDIT RISK FOCUS AREAS FOR 2023

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 (COVID-19 post impacts, Russia/Ukraine war impacts, high inflation and rising interest rates) and risk appetite. Focus will continue to be placed on standardising credit risk methodologies and processes across the Bank.

B. COUNTRY RISK

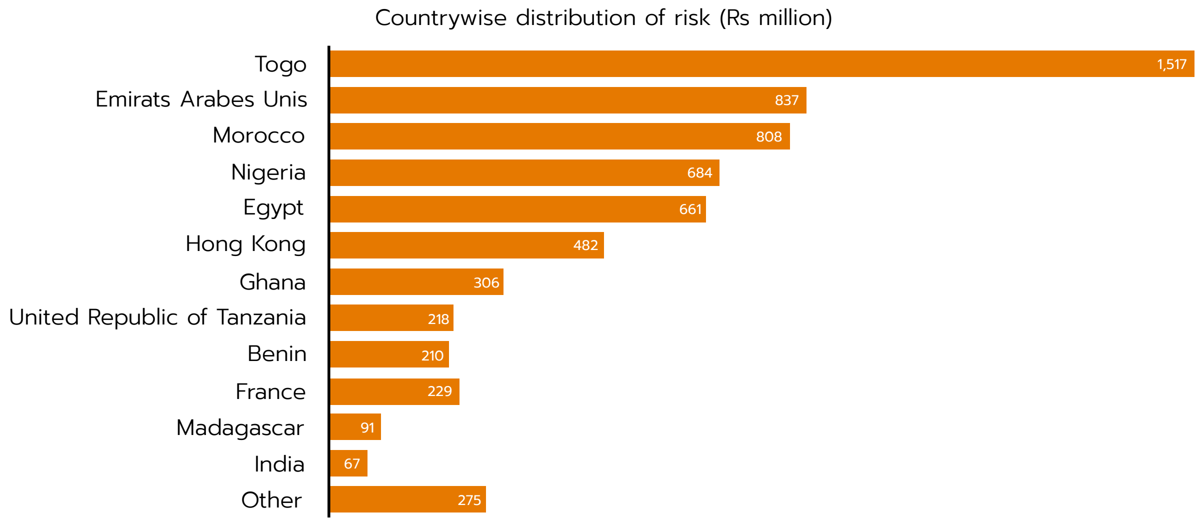
Country risk refers to the uncertainty arising when economic, social, and political conditions and events in a particular country adversely affect counterparties or a financial institution's ability to fulfil its financial obligations. The Bank determines the capital requirement for country risk by taking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

B. COUNTRY RISK (Continued)

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

The distribution of exposure by country other than Mauritius is illustrated in the following bar chart as of 31 December 2022.



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

- political and commercial risk insurance;
- co-financing with multilateral institutions;
- co-financing with prime banks or investors; and
- structures to mitigate transferability and convertibility risk such as collection, collateral and managing deposits outside the jurisdiction in question after obtaining an appropriate legal advice/opinion from a reputable legal counsel in the relevant jurisdiction.

COUNTRY RISK - FOCUS AREAS FOR 2023

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, revised August 2022 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.

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.

C. MARKET RISK (Continued)

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 considers naturally offsetting risk positions and manages the residual risk through limit setting. The Bank holds open exposures with respect to the banking book. As per the Bank of Mauritius Guideline on Foreign Currency Exposure, overall currency exposure may not exceed 15% of Tier 1 Capital and single currency limit is set at 10% of Tier 1 Capital.

Currency exposure may not exceed USD 3 million, which is equivalent to circa 5.5% of the Bank's Tier 1 capital. For trading activities with the BCP Group, a counterparty limit of EUR 5 million 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 2022, 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 risk that has an impact on net interest income that arises from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. For the Bank, such risks are further divided into the following sub-risk types:

- Repricing risk: timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities;
- Yield curve risk shifts in the yield curve that have adverse effects on the Bank's income or underlying economic value; and
- Basis risk: price not moving in line with the changing market price, e.g., impact of a portfolio of current account at 0% interest rate on the net interest income further to reduction in the Bank's deposit rates.

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

C. MARKET RISK (Continued)

INTEREST RATE RISK (Continued)

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 2023

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) (which started as from end 2021). Regular meetings are being held with the Bank of Mauritius with regards to same.

As announced by the ICE Benchmark Administration ("IBA"), LIBOR has been discontinued as of 31 December 2021. Therefore, starting from 2022 almost all LIBOR rates (except for USD LIBOR, which will continue until June 2023) were no longer 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.).

A working group has been set-up to work on the transition of USD Libor to an RfRs by:

(i) using the new reference rates;
(ii) communication plan to our people and clients; and
(iii) contract alignment with our legacy clients and practices including the usage of appropriate fallbacks clauses.

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 which are phasing out by end of June 2023.

As at 31 December 2022, only two clients were impacted by the phasing out of GBP LIBOR amounting to GBP 36,000.

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. Effective liquidity risk management protects the bank and the system from disruptive effects of liquidity shortfall. Liquidity shortfall at one institution can have system-wide repercussions.

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

D. LIQUIDITY RISK (Continued)

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

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

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

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

FUNDING STRATEGY

Funding markets are evaluated on an ongoing basis to ensure that appropriate funding strategies are executed depending on the market, competitive and regulatory environment. The Bank 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 based on diversification and liquidity.

LIQUIDITY RISK - FOCUS AREAS FOR 2023

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 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 information 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.

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 'EFront GRC' 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 assesses and manages the exposure to operational risk, including severity events with a low probability of occurrence, for example fraud. These exposures are measured in a chart, updated regularly. The operational risk map highlights the key risk indicators and the frequency of major incidents which may result in loss or not.

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

E. OPERATIONAL RISK (Continued)

BUSINESS PROCESS ANALYSIS (Continued)

The 'Cartographie des Risques Opérationnels', is updated regularly, and is established by the Risk Department, with the collaboration of organisational 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;
- 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.

E. OPERATIONAL RISK (Continued)

OPERATIONAL RISK SUBTYPES (Continued)

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".

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.

The Bank of Mauritius has issued the Guideline on Climate-Related and Environmental Financial Risk in April 2022. All banks were required to submit their roadmap for the development of an internal framework for Climate-related and Environmental Financial Risk Management by 30 September 2022 to which the Bank has adhered to.

CLIMATE RISK MANAGEMENT

Climate-related financial risks refer to the set of potential risks that may result from climate change and that could potentially impact the safety and soundness of individual financial institutions and have broader financial stability implications for the banking system. Our most material climate-related risks and opportunities result from our lending to customers, including credit-related losses incurred as a result of a customer being unable to repay debt. Under our risk management framework, our material risk category of Credit Risk now incorporates the risks associated with lending to customers that could be impacted by climate change or by changes to laws, regulations, or other policies such as carbon pricing and climate change adaptation or mitigation policies. We also specifically include climate change as one of our Risks and Uncertainties. Climate change risk is included in the Group and Institutional Risk Appetite Statements to ensure the risk is appropriately identified and assessed. We are in process of developing an organisational culture that encourages regular discussion and consideration of emerging climate-related risks. All internal stakeholders are encouraged to talk with customers about managing the risks and opportunities associated with climate change, assisting the bank to progress with a low carbon transition target which will be focused on our largest emitting customers.

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.

CLIMATE RISK - FOCUS AREAS FOR 2023

For year 2023, the Risk Management team will focus on the implementation of the climate related and financial risk management framework under the guidance of a consulting firm.

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 since 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 on a continual basis.

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. Virtual private network (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.).

BUSINESS CONTINUITY MANAGEMENT AND RESILIENCE (Continued)

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 of the above has been implemented 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 2023

Focus is laid on defining key risk indicators for each business units and ensuring 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 2023.

F. CAPITAL MANAGEMENT

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

The Risk Management function is designed to ensure that 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 (CAR) set by Bank of Mauritius for banks presently stands at 10% of risk weighted assets plus a capital conservation buffer of 2.50%. As part of its action for Basel III implementation, the Bank of Mauritius has issued the following Guidelines:

- Guideline on Scope of Application of Basel III and Eligible Capital, revised June 2021, (Superseding the 2008 Guidelines on Eligible Capital & Basel II), is effective as from 1st July 2014. The main purpose of the guideline is to set out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework and to formulate the definition of regulatory capital, regulatory adjustments, transitional arrangements, disclosure requirements and capital conservation buffer;
- Guideline for dealing with Domestic Systemically Important Banks, effective 30 June 2014. The main purpose of the guideline is to put in place a reference system for assessing the systemic importance of banks and ensure that the systemically important banks have the capacity to absorb losses through higher capital. Of note, after its assessment, the Bank of Mauritius has identified 5 banks as Domestic Systemically Important Banks. BCP Bank (Mauritius) Ltd has not been identified as a Domestic Systemically Important Bank; 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.

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

F. CAPITAL MANAGEMENT (Continued)

BASEL III

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

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

OBJECTIVES OF BASEL III

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

Increased quality, quantity and consistency of capital	- Increased focus on Common Equity Tier (CET 1); and - Increased capital levels.
Increased risk coverage	- Credit valuation adjustment (CVA) for over the counter (OTC) derivatives, being the capital charge for potential mark-to-market losses associated with deterioration in counterparty creditworthiness; - Asset value correlation being the increased capital charge on exposures to financial institutions; and - Strengthened standards for collateral management, margin period of risk, management of general wrong-way risk and stress testing.
Capital conservation buffer	- As from 1 April 2022, the Capital Conservation Buffer stands at 2.50% - Build up capital during favourable economic conditions that can be drawn on during times of stress.
Pillar 2 and domestic systemically important bank (D-SIB) buffer	- Additional buffer to be held against systemic risk requirements.
Countercyclical buffer	- Capital buffer deployed by national jurisdictions when system wide risk builds up. - Ensures capital adequacy takes macro-financial environment into account.
Leverage ratio	- The leverage ratio is used to capture just how much debt the bank has relative to its capital, specifically "Tier 1 capital," including common stock, retained earnings and qualifying other assets. The ratio is calculated as Tier 1 qualifying capital/on and off-balance sheet exposures, as defined by the Basel Committee on Banking Supervision (BCBS), and to measure against the BOM prescribed minimum ratio.

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	2022
	(All dates are as of 01 January)						
Minimum CET 1 CAR	6.50%	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%*	2.50%*
Minimum CET 1 CAR plus	6.50%	7.125%	7.75%	8.375%	9.00%	9.00%	9.00%
Phase in of deductions from CET 1	50.00%	60.00%	80.00%	100.00%	100.00%	100.00%	100.00%
Minimum Tier 1 CAR	8.00%	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%	10.00%
Minimum Total CAR Plus Capital Conservation Buffer	10.00%	10.625%	11.25%	11.875%	12.50%*	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						

*Of note the buffer was maintained as at 1.875% during 2020 and 2021 up to 31 March 2022 as part of the Covid support Program Measures implemented by the Bank of Mauritius and since 01 April 2022, the capital conservation buffer has been revised to 2.50% as from 1 April 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 on next page).

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

As at 31 December 2022, the Bank has complied with all the limits and minimum requirements of the Bank of Mauritius guidelines. The Bank's Capital Adequacy Ratio stood at 15.60%.

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

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

The overall purpose of the ICAAP document is to inform the Board of the ongoing assessment of the risks the Bank faces and how they intend to mitigate those risks along with how much capital is needed both now and, in the future, having considered all mitigating factors. It contains an informative description of the methodology and procedures that the Bank uses to assess and mitigate its risks and to make sure that adequate capital is maintained to support its risks beyond the core minimum requirements. It delineates the process through which the Bank assesses the extent to which it holds sufficient capital to support its business activities.

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

Exposures are monitored on a quarterly basis against those limits and reported to the Risk Management Committee. The ICAAP framework has been developed and applied at the Bank pursuant to the issue of the Bank of Mauritius Guideline on Supervisory Review Process in April 2010. The document which is approved by the Board is reviewed annually to ensure that the Bank remains well capitalised after considering all material risks.

Stress tests represent an important tool for exploring potential vulnerabilities to exceptional but plausible events and therefore forms an integral part of the ICAAP. The ICAAP exercise takes into account the assessment of Pillar 1 risk types (i.e., credit, operational and market risks) and Pillar II risk types (i.e. concentration of risk, liquidity risk, interest rate risk, strategic risks, residual risks and so on). These assessments are carried out over a three-year horizon with a view to understanding the sensitivity of the key assumptions of the capital plan to the realisation of plausible stress scenarios and in order to evaluate how the Bank can continue to maintain adequate capital under such scenarios. The key objective of the stress-testing framework is to ensure that the organisation adopts a consistent and integrated approach to risk identification, mitigation and management.

As a subsidiary of BCP Group and benefitting from the implicit and explicit support of its sole shareholder, BCP Bank (Mauritius) Ltd leverages on various tools to raise its capital as and when needed. Capital may be raised through the issue of ordinary shares, preference 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 an honest and efficient operation of the ICAAP and a sound conceptual approach, including the timeliness, the relevance and the reasonableness of the methodological underpinnings.

COMPLIANCE

COMPLIANCE FUNCTION

Regulatory Compliance & AML

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

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

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

At BCP Bank (Mauritius), 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 Group and the Board Risk Management Committee.

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

- Identification of regulations and guidelines applicable to the Bank and translate these into compliance requirements for adoptions and adherence.
- Testing the level of the Bank's compliance with respect to these compliance requirements.
- Fostering a control environment with proper segregation of duties to avoid possible conflict of interest.
- Maintaining communication and collaboration with business and support units by providing regulatory advisory services and training.
- Maintaining a trusted line of communication with the regulatory and supervisory authorities.
- 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 the year. The Bank has also implemented sophisticated screening tools such as the Transaction Sanction Screening (TSS) Tool and SIRON KYC in order to meet its obligations on financial prohibitions prescribed by different regulatory bodies worldwide. TSS is a web-based tool, which allows the Bank to screen any inward or outward transaction, whether local or cross-border, against comprehensive real-time updated international sanction lists in order to mitigate any sanction risks. On other hand, the SIRON KYC Tool allows the Bank to screen a prospect prior to onboarding as well as on an ongoing basis against reliable sanction lists and risk intelligence databases.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

COMPLIANCE (Continued)

CODE OF ETHICS & CONDUCT

BCP Bank (Mauritius) has adopted the values integrity, loyalty, professionalism, quality, confidentiality transparency and solidarity as benchmarks. These core principles and values are clearly articulated in the Bank's 'Code de Déontologie & Ethique', which has been drawn up in compliance with the 'BCP Group's philosophy and expectations as well as the local regulations in force in order to 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 breach thereof. All employees are personally accountable and are required to act in accordance with the Code. The Compliance and the Internal Audit functions are responsible to ensure that the rules mentioned in the Code are respected, by carrying out adequate assurance checks on a regular basis.

ENVIRONMENTAL & SOCIAL RESPONSIBILITY

In 2012, BCP Group has 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 Group has launched its first green products and further consolidated its pledge by defining 15 strategic commitments covering four main areas, namely:

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

BCP Bank (Mauritius) Ltd has adopted the E&S strategy of the group and implemented relevant policies and procedures. 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; and
- Adoption of an exclusion list where E&S risks are significantly high.

INTERNAL AUDIT FUNCTION AND INTERNAL CONTROL

The Internal Audit department is responsible for providing independent and objective assurance and consulting activity to the Board and contributes to add value and achieve the Bank's objectives.

INDEPENDENCE OF THE INTERNAL AUDIT TEAM

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

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

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

Audit plan

The Internal Audit's plan is subject to review by the BCP Group Internal Audit department through analysis of the risk assessment and methodology applied for the conception of the plan. Thereafter, the Internal Audit plan is approved annually by the Board Audit Committee. The plan is conceptualised using a risk-based approach designed to add value and improve the Bank's operations and caters for variations to be more responsive to ad-hoc requests from the Board and Management.

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

Qualifications and Experiences

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

To conclude, the Internal Audit function provides 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. Internal Audit reports its findings to the Audit Committee and monitors the timeliness and effectiveness of the implementation of audit recommendations.

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, as set out in the 'charte de Gouvernance et d'Entreprise et Regles de Bonne Conduite' which has been duly approved by the Board. The committees report to the Board through their respective chairman and minutes of all committee meetings are submitted to the Board.

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

GOVERNANCE STRUCTURE

The Governance Framework is as follows:

- Board of Directors

- Board committees, namely:

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

CORPORATE GOVERNANCE REPORT (Continued)

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 2022 assessment is being carried out and will be presented in the Corporate Governance Committee scheduled in November 2023.

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.

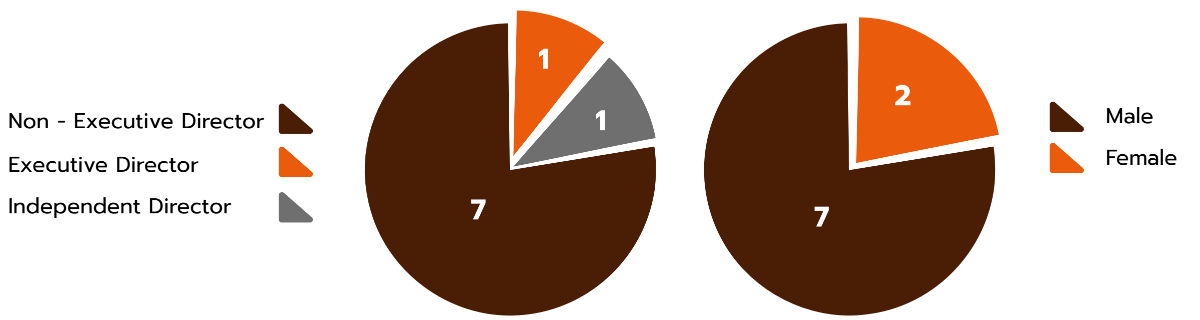
BOARD OF DIRECTORS (Continued)

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

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

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

Board Composition   Gender Representation on the Board



The Company Secretary acts as secretary to the Board of Directors. All directors have access to the services and advice of the Company Secretary, whose role is defined in the Companies Act 2001.

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

There is ongoing engagement between senior management and the Board. In addition to the executive directors, senior management attend Board meetings. Directors have unrestricted access to management information, as well as the resources to carry out their duties and responsibilities. The Board has, through its Risk Management Committee, approved a comprehensive information security policy (Charte de Securité des Systèmes d'Informations), an information policy and an information technology policy.

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 and key audit matters, summarised financial information, dividend declaration and all financial information and recommend them to the Board for approval;
- evaluate the adequacy and effectiveness of the accounting policies and all proposed changes in accounting policies and practices;
- review the basis for determination as a going concern;
- review the effectiveness of financial management, including the management of financial risks, the quality of internal accounting control systems and reports produced, including financial reporting risks and internal financial controls;
- review the impact of new financial systems, tax and litigation matters on financial reporting;
- review and approve the Bank external audit plan;
- oversee the appointment of external auditors, their terms of engagement and fees;
- review significant differences of opinion between external auditors and management;
- review the external auditors' management reports concerning deviations from and weaknesses in accounting and operational controls, and ensure that management takes appropriate action to satisfactorily resolve issues;
- review, approve and monitor the internal audit plan and charter;
- consider and review the internal auditors' significant findings and management's response;
- evaluate annually the role, independence and effectiveness of the internal audit function in the overall context of the Bank's risk management system;
- ensure that both Internal and External Auditors' independence and objectivity are maintained;
- monitor the maintenance of proper and adequate accounting records and the overall financial and operational environment;
- review reports and activities of the financial crime control unit to ensure the mitigation and control of fraud and related risks;
- review, approve and monitor the compliance plan;
- monitor compliance with the Companies Act 2001, Banking Act 2004 and all other applicable legislations and guidelines;
- overseeing the Bank's financial reporting process and risks ensuring the integrity thereof and satisfying itself that significant judgement made by management are sound; and
- managing the level and nature of non-audit services, if any, provided by the External Auditors.

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

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

EXTERNAL AUDITORS

The present External Auditors were initially appointed upon the recommendation of the Audit Committee by the Board in February 2021 and approved at the Annual Shareholder's Meeting. Their mandate has been subsequently renewed for the financial year 2022. The aforesaid appointment is done in line with the Banking Act 2004. The fees incurred by the bank are:

Rs 000	2022	2021	2020
Audit fees payable to auditors	4,989	4,757	3,195

Non-audit fees payable to auditors in 2022 is nil.

Subject to section 39 to the Banking Act 2004, the Bank shall at each annual meeting appoint, and at all times, have, one or more firms of auditors. No firm of auditors appointed under this section shall be responsible for the audit of the Bank for a continuous period of more than 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, 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 Guideline issued by the Bank of Mauritius;
- ensure that disclosures are made in the annual financial statements in compliance with the disclosure provisions in accordance with the best international practice;
- ensure effective communication between stakeholders; and
- assess the effectiveness of the Board, its committees and its individual directors, on an annual basis.

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

The Corporate Governance Committee meets at least once a year.

THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of three non-executive directors. The Committee is responsible for making recommendations to the Board on the appointment of directors and senior executives. The Committee also oversees remuneration and compensation of directors, senior management and other key personnel with a view to attract, retain and motivate them.

The experience and skills of the directors are disclosed in the director's profile on pages 11 to 13.

The responsibilities of the Nomination and Remuneration Committee include:

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

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

THE CREDIT COMMITTEE

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

The responsibilities of the Credit Committee include:

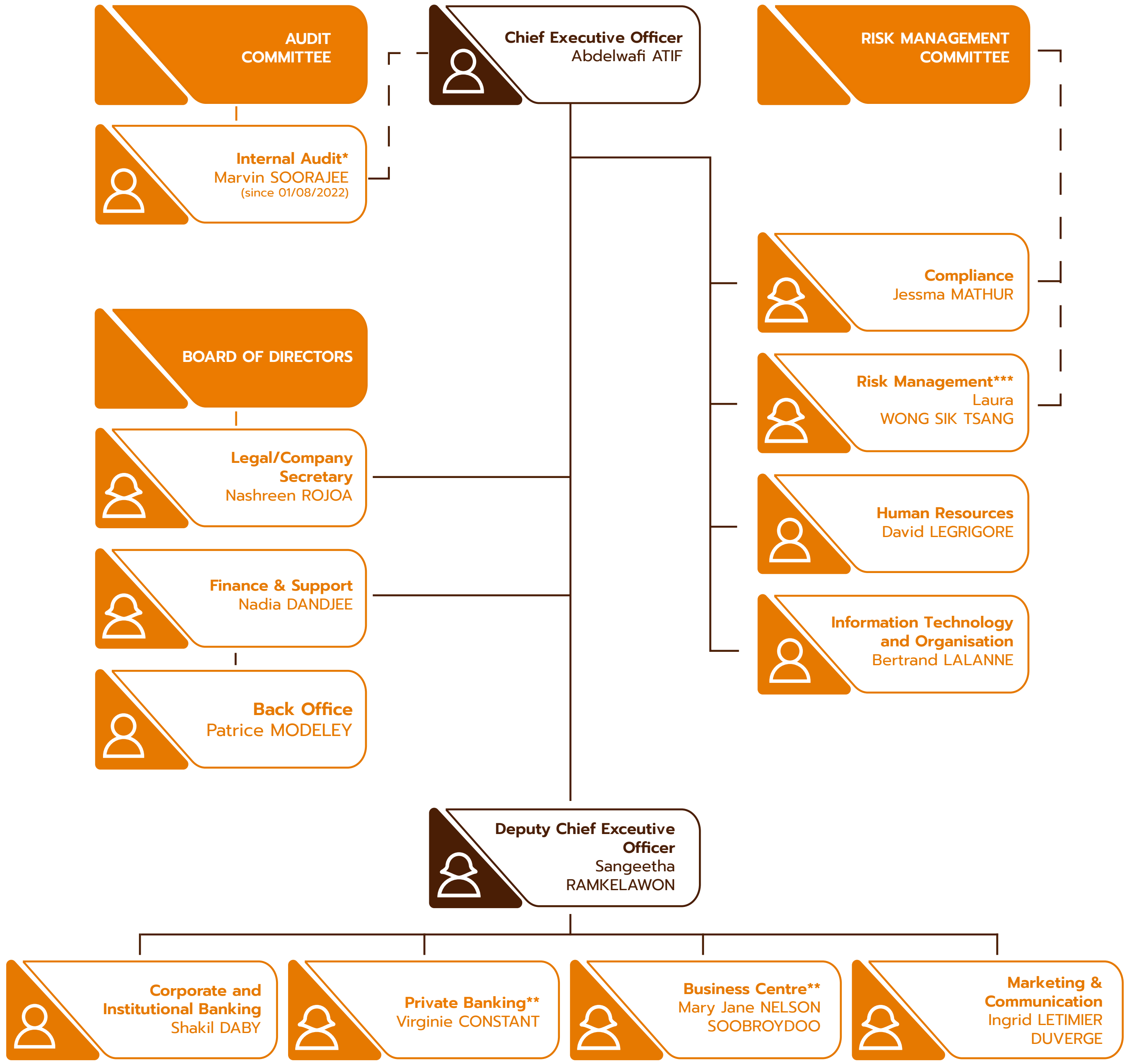
- reviewing the credit requests; and
- approving the credit requests.

The Credit Committee meets as and when required.

ATTENDANCE FOR BOARD MEETING AND COMMITTEE

		Board Committee					
		Board of Directors	Audit Committee	Risk Management Committee	Conduct Review Committee	Corporate Governance Committee	Nomination and Remuneration Committee
Number of meetings held from January to December 2022		4	5	3	1	1	1
Executive	Abdelwafi ATIF	4	5	3	1	1	n/a
Non Executive	Kamal Mokdad	4	n/a	n/a	n/a	1	1
	Fahed Mekouar	A	A	n/a	1	n/a	n/a
	Jalil Sebti	A	n/a	n/a	n/a	n/a	A
	Abdelsalm Bennani	4	n/a	n/a	n/a	n/a	n/a
	Hanane El Boury	3	2	1	1	n/a	n/a
	Ghizlaine Bouzoubaa	3	2	n/a	n/a	n/a	n/a
	Tajeddine Othmane	4	n/a	3	1	1	1
Independent	Jean-Louis Vinciguerra	4	5	n/a	n/a	1	n/a

A : Absent



* - Position previously held by Florelle CASTELAIN till 12/05/2022

** - Business segments previously under Consumer Banking until 15/10/2022, under the responsibility of Nirish BEEHARRY

***- Laura WONG SIK TSANG has retired on 28/02/2023. Recruitement for the post of Chief Risk Officer is ongoing and the interim function is being headed by Mr Oumess Singh AUBEELUCK who is the deputy Chief Risk Officer.

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;
- she minimum number of directors is five and the maximum number of directors is twelve.

DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

STATEMENT OF RECRUITMENT AND REMUNERATION PHILOSOPHY

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

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

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

REMUNERATION OF DIRECTORS

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

Remuneration paid to the Directors is as follows:

		Director's attendance and remuneration								
Directors	Status	Remuneration 2022	Annual fees 2022	Board	Audit Committee	Risk and Management Committee	Conduct Review Committee	Corporate Governance Committee	Nomination and Remuneration Committee	Total (Rs)
Kamal MOKDAD	Chairman	-	1,470,433	283,305	-	-	-	68,408	72,000	1,894,146
Jean-Louis VINCIGUERRA	Independent	-	330,523	226,644	226,644	-	-	54,726	-	838,537
Abdelslam BENNANI	Non Executive	-	-	188,870	-	-	-	-	-	188,870
Fahed MEKOUAR	Non Executive	-	169,286	-	-	-	60,168	-	-	229,454
Hanane EL BOURY	Non Executive	-	-	142,340	95,745	45,605	50,140	-	-	333,830
Ghizlane BOUZOUBAA	Non Executive	-	-	142,340	96,670	-	-	-	-	239,010
Othmane TAJEDDINE	Non Executive	-	330,523	226,644	-	170,730	60,168	54,726	57,600	900,391
Abdelwafi ATIF	Executive	5,610,228	-	-	-	-	-	-	-	5,610,228
Total		5,610,228	2,300,765	1,210,143	419,059	216,335	170,476	177,860	129,600	10,234,466

INTEGRATED SUSTAINABILITY REPORTING

ETHICS AND ORGANISATIONAL INTEGRITY

The Board aims to provide effective and ethical leadership, and ensures that its conduct and that of management is aligned to the Bank's values and to the Bank's Code of Ethics. The Bank's value and Code of Ethics, as approved by the Board, are designed to empower employees and enable effective decision-making at all levels of the business according to defined ethical principles and values. The Board regularly monitors and evaluates compliance with the Bank's values and Code of Ethics. The Bank has in place a whistleblowing policy to ensure a fair and ethical environment for its staff.

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

SHAREHOLDERS' AGREEMENT

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

SIGNIFICANT CONTRACTS

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

MANAGEMENT AGREEMENTS

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

ENVIRONMENT

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

HEALTH AND SAFETY

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

SOCIAL ISSUES

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

DONATION

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

POLITICAL CONTRIBUTIONS

No political contribution was made during the year under review.

GOING CONCERN

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

DIVIDEND POLICY

The Bank has no formal dividend policy. Any dividend pay-out will be subject to the Bank complying with the Guideline on Payment of Dividend published on 24 September 2020 and revised in November 2022. No dividend was distributed in 2022.

RELATED PARTY TRANSACTIONS POLICIES AND PRACTICES

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

- the role of the Board of Directors of a financial institution, 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 Transaction ('Guideline'). 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. Conflicts-of-interest and related party transactions are conducted in accordance with the related party transactions policy and Code of Ethics.

Note 32 to the Financial Statements sets out on and off balance sheet exposures to related parties as at 31 December 2022.

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

CORPORATE GOVERNANCE REPORT (Continued)

STATEMENT OF COMPLIANCE

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

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

Reporting Period: 31 December 2022

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 an Independent Director, oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

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

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

The Bank's External Auditors, KPMG, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

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

SECRETARY'S CERTIFICATE

In my capacity as Company Secretary of BCP Bank (Mauritius) Ltd (the "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 2022, all such returns as are required of the Bank under the Companies Act 2001.

Nashreen ROJOA
Date : 21st March 2023

INDEPENDENT AUDITORS' 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 as at 31 December 2022 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 82 to 173.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of BCP Bank (Mauritius) Ltd as at 31 December 2022, and of its financial performance and cash flows for the year ended in accordance with IFRS Standards as issued by the International Accounting Standards Board 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.

Key Audit Matter (continued)

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

Refer to the following notes to the financial statements:

Note 2 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses
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 33 (b) – Financial risk review – Credit risk

Key audit matter	How the matter was addressed in our audit
The Bank's gross loans and advances to customers amounts to Rs 14,183 million as at 31 December 2022 and the related ECL amounted to Rs 917 million for the year then ended. The Bank follows a three-stage approach to recognise the allowance for credit impairment as explained below. **Stage 1 and 2 exposures:** Complex models are used for the purposes of determining the ECL for stage 1 and stage 2 exposures. These include a number of significant judgments, such as: • Determining the criteria for a significant increase in credit risk, which includes defining the forbearance and delinquency status for customers and determination of the number of days past due. • Choosing appropriate models and assumptions for the measurement of ECL which includes determining the Probability of Default (PD), Loss Given default (LGD), and Exposure at Default (EAD) parameters. • Establishing relevant forward-looking macro-economic scenario(s), considering macro-economic factors such as GDP growth and the impact of the Russia- Ukraine conflict .	Our audit procedures included the following: • Obtained an understanding of management's credit risk management processes and tested the operating effectiveness of controls over credit origination, credit monitoring and credit remediation, including controls over management's ECL model which supports the assumptions used in determining the PD, LGD and EAD, as well as the governance process over forward-looking information and macro-economic scenarios. • Assessed the adequacy and accuracy of disclosures in accordance with IFRS 9, *Financial instruments* ("IFRS 9") and IFRS 13, *Fair Value Measurement* ("IFRS 13") including disclosures of key assumptions, judgements and sensitivities relating to the expected credit losses on loans and advances to customers and their classification and measurement. **Stage 1 and 2 exposures:** Our procedures included the following: • Tested the completeness and accuracy of the data used in the model. For completeness, we have performed a reconciliation of all loans and advances to customers subject to ECL against the ECL model of the Bank. For a sample of loans and advances to customers, we have traced the data inputs to 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 to the financial statements:

Note 2 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses
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 33 (b) – Financial risk review – Credit risk

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

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 to the financial statements:

Note 2 (h) (vii) – Significant accounting policies – Impairment: Expected Credit Losses
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 33 (b) – Financial risk review – Credit risk

Key audit matter	How the matter was addressed in our audit
	• Challenged the valuation of credit losses on a sample of stage 3 loans and advances by developing our own expectation of the amount of the expected credit losses based on our assessment of the expected future cash flows and recoverability of collaterals held. • Where collaterals were applied in the determination of the ECL, we inspected, on a sample basis, the valuation reports of the collaterals held and assessed whether the valuation amounts are reasonable in comparison to most recent external market data. • Appraised the independence and competence and capabilities of the independent valuers. Assessed the collateral valuation techniques applied against the Bank's policy, industry standards and IFRS 13.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "BCP BANK (MAURITIUS), ANNUAL REPORT 2022", 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.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF BCP Bank (Mauritius) Ltd

Report on the Audit of the Financial Statements

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards as issued by the International Accounting Standards Board 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.

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.

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 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.

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.

Financial Reporting Act

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

KPMG

KPMG
Ebene, Mauritius

Mervyn Lam Hung
Licensed by FRC

Date: 31 March 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022	2021	2020
		Rs 000	Rs 000	Rs 000
Interest income		691,792	544,364	610,606
Interest expense		(244,476)	(170,423)	(244,577)
Net interest income	4	447,316	373,941	366,029
Fee and commission income		97,312	92,477	78,779
Fee and commission expense		(29,956)	(22,934)	(22,155)
Net fee and commission income	5	67,356	69,543	56,624
Net trading income	6	85,493	75,790	63,376
Net loss on investment held at fair value through profit or loss	7	-	-	(6,742)
Net gain from sale of investment	18	-	22,849	-
Net gain from sales of securities	8	3,104	-	97
Other income	8	2,427	2,284	17,974
		158,380	170,466	131,329
Revenue		605,696	544,407	497,358
Personnel expenses	9(a)	(257,730)	(236,948)	(228,350)
Operating lease expenses	10	(12,034)	(26,696)	(9,967)
Depreciation and amortisation	19 & 20	(58,570)	(58,056)	(94,269)
Other expenses	11	(160,524)	(129,237)	(148,497)
		(488,858)	(450,937)	(481,083)
Operating profit		116,838	93,470	16,275
Net impairment gain/(loss) on financial assets	16(b)	57,514	(76,993)	(280,704)
Profit/(loss) before tax		174,352	16,477	(264,429)
Taxation (charge)/credit	12(a)	(29,757)	2,655	3,752
Profit/(loss) for the year		144,595	19,132	(260,677)
Other comprehensive income net of tax:				
Items that may be reclassified to profit or loss				
Net change in fair value of financial assets held at fair value through other comperehensive income		(51,802)	(37,666)	43,325
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit obligations	9(b)	(9,550)	6,538	(4,226)
Other comprehensive income		(61,352)	(31,128)	39,099
Total comprehensive income for the year		83,243	(11,996)	(221,578)

The notes on pages 86 to 173 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022	2021	2020
		Rs 000	Rs 000	Rs 000
ASSETS				
Cash and cash equivalents	13	5,031,845	5,112,014	6,297,870
Loans and advances to banks	14	4,082,741	3,294,041	1,630,634
Loans and advances to customers	15	13,265,759	13,398,400	12,155,672
Investment securities	17	1,686,317	2,222,586	2,335,212
Derivative financial instruments	25	133	38	-
Investment in subsidiary	18	-	-	62,653
Property and equipment	19	51,202	90,277	141,382
Intangible assets	20	25,646	28,809	37,284
Deferred tax assets	12(c)	67,514	95,983	92,459
Other assets	21	2,993,788	3,032,008	1,398,492
Total assets		27,204,945	27,274,156	24,151,658
LIABILITIES				
Deposits from banks	22	3,149,054	3,148,830	2,565,666
Deposits from customers	23	11,675,660	14,707,108	14,000,570
Borrowed funds	24	6,882,728	4,585,387	4,424,459
Derivative financial instruments	25	-	-	475
Subordinated liabilities	26	464,654	-	-
Current tax liabilities	12(d)	868	869	-
Provisions	27	101,023	89,824	71,671
Other liabilities	27	2,500,985	2,576,168	910,851
Total liabilities		24,774,972	25,108,186	21,973,692
EQUITY				
Share capital	28	2,398,825	2,218,065	2,218,065
Retained earnings		(74,308)	(187,664)	(210,464)
Reserves		105,456	135,569	170,365
Total equity		2,429,973	2,165,970	2,177,966
Total liabilities and equity		27,204,945	27,274,156	24,151,658

These financial statements were approved and authorised for issue by the Board of Directors on the 21st March 2023.

Abdelwafi ATIF
CHIEF EXECUTIVE OFFICER

Kamal MOKDAD
CHAIRPERSON - BOARD OF DIRECTORS

Jean-Louis VINCIGUERRA
CHAIRPERSON - AUDIT COMMITTEE

The notes on pages 86 to 173 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

As at ended 31 December 2022

	Share capital	Reserves: Statutory reserve	Reserves: General banking reserve	Reserves: Fair value reserve	Retained earnings	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
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
Balance at 01 January 2022	**2,218,065**	**107,164**	**-**	**28,405**	**(187,664)**	**2,165,970**
Increase in share capital	**180,760**	**-**	**-**	**-**	**-**	**180,760**
Total comprehensive income						
Profit for the year	**-**	**-**	**-**	**-**	**144,595**	**144,595**
Other comprehensive income for the year	**-**	**-**	**-**	**(51,802)**	**(9,550)**	**(61,352)**
Transfer to statutory reserve	**-**	**21,689**	**-**	**-**	**(21,689)**	**-**
Total comprehensive income for the year	**-**	**21,689**	**-**	**(51,802)**	**113,356**	**83,243**
At 31 December 2022	**2,398,825**	**128,853**	**-**	**(23,397)**	**(74,308)**	**2,429,973**

The notes on pages 86 to 173 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022	2021	2020
		Rs 000	Rs 000	Rs 000
Cash flows from operating activities				
Profit/(loss) before tax		**174,352**	16,477	(264,429)
Adjustments for:				
- Depreciation and amortisation	19 & 20	**58,570**	58,056	94,269
- Net impairment (gain)/loss on financial assets	16 (b)	**(57,514)**	76,993	280,704
- Net loss on investment held at fair value through profit or loss	7	**-**	-	6,742
- Net gain on sale of investment	18	**-**	(22,849)	-
- Net gain on sales of property and equipment		**(230)**	(294)	-
- Net gain on sales of securities	8	**(3,104)**	-	-
- Net interest income	4	**(447,316)**	(373,941)	(366,029)
- Unrealised foreign exchange gain		**(12,434)**	(1,133)	(12,318)
		(287,676)	(246,691)	(261,061)
Changes in:				
- Loans and advances to banks		**(885,279)**	(1,580,063)	(77,518)
- Loans and advances to customers		**31,431**	(870,785)	1,956,273
- Investment securities		**382,594**	52,987	88,214
- Other assets		**(32,608)**	(1,586,814)	289,094
- Deposits from banks		**56,882**	426,390	1,831,591
- Deposits from customers		**(2,951,093)**	223,887	(745,921)
- Other liabilities		**881**	1,711,257	(293,305)
		(3,684,868)	(1,869,832)	2,787,367
Interest received		**665,222**	512,345	628,626
Interest paid		**(206,694)**	(201,404)	(270,982)
Income tax paid		**(869)**	-	-
Net cash (used in)/generated from operating activities		**(3,227,209)**	(1,558,891)	3,145,011
Cash flows from investing activities				
- Proceeds from sale of investment in subsidiary		**-**	85,503	-
- Acquisitions of property and equipment		**(2,870)**	(3,767)	(3,957)
- Proceeds from sales of property and equipment		**1,175**	1,526	-
- Acquisitions of intangible assets		**(7,298)**	(15,630)	(25,493)
Net cash (used in)/generated from investing activities		**(8,993)**	67,632	(29,450)
Cash flows from financing activities				
- Proceeds from issue of subordinated loan		**459,598**	-	-
- Proceeds from issue/(repayment) of borrowed funds	24	**2,454,531**	(24,902)	(1,910,294)
- Proceeds from issue of shares	28	**180,760**	-	-
- Payment of lease liabilities	19	**(25,698)**	(13,818)	(29,031)
Net cash generated from/(used in) financing activities		**3,069,191**	(38,720)	(1,939,325)
Net (decrease)/increase in cash and cash equivalents		**(167,011)**	(1,529,979)	1,176,236
Cash and cash equivalents at 01 January		**5,112,014**	6,297,870	4,601,319
Effect of exchange rate fluctuations on cash and cash equivalents held		**86,842**	344,123	520,315
Cash and cash equivalents at 31 December		**5,031,845**	5,112,014	6,297,870

The notes on pages 86 to 173 form an integral part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

BCP Bank (Mauritius) Ltd 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 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

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

New or amended IFRSs

IAS 16 – Property, Plant and Equipment ➔ Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended uses.

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ➔ Amendments regarding the costs to include when assessing whether a contract is onerous.

IFRS 9 - Financial Instruments ➔ Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities).

NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards, relevant for the Bank, are effective for annual periods beginning after 1 January 2022, and earlier application is permitted; however, the Bank has not opted for early application of the new or amended standards in preparing these financial statements.

Effective 1 January 2023

IAS 1 - Presentation of Financial Statements ➔ Amendments regarding the disclosure of accounting policies.

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

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

Effective 1 January 2024

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) BASIS OF PREPARATION

The financial statements of the Bank have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in compliance with the requirements of the Mauritius Companies Act, Banking Act and Financial Reporting Act.

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

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

The preparation of financial statements in conformity with IFRS Standards 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 the statement of profit or loss and other comprehensive income. Transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) INTEREST INCOME AND EXPENSE

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

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

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

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

i Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation 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.

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

ii Calculation of interest income and expense

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

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

iii Presentation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) FEES AND COMMISSION

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

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

f) 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 includes all realized and unrealized fair value changes arising on financial assets and liabilities designated at fair value through profit or loss.

h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i Recognition of financial instruments

The Bank initially recognises 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.

ii Classification and measurement of financial instruments

FINANCIAL ASSETS

On initial recognition, a financial asset is classified and measured as either: Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL). A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI. The Bank's investment securities are measured at FVOCI.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

ii Classification and measurement of financial instruments (Continued)

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; and
- 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 Consumer, Corporate and Institutional banking businesses comprise primarily of loans to customers that are held for collecting contractual cash-flows. Financial assets that are held for trading or managed and whose performance are 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.

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

- contingent events that would change the amount/timing of cash flows;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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

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

NOTES TO THE FINANCIAL STATEMENTS
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)
ii Classification and measurement of financial instruments (Continued)

EQUITY INSTRUMENTS

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

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

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

FINANCIAL LIABILITIES

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

iii Derecognition of financial instruments

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 has expired).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

iv Modification of financial instruments

FINANCIAL ASSETS

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency in which the loan is denominated in; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

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).

FINANCIAL LIABILITIES

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

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

NOTES TO THE FINANCIAL STATEMENTS
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

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 similar transactions such as in the Bank's foreign exchange trading activities.

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.

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:

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

No impairment loss is recognised on equity investments.

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

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

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

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

MEASUREMENT OF ECL

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

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

RESTRUCTURED FINANCIAL ASSETS

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

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

NOTES TO THE FINANCIAL STATEMENTS
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
h) FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

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

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.

viii Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "net impairment 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 Bank'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; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 30 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 asured 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 the statement of profit or loss and other comprehensive income.

ii Depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 the statement of profit or loss and other comprehensive income over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

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

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.
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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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) EMPLOYEE BENEFITS

i Defined contribution plan

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments to a defined contribution plan are recognised as an expense when employees have rendered service that entitle them to the contributions. 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.

ii Preferential loans to employees

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

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 assets and/or liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 with residents other than companies holding a Global Business Licence 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 arising from banking transactions with residents other than companies holding a Global Business Licence, of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Mauritius Revenue Authority at the time of submission of the income tax return on the year under review.

INCOME TAX

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

Since the chargeable income of the Bank is below Rs 1.5 bn in the 'base year' ie year end 31 December 2017, all its chargeable income, if any, will be taxed at 5%, provided the Bank meet the prescribed conditions to benefit from the 5% reduced tax rate.

The prescribed conditions are available for year of assessment up to 2020/2021 ie year end 31 December 2020. The MRA is yet to provide the conditions for year of assessment 2021/2022 onwards. However, this is not relevant for the Bank this year since it has no chargeable income.

The Bank has accumulated tax losses for the year ended 31 December 2022 and it is not liable to any corporate tax or CSR charge.

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.

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 note to the statement of financial position.

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

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- 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.

NOTES TO THE FINANCIAL STATEMENTS
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) LEASED ASSETS (Continued)

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 note to the statement of financial position.

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Operating lease expenses" in the statement of profit or loss and other comprehensive income (see note 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 contracts that contain a lease component and one or more additional lease or non lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 premium received on initial recognition less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

x) OTHER CONTINGENT LIABILITIES

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

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 33 (b).

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

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

At each reporting date, the Bank reviews individually all loans and advances classified in Stage 3 to assess whether an allowance for impairment should be recorded in the statements of profit or loss and other comprehensive income.

In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank make judgements about borrower's financial situation and the expected cash flows to be collected from the collaterals, which is based on the values assessed by independent valuers and discounted at the original effective interest rate; based on the estimated realisation period calculated usig historic data and collateral haircut. These estimates are based on assumptions about a number of factors and actua; 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 pas 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 33 (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 (Rs).

NOTES TO THE FINANCIAL STATEMENTS

4. NET INTEREST INCOME

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Interest income			
Cash and cash equivalents *	**27,498**	14,303	11,647
Loans and advances to banks*,**	**104,010**	43,227	1,106
Loans and advances to customers*,**	**501,085**	431,025	527,968
Investment securities****	**59,199**	55,809	69,885
Total interest income	**691,792**	544,364	610,606
Interest expense			
Cash and cash equivalents***	**(7,860)**	(8,853)	(7,385)
Deposits from banks***	**(32,729)**	(13,486)	(11,646)
Deposits from customers***	**(74,278)**	(72,440)	(116,020)
Borrowed funds***	**(121,207)**	(70,793)	(101,850)
Investment securities*****	**(3,744)**	(2,604)	(2,534)
Subordinated loan	**(1,707)**	-	-
Lease liabilities	**(2,951)**	(2,247)	(5,142)
Total interest expense	**(244,476)**	(170,423)	(244,577)
Net interest income	**447,316**	373,941	366,029

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

	2022	2021	2020
Segment A	**Rs 000**	Rs 000	Rs 000
Interest income			
Cash and cash equivalents	**15,323**	1,967	2,304
Loans and advances to banks	**13,933**	4,746	375
Loans and advances to customers	**387,015**	344,334	382,946
Investment securities	**59,096**	55,809	69,885
Total interest income from segment A	**475,367**	406,856	455,510
Segment B			
Interest income			
Cash and cash equivalents	**12,175**	12,336	9,343
Loans and advances to banks	**90,077**	38,481	731
Loans and advances to customers	**114,070**	86,691	145,022
Investment securities	**103**	-	-
Total interest income from segment B	**216,425**	137,508	155,096
Total interest income from segment A and segment B	**691,792**	544,364	610,606
Segment A			
Interest expense			
Cash and cash equivalents	**(4,586)**	(5,268)	(4,828)
Deposits from customers	**(59,215)**	(61,842)	(97,093)
Borrowed funds	**(80,805)**	(55,196)	(368)
Investment securities	**(3,744)**	(2,604)	(2,534)
Lease liabilities	**(2,546)**	(1,921)	(4,578)
Total interest expense from segment A	**(150,896)**	(126,831)	(109,401)
Segment B			
Interest expense			
Cash and cash equivalents	**(3,274)**	(3,585)	(2,557)
Deposits from banks	**(32,729)**	(13,486)	(11,646)
Deposits from customers	**(15,063)**	(10,598)	(18,927)
Borrowed funds	**(40,402)**	(15,597)	(101,482)
Subordinated loan	**(1,707)**	-	-
Lease liabilities	**(405)**	(326)	(564)
Total interest expense from segment B	**(93,580)**	(43,592)	(135,176)
Total interest expense from segment A and segment B	**(244,476)**	(170,423)	(244,577)

NOTES TO THE FINANCIAL STATEMENTS

5. NET FEE AND COMMISSION INCOME

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Fee and commission income			
Service fees	**8,402**	8,895	11,604
Transactional	**43,312**	36,957	31,447
Credit-related fees – Guarantees	**31,020**	32,196	22,450
Cards	**12,323**	10,400	11,371
Other	**2,255**	4,029	1,907
Total fee and commission income	**97,312**	92,477	78,779
Fee and commission expense			
Interbank fees	**(16,555)**	(12,076)	(13,634)
Other	**(13,401)**	(10,858)	(8,521)
Total fee and commission expense	**(29,956)**	(22,934)	(22,155)

	2022	2021	2020
Segment A	**Rs 000**	Rs 000	Rs 000
Fee and commission income			
Service fees	**4,738**	5,360	8,618
Transactional	**15,226**	12,303	13,623
Credit-related fees – Guarantees	**12,954**	10,499	9,595
Cards	**11,904**	9,907	10,884
Other	**1,945**	1,824	911
Total fee and commission income from segment A	**46,767**	39,893	43,631
Fee and commission expense			
Interbank fees	**(4,132)**	(968)	(7,280)
Other	**(2,950)**	(6,622)	(8,453)
Total fee and commission expense from segment A	**(7,082)**	(7,590)	(15,733)

	2022	2021	2020
Segment B	**Rs 000**	Rs 000	Rs 000
Fee and commission income			
Service fees	**3,664**	3,535	2,986
Transactional	**28,086**	24,654	17,824
Credit-related fees – Guarantees	**18,066**	21,696	12,855
Cards	**419**	494	487
Other	**310**	2,205	996
Total fee and commission income from segment B	**50,545**	52,584	35,148
Fee expense			
Interbank fees	**(12,423)**	(11,108)	(6,354)
Other	**(10,451)**	(4,236)	(68)
Total fee expense from segment B	**(22,874)**	(15,344)	(6,422)

Credit-related fees - Guarantees include non-refundable up-front fees received from customers upon provision of credit-related services which are amortised over the terms of the exposures. The remaining weight-average expected years as at 31 December 2022 was 6.8 years (2021: 10 years).

An amount of Rs 1.6 million included as deferred income under the financial statement caption 'Other liabilities' has been released to the statement of profit or loss during the year ended 31 December 2022 (2021: Rs 1.2 million).

NOTES TO THE FINANCIAL STATEMENTS

6. NET TRADING INCOME

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Net gain on dealing in foreign currencies and derivatives	**85,493**	75,790	63,376
Segment A			
Profit arising from dealing in foreign currencies and derivatives	**76,901**	27,943	50,856
Segment B			
Profit arising from dealing in foreign currencies and derivatives	**8,592**	47,847	12,520
Total profit arising from dealing in foreign currencies and derivatives from segment A and segment B	**85,493**	75,790	63,376

7. NET LOSS ON INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Net fair value movement in financial assets at fair value through profit or loss	**-**	-	(6,742)
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)
Total net fair value movement in financial assets at fair value through profit or loss from segment A and segment B	**-**	-	(6,742)

8. OTHER INCOME

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Management fees	**-**	-	10,000
Net gain on sales of securities	**3,104**	-	97
Other	**2,427**	2,284	7,974
Other income	**5,531**	2,284	18,071
Segment A			
Other income	**5,198**	1,954	8,057
Segment B			
Other income	**333**	330	10,014
Total other income from segment A and segment B	**5,531**	2,284	18,071

NOTES TO THE FINANCIAL STATEMENTS

9. PERSONNEL EXPENSES

(a) Personnel expenses	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Wages and salaries	185,550	196,052	193,885
Compulsory social security contributions	10,043	9,988	7,558
Contributions in pension plan	13,165	13,313	14,352
Increase in liability for pension plan	1,848	8,567	3,836
Other personnel expenses	47,124	9,028	8,719
	257,730	236,948	228,350
Segment A			
Wages and salaries	139,726	139,807	135,720
Compulsory social security contributions	7,745	7,628	5,291
Contributions in pension plan	10,152	10,167	10,046
Increase in liability for pension plan	1,425	6,543	2,685
Other personnel expenses	32,144	2,477	2,178
	191,192	166,622	155,920
Segment B			
Wages and salaries	45,825	56,188	58,165
Compulsory social security contributions	2,298	2,360	2,267
Contributions in pension plan	3,013	3,145	4,306
Increase in liability for pension plan	423	2,024	1,151
Other personnel expenses	14,979	6,609	6,541
	66,538	70,326	72,430
Total personnel expenses from segment A and segment B	257,730	236,948	228,350

(b) Retirement benefit obligation	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Reconciliation of present value of retirement benefit obligation			
Balance at 01 January	19,748	19,392	12,100
Included in profit or loss			
Current service cost	2,317	1,405	2,587
Past service cost	157	6,769	608
Interest expense	823	393	641
	3,297	8,567	3,836
Included in OCI			
Remeasurement loss/(gain)*	9,970	(6,538)	4,226
Other			
Benefits paid	(3,724)	(1,673)	(770)
Curtailment/settlement gain on obligation	(1,449)	-	-
	(5,173)	(1,673)	(770)
Balance at 31 December	27,842	19,748	19,392
* Remeasurement loss/(gain) arises from:			
Change in financial assumptions	1,508	(8,063)	7,665
Experience loss/(gain)	8,462	1,525	(3,439)
Remeasurement loss/(gain)	9,970	(6,538)	4,226

Deferred tax movement on retirement benefit obligation is for the year 31 December 2022 is Rs 420k.

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Principal actuarial assumptions at the end of the year			
Discount rate	5.91%	4.28%	2.50%
Rate of salary increases	5.00%	3%	1.50%
Retirement age	65	65	65
Sensitivity analysis on retirement benefit obligation at end of period			
1% increase in discount rate	18,043	11,498	12,062
1% decrease in discount rate	39,742	30,315	28,344
1% of increase in salary increase assumption	37,577	28,113	26,070
1% of decrease in salary increase assumption	19,939	13,237	14,056
Effect of changing longevity - rate up	27,131	18,987	18,567
Effect of changing longevity - rate down	28,511	20,468	20,169

NOTES TO THE FINANCIAL STATEMENTS

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 16 years (2021: 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:

- 39% in Local Equity:
- 32% in Local Fixed Income;
- 21% in Foreign Investments;
- 1% in Property; and
- 7% 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 LEASE EXPENSES

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Operating lease expenses	12,034	26,696	9,967

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.

During last quarter of 2022, ATMs were decommissioned and some of the Bank's existing branches ceased operations.

As at 31 December 2022, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Less than one year	1,316	1,235	3,968
Between one and five years	-	395	4,654
	1,316	1,630	8,622

11. OTHER EXPENSES

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Software licensing and other IT costs	74,570	71,509	58,114
Professional fees	19,028	16,085	11,019
Other*	66,926	41,643	79,364
	160,524	129,237	148,497

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

12. INCOME TAXES

(a) Amounts recognised in profit or loss

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Current tax charge	**868**	869	-
Deferred tax charge/(credit)	**28,889**	(3,524)	(3,752)
Total income tax charge/(credit)	**29,757**	(2,655)	(3,752)
Segment A			
Current tax charge	**868**	869	-
Deferred tax charge/(credit)	**9,385**	(4,459)	(2,312)
Income tax charge/(credit) from Segment A	**10,253**	(3,590)	(2,312)
Segment B			
Deferred tax charge/(credit)	**19,504**	935	(1,440)
Income tax charge/(credit) from Segment B	**19,504**	935	(1,440)
Total income tax charge/(credit) from Segment A and Segment B	**29,757**	(2,655)	(3,752)

(b) Reconciliation of income taxes

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Profit/(loss) before tax	**174,352**	16,477	(264,429)
Tax at statutory tax rate	**10,868**	(153)	(13,995)
Non-deductible expenses *	**1,008**	1,122	1,085
Non-taxable income **	**(217)**	(1,991)	(80)
Special levy on banks	**868**	869	-
Tax impact relating to offsetting of taxable profits and tax losses	**2,385**	-	-
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	-
Other deferred tax movement	**14,845**	(8,288)	13,749
Total income tax charge/(credit)	**29,757**	(2,655)	(3,752)

* 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.

	2022	2021	2020
Segment A	**Rs 000**	Rs 000	Rs 000
Profit/(loss) before tax	**107,578**	(48,833)	(38,702)
Tax at statutory tax rate (7%)	**7,530**	(3,418)	(2,709)
Non-deductible expenses	**305**	64	-
Special levy on banks	**868**	869	-
Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit	**-**	5,155	-
Non taxable income	**(217)**	-	(80)
Tax losses utilised	**-**	-	(4,511)
Other deferred tax movement	**1,767**	(6,260)	4,988
Total income tax charge/(credit) from Segment A	**10,253**	(3,590)	(2,312)

NOTES TO THE FINANCIAL STATEMENTS

12. INCOME TAXES (Continued)

(b) Reconciliation of income taxes (Continued)

	2022	2021	2020
Segment B	**Rs 000**	Rs 000	Rs 000
Profit/(loss) before tax	**66,774**	65,310	(225,727)
Tax at statutory tax rate (5%)	**3,338**	3,265	(11,286)
Non-deductible expenses	**703**	1,058	1,085
Non taxable income	**-**	(1,991)	-
Derecognition of deferred tax asset on tax losses to lapse in FY 22 based on forecast taxable profit	**-**	631	-
Tax impact relating to offsetting of taxable profits and tax losses	**2,385**	-	-
Other deferred tax movement	**13,078**	(2,028)	8,761
Total income tax charge/(credit) from Segment B	**19,504**	935	(1,440)

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 Rs 1.5bn 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.

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.

12. INCOME TAXES (Continued)

(c) Movement in Deferred tax balances

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Balance at 01 January	**95,983**	92,459	86,995
Credited to equity	**420**	-	1,712
(Charged)/credited to profit or loss	**(28,889)**	3,524	3,752
Balance at 31 December	**67,514**	95,983	92,459
Deferred tax assets			
Allowance for loan losses	**59,986**	73,851	67,930
Other	**5,494**	18,774	31,486
	65,480	92,625	99,416
Deferred tax liabilities			
Accelerated capital allowances	**2,034**	3,358	(6,957)
Net deferred tax assets	**67,514**	95,983	92,459

	Segment A	Segment B	Total
	Rs 000	**Rs 000**	**Rs 000**
2022			
Balance at 01 January	**57,120**	**38,863**	**95,983**
Property, equipment and software	**(1,106)**	**(219)**	**(1,325)**
Allowance for loan losses	**(3,283)**	**(10,581)**	**(13,864)**
Tax losses and retirement benefit obligation	**(4,576)**	**(8,704)**	**(13,280)**
Balance at 31 December	**48,155**	**19,359**	**67,514**
2021			
Balance at 01 January	52,661	39,798	92,459
Property, equipment and software	25,437	2,427	27,864
Allowance for loan losses	(14,239)	2,515	(11,724)
Tax losses and retirement benefit obligation	(6,739)	(5,877)	(12,616)
Balance at 31 December	57,120	38,863	95,983
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

(d) Current tax liabilities

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Current tax liabilities	**868**	869	-
Segment A			
Current tax liabilities	**868**	869	-

NOTES TO THE FINANCIAL STATEMENTS

13. CASH AND CASH EQUIVALENTS

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Cash in hand	**21,364**	85,621	117,561
Foreign currency notes and coins	**12,380**	27,941	9,099
Unrestricted balances with central bank	**2,186,900**	2,340,358	2,049,576
Money market placements	**2,411,645**	1,981,495	2,994,123
Balances with banks abroad	**399,556**	676,599	1,127,511
	5,031,845	5,112,014	6,297,870
Segment A			
Cash in hand	**21,364**	85,621	117,561
Foreign currency notes and coins	**12,380**	27,941	9,099
Unrestricted balances with central bank	**2,186,900**	2,340,358	2,049,576
	2,220,644	2,453,920	2,176,236
Segment B			
Money market placements	**2,411,645**	1,981,495	2,994,123
Balances with banks abroad	**399,556**	676,599	1,127,511
	2,811,201	2,658,094	4,121,634
Total cash and cash equivalents from Segment A and Segment B	**5,031,845**	5,112,014	6,297,870

14. LOANS AND ADVANCES TO BANKS

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Loans and advances to banks			
- in Mauritius (Segment A)	**436,500**	432,500	-
- outside Mauritius (Segment B)	**3,670,443**	2,877,436	1,636,335
	4,106,943	3,309,936	1,636,335
Less allowance for impairment			
- Segment A	**(1,875)**	(2,252)	-
- Segment B	**(22,327)**	(13,643)	(5,701)
Total allowance for impairment	**(24,202)**	(15,895)	(5,701)
	4,082,741	3,294,041	1,630,634
Remaining term to maturity			
Up to 3 months	**1,737,962**	1,346,376	1,098,131
Over 3 months and up to 6 months	**1,239,077**	1,053,298	500,569
Over 6 months and up to 12 months	**227,204**	477,762	37,634
Over 1 year and up to 5 years	**902,700**	432,500	-
	4,106,943	3,309,936	1,636,334

15. LOANS AND ADVANCES TO CUSTOMERS

	2022 Rs 000	2021 Rs 000	2020 Rs 000
Retail customers			
- Mortgages	**2,909,196**	3,339,494	3,630,280
- Other retail loans	**414,760**	419,533	416,457
Corporate customers	**8,763,511**	8,845,385	7,827,047
Entities outside Mauritius	**2,095,745**	1,741,787	1,167,175
	14,183,212	14,346,199	13,040,959
Less allowance for impairment	**(917,453)**	(947,799)	(885,287)
	13,265,759	13,398,400	12,155,672
Remaining term to maturity			
Up to 3 months	**3,738,040**	3,422,649	3,294,825
Over 3 months and up to 6 months	**1,051,691**	1,718,589	308,609
Over 6 months and up to 12 months	**261,363**	200,723	111,205
Over 1 year and up to 5 years	**2,081,840**	2,317,184	2,685,569
Over 5 years	**7,050,278**	6,687,054	6,640,751
	14,183,212	14,346,199	13,040,959

	2022 Rs 000	2021 Rs 000	2020 Rs 000
Segment A			
Retail customers			
- Mortgages	**2,442,220**	2,781,530	3,089,528
- Other retail loans	**356,474**	359,969	351,100
Corporate customers	**6,295,773**	7,289,614	6,941,298
	9,094,467	10,431,113	10,381,926
Less allowance for impairment	**(633,550)**	(682,670)	(654,552)
	8,460,917	9,748,443	9,727,374
Remaining term to maturity			
Up to 3 months	**2,488,806**	2,458,722	2,204,046
Over 3 months and up to 6 months	**77,689**	120,710	206,360
Over 6 months and up to 12 months	**41,856**	13,660	17,239
Over 1 year and up to 5 years	**1,084,679**	1,699,258	1,859,358
Over 5 years	**5,401,437**	6,138,763	6,094,923
	9,094,467	10,431,113	10,381,926
Segment B			
Retail customers			
- Mortgages	**466,975**	557,964	540,752
- Other retail loans	**58,286**	59,564	65,357
Corporate customers	**2,467,739**	1,555,771	885,749
Entities outside Mauritius	**2,095,745**	1,741,787	1,167,175
	5,088,745	3,915,086	2,659,033
Less allowance for impairment	**(283,903)**	(265,129)	(230,735)
	4,804,842	3,649,957	2,428,298
Remaining term to maturity			
Up to 3 months	**1,249,233**	963,927	1,090,779
Over 3 months and up to 6 months	**974,002**	1,597,879	102,248
Over 6 months and up to 12 months	**219,507**	187,063	93,965
Over 1 year and up to 5 years	**997,161**	617,926	826,212
Over 5 years	**1,648,842**	548,291	545,829
	5,088,745	3,915,086	2,659,033

15. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Credit concentration of risk by industry sectors

	2022 Rs 000	2021 Rs 000	2020 Rs 000
Agriculture and fishing	**551,886**	1,004,090	808,442
Manufacturing	**918,641**	1,088,709	848,602
Tourism	**1,094,587**	1,419,213	1,345,011
Transport	**205,406**	281,404	354,452
Construction	**3,244,288**	3,863,493	4,204,327
Financial and business services	**1,746,828**	1,627,674	553,233
Traders	**1,395,984**	650,896	1,225,508
Personal	**410,070**	358,774	353,348
Professional	**4,690**	60,759	63,110
Global Business licence holders	**2,214,900**	1,555,770	885,749
Others	**2,395,932**	2,435,417	2,399,177
	14,183,212	14,346,199	13,040,959
Segment A			
Agriculture and fishing	**551,886**	571,590	414,942
Manufacturing	**870,332**	1,087,566	848,602
Tourism	**1,094,587**	1,419,213	1,345,011
Transport	**205,406**	281,399	354,452
Construction	**2,777,313**	3,305,528	3,663,575
Financial and business services	**481,278**	762,669	553,233
Traders	**863,189**	650,839	854,977
Personal	**351,966**	299,210	287,991
Professional	**4,508**	60,759	63,110
Others	**1,894,002**	1,992,340	1,996,033
	9,094,467	10,431,113	10,381,926
Segment B			
Agriculture and fishing	**-**	432,500	393,500
Manufacturing	**48,309**	1,143	-
Transport	**-**	5	-
Construction	**466,975**	557,965	540,752
Financial and business services	**1,265,550**	865,005	-
Traders	**532,795**	57	370,531
Personal	**58,104**	59,564	65,357
Professional	**182**	-	-
Global Business licence holders	**2,214,900**	1,555,770	885,749
Others	**501,930**	443,077	403,144
	5,088,745	3,915,086	2,659,033

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

(a) Movement in allowance for credit impairment	Specific allowances for credit impairment	Collective allowances for credit impairment	Total
	Rs 000	Rs 000	Rs 000
At 1 January 2020	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
Charge for the year	(3,027)	(15,929)	(18,956)
At 31 December 2022	**671,549**	**273,188**	**944,737**

(b) Net impairment (gain)/loss on financial assets	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Collective allowance for credit impairment (Note 16(a))	(15,929)	60,352	46,271
Specific allowance on loans and advances (Note 16(a))	(3,027)	12,353	212,689
Specific allowance on investment securities*	(239,560)	31,452	54,315
Foreign exchange changes	11,914	(27,527)	(44,418)
Recovered amount	(36,563)	-	-
Write offs	225,651	363	11,847
	(57,514)	76,993	280,704

* The amount for 2022 relates to the reversal of full impairment provided as at December 2022 on a corporate bond since the exposure has been disposed during the year. Refer to Note 17.

(c) Allowance for credit impairment by industry sectors

	2022					2021	2020
	Gross amount of loans	Impaired loans	Specific allowances for credit impairment	Collective allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture and fishing	551,886	1,618	6	8,477	8,483	18,564	14,760
Manufacturing	918,641	245,981	214,776	15,114	229,890	242,474	224,150
Tourism	1,094,587	-	-	61,318	61,318	82,984	73,332
Transport	205,406	4,513	4,513	3,027	7,540	9,045	8,981
Construction	3,244,288	73,404	42,294	31,877	74,171	67,673	82,298
Banks	4,106,943	-	-	27,284	27,284	15,895	5,701
Financial and business services	1,746,828	-	-	28,641	28,641	19,973	7,984
Traders	1,395,984	20,257	20,243	23,966	44,209	34,836	39,037
Personal	410,070	230,157	135,074	7,519	142,593	116,420	111,984
Professional	4,690	2,995	2,995	69	3,064	38,695	38,984
Global Business licence holders	2,214,900	29,446	29,447	35,168	64,615	59,390	47,709
Others	2,395,932	506,961	222,201	30,728	252,929	257,744	236,068
	18,290,155	1,115,332	671,549	273,188	944,737	963,693	890,988

NOTES TO THE FINANCIAL STATEMENTS

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

	2022					2021	2020
	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	551,886	1,618	6	8,477	8,483	11,630	7,209
Manufacturing	870,332	245,981	214,776	15,114	229,890	241,520	224,150
Tourism	1,094,587	-	-	61,318	61,318	82,984	73,332
Transport	205,406	4,513	4,513	3,027	7,540	9,045	8,981
Construction	2,777,313	59,888	40,594	27,646	68,240	64,705	79,457
Banks	436,500	-	-	1,883	1,883	2,252	-
Financial and business services	481,278	-	-	3,036	3,036	6,757	7,984
Traders	863,189	20,222	20,208	16,342	36,550	34,779	34,355
Personal	351,966	205,814	120,308	6,554	126,862	97,314	91,825
Professional	4,508	2,995	2,995	66	3,061	38,695	38,984
Others	1,894,002	59,786	58,751	29,818	88,569	95,243	88,276
	9,530,967	600,817	462,151	173,281	635,432	684,924	654,553
Segment B							
Agriculture and fishing	-	-	-	-	-	6,934	7,551
Manufacturing	48,309	-	-	-	-	954	-
Construction	466,975	13,516	1,700	4,231	5,931	2,968	2,841
Banks	3,670,443	-	-	25,401	25,401	13,643	5,701
Financial and business services	1,265,550	-	-	25,605	25,605	13,216	-
Traders	532,795	35	35	7,624	7,659	57	4,682
Personal	58,104	24,343	14,766	965	15,731	19,106	20,159
Professional	182	-	-	3	3	-	-
Global Business licence holders	2,214,900	29,446	29,447	35,168	64,615	59,390	47,709
Others	501,930	447,175	163,450	910	164,360	162,501	147,792
	8,759,188	514,515	209,398	99,907	309,305	278,769	236,435

17. INVESTMENT SECURITIES

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Investment securities	1,686,317	2,222,586	2,335,212
Held at fair value through OCI:			
Government of Mauritius bonds	479,706	1,422,393	1,285,355
Bank of Mauritius notes	-	50,573	29,350
Treasury bills	199,870	199,368	748,268
Bank of Mauritius bills	1,004,706	548,503	249,116
Equity shares	2,035	1,749	-
Held at amortised cost:			
Corporate bond	-	239,560	231,231
Less allowance for impairment	-	(239,560)	(208,108)
	1,686,317	2,222,586	2,335,212
Segment A			
Government of Mauritius bonds and Bank of Mauritius notes	479,706	1,472,966	1,315,753
Treasury bills	199,870	199,368	747,756
Bank of Mauritius bills	1,004,706	548,503	248,580
	1,684,282	2,220,837	2,312,089
Segment B			
Corporate bond	-	239,560	231,231
Equity shares	2,035	1,749	-
Less allowance for impairment	-	(239,560)	(208,108)
	2,035	1,749	23,123

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

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Investment in subsidiary (Level 3)	-	-	62,653

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
At 01 January	-	62,653	69,395
Proceeds from sale of investment	-	(85,502)	-
Net gain from sale of investment	-	22,849	-
Fair value adjustment (Note 7)	-	-	(6,742)
	-	-	62,653

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	2022	2021	2020	2022	2021	2020
				%	%	%	Rs 000	Rs 000	Rs 000
Banky First (Previously known as BM Madagascar)	Madagascar	Banking/ Microfinance	Ordinary shares	-	-	72.67	-	-	62,653

NOTES TO THE FINANCIAL STATEMENTS

19. PROPERTY AND EQUIPMENT

	Right-of-use asset Leasehold property	Improvement to leasehold property	Computer equipment	Office equipment	Furniture, fixtures & fittings	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost							
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
Balance at 01 January 2022	**144,796**	**50,140**	**121,980**	**22,228**	**8,494**	**6,556**	**354,194**
Additions	**15,677**	**473**	**1,941**	**456**	**-**	**-**	**18,547**
Discontinuations*	**(43,663)**	**-**	**-**	**-**	**-**	**-**	**(43,663)**
Disposal	**-**	**-**	**-**	**-**	**-**	**(1,175)**	**(1,175)**
Scrapped assets	**-**	**(20,930)**	**(51)**	**(3,382)**	**(527)**	**(887)**	**(25,777)**
Balance at 31 December 2022	**116,810**	**29,683**	**123,870**	**19,302**	**7,967**	**4,494**	**302,126**
Accumulated depreciation and impairment losses							
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
Balance at 01 January 2022	**75,704**	**44,067**	**108,085**	**21,570**	**8,181**	**6,310**	**263,917**
Depreciation for the year	**25,359**	**3,202**	**12,299**	**552**	**188**	**246**	**41,846**
Disposal	**-**	**-**	**-**	**-**	**-**	**(1,175)**	**(1,175)**
Scrapped assets	**(27,887)**	**(20,930)**	**(51)**	**(3,382)**	**(527)**	**(887)**	**(53,664)**
Balance at 31 December 2022	**73,176**	**26,339**	**120,333**	**18,740**	**7,842**	**4,494**	**250,924**
Carrying amounts							
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
Balance at 31 December 2022	**43,634**	**3,344**	**3,537**	**562**	**125**	**-**	**51,202**

* Discontinuations for the year ended 31 December 2022 arise from decommissioned ATMs and closure of branches.

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
2022							
Segment A	**39,271**	**3,010**	**3,183**	**506**	**113**	**-**	**46,083**
Segment B	**4,363**	**334**	**354**	**56**	**12**	**-**	**5,119**
	43,634	**3,344**	**3,537**	**562**	**125**	**-**	**51,202**
2021							
Segment A	62,183	5,466	12,505	592	282	221	81,249
Segment B	6,909	607	1,390	66	31	25	9,028
	69,092	6,073	13,895	658	313	246	90,277
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

Included in the above line items are right-of-use asset recognised as at 31 December 2022, over the following :

Right-of-use asset	**Rs 000**
Non-current asset	
Office building	**116,810**

Lease liabilities - Carrying amount	**Rs 000**
As at 01 January 2022-Effect of adoption of IFRS 16 (refer to accounting policy)	**73,370**
Additions	**15,677**
Discontinuations	**(15,776)**
Gain on discontinuations	**(822)**
Payments of lease liabilities *	**(25,698)**
As at 31 December 2022	**46,751**

Amount recognised in profit or loss for the year ended 31 December 2022	**Rs 000**
Depreciation expense on right-of-use assets	**25,359**
Interest expense on lease liabilities	**2,951**
Total amount recognised in profit or loss	**28,310**

* The payments of lease liabilities for the year ended 31 December 2021 amounted to Rs 13,818k (2020: Rs 29,031k).

20. INTANGIBLE ASSETS

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Cost			
Balance at 01 January	**232,807**	217,145	192,167
Additions	**7,298**	15,630	25,600
Work in progress	**6,263**	58	-
Reclassification	**-**	(26)	-
Write-off	**-**	-	(524)
Foreign currency translation	**-**	-	(98)
Balance at 31 December	**246,368**	232,807	217,145
Accumulated amortisation			
Balance at 01 January	**203,998**	179,861	140,166
Amortisation for the year	**16,724**	24,137	39,702
Foreign currency translation	**-**	-	(7)
Balance at 31 December	**220,722**	203,998	179,861
Net book value			
Balance at 31 December	**25,646**	28,809	37,284
Carrying amounts at end of year by segments			
Segment A	**23,081**	25,928	33,556
Segment B	**2,565**	2,881	3,728
	25,646	28,809	37,284

21. OTHER ASSETS

	2022 Rs 000	2021 Rs 000	2020 Rs 000
Accounts receivable and prepayments	**38,263**	31,867	24,960
Accrued interest receivable	**79,260**	52,690	20,671
Restricted balances with Central Bank*	**663,773**	729,047	736,687
Balances due in clearing	**2,188,492**	2,192,898	596,494
Other receivables	**24,000**	25,506	19,680
	2,993,788	3,032,008	1,398,492
Segment A			
Accounts receivable and prepayments	**31,175**	28,437	22,275
Accrued interest receivable	**68,352**	47,429	18,340
Restricted balances with Central Bank	**663,773**	729,047	736,687
Balances due in clearing	**813**	18,418	26,596
Other receivables	**24,000**	25,506	19,680
	788,113	848,837	823,578
Segment B			
Accounts receivable and prepayments	**7,088**	3,430	2,685
Accrued interest receivable	**10,908**	5,261	2,331
Balances due in clearing	**2,187,679**	2,174,480	569,898
	2,205,675	2,183,171	574,914
Total from segment A and segment B	**2,993,788**	3,032,008	1,398,492

* 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 and also includes a balance required under Small & Medium Enterprises (SME) financing scheme.

22. DEPOSITS FROM BANKS

	2022 Rs 000	2021 Rs 000	2020 Rs 000
Deposits	**3,149,054**	3,148,830	2,565,666
Segment A			
Current accounts	**1,304**	2,072	345
Segment B			
Current accounts	**5,085**	-	-
Time deposit with remaining term to maturity			
Up to 3 months	**3,002,805**	3,146,758	2,565,321
Over 3 months and up to 6 months	**139,860**	-	-
	3,142,665	3,146,758	2,565,321

23. DEPOSITS FROM CUSTOMERS

	2022 Rs 000	2021 Rs 000	2020 Rs 000
Retail customers			
Current accounts	**1,177,588**	1,279,470	1,308,378
Savings accounts	**1,656,690**	1,854,290	1,927,256
Time deposits with remaining term to maturity			
Up to 3 months	**162,054**	206,320	174,369
Over 3 months and up to 6 months	**73,813**	154,284	185,090
Over 6 months and up to 12 months	**840,227**	629,492	545,755
Over 1 year and up to 5 years	**648,227**	729,356	624,750
Over 5 years	**-**	97,000	110,510
Corporate customers			
Current accounts	**5,576,283**	7,764,968	6,975,966
Savings accounts	**45,354**	248,944	466,474
Time deposits with remaining term to maturity			
Up to 3 months	**766,128**	1,031,773	781,550
Over 3 months and up to 6 months	**386,444**	215,377	467,843
Over 6 months and up to 12 months	**153,107**	276,394	378,211
Over 1 year and up to 5 years	**189,745**	219,440	54,418
	11,675,660	14,707,108	14,000,570

	2022 Rs 000	2021 Rs 000	2020 Rs 000
Segment A			
Retail customers			
Current accounts	**740,264**	865,510	829,433
Savings accounts	**1,259,574**	1,332,955	1,433,383
Time deposit with remaining term to maturity			
- Up to 3 months	**97,609**	96,662	78,986
- Over 3 months and up to 6 months	**64,117**	101,019	104,530
- Over 6 months and up to 12 months	**640,096**	529,084	454,969
- Over 1 year and up to 5 years	**431,578**	484,988	398,345
- Over 5 years	**-**	97,000	98,010
Corporate customers			
Current accounts	**2,754,617**	2,904,675	1,859,893
Savings accounts	**45,297**	248,862	466,410
Time deposit with remaining term to maturity			
- Up to 3 months	**537,671**	828,038	690,467
- Over 3 months and up to 6 months	**184,563**	189,427	439,898
- Over 6 months and up to 12 months	**153,057**	233,094	378,161
- Over 1 year and up to 5 years	**189,745**	219,440	54,418
	7,098,188	8,130,754	7,286,903

23. DEPOSITS FROM CUSTOMERS (Continued)

	2021	2020	2019
	Rs 000	Rs 000	Rs 000
Segment B			
Retail customers			
Current accounts	**437,324**	413,960	478,945
Savings accounts	**397,116**	521,335	493,873
Time deposit with remaining term to maturity			
- Up to 3 months	**64,445**	109,658	95,383
- Over 3 months and up to 6 months	**9,696**	53,265	80,560
- Over 6 months and up to 12 months	**200,131**	100,408	90,786
- Over 1 year and up to 5 years	**216,649**	244,368	226,405
- Over 5 years	**-**	-	12,500
Corporate customers			
Current accounts	**2,821,666**	4,860,293	5,116,073
Savings accounts	**57**	82	64
Time deposit with remaining term to maturity			
- Up to 3 months	**228,457**	203,735	91,083
- Over 3 months and up to 6 months	**201,881**	25,950	27,945
- Over 6 months and up to 12 months	**50**	43,300	50
	4,577,472	6,576,354	6,713,667

NOTES TO THE FINANCIAL STATEMENTS

24. BORROWED FUNDS

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Borrowed funds	**6,882,728**	4,585,387	4,424,459
Remaining term to maturity			
- Up to 3 months	**1,747,221**	1,227,125	124,382
- Over 3 months and up to 6 months	**1,672,865**	-	390,184
- Over 6 months and up to 12 months	**991,141**	987,998	1,176,155
- Over 1 year and up to 5 years	**1,816,751**	2,370,264	2,733,738
- Over 5 years	**654,750**	-	-
	6,882,728	4,585,387	4,424,459
Segment A			
Borrowings from financial institutions	**423,818**	497,148	12,397
Borrowings from Local banks	**218,250**	-	-
	642,068	497,148	12,397
Remaining term to maturity			
- Up to 3 months	**642,068**	490,850	-
- Over 6 months and up to 12 months	**-**	6,298	-
- Over 1 year and up to 5 years	**-**	-	12,397
	642,068	497,148	12,397
Segment B			
Borrowings from financial institutions	**635,727**	736,275	-
Borrowings from banks abroad	**5,604,933**	3,351,964	4,412,062
	6,240,660	4,088,239	4,412,062
Remaining term to maturity			
- Up to 3 months	**1,105,153**	736,275	124,382
- Over 3 months and up to 6 months	**1,672,865**	-	390,184
- Over 6 months and up to 12 months	**991,141**	981,700	1,176,155
- Over 1 year and up to 5 years	**1,816,751**	2,370,264	2,721,341
- Over 5 years	**654,750**	-	-
	6,240,660	4,088,239	4,412,062

Repayment of borrowed funds

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Gross opening balance	**4,585,387**	4,424,459	5,589,895
Less : gross closing balance	**(6,882,728)**	(4,585,387)	(4,424,459)
Effect of exchange rate fluctuations	**(157,190)**	185,830	744,858
Cash flow from financing activities	**(2,454,531)**	24,902	1,910,294

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Derivative financial instruments	**133**	38	(475)
Segment A			
Derivative financial instruments	**133**	38	(475)
Segment B			
Derivative financial instruments	**-**	-	-

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. SUBORDINATED LIABILITIES

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Subordinated loan	**464,654**	-	-
Remaining term to maturity			
- Over 5 years	**464,654**	-	-
	464,654	-	-
Segment B			
Borrowings from banks abroad	**464,654**	-	-
Remaining term to maturity			
- Over 5 years	**464,654**	-	-

27. OTHER LIABILITIES

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Retirement benefit obligations	**27,843**	19,748	19,392
Creditors and accruals	**159,093**	149,011	107,503
Accrued interest payable	**72,733**	34,951	65,932
Lease liabilities	**46,751**	73,370	108,105
Provisions	**101,023**	89,824	71,671
Other liabilities	**2,194,565**	2,299,088	609,919
	2,602,008	2,665,992	982,522
Segment A			
Retirement benefit obligations	**21,471**	15,798	15,514
Creditors and accruals	**118,022**	143,945	102,500
Accrued interest payable	**50,339**	22,076	41,644
Lease liabilities	**46,751**	73,370	108,105
Provisions	**87,147**	71,484	70,644
Other liabilities	**7,629**	7,819	28,919
	331,359	334,492	367,326
Segment B			
Retirement benefit obligations	**6,372**	3,950	3,878
Creditors and accruals	**41,071**	5,066	5,003
Accrued interest payable	**22,394**	12,875	24,288
Provisions	**13,876**	18,340	1,027
Other liabilities	**2,186,936**	2,291,269	581,000
	2,270,649	2,331,500	615,196
Total other liabilities from segment A and segment B	**2,602,008**	2,665,992	982,522

Lease liabilities analysis

	2022
	Rs 000
Current	**19,338**
Non Current	**27,413**
	46,751
Maturity analysis:	
Year 1	**19,338**
Year 2	**20,254**
Year 3	**2,978**
Year 4	**3,113**
Year 5	**1,068**
	46,751

Provisions

	2022
	Rs 000
Current	**101,023**
Provision analysis:	
Opening balance	**89,824**
Provision made during the year	**160,152**
Provision utilized during the year	**(148,481)**
Provision reversed during the year	**(472)**
Closing balance	**101,023**

The provisions relate to operating expenses for the year ended 31 December 2022 which will be paid for in the year 2023.

28. SHARE CAPITAL

	2022	2021	2020
	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
Increase share in capital	**180,760**	-	-
At 31 December	**2,398,825**	2,218,065	2,218,065
Number of shares			
At 01 January,	**2,858,172**	2,858,172	2,858,172
Increase share in capital	**232,926**	-	-
At 31 December	**3,091,098**	2,858,172	2,858,172

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

29. RESERVES

Nature and purpose of reserves

FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through OCI, until the assets are derecognised or impaired.

STATUTORY RESERVE

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

GENERAL BANKING RESERVE

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

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

30. CATEGORIES OF FINANCIAL INSTRUMENT

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

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

30. 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
2022					
Assets					
Cash and cash equivalents	-	-	5,031,845	5,031,845	5,031,845
Loans and advances to banks	-	-	4,082,741	4,082,741	4,082,741
Loans and advances to customers	-	-	13,265,759	13,265,759	13,265,759
Investment securities	1,686,317	-	-	1,686,317	1,686,317
Derivative financial instruments	-	133	-	133	133
Other assets	-	-	2,993,788	2,993,788	2,993,788
	1,686,317	**133**	**25,374,133**	**27,060,583**	**27,060,583**
Liabilities					
Deposits from banks	-	-	3,149,054	3,149,054	3,149,054
Deposits from customers	-	-	11,675,660	11,675,660	11,675,660
Borrowed funds	-	-	6,882,728	6,882,728	6,882,728
Subordinated liabilities	-	-	464,654	464,654	464,654
Provisions	-	-	101,023	101,023	101,023
Other liabilities	-	-	2,500,985	2,500,985	2,500,985
	-	**-**	**24,774,104**	**24,774,104**	**24,774,104**
2021					
Assets					
Cash and cash equivalents	-	-	5,112,014	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

NOTES TO THE FINANCIAL STATEMENTS
31. CONTINGENCIES

(a) Commitments	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Undrawn credit facilities	**1,305,720**	1,016,929	2,967,762
Segment A			
Undrawn credit facilities	**513,905**	657,825	862,616
Segment B			
Undrawn credit facilities	**791,815**	359,104	2,105,146

(b) Pledged assets	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Government Bonds (Segment A) *	**245,000**	227,000	202,000

(c) Contingent liabilities	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Acceptances on account of customers	**6,961**	347,010	83,273
Guarantees on account of customers	**813,406**	1,083,764	1,230,975
Letters of credit and other obligations on account of customers	**160,883**	69,974	365,457
Foreign exchange contracts	**214,077**	1,928	116,518
Other contingent items	**-**	-	1,009
	1,195,327	1,502,676	1,797,232
Segment A			
Acceptances on account of customers	**1,483**	1,219	-
Guarantees on account of customers	**623,374**	666,785	783,345
Letters of credit and other obligations on account of customers	**3,370**	3,102	7,730
Foreign exchange contracts	**214,077**	1,928	116,518
Other contingent items	**-**	-	1,009
	842,304	673,034	908,602
Segment B			
Acceptances on account of customers	**5,479**	345,791	83,273
Guarantees on account of customers	**190,032**	416,979	447,629
Letters of credit and other obligations on account of customers	**157,512**	66,872	357,728
	353,023	829,642	888,630

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

NOTES TO THE FINANCIAL STATEMENTS
32. 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.

		2022	2021	2020
Balances at year end:	**Nature of relationship**	**Rs 000**	Rs 000	Rs 000
Placements with banks	Holding company	**1,746,000**	1,773,250	3,008,914
	Related companies	**-**	98,170	-
Loans and advances (Note a)	Holding company*	**8,954**	11,796	-
	Related companies*	**10,023**	67,108	265,728
	Key management personnel	**18,033**	30,358	24,966
Deposits	Related companies	**3,147,750**	3,146,682	2,323,403
	Key management personnel	**36,614**	32,274	31,828
Cash and cash equivalents	Holding company	**3**	-	275,344
	Related companies	**189,580**	318,336	48
	Subsidiary	**-**	-	44,732
Borrowed funds (Note b)	Holding company	**654,750**	-	-
	Related companies	**4,204,262**	3,351,964	4,258,597
Subordinated liabilities	Related companies	**464,654**	-	-
Transactions during te year:				
(Loss)/gain from revaluation of swaps	Holding company	**(17,436)**	732	653
Income/(Loss) from foreign exchange transactions*	Holding company	**211**	(64)	(1,142)
	Related companies	**(1,157)**	575	638
Profit on sale of subsidiary	Holding company	**-**	15,932	-
	Related companies	**-**	6,917	-
Interest expense	Holding company	**7,568**	-	126,876
	Related companies	**120,803**	75,886	10,313
	Key management personnel	**254**	157	77
Interest income	Holding company	**23,104**	13,761	9,498
	Related companies	**2,209**	2,911	8,673
	Key management personnel	**719**	882	-
Fee and commission income	Holding company	**-**	-	1,138
	Related companies	**374**	922	428
	Subsidiary	**-**	-	909
Fee and commission expense	Related companies	**19**	-	-
Technical assistance fees	Holding company	**4,359**	9,436	3,500
Management fee expense	Holding company	**9,095**	8,134	8,540
Management fee income	Subsidiary	**-**	-	10,000
Reversal of previous management fee	Holding company	**(54)**	(16,928)	-

* Exposure of the Bank's top two related parties as at 31 December 2022 were Rs 9M and Rs 10M.

In addition, none of the credit facilities granted to the related parties was non-performing as at 31 December 2022.
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.

32. 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:

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Short-term employees benefits (excluding remuneration and benefits paid to directors)	**51,070**	46,097	45,573
Directors' Remuneration and benefits	**10,234**	15,189	10,661
Post-employment benefits	**2,400**	2,680	2,910
	63,704	63,966	59,144

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

NOTES TO THE FINANCIAL STATEMENTS

33. 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; and
- 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 uses 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.

33. FINANCIAL RISK REVIEW (Continued)

(b) CREDIT RISK

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

The Bank's credit risk comprises mainly corporate and retail loans and advances, together with the counterparty 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 continuously 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		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Total neither past due nor credit impaired	**4,106,943**	3,309,936	1,636,335
Specifically impaired	-	-	-
Total	**4,106,943**	3,309,936	1,636,335

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Credit Portfolio Analysis – Credit Quality (Continued)

	Loans and advances to customers		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Total neither past due nor credit impaired	**12,800,461**	12,027,015	10,350,005
Past due but not credit impaired			
due up to 30 days	**243,584**	499,728	1,485,498
31-90 days	**20,323**	29,380	64,287
91-180 days	**1,896**	614,949	1,669
180 days+	**1,616**	64,885	14,170
Total past due but not credit impaired	**267,419**	1,208,942	1,565,624
Individually impaired	**1,115,332**	1,110,242	1,125,330

	Investment securities		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Total neither past due nor credit impaired	**1,686,317**	2,222,586	2,312,089
Individually impaired	**-**	239,560	231,231
Total	**1,686,317**	2,462,146	2,543,320

Credit Portfolio Analysis – Allowance for impairment

	Loans and advances to banks		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Maturity less than 3 months	**3,035**	-	-
Maturity more than 3 months	**24,202**	15,885	5,701
Accrued interest	**47**	10	-
Total allowance for impairment - Collective	**27,284**	15,895	5,701

	Loans and advances to customers		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Allowance for impairment			
Specific	**671,549**	674,576	662,223
Collective	**245,904**	273,223	223,064
Total allowance for impairment	917,453	947,799	885,287

	Investment securities		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Total allowance for impairment - Collective	**-**	239,560	208,108

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

LOANS AND ADVANCES MODIFIED

Renegotiated loans and advances (including requests 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		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Gross carrying amount	147,965	24,951	53,432
Out of which fully impaired	-	*4,730*	*15,095*
Allowance for impairment	(11,686)	(881)	(1,875)
Net carrying amount	136,279	24,070	51,557

	Loans and advances to customers		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Financial assets modified during the year			
Gross carrying amount	140,026	9,757	39,974

The modification gains or losses resulted from the modifications of the financial assets were assessed as immaterial.

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

CREDIT PORTFOLIO ANALYSIS-BY RISK GRADE

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

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

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

	Loans and advances to banks*		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Outstanding exposure			
Grade 0-4	10,797	15,626	34,914
Grade 5-7	4,096,146	3,294,310	1,601,421
Grade 8-9	-	-	-
Grade X (impaired)	-	-	-
No credit grading	-	-	-
Total gross amount	4,106,943	3,309,936	1,636,335
Allowance for impairment	(24,202)	(15,895)	(5,701)
Net carrying amount	4,082,741	3,294,041	1,630,634
Off-balance sheet			
Grade 0-4	-	-	-
Grade 5-7	145,734	410,242	870,365
Grade 8-9	-	-	-
Grade X (impaired)	-	-	-
No credit grading	-	-	-
Total exposure	145,734	410,242	870,365

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

	Loans and advances to customers		
	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Grade 0-4	6,222,440	6,375,985	6,478,974
Grade 5-7	6,532,498	5,984,938	5,029,568
Grade 8-9	312,942	875,034	405,593
Grade X (credit impaired)	1,115,332	1,110,242	1,126,824
No credit grading	-	-	-
Total gross amount	14,183,212	14,346,199	13,040,959
Allowance for impairment (specific and collective)	(917,453)	(947,799)	(885,287)
Net carrying amount	13,265,759	13,398,400	12,155,672
Off-balance sheet			
Grade 0-4	1,726,904	1,956,918	3,080,037
Grade 5-7	412,430	145,085	653,976
Grade 8-9	1,702	4,731	40,542
Grade X (impaired)	200	700	3,556
No credit grading	-	-	-
Total exposure	2,141,236	2,107,434	3,778,111

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

CREDIT QUALITY ANALYSIS

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

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

2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total
Loans and advances to banks at amortised cost						
Grade 0-4	0.01-0.06	34,914	-	-	-	34,914
Grade 5-7	0.01-0.06	1,601,421	-	-	-	1,601,421
Grade 8-9	0.01-0.06	-	-	-	-	-
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

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

CREDIT QUALITY ANALYSIS (Continued)

2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	12-month PD ranges	Stage 1	Stage 2	Stage 3	Purchased credit impaired	Total
Loans and advances to customers at amortised cost						
Grade 0-4	0.01-0.06	4,828,819	1,650,155	-	-	6,478,974
Grade 5-7	0.01-0.06	4,730,318	299,250	-	-	5,029,568
Grade 8-9	0.01-0.06	379,040	26,553	-	-	405,593
Grade X (Credit-impaired)	100	-	-	1,126,824	-	1,126,824
Gross carrying amount		9,938,177	1,975,958	1,126,824	-	13,040,959
Loss allowance		(130,413)	(92,651)	(662,223)	-	(885,287)
Carrying amount		9,807,764	1,883,307	464,601	-	12,155,672

CREDIT PORFOLIO ANALYSIS - BY MARKET

	2022				2021	2020
	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	3,801,393	305,550	-	4,106,943	3,309,936	1,636,335
Loss allowance	(14,137)	(10,065)	-	(24,202)	(15,895)	(5,701)
Carrying amount	3,787,256	295,485	-	4,082,741	3,294,041	1,630,634
Off-balance sheet (loan commitments)						
Banks and financial institutions	145,734	-	-	145,734	410,242	870,365
Total	145,734	-	-	145,734	410,242	870,365

	2022				2021	2020
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
	Stage 1	Stage 2	Stage 3	Total	Total	Total
Loans and advances to customers at amortised cost						
Corporate	7,350,680	2,149,733	857,609	10,358,022	9,993,975	8,927,698
Retail	219,739	7,904	230,418	458,061	404,531	401,458
Banks and Credit Institutions	396,473	-	-	396,473	534,153	16
Mortgages	2,922,600	20,751	27,305	2,970,656	3,413,540	3,711,787
Sovereign	-	-	-	-	-	-
	10,889,492	2,178,388	1,115,332	14,183,212	14,346,199	13,040,959
Allowance for impairment	(149,427)	(96,477)	(671,549)	(917,453)	(947,799)	(885,287)
Carrying amount	10,740,065	2,081,911	443,783	13,265,759	13,398,400	12,155,672
Off-balance sheet (loan commitments)						
Corporate	1,963,591	75,883	200	2,039,674	2,000,682	3,591,700
Retail	40,530	-	-	40,530	48,580	40,835
Banks and Credit Institutions	25,000	-	-	25,000	-	-
Mortgages	36,032	-	-	36,032	58,173	145,576
Sovereign	-	-	-	-	-	-
Total	2,065,153	75,883	200	2,141,236	2,107,435	3,778,111
Investment securities at amortised cost						
Corporate bond	-	-	-	-	239,560	231,231
Loss allowance	-	-	-	-	(239,560)	(208,108)
Carrying amount	-	-	-	-	-	23,123

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (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 and advances and loan commitments (on a contract basis) are categorised within the above segments. The classification considers that:

- Each counterparty with a real estate loan contract, regardless of its risk segment (individuals or corporate), is allocated to the IFRS 9 segment Mortgage / Real Estate.
- 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

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

1) DETERMINING SIGNIFICANT INCREASE IN CREDIT RISK

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The Bank uses the following criteria for determining whether there has been a significant increase in credit risk at each reporting date:

- Forbearance status: a customer is considered to be in forbearance if the latter has at least one "modified loan" which is generally a quantitative indicator of SICR.
- Monitoring of customers in the Watch List (WL): The purpose of the WL committees is to review the major performing customers 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).

(b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

2) DEFINITION OF DEFAULT AND CREDIT-IMPAIRED ASSETS

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

QUANTITATIVE CRITERIA

The borrower is more than 90 days past due on its contractual payments.

QUALITATIVE CRITERIA

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance.
- The borrower is deceased.
- The borrower is insolvent.
- The borrower is in breach of financial covenant(s).
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty.
- It is becoming probable that the borrower will enter bankruptcy.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with the macro prudential rules issued by the Bank of Mauritius.

3) MEASURING ECL – EXPLANATION OF INPUTS, ASSUMPTIONS AND ESTIMATION TECHNIQUES

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expect to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

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 regarding data used.

(b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

3) MEASURING ECL–EXPLANATION OF INPUTS, ASSUMPTIONS AND ESTIMATION TECHNIQUES (CONTINUED)

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 periods, 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 contracts" in arrears and excesses and doubtful loans expressed as a percentage of performing loans of the previous years (N-1). The PD is estimated by market, i.e. Corporate, Retail, Banking and Credit Institutions, Mortgage and Sovereigns.

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

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

3) MEASURING ECL–EXPLANATION OF INPUTS, ASSUMPTIONS AND ESTIMATION TECHNIQUES (CONTINUED)

KEY ASSUMPTIONS FOR STAGE 3

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, which are obtained from Bank of Mauritius. While for Segment B, the ratings of countries have been taken into consideration and 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 recovery in sectoral activity following the pandemic COVID-19 and the impact of Ukraine/Russia war, the Bank has revised its economic forecasts used as an input into ECL during the year 2022 by considering a change in 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.

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)

4) FORWARD-LOOKING INFORMATION INCORPORATED IN THE ECL MODELS (Continued)

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 PD IFRS 9 FWD x LGD IFRS 9.
- the Bank's ECL model for stage 1 and 2 exposures 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 jurisdiction;
- any fluctuations with respect to internal value indicators including negative changes in credit rating;
- fluctuations in the market value of the collateral held or changes in the repayment pattern;
- major decline in the operating results; and
- defaults in payments.

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

- 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; and
- 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 and the war Ukraine/Russia 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 will review its ECL calculation model to ensure that it takes into consideration the above to ensure calculations at an optimum level.

33. 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 2022, 2021 and 2020 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

	2022				2021	2020
	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	15,895	-	-	15,895	5,701	12,837
New loans disbursed	8,011	10,065	-	18,076	11,488	2,526
Net remeasurement of loss allowance	(9,769)	-	-	(9,769)	(1,294)	(9,662)
Sub-total	14,137	10,065	-	24,202	15,895	5,701
Adjustment for BOM Guidelines *	-	-	-	-	-	-
Balance at 31 December	14,137	10,065	-	24,202	15,895	5,701
Loans and advances to customers at amortised cost						
Balance at 01 January	161,319	111,904	674,576	947,799	885,287	619,191
Transfer to Stage 1	7,618	(4,952)	(2,666)	-	-	-
Transfer to Stage 2	(5,442)	5,442	-	-	-	-
Transfer to Stage 3	(3,869)	(1,626)	5,495	-	-	-
New loans disbursed	11,853	13,388	54	25,295	20,668	3,706
Net remeasurement of loss allowance	(22,052)	(27,679)	(4,216)	(53,947)	65,801	263,524
Write-offs	-	-	-	-	(363)	(11,848)
Foreign exchange and other movements	-	-	(1,694)	(1,694)	(23,594)	10,714
Subtotal	149,427	96,477	671,549	917,453	947,799	885,287
Adjustment for BOM Guidelines *	-	-	-	-	-	-
Balance at 31 December	149,427	96,477	671,549	917,453	947,799	885,287
Investment securities at amortised cost						
Balance at 01 January	-	-	239,560	239,560	208,108	153,793
Net remeasurement of loss allowance	-	-	-	-	34,024	20,610
Write-offs	-	-	(225,651)	(225,651)	-	-
Foreign exchange and other movements	-	-	(13,909)	(13,909)	(2,572)	33,705
Sub-total	-	-	-	-	239,560	208,108
Adjustment for BOM Guidelines *	-	-	-	-	-	-
Balance at 31 December	-	-	-	-	239,560	208,108

* 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.

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)
5) LOSS ALLOWANCE (CONTINUED)

As regards general provisions, the Guideline on Credit Impairment Measurement and Income Recognition 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 information) to cater for any subsequent impacts.

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

EXPECTED CREDIT LOSS MEASUREMENT (Continued)
5) LOSS ALLOWANCE (CONTINUED)

GENERAL AND PORTFOLIO PROVISIONING

Loans and advances that have been assessed individually and found not to be impaired are assessed together with all "neither past due nor credit impaired" loans and advances. This is to determine the level of General Provisions and Macro Prudential Provisions, in line with the Bank of Mauritius Guidelines.

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

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Gross Loans and advances to customers	14,183,212	14,346,199	13,040,959
Add Loans and advances to banks not qualified for exemption	4,106,943	3,309,936	1,636,335
Add Interest receivable	-	-	-
Add credit balances eligible for set off	-	-	-
Less Impaired loans	(1,115,332)	(1,110,242)	(1,125,330)
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	17,174,823	16,545,893	13,551,964
1% General Provision	-	-	-
0.5% Macro Prudential Provision	-	-	-
Total General and Macro Prudential Provision	-*	-	-

* 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 and 2022. Therefore, there was no split between Macro Prudential Provision and Additional Portfolio Provision.

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Balance sheet General Provision	273,188	289,117	228,765
General Reserve	-	-	-
	273,188	289,117	228,765

NOTES TO THE FINANCIAL STATEMENTS
33. 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.

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

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

	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	-	-

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Concentrations 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 2022.

Customer / Group of closely related customers	Total exposures after set offs (MMUR)	% of Tier 1 Capital
1	1398	59%
2	811	34%
3	760	32%
4	692	29%
5	661	28%
6	654	28%
7	624	26%
8	614	26%
9	609	26%
10	559	24%
11	526	22%
12	468	20%
13	466	20%
14	466	20%
15	465	20%
16	449	19%
17	447	19%
18	438	19%
19	425	18%
20	384	16%
21	367	16%
22	348	15%
23	338	14%
24	313	13%
25	306	13%
26	250	11%
27	248	11%
28	242	10%
Aggregated exposure of "Large Exposures"	**14,330**	**607%**

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Concentrations of credit risk (Continued)

SECTOR WISE DISTRIBUTION

Loans and advances to customers	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Agriculture, Forestry & Fishing	**551,886**	1,004,090	808,442
Manufacturing	**918,641**	1,088,709	848,602
Accommodation and food service activities	**1,094,587**	1,419,213	1,345,011
Transportation and Storage	**205,406**	281,404	354,452
Construction	**3,244,288**	3,863,493	4,204,327
Other Financial Corporations	**1,746,828**	1,627,674	553,233
Wholesale and retail trade and repair of motor vehicles	**1,395,984**	650,896	1,225,508
Personal	**410,070**	358,774	353,348
Professional	**4,690**	60,759	63,110
Global Business Licence Holders	**2,214,900**	1,555,770	885,749
Others	**2,395,932**	2,435,417	2,399,177
Total amount	**14,183,212**	14,346,199	13,040,959

COUNTRY WISE DISTRIBUTION

Loans and advances to banks	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Togo	**1,516,617**	1,106,867	608,223
Mauritius	**436,500**	432,500	-
Madagascar	**24,848**	-	24,785
France	**1,843**	3,830	257,160
Guinea	**-**	178,347	9,453
Kenya	**28,984**	-	22,454
Morocco	**8,954**	11,796	34,914
Niger	**-**	78,975	120,775
Nigeria	**684,450**	-	157,381
Burkina Faso	**-**	193,691	332,150
Senegal	**-**	-	69,017
Ivory Coast	**10,023**	406,448	23
Cameroon	**-**	67,082	-
Rwanda	**-**	216,250	-
Ghana	**305,550**	614,150	-
Benin	**209,790**	-	-
Egypt	**661,134**	-	-
Tanzania	**218,250**	-	-
Total amount	**4,106,943**	3,309,936	1,636,335

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Concentrations of credit risk (Continued)

COUNTRY WISE DISTRIBUTION (CONTINUED)

Loans and advances to customers

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
	Bank	Bank	Bank
Australia	**7,106**	8,189	11,367
Austria	**1**	-	-
Germany	**7,663**	868	962
Bahrain	**41,471**	47,520	33,531
Belgium	**9,544**	10,964	-
Cameroon	**1,072**	1,843	2,497
Canada	**417**	509	3,192
Democratic Republic of Congo	**-**	52.00	3,104
France	**107,614**	130,486	299,307
Guinea	**-**	9	-
Hong-Kong	**481,707**	16,381	-
Italy	**2,194**	2,365	2,539
India	**-**	-	-
Ivory Coast	**29,474**	36,411	37,632
Luxembourg	**4**	-	-
Madagascar	**17,730**	21,173	18,207
Maldives	**-**	-	324
Mali	**35**	36	38
Mauritius	**11,589,975**	11,996,004	11,267,675
Malta	**2,546**	-	-
Morocco	**799,346**	-	-
Netherlands	**1**	-	-
Qatar	**4,378**	11,310	7,137
Reunion	**118,987**	145,065	-
Rwanda	**1,846**	474	-
Senegal	**-**	-	20
Seychelles	**1,914**	1,888	1,937
Singapore	**37,434**	479,526	429,567
South Africa	**8,641**	23,951	24,228
Switzerland	**42,275**	51,593	56,895
United Arab Emirates	**836,831**	450,196	794,835
United Kingdom	**30,510**	894,937	30,786
Thailand	**2,496**	2,593	2,688
Zimbabwe	**-**	11,856	12,491
Total amount	**14,183,212**	14,346,199	13,040,959

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(b) Credit Risk (Continued)

Credit risk mitigation

Collateral

Collateral, guarantees, derivatives, on-balance sheet 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; and
- floating charge over plant and equipment and the assets of the company.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Credit worthiness is established for the guarantor as for other counterparty credit approvals.

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

	2022		2021		2020	
	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	**17,911,703**	**16,435,560**	14,854,331	9,975,445	15,709,324	9,070,882
Stage 3	**1,115,332**	**1,543,237**	1,111,053	1,864,644	1,128,995	1,242,170

(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.

33. FINANCIAL RISK REVIEW (Continued)

(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
2022	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and cash equivalents	4,366,200	300,000	-	-	-	-	368,680	5,034,880
Loans and advances to banks	650,349	1,087,613	1,239,077	227,204	902,700	-	-	4,106,943
Loans and advances to customers	1,497,800	682,007	1,051,691	262,231	1,734,303	7,395,053	1,560,127	14,183,212
Investment securities	818,743	385,834	-	-	369,063	110,642	2,035	1,686,317
Other assets	78,993	-	-	-	-	-	2,890,660	2,969,653
	7,412,085	2,455,454	2,290,768	489,435	3,006,066	7,505,695	4,821,502	27,981,005
Less : allowance for credit impairment								(944,737)
Total assets								27,036,268
Liabilities								
Deposits from banks	2,820,361	186,545	140,150	-	-	-	6,389	3,153,445
Deposits from customers	8,953,517	415,436	425,701	1,054,141	389,005	512,690	-	11,750,490
Borrowed funds	1,510,895	236,326	1,672,865	991,141	1,816,751	654,750	-	6,882,728
Subordinated liabilities	-	-	-	-	-	464,654	-	464,654
Other liabilities and provisions	2,318	2,464	7,234	13,022	6,309	10,728	2,559,932	2,602,007
Total liabilities	13,287,091	840,771	2,245,950	2,058,304	2,212,065	1,642,823	2,566,321	24,853,324
Equity								2,429,973
Total liabilities								27,283,297
Net Liquidity Gap	(5,875,006)	1,614,683	44,818	(1,568,869)	794,001	5,862,872	2,255,181	3,127,681
Less : allowance for impairment								(944,737)
								2,182,944

	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
2021 **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 : allowance for credit impairment								(1,203,254)
Total assets								27,042,580
Liabilities								
Deposits from banks	1,017,575	2,131,255	-	-	-	-	-	3,148,830
Deposits from customers	11,432,708	954,911	371,576	913,222	606,434	503,085	-	14,781,936
Borrowed funds	1,227,125	-	-	987,998	2,095,388	274,876	-	4,585,387
Other liabilities and provision	1,800	2,967	2,455	6,287	10,545	7,376	2,634,562	2,665,992
Total liabilities	13,679,208	3,089,133	374,031	1,907,507	2,712,367	785,337	2,634,562	25,182,145
Equity								2,165,969
Total liabilities								27,348,114
Net Liquidity Gap	(5,532,257)	264,235	2,292,744	(633,596)	(1,089,254)	7,192,141	569,676	3,063,689
Less : allowance for impairment								(1,203,254)
								1,860,435

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(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
2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and cash equivalents	6,294,347	3,523	-	-	-	-	-	6,297,870
Loans and advances to banks	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 : allowance 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 : allowance for impairment								(1,099,096)
								1,755,047

33. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, caused by adverse movements in market variables such as currency exchange and interest rates, credit spreads, recovery rates, correlations, equity, bond and commodity prices, and implied volatilities in all of these variables.

The 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.

33. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

INTEREST RATE RISK IN THE BANKING BOOK (Continued)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
2022	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Assets								
Cash and cash equivalents	2,386,620	357,897	-	-	-	-	2,290,363	5,034,880
Loans and advances to banks	650,349	1,087,613	1,239,077	227,204	902,700	-	-	4,106,943
Loans and advances to customers	1,497,800	682,007	1,051,691	262,231	1,734,303	7,395,053	1,560,127	14,183,212
Investment securities	818,743	385,834	-	-	369,063	110,642	2,035	1,686,317
Other assets	78,993	-	-	-	-	-	2,890,660	2,969,653
	5,432,505	2,513,351	2,290,768	489,435	3,006,066	7,505,695	6,743,185	27,981,005
Less : allowances for credit impairment								(944,737)
Total assets								27,036,268
Liabilities								
Deposits from banks	2,816,325	186,480	139,860	-	-	-	6,389	3,149,054
Deposits from customers	8,563,727	413,749	423,786	1,046,805	368,957	469,015	389,621	11,675,660
Borrowed funds	1,510,895	236,326	1,672,865	991,141	1,816,751	654,750	-	6,882,728
Subordinated liabilities	-	-	-	-	-	464,654	-	464,654
Other liabilities and provisions	2,318	2,464	7,234	13,022	6,309	10,728	2,559,933	2,602,008
Total liabilities	12,893,265	839,019	2,243,745	2,050,968	2,192,017	1,599,147	2,955,943	24,774,104
Interest rate sensitivity gap	(7,460,760)	1,674,332	47,023	(1,561,533)	814,049	5,906,548	3,787,242	3,206,901
Less: allowances for impairment								(944,737)
								2,262,165
Impact Analysis (decrease/increase) on 200 bps								61,881

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
2021	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

33. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

INTEREST RATE RISK IN THE BANKING BOOK (Continued)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets								
Cash and cash equivalents	6,294,347	3,523	-	-	-	-	-	6,297,870
Loans and advances to banks	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	10,903,392	730,600	628,934	947,967	410,114	379,563	-	14,000,570
Borrowed funds	-	124,382	390,184	1,176,155	395,978	2,337,760	-	4,424,459
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

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

CURRENCY RISK

The Bank's primary exposures to foreign currency risk arise as a result of the translation effect on the net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

	MUR	USD	GBP	EUR	Other	Total
2022	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and cash equivalents	890,700	2,534,169	73,200	1,458,669	75,107	5,031,845
Loans and advances to banks	-	2,111,766	10,797	1,984,380	-	4,106,943
Loans and advances to customers	5,648,847	4,897,164	1,929	3,635,270	2	14,183,212
Investment securities	1,684,282	-	-	2,035	-	1,686,317
Other assets	651,778	73,725	5,143	2,237,402	1,606	2,969,654
	8,875,607	9,616,824	91,069	9,317,756	76,715	27,977,971
Less : allowances for credit impairment						(944,737)
Total assets						27,033,234
Liabilities						
Deposits from banks	44	2,120,180	-	1,028,830	-	3,149,054
Deposits from customers	5,859,278	4,294,724	89,216	1,373,788	58,654	11,675,660
Borrowed funds	-	2,195,268	-	4,687,460	-	6,882,728
Subordinated liabilities	-	464,654	-	-	-	464,654
Other liabilities and provisions	338,334	40,584	2,162	2,220,657	270	2,602,007
Total liabilities	6,197,656	9,115,410	91,378	9,310,735	58,924	24,774,103
Net on-balance sheet position	2,677,952	501,414	(309)	7,021	17,791	3,203,869
Less : allowances for credit impairment						(944,737)
Net on-balance sheet position less allowances for credit impairment						2,259,132

	MUR	USD	GBP	EUR	Other	Total
2021	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	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	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

33. FINANCIAL RISK REVIEW (Continued)

(d) Market Risk (Continued)

CURRENCY RISK (Continued)

	MUR	USD	GBP	EUR	Other	Total
2020	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Cash and cash equivalents	971,875	3,409,253	42,470	1,810,922	63,350	6,297,870
Loans and advances to banks	-	337,032	18,314	1,264,389	16,600	1,636,335
Loans and advances to customers	5,925,794	3,544,459	6,040	3,564,080	586	13,040,959
Investment securities	2,312,089	-	-	231,231	-	2,543,320
Other assets	734,542	116,531	3,555	542,290	1,574	1,398,492
	9,944,300	7,407,275	70,379	7,412,912	82,110	24,916,976
Less : allowances for credit impairment						(1,099,096)
Total assets						23,817,880
Liabilities						
Deposits from banks	44	1,184,380	-	1,381,242	-	2,565,666
Deposits from customers	7,148,490	4,477,756	66,189	2,233,825	74,310	14,000,570
Borrowed funds	-	1,506,023	-	2,918,436	-	4,424,459
Other liabilities and provision	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

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, a 6% change for 2021 and a 5% change was used for year 2022.

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Effect of change on profit or loss and equity	**28,354**	30,497	9,702

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK REVIEW (Continued)

(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 is capitalised in line with the regulatory requirements. During the past year, the Bank has 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 is 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	2022
	(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 %	6.50%
Capital Conservation Buffer	-	-	0.625 %	1.25 %	1.875 %	2.5 %	2.5 %	2.50%
Minimum CET 1 CAR plus Capital Conservation Buffer	6.0%	6.5 %	7.125 %	7.75 %	8.375 %	9.0 %	9.0 %	9.00%
Phase in of deductions from CET 1	-	50%	60%	80%	100%	100%	100%	100%
Minimum Tier 1 CAR	7.5 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.0 %	8.00%
Minimum Total CAR	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.00%
Minimum Total CAR Plus Capital Conservation Buffer	10.0 %	10.0 %	10.625 %	11.25 %	11.875%	12.5 %*	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							

* The Bank of Mauritius has revised the capital buffer of 1.875% to 2.50% as from 1st April 2022

33. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management (Continued)

CAPITAL STRUCTURE

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

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

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

As at 31st December 2022, 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:

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
BASEL III **Tier 1 Capital**			
Authorised and fully paid up ordinary share capital (note 28)	2,398,825	2,218,065	2,218,065
Statutory reserve	128,853	107,164	104,294
Other disclosed free reserves, including undistributed balance in income statement	(74,308)	(187,664)	(210,464)
Deduct:			
Investment in subsidiary (note 18)	-	-	(62,653)
Intangible assets (note 20)	(25,646)	(28,809)	(37,284)
Deferred tax (note 12)	(67,514)	(95,983)	(92,459)
CET 1 Capital	2,360,210	2,012,773	1,919,499
Additional Tier 1 Capital	-	-	-
Total Tier 1 Capital	2,360,210	2,012,773	1,919,499
Tier 2 Capital			
Portfolio provision*	233,839	211,181	197,732
Subordinated liabilities (note 26)	464,654	-	-
Deduct:			
Investment in Subsidiary (note 18)	-	-	-
Total Tier 2 Capital	698,493	211,181	197,732
Total Capital Base	3,058,703	2,223,954	2,117,231

* 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

33. 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.

		2022	
Risk Weighted On-Balance Sheet Assets	**Risk Weight**	**Exposures after CRM**	**Risk Weighted Assets**
	%	Rs 000	Rs 000
Cash items	0 – 20	33,744	-
Claims on Sovereigns	0 – 150	1,706,950	-
Claims on Central banks	0	2,837,320	-
Claims on Multilateral development banks	0 – 150	-	-
Claims on banks	20 – 150	6,495,069	3,034,393
Claims on non-central government public sector entities	0 – 150	-	-
Claims on corporates	20 – 150	9,664,730	9,897,898
Claims included in the regulatory retail portfolio	75	50,742	38,056
Claims secured by residential property	35-125	2,906,533	1,403,395
Claims secured by commercial real estate	100-125	307,384	369,866
Past due claims	50-150	443,785	449,372
Other assets	100	2,500,253	2,500,253
Total Risk Weighted On-Balance Sheet Assets		26,946,509	17,693,232

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

Total Risk Weighted On & Off Balance Sheet Assets	29,180,130	18,707,109

33. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management (Continued)

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

Risk Weighted Assets for Credit Risk (Continued)

Risk Weighted On-Balance Sheet Assets	Risk Weight	2021 Exposures after CRM	2021 Risk Weighted Assets
	%	Rs 000	Rs 000
Cash items	0 – 20	113,563	-
Claims on Sovereigns	0 – 150	2,190,000	-
Claims on Central banks	0 – 150	3,057,344	-
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

33. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management (Continued)

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

Risk Weighted Assets for Credit Risk (Continued)

Risk Weighted On-Balance Sheet Assets	Risk Weight	2020 Exposures after CRM	2020 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

The 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%.

33. FINANCIAL RISK REVIEW (Continued)

(e) Capital Management (Continued)

Risk Weighted Assets for Operational Risk

The Bank applies the Basic Indicator Approach in determining the required operational risk capital, mainly driven by its more conservative results and ease of computation. The capital charge, under the Basic Indicator Approach, is arrived at by applying 15% (denoted as alpha) to the average of positive annual gross income over the previous three years. This alpha percentage is set by regulator and relates to the industry-wide level of required capital. The capital charge for operational risk amounted to Rs 82m (2022), Rs 80m (2021) and Rs 87m (2020).

Risk Weighted Capital Adequacy Ratio

The regulatory Capital Adequacy Ratio is as follows:

	2022	2021	2020
	Rs 000	Rs 000	Rs 000
Core Equity Tier 1 Capital	**2,360,210**	2,012,773	1,919,499
Total Tier 1 Capital	**2,360,210**	2,012,773	1,919,499
Total Tier 2 Capital	**698,493**	211,181	197,732
Total Capital Base	**3,058,703**	2,223,954	2,117,231
Risk Weighted Assets*	**19,606,682**	17,707,760	16,709,204
CET 1 Ratio	**12.04%**	11.37%	11.49%
Tier 1 Ratio	**12.04%**	11.37%	11.49%
Capital Adequacy Ratio	**15.60%**	12.56%	12.67%

*Includes risk weighted assets relating to on-balance sheet and off-balance sheet exposures, operational risk and aggregate net open foreign exchange position.
Operational risk weighted assets amounted to Rs 825m.
Net open foreign exchange position amounted to Rs 75m.

(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.

33. FINANCIAL RISK REVIEW (Continued)

(f) Fair values of financial instruments (Continued)

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 of 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

2022	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Carrying amount**
Assets	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Cash and cash equivalents	**-**	**5,031,845**	**-**	**5,031,845**
Loans and advances to banks	**-**	**4,082,741**	**-**	**4,082,741**
Loans and advances to customers	**-**	**13,069,143**	**196,616**	**13,265,759**
Liabilities				
Deposits from banks	**-**	**3,149,054**	**-**	**3,149,054**
Deposits from customers	**-**	**11,675,660**	**-**	**11,675,660**
Borrowed funds	**-**	**6,882,728**	**-**	**6,882,728**

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

33. FINANCIAL RISK REVIEW (Continued)

(f) Fair values of financial instruments (Continued)

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

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

Level 2 financial assets and financial liabilities

The above table sets out the Bank's principal valuation techniques as at 31 December 2022 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy. The fair value of investment securities and derivative financial instruments were determined using the discounted cash flow model.

Level 3 financial assets and financial liabilities

The fair value of an unquoted equity investment is deemed to be reliably measured if:

- The variability in the range of reasonable fair value estimates is not significant; or
- The probabilities of the various estimates within the range can be reasonably assessed.

In the specific case of investment in subsidiary, the Bank had considered the Net Assets approach as an appropriate estimate of fair value at the year ended 31 December 2020. Hence, there are no significant quantitative observable inputs which will affect the fair value of the investment in subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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

		2022			2021			2020		
		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		**475,367**	**216,425**	**691,792**	406,856	137,508	544,364	455,510	155,096	610,606
Interest expense		**(150,896)**	**(93,580)**	**(244,476)**	(121,563)	(48,860)	(170,423)	(104,573)	(140,004)	(244,577)
Net interest income	4	**324,471**	**122,845**	**447,316**	285,293	88,648	373,941	350,937	15,092	366,029
Fee and commission income		**46,767**	**50,545**	**97,312**	39,893	52,584	92,477	43,631	35,148	78,779
Fee and commission expense		**(7,082)**	**(22,874)**	**(29,956)**	(7,590)	(15,344)	(22,934)	(15,733)	(6,422)	(22,155)
Net fee and commission income	5	**39,685**	**27,671**	**67,356**	32,303	37,240	69,543	27,898	28,726	56,624
Net trading income	6	**76,901**	**8,592**	**85,493**	27,943	47,847	75,790	50,856	12,520	63,376
Net loss on investment held at fair value through profit or loss	7	**-**	**-**	**-**	-	-	-	-	(6,742)	(6,742)
Net gain on sale of investment	18	**-**	**-**	**-**	-	22,849	22,849	-	-	-
Net gain from sales of securities		**3,104**	**-**	**3,104**	-	-	-	97	-	97
Other income	8	**2,094**	**333**	**2,427**	1,954	330	2,284	7,960	10,014	17,974
		121,784	**36,596**	**158,380**	62,200	108,266	170,466	86,811	44,518	131,329
Revenue		**446,255**	**159,441**	**605,696**	347,493	196,914	544,407	437,748	59,610	497,358
Personnel expenses	9	**(191,192)**	**(66,538)**	**(257,730)**	(166,622)	(70,326)	(236,948)	(155,920)	(72,430)	(228,350)
Operating lease expenses	10	**(10,381)**	**(1,653)**	**(12,034)**	(22,826)	(3,870)	(26,696)	(8,871)	(1,096)	(9,967)
Depreciation and amortisation	19 & 20	**(50,526)**	**(8,044)**	**(58,570)**	(49,638)	(8,418)	(58,056)	(83,900)	(10,369)	(94,269)
Other expenses	11	**(130,707)**	**(29,817)**	**(160,524)**	(117,920)	(11,317)	(129,237)	(120,933)	(27,564)	(148,497)
		(382,806)	**(106,052)**	**(488,858)**	(357,006)	(93,931)	(450,937)	(369,624)	(111,459)	(481,083)
Operating profit		**63,449**	**53,389**	**116,838**	(9,513)	102,983	93,470	68,124	(51,849)	16,275
Net impairment gain/(loss) on financial assets	16(b)	**44,129**	**13,385**	**57,514**	(39,320)	(37,673)	(76,993)	(106,826)	(173,878)	(280,704)
Profit/(loss) before tax		**107,578**	**66,774**	**174,352**	(48,833)	65,310	16,477	(38,702)	(225,727)	(264,429)
Taxation (charge)/credit	12(a)	**(10,253)**	**(19,504)**	**(29,757)**	3,590	(935)	2,655	2,312	1,440	3,752
Profit/(loss) for the year		**97,325**	**47,270**	**144,595**	(45,243)	64,375	19,132	(36,390)	(224,287)	(260,677)

NOTES TO THE FINANCIAL STATEMENTS
34. SEGMENTAL REPORTING (Continued)

STATEMENTS OF FINANCIAL POSITION

		2022			2021			2020		
		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	**2,220,644**	**2,811,201**	**5,031,845**	2,453,920	2,658,094	5,112,014	2,176,236	4,121,634	6,297,870
Loans and advances to banks	14	**434,625**	**3,648,116**	**4,082,741**	430,248	2,863,793	3,294,041	-	1,630,634	1,630,634
Loans and advances to customers	15	**8,460,917**	**4,804,842**	**13,265,759**	9,748,443	3,649,957	13,398,400	9,727,374	2,428,298	12,155,672
Investment securities	17	**1,684,282**	**2,035**	**1,686,317**	2,220,837	1,749	2,222,586	2,312,089	23,123	2,335,212
Derivative financial instruments	25	**133**	**-**	**133**	38	-	38	-	-	-
Investment in subsidiary	18	**-**	**-**	**-**	-	-	-	-	62,653	62,653
Property and equipment	19	**46,083**	**5,119**	**51,202**	81,249	9,028	90,277	127,242	14,140	141,382
Intangible assets	20	**23,081**	**2,565**	**25,646**	25,928	2,881	28,809	33,556	3,728	37,284
Deferred tax assets	12(c)	48,155	19,359	**67,514**	57,119	38,864	95,983	52,660	39,799	92,459
Other assets	21	**788,113**	**2,205,675**	**2,993,788**	848,837	2,183,171	3,032,008	823,578	574,914	1,398,492
Total assets		13,706,033	13,498,912	27,204,945	15,866,619	11,407,537	27,274,156	15,252,735	8,898,923	24,151,658
LIABILITIES										
Deposits from banks	22	**1,304**	**3,147,750**	**3,149,054**	2,072	3,146,758	3,148,830	345	2,565,321	2,565,666
Deposits from customers	23	**7,098,188**	**4,577,472**	**11,675,660**	8,130,754	6,576,354	14,707,108	7,286,903	6,713,667	14,000,570
Borrowed funds	24	**642,068**	**6,240,660**	**6,882,728**	497,148	4,088,239	4,585,387	12,397	4,412,062	4,424,459
Derivative financial instruments	25	**-**	**-**	**-**	-	-	-	475	-	475
Subordinated liabilities	26	**-**	**464,654**	**464,654**	-	-	-	-	-	-
Current tax liabilities	12(d)	**868**	**-**	**868**	869	-	869	-	-	-
Provisions	27	**87,147**	**13,876**	**101,023**	71,484	18,340	89,824	70,644	1,027	71,671
Other liabilities	27	**244,212**	**2,256,773**	**2,500,985**	263,008	2,313,160	2,576,168	296,682	614,169	910,851
Total liabilities		**8,073,787**	**16,701,185**	**24,774,972**	8,965,335	16,142,851	25,108,186	7,667,446	14,306,246	21,973,692
Equity										
Share capital	28			**2,398,825**			2,218,065			2,218,065
Retained earnings				**(74,308)**			(187,664)			(210,464)
Reserves	29			**105,456**			135,569			170,365
Total equity attributable to the equity holders of the Bank				**2,429,973**			2,165,970			2,177,966
Total liabilities and equity				**27,204,945**			27,274,156			24,151,658

NOTES TO THE FINANCIAL STATEMENTS
35. IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

36. LIQUIDITY COVERAGE RATIO

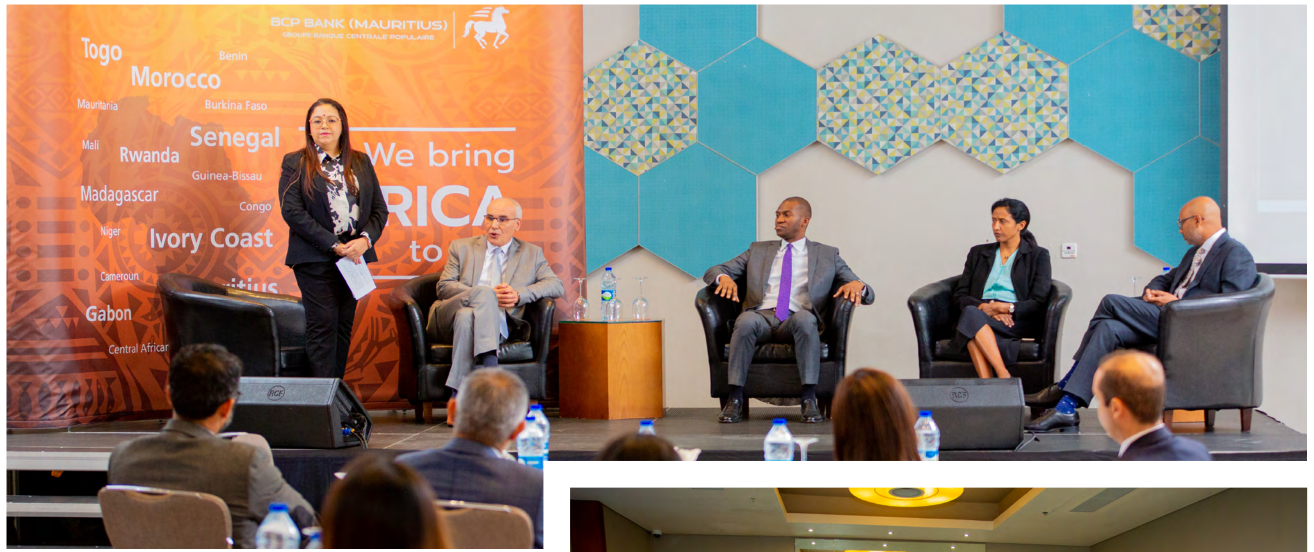
During FY 2022, due to the persistence of excess liquidity conditions in MUR, the LCR ratio was maintained above 100%; in foreign currencies, the Bank constituted the required stock of High-Quality Liquid Assets to meet the regulatory requirement. The overall ratio stands at 354% which demonstrates the bank's resilience should it face any shortfall of liquidity.

TOTAL UNWEIGHTED VALUE (AVERAGE)	**TOTAL UNWEIGHTED VALUE (AVERAGE)**	**TOTAL WEIGHTED VALUE (AVERAGE)**
	Rs 000	**Rs 000**
HIGH-QUALITY LIQUID ASSETS		
Total High-Quality Liquid Assets (HQLA)	**4,069,060**	**4,069,060**
CASH OUTFLOWS		
Retail deposits and term deposits from small business customers	3,020,600	130,114
Unsecured wholesale funding	7,889,676	3,658,374
Credit and liquidity facilities	1,305,720	136,131
Other contractual funding obligations	667,582	667,582
TOTAL CASH OUTLOWS	**12,883,578**	**4,592,201**
CASH INFLOWS		
Other contractual funding obligations	4,272,755	3,570,672
TOTAL CASH INFLOWS	**4,272,755**	**3,570,672**
	TOTAL ADJUSTED VALUE	
TOTAL HQLA		**4,069,060**
TOTAL NET CASH OUTFLOWS		**1,148,050**
LIQUIDITY COVERAGE RATIO (%)		**354%**

37. SUBSEQUENT EVENT

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

RETROSPECTIVE 2022



RETROSPECTIVE 2022