

BANK ONE

Annual Report 2022



INSPIRED BY

**AFRICAN
INTELLIGENCE**



“

As you journey through Africa from East to West, you will encounter different people, contrasting cultures and divergent ways of life.

But on that same journey, you will come across the same determination, an identical yearning towards creating a better tomorrow for everyone, the same dreams of the future, a coincidental embrace of technology, similar innovations that drive economic growth.

While investing in the African future, we stay true to our roots and traditions, bringing together singular identities that blend to create a new, more meaningful, more significant whole.

As you journey through this report, from start to finish you will encounter our embrace of technological advancement, while always keeping humans and the community as a focal point - with content generated by **AI** and inspired by African Intelligence.



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**Fuelling the
community's collective
wealth by empowering
individual success.**

At a glance



Our strategic aspiration

Becoming Africa's preferred gateway



Our purpose

Empowering your prosperity



Our values

Integrity

We are truthful, ethical and committed to doing the right thing.

Innovation

We are creative, bold and embrace doing things differently, with our customers in mind.

Trust

We believe in, count and rely on each other to deliver consistently and walk the talk.

Courage

We speak up, hold each other to account and challenge each other to constantly improve.

Respect

We value everyone and treat them with respect and fairness.

Collaborators

413

Clients

+ 50,000

Our 4 main business enablers



Human Capital



Customer Experience



Transformation



Communication

Our 5 revenue generators



Personal Financial Services



Corporate Banking



International Banking



Treasury Operations



Private Banking

At a glance

Our accolades in 2022

Bank One continues to attract international recognition for its various achievements. It received a number of accolades in 2022, as outlined below:

Digital CX Awards 2022

Outstanding Digital CX – Payments 2022 – POP Mobile Payment Application



Global Retail Banking Innovation Awards 2022

Mortgage Product of the Year 2022



CFI.co Awards 2022

Best International Banking Services (Indian Ocean) 2022



Global Finance SME Bank Awards 2023

Best SME Bank (Mauritius) 2022



Global Finance World's Best Private Banks Awards 2023

Best Private Bank in Mauritius 2022



Business Registration No:

C07040612

Registered office:

16, Sir William Newton Street
 Port Louis, Mauritius
 Telephone: (230) 202 9200
 Fax: (230) 212 8883
 Website: www.bankone.mu

Nature of business:

Bank One is licensed by the Bank of Mauritius (BOM) to carry out banking business in Mauritius.

The Bank also holds the following licences:

Licence	Issuer
Licence to act as Insurance Agent in Mauritius	Financial Services Commission of Mauritius
Licence for distribution of financial products in Mauritius	Financial Services Commission of Mauritius
Investment Adviser (Unrestricted) Licence in Mauritius	Financial Services Commission of Mauritius
Custodian Licence	Financial Services Commission of Mauritius
Custodian Services (NON-CIS) Licence	Financial Services Commission of Mauritius

Main correspondent banks:

- Absa Bank Limited
- Abu Dhabi Commercial Bank
- Bank Of China Johannesburg Branch
- Citibank London
- Citibank New York
- DBS Bank Ltd
- Firstrand Bank Limited
- I&M Bank (T) Limited
- I&M Bank Ltd
- J.P. Morgan Ag
- Mashreqbank Psc.
- Mizuho Bank, Ltd.
- RMB International (Mauritius) Ltd
- SBM Bank (Mauritius) Ltd, Mumbai
- Standard Bank of South Africa Limited
- Sumitomo Mitsui Banking Corporation
- United Bank for Africa (UK) Ltd
- BNI Madagascar

External Auditors:

- Deloitte
- 7th-8th Floor
- Standard Chartered Tower
- 19-21 Bank Street
- Cybercity
- Ébène
- Mauritius

At a glance

From Africa, for Africa

 Our shareholder network

 Our country coverage



Branch

Bank One City Centre & Main Branch

16, Sir William Newton street, Port Louis

Flacq

Charles de Gaulle Street, Central Flacq

Rose Hill

342, Royal Road, Rose Hill

Quatre Bornes

74, St Jean Road, Quatre Bornes

Vacoas

John Kennedy Avenue, Vacoas

Curepipe

A10, Royal Road, Curepipe

Rose Belle

G-29, Centre Commercial du Vieux Moulin, Rose Belle

Corporate Office

Bank One Waterfront

Astrolabe Building, Port Louis Waterfront, Port Louis

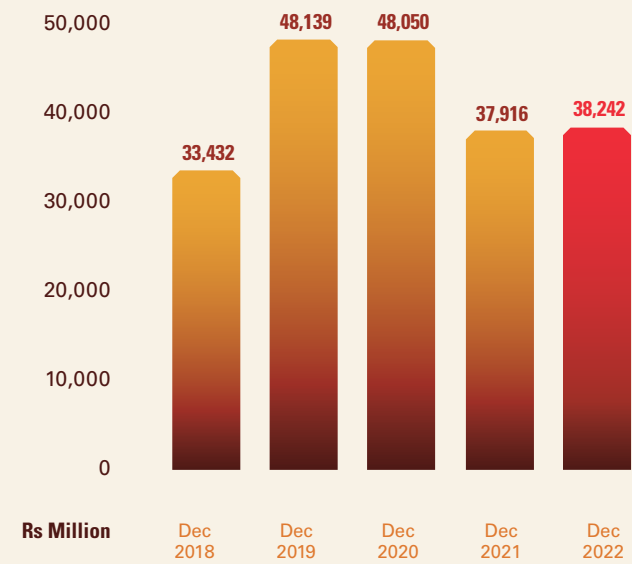


Phone
+230 202 9200

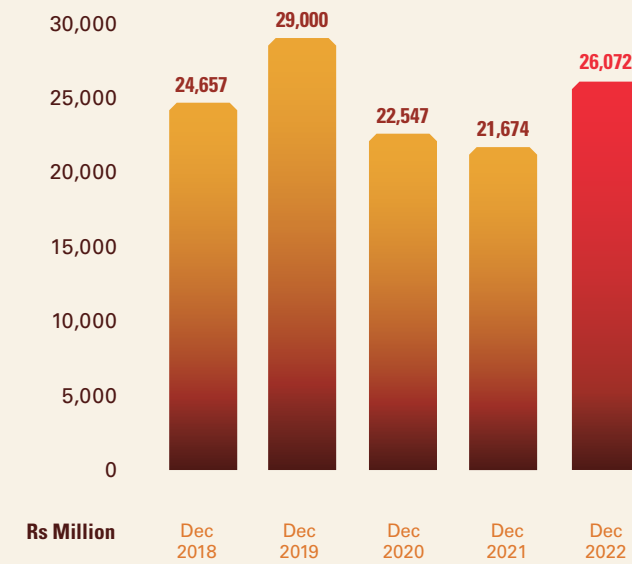
Email
contactcentre@bankone.mu

Financial highlights

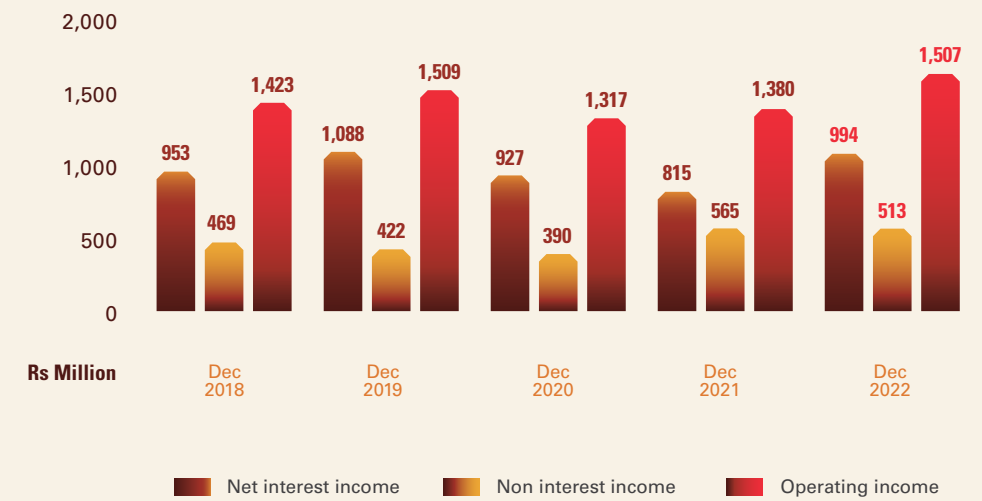
Total deposits



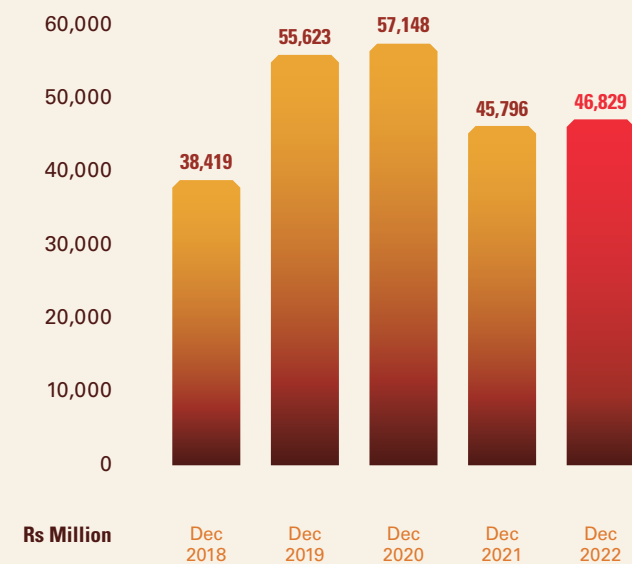
Gross advances



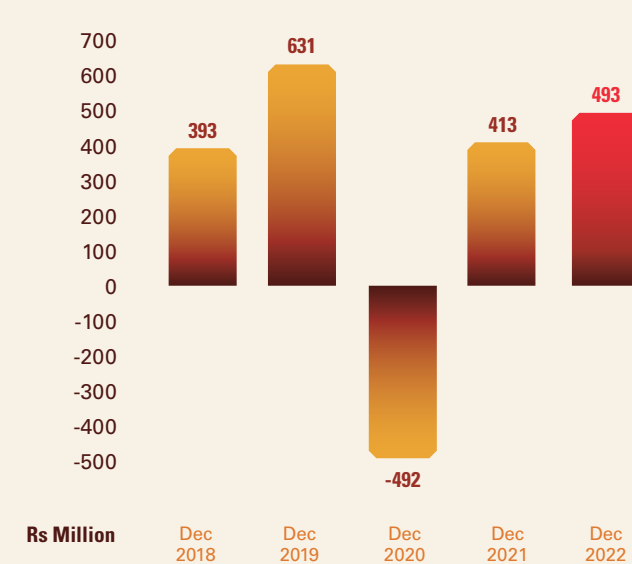
Net interest, non interest and operating income



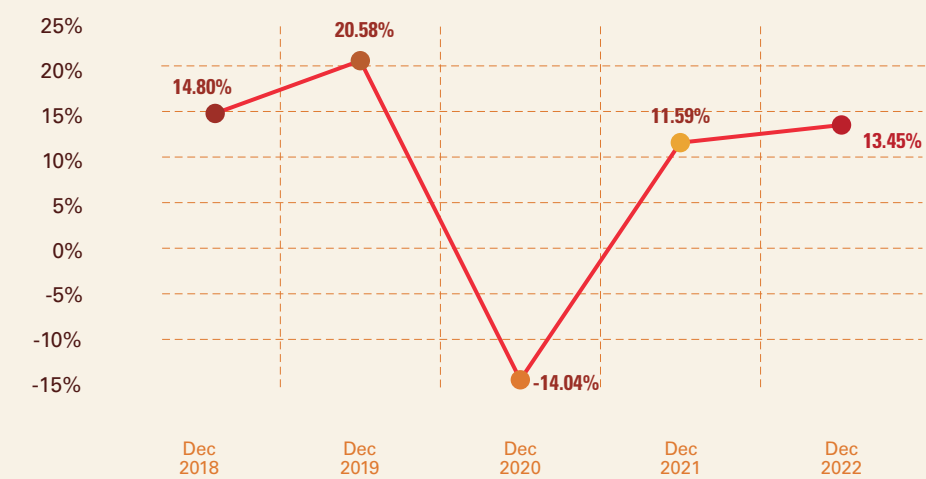
Total assets



Profit after tax

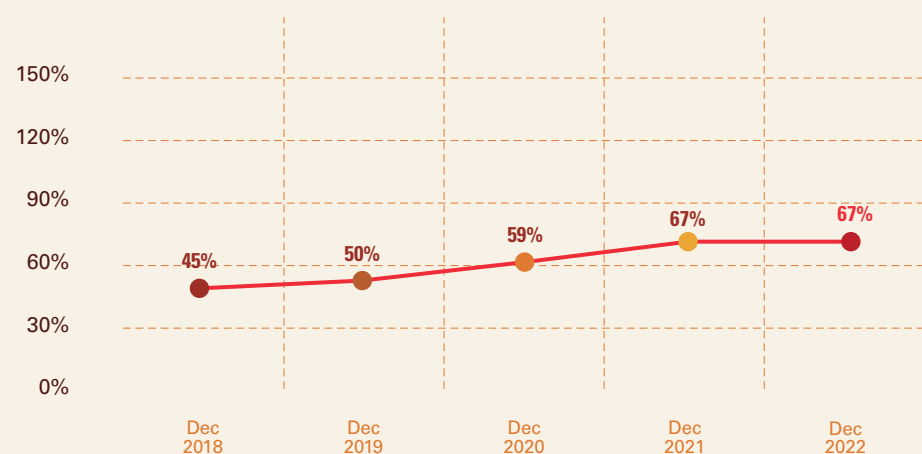


Return on equity

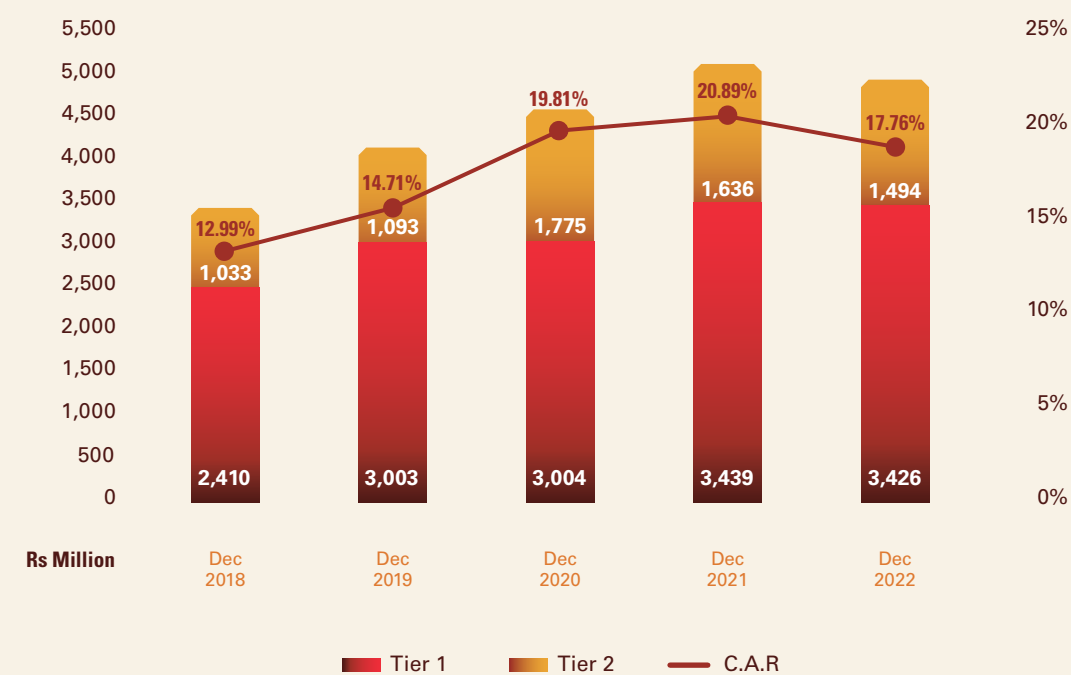


Financial highlights

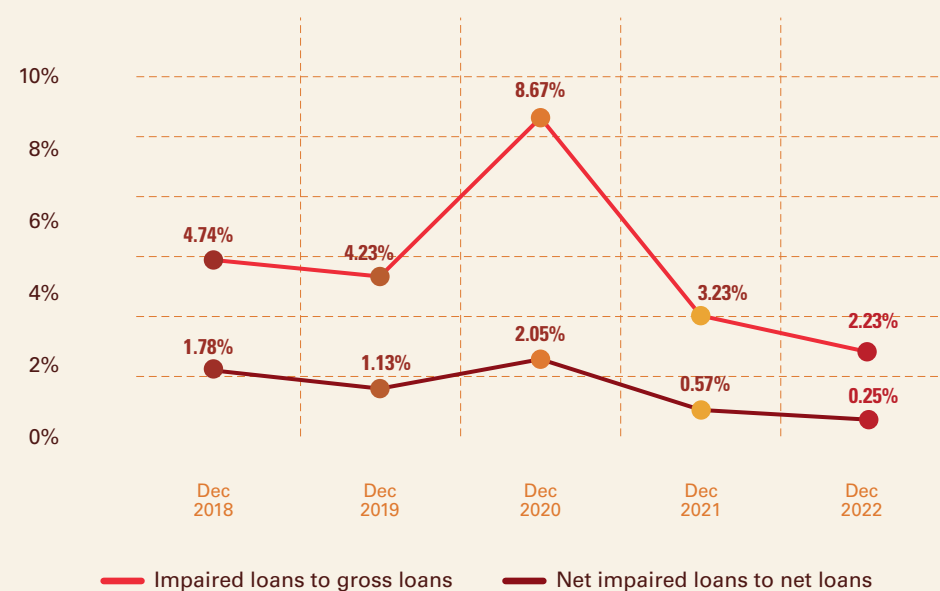
Cost-to-income ratio



Capital adequacy assessment



Impaired and net impaired loans ratios





Heading towards the future while staying rooted in our values.

LEADERSHIP

Chairperson's report

Dear Shareholders

2022 has been my first full year as Chair of Bank One. I would like to thank Sandra my predecessor for her nine years of stewardship of the Bank. Bank One has made great strides during her time first as an independent director and then Chairperson. I would also like to recognise the welcome and support of my other directors and the management team.

Economic update

On the economic front I am running out of negative superlatives to describe the events of the last 12 months. After two very difficult years of Covid both the World and Mauritius were hoping for a period of stability to be able to absorb the impact of the past 24 months. Unfortunately there has been little respite and the challenges of Covid have been replaced by the challenges of inflation, interest rates and the cost of living crisis.

Global

Quarter four indicators suggest slower growth as central banks continue to increase interest rates to tackle inflation. The underlying drivers of inflation remain energy prices (impacted by the war in Ukraine) and continuing Covid related logistic challenges. During 2022 inflation hit 40+ year highs in the US (9.1%) and the UK (11.1%).

There are however signs in some of the key global markets of a softening in inflation rates (oil and gas prices are down from highs). This in turn may impact the rate of Central Bank policy adjustments in 2023.

Covid related logistic difficulties appear to be slowly unwinding with the New York Federal Reserve Global Supply Chain Pressure Index down from above 4.0 in December 2021 to around 1.0 in Q4 2022. This may further improve with the opening up of China after the recent lifting of zero Covid policy.

“ I am pleased to say that despite difficult trading conditions, Bank One has continued to produce good results...



Roselyne Renel

Chairperson's report

Global food prices however remain stubbornly high and still one third higher than pre-war or pre-pandemic levels. Despite an initial easing, the global cost of living crisis remains a real factor in many countries and consumer confidence is low.

On a brighter side, the opening up of China is positive and global unemployment rates remain low. In addition to this, at the recent January meeting of the World Economic Forum in Davos, the IMF indicated that it will upgrade its economic forecast. Instead of predicting a "tougher" 2023, the IMF will now project "improvement" in the second half of the year and into 2024.

Mauritius

In Mauritius the local economy has continued its recovery with GDP up by 7.4% in the third quarter. The Bank of Mauritius (BOM) has retained its projection for 2022 of 7% GDP growth driven by manufacturing, financial service and the hotel sector. BOM has however tempered its projections for 2023 to 5% as a result of global economic headwinds.

Inflation on the island continues to be a challenge and in Q4, the CPI rose by over 12%. Partially to combat inflation but also to address the interest rate gap with the USD, the Bank of Mauritius Monetary Policy Committee unanimously agreed to raise the Key Repo Rate by 50 basis points to 4.5% in December. In 2022, the Monetary Policy Committee has raised the Key Repo Rate by 265 basis points.

Despite the tightening interest rate environment, the economy continues to respond positively to the pick-up in key business sectors, in particular tourism where just under one million tourists visited the island during the year. The revival of tourism has had a positive spill-over impact on the whole economy.

Progress at Bank One

I am pleased to say that despite difficult trading conditions, Bank One has continued to produce good results with PAT up to 19% and asset growth of 2% in 2022.

The Bank remains very focused on delivering against its sub-Saharan strategy. Despite the recognized challenges, both growth and opportunities in the region remain exciting and the presence of the two shareholders, CIEL Finance and I&M Group, provide a very competitive advantage.

The business continues to invest in the future and has rolled out a new internet banking and mobile banking platforms for personal and corporate clients. In addition to this, in conjunction with Master Card, Bank One has launched an exciting new card programme for its customers and re-carded the entire customer base of debit and credit cards.

Capital and liquidity at the Bank remain robust and non-performing loans are well controlled.

During 2022 the Bank was awarded the following five awards;

- Outstanding Digital CX – Payments 2022: award from the Digital Banker recognising the outstanding efforts of Bank One in its digital transformation journey.
- Mortgage Product of the Year 2022: award from the Digital Banker for setting new benchmarks in service delivery, product innovation and customer experience for mortgages in the local market.
- Best SME Bank (Mauritius) 2022: awarded by Global Finance Magazine.
- Best International Services (Indian Ocean) 2022: awarded by CFI.co UK for the strong commitment of Bank One to support individuals and institutions in sub-Saharan Africa whilst positioning itself as a thought leader on continental Africa.
- Best Private Bank (Mauritius) 2022: awarded by Global Finance Magazine for Bank One's strong custody service offering, open architecture investment solutions and sustained innovation approach in delivering value for its customers and the expansion of its footprint within new territories in sub-Saharan Africa.

While driving its business forward, Bank One has remained committed to the Mauritius community. During the year, the Bank and its staff have undertaken re-forestation initiatives in the Valley de Ferney. Bank One is excited by its new partnership with a number of education institutions in Pointe Aux Sables where the focus is on supporting school materials and ensuring an excellent work environment for the children.

Changes at the Board

In March 2022, Nikhil Treebhohun stepped down from the Board after four years. I would like to recognise and thank Nikhil for his support to Bank One over the years.

In May 2022, Marc Israel joined the Board. Marc has a strong background in technology. I look forward to working with Marc over the coming years as Bank One progresses along its crucial technology transformation journey.

Concluding remarks

In conclusion, I would like to take this opportunity to thank our shareholders, my fellow directors, the Bank One team, our external auditors and our regulators for their excellent support in 2022. It has been a difficult year but I am pleased with the progress that has been made at the Bank. 2023 is likely to throw up its own range of challenges but we will address these together and continue to drive the business forward.



Roselyne Renel

Chairperson of the Board

CEO's report

I am pleased to provide an update on the Performance of Bank One for the year ended 31 December 2022.

2022 challenges

I would like to open with a few words of appreciation for the hard work of the Bank One team and the Board during what turned out to be an unexpectedly tough year. With the impacts of Covid receding and the world re-opening, very few people would have predicted the range of difficulties that would need to be faced during 2022. As the Chair noted in her report, these ranged from a significant spike in global inflation caused by rapidly rising energy and food prices and record breaking central bank interest rate increases that transformed the finance sector over a very short period of time. In Mauritius, the central bank raised interest rates by 265 basis points during the year to combat inflation. To address these issues the Bank One team needed to show great agility and perseverance. As one door closed the team needed to find another to open.

Bank One strategy

Leveraging the benefits of Mauritius and the sub-Saharan African (SSA) presence of its shareholders, the Bank remains very focused on its key SSA strategy. The Bank's two shareholders, CIEL Finance and the I&M Group, own full service banks in six sub-Saharan African countries including Mauritius and have other business interests in a further four sub-Saharan African countries. This positions Bank One exceptionally well to serve its customer base in SSA and to support Mauritian businesses looking to invest on the African continent.

While not without its challenges, SSA is one of the most exciting and vibrant regions in the world. In the next 75 years, over three quarters of the world's population growth will take place in sub-Saharan Africa. As a result, there will be an increasing need for capital and financial services to support new businesses, infrastructure, schools and healthcare facilities. Bank One is positioning itself to be at the forefront of this change and to be a trusted partner for both businesses and governments in SSA.

“**Despite the difficult conditions, the Bank continued to invest in developing its international platform.**”



Mark Watkinson

CEO's report

Progress during 2022

Despite the difficult conditions, the Bank continued to invest in developing its international platform with a focus on corporate finance, trade, payments and treasury products. Bank One now has eleven different nationalities working in the business and can provide unrivalled insight into SSA economies and businesses. I was very pleased to see that this was recognised during the year with an award for the Best International Banking Services (Indian Ocean) 2022.

The Bank's Private Banking business had a good year in 2022 led by its strong international custody services and open architecture approach to investment solutions. The business was awarded Best Private Bank in Mauritius 2022 at the seventh annual edition of the World's Best Private Banks Awards organised by Global Finance magazine. The Private Bank will continue to develop its reach into SSA to complement the Bank's overall international proposition.

On the domestic front, the Personal Financial Services business had an excellent year for mortgages and is rapidly building out its cross-border proposition as it links up with the Bank's shareholder businesses. The Mauritian Corporate Bank continues to focus on the mid-market, had real success with a new proposition to support real estate developments on the island and continues to engage with local businesses looking to invest in Africa.

Underlying the progress on the business front has been major advances around a new internet banking and mobile banking platform for both individuals and corporates, increased automation and an exciting cards project with Master Card that now offers Bank One's clients the leading cards proposition on the island.

Financial performance

Despite the multiple challenges of the year, Bank One generated a positive set of results and continued to grow the business in 2022. Good traction is being seen with the Bank's sub-Saharan African strategy.

Operating income was up by 9% in part driven by a 20% increase in customer assets and a corresponding 21% increase in interest income. While non funds income was lower than 2021, this was more of a question of timing rather than lower transaction volumes.

Costs were well controlled but rose by 8% as Bank One continues on its digital transformation journey.

Non-performing loans have been carefully monitored and the non-performing loan ratio improved further to 2.23%.

The Bank generated a PAT of Rs 493 million. An increase of 19% in 2022.

The overall capital position of the Bank remains strong with a Capital Adequacy Ratio of 17.76%.

2023 – the year ahead

The outlook for sub-Saharan Africa looks somewhat challenging in the year ahead. Food and energy shortages are likely to weigh on growth, foreign currency is expected to be scarce, the risk of debt distress in a number of countries is very real and continued high inflation mean that interest rates are likely to remain elevated throughout the year.

That said on a more global front, there is an improving sense of positivity with a number of international business leaders saying at Davos in January that they felt the prospects for their companies had been transformed from a few months ago. This growing confidence has been led by China's decision to end its zero Covid policy spurring hopes of a bounce back in one of the world's three large economic zones. A fall of over 80 per cent in wholesale natural gas prices is expected to be good for Europe and help fend off recession. Finally, in the US, the huge Inflation Reduction Act contains USD500 billion in new spending and tax breaks that aim to boost clean energy, reduce healthcare costs and increase tax revenues. This is expected to be a major boost for the US economy.

While early in the year, it is expected that if the global economy starts to lift in the coming months, then there will be positive spill-over into sub-Saharan Africa.

Concluding remarks

I would like to reiterate my thanks to the Bank One team and the Board of directors and recognise the support of our shareholders, our customers and regulators in 2022. Despite the difficulties of the year, the Bank has performed well in the last 12 months. A lot of good work has taken place around our sub-Saharan African strategy and building the infrastructure and human capital needed to take the business to the next level.

Thank you again for your hard work and support in 2022.



Mark Watkinson

CEO and Director

Directors' profiles



Directors' profiles



Roselyne Renel

Independent Chairperson



Mark Watkinson

Chief Executive Officer & Executive Director



Lakshman Bheenick

Non-Executive Director



A. Christopher (Chris) M. Low

Non-Executive Director



Leonard C. Mususa

Independent Director



Ignasi Serrahima Arbestain

Independent Director



Jérôme de Chasteauneuf

Non-Executive Director



Gauri A. Gupta

Non-Executive Director



Marc Israel

Non-Executive Director



Nikhil Treebhohun

Independent Director

Directors' profiles

Roselyne Renel

Independent Chairperson

(Appointed as Independent Director on 24.05.2021 and Chairperson on 01.01.2022; Non Resident)

Roselyne Renel is based in the UK and is currently the Group Chief Credit Officer of Lloyds Banking Group (LBG). Prior to joining LBG, Roselyne was employed by Standard Chartered Bank (SCB) as the Group Head, Enterprise Risk Management (Jan 2016 – Jan 2020) and Group Chief Credit Officer (Nov 2013 to Dec 2015). Before joining SCB, she spent two and half years at Standard Bank of South Africa as Chief Risk Officer for the Corporate & Investment Banking division and just over 16 years at Deutsche Bank, where she held various senior roles including Chief Credit Officer for Emerging Markets and the Investment Bank.

Roselyne followed a senior executive advanced management program at the University of Columbia, USA. She completed the Credit Risk Graduate program delivered by Manufacturers Hanover Trust (now JP Morgan Chase), and also holds an Accounting & Bookkeeping Advanced Certification from the London Chamber of Commerce.

Lakshman Bheenick

Non-Executive Director

(Appointed on 01.06.2021; Resident)

Lakshman Bheenick is currently the CEO at CIEL Finance Limited. Prior to joining CIEL Finance Limited, he was the CEO of Standard Bank (Mauritius) Limited from June 2010 to February 2021. Prior to that, he held the position of Head of Global Markets from June 2006 to May 2010. He started his career in 1996 with Barclays Bank Plc in Mauritius and left in June 2006 as Head of Market Making & Liquidity Management. Lakshman holds a BA (Econ) from the University of Manchester.

Jérôme de Chasteauneuf

Non-Executive Director

(Appointed on 25.08.2021; Resident)

Jérôme de Chasteauneuf currently serves as the Group Finance Director of CIEL Limited, one of the largest diversified investment group in Mauritius. Since joining CIEL in 1993, Jérôme has been instrumental in the Group's development and involved on multiple strategic IPOs, international expansion projects, merger and acquisitions and company restructuring.

In addition to overseeing the Group's financials, Jérôme is a Board member of most of the CIEL Group's subsidiaries including listed entities Alteo Limited, Miwa Sugar Company Limited and Sun Limited. Jérôme de Chasteauneuf also sits as a Non-Executive Director on the Board of the Stock Exchange of Mauritius and on the Board of Harel Mallac & Co. Ltd.

He is a Chartered Accountant of England and Wales and holds a BSc Honours in Economics from the London School of Economics and Political Science, UK (1989).

Mark Watkinson

Chief Executive Officer & Executive Director

(Appointed on 01.04.2020; Resident)

Mark Watkinson has been a career banker with the HSBC Group for 33 years, during which time he held senior leadership roles in 10 countries in North America, Europe, Asia and the Middle East. In particular, Mark was CEO and Main Board Director for HSBC Bank Bermuda Limited (2015-2018), CEO and Main Board Director for HSBC Bank Malta Ltd (2011-2015), Executive Vice President Commercial Banking Canada and North America (2010-2011), President and CEO for HSBC Bank Philippines (2006-2010), Senior Vice President Commercial Banking HSBC Bank USA (2004-2006) and Senior Manager Commercial Banking HSBC Bank United Arab Emirates (2001-2004).

Mark holds a law degree and is a Barrister at Law in the United Kingdom. He is an Associate of the Chartered Institute of Bankers, holds a MBA (with Distinctions) from the University of Warwick and is also a qualified Chartered Director from the Institute of Directors, United Kingdom. Mark was appointed as Independent Non-Executive Director of the Mauritius Institute of Directors (MIoD) in July 2020 and Deputy Chairman of the Mauritius Bankers Association (MBA) in August 2020.

Gauri A. Gupta

Non-Executive Director

(Appointed on 02.03.2017; Non-Resident)

Gauri Gupta heads I&M Group's Corporate Advisory function. Under Corporate Finance, Gauri's forte lies in M&A transactions including transaction structuring and negotiation of legal documentation. She holds a B.Com degree and is a Chartered Accountant from the Institute of Chartered Accountants of India. Her experience of over 25 years in Banking covers Credit, Risk Management, Product Development, Finance, and Strategic Planning.

Gauri has been instrumental in the enhancement of the corporate governance framework at I&M for over 15 years and oversees governance matters for I&M Group Plc, the parent entity for I&M Bank Group, listed on the Nairobi Securities Exchange.

Gauri is a director on the board for several companies under the I&M Bank Group.

Marc Israel

Non-Executive Director

(Appointed on 27.05.2022; Non-Resident)

Marc Israel is an Entrepreneur, Thought Leader, Author and Public Speaker, with many years of success across Technology industries. After 17 years at Microsoft, serving as Chief Technology Officer for Sub-Saharan Africa, and leveraging extensive experience in technical leadership, Marc founded Aetheis, a company aimed at providing executive consultancy in the field of cognitive services, blockchain and digital transformation. He is also a Non-Executive Director of Mauritius Network Services and a lecturer at the University of Mascareignes.

Marc has a degree in Robotics and Engineering from École Supérieure D'Ingénieurs en Électrotechnique et Électronique in Paris. He has completed INSEAD and Wharton Executive Education (with distinction) programs.

Leonard C. Mususa

Independent Director

(Appointed on 02.03.2017; Non-Resident)

Leonard Mususa is a Private Management Consultant with extensive experience in transaction services including due diligence and business valuations, business recovery and reconstruction services.

Leonard previously worked with PwC for 36 years and developed expertise in corporate governance, financial reporting, transaction services, financial risk management and control. He served as Country Senior Partner with PwC (Tanzania) for 14 years prior to his retirement. He also served in other roles including as Head of Assurance Risk and Quality in the PwC Africa Central region for three years and Head of Risk, Independence and Quality in the East Africa Market Area for a period of two years.

Leonard also holds directorships in diverse companies in Kenya and Tanzania in financial, consumer industry, energy and media sectors. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and Fellow Certified Public Accountant (Tanzania).

Ignasi Serrahima Arbestain

Independent Director

(Appointed on 16.04.19; Non-Resident)

Ignasi Serrahima has been a freelance consultant since March 2014, advising various entities in Madrid, Barcelona, Dubai, Riyadh, Nairobi and Mumbai in areas of strategic development and human resources. Prior to launching his consultancy business, Ignasi occupied various M&A roles at Banco Popular Español, S.A (Madrid) and Bankinter, S.A. (Madrid) between September 2000 to March 2014. He holds a degree in Business Administration and an MBA at ESADE, Spain, as well as a Master in International Management from the Thunderbird School of Global Management, USA.

A. Christopher (Chris) M. Low

Non-Executive Director

(Appointed on 24.05.2021; Non-Resident)

Chris Low currently occupies the post of Regional Director at I&M Group, with responsibility for the Group's subsidiaries in Rwanda, Tanzania and Uganda as well as the joint venture with Bank One. As a Board Director on I&M Group Plc, he has Group responsibilities for Strategy, Risk Management, Finance, Human Resources and Marketing.

Prior to this role, Chris was a Board Director on I&M Bank Ltd, Kenya and he was a Senior Advisor (Banking Specialist) at the Department of International Trade in the UK Government. Until 2018 he held the position of Group CEO at Letshego Holdings Ltd in Botswana as well as Chairman / Non-Executive Director for their subsidiary companies in Botswana, Mozambique, Nigeria and Tanzania. Also he was a board and credit committee member for Diamond Bank Nigeria. In prior roles, Chris worked for National Bank of Kuwait in the Middle East and for Standard Chartered Bank in London, Africa and Asia.

He holds an MA (Zoology) from St Peters College, Oxford University and he is an Associate of the Institute of Chartered Accountants, England and Wales.

Nikhil Trebhoohun

Independent Director

(Appointed on 21.12.17; Resident. Resigned on 31.03.2022)

Nikhil Trebhoohun has over 30 years of professional experience in the field of development at both the national level (as the Chief Executive of such intermediary organizations like the Export Processing Zones Development Authority and the National Productivity and Competitiveness Council which were involved in improving competitiveness at both industry and national level), and at international level (as Head of the Trade Section at the Commonwealth Secretariat in London). He was also the CEO of Global Finance Mauritius.

Nikhil holds a BSc (Hons) Econ (Industry and Trade) from the London School of Economics & Political Science, a post graduate diploma in Development Planning Techniques from the Institute of Social Studies, Hague and a post graduate diploma in Financial Management from the University of New England, Australia. He is also a Fellow of the World Academy of Productivity Science and was a Senior Fulbright Fellow at Georgetown University, Washington DC.

Senior Management Team's profiles



Senior Management Team's profiles



Eric Hautefeuille
Chief Operations Officer



Ranjeevesingh (Ranjeve) Gowreesunkur
Chief Financial Officer



Ranjit Prakash Gokarn
Interim Chief Risk Officer



Bhavya Shah
Head of Personal Financial Services



Rishyraj (Rishy) Lutchman
Head of Treasury



John Alfred (Kenny) Morton
Head of Regulatory Affairs



Carl Stephen Chirwa
Head of International Banking



Fareed Soobadar
Head of Corporate Banking



Guillaume Passebecq
Head of Private Banking & Wealth Management



Valerie Duval
Head of Legal and Regulatory Affairs



Priscilla Mutty
Head of Human Resources

Senior Management Team's profiles

Eric Hautefeuille

Chief Operations Officer

Eric Hautefeuille has a career spanning almost three decades at senior level in the banking sector. He spent 24 years at Société Générale whereby he worked in various countries namely in Europe, Asia and Africa. During his tenure, he successively held the positions of Chief Information Officer and Project Director in Cameroon (1997-2000) and in Tahiti (2000-2005), Project Director in Russia (2005-2007), Head of Operations and Deputy Chief Operating Officer in China (2007-2011), Chief Operating Officer (COO) in India (2011-2014) and Head of Transversal Operations in France (2014-2015). Prior to joining Bank One as COO in October 2020, Eric held the positions of COO and Head of Transformation at BNI Madagascar (2015-2020). He was instrumental in developing the BNI footprint, particularly on mobile, cards and payments businesses and branchless digital microfinance.

Ranjeevesingh (Ranjeeve) Gowreesunkur

Chief Financial Officer

Ranjeeve Gowreesunkur joined Bank One in 2008 as Financial Accountant bringing with him more than 20 years of extensive banking experience having worked in various senior positions at Union Bank, Delphis Bank, First City Bank, SBI (Mauritius) and Deutsche Bank (Mauritius). After acting as Head of Finance for six years, he was subsequently promoted as Chief Financial Officer in 2014.

Fellow of the Association of Chartered Certified Accountants and a registered Professional Accountant with the Mauritius Institute of Professional Accountants, Ranjeeve also holds an MBA with Finance from Herriot Watt University.

Ranjit Prakash Gokarn

Interim Chief Risk Officer

Ranjit Gokarn has been a career banker with the HSBC Group for 32 years, during which time he held senior leadership roles in 10 countries including the UK, Europe, Asia, and the Middle East. In his more senior roles, Ranjit was Chief Risk Officer for HSBC India & HSBC Singapore, Chief Operating Officer for HSBC Turkey & HSBC Malta, and Senior Executive Continental Europe, based in Paris. He was also an HSBC nominated Board Director for HSBC Bank Armenia and main Board Director for HSBC Bank Malta Ltd. Prior to joining Bank One, he was Global Chief Control Officer for HSBC's Global Private Bank, based in London. In his early career with the HSBC Group, Ranjit also worked in Japan and the United Arab Emirates. He joined Bank One in August 2022.

Ranjit holds an MBA from the Indian Institute of Management, Ahmedabad, India and a Bachelor of Commerce (First Class) from the University of Mumbai, India.

Carl Stephen Chirwa

Head of International Banking

Carl Chirwa is a seasoned Pan-African banking executive with a special focus on corporate banking, structured trade and commodity finance, project finance and financial advisory services. He has developed deep networks on the subcontinent through 20 years of proven track record of origination, structuring and executing of large ticket strategic transactions across a wide variety of sectors in over 26 African countries.

A Fellow Chartered Accountant with a BSc Applied Accounting, Carl was previously Head of Trade Finance at Citi for the Sub Saharan Africa region. Carl joined Bank One in September 2018.

Fareed Soobadar

Head of Corporate Banking

Fareed Soobadar is a Fellow of the Chartered Association of Accountants (UK) – FCCA, a member of the London Institute of Banking and Finance (UK) – ACIB and the holder of an MBA from Durham Business School – Durham University. He has more than 20 years of work experience in the financial services industry, having worked in auditing, accounting, offshore, and HP financing, including 15 years of banking experience at senior management level. He held key positions in organisations such as KPMG, Deloitte, HSBC, AAMIL, as Credit Director at Barclays and, before joining Bank One, as Corporate Director at Banque des Mascareignes. He also had international exposure with ABSA, Barclays Dubai, and Barclays Africa, where he worked principally in the credit field. Fareed was appointed Head of Corporate Banking of Bank One Limited in February 2015.

Guillaume Passebecq

Head of Private Banking & Wealth Management

Guillaume Passebecq is an International School of Management (IDRAC) graduate who has spent his entire career in the banking sector. He started off as a Portfolio Manager at B* capital Paris, the BNP Paribas brokerage house in 1999. In 2007, he was appointed as Head of Sales at BNP Paribas Personal Investors Luxembourg. He joined AfrAsia Bank in 2014 and was subsequently appointed as Head of Private Banking.

Guillaume joined Bank One as the Head of Private Banking in March 2017. He brought along the needed expertise to uplift the Private Banking offer. Following the setting up of the International Custody Platform, Securities Services and the External Wealth Managers Desk, our clients, both high-net-worth and institutional now have the tools for their wealth management experience. The Bank's array of clients has also been widened to accommodate Asset Managers, Investment Funds, Pension Funds, Family Offices and Financial Intermediaries through a one stop shop and open architecture model.

Bhavya Shah

Head of Personal Financial Services

Bhavya Shah brings nearly two decades of retail banking experience with deep international business exposure across Asia, Europe and America. Over this period, he has played key roles in strategy, customer propositions, digital and innovation, customer experience, product management and marketing. Before moving to Bank One, Bhavya was working for HSBC Group where his last role was that of Global Head of Retail Propositions, Wealth & Personal Banking. He holds a Master in Business Administration from the University of Delhi, a Bachelor in Science from the University of London and a Bachelor in Commerce from the University of Calcutta. Bhavya joined Bank One in June 2021 as Head of Personal Financial Services.

Rishyraj (Rishy) Lutchman

Head of Treasury

Rishy Lutchman is a seasoned banker with over 30 years in the Treasury field. He holds an ACI Diploma, a PGCE in derivatives & financial products and a BBA from the Management College of Southern Africa. Before joining Bank One in February 2014, he worked for 26 years within the Treasury division of the State Bank of Mauritius Ltd (SBM), where he covered different desks, including sales, interbank and fixed income. There he acquired a comprehensive knowledge of the Mauritian and Malagasy markets.

John Alfred (Kenny) Morton

Head of Regulatory Affairs

Kenny Morton is an experienced Compliance Executive within the Compliance Risk discipline having had exposure across various jurisdictions. Kenny spent 19 years at Nedbank in South Africa, holding various roles within the organization. Prior to joining Bank One he was the Executive Head: Compliance, Governance and Ethics at Nedbank Africa.

Kenny is an accredited Ethics Officer and is a member of the Compliance Institute of Southern Africa as well as the Ethics Institute, holding qualifications in Compliance Risk Management, Anti-Money Laundering and Ethics through the University of Johannesburg and University of Stellenbosch respectively. Kenny joined Bank One in April 2021.

Valerie Duval

Head of Legal and Regulatory Affairs

Valerie Duval has over two decades of significant experience in the finance sector. After having held senior leadership positions in the insurance industry over 13 years with Swan Insurance Co Ltd and La Prudence Mauricienne Ltd (now known as Mauritius Union), Valerie is now the Head of Legal at Bank One since the last 14 years. She has been instrumental into setting up a strong and skilled legal division for the Bank. Her expertise ranges from advising Bank One on all legal aspects relating to the affairs and operations of the Bank to providing strategic legal support to all Lines of Business and Functions. She has acquired extensive and sound skills in analysing, structuring and negotiating sophisticated transactions and also assisted in successful recovery of assets both locally and internationally.

Valerie holds a Law degree from the University of Mauritius and is a Barrister at Law in Mauritius (sworn in 1995). She completed several leadership and management programs over the years with various training institutions locally and abroad. She is a member of the Mauritius Bar Association and a Fellow member of the Mauritius Institute of Directors and the Vice- President of the Mauritian NGO Terrain for Interactive Pedagogy through Arts (TIPA). She was recognized as Africa Women Leaders by CMO Asia 2018 Edition and Pioneering Woman Leader at the 6th World Women Leadership Congress and Awards in February 2019.

Priscilla Mutty

Head of Human Resources

With over 25 years of experience in the human resource field, Priscilla is a seasoned Human Resources professional. She holds a Master in 'Administration d'Entreprises' from the University of Poitiers, France. Priscilla received The Women of Wonder Award Mauritius 2018 and was conferred the 101 Most Influential Global HR Leaders by the World HR Congress.

Prior to joining Bank One, Priscilla has worked across regional and global corporations such as DCDM Consulting (Managed by Accenture) where she was responsible for HR-related consultancy assignments for a portfolio of clients in various industries including banking. Her assignments were conducted both in Mauritius and regionally (i.e. Madagascar, Kenya, Tanzania, Zambia, Botswana and Djibouti, among others). From 2011 to 2014, she headed the HR department at Bramer Bank before moving to GroFin in January 2015, a development financier specialized in financing and supporting small and growing businesses (SGBs) with 16 offices across Africa and the Middle East, as its Chief HR Officer. Priscilla joined the Bank in December 2017 as Head of HR.



**Embracing our sense
of purpose for the
greater good.**

Economic outlook

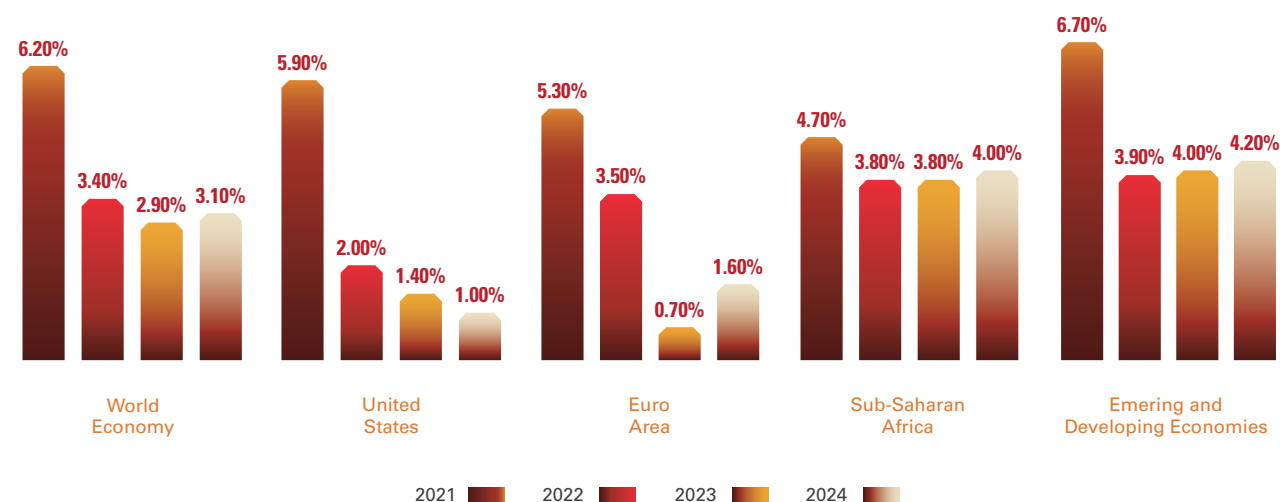
Global economy

The global economy is expected to slow in 2023, before rebounding next year. Growth will remain weak with the elevated inflation, higher interest rates, reduced investment and disruptions caused by Russia's war for invasion of Ukraine.

The global economy is projected to grow at 2.9% in 2023 and 3.1% in 2024.

Low growth is expected in 2023 given the rise in central bank rates to fight inflation, especially in advanced economies as well as the war in Ukraine. In China, growth is anticipated to pick up with the full reopening by late 2023. Gradual recovery from the effects of the war in Ukraine and subsiding inflation are expected in 2024.

World economic outlook growth projections



Source: World Economic Outlook, January 2023

- In the United States, growth is expected to fall from 2.0% in 2022 to 1.4% in 2023 and 1.0% in 2024. The annual growth in 2023, reflecting carryover effects from domestic demand resilience in 2022 and a further decline is expected in 2024, due to the steeper path of federal reserve rate hikes.
- Growth in the Euro area is forecasted to fall at 0.7% in 2023, before rising to 1.6% in 2024. This is due to the faster rate hikes by the European Central Bank as well as lower wholesale energy prices. It is expected to provide fiscal purchasing power support in the form of energy price controls and cash transfers.
- Growth in emerging and developing economies is anticipated to decline to 3.9% in 2022, reflecting a smaller economic contraction in Russia in 2022, followed by a moderate positive growth of 4% in 2023.
- In China, growth is estimated to rise to 5.2% in 2023, reflecting rapidly improving mobility and is expected to fall at 4.5% in 2024, with the slow progress on structural reforms.
- In India, a decline from 6.8% in 2022 to 6.1% in 2023 is expected, before growth picks up to 6.8% in 2024, thanks to the resilient domestic demand despite external headwinds.
- In sub-Saharan Africa (SSA), which is our main target market, growth is projected to remain moderate, at 3.8% in 2023, resulting from a prolonged fallout from the Covid-19 pandemic, before picking up to 4% in 2024. In 2023, Nigeria's rising growth will be due to the measures taken to address insecurity issues in the oil sector. In South Africa, after a COVID-19 reopening rebound in 2022, growth is expected to remain at 1.2% in 2023, thus reflecting weaker external demand, power shortages, and structural constraints.

Mauritian economy

During 2022, Mauritius has faced numerous challenges due to the prevailing global economic conditions, mostly resulting from supply chain disruptions, higher freight costs and other commodity prices. In its latest release of national account estimates (December 2022), Statistics Mauritius expects a growth rate of 7.8%, which will leave GDP above pre-pandemic levels.

Mauritius welcomed 997,290 tourists from January to end of December 2022, generating Rs 64.8 billion in earnings compared to Rs 15.2 billion in 2021. Bookings for the tourism sector show that tourist arrivals are expected to gather further momentum due to the rebound following the pandemic, with a number of Mauritian markets growing faster than two years ago as per Mauritius Tourism Promotion Authority.

The manufacturing, financial services, construction and wholesale & retail trade sectors continue to maintain good momentum and prospects are promising going forward. The recovery in economic activity impacted favourably on the labour market, with the unemployment rate further falling to 7.5% in 2022Q3, from 8.1% in 2022Q2. Labour market conditions are expected to improve further and move closer to pre-pandemic levels as overall economic activity continues to pick up as per Statistics Mauritius.

The Mauritius IFC continues to attract robust financial flows as global economic activities picked up from pandemic level and cross-border investment activities continue to remain buoyant. With respect to the non-GBC flows, the real estate sector continues to support the influx of foreign direct investment in Mauritius, particularly as a result of easing of travel restrictions in 2022. Mauritius is also expected to receive fresh sources of foreign direct investments amid the emergence of new activity sectors. An acceleration in the realisation of investment projects, both within the public and private sectors, is further fuelling growth. Expected FDI for the year will be around Rs 25 billion, surpassing its pre-pandemic figures.

In 2022, headline inflation accelerated to 10.8% against 4.0% in 2021. To address this challenge, the Bank of Mauritius (BOM) has raised the Repo Rate five times in 2022, to 4.5% against 1.85% in December 2021. To cushion the impact of rising prices on the population the government has intervened in the market to protect, as far as possible, the quality of life in Mauritius.

One of the main challenges has been the preservation of the purchasing power of Mauritians. Against the rising tide of inflationary pressures, the Bank of Mauritius has reviewed the Repo Rate to 4.50% compared to 1.85% in December 2021.

As part of the New Monetary Policy Framework, the Bank started the issuance of the 7-Day BoM Bills to all banks, with a weekly average issuance of around Rs 8.5 billion.

The evolution of the exchange rate continues to reflect domestic economic fundamentals as well as international exchange rate movements. In 2022, the Mauritian Rupee has depreciated by 5.7% against the US Dollar, as per the BOM Monthly Statistical Bulletin, released in December 2022.

In 2022, the current account deficit is projected to be slightly lower, at 14.0% of GDP, compared to the previous estimate of 14.7%. This mainly reflects a much better than expected performance of the services account in Q3.

The Gross Official International Reserves (GOIR) remains at a level sufficient to provide a buffer against adverse external conditions. The GOIR stood at USD 7.7 billion as at end-December 2022, against USD 8.5 billion as at December 2021, representing 16.1 months of imports in December 2022, compared to 17.6 months of imports during the same period the previous year.

Financial analysis

Statement of financial position

Despite the challenging economic and financial environment, the Bank managed to grow its loans book by 20%, closing at Rs 26.1 billion compared to Rs 21.7 billion last year. In the rising interest and uncertain economic environment, the Bank has been selective and prudent in its approach to lending. The growth registered by our mortgage and international segments, alongside the increasing interest rates, contributed to the growth in interest income.

Following the completion of the right-sizing exercise in previous years, the deposits growth is now back on track, with total deposits closing at Rs 38.2 billion in December 2022, against Rs 37.9 billion in December 2021.

The liquidity position of the Bank remained strong, with a Liquidity Coverage Ratio of 276% as at December 2022.

Capital adequacy ratio for the Bank stood at 17.76%, with a tier 1 ratio of 12.37%, reflective of the strong capitalisation level.

The Bank has been consistent in managing downward its non-performing loan book, from Rs 701 million as at December 2021 to Rs 580 million as at December 2022. The NPL ratio improved from 3.23% as at December 2021 to 2.23% as at 31 December 2022, and remains amongst the lowest on the market.

Statement of comprehensive income

The Bank's operating income improved by 9%, from Rs 1,380 million in 2021 to Rs 1,506 million, for the year ended December 2022.

Net interest income improved significantly in 2022, by 22% compared to the year 2021, on account of expanded lending with better margins following successive hikes in interest rates, for both Rs and foreign currencies.

Non-interest income contribution went down by 9% compared to last year. Some gains generated on fixed income trading in 2021 did not repeat and some deals took more time than planned to be closed, thus delaying the relative fee income.

Non-interest expenses increased by 8% in 2022, following the Bank's continued programme of investment in its talents and digitalisation and technology strategies. However, the cost-to-income ratio was better than last year.

The Bank has also been successful in delivering a profit after tax of Rs 493 million against a net profit of Rs 413 million in 2021.

Achievements v/s objectives and plan for 2023

Objectives for 2022	Performance in 2022	Objectives for 2023
Return on Average Equity (ROAE) To achieve a ROAE of above 13%.	Achieved a ROAE of 13.45%, contributed by normal business and recoveries.	To achieve a ROAE of above 16%.
Return on Average Assets (ROAA) To achieve a ROAA of above 1%.	Achieved a ROAA of 1.12%.	To achieve a ROAA of above 1.3%.
Operating income Growth of above 24% in operating income.	9% increase in operating income.	Growth of above 33% in operating income.
Cost-to-income ratio Cost-to-income ratio of less than 60%.	Cost-to-income ratio of 67% on account of lower non-interest income.	Cost-to-income ratio of less than 58%.
Deposits growth Deposits growth of 22%, contributed by both Segment A and Segment B.	Lower deposits size, as per the Bank's strategy in prior years, started growing (1% growth in 2022).	Deposit growth of 21%.
Gross loans and advances growth 32% growth to be contributed by both Segment A and Segment B.	Gross loan book grew by 20%.	24% growth in gross loans and advances book.
Impaired ratio Gross impaired ratio to be brought down below 3%.	Gross impaired ratio of 2.23%.	Gross impaired ratio to be brought down below 1.9%.
Capital Adequacy Ratio (CAR) Maintain CAR above 15%.	CAR at 17.76% as at December 2022.	Maintain CAR above 15%.

Financial analysis

Statement of profit or loss

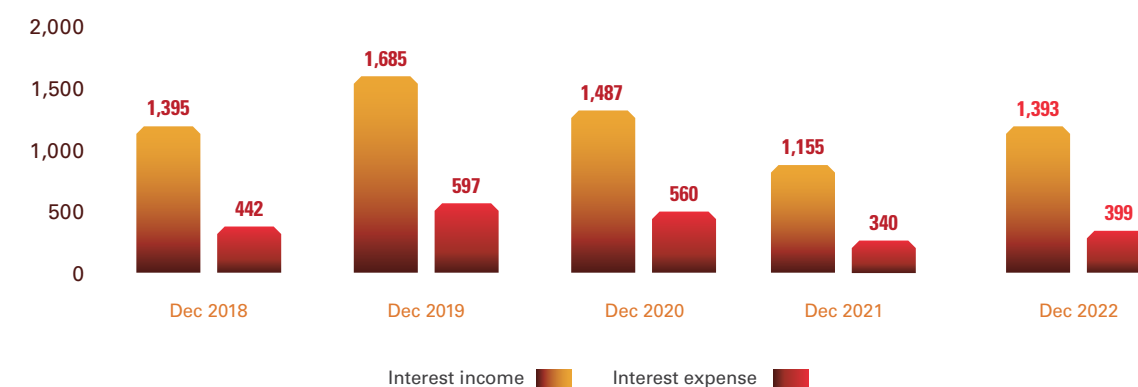
	Year ended Dec-20 Rs' 000	Year ended Dec-21 Rs' 000	Year ended Dec-22 Rs'000
Net interest income	927,179	815,007	993,814
Net fee and commission income	191,864	278,278	329,401
Net trading income	159,631	164,391	178,747
Other operating income	38,866	122,277	4,857
Operating income	1,317,540	1,379,953	1,506,819
Non-interest expense	(775,425)	(929,286)	(1,004,725)
Operating profit	542,115	450,667	502,094
Allowance for (credit impairment)/recoveries	(1,073,659)	71,799	33,476
(Loss)/profit before tax	(531,544)	522,466	535,570
Income tax credit/(expense)	39,819	(109,042)	(41,745)
(Loss)/profit for the year	(491,725)	413,424	493,825

Interest income and expense

	Year ended Dec-20 Rs'000	Year ended Dec-21 Rs'000	Year ended Dec-22 Rs'000
Interest income			
Loans and advances to customers and banks	1,189,768	907,083	989,285
Investment securities and bonds	253,970	229,695	233,277
Placements	43,285	18,565	170,659
	1,487,023	1,155,343	1,393,221
Interest expense			
Deposits from customers	367,867	197,183	235,303
Borrowings from Banks	117,862	52,074	75,274
Subordinated liabilities	69,780	86,879	81,930
Lease liabilities	4,335	4,200	6,900
	559,844	340,336	399,407
Net interest income	927,179	815,007	993,814
Average interest earning assets	39,614,033	39,502,982	38,974,108
Average interest-bearing liabilities	25,065,350	24,954,069	23,863,643
Interest income/average interest earning assets	3.75%	2.92%	3.57%
Interest expense/average interest-bearing liabilities	2.23%	1.36%	1.67%
Net margin	1.52%	1.56%	1.90%
Core revenue*	1,317,138	1,379,708	1,505,072

* Core revenue is defined as net interest income plus core non-interest revenue, after elimination of the effects of any unusual, non-operational items.

Interest income and interest expense



Interest income, generated by both local and foreign assets and investments, increased by 21% as a result of successive rises in interest rates during the year, coupled with an expansion in the interest-earning assets books. Return on average interest-earning assets was 3.57% in 2022 (2.92% in 2021).

The strategy of the Bank on the assets side has been to remain prudent to continue to protect its liquidity position and capital.

Interest expenses rose by 17%, mainly attributed to the increase in cost of fund for both local and foreign funding raised, including some short-term borrowings which were raised during the year to manage the Bank's liquidity. The interest-bearing liabilities increased slightly compared to that of last year.

Overall, net interest income rose by 22% during the year, further to the above positive impact.

Non-interest income

	Dec-20 Rs'000	Dec-21 Rs'000	Dec-22 Rs'000
Net fees and commission	191,864	278,278	329,401
Net trading income	159,631	164,391	178,747
Other operating income*	38,866	122,277	4,857
	390,361	564,946	513,005

Excluding the one-off gains on fixed income trading in 2021, the overall non-interest income in 2022 improved by 16%.

Net fees and commissions have been significantly higher compared to last year, mainly contributed by a number of offshore trade transactions and facility arrangement fees.

The Bank is still pursuing its initiatives to improve the share of non-interest income through diversification and new income sources.

Financial analysis

Non-interest expense and cost management

	Dec-20 Rs'000	Dec-21 Rs'000	Dec-22 Rs'000
Personnel expenses	447,820	557,059	617,351
Depreciation and amortisation	78,621	75,861	96,901
Other expenses	248,984	296,366	290,473
	775,425	929,286	1,004,725

Non-interest expenses increased by 8% compared to 2021, bringing the cost to income ratio to 67%. The Bank's objective is to improve the cost-to-income ratio to below 58% in the short- to medium-term.

HR costs increased by 11% compared to last year, as a result of a rise in pension costs, provision for staff bonuses, the impact of an early voluntary retirement scheme and recruitment costs.

Other expenses went down by 2%, mainly on account of lower professional costs. IT, premises and capitalisation of transformation-related costs, were incurred in line with the Bank's strategy.

Credit exposure

As shown in the table below, the Bank has a well-diversified credit portfolio without any undue concentration in any one sector, as at 31 December 2022.

Sectors	2020	2021	2022		
	Total Rs'000	Total Rs'000	Segment A Rs'000	Segment B Rs'000	Total Rs'000
Lending					
Agriculture & fishing	636,497	425,388	256,326	-	256,326
Manufacturing	53,950	36,187	49,519	265,075	314,594
Tourism	2,168,547	1,682,526	1,384,047	-	1,384,047
Transport	438,111	590,454	417,912	254,447	672,359
Construction	5,795,945	6,404,451	8,485,689	171,946	8,657,635
Financial and business services	3,287,914	2,588,138	1,018,297	971,409	1,989,706
Traders	2,922,517	3,493,100	2,607,289	209,681	2,816,970
Personal	1,701,194	1,653,738	1,739,049	76,839	1,815,888
Professional	12,979	14,433	11,163	-	11,163
Global business licence holders	553,567	672,979	-	1,054,997	1,054,997
Central government	1,246,431	512,881	-	1,355,644	1,355,644
Others	1,743,641	260,689	540,031	52,025	592,056
	20,561,293	18,334,964	16,509,322	4,412,063	20,921,385
Lending to banks	1,985,889	3,339,038	-	5,150,285	5,150,285
Total credit exposure	22,547,182	21,674,002	16,509,322	9,562,348	26,071,670
Trading	12,035,154	2,083,101	1,370,618	32,256	1,402,874
Investment	10,239,400	10,339,563	2,321,172	8,616,504	10,937,676
Off balance sheet	3,167,836	5,028,998	2,234,797	2,129,448	4,364,245

Total lending exposures increased during the year, to close at Rs 26.1 billion as at December 2022 compared to Rs 21.7 billion as at December 2021. Investments held were in line with the Bank's business operations, including liquidity management considerations.

Exposure to the construction sector experienced a growth of 35%, largely mortgage driven.

In line with the Bank's strategy, exposure to banks have gone up from Rs 3.3 billion as at December 2021 to Rs 5.2 billion as at December 2022.

Credit quality

The table below shows the data on impairment and related ratios for the past 3 years.

	Dec-20 Rs'000	Dec-21 Rs'000	Dec-22 Rs'000
Impaired advances	1,955,228	700,531	580,214
Allowance for impairment – Stage 3	1,531,353	583,243	518,943
Impaired advances/Gross advances	8.67%	3.23%	2.23%
Net impaired/Net advances	2.05%	0.57%	0.25%
Provision coverage ratio	78.32%	83.26%	89.44%

The Bank closed 2022 with an impairment ratio of 2.23% as compared to 3.23% as at December 2021.

The Bank has been consistent in improving its provision coverage ratio, standing at 89.44% as at December 2022 compared to 83.26% as at December 2021. The Bank holds adequate collaterals to cover the remaining 10.56%.

A breakdown of gross advances, impaired advances and related specific provisions percentage by industry sector split between segments A and B as at 31 December 2022, is shown on the next page.

Financial analysis

Loans to customers

Sectors	Gross amount of loans		Impaired loans		Impairment cover on impaired loans	
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B
	Rs'000	Rs'000	Rs'000	Rs'000		
Agriculture and fishing	256,326	-	-	-	-	-
Manufacturing	49,519	265,075	1,700	-	46%	-
Tourism	1,384,047	-	716	-	100%	-
Transport	417,912	254,447	10,190	251,994	77%	100%
Construction	8,485,689	171,946	130,016	3,465	64%	-
Financial and business services	1,018,297	971,409	715	-	100%	-
Traders	2,607,289	209,681	118,361	693	98%	100%
Personal	1,739,049	76,839	59,136	-	92%	-
Professional	11,163	-	-	-	-	-
Global business licence holders	-	1,054,997	-	-	-	-
Central government	-	1,355,644	-	-	-	-
Others	540,031	52,025	3,232	-	-	-
Total	16,509,322	4,412,063	324,062	256,152		
Sectors						
Loans to banks	-	5,150,285	-	-	-	-

40% of Segment A impairments originate from exposures to the construction sector, while 98% of the impaired loans for Segment B consist of facilities granted to the air transport sector.

General provisions

In compliance with the "Macro-prudential policy measures for the Banking Sector", issued by the Bank of Mauritius in October 2013, the Bank maintained additional portfolio provisions on certain specific sectors, booked as general reserve as an appropriation of retained earnings.

Other details regarding credit quality are given in note 15 (h) of the Financial Statements.



**Unlocking the
full potential
of our diverse
and talented
communities.**

Lines of business and digital transformation

Personal Financial Services (PFS)

As the headwinds from Covid-19 started dissipating in 2022 and the economy started to slowly recover, we saw the emergence of several new headwinds due to the global macro-economic and geo-political conditions leading to inflation and a steep increase in interest rates. These created quite a challenging environment for PFS.

Notwithstanding, PFS remained focused on its core priorities:

- Becoming a **mortgage powerhouse** as anchor-points for deep, meaningful relationships with target clients.
- Introducing **offshore banking** to mass affluent clients in the SSA region.
- Accelerate our **digital transformation** to enhance the experience we deliver to our clients, as part of the Bank's overall transformation programme.

Mortgage powerhouse

Our mortgage was awarded "Mortgage Product of the Year 2022", based on its features and benefits as well as the overall customer experience delivered, by The Global Retail Banking Innovation Awards programme from The Digital Banker, an international magazine and awarding body based outside Singapore. It recognises the world's most cutting-edge retail banks that are setting new benchmarks in service delivery, product innovation, customer experience, and more.

To reinforce our positioning as a one-stop-shop for customers' financial needs, we expanded our insurance partner network in 2022 to offer a more comprehensive range of insurance solutions. It enabled PFS to also meet the linked insurance requirements for the majority of our new mortgage customers in one seamless journey.

Offshore banking

Bank One's Elite proposition was enhanced in 2022 to better target serve the needs of mass affluent offshore customers in the SSA region, with streamlined onboarding processes and a suite of bundled solutions tailored for target segments. It helped the business line experience a steady growth, driven primarily by our enhanced collaboration with I&M Group entities. We have a substantial growth ambition for this segment in the coming years, particularly as referral arrangements with key introducer groups get embedded and we accelerate direct marketing initiatives.

Corporate Banking (CBD)

After two years of pandemic and at the dawn of 2023, the Mauritian economy remains subject to uncertainties linked to global pressures. Mauritius will also weather the global economic storm in 2023, due to its heavy reliance on energy and food imports, making the country vulnerable to recent global price spikes for these products.

Overall, the economic recovery from the pandemic will continue in 2023, but at a slower pace given the weak external economic outlook resulting from the war in Ukraine as well as the past depreciation of the rupee, reflecting lower growth in trading partners and prospects for tourist flows, and worsening in terms of trade.

Considering the current volatile economic conditions, rising interest rate environment and low level of visibility on the future, the Bank has remained prudent in growing its corporate assets. The CBD assets book suffered a contraction compared to December 2021, with the prepayment of some large corporate exposures and the exit of some other high-risk clients. However, the CBD penetrated further in the Real Estate Segment, which generated fees and foreign exchange income. CBD continues its strategy to extend its support to existing/new corporate clients, on both the mid-corporate segments and Top 100 companies. In parallel, some expensive deposits were deliberately allowed to run off earlier during the year, but CBD is working on new or refreshed deposit products to attract Rs liquidity for future growth.

CBD also focused on the implementation of various strategies to boost transactional flows and product cross-selling in terms of trade financing. Additionally, our established presence in the sub-Saharan African (SSA) market has helped improve profitability growth on the domestic corporate side.

Our focus on the digital transformation journey remains vital to better serve our clients on their daily trade and transactional activities.

International Banking (IBD)

The ensuing conflict following the 2022 "Black Swan" event, in the form of the Russia/Ukraine crisis, triggered a new set of challenges globally, particularly hard-hit economies comprising the International Banking Department (IBD)'s core SSA target market. The region, which was on the cusp of a strong post-Covid recovery, was significantly impacted by the resultant sharp rise in energy and soft commodity prices, coupled with a historic hike in interest rates. This triggered shortages of fuel, food and forex across the African sub-continent.

In response to these challenges, IBD stepped up to its ethos of providing "**Uniquely African Solutions to Uniquely African Challenges**". By leveraging our networks and partnerships as well as our intimate knowledge of the region, Bank One was able to develop innovative solutions and win several key large mandates to assist our clients in coping with the exogenous shocks.

During the year under review, the IBD team was able to structure, execute and lead arrange 5 significant syndicated transactions alongside our partner banks and institutional investors, to deploy much needed hard currency liquidity and trade finance facilities, disbursed to clients across 13 African countries targeted at Central Banks, Top Tier Financial Institutions, Regional Microfinance Institutions and African Regional Corporates.

The Bank was pleased to be assigned an external Credit Rating of **BB- Stable** Outlook by Fitch Ratings in June 2022, which was recently affirmed in January 2023. This rating positioned the Bank amongst the top 25 rated banks in Africa. As a result of the confidence demonstrated in the Bank by the rating agency and, consequentially, the wider investor community, the business registered a commendable growth in its deposit base.

As part of its diversification strategy, IBD also introduced two new business lines to enhance its product suite, as well as generate incremental and diversified revenue streams. The Trade Finance business is expected to grow exponentially in the coming years, to facilitate trade flows within SSA as well as imports of strategic commodities such as energy products, fertilisers and pharmaceuticals, to support Africa's growth story. The Structured Solutions team was created to develop bespoke financing solutions tailor-made to our clients' individual requirements in the chosen target markets.

To this end, we are pleased to announce that Bank One has partnered with the African Development Bank (**AfDB**) to provide partial risk guarantees and risk defeasance solutions, in order to identify good opportunities and de-risk complex transactions, as well as provide thought leadership and trusted advisor status to our clients who will continue to operate in particularly challenging environments in the outlook period.

Private Banking and Wealth Management & Securities Services (PBWM)

PBWM's clientele includes High Net worth Individuals (HNWI), external Asset Managers, financial institutions, Collective Investment Scheme (CIS) and pension funds. To enhance its offering and customer experience, further investments have been made to improve the custody platform.

2022 has been a good year for PBWM as the department has benefitted from the volatile market to increase its trade volumes compared to the previous year, thus generating fees as well as trading income.

There has also been an increase in the assets under custody portfolio which resulted in a lower deposit base in 2022. The objective of PBWM is to continue to add new names to its existing portfolio of financial institutions, while continue to serve its existing client base and improve its contribution towards the Bank's profitability.

PBWM continues to grow both its personal and institutional customer base and is positive about the opportunities to grow its business alongside its shareholders in SSA.

During the year, PBWM was recognised as the "Best Private Banking in Mauritius" by Global Finance Magazine.

Lines of business and digital transformation

Treasury Business

The past year has witnessed central banks across the world using all their might into fighting inflation with several rounds of interest rate hikes and the end of negative interest rates.

The BOM has also been very active on all fronts. On the foreign exchange market, despite the pick-up in the tourism sector post-pandemic period, the currency shortage persisted. To contain market volatility, the central bank intervened regularly, selling a total of USD 845 million to the market. This helped the local currency change course, strengthening from a depreciation of 6.45% last year to 2.15% according to the BOMs MERI2 Index, which is based on the currency distribution of the merchandise trade and tourism earnings.

On the interest rate front, the fight against inflation saw the central bank hiking the key repo rates several times, taking it from a record low of 1.85% to 4.50%. Several products were set out to contain the surplus Rs liquidity on the local market, which helped bring down the surplus from Rs 27 billion starting 2022 to close the year at Rs 13 billion.

The BOM will be introducing a new Monetary Policy Framework as from 2023, to further strengthen monetary policy operations and transmission mechanism with a flexible inflation target focus.

The Treasury Department has managed a decent performance during 2022, and continues to strive towards the SSA strategy by adding new product offerings while increasing its customer base across the region.

Digital Transformation

Transformation of our digital channels started yielding results in 2022, with the launch of new state-of-the-art internet and mobile banking platforms. The aim of this transition is to offer a refreshed customer experience and better meet our customers' evolving lifestyles.

Additionally, a new digital onboarding solution was launched in 2022 to simplify the account opening process for both onshore and offshore segments, with supporting workflow capabilities to ensure a superior experience for both existing and new clients.

In parallel, POP continues to go from strength to strength with over 20,000 users! POP was awarded the "Outstanding Digital CX" award in the payments category at the Digital CX Awards 2022, hosted by The Digital Banker. The Digital CX Awards recognise the outstanding efforts of key players in the financial services industry, who have embarked on digital transformation journeys to rethink their business model and adopt a customer-centric approach. Several new innovative features are planned to be released on POP in the following year, ensuring it remains a preferred payment app in Mauritius.

A key milestone for 2022 was the migration of our debit and credit cards portfolio from Visa to Mastercard in Q4, to deliver a suite of additional benefits to clients in the form of cashback, protection and priceless experiences. Over the following years, the cards proposition will be further enhanced to better meet the needs of our clients.

The Management Discussions and Analysis report may contain various forward-looking statements with respect to Bank One's financial position, business strategy, plans and management objectives. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including, but not limited to, domestic market, global economic and business conditions, market risks such as changes in interest and exchange rates, policies and actions of governmental and regulatory authorities. We caution readers of this report not to place undue reliance on our forward-looking statements, as these factors may cause future results to differ materially from the plans, goals, expectations or interest expressed in the forward-looking statements. Bank One Limited does not undertake to update any forward-looking statements that may be made from time to time by the organisation or on its behalf.

Risk Management

The report focuses on the holistic process involved in integrated risk management of the Bank and the result outcomes that assist the Bank in reaching its strategic objectives.

Responsibility of the Board

The Bank's Board of Directors (the Board) remains ultimately responsible for ensuring that risks are adequately identified, measured, managed and reviewed. The Board ensures proper governance is in place, allowing healthy risk discussions to take place in a forward-looking manner, while also learning lessons from past risk events. The Board approves the risk appetite and ensures risks are managed within the set tolerance levels.

The Board and Board sub committees are kept informed of the Bank's risk status through the Chief Risk Officer (CRO). The CRO reports to the Chief Executive Officer (CEO) but has direct access to the Board and its risk committees.

Risk defence model

The Bank currently employs a three-level defence model which works as follows:

1. The first line (Business Groups) takes ownership of the risks from end to end.
2. There is independent risk oversight through the various empowered Risk and Compliance second line functions.
3. The third line (Internal Audit) provides additional independent review and assurance.

The Bank continues to embed an objective-centric Enterprise Risk Management approach to ensure the Risk and Control functions add value to the Bank's strategic objectives.

Risk Management Framework

The Bank's fundamental approach to risk management is to ensure that both value preservation and value creation is promoted through the prudent and consistent adoption of the Risk Culture Statement. The risk culture journey is complemented by a comprehensive Risk Appetite Statement and monitored via Board-approved Risk Appetite Metrics.

The Board of Directors approves the risk policies and guidelines. The Bank's management has the responsibility for the effective execution of these policies through the implementation of appropriate procedures.

The Board and the relevant sub committees monitor the risk profile of the Bank on a quarterly basis. Limits on the quantum of Credit Risk, Market Risk, Operational Risk and Country Risk, are set within prudent guidelines. Other non-quantifiable risks such as Compliance Risk, Reputational Risk and Strategic Risk, are also assessed and monitored on a qualitative basis, guided by appropriate metrics.

The Board's responsibilities include:

- Approving the Risk Management strategy and policies to confirm all risks are correctly managed at both portfolio and client level.
- Regularly reviewing the policies and key performance indicators.
- Analysing the Bank's ongoing financial performance against forecasts and budgets.

The Bank's management meets monthly during several management committees, to make a comprehensive impact assessment of the Bank's various risks. The Bank holds a monthly Management Integrated Risk Committee (MIRC) that holistically assesses and manages the Bank's risks. The various risk functions escalate any issues and/or limit breaches to the relevant approval authorities, in line with the Bank's Escalation Matrix.

These risk functions operate as independent units, which are segregated appropriately from the business and front-line functions.

Qualified and experienced team members lead the following areas:

- a. Compliance
- b. Credit risk management
- c. Information Security and Cybersecurity risk management
- d. Market risk
- e. Operational risk
- f. Sustainability risk

The Bank uses the Internal Capital Adequacy Assessment Process (ICAAP) to assess its optimal capital requirements. The Bank's Asset and Liability Management Committee (ALCO) is responsible for the management of the bank-wide portfolio composition, risk weighted assets measurement and optimal capital allocation. The Bank adopts the Basel Standardised Approach for the calculation of regulatory capital, taking into consideration the macro-prudential policy measures introduced by BOM.

Credit risk management

Definition	The risk of loss arising from a client or counterparty failing to fulfil its financial obligations. Credit Risk primarily arises from wholesale and retail loans & advances and other other treasury products.
Governance	<p>The Board Risk Management Committee (BRMC) sets the Credit Strategy and approves the Credit Policy.</p> <p>The Board Credit Committee (BCC) monitors the Credit Risk to be within the risk appetite and proactive to any operating environment changes. Management credit approval rests with the Management Credit Committee (MCC). Credit portfolio risks are further discussed at the monthly Management Integrated Risk Committee (MIRC) via an Integrated Risk Report.</p> <p>Governance is achieved through an independent credit risk assessment and oversight by Internal Audit. Financial Governance is further supplemented by regular reporting to the BCC, regulatory reporting and the ICAAP simulation.</p>
Additional information	Various credit management controls are in place facilitated by credit policies, data analytics, models and risk indicators, to guide the decision-making process based on agreed principles and risk appetite levels. From a provisioning perspective, the impact of the following key aspects is considered: Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD).

Credit Risk Mitigation

The primary credit risk mitigation comprises accurate data and information, together with value added research, to make an informed decision regarding the obligor's repayment ability. The sustainability of the cash flow generation over the contract period is critically assessed to ensure the proper servicing of the debt.

As an additional mitigation for credit risk, collateral and guarantees are taken to render the risk and reward equitable in terms of the Bank's Risk Appetite.

Credit-related commitments

Credit-related commitments include bank guarantees, documentary letters of credit, standby letters of credit and undrawn commitments on committed facilities. The relevant capital charges of the various instruments are calculated based on the criteria set in the BOM guideline on Standardised Approach to Credit Risk.

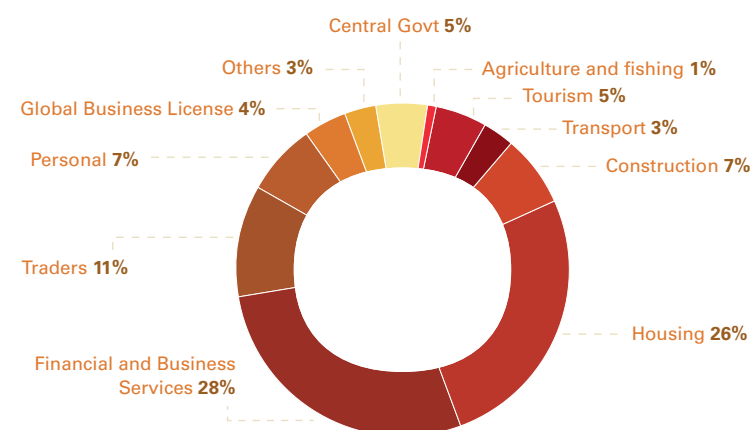
Credit-related commitments	Year ended	Year ended	Year ended
	Dec-20	Dec-21	Dec-22
	Rs'000	Rs'000	Rs'000
Bank guarantees and other contingent liabilities	1,397,943	1,015,963	2,974,480
Undrawn credit-related commitments	1,905,672	4,108,310	1,976,757

Bank placements and lending

These instruments are normally of a better credit quality, by the virtue of the regulated market in which the counterparties operate. External credit rating agencies' reports on the credit quality of rated banks are used as an input into the internal credit assessment, together with obtaining an internal credit rating for all bank obligors using the Moody's RiskCalc Bank Model.

Risk Management

Sectorwise distribution



As shown on the above chart, the risk is well diversified. The largest concentration is on Financial and Business Services at 28% (2021: 30%), with the bulk of the exposure to other banks. This has increased from the prior year, as trade decreased its contribution. No major variance in other sectors occurred during 2022.

Concentration risk

Maximum exposure limits are set for individual counterparties, countries and sectors, to maximise any potential diversification benefits while complying with the BOM Guideline on Credit Concentration Risk.

The top six Groups and Single Borrower exposures as at 31 December 2022, have shown an increase in the concentration percentages:

Group	2022		2021	
	Exposure Rs'000	% of Tier 1 Capital	Exposure Rs'000	% of Tier 1 Capital
1	1,143,750	33.38	946,615	27.53
2	1,038,595	30.31	874,293	25.42
3	800,415	23.36	800,198	23.27
4	686,358	20.03	732,954	21.31
5	625,000	18.24	705,000	20.50
6	504,046	14.71	463,876	13.30

Single Borrower	2022		2021	
	Exposure Rs'000	% of Tier 1 Capital	Exposure Rs'000	% of Tier 1 Capital
1	674,307	19.68	650,250	18.64
2	662,250	19.33	650,250	18.91
3	662,250	19.33	643,234	18.71
4	662,250	19.33	606,900	17.65
5	662,250	19.33	540,430	15.72
6	441,500	12.88	445,855	12.78

Herfindahl-Hirschman Index (HHI) and Concentration Risk Level

The Bank uses the HHI to assess the concentration of its depositors and borrowers. The following table relates the HHI with the level of risk as at 31 December 2022:

HHI	Risk Level	Top 10 Individuals	Top 10 Groups	Top 10 Industries	Top 10 Depositors
< 1 000	Low risk	→	→	→	→
1 000 – 1 800	Moderate risk	—	—	—	—
> 1 800	High risk	—	—	—	—

As at 31 December 2022, all portfolios remained in the low risk category for concentration risk.

Related party transactions

The Conduct Review & Audit Committee (CRAC) approves every related party transaction and ensures these transactions are at standard market principles in terms of the arm's length principle.

The aggregate on balance sheet related party exposure of the Bank amounted to Rs 1.152 billion (2021: Rs 971 million), representing 33.61% of Tier I Capital (2021: 28.24%). The facilities range from bank placements, overdrafts and loans. Collateral is taken for the facilities, except bank placements, which are bank senior unsecured risk (though we still have two placements with a related party which were fully cash secured). Settlement of facilities will be from the underlying obligor's operating cash flow; arm's length terms and conditions apply.

The aggregate related party exposure (off-balance sheet) of the Bank was Rs 454 million as at year-end (2021: Rs 244 million).

None of the loans advanced to related parties were classified as non-performing as at 31 December 2022.

The table below sets out the six largest related party exposures and respective percentages of the Bank's Tier 1 capital:

Related party	2022		2021	
	Exposure Rs'000	% of Tier 1 Capital	Exposure Rs'000	% of Tier 1 Capital
1	828,025	24.16	380,000	11.05
2	380,000	11.09	348,600	10.14
3	176,600	5.15	222,700	6.48
4	100,000	2.92	173,400	5.04
5	26,164	0.76	27,232	0.79
6	19,997	0.58	15,958	0.46

The Bank complies with the BOM Guideline on Related Party Transactions.

Risk Management

Credit Quality

Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes under the International Financial Reporting Standard IFRS 9 and relevant BOM guidelines. The Bank is compliant with the BOM Guideline on Credit Impairment Measurement and Income Recognition. An independent valuation from a qualified appraiser validates the net realisable value of collateral.

IFRS 9

The IFRS 9 standard requires the Bank to use best estimates of three components, namely Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to arrive at an Expected Credit Loss (ECL). These components are estimated using both internal and external models, together with respecting the relevant guidelines. External auditors have validated the internal models and tools for the purpose of IFRS 9.

BOM has suspended the new guideline on Credit Impairment Measurement and Income Recognition, effective January 2020, in response to the Covid-19 pandemic.

Collection and recovery process

The Collections and Recoveries unit reporting to the CRO adds value to the Risk and Business units. The Bank's philosophy is to resolve recovery matters through negotiations in the first instance. If no agreement is reached, legal action is pursued with urgency for the timely recovery of all non-performing assets (NPAs).

As at year end 2022, the NPA portfolio decreased by 19%, with the NPA ratio at 2.23%. The Provisions Coverage Ratio has continued to improve, with the ratio rising from 83.26% in 2021 to 89.44% in 2022, hence decreasing the Net at Risk value of the portfolio. The percentage Net at Risk over Net Advances has improved to 0.30% in 2022.

Covid-19 moratorium portfolio

Moratoriums have been provided to those clients directly affected by the pandemic. The moratorium requests follow the normal credit process to determine the medium- to long-term sustainability of all moratorium applicants.

Moratoriums provided to Corporate clients decreased to Rs 50.1 million (2021: Rs 1.03 billion), which equates to 0.22% (2021: 8%) of the Segment A portfolio.

The Past Due Portfolio has performed better than expected given the external environment and the fallout of the pandemic.

Stages 1 and 2 outstanding balance contribution

Loan and advances Stages 1 and 2	As at 31 December 2022			As at 31 December 2021		
	Individual retail and mortgages	Corporate entities	Total loan and advances to customers	Individual retail and mortgages	Corporate entities	Total loan and advances to customers
Stage 1	98%	93%	95%	99%	97%	98%
Stage 2	2%	7%	5%	1%	3%	2%

As a result of proactive and effective monitoring of the total credit portfolio 95% (2021: 98%) of the portfolio remains within Stage 1. The Stage 2 bucket contributes 5% (2021: 2%) to the overall portfolio. Given the operating environment of 2022, the portfolios' performance continues to exceed expectations.

Restructured facilities

Restructured loans are loans that have been renegotiated due to deterioration in the borrower's financial position and cash flow. In such cases, where assessed genuine, the Bank reviews the terms and conditions by allowing concessions such as extending the maturity, changing the frequency of interest servicing, reviewing the interest rate as well as amending other covenants and terms of the loan. The Bank follows the requirements of the BOM Guideline on Credit Impairment and Income Recognition on restructured facilities.

For the year under review, credit facilities were restructured for an amount of Rs 30.4 million (2021: Rs 9.8 million). These loans are being regularly repaid and the balance reduced to Rs 29.1 million (2021: Rs 9.2 million) as at 31 December 2022.

Properties in Possession (PIPs)

As at December 2022, the Bank held four PIPs in its books, with an assessed total value of Rs 9.1 million (2021: Rs 9.1 million) included in the "Other Assets" figure (note 21 of the Financial Statements). No new properties were added during the year under review. As at December 2022, the carrying value of these properties did not differ materially from the estimated market value. The Bank's policy regarding the PIPs is to dispose of them as soon as practically possible, in line with banking legislation.

The policy of the Bank is to recognise the assets repossessed at the lower of the carrying value and the fair value less cost to resell.

Market risk

Definition	The risk of losses in stakeholder value, resulting from adverse changes in market prices and interest rates that negatively affect assets and liabilities.
Governance	Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monitored via the monthly Asset & Liability Management Committee (ALCO), which reports any key risks monthly to the Management Integrated Risk Committee (MIRC) and quarterly to the Board Risk Management Committee (BRMC). The Market Risk team monitors and reports on limit governance.
Additional information	The Treasury Department monitors the debt securities book on a weekly basis, reporting monthly to ALCO and quarterly to the BRMC.

Market risk arising from the Trading Book

The Bank measures market risk from the trading book using the VaR technique (Historical Approach at a 99% confidence level over a one-day holding period) and controls market risk exposures within prudent risks limits set by the Board, in line with the risk appetite of the Bank. Market Risk monitors this monthly.

Market risk arising from the Banking Book

Various management action triggers are established to provide early alerts to Management on the different levels of exposures of the banking book activities, relative to foreign exchange risk, interest rate risk and liquidity risk. Sensitivity analysis and stress testing covering shocks and shifts in interest rates on the Bank's on-and-off balance sheet positions, liquidity drift under institution-specific and general market crisis scenarios, are regularly performed to gauge and forecast the market risk inherent in the banking book portfolio.

(i) Foreign exchange risk

The Bank has limited net foreign exchange exposure, as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or through cover transactions with the market. The net open exposure positions, both by individual currency and in aggregate, are managed by the Treasury Department within established limits and reported to BOM daily.

During 2022, the Bank operated well within the regulatory limits regarding net open positions.

A monthly report is submitted to the ALCO and a quarterly report is submitted to BRMC for notification of any underlying breach in limits. Any breaches are immediately notified to Senior Management and simultaneously escalated to the relevant sanctioning authority in terms of the Bank's Escalation Matrix.

Accordingly, as at 31 December 2022, VaR limits against the actual potential loss reflect sufficient headroom:

VAR limits vs actual position December 2022	USD	EUR	GBP
Limit	Rs 800k	Rs 500k	Rs 200k
Potential loss	Rs 684k	Rs 23k	Rs 27k

Risk Management

(ii) Interest rate Risk

The Bank considers the effects of fluctuations in the prevailing levels of market interest rates, on both its fair value and cash flow risks. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. This is reported monthly to ALCO and quarterly to BRMC.

The framework adopted by the Bank to measure interest rate risk exposures is consistent with the BOM Guidelines for reporting interest rate risk exposures, which consists principally of interest rate sensitivity analysis and stress testing.

Interest rate repricing gap analysis

A detailed analysis of the Interest Rate Sensitivity Analysis as at 31 December 2022 is given in note 2 (f) of the Financial Statements.

Earnings at Risk Methodology used to assess the impact of various interest rate change scenarios on Net Interest Income over a 12-month horizon, as required under the domestic and global regulatory guidelines.

Rs & USD Earnings at Risk analysis as at 31 December 2022

Interest rate movement 2021	Impact on earnings on account of interest basis (Rs'M)	Impact on earnings on account of interest basis (USD'M)
+ 100 bps	0.51	0.91
-100 bps	(0.51)	(0.91)
+ 200 bps	1.03	1.82
-200 bps	(1.03)	(1.82)

The Bank is able to absorb potential interest shocks.

Liquidity Risk

Definition	The risk of losses from not having cash to honour commitments when falling due.
Governance	Treasury is responsible for the daily management of liquidity and provides daily reporting to Senior Management. ALCO oversees the activities of Treasury monthly and reports monthly to MIRC and quarterly to BRMC.
Additional information	The Bank manages its liquidity on a prudent and proactive basis and ensures the statutory minimum cash reserve requirements are maintained throughout the year. No statutory limits have been breached during the year, including the Liquidity Coverage Ratio (LCR). A Contingent Liquidity Plan is in place to prepare for any extreme liquidity stress scenario.

The ALCO reviews monthly, or on ad hoc basis if required, the Bank's liquidity position. Appropriate limits on liquidity and maturity mismatch are set and sufficient liquid assets are held to ensure the Bank can meet all its short-term funding requirements.

The Bank's funding comprises mainly customer deposits and borrowings, both short- as well as long-term. Short-term interbank deposits are accepted on a limited basis.

The table in note 2(g) of the Financial Statements analyses the Bank's assets and liabilities into relevant maturity buckets.

The Bank monitors liquidity gaps on a static, cumulative as well as dynamic basis. Under the dynamic scenario, the Bank arranges assets and liabilities into different maturity ranges according to BOM Guideline on Liquidity Risk Management, considering the historical behavioural pattern of these assets and liabilities. Stress testing and scenario analysis form an important part of the Bank's liquidity management process. The Bank has a Liquidity Contingency Plan that is updated to ensure it can be executed as expected, if required.

Liquidity Coverage Ratio (LCR)

LCR is computed as the percentage of high-quality liquid assets to total net cash outflows over the next 30 days, under a severe stress scenario. As at December 2022, the Bank was well above the minimum consolidated liquidity requirements, as shown in the table below:

Liquidity Coverage Ratio - Quarter ending December 2022

(Consolidated in Rs'000s)	TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)
HIGH-QUALITY LIQUID ASSETS		
Total high-quality liquid assets (HQLA)	5,416,921	5,416,921
CASH OUTFLOWS		
Retail deposits and deposits from small business customers, of which:		
<i>Less stable deposits</i>	13,405,381	1,340,538
Unsecured wholesale funding, of which:		
<i>Non-operational deposits (all counterparties)</i>	12,010,632	4,804,253
<i>Unsecured debt</i>	2,198,133	2,198,133
Additional requirements, of which:		
<i>Credit and liquidity facilities</i>	798,801	180,063
Other contractual funding obligations	2,946	2,946
Other contingent funding obligations	453,934	22,697
TOTAL CASH OUTFLOWS	28,869,827	8,548,630
CASH INFLOWS		
Secured funding	7,406,575	7,406,575
Inflows from fully performing exposures	860,162	430,081
Other cash inflows	1,157	1,157
TOTAL CASH INFLOWS	8,267,894	7,837,813
		TOTAL ADJUSTED VALUE
TOTAL HQLA		5,416,921
TOTAL NET CASH OUTFLOWS		1,959,453
LIQUIDITY COVERAGE RATIO (%)		276%
QUARTERLY AVERAGE OF DAILY HQLA		5,495,639

Notes: The reported values for "quarterly average of monthly observations" are based on October, November and December 2022 month end figures. The reported values for "quarterly average of daily HQLA" are based on business day figures over the 1st October 2022 to 31st December 2022 period.

- As at the end of December 2022, the Bank's quarterly average LCR was 276% (2021: 298%), significantly above the regulatory minimum of 100%.
- This is driven by an excess of Rs 3.4 billion of High-Quality Liquid Assets (HQLA) over Net Cash Outflows (NCO).
- The Bank's stock of High-Quality Liquid Assets (HQLA) is proactively managed to ensure high levels of liquidity.
- Liquidity levels are monitored daily.
- Formal reviews of the Bank's liquidity position and limits take place monthly at ALCO meetings and quarterly at BRMC meetings.

Risk Management

Operational risk

Definition	The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.
Governance	The management of operational risk within the Bank is based on the Enterprise Risk Management approach in accordance with the Basel Committee's guidance on "Sound Practice for the Management and Supervision of Operational Risk" and the BOM Guidelines on Operational Risk Management. The Operational Risk function reports monthly to the Management Integrated Risk Committee and quarterly to the Board Risk Management Committee.
Additional information	The Operational Risk function is focused on managing non-credit risk, in line with the Bank's stated risk appetite. In addition to existing risks, the function is responsible for undertaking regular horizon scanning exercises to help anticipate and prevent new risk occurrences. A Risk Control and Self-Assessment (RCSA) process is in place within the Bank to assist the Bank's businesses and support functions to plan for and anticipate operational risk events.

In line with the new Operational Risk Management vision, the Operational Risk Management Framework has been further enhanced to cater for the underlying risk principles, which include:

- Proactive risk management and disciplined risk taking.
- Risk and control culture with clear ownership and accountability.
- Sound and sustainable risk and control environment.

For this purpose, risk management concepts including operational risk appetite, the three lines of defence model, key risk indicators, risk and control self-assessments, control issues monitoring and an internal control programme, are the fundamentals of the new operational risk strategy. The focus is on sustainably reducing the Bank's material risk exposures, consistent with its risk appetite, as well as scanning and analysing emerging risks to which the Bank must demonstrate resilience.

Business continuity is a key focus area for the Operational Risk function. The Covid-19 pandemic provided a live test of the Bank's business continuity plans. While there were lessons learned, the plans held up well during the lock down periods and all major functions of the Bank continued to operate and serve clients. Lessons learned will be fed back into the normal contingency plan testing process.

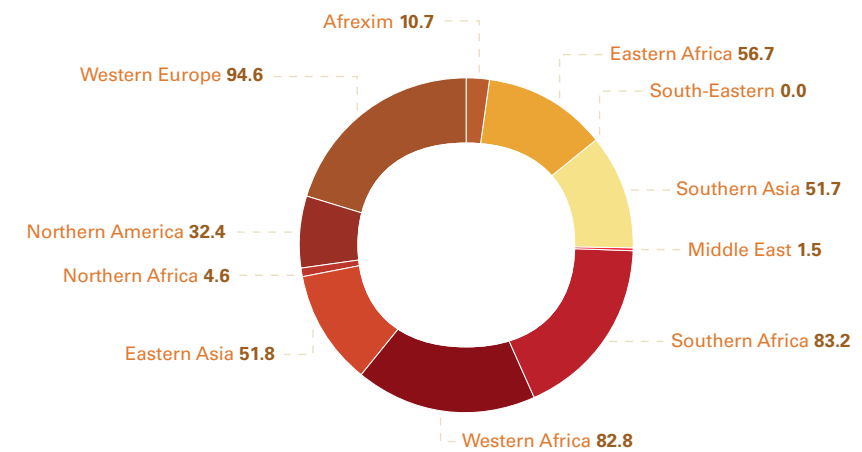
For the pandemic and future "Black Swan" events, the Bank has set up a Crisis Management Team to ensure a coordinated and proactive response, with the objective of minimising any negative impact upon the Bank.

Country risk

Definition	The risk of investing or lending in a foreign country, arising from possible changes in the business environment that may adversely affect the ability of the obligor in the country to repay the capital and interest.
Governance	The Market Risk team provides weekly information on the limits and headroom to Senior Management. BRMC approves all country limits. The MIRC has monthly overview and BRMC has a quarterly oversight of the country risk portfolio. The frequency of country limit reviews is done monthly to support the Bank's strategic intent.
Additional information	Wherever possible, on-the-ground information is obtained from group or associate companies operating in such jurisdictions.

Country risk exposures by region as at 31 December 2022, are disclosed in the chart below:

Exposure by Region (USD'M) - Dec 2022



Management ensured the Bank remains well capitalised and with acceptable liquidity. In line with the Bank's future strategy, the regions and countries will be rationalised to concentrate on sub-Saharan Africa (SSA). Western Europe reflects a high contribution due to excess foreign currency held at AAA rated banks.

Business/Strategic risk

Definition	The risk of non-attainment of the planned strategic objectives, the consequences of inappropriate strategies or the decline in income or margins, that negatively affect profitability.
Governance	The Board Strategic Committee has oversight of the business risk. An EXCO sub-committee (StratCo) manages business risk operationally and strategic risk is debated monthly at the MIRC.
Additional information	The strategic direction of the Bank is reviewed once a year and forms part of the annual business budget and operating plan of the Bank. This is done in conjunction with the ICAAP and Risk Appetite review, so that a comprehensive approach is prudently adopted.

Information Security & Cybersecurity risk

Definition	The ability of a firm to manage a cyber breach or data breach while continuing to conduct its business activities as usual.
Governance	Robust policies and procedures are in place to ensure global best practices for Governance, Projects Progress, Prevention Capability, Detection Capability and Response Capability. Cybersecurity risk is one of the top risks reported monthly to MIRC and quarterly to BRMC.
Additional information	A dedicated team of Information Security specialists is hired and various cyber resilience testing and training programmes are regularly conducted.

Risk Management

Reputational risk

Definition	The current or potential risk to earnings and capital, driven by the adverse perception of the Bank on the part of clients, counterparties, employees or regulators.
Governance	Reputational Risk is managed through the Reputational Risk Management Framework, with monthly reporting to the MIRC and EXCO. The BRMC has oversight over the Bank's reputational risks and receives detailed reporting on a quarterly basis.
Additional information	The Bank continues to dynamically assess and monitor Reputational risk on a qualitative basis. A Reputational Risk Management Framework is in place to ensure the effective and consistent treatment of Reputational risk across the Bank.

People risk

Definition	The risk of financial losses and negative performance related to inadequacies in human capital and the management of human resources. There are numerous and multi-faceted risks ranging from workplace safety, absenteeism, and succession planning, through to loss of key people and internal issues such as fraud and theft of material and intellectual property. Other issues include having the right skillset and right sizing the business to achieve its goals.
Governance	People risk is managed through the HR committee and the Management Integrated Risk Committee (MIRC). The Governance, Nomination and Remuneration Committee (GNRC) has oversight over the Bank's people risk and receives detailed reporting on a quarterly basis.
Additional information	People risk is core to managing the Bank in a suitable manner and a dedicated team of HR professionals is constantly engaged with the Executive Committee (EXCO) and all employees to ensure that we are on top of this important facet of the risk agenda.

Compliance risk

Definition	The risk of the potential for losses and legal penalties, due to a failure to comply with laws and/or regulations.
Governance	The Regulatory and Compliance Framework is now governed through the Regulatory Risk and Compliance Committee, which meets monthly and reports into the MIRC and BRMC.
Additional information	The focus is to further embed the compliance culture across the Bank and enable the business to fully assume their first line of defence responsibilities.

Risk capital management

The main objective of the Bank is to maintain a strong capital adequacy position despite facing many significant events such as the Russia-Ukraine war and the extension of the Covid-19 pandemic impact. The Bank also ensures it can support and sustain business growth, even in the prevailing difficult conditions. The Bank's aim is to maximise and create shareholder value, by being proficient on the market.

Capital adequacy assessment

As per Basel III Guidelines, the Bank is required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% for the year 2022 and onwards. Therefore, the Bank is maintaining a capital conservation buffer of 2.5% for this year. The Bank has computed its CAR as at 31 December 2022 and ensures capital levels at all times exceed the minimum capital requirements of 12.5% set by the regulator. The capital charge for operational risk is calculated under the Basic Indicator Approach and the capital charge for credit and market risk under the Standardised Approach.

As at December 2022, the Bank's CAR stood at 17.76% (against a regulatory requirement of 12.50%), out of which the Common Equity Tier 1 (CET 1) CAR was 12.37% (against a minimum regulatory requirement of 6.5%), which is well above the minimum requirement.

Core capital (Tier 1 capital)

	Basel III Dec-20 Rs'000	Basel III Dec-21 Rs'000	Basel III Dec-22 Rs'000
Paid up capital	1,456,456	1,456,456	1,456,456
Statutory reserve	401,538	463,552	537,625
Retained earnings	1,376,237	1,725,369	1,646,082
Deductions			
Intangibles	(111,585)	(130,667)	(133,583)
Deferred tax	(88,683)	(45,937)	(44,515)
Investment in other bank	(29,984)	(30,021)	(36,057)
Total Tier 1 Capital	3,003,979	3,438,752	3,426,008

Supplementary capital (Tier 2 Capital)

Reserves arising from revaluation of assets	43,791	43,791	60,218
Portfolio provision	220,017	218,290	249,915
General banking reserves	55,589	57,867	68,905
Subordinated debt	1,327,219	1,316,544	1,114,989
Fair value gains	128,689	-	-
Total Tier 2 Capital	1,775,305	1,636,492	1,494,027
Total capital base	4,779,284	5,075,244	4,920,035

Risk weighted assets for:

Credit risk	22,048,421	22,092,561	25,505,633
Market risk	25,244	96,415	95,336
Operational risk	2,055,049	2,103,468	2,102,156
Total risk weighted assets	24,128,714	24,292,444	27,703,125
Tier 1 ratio	12.45%	14.16%	12.37%
Capital adequacy ratio	19.81%	20.89%	17.76%

Risk Management

Risk weighted on balance sheet items

	Risk weight		Dec-20	Dec-21	Dec-22
	Rs'000	%	Rs'000	Rs'000	Rs'000
Cash in hand and with Central Bank	1,540,920	0-50%	-	-	-
Balance and placements with Banks	9,846,794	20-100%	3,605,792	3,242,884	3,822,677
Balance in process of collection	14,021	20%	4,374	2,653	2,804
Treasury Bills and GOM Bbills	3,687,989	0%	-	-	-
Other investment	5,758,464	20-100%	1,964,327	1,566,397	1,508,404
Fixed and other assets	803,713	0 - 100%	517,997	683,331	803,713
Loans and advances	25,208,588	0 - 100%	15,509,389	16,113,479	18,331,709
	46,860,489		21,601,879	21,608,744	24,469,307

Risk weighted off balance sheet items

	Credit conversion factor (%)	Risk weight %	Dec-20	Dec-21	Dec-22
			Rs'000	Rs'000	Rs'000
Acceptances and Bill of Exchange	100%	100%	340,823	369,025	1,006,587
Guarantees, bonds, etc.	50%	100%	92,188	78,441	19,570
Letter of credit	20%	100%	6,057	25,580	1,412
Foreign Exchange contracts	1% to 7.5%	20-100%	7,474	10,771	8,757
			446,542	483,817	1,036,326

Risk weighted exposures

	Dec-20	Dec-21	Dec-22
	Rs'000	Rs'000	Rs'000
Risk weighted on balance sheet assets	21,601,879	21,608,744	24,469,307
Risk weighted off balance sheet exposures	446,542	483,817	1,036,326
Risk weighted on market risk	25,244	96,415	95,336
Risk weighted on operational risk	2,055,049	2,103,468	2,102,156
Total risk weighted assets	24,128,714	24,292,444	27,703,125

Risk-weighted assets for market risk

	Dec-20	Dec-21	Dec-22
	Rs'000	Rs'000	Rs'000
Foreign exchange risk	25,244	96,415	95,336
Interest rate risk	-	-	-
Equivalent risk-weighted assets	25,244	96,415	95,336

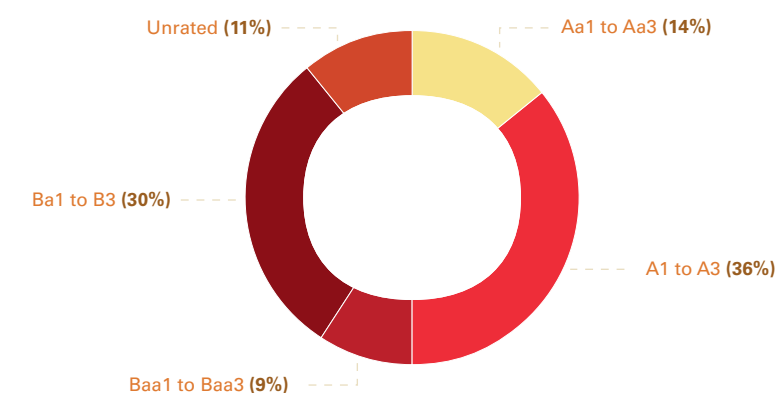
Risk-weighted assets for operational risk

	Dec-20	Dec-21	Dec-22
	Rs'000	Rs'000	Rs'000
Average gross income for last 3 years	1,370,032	1,402,312	1,401,437
Capital charge	205,505	210,346	210,216
Equivalent risk-weighted assets	2,055,049	2,103,468	2,102,156

In line with the recommendations of the BOM Guideline on the recognition and use of the External Credit Assessment Institutions (ECAI)¹, the ratings from the agencies listed below have been used in computing the relative risk weights for balance with foreign banks, lending to foreign entities and banks and other foreign investments.

¹ ECAI includes Moody's, Standard & Poor's, Fitch, CARE Ratings and GCR.

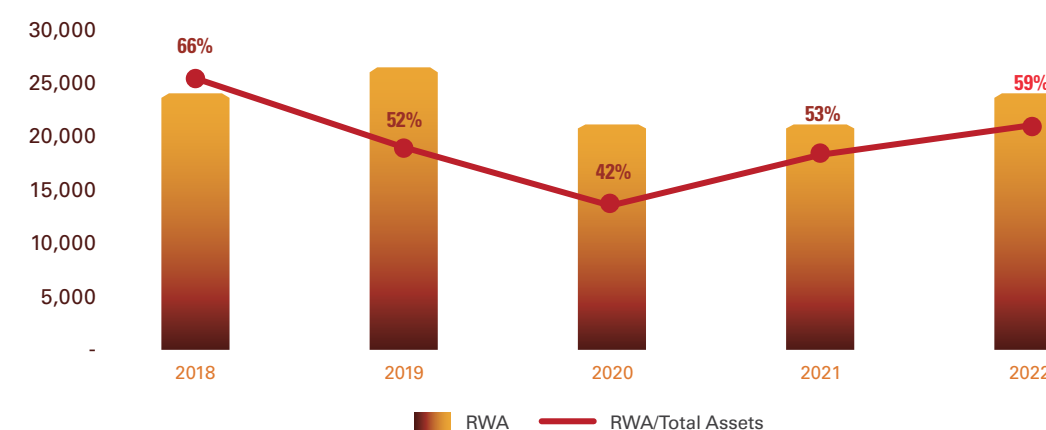
Exposures by risk grade



Note: For each exposure, we have selected Moody's assignment for the different ratings

The Bank has reviewed its portfolio to ensure a proper mix of assets class is maintained from a risk and tenor point of view.

Risk weighted assets/total assets



There has been an increase in risk weighted assets to total assets in 2022, mainly due to an increase in loans to banks.

Risk Management

Internal capital adequacy assessment and supervisory review process

The purpose of the ICAAP is to inform the Board of the ongoing assessment of risk and how the Bank expects to mitigate those risks and proactively develop strategies to maintain its capital at the desired level.

ICAAP is a simulation exercise carried out to inform the Board on the Bank's risks and their impact on the Bank's business. It identifies all existing and probable future risks and assesses its risk management and their capital adequacy in relation to it, ensuring that the institution holds adequate capital in relation to its risk's profiles.

The Bank's ICAAP document is reviewed yearly, or earlier if warranted. The level of capitalisation of Bank One is determined using different types of plausible as well as unexpected stress scenarios, allowing us to adopt a more prudent concept by proactively mitigating risks through multiple actions such as reviewing and changing limits on highly risky exposures.

Stress testing forms an integral part of the ICAAP. It is performed monthly to assess the impact of market risks, and is reported to the Assets and Liabilities Committee. The Bank performs different kinds of stress testing techniques, including scenarios analyses and other techniques used to evaluate the potential negative impact on the capital available, caused by specific events or movements in risk factors, ranging from plausible to extreme conditions, based on a three-year horizon.

Moreover, the supervisory review and evaluation process is used to evaluate the Bank's risk profile, including an assessment of the Bank's level of risk, its internal regulations and strategies, as well as the risk management systems for the main risk, including credit, operational, market, liquidity, strategic and reputation risks. It also determines whether sufficient capital cushion is available against any risks that may occur during a distress period.

Methodology and assumptions

Methodology and assumptions	
Risk type	Assessment methodology
Compliance risk	Qualitative assessment
Concentration risk	HHI and stress testing
Country risk	Quantitative and Qualitative Assessment
Credit risk	Moody's risk analyst and Risk Calc models for institutional obligors and banks
Interest rate risk in banking book	Gap analysis and stress testing
Liquidity risk	Ratio analysis and stress testing
Operational risk	Risk and control self-assessment
Reputational risk	Qualitative assessment
Strategic risk	MIRC and Board sub-committee, created to assess risks and opportunities

Sustainability

1. Our Corporate Social Responsibility (CSR) in action

In 2022, Bank One remained engaged in its various communities through its Community Action Relief and Empowerment (CARE) programme.

The CARE framework aims to strengthen and maintain long-term relationships with various stakeholders, while providing opportunities to the Bank's team members to participate in CSR activities focusing on poverty alleviation, environment and sustainable development.

Key CSR figures

- 5 CSR activities organised and 2 additional activities remaining to close the year.
- 2 major collaborative projects with CIEL Group through the CIEL Foundation and the Ferney Valley Conservation Trust.
- 17 NGOs and 150 beneficiaries impacted through the Bank's CSR initiatives.
- 1 hectare of forest earmarked at La Vallée de Ferney for reforestation activities, with 200+ endemic trees planted to date.

a) Support to Ferney Valley Conservation Trust – Bank One reforestation area

In collaboration with the Ferney Valley Conservation Trust, Bank One launched an Eco-Home Loan campaign- "One Home, One Tree Planted" - to support the Conservation Trust's reforestation programme. A 1-hectare reforestation zone was exclusively made available to Bank One to support the ongoing reforestation programme of endemic trees at La Vallée de Ferney.

The outcome of the programme is as follows:

- 30 Bank volunteers gathered for 2 big tree planting events in March and November 2022.
- 200+ endemic trees planted.
- 25 children from the Jean Blaise Learning Centre joined the tree planting event in November.



Tree Planting and Nature Conservation Awareness with children from Jean Blaise Learning Centre and Bank One Volunteers

b) Partnering with CIEL FOUNDATION/ACTogether in delivering PRO-Workshops to 18 NGOs

Last April, Bank One welcomed 18 NGOs from various sectors in its Corporate Office at Port Louis Waterfront. The workshop enabled participants to learn from 3 renowned communication professionals on effective communication, branding and digital marketing. The consultants shared best practices with respect to impactful internal and external communication for NGOs, to address challenges and opportunities arising from the new normal. A follow-up workshop was held in November and similar workshops will be planned in 2023 to support NGOs in association with the CIEL Foundation/ACTogether.



Workshop participants, moderators and Bank One team during the PRO-Workshop held last April

c) Long term support to the Ecole Père Henri Souchon administered by NGO Oasis de Paix

The Bank is working with a second NGO strategic partner to expand its CSR programme in the Pointe Aux Sables region, supporting unprivileged children. The Père Henri Souchon School is a vocational primary school supporting approximately 100+ unprivileged children living both within and outside the area. The Bank's CSR Committee teamed up with the school administration on a long-term programme, to empower the school staff and support the students. At the end of 2022, the Bank sponsored the painting of the entire school to provide a neat and clean environment for the students.

2. Bank One Sustainability Journey: From Sustainability to Environmental, Social and Governance (ESG) Principles

Bank One remains committed to integrating sustainability criteria into its business strategy. The Bank aims to mitigate both its direct and indirect environmental and social impact. In 2020, Bank One implemented a robust Environmental and Social Management System (ESMS), in accordance with IFC Performance Standards.

a) Environmental, Social and Governance (ESG)

Bank One is moving from a more limited sustainability approach to the adoption of an Environmental, Social and Governance (ESG) led framework. At the core, ESG sets a guiding framework for responsible investment. ESG is increasingly being used as a baseline for measuring the success of companies.

The adoption of an ESG framework is an important development for Bank One, as the business looks to meet BOM climate requirements and strive towards a shift in stakeholder expectations.

b) Implementation of a climate-related and environmental financial risk management framework

The BOM has established supervisory expectations with regards to the prudent management of climate-related and environmental financial risks.

On 1st April 2022, BOM launched its "Climate-related and Environmental Financial Risk Management Guideline". Banks on the island were granted a transitional period that will end on 31 December 2023, to implement the guideline.

Bank One submitted its roadmap to the BOM in September 2022 and is looking forward to implementing its climate-related and environmental financial risk management framework by the end of the year. Bank One is working with international overseas experts on its climate strategy.



**Inspiring a legacy
for the forthcoming
generations.**

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Corporate profile

Bank One Limited (hereinafter referred to as “Bank One” or the “Bank”) is a Mauritian commercial bank incorporated in 2008 following a joint venture between CIEL Finance Limited, the finance arm of Mauritian conglomerate CIEL Limited and Kenya-based I&M Group PLC. Through its shareholders, Bank One is one of the only local banks with a tangible presence in sub-Saharan Africa (SSA): from I&M Group’s extended presence across Kenya, Tanzania, Rwanda and Uganda to CIEL Group’s banking operations in Madagascar.

To support its vision to “becoming Africa’s preferred gateway”, Bank One leverages the strength of a highly qualified team of 413 professionals from across 12 nationalities, and bespoke products and services designed for clients both onshore and offshore by its main lines of business: International Banking, Private Banking & Wealth Management, Personal Financial Services, Corporate Banking and Treasury Services.

In line with an ambitious digital transformation programme, Bank One has embarked on a series of key initiatives starting with the launch of the first universal digital payment solution in Mauritius named POP and the revamping of its Internet Banking and Mobile Banking platforms. It is a continuous process and several more milestones are planned in the year ahead.

Bank One has deep development finance institution relationships and long-term funding lines in place with the German Investment Corporation (DEG), the International Finance Corporation (IFC) and the French Development Agency (Proparco). Bank One has been rated ‘BB-’ with a Stable Outlook by Fitch Ratings.

Directors in office during the financial year ended 31 December 2022

Ms. Roselyne Renel	Appointed as Independent Director on 24.05.2021 and Appointed as Independent Chairperson of the Board on 01.01.2022
Mr. Mark R. P. Watkinson	Executive Director
Mr. Lakshman Bheenick	Non-Executive Director
Mr. Jérôme de Chasteauneuf	Non-Executive Director
Ms. Gauri A. Gupta	Non-Executive Director
Mr. A. Christopher (Chris) M. Low	Non-Executive Director
Mr. Leonard C. Mususa	Independent Director
Mr. Ignasi Serrahima Arbestain	Independent Director
Mr. Marc A. J. Israel	Independent Director; Appointed as director on 27.05.2022
Mr. Nikhil Treebhoohun	Independent Director; Resigned as director on 31.03.2022

Secretary to the Board and Board Committees

Ms. Kareen Ng Chit Wing ACG

Board committees’ composition as at 31 December 2022

Conduct Review & Audit Committee Mr. Leonard Mususa (Chairperson) Mr. Ignasi Serrahima Mr. Marc Israel	Governance, Nomination & Remuneration Committee Ms. Gauri A. Gupta (Chairperson) Mr. Lakshman Bheenick Mr. Ignasi Serrahima Ms. Roselyne Renel
Board Risk Management Committee Mr. Lakshman Bheenick (Chairperson) Mr. A. Christopher (Chris) M. Low Mr. Leonard C. Mususa Mr. Mark Watkinson Ms. Roselyne Renel	Board Strategy & Investment Committee Mr. Lakshman Bheenick (Chairperson) Mr. A. Christopher (Chris) M. Low Mr. Ignasi Serrahima Mr. Mark Watkinson Ms. Roselyne Renel Mr. Marc Israel
Board Credit Committee Ms. Gauri Gupta (Chairperson) Mr. Lakshman Bheenick Ms. Roselyne Renel	

Executive management team

Chief Executive Officer	Mr. Mark R. P. Watkinson
Chief Operating Officer	Mr. Eric Hautefeuille
Chief Financial Officer	Mr. Ranjeevesingh Gowreesunkur
Interim Chief Risk Officer	Mr. Ranjit Prakash Gokarn
Head of International Banking	Mr. Carl Chirwa
Head of Corporate Banking	Mr. Fareed Soobadar
Head of Private Banking and Wealth Management	Mr. Guillaume Passebecq
Head of Personal Financial Services	Mr. Bhavya Shah
Head of Treasury	Mr. Rishyraj Lutchman
Head of Regulatory Affairs	Mr. John Alfred (Kenny) Morton
Head of Legal	Ms. Valérie Duval
Head of Human Resources	Ms. Priscilla Mutty

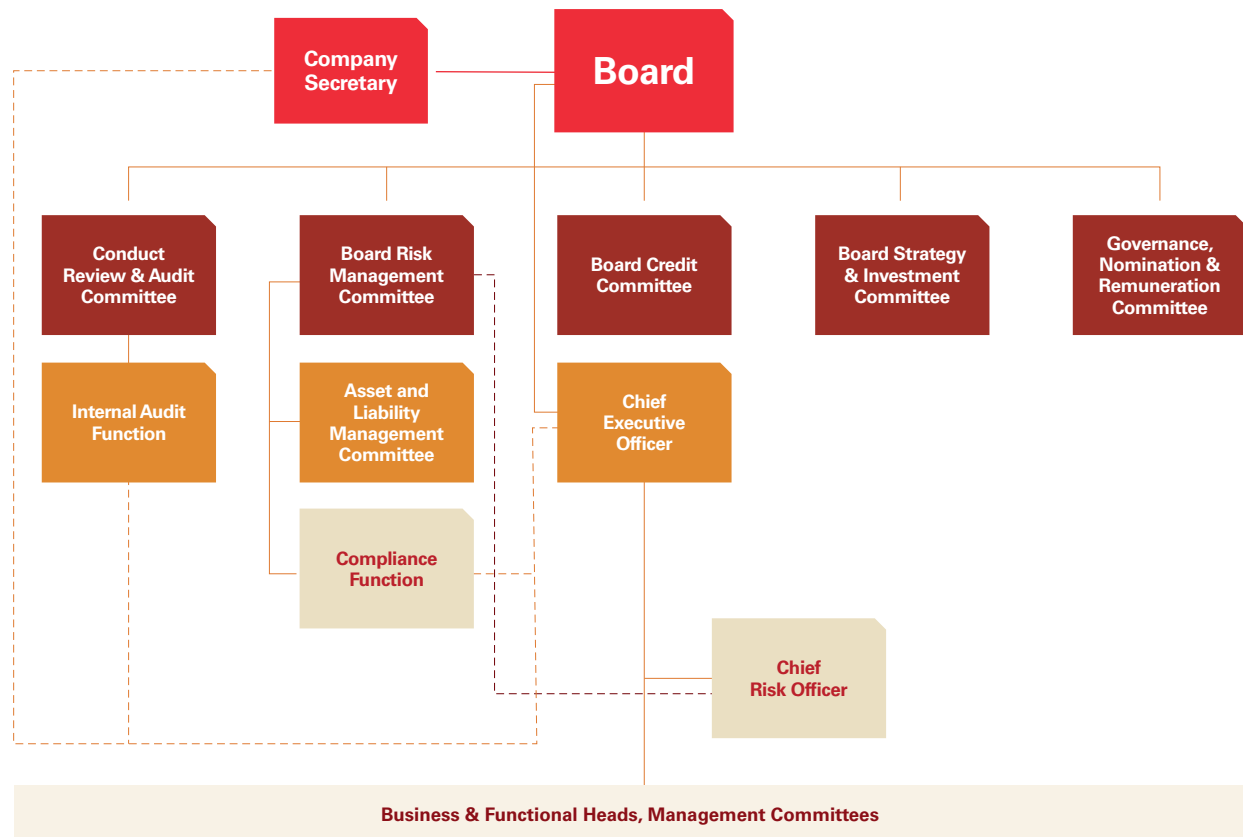
Corporate Governance Report

Governance structure

The Board of Directors of Bank One Limited (the “Bank” or “Bank One”) is fully committed to maintaining the highest standards of corporate governance and ethical business conduct across all aspects of the Bank’s operations and decision-making process with the objective of enhancing shareholders’ value whilst having regard to stakeholders at large. 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 framework and accountabilities

The Board of Directors sets the strategic direction of the Bank. It is also responsible for leading, directing and supervising the management of the business and the affairs of the Bank in an ethical and responsible manner. In doing so, it is guided by its constitution and the shareholders’ agreement, and for ensuring all legal and regulatory requirements are met. Some of the responsibilities are discharged directly, while others are discharged through board committees for a more in-depth focus on specific areas. The day-to-day management and operations of the Bank’s business have been delegated to the Chief Executive Officer, who is responsible for establishing a management structure that promotes accountability and transparency throughout the Bank, for the effective implementation of business strategies, risk management systems, risk culture, processes and controls.



The role and responsibilities of the Chairperson of the Board, the Chairpersons of all board committees, the CEO and the Company Secretary, as approved by the Board, are defined in their respective Position Statements¹ and incorporated in the Board Charter¹.

¹The Position Statements & Board Charter, as approved by the Board, and the Bank’s Constitution are available on the website.

Structure of the Board and its committees

The Board

Bank One is headed by a unitary board. Its Constitution¹ provides that the Board of Directors shall consist of a minimum of 7 directors and a maximum of 10 directors. The Chairperson of the Board is an Independent Director and the role and functions of the Chairperson¹ are separate from that of the CEO¹. In line with the shareholders’ agreement, the two shareholders are each entitled to appoint two representatives to represent them on the Board of Bank One. All directors submit themselves to re-election at the Annual Meeting of Shareholders (AMS).

The Governance, Nomination & Remuneration Committee regularly reviews the size, composition and skills set on the Board and ensures adequate succession of the directors. It also ensures the continued independence of the Bank’s independent directors as well as the continued fitness and probity of all the directors. The Board believes that, given the shareholding structure and size of the Bank, there is a right mix both in terms of the categories (Executive, Non-executive and Independent) and skills of its directors.

During the year under review, Mr. Marc Israel was appointed as Independent Director in replacement of Mr. Nikhil Treebhoohun who resigned from the Board.

The responsibilities of the Board of Directors are set out in its Board Charter² which is reviewed on an annual basis by the Board. The responsibilities of the Board include, inter alia:

- Approving the objectives, strategies and business plans of the Bank;
- Retaining full and effective control over the Bank and being responsible for the appointment and monitoring of Management in its implementation of the Board’s approved plans and strategies;
- Ensuring that policies and systems in place are effective to achieve a prudential balance between risks and returns to shareholders;
- Ensuring compliance with laws and regulations, including risk management and corporate governance practices and disclosure requirements;
- Exercising leadership, enterprise, integrity and judgement in directing the Bank.

Board committees

Five Board Committees, as set out on pages 79 to 81, have been set up by the Board to assist it in the discharge of its duties and responsibilities. The terms of reference of the Board Committees are reviewed on an annual basis to ensure that Board Committees are working within the remit of the laws, regulations and best practices and adequately focused to support the strategic direction of the Bank.

Conduct Review & Audit Committee	
Frequency	Quarterly
Main Terms of Reference	<ul style="list-style-type: none"> • Review and approve related party transactions to ensure that these are made at arm’s length; • Assist the Board in fulfilling its corporate governance responsibilities in relation to the oversight of the quality and integrity of financial reporting, risk management and internal control, statutory compliance and audit functions, including: <ol style="list-style-type: none"> a. The compliance of the financial statements with all applicable legal, regulatory and professional reporting requirements as well as making informed decisions regarding accounting policies, judgements, practices and disclosures; b. The recommendation for appointment of the Bank’s auditors; c. The scope and results of internal audit reviews and external audits; and d. The effectiveness of systems of risk management, internal control and compliance.

²The Position Statements & Board Charter, as approved by the Board, and the Bank’s Constitution are available on the website.

Corporate Governance Report

Board Risk Management Committee

Frequency	Quarterly
Main Terms of Reference	<ul style="list-style-type: none"> Identify, review and assess the principal risks, including but not limited to, credit, market, liquidity, operational, technological, legal, compliance and reputational risks, and the actions taken to mitigate these risks. Approve and periodically review the strategy and risk management framework for climate-related and environmental financial risks and opportunities. Formulate and make recommendations to the Board in respect of the overall current and future risk appetite, oversee senior management's implementation of the risk appetite framework, and report on the state of the risk culture in the Bank and evaluate how management is held accountable for the maintenance of internal control within the Bank. Determine country exposure/risk tolerance limits, review and ratify any breaches. Review / monitor the structure for identifying, monitoring and managing compliance risks to ensure adherence to laws, regulations, procedures, processing and controls amongst others, and, if deemed necessary, recommend to the Board changes to the structure. Review and approve accounts where specific provisions for non-performing accounts need to be made in full compliance with the guidelines issued by the Bank of Mauritius in respect of Credit Impairment Measurement and Income Recognition.

Board Credit Committee

Frequency	At least 6 times per annum
Main Terms of Reference	<ul style="list-style-type: none"> Provide guidance and recommendations on the Credit Risk Policy and the Approval Framework prior to same being submitted to the BRMC and the Board for approval. Consider and decide on loans applications beyond the discretionary limits of the Management in line with the Credit Risk Policy. Review lending and credit decisions by the delegated sanctioning authorities at Management level. Direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management. Ensure compliance with Guidelines issued by Bank of Mauritius on Credit Risk Management from time to time. Conduct loan reviews independent of any person or committee responsible for sanctioning credit.

Board Strategy & Investment Committee

Frequency	Quarterly
Main Terms of Reference	<ul style="list-style-type: none"> Review and recommend to the Board, the Bank's strategic plan. Monitor and measure the progress of the implementation of the strategic plan. Review the annual budget as proposed by management from a strategic perspective. Decide or recommend decisions to the Board, on key investments and on the selection of strategic service providers. Validate the Transformation roadmap of the Bank in line with Operational Excellence principles, for onward submission to the Board.

Governance, Nomination & Remuneration Committee

Frequency	At least twice per annum
Main Terms of Reference	<ul style="list-style-type: none"> Direct the process of appointing, renewing and replacing the CEO and validate, based upon the CEO's recommendations, the selection criteria for the EXCO and Senior Management positions. Review, at least annually, the Board and board committees' structure, size and composition (including balance between Executive and Non-executive/Independent Directors), and make recommendations to the Board with regards to any adjustments that are deemed necessary. Approve the qualification and suitability of candidates for Board membership (including Chairperson of the Board, Chairpersons of the committees, and committee members) and make recommendations as appropriate to the Board. Assess the effectiveness and performance of the directors, Board and board committees, as well as the Chairperson of the Board and the CEO. Develop and recommend the Bank's general policy on Directors / Executive / Senior Management remuneration. Make recommendations to the Board on all corporate governance provisions to be adopted for Board effectiveness and compliance with the prevailing Corporate Governance Principles. Ensure that the reporting requirements with regards to corporate governance, whether in the Annual Report or an on-going basis, are in accordance with the prevailing Corporate Governance Principles. Review and recommend to the Board the Bank's Code of Ethics and monitor its implementation and compliance thereto.

Corporate Governance Report

Directors' attendance and remuneration

Directors	Status	Board	CRAC	GNRC	BRMC	BSIC	BCC	Total Remuneration FY 2022 (Rs)
Roselyne Renel	IC	5/5		4/5	4/4	4/5	9/9	1,522,894
Mark Watkinson	ED	5/5			4/4	5/5		22,638,684 ²
Gauri Gupta	NED	5/5		5/5			9/9	1,143,252
A. Christopher (Chris) M. Low	NED	5/5			4/4	5/5		785,825
Lakshman Bheenick	NED	5/5		5/5	4/4	5/5	9/9	1,838,167 ³
Jerome de Chasteauneuf	NED	4/5						357,500 ³
Leonard Mususa	ID	5/5	4/4		4/4			1,025,140
Ignacio Serrahima Arbestain	ID	5/5	4/4	5/5		5/5		1,085,773
Nikhil Treebhoohun	ID	1/5 ¹	1/4 ¹	1/5 ¹				170,319
Marc Israel	ID	4/5 ¹	2/4 ¹			4/5 ¹		499,669
								31,067,223

IC - Independent Chairperson **ED** - Executive Director **NED** - Non-Executive Director **ID** - Independent Director

1. Mr. Marc Israel was appointed as Independent Director and member of the CRAC and BSIC on 27 May 2022 in the stead of Mr. Nikhil Treebhoohun who resigned from the Board on 31 March 2022.
2. Other than through his remuneration for serving as CEO, the latter is not paid an additional remuneration for serving on the Board of Directors.
3. Director fees for Mr. Lakshman Bheenick and Mr. Jerome de Chasteauneuf are paid to CIEL Finance Ltd.

Directors' appointment procedures

The directors' nomination and appointment process is guided by the legal and regulatory requirements and the Bank's constitution and shareholders' agreement, and is as follows:



** Should there be a casual vacancy arising during the year, the Board shall appoint a director to hold office until the next AMS, at which meeting the director shall stand for re-election by the Shareholders.

Corporate Governance Report

Board Succession Planning

The Board, in consultation with the shareholders, is responsible for the succession planning and the appointment of new directors to the Board. A Board Succession Policy, which defines the guiding principles for a planned and orderly succession of directors and for filling any unplanned vacancy on the Board, has been put in place to guide the Board around any recruitment of candidates to the Board. The succession planning of the directors is reviewed on an annual basis by the Governance, Nomination and Remuneration Committee.

The Board uses a Board Skills Matrix to help it in identifying the competencies and skills desired by the Board as a whole to fulfil its role. The matrix is tailored to the unique circumstances and requirements of the Bank in terms of size, business maturity and competencies that the Board would require in light of the Bank's strategic direction. The Board Skills Matrix is reviewed every two years or whenever there is a change in board membership, whichever the earlier.

The Board Skills Matrix is used as a tool in the succession planning process, where the Matrix allows for an easy identification of any gaps in skills and competencies that may be created by the forthcoming retirement of a director(s). It is therefore used as a guidance in the search for a Board member who will best complement the current mix of capability on the Board and to identify any skills gap may be bridged through training and upskilling.

Board Induction, Training & Development

The Board ensures that new directors receive a proper induction so that they are familiarized, as soon as possible, with the Bank's operations, senior management, business environment and corporate strategy, as well as their fiduciary duties and responsibilities as directors. Directors' induction is run by the Company Secretary, whereby new directors receive a comprehensive pack, containing a brief presentation on the affairs of the Bank, the governance structure and conduct of meetings, the director's duties and responsibilities, the Bank's Constitution and bylaws, the minutes of the last Board meeting, and such other useful documents. The Company Secretary also arranges for one-to-one meetings between the incoming director with the Board Chairperson, the Company Secretary, the CEO and with the Executive Management where the new Board member is briefed on the affairs of the Bank. Visits of some branches and the critical departments of the Bank are also arranged as part of the induction process.

Continuous training is essential to cope with the constant changes in the business environment. While directors have a duty to keep up to date with industry, legal and regulatory developments, it is also the responsibility of the Board to provide them with adequate training and development. In this respect, a training calendar is set on a yearly basis, taking into consideration the training needs of the directors and evolution in the banking business environment as well as the broader macroeconomic landscape. During the year under review, the training and awareness sessions in the sphere of ESG (Environment, Social and Governance), AML / CFT and Cyber Security were delivered to the Board.

Director duties, remuneration and performance

Directors are made aware of their legal duties upon their appointment and during the induction process, and are reminded of same annually. Directors are guided by the relevant legislations, board charter, constitution, code of ethics and bank policies, including the Conflicts of Interests Policy and Related Party Transactions Policy.

Code of Ethics and Whistleblowing Policy

The Bank's Code of Ethics and Whistleblowing Policy lays out the values, standards of behavior and ethical practices expected in all the Bank's dealings. It also provides the framework and guidance around whistleblowing, including the availability of an independent whistleblowing hotline, for employees to safely report illegal, unethical and fraudulent behaviors and malpractices without fear of reprisal.

The Governance, Nomination & Remuneration Committee has oversight on all matters relating to ethical standards within the Bank. The Code of Ethics & Whistleblowing Policy is reviewed by the Board at least every 3 years or earlier, if the circumstances so warrant. The last review was carried out in December 2022.

To ensure that ethical standards are well-permeated and ingrained throughout the organization, bank-wide training and awareness sessions are held with all staff.

Related party transactions

Transactions with related parties are guided by the Conflicts of Interests and Related Party Transactions Policies, as well as the Code of Ethics. Any related party transactions by directors and senior officers of the Bank are approved at the level of the Conduct Review and Audit Committee, which ensures that all such transactions are in line with market terms and conditions. A register of related party transactions is maintained by the Bank.

Information governance

The Bank's overall strategic direction, relating to information governance, information technology and security and related expenditures, is overseen by the Board Strategy and Investment Committee (BSIC). Refer to the Transformation & Digitalization on page 54 for further details.

The Board has, through its Board Risk Management Committee, approved a comprehensive Information Security Policy, which in itself contains sub-policies on data protection (Mauritius Data Protection Act and EU General Data Protection Regulation), internet banking, mobile banking, among others, as well as sub-policies directed at end-users and technical teams. Such policies are reviewed on an annual basis. Operational security-related matters are reported to, and considered at, the Management Integrated Risk Committee. Any risks areas are escalated to the Board Risk Management Committee for further discussion and mitigation.

Board Performance Review

In line with the National Code of Corporate Governance (2016) and the BoM guideline on corporate governance, the Board has established a mechanism to review the effectiveness of the Board as a whole as well as that of its sub committees through a self-assessment questionnaire. The process also includes the Board's assessment of the performance of the Chairperson of the Board, a peer-to-peer evaluation as well as an assessment of the performance of the Company Secretary. The Board Performance Review, which is carried out every 2 years, was last carried out in FY 2020 and covered FY 2020 & FY 2019. The Board had, at its Q4 / 2022 meeting, considered whether to outsource the Board Performance Review FY 2021 and FY 2022 to an external independent party but agreed that such a review be instead carried out internally through the already established afore-mentioned mechanism. The performance review process was launched in Q1 / 2023 and the results, along with an action plan on areas to be improved, would be compiled and presented to the Board thereafter.

Remuneration

Directors' and senior executives' remuneration are dealt with by the Governance, Nomination & Remuneration Committee and approved by the Board of Directors. Independent and non-executive directors are remunerated in the form of a yearly retainer fee. An attendance fee is also paid for each meeting sitting. Such remuneration is commensurate with the size and complexity of the business, as well as the workload and responsibilities involved. The remuneration of non-executive directors is not linked to organizational performance.

The CEO is not remunerated for serving on the Board and Board Committees. In addition to his monthly salary, the CEO is entitled to an annual performance bonus based on the financial results of the Bank, as well as on his individual contribution thereto. He is also entitled to a long-term incentive, which is based on the Bank's KPI results over the tenure of his employment contract.

Employees' remuneration is composed of a basic pay and a performance bonus, the main objective of which is to improve productivity by rewarding the staff for meeting and exceeding business goals, whilst operating in a cost effective and efficient manner within the risk culture of the Bank. A long-term incentive scheme is also in place for key management personnel – payments under such a scheme are over a period of three years with a view to retain high performers whilst ensuring a claw back mechanism.

Corporate Governance Report

Risk governance and internal control

The Board is responsible for maintaining a robust risk management and internal control system. It ensures the necessary framework, processes and systems are in place to identify, measure, monitor and mitigate risks within the overall strategic direction of the Bank. The oversight of the Bank's risk management system has been delegated to the Board Risk Management Committee (BRMC). The Chairperson of the BRMC reports to the Board, at each Board Meeting, on matters dealt with at the Committee level to provide the Board with the necessary assurance that risks are effectively managed.

The BRMC reviews, on an annual basis, the risk appetite statement and agrees upon the acceptable risk metrics which are then monitored by the risk department and reported to, discussed and monitored, at the BRMC on a quarterly basis. The risk culture implementation is driven by the CEO, with regular progress updates being presented to the BRMC.

The Board has also approved the Bank's risk policies and guidelines, and management has been delegated the responsibility of the effective execution of the same through the implementation of appropriate procedures, to ensure that all risks are mitigated to an acceptable level, taking into consideration the Bank's risk appetite, objectives and strategies, as approved by the Board. A risk escalation matrix ensures timely reporting of risk events at various levels, depending on the severity of such events. Compliance with internal established policies and procedures, as well as with laws, regulations and codes in order to protect the Bank's assets and reputation, are also monitored and reported to the BRMC on a quarterly basis.

To further strengthen the risk management framework, the Board has also put in place a risk control self-assessment process, the implementation of which has been delegated to the operational risk unit.

Moreover, the Bank's internal control framework ensures the reliability of financial reporting, operations and systems. The Board is assisted in its responsibilities in this regard by the Board Audit Committee, which ensures that processes are in place to monitor the effectiveness of internal controls. In carrying out its duties, the committee receives regular reports from internal audit. The committee also regularly meets with the Head of Internal Audit and the External Auditors, without management being present to ensure that there are no unresolved material issues of concern.

The risk management section of this Annual Report, available on pages 56 to 73, provides additional information on the risk management framework and risks that the Bank is exposed to.

Reporting with integrity

The Board of Directors is responsible for the preparation of an Annual Report, including financial statements, in accordance with applicable laws and regulations. Financial statements are also prepared in accordance with the International Financial Reporting Standards.

Directors' responsibilities in respect of the preparation of financial statements are disclosed in the statement of directors' responsibilities section of this Annual Report, which can be found on page 93. The full Annual Report is available on the Bank's website: <http://www.bankone.mu>.

The Bank considers that balancing environmental and social matters with financial objectives is fundamental to effective risk management and is a core part of the Bank's corporate responsibility. Environmental and Social Management includes environmental issues, health & safety concerns, human resources management, labour rights, labour conditions, and social / cultural impact. In this context, Bank One has put in place an Environment & Social Management Policy (the "ESMP") which defines the guiding principles on effective environmental and social management practices in all of its activities, products and services. The Bank also acknowledges that it is exposed, to some extent, to environmental and social risks (the "E&S risks"), both directly through its own activities and indirectly, through those of its clients. The management of the E&S risks to which the Bank is exposed to, is also addressed in the ESMP.

Additional information on the Bank's corporate social responsibility and human capital management are included in the Corporate Social Responsibility and Human Capital Management sections of this Annual Report.

Audit

Internal Audit

Bank One's Internal Audit function is established as an independent and objective assurance and consulting activity, designed to add value and improve Bank One's operations. It helps the Bank to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes.

In line with the Banking Act 2004 requirements, Bank One's Internal Audit functionally reports to the Board's Conduct Review and Audit Committee (CRAC). The Head of Internal Audit is a standing invitee to all CRAC meetings, as well as the Board Risk Management Committee meetings. He has unrestricted access to the CRAC's Chairman and members and meets with the Audit Committee at least bi-annually, without the presence of Management.

The department's internal audit plan is approved annually by the CRAC, and progress is reviewed on a quarterly basis. The Internal Audit team is granted unrestricted access to all the records of the Bank, its management, and employees.

Bank One's Internal Audit Methodology has been designed to align to the Standards for the Professional Practice of Internal Auditing, as prescribed by the Institute of Internal Auditors (IIA), while catering for a more agile audit approach to allow for ad-hoc requests by the Board and Management.

The department delivers on assurance and consulting activities in a risk-based approach, aligned to laws, regulations, and the bank's strategic objectives. The Head of Internal Audit and senior members of the audit team are standing invitees on various management committees to aid the Bank in the timely identification of risk. To optimise cost-efficient assurance coverage, the Bank recently embarked on a combined assurance journey, which coordinates assurance activities by control functions and internal audit.

Internal Audit tracks and reports on the timeliness and effectiveness of the implementation of audit recommendations.

More information on the Bank's Internal Audit function can be found on the bank's website under: <https://bankone.mu/en/internal-audit/>

External audit

Upon the recommendation of the Conduct Review and Audit Committee ("CRAC"), Deloitte was appointed as the Bank's external auditors in 2019 following a tender exercise made around end of 2018. Four audit firms were invited to submit their proposals to the Bank and were also invited to make a presentation to the CRAC. Tenderers were assessed based on their profiles, the quality of the proposed audit team and their banking experience, the audit and quality assurance approach, amongst others.

External auditors report on a quarterly basis to the CRAC on the quarterly financial statements, and at year end on the yearly audited financial results of the Bank. The CRAC also regularly meets with External Auditors, without management being present.

The Conduct Review and Audit Committee

All of the CRAC members are well versed in financial matters, with the Chairman holding extensive experience in the financial field, including over 35 years' experience within PwC, of which 14 years were spent serving as a Country Senior Partner with PwC Tanzania.

During the year under review, the CRAC reviewed internal audit reports on assignments carried out as per the approved internal audit plan and discussed the key findings. The audited results and quarterly financial results were also looked into by the Committee. No significant issues arose in relation to the financial statements. The Committee also reviewed and approved all related party transactions.

The CRAC ensures that both Internal and External Auditors' independence and objectivity are maintained. With regards to External Auditors, any non-audit services provided by Deloitte are subject to the approval of the committee, which evaluates the terms of the engagement, the progress of execution and the reporting of such services. Non-audit services provided by Deloitte during the year pertained to assistance regarding dividend declaration assessment, tax advisory services and assistance for tax assessment and AML/CFT review.

The fees paid/payable to Deloitte for audit and other services are detailed in the other statutory disclosures section of this Annual Report, which can be found on page 91.

Corporate Governance Report

Relationships with shareholders and other key stakeholders

<p>Shareholders</p> <p>Each shareholder has two representatives sitting on the Board of the Bank. The Bank also engages with the shareholders on a regular basis to keep them apprised on the affairs of the Bank and progress against the set KPIs. Given the shareholding structure and close and frequent communication with the two shareholder groups, written resolutions of the shareholders are passed in lieu of holding an Annual General Meeting.</p>	<p>Financial Partners</p> <p>Communication is usually around the Bank's financial performance and compliance with the terms and conditions set out by the financial partners which the Bank's strives to comply to at all times.</p>	<p>Regulators</p> <p>The Bank, by nature of its activities, is a highly regulated entity. Bank One Limited strives to comply with all regulatory provisions and guidelines in the conduct of its activities.</p>
<p>Government Agencies & Authorities</p> <p>The Bank builds and maintains close relationships with this stakeholder group through ongoing and consistent communication to ensure credible and effective relations are maintained, ensuring a connected approach which boosts trust and commitment.</p>	<p>Employees</p> <p>Townhalls were organized for information sharing. Work from home and flexible working arrangements are now well established in the Bank One culture. A Culture Transformation initiative is currently in progress.</p>	<p>Customers</p> <p>In addition to regular customer satisfaction surveys, each line of business regularly holds forums with their clients, whether in the form of investors' circles, breakfast meetings, etc.</p>
<p>Suppliers</p> <p>The Bank engages with third party suppliers to support its business offerings and operations by leveraging on skills and expertise not available internally. Third party risks are managed by the procurement and supplier risk management policy which sets forth the principles and governance structure on which the Bank operates on.</p>	<p>Community</p> <p>The Bank's main CSR program was to support the under privileged Community of Jean Blaise at Pointe-aux-Sables. Support was offered to the Jean Blaise Learning Centre which is an after-school learning Centre for some 60 children aged 6-12 years old requiring constant support in their academic journey.</p>	<p>Media</p> <p>The Bank continues to establish and nurture a strong relationship with the local media whilst developing good media relations in Sub-Saharan Africa (SSA) for its future strategic plans. It also leverages on CIEL and I&M Group Communications support and their partner networks as and when required.</p>

Shareholding structure and shareholders

Bank One Limited's share capital stood at Rs 1,456,456,000, represented by 14,564,560 ordinary shares of no par value, held equally between CIEL Finance Limited and I&M Group PLC. The shareholding structure is illustrated below:



CIEL Finance Limited 5th floor, Ebène Skies, Rue de L'Institut, Ebène, Mauritius

CIEL Finance is the financial services cluster of CIEL, actively involved in 2 sub-sectors, namely banking and fiduciary services.

With a strategic presence in Sub-Saharan Africa and positioning itself within the financial hub of the Indian Ocean, CIEL Finance supports its regional development while promoting synergies across financial operators.

CIEL is an international Mauritian Group, listed on the Stock Exchange of Mauritius and on the SEM Sustainability Index. The Group invests and operates in 6 strategic sectors, namely Agriculture, Finance, Healthcare, Hospitality, Property and Textile. Founded in 1912, CIEL is today present in more than 10 countries across Africa and Asia and employs 31,308 talented individuals. With a market capitalisation of about Rs 11.3 billion and a consolidated audited turnover of Rs 28.5 billion for the 12 months' period ended 30 June 2022, CIEL's portfolio was valued at Rs 23.9 billion and the group total assets at Rs 98.2 billion as at 30 June 2022.

I&M Group PLC 1 Park avenue, 1st Parklands avenue, Nairobi, Kenya

I&M Group Plc is the parent entity of the I&M group and has interest in banking and financial services, Insurance, Manufacturing and Real Estate, through its subsidiaries joint venture and associates. It was listed on the Nairobi Securities Exchange (NSE) soon after it was incorporated on 16th August 1950 and is one of the oldest companies to list at the Exchange. It is regulated by the Capital Markets Authority, the Central Bank of Kenya as a non-operating holding company, and the Nairobi Securities Exchange. Following a major corporate restructuring in 2013-2014, I&M Group (formerly City Trust Limited) became the parent company of all regional banking entities of the I&M Bank group.

I&M Group PLC operates in five countries: Kenya, Tanzania, Rwanda, Uganda and Mauritius. As at September 2022, its total assets were approximately USD 3.5 billion, it had a branch network of 83 branches and a staff complement of over 2,500 spread across the five countries. Based on the share price as at December 2022, the company's market capitalisation was approximately USD 228 million. I&M Bank Limited Kenya, founded in 1974 is a wholly owned subsidiary of I&M Group PLC and the flagship entity of I&M Bank group.

With a rich history spanning over 46 years and offering a full range of personal, business, alternative banking products and adoption of digital technologies, I&M Bank is a dominant player in the East African banking industry.

Gauri Gupta

Chairperson of the Governance,
Nomination & Remuneration Committee

07 March 2023

Karen Ng

Company secretary

Statement of compliance

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

Name of PIE: Bank One Limited

Reporting Period: Financial year ended December 2022

We, the Directors of Bank One Limited, 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), in all material aspects.



Roselyne Renel

Chairperson of the Board

07 March 2023



Gauri Gupta

Chairperson of the Governance,
Nomination & Remuneration Committee

Other statutory disclosures

Under section 221 of the Companies Act 2001

Directors in office as at 31 December 2022

Refer to page 76.

Directors' fixed-term service contracts

Mark Watkinson's fixed-term employment contract is for a period of three and a half years, expiring in August 2023. It contains no material clause for compensation on termination of contract.

Directors' and Officers' Liability Insurance

A Directors' and Officers' Liability Insurance Policy has been subscribed to by the Bank.

Fees payable to Deloitte

Type	Description	Fees FY 2022 (Rs'000)
Audit fees	Yearly, half-yearly and quarterly statutory audits / reviews	5,986
Other fees	Tax advisory	150
	Dividend declaration assessment	230
	AML/CFT	1,035

Interests Register

In accordance with section 271 of the Companies Act 2001, the shareholders have, through a written resolution of shareholders dated 07 December 2017, dispensed the Bank from the requirement to keep an interests register. Any disclosures required under the Companies Act 2001 and section 48(6) of the Banking Act 2004 are disclosed to the Board and recorded in the minutes of proceedings of the relevant Board meeting.

Charitable donations and political funding

Apart from contribution to CSR projects as detailed in the Corporate Sustainability Report, found on page 72, no political funding or other charitable donations were made during the year under review.

Major transactions

The Bank did not enter into any major transaction during the year under review.

Company Secretary's certificate

In my capacity as Company Secretary, I confirm that, to the best of my knowledge and belief, the Bank has filed with the Registrar of Companies, in respect of the financial year ended 31 December 2022, all such returns as are required under the Mauritius Companies Act 2001, in terms of section 166(d).



Karen Ng, ACG

Company Secretary

07 March 2023

Statement of directors' responsibilities in respect of financial statements

The directors are responsible for the preparation of financial statements, which give a true and fair view of the financial position, financial performance and cash flows of the Bank, and which comply with the Mauritius Companies Act 2001, the Banking Act 2004 and the International Financial Reporting Standards.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Bank will continue in business.

The directors are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing the Annual Report and financial statements. The Board acknowledges its responsibility for ensuring the preparation of the financial statements, in accordance with the International Financial Reporting Standards and the responsibility of external auditors to report on these financial statements. The Board also acknowledges its responsibility to ensure the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Approved by the Board of Directors on 07 March 2023 and signed on its behalf by:



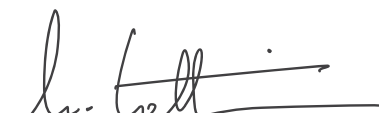
Roselyne Renel

Independent Chairperson



Leonard Mususa

Chairman of the Conduct Review & Audit Committee



Mark Watkinson

Chief Executive Officer

Statement of management's responsibilities in respect of financial statements

The Bank's financial statements, presented in this Annual Report, have been prepared by management, who 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. Management has exercised its judgement and made the 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 unauthorized use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organizational and governance structures providing a well-defined division of responsibilities, authorization levels and accountability for performance, and the communication of the Bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank.

The Bank's Board of Directors, acting in part through the Conduct Review & Audit Committee, and Board Risk Management Committee, 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 Internal Auditor, who has full and free access to the Conduct Review & 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 programmes 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 Auditor, Deloitte, has 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.



Roselyne Renel

Chairperson of the
Board of Directors



Mark Watkinson

Chief Executive Officer



Leonard C. Mususa

Director

07 March 2023





**Nurturing
intracontinental
relationships that
make us collectively
stronger.**

Independent Auditors' Report

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank One Limited (the "Bank" and the "Public Interest Entity") set out on pages 102 to 187, 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 then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standard Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with 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 matters

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

Independent Auditors' Report

Key audit matter	How our audit addressed by the key audit matter
<p>Impairment of loans and advances</p> <p>IFRS 9 requires recognition of expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the application of IFRS 9 are:</p> <ul style="list-style-type: none"> • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR – These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Economic scenarios – the Bank has used a range of future economic scenarios as part of ECL computation. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments – Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. • Stage 3 provisioning – The most significant judgements in respect of provision for credit loss are: <ul style="list-style-type: none"> - Valuation of collateral and future cash flows - Management judgements and assumptions used <p>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements, as a whole.</p>	<p>Our procedures included the following amongst others:</p> <ul style="list-style-type: none"> • Involved specialist team in validating the statistical model; • Evaluated the appropriateness of the IFRS 9 impairment methodologies; • Tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs into the IFRS 9 impairment models; • Assessed the appropriateness of the macro-economic forecasts used; • Assessed the reasonableness of the model predictions by comparing them against actual results; • Tested samples over key inputs and assumptions including economic forecasts, PD, LGD assumptions and qualitative adjustments impacting ECL calculations; • Inspected the minutes of Credit Committee, Special Asset Committee, Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Obtained audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • On a sample basis, performed substantive tests of details on Stage 3 provisioning including validation of valuation of collateral securities and future cash flows.

Independent Auditors' Report

Independent auditor's report to the Shareholders of Bank One Limited (Cont'd)

Other information

The directors are responsible for the other information. The other information comprises the sections on the Overview, Leadership, Performance, Strategy and Corporate Governance Report, Statement of compliance, Other statutory disclosures, Company Secretary's certificate, Statement of directors' responsibilities in respect of financial statements and Statement of management's responsibilities in respect of financial statements. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 management.
- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent Auditors' Report

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

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

Corporate Governance Report

Financial Reporting Act 2004

Our responsibility under the Financial Reporting Act 2004 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 Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Banking Act 2004

- 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 provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Use of this report

This report is made solely to the Bank's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte

Chartered Accountants

07 March 2023



Pradeep Malik, FCA

Licensed by FRC

Statement of Financial Position

as at 31 December 2022

	Notes	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
ASSETS				
Cash and cash equivalents	12	6,898,615	10,449,280	12,176,779
Derivative assets held for risk management	13	3,116	42,826	32,891
Non-current asset held-for-sale	18	45,000	-	-
Loans and advances to banks	14	5,147,185	3,336,245	1,983,472
Loans and advances to customers	15	20,180,265	17,474,549	18,656,594
Investment in financial instruments measured at fair value through Other Comprehensive Income (FVTOCI)	16(a)	1,402,874	2,083,101	12,035,154
Investment in financial instruments measured at amortised cost	16(b)	10,922,555	10,320,960	10,228,322
Right-of-use assets	17	76,965	89,359	40,375
Property and equipment	18	403,005	435,830	345,607
Intangible assets	19	133,583	130,666	111,585
Deferred tax assets	20	44,515	45,936	88,682
Other assets	21	1,571,519	1,387,575	1,448,071
Total assets		46,829,197	45,796,327	57,147,532
LIABILITIES				
Deposits from customers	22	38,242,254	37,915,989	48,050,492
Derivative liabilities held for risk management	13	26,439	3,112	13,041
Other borrowed funds	23	2,932,664	2,055,978	3,767,074
Subordinated liabilities	24	1,289,279	1,396,543	1,387,217
Pension obligations	28	84,453	60,810	80,146
Current tax liabilities	25	22,657	27,553	1,783
Other liabilities	26	512,143	528,230	381,048
Lease liabilities	27	84,617	96,615	48,074
Total liabilities		43,194,506	42,084,830	53,728,875
EQUITY				
Stated capital	29	1,456,456	1,456,456	1,456,456
Retained earnings		1,646,082	1,725,369	1,376,237
Other reserves		532,153	529,672	585,964
Total equity		3,634,691	3,711,497	3,418,657
Total equity and liabilities		46,829,197	45,796,327	57,147,532

These financial statements were approved and authorised for issue by the Board of Directors on 07 March 2023.



Roselyne Renel
Chairperson



Mark Watkinson
Chief Executive Officer



Leonard Mususa
Chairman of the Board Audit Committee

The notes on pages 106 to 187 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	Notes	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Interest income		1,393,221	1,155,343	1,487,023
Interest expense		(399,407)	(340,336)	(559,844)
Net interest income	3	993,814	815,007	927,179
Fee and commission income		457,051	607,911	689,113
Fee and commission expense		(127,650)	(329,633)	(497,249)
Net fee and commission income	4	329,401	278,278	191,864
Net gain on dealing in foreign currencies and derivatives	5	178,747	164,391	159,631
Net gain from derecognition of financial assets measured at fair value through other comprehensive income ("FVTOCI")		3,111	93,224	38,464
Other operating income	6	1,746	29,053	402
Operating income		1,506,819	1,379,953	1,317,540
Personnel expenses	8	(617,351)	(557,059)	(447,820)
Depreciation and amortisation	17, 18 and 19	(96,901)	(75,861)	(78,621)
Other expenses	9	(290,473)	(296,366)	(248,984)
Profit before impairment		502,094	450,667	542,115
Net impairment reversal/(loss) on financial assets	7	33,476	71,799	(1,073,659)
Total impairment reversal/(loss)		33,476	71,799	(1,073,659)
Profit/(loss) before income tax		535,570	522,466	(531,544)
Income tax (expense)/credit	10	(41,745)	(109,042)	39,819
Profit/(loss) for the year		493,825	413,424	(491,725)
Earnings/(loss) per share (Rs)	11	33.91	28.39	(38.37)
Profit/(loss) for the year		493,825	413,424	(491,725)
Other Comprehensive Income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Remeasurement of defined benefit obligation, net of tax		(14,643)	27,361	(27,280)
Revaluation on building, net of tax		36,505	-	-
Movement in fair value reserve for equity instruments at FVTOCI		6,080	(1,882)	(10,585)
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Movement in fair value reserve for debt instruments at FVTOCI investment securities, net of tax:				
Reclassification of gains on disposal of FVTOCI debt instruments during the year		(3,111)	(93,224)	(38,464)
(Credit)/Loss allowance relating to debt instruments held at FVTOCI		(146)	1,264	3,395
(Losses)/gains on FVTOCI instruments during the year		(107,316)	(54,103)	131,809
Other comprehensive (loss)/income for the year		(82,631)	(120,584)	58,875
Total comprehensive income/(loss) for the year		411,194	292,840	(432,850)

The notes on pages 106 to 187 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2022

	Stated capital	Revaluation surplus	Statutory reserve	General Banking reserve	Fair value reserve	Retirement Benefit Plan reserve	Retained earnings	Total equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 1 January 2020	1,156,456	97,313	401,538	47,882	42,534	(69,885)	1,875,669	3,551,507
Loss for the year	-	-	-	-	-	-	(491,725)	(491,725)
Other comprehensive income for the year	-	-	-	-	86,155	(27,280)	-	58,875
Transfer to general Banking reserve	-	-	-	7,707	-	-	(7,707)	-
Total comprehensive loss	-	-	-	7,707	86,155	(27,280)	(499,432)	(432,850)
Transactions with owners								
Issue of shares	300,000	-	-	-	-	-	-	300,000
Total transactions with owners	300,000	-	-	-	-	-	-	300,000
Balance as at 31 December 2020	1,456,456	97,313	401,538	55,589	128,689	(97,165)	1,376,237	3,418,657
Balance as at 1 January 2021	1,456,456	97,313	401,538	55,589	128,689	(97,165)	1,376,237	3,418,657
Profit for the year	-	-	-	-	-	-	413,424	413,424
Other comprehensive loss for the year	-	-	-	-	(147,945)	27,361	-	(120,584)
Transfer to general Banking reserve	-	-	-	2,279	-	-	(2,279)	-
Transfer to statutory reserve	-	-	62,013	-	-	-	(62,013)	-
Total comprehensive income	-	-	62,013	2,279	(147,945)	27,361	349,132	292,840
Balance as at 31 December 2021	1,456,456	97,313	463,551	57,868	(19,256)	(69,804)	1,725,369	3,711,497
Balance as at 1 January 2022	1,456,456	97,313	463,551	57,868	(19,256)	(69,804)	1,725,369	3,711,497
Profit for the year	-	-	-	-	-	-	493,825	493,825
Other comprehensive loss for the year	-	36,505	-	-	(104,493)	(14,643)	-	(82,631)
Transfer to general Banking reserve	-	-	-	11,038	-	-	(11,038)	-
Transfer to statutory reserve	-	-	74,074	-	-	-	(74,074)	-
Total comprehensive income	-	36,505	74,074	11,038	(104,493)	(14,643)	408,713	411,194
Transactions with owners								
Dividend	-	-	-	-	-	-	(488,000)	(488,000)
Total transactions with owners	-	-	-	-	-	-	(488,000)	(488,000)
Balance as at 31 December 2022	1,456,456	133,818	537,625	68,906	(123,749)	(84,447)	1,646,082	3,634,691

Revaluation surplus

Revaluation surplus, comprises of the changes in the carrying amount arising on revaluation of property and equipment.

Statutory reserve

Statutory reserve comprises of the accumulated annual transfer of 15% of the net profit for the year in line with Section 21(1) of the Banking Act 2004.

Fair value reserve

Fair value reserve comprises of the cumulative net change in the fair value of financial assets classified under fair value through OCI that has been recognised in other comprehensive income until the investments are derecognised or impaired.

General Banking Reserve

General Banking reserve comprises of prudential portfolio provisions made by management for exposures in specific industries.

Dividend

Pursuant to the board meeting held on 24 November 2021, an interim dividend of Rs 168 million (Rs 1.53 per share) was approved for distribution as dividend to shareholders. However, since approval from Bank of Mauritius was received in January 2022, the Bank proceeded with the distribution in January 2022. Pursuant to the board meeting held on 07 September 2022, a final dividend of Rs 320 million (Rs 21.97 per share) was approved for distribution as dividend to shareholders and was paid in November 2022, out of retained earnings.

The notes on pages 106 to 187 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2022

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Cash flows from operating activities			
Profit/(loss) before income tax	535,570	522,466	(531,544)
Net change on provision for credit impairment (note 7)	(33,476)	(71,799)	1,073,659
Depreciation (notes 17 and 18)	59,146	40,543	43,104
Amortisation (note 19)	37,755	35,318	35,517
Loss/(gain) on disposal of property and equipment/small equipment (note 6)	82	(245)	(402)
Change in provisions and pensions obligations	7,995	9,915	8,488
Gain on sale of securities	(3,111)	(122,032)	(38,464)
Exchange gain and others	-	-	272,944
Net interest income	(993,814)	(815,007)	(927,179)
	(389,853)	(400,841)	(63,877)
Changes in operating assets and liabilities			
Movement in derivatives	63,037	(19,864)	(49,428)
(Increase)/decrease in loans and advances			
- to Banks	(1,891,009)	(2,061,525)	2,951,010
- to customers	(2,582,403)	1,944,693	3,253,311
Decrease/(increase) in securities purchased under agreement to resell	-	-	2,037,050
(Increase)/decrease in other assets	(75,229)	(27,831)	92,817
Increase/(decrease) in deposits from customers	373,084	(10,124,845)	(92,198)
Increase/(decrease) in other liabilities	(20,162)	154,907	(196,730)
Interest received	1,384,163	1,210,884	1,401,666
Interest paid	(439,325)	(345,794)	(555,765)
Income tax paid	(38,462)	(31,258)	(52,474)
Net cash (used in)/generated from operating activities	(3,616,159)	(9,701,474)	8,725,382
Cash flows used in investing activities			
Purchase of investment securities	(11,690,734)	(31,189,349)	(150,471,330)
Proceeds from sale of investment securities	11,563,302	41,056,959	143,984,117
Purchase of property and equipment (note 18)	(21,570)	(113,156)	(6,845)
Proceeds from sale of property and equipment	-	296	765
Purchase of intangible assets (note 19)	(42,254)	(64,999)	(8,636)
Net cash (used in)/generated from investing activities	(191,256)	9,689,751	(6,501,929)
Cash flows from financing activities			
Issue of shares	-	-	300,000
Repayment of subordinated liabilities	(104,806)	-	-
Proceeds from subordinated liabilities	-	7,840	595,000
Repayment of other borrowed funds	(539,431)	(1,711,917)	(264,792)
Proceeds from other borrowed funds	1,408,885	-	1,384,419
Dividend paid	(488,000)	-	-
Repayment of the lease liabilities	(19,898)	(11,699)	(6,962)
Net cash generated from/(used in) financing activities	256,750	(1,715,776)	2,007,665
Cash and cash equivalents at the beginning of the year (note 12)	10,449,280	12,176,779	7,945,661
Net cash (used in)/generated from operating activities	(3,616,159)	(9,701,474)	8,725,382
Net cash (used in)/generated from investing activities	(191,256)	9,689,751	(6,501,929)
Net cash generated from/(used in) financing activities	256,750	(1,715,776)	2,007,665
Net (decrease)/increase in cash and cash equivalents	(3,550,665)	(1,727,499)	4,231,118
Cash and cash equivalents at end of year (note 12)	6,898,615	10,449,280	12,176,779

The notes on pages 106 to 187 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2022

1 General Information

Bank One Limited (the Bank) is a privately owned entity incorporated on 26 March 2002 in the Republic of Mauritius and licensed with the Bank of Mauritius to carry out Banking business. The Bank is owned jointly by Ciel Finance Ltd and I&M Group Plc, with 50% shareholding each. The Bank is domiciled in the Republic of Mauritius with registered address as follows:

Bank One Limited
16, Sir William Newton Street
Port Louis
Mauritius

1.1 Application of New and Revised International Financial Reporting Standards (IFRSs)

In the current year, the Bank has applied all of the new and revised standard and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2022.

New and revised IFRSs that are effective for the current year

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

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)
IFRS 16	Leases - Amendment to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification

New and revised standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 01 January 2023)
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities as current or non-current (effective 01 January 2024)
IAS 1	Presentation of Financial Statements - Amendments to defer the effective date of the January 2020 amendments (effective 01 January 2024)
IAS 1	Presentation of Financial Statements: Amendments regarding the classification of debt with covenants (effective 01 January 2024)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective 01 January 2023)
IAS 12	Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations (effective 01 January 2023)
IFRS 16	Leases - Amendments to classify how a seller-lessee subsequently measures sale and leaseback transactions (effective 01 January 2024)

The directors anticipate that these standards and interpretation 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.

1.2 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 the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Bank One Limited comply with the Mauritius Companies Act 2001, the regulations and guidelines issued by the Bank of Mauritius, the Financial Reporting Act 2004 and the Banking Act 2004 and have been prepared in accordance with International Financial Reporting Standards (IFRS), Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned. Where necessary, comparative figures in the notes to the financial statements have been amended to confirm with changes in current year's presentation.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(a) Basis of preparation (Cont'd)

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

- 1) Financial assets measured at fair value through other comprehensive income;
- 2) Certain classes of property and equipment - measured at revalued amount;
- 3) Defined pensions benefits plan assets measured at fair value; and
- 4) Derivative assets and liabilities held for risk management purposes (FVTPL).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement 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 the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.3.

(b) Foreign currency translation

(i) Functional and presentation currency

These financial statements are prepared in Mauritian Rupees (Rs), which is the Bank's functional and presentation currency. Except as indicated, the financial statements and related notes presented in Mauritian rupees have been rounded to the nearest thousand.

(ii) Transactions and balances

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 recognised in profit or loss. Transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

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

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

Translation differences on non monetary items, such as investments in equities classified as fair value through other comprehensive income, are included in the fair value reserve in other comprehensive income.

(c) Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the statement of profit or loss and other comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When a receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses ("ECL")). The interest is suspended and recognised only upon receipt. If, in subsequent reporting periods the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(d) Fees, commissions and dividend income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are rendered. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Dividend income is recognised when the Bank's right to receive the dividend is established.

(e) Net gain/(loss) on dealing in foreign currencies and derivatives

Net gain/(loss) on dealing in foreign currencies and derivatives comprise of net gains on foreign exchange transactions, fair value gain/(loss) on derivatives and translation differences.

(f) Financial Instruments

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(f) Financial Instruments (Cont'd)

Financial Assets (Cont'd)

Debt instruments at amortised cost or at FVTOCI (Cont'd)

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments which reflect how the entity manages its financial assets in order to generate cash flows. The entity's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses its business models each reporting period to determine whether the business models have changed since the preceding period.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(f) Financial Instruments (Cont'd)

Financial Assets (Cont'd)

Equity instruments designated at FVTOCI

On initial recognition, the Bank may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Financial instruments - initial recognition and subsequent measurement

Reclassifications

If the business model under which the entity holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on "Modification and derecognition of financial assets".

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost, debt instruments measured at FVTOCI and derivatives, exchange differences are recognised in profit or loss in the 'Net gain/(loss) on dealing in foreign currencies and derivatives' line item.

Cash and cash equivalents

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

Investment securities

The investment securities include:

- 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;
- debt securities measured at FVTOCI; and
- equity investment securities designated as at FVTOCI.

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

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(f) Financial Instruments (Cont'd)

Financial instruments - initial recognition and subsequent measurement (Cont'd)

When debt security measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Bank elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Financial liabilities

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals.

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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 accounted for as off-balance sheet items and are disclosed as contingent liabilities and commitments.

Financial guarantee contracts

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

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

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(f) Financial Instruments (Cont'd)

Impairment of financial assets

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost and FVTOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Bank uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

The Bank considers its historical loss experience and adjusts this for current observable data. In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward-looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

In the case of the new asset category for debt instruments measured at FVTOCI, the measurement of ECL is based on the three-stage approach as applied to financial assets at amortised cost. The Bank recognises the provision charge in profit and loss, with the corresponding amount recognised in other comprehensive income, with no reduction in the carrying amount of the asset in the statement of financial position.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(g) Classes of financial instruments

(i) The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments.

The classification can be seen in the table below:

Category	Class		Subclasses
Financial Assets	Loans and advances at amortised cost	Loans and advances to Banks	
		Loans and advances to individuals	Term Loans
			Credit cards
			Mortgages
		Other Retail Loans	
	Loans and advances to corporate entities	Corporate Customers	
		Offshore Retail and Corporate Loans	
	Loans to corporate entities outside Mauritius	Corporate Customers	
		Corporate Customers	
	Securities purchased under agreement to resell		
Investments at amortised cost	Investment securities Debt instruments	Unlisted	
Investments at FVTOCI	Investment securities Debt instruments	Unlisted	
	Investment securities Equity instruments	Unlisted	
Derivative financial assets (FVTPL)	Derivatives held for risk management	Unlisted	
Cash and cash equivalents	Cash and cash equivalents	Unlisted	

Category	Class	Subclasses
Financial Liabilities	Deposits from customers at amortised cost	Retail Corporate International
	Derivatives financial liabilities (FVTPL)	Unlisted
	Financial liabilities at amortised cost	Other borrowed funds
Subordinated liabilities		
Off balance sheet financial Instruments	Loans commitments	Retail Corporate International Private
	Guarantees, acceptances and other financial facilities	Acceptances Guarantees Letter of credit

(ii) Credit risk measurement

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposures vary with changes in market conditions, expected cash flows and the passage of time. 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). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to "Measuring ECL- Explanation of inputs, assumptions and estimation techniques".

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(g) Classes of financial instruments (Cont'd)

(ii) Credit risk measurement (Cont'd)

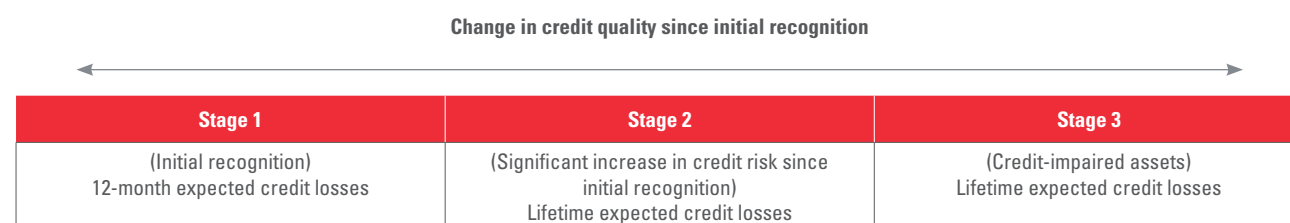
Expected credit loss measurement (ECL)

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 credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'.
- 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 within the next 12 months. Instruments in stages 2/3 have their ECL measured on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3). Currently the Bank does not have any purchased or originated credit-impaired financial assets on its books.

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following qualitative or backstop criteria have been met.

(iii) Qualitative criteria

For retail portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last (12) months

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(g) Classes of financial instruments (Cont'd)

(iii) Qualitative criteria (Cont'd)

For Corporate and Investment portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early sign of cashflow/liquidity problems such as delay in servicing of trade creditors/ loans

The assessment of SICR incorporates forward-looking information (refer to note 1.2 g (ii) SICR for further information) and is performed on a quarterly basis at a portfolio level for all retail financial instruments held by the Bank. In addition to corporate and investment financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level on a quarterly basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

(iv) Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

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.

The borrower meets unlikelihood 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 than the borrower will enter Bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Bank expected loss calculations.

The 90 days past due default definition has been aligned with the definition used for regulatory capital purposes.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any default criteria for a consecutive period of six instalments or six months. The period of six months/instalments has been determined based on definition prescribed by Central Bank, in its Credit Classification and Provisioning guidelines.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(g) Classes of financial instruments (Cont'd)

Definition of default and credit-impaired assets (Cont'd)

(v) 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 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 and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime ED) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M PD), or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank 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). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio, which is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owned by the borrower over a 12M or lifetime basis. This will be adjusted for any expected overpayments made by a borrower. Early repayment/ refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' (CCF) which allows for the expected drawdown of the remaining limit by adding the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to limited differentiation in recoveries achieved across different borrowers.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

The assumptions under the ECL calculation- such as how the maturity profile of the PDs and how collateral value change, etc.- are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(g) Classes of financial instruments (Cont'd)

(vi) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed a historical analysis and identified the key economic variables impacting credit risk and the expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have historically on default rates and on the components of LGD and EAD.

Sensitivity Analysis

The most significant assumptions affecting the ECL allowances are as follows:

- Unemployment rate, given its impact on secured and unsecured borrower's ability to meet their contractual repayments;
- GDP, given the significant impact on individual and companies' performance and collateral valuations; and
- Inflation rate, given its impact on likelihood of default.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within the Bank are homogeneous.

In performing this grouping, there must be sufficient information for the Bank to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking against internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

Retail- Groupings for collective measurement:

- Product type (e.g. residential loan, overdraft, etc.)
- Repayment type (e.g. interest only)

Corporate- Groupings for collective measurement

- Industry
- Collateral type

The stage 3 exposures are assessed individually. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

(h) Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable recovery include (i) ceasing enforcement activity; and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write off financial assets that are still subject to enforcement activity. The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(i) Modification and derecognition of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities may include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(g) Classes of financial instruments (Cont'd)

(i) Modification and derecognition of financial assets (Cont'd)

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original assets. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or Stage 2. This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises the retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

(j) Modification and derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. 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.

(k) Fair value measurements

The Bank measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in **Note 2 (h)**.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(l) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised in the statement of financial position at cost and subsequently remeasured at their fair value.

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 or LIBOR. 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.

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 IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported through profit and loss.

(m) Property and equipment

Property and equipment (except land and buildings) are carried at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings are stated at revalued amounts. Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Land and work-in-progress are not depreciated. Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Laptops	3 years
Mobile phones	3 years
Computer and other equipment	5 years
Furniture and fittings	10 years
Motor vehicles	5 years

The assets' residual values and useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are recognised as income or expense in profit or loss. On disposal of revalued assets, the corresponding amounts included in the revaluation surplus are transferred to retained earnings.

Revaluation of property

Properties are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive Income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

(n) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(n) Intangible assets (Cont'd)

Computer software (Cont'd)

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(o) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Stated Capital

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.

(q) 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 results of the Bank are the basis for profit distribution and other appropriations.

(r) Deposits from customers, other borrowed funds and subordinated liabilities

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

Deposits, other borrowed funds and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost using the effective interest method.

(s) Provisions for liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(t) Employee Benefits

(i) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) *Defined contribution pension plan*

The Bank operates a defined contribution pension plan. The contribution payable to the defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

(iii) *Retirement and other benefit obligations*

The present value of retirement gratuity as provided under the Workers Rights Act 2019 is recognised in the statement of financial position as a liability.

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

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Bank presents the first two components of defined benefit costs in profit or loss in the line item "Personel expenses" as part of staff costs. Curtailment gains and losses are accounted for as past service costs.

State plan

Contributions to the Contribution Sociale Généralisée (CSG) are expensed to profit or loss in the period in which they fall due.

Defined benefit plans

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flow using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they occur.

The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate to the net defined benefit liability/(asset) and the fair value of the planned asset.

Net interest expense/(income) is recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2022

k Significant Accounting Policies (Cont'd)

(t) Employee Benefits (Cont'd)

(iii) Retirement and other benefit obligations (Cont'd)

Service costs comprising current service cost and past service cost are recognised immediately in the statement of profit or loss. Current service cost reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit charges curtailments and settlements.

(iv) Preferential rate loans to employees

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

(v) 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.

As at 31 December 2022, no provision has been made for termination benefits (2021: Nil).

(u) Income Tax

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

(i) Current tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are recoverable or unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Special Levy

Special levy on Banks having leviable income not exceeding Rs 1.2 billion are calculated at the rate of 5.5% of net interest income and other income before deduction of expenses. Special levy is not applicable on income derived from transactions with Global Business Licence holders and Mauritian companies to the extent of their Banking transactions carried out through a foreign permanent establishment.

The levy for a Bank in operation as at 30 September 2018 is capped at 1.5 times of the levy payable for the year of assessment 2017-2018. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

(iii) Corporate Social Responsibility

The Bank also makes a statutory provision for CSR activities at the rate of 2% of chargeable income (Segment A only) as per Income Tax Act 1995 Section 50L.

The required CSR fund for the year is recognised in tax expense in profit or loss. The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statement of financial position.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(u) Income Tax (Cont'd)

(iv) Deferred income tax

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 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.

As per the Mauritian Finance (Miscellaneous Provisions) Act 2018, the tax rate was amended to 5% (2016-17- 15% less the foreign tax credit of 80%) effective as from 1 July 2020. The directors have agreed to amend the deferred income tax asset rate to 7% (Segment A) and 5% (Segment B) as from 2018.

(v) Leases

The Bank as a lessee

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 lessee 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 amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments in the current year.

Notes to the Financial Statements

for the year ended 31 December 2022

1.2 Significant Accounting Policies (Cont'd)

(v) Leases (Cont'd)

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 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use assets.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers 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 item in the statement of financial position.

The Bank applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Impairment of non-financial assets" 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 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(w) Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercises 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. Related parties may be individuals or other entities.

(x) Segment reporting

The Bank has prepared its separate financial statements in line with the requirements of the Bank of Mauritius Guideline on 'Segmental Reporting under a Single Banking Licence Regime' and Bank of Mauritius Guideline on 'Public Disclosure of Information' which require that segment information should be provided by Segment A and Segment B banking businesses.

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.

Neither these guidelines nor IFRS mandate the application of IFRS 8 Operating Segments to the financial statements of the Bank. The financial statements do not purport to comply with the requirements of IFRS 8.

Notes to the Financial Statements

for the year ended 31 December 2022

1.3 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.

(a) Going concern

Directors have made an assessment of the the Bank's ability to continue as a going concern and are satisfied that the Bank have the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

(b) 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).

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 1.1 (g). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(d) Calculation of ECL allowance

Significant increase of credit risk: As explained in note 1.2(g), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 1.2(g) for details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.

Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

- When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical information, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 1.2(g) for more details.

Notes to the Financial Statements

for the year ended 31 December 2022

1.3 Critical accounting estimates and judgements (Cont'd)

(d) Calculation of ECL allowance (Cont'd)

Actual loss experience may differ from changes in estimated forward looking information and economic drivers.

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. 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 makes judgements about the borrower's financial situation and the net realisable value of collaterals. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(e) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Further details on the fair valuation of financial instruments are included in Note 2(i) to the financial statements.

(f) Retirement 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 and 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.

(g) Leases

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

(h) Provisions and other contingent liabilities

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

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

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

The Bank's business involves taking risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk Management is carried out by the Risk Department under policies approved by the Board of Directors. The Risk Department identifies, evaluates and monitors financial risk in close collaboration with the operating units including Treasury.

(b) Credit risk

Credit Risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit Risk arises mainly from commercial and consumer advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities, including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties.

Credit risk is the single largest risk for the Bank's business. The directors therefore carefully manage the exposure of the Bank to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Chief Risk Officer who in turn reports to the Chief Executive Officer.

Analysis of loans and advances

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Stage 1	24,500,602	20,554,010	19,597,463
Stage 2	990,854	419,461	994,491
Stage 3	580,214	700,531	1,955,228
Gross	26,071,670	21,674,002	22,547,182
Less allowance for credit impairment	(744,220)	(863,208)	(1,907,116)
Net	25,327,450	20,810,794	20,640,066
Loans and advances renegotiated	28,930	9,814	4,981
Fair value of collaterals	28,930	9,269	4,895

(i) Maximum exposure to credit risk before collateral and other credit risk enhancements

Credit risk exposures relating to on balance sheet assets are as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Balances with Banks in Mauritius, Banks abroad and inter Bank placements	6,898,615	10,449,280	12,176,779
Derivative assets held for risk management	3,116	42,826	32,891
Government of Mauritius/Bank of Mauritius securities	3,680,651	5,252,863	4,922,736
Other Investments	8,644,778	7,151,198	17,340,740
Loans and advances to customers and Banks	25,327,450	20,810,794	20,640,066
Others	1,314,092	1,259,106	1,338,351
Credit risk exposures relating to off balance sheet assets are as follows:			
Financial guarantees	2,387,488	920,689	1,262,164
Loans commitments and other credit related liabilities	1,976,757	4,108,310	1,905,672
Total	50,232,947	49,995,066	59,619,399

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) Maximum exposure to credit risk- Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets:

(a) Loans and advances to Banks at amortised cost

Loans and advances to Banks at amortised cost

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	5,150,285	-	-	5,150,285
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	5,150,285	-	-	5,150,285
Loss allowance	(3,100)			(3,100)
Carrying amount	5,147,185	-	-	5,147,185

Loans and advances to Banks at amortised cost

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	3,339,038	-	-	3,339,038
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	3,339,038	-	-	3,339,038
Loss allowance	(2,793)			(2,793)
Carrying amount	3,336,245	-	-	3,336,245

Loans and advances to Banks at amortised cost

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	1,985,889	-	-	1,985,889
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	1,985,889	-	-	1,985,889
Loss allowance	(2,417)			(2,417)
Carrying amount	1,983,472	-	-	1,983,472

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) Maximum exposure to credit risk- Financial instruments subject to impairment (Cont'd)

(b) Loans and advances to customers at amortised cost

Loans and advances to customers at amortised cost

Performing
Special Mention
Sub Standard
Doubtful
Loss
Gross carrying amount
Loss allowance
Carrying amount

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	19,350,317	-	-	19,350,317
Special Mention	-	990,854	-	990,854
Sub Standard	-	-	307,156	307,156
Doubtful	-	-	142,567	142,567
Loss	-	-	130,491	130,491
Gross carrying amount	19,350,317	990,854	580,214	20,921,385
Loss allowance	(160,788)	(61,389)	(518,943)	(741,120)
Carrying amount	19,189,529	929,465	61,271	20,180,265

Loans and advances to customers at amortised cost

Performing
Special Mention
Sub Standard
Doubtful
Loss
Gross carrying amount
Loss allowance
Carrying amount

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	17,214,972	-	-	17,214,972
Special Mention	-	419,461	-	419,461
Sub Standard	-	-	99,600	99,600
Doubtful	-	-	382,887	382,887
Loss	-	-	218,044	218,044
Gross carrying amount	17,214,972	419,461	700,531	18,334,964
Loss allowance	(255,994)	(21,178)	(583,243)	(860,415)
Carrying amount	16,958,978	398,283	117,288	17,474,549

Loans and advances to customers at amortised cost

Performing
Special Mention
Sub Standard
Doubtful
Loss
Gross carrying amount
Loss allowance
Carrying amount

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	17,611,574	-	-	17,611,574
Special Mention	-	994,491	-	994,491
Sub Standard	-	-	1,265,906	1,265,906
Doubtful	-	-	436,499	436,499
Loss	-	-	252,823	252,823
Gross carrying amount	17,611,574	994,491	1,955,228	20,561,293
Loss allowance	(318,554)	(54,790)	(1,531,355)	(1,904,699)
Carrying amount	17,293,020	939,701	423,873	18,656,594

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

- (ii) Maximum exposure to credit risk- Financial instruments subject to impairment (Cont'd)
 (c) Investments in debt instruments at amortised cost

Investments in debt instruments at amortised cost

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	10,937,676	-	-	10,937,676
Special Mention	-	-	-	-
Sub Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	10,937,676	-	-	10,937,676
Loss allowance	(15,121)	-	-	(15,121)
Carrying amount	10,922,555	-	-	10,922,555

Investments in debt instruments at amortised cost

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	10,339,563	-	-	10,339,563
Special Mention	-	-	-	-
Sub Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	10,339,563	-	-	10,339,563
Loss allowance	(18,603)	-	-	(18,603)
Carrying amount	10,320,960	-	-	10,320,960

Investments in debt instruments at amortised cost

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	10,239,400	-	-	10,239,400
Special Mention	-	-	-	-
Sub Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	10,239,400	-	-	10,239,400
Loss allowance	(11,078)	-	-	(11,078)
Carrying amount	10,228,322	-	-	10,228,322

- (d) Investments in debt instruments at FVTOCI

Investments in debt instruments at FVTOCI

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	1,402,874	-	-	1,402,874
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	1,402,874	-	-	1,402,874

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

- (ii) Maximum exposure to credit risk- Financial instruments subject to impairment (Cont'd)
 (d) Investments in debt instruments at FVTOCI (Cont'd)

Investments in debt instruments at FVTOCI

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	2,083,101	-	-	2,083,101
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	2,083,101	-	-	2,083,101

Investments in debt instruments at FVTOCI

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	12,035,154	-	-	12,035,154
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	12,035,154	-	-	12,035,154

- (e) Financial guarantees
 Financial guarantees

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	2,385,040	-	-	2,385,040
Special Mention	-	2,448	-	2,448
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	2,385,040	2,448	-	2,387,488
Loss allowance	(15,528)	(36)	-	(15,564)
Carrying amount	2,369,512	2,412	-	2,371,924

Financial guarantees

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	898,299	-	-	898,299
Special Mention	-	22,390	-	22,390
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	898,299	22,390	-	920,689
Loss allowance	(7,125)	(1,211)	-	(8,336)
Carrying amount	891,174	21,179	-	912,353

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) Maximum exposure to credit risk- Financial instruments subject to impairment (Cont'd)

Financial guarantees

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	1,253,278	-	-	1,253,278
Special Mention	-	8,886	-	8,886
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	1,253,278	8,886	-	1,262,164
Loss allowance	(13,670)	(145)	-	(13,815)
Carrying amount	1,239,608	8,741	-	1,248,349

Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt instruments and equity securities.

Longer term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt instruments or other investments are generally unsecured. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

(f) Credit impaired assets

Credit-impaired assets

	2022			
	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of collateral held
	Rs'000	Rs'000	Rs'000	Rs'000
Loans to individuals:				
Personal Loan	54,102	51,101	4,843	36,069
Housing Loan	57,136	23,471	33,665	174,954
Car Loan	1,164	382	782	4,291
Property Loan	17,058	4,619	12,439	116,622
Other	8,394	5,502	2,872	51,337
Loans to corporate entities:				
Large corporate customers	429,862	427,074	2,788	655,532
Small and Medium sized enterprises (SMEs)				
Other	12,498	6,794	5,702	47,100
Total credit-impaired assets	580,214	518,943	63,091	1,085,905

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(f) Credit impaired assets (Cont'd)

Credit-impaired assets

	2021			
	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of collateral held
	Rs'000	Rs'000	Rs'000	Rs'000
Loans to individuals:				
Personal Loan	52,119	52,116	2	119
Housing Loan	52,620	20,149	32,470	124,468
Car Loan	870	367	503	1,409
Property Loan	41,107	16,627	24,480	132,367
Other	26,861	16,772	10,089	113,655
Loans to corporate entities:				
Large corporate customers	511,747	470,649	41,098	591,211
Small and Medium sized enterprises (SMEs)				
Other	15,207	6,563	8,645	40,267
Total credit-impaired assets	700,531	583,243	117,287	1,003,496

Credit-impaired assets

	2020			
	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of collateral held
	Rs'000	Rs'000	Rs'000	Rs'000
Loans to individuals:				
Personal Loan	43,203	36,883	6,320	43,203
Housing Loan	108,811	37,176	71,635	108,811
Car Loan	800	288	512	800
Property Loan	6,366	2,791	3,575	6,366
Other	142,515	72,798	69,417	142,515
Loans to corporate entities:				
Large corporate customers	407,814	323,076	84,738	407,814
Small and Medium sized enterprises (SMEs)				
Other	14,091	6,378	7,713	14,091
Other	1,231,928	1,051,963	179,965	1,231,928
Total credit-impaired assets	1,955,528	1,531,353	423,875	1,955,528

(g) The table summarises the distribution of LTV ratios for the Bank's credit-impaired portfolio

Portfolio-LTV distribution

	2022		
	Credit -impaired (Gross carrying amount)		
	Retail	Corporate	International Banking
	Rs'000	Rs'000	Rs'000
Lower than 50%	69,208	116,860	252,686
50-60%	-	-	-
60-70%	-	-	-
70-80%	-	-	-
80-90%	7,733	-	-
90-100%	-	356	-
Higher than 100%	81,114	52,212	45
Total	158,055	169,428	252,731

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) *Maximum exposure to credit risk- Financial instruments subject to impairment (Cont'd)*(g) **The table summarises the distribution of LTV ratios for the Bank's credit-impaired portfolio (Cont'd)**

Portfolio-LTV distribution

	2021		
	Credit -impaired (Gross carrying amount)		
	Retail	Corporate	International Banking
	Rs'000	Rs'000	Rs'000
Lower than 50%	128,488	88,962	77,899
50-60%	24,040	-	-
60-70%	15,667	-	-
70-80%	11,250	-	-
80-90%	17,155	10,759	-
90-100%	-	-	-
Higher than 100%	15,563	149,741	161,007
Total	212,163	249,462	238,906

Portfolio-LTV distribution

	2020		
	Credit -impaired (Gross carrying amount)		
	Retail	Corporate	International Banking
	Rs'000	Rs'000	Rs'000
Lower than 50%	112,788	35,986	1,035,097
50-60%	20,884	-	-
60-70%	23,841	185,067	-
70-80%	18,888	72,789	-
80-90%	136,836	-	-
90-100%	6,565	-	70,830
Higher than 100%	16,805	88,547	130,305
Total	336,607	382,389	1,236,232

(iii) *Loss allowance*

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) or credit risk or becoming credit-impaired in the period, and the consequent 'step up' (or 'step down') between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) *Loss allowance (Cont'd)*

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loss allowance- Class of Asset - Retail

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	
Loss allowance as at 01 January 2022	75,029	6,533	131,550	213,112
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	(2,309)	2,309	-	-
Transfer from stage 1 to stage 3	(4,719)	-	4,719	-
Transfer from stage 2 to stage 1	48	(48)	-	-
New financial assets originated or purchased	13,722	499	-	14,221
Changes to PDs/LGDs/EADs	(19,408)	934	(117,462)	(135,936)
Total net P&L charge during the year	(12,666)	3,694	(112,743)	(121,715)
Other movement with no P&L impact				
Transfers:				
Transfer from stage 3 to stage 2	-	(5,103)	5,103	-
Financial assets derecognised during the year	(7,538)	(2,003)	-	(9,541)
Write-offs	-	-	73,192	73,192
Loss allowance as at 31 December 2022	54,825	3,121	97,102	155,048

Loss allowance- Class of Asset - Retail

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	
Loss allowance as at 01 January 2021	127,057	4,854	170,668	302,579
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	(2,956)	2,956	-	-
Transfer from stage 1 to stage 3	(9,457)	-	9,457	-
Transfer from stage 2 to stage 1	298	(298)	-	-
New financial assets originated or purchased	14,735	425	3,753	18,913
Changes to PDs/LGDs/EADs	(47,357)	2,586	(55,914)	(100,685)
Total net P&L charge during the year	(44,737)	5,669	(42,704)	(81,772)
Transfers:				
Transfer from stage 2 to stage 3	-	(3,586)	3,586	-
Financial assets derecognised during the year	(7,291)	(404)	-	(7,695)
Loss allowance as at 31 December 2021	75,029	6,533	131,550	213,112

Loss allowance- Class of Asset - Retail

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	
Loss allowance as at 01 January 2020	42,700	7,930	180,414	231,044
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	(4,003)	4,003	-	-
Transfer from stage 1 to stage 3	(860)	-	860	-
Transfer from stage 2 to stage 1	921	(921)	-	-
New financial assets originated or purchased	18,434	361	2,555	21,350
Changes to PDs/LGDs/EADs	73,605	721	(17,359)	56,967
Total net P&L charge during the year	88,097	4,164	(13,944)	78,317
Other movement with no P&L impact				
Transfers:				
Transfer from stage 2 to stage 3	-	(4,198)	4,198	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the year	(3,740)	(3,042)	-	(6,782)
Loss allowance as at 31 December 2020	127,057	4,854	170,668	302,579

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) Loss allowance (Cont'd)

Loss allowance- Class of Asset - Corporate

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2022	187,157	15,797	214,272	417,226
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	(1,366)	1,366	-	-
Transfer from stage 2 to stage 1	620	(620)	-	-
New financial assets originated or purchased	6,528	62	436	7,026
Changes to PDs/LGDs/EADs	(58,076)	1,309	(11,356)	(68,123)
Total net P&L charge during the year	(52,294)	2,117	(10,920)	(61,097)
Other movement with no P&L impact				
Transfers				
Financial assets derecognised during the year	(30,609)	(2,905)	-	(33,514)
Write-offs	-	-	(34,199)	(34,199)
Loss allowance as at 31 December 2022	104,254	15,009	169,153	288,416

Loss allowance- Class of Asset - Corporate

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2021	146,128	50,061	302,127	498,316
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	(2,551)	2,551	-	-
Transfer from stage 2 to stage 1	12,263	(12,263)	-	-
New financial assets originated or purchased	9,232	168	-	9,400
Changes to PDs/LGDs/EADs	48,790	(22,190)	(87,855)	(61,255)
Total net P&L charge during the year	67,734	(31,734)	(87,855)	(51,855)
Other movement with no P&L impact				
Transfers				
Financial assets derecognised during the year	(26,705)	(2,530)	-	(29,235)
Write-offs	-	-	-	-
Loss allowance as at 31 December 2021	187,157	15,797	214,272	417,226

Loss allowance- Class of Asset - Corporate

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2020	126,254	4,357	305,114	435,725
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	(40,981)	40,981	-	-
Transfer from stage 1 to stage 3	(590)	-	590	-
Transfer from stage 2 to stage 1	803	(803)	-	-
New financial assets originated or purchased	27,401	6,501	48	33,950
Changes to PDs/LGDs/EADs	72,539	1,534	(4,527)	69,546
Total net P&L charge during the year	59,172	48,213	(3,889)	103,496
Other movement with no P&L impact				
Transfers				
Transfer from stage 2 to stage 3	-	(902)	902	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the year	(39,298)	(1,607)	-	(40,905)
Loss allowance as at 31 December 2020	146,128	50,061	302,127	498,316

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) Loss allowance (Cont'd)

Loss allowance- Class of Asset - IBD

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2022	40,318	57	237,424	277,799
Movements with P&L impact				
Transfers:				
New financial assets originated or purchased	811	-	-	811
Changes to PDs/LGDs/EADs	15,273	43,532	15,263	74,068
Total net P&L charge during the year	16,084	43,532	15,263	74,879
Other movement with no P&L impact				
Transfers:				
Financial assets derecognised during the year	(8,560)	-	-	(8,560)
Loss allowance as at 31 December 2022	47,842	43,589	252,687	344,118

Loss allowance- Class of Asset - IBD

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2021	81,684	27	1,058,561	1,140,272
Movements with P&L impact				
Transfers:				
New financial assets originated or purchased	481	-	42	523
Changes to PDs/LGDs/EADs	(424)	30	119,336	118,942
Write-offs	-	-	(940,515)	(940,515)
Total net P&L charge during the year	57	30	(821,137)	(821,050)
Other movement with no P&L impact				
Transfers:				
Financial assets derecognised during the year	(41,423)	-	-	(41,423)
Loss allowance as at 31 December 2021	40,318	57	237,424	277,799

Loss allowance- Class of Asset - IBD

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2020	98,405	3,258	427,032	528,695
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	(932,425)	-	932,425	-
Transfer from stage 2 to stage 1	1,635	(1,635)	-	-
New financial assets originated or purchased	12,095	185	2	12,282
Changes to PDs/LGDs/EADs	915,972	(1,776)	(300,898)	613,298
Total net P&L charge during the year	(2,723)	(3,226)	631,529	625,580
Other movement with no P&L impact				
Transfers:				
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the year	(13,998)	(5)	-	(14,003)
Loss allowance as at 31 December 2020	81,684	27	1,058,561	1,140,272

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Types of collateral and credit enhancements held at year end

- Fixed and Floating charges on Properties and other assets
- Privilege d'Inscription
- Lien on vehicle/equipment/machinery
- Pledge on shares/rent/proceeds of crops
- Lien on deposits
- Assignment of Life Policy/general insurance policy
- Bank Guarantee/personal guarantee/Government Guarantee
- Nantissement de Parts Sociales dans le capital d'une Société
- Leasing of Machinery/Equipment/ Vehicle with the Bank as a Lessor
- Pledge of deposits from other Financial Institution/Licensed Deposit Taker

Concentration of risk of financial assets with credit risk exposure by Geography:

	Dec-22	Mauritius	Africa	Europe	Others
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Cash and cash equivalents	6,898,615	258,188	1,100,132	2,506,363	3,033,932
Derivative assets held for risk management	3,116	3,044	30	42	-
Loans and advances to Banks	5,147,185	-	5,147,185	-	-
Loans and advances to customers	20,180,265	17,479,759	2,311,938	151,913	236,655
Government of Mauritius/Bank of Mauritius securities	3,680,651	3,680,651	-	-	-
Other Investments	8,644,778	-	2,119,689	3,225,939	3,299,150
Other assets	1,314,093	1,314,093	-	-	-
Total assets	45,868,703	22,735,735	10,678,974	5,884,257	6,569,737
On balance sheet country region percentage	100%	50%	23%	13%	14%
Credit risk exposure relating to off balance sheet items as follows:					
Financial guarantees and other credit related liabilities	2,387,488	1,878,773	508,665	-	50
Off balance sheet country region percentage	100%	79%	21%	0%	0%

	Dec-21	Mauritius	Africa	Europe	Others
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Cash and cash equivalents	10,449,280	483,457	808,367	3,239,555	5,917,901
Derivative assets held for risk management	42,826	-	3,143	39,683	-
Loans and advances to Banks	3,336,245	-	3,336,245	-	-
Loans and advances to customers	17,474,549	15,429,412	1,936,593	108,544	-
Government of Mauritius/Bank of Mauritius securities	5,252,863	5,252,863	-	-	-
Other Investments	7,151,198	-	1,114,410	3,236,287	2,800,501
Other assets	1,259,106	1,259,106	-	-	-
Total assets	44,966,067	22,424,838	7,198,758	6,624,069	8,718,402
On balance sheet country region percentage	100%	51%	16%	14%	19%
Credit risk exposure relating to off balance sheet items as follows:					
Financial guarantees and other credit related liabilities	920,689	585,658	334,981	-	50
Off balance sheet country region percentage	100%	64%	36%	0%	0%

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	Dec-20	Mauritius	Africa	Europe	Others
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS					
Cash and cash equivalents	12,176,779	645,908	990,630	7,523,016	3,017,225
Derivative assets held for risk management	32,891	4,843	31	28,016	1
Loans and advances to Banks	1,983,472	596,974	1,386,498	-	-
Loans and advances to customers	18,656,594	14,816,122	3,430,883	98,307	311,282
Government of Mauritius/Bank of Mauritius securities	4,922,736	4,922,736	-	-	-
Other Investments	17,340,740	1,538	26,517	4,951,596	12,361,089
Other assets	1,338,351	1,338,351	-	-	-
Total assets	56,451,563	22,326,472	5,834,559	12,600,935	15,689,597
On balance sheet country region percentage	100%	40%	10%	22%	28%
Credit risk exposure relating to off balance sheet items as follows:					
Financial guarantees and other credit related liabilities	1,262,164	869,185	280,127	-	112,852
Off balance sheet country region percentage	100%	69%	22%	0%	9%

The table below represents an analysis of trading assets and investments securities at 31 December 2022 and comparatives for December 2021 and 2020. Since the Bank does not have any internal rating tool, the ratings (where applicable) are based on assessment effected by Standard & Poor's agency at end of each financial year.

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Cash and cash equivalents			
AAA TO AA	780	-	-
AA- To A	4,485,022	8,061,377	8,535,206
BBB+ To BB	1,595,103	1,798,693	2,007,097
UNRATED	817,710	589,210	1,634,476
Total	6,898,615	10,449,280	12,176,779
Derivatives Assets			
AA- To A	42	39,684	28,016
BBB+	-	28	32
UNRATED	3,074	3,114	4,843
Total	3,116	42,826	32,891
Government of Mauritius/Bank of Mauritius securities			
UNRATED	3,680,651	5,252,863	4,922,736
Investments securities			
AAA to A+	5,410,800	5,394,898	14,788,505
B+ to BBB-	3,044,262	1,292,363	588,995
UNRATED	189,716	463,938	1,963,240
Total	8,644,778	7,151,199	17,340,740

Notes to the Financial Statements

for the year ended 31 December 2022

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Loans and advances to Banks			
A to A-	1,109,304	613,859	1,187,507
BBB+ to B	2,396,638	745,401	596,974
UNRATED	1,641,243	1,976,985	198,991
Total	5,147,185	3,336,245	1,983,472
Loans and advances to customers			
AAA To A-	1,340,881	108,544	192,043
BBB- To B	-	1,431,188	2,900,027
UNRATED	18,839,384	15,934,817	15,564,524
Total	20,180,265	17,474,549	18,656,594
Other Assets			
UNRATED	1,314,093	1,259,106	1,338,351
Total	1,314,093	1,259,106	1,338,351
Off balance sheet ratings			
BBB- To B	-	130	150
UNRATED	2,387,488	920,559	1,262,014
Total	2,387,488	920,689	1,262,164

(c) Capital Structure

The Bank's objectives when managing capital are:

- to comply with the capital requirements set by the Bank of Mauritius,
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and
- to maintain a strong capital base to support the development of its business.

Details of Tier 1 capital, Tier 2 capital, total Risk Weighted Assets and capital adequacy ratio are given below:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Tier 1 Capital	3,426,008	3,438,753	3,003,979
Tier 2 Capital	1,494,027	1,636,492	1,775,301
Total Capital Base	4,920,035	5,075,245	4,779,280
Total Risk Weighted Assets	27,703,125	24,295,444	24,128,714
Capital Adequacy Ratio	17.76%	20.89%	19.81%

The minimum statutory capital adequacy ratio is fixed at 12.50%.

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Market risk

The Bank is exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risk arising from trading and non trading activities are concentrated in Bank Treasury and Market risk teams. Regular reports are submitted to the Management and the Board of Directors.

The Board of Directors approves the risk strategy, risk policies and prudential limits within which the operations are to be carried out.

Implementation of the policies and business strategies are delegated to Management and the Risk Management Unit.

(e) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign exchange risk as at 31 December 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	USD	EURO	GBP	OTHERS	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2022					
ASSETS					
Cash and cash equivalents	6,024,006	285,313	139,040	283,692	6,732,051
Derivative assets held for risk management	4	3,086	-	12	3,102
Loans and advances to Banks	4,393,096	299,219	-	454,870	5,147,185
Loans and advances to customers	2,519,646	4,075,439	550	-	6,595,635
Investment Securities	7,983,571	625,149	-	-	8,608,720
Other assets	137,375	33,329	7,651	566	178,921
Total assets	21,057,698	5,321,535	147,241	739,140	27,265,614
LIABILITIES					
Deposits	20,262,695	3,227,114	655,984	221,800	24,367,593
Derivative liabilities held for risk management	14	14,030	-	12,395	26,439
Other borrowed funds	1,597,044	-	-	-	1,597,044
Subordinated liabilities	-	394,999	-	-	394,999
Other liabilities	390,645	28,585	4,720	2,704	426,654
Total liabilities	22,250,398	3,664,728	660,704	236,899	26,812,729
Net on balance sheet position	(1,192,700)	1,656,807	(513,463)	502,241	452,885
Credit commitments undrawn	502,459	16,461	-	-	518,920

The effect of a reasonably possible movement of the currency rates, to which the Bank had significant exposures as at 31 December 2022, against the Rs, with all other variables held constant, on the profit or loss is as follows:

	Increase/(decrease) in profit or loss		
	USD	EURO	GBP
	Rs'000	Rs'000	Rs'000
+5% in currency rate	(59,635)	82,960	(25,673)
-5% in currency rate	59,635	(82,960)	25,673

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk (Cont'd)

	USD	EURO	GBP	OTHERS	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2021					
ASSETS					
Cash and cash equivalents	6,135,750	2,937,529	654,622	439,902	10,167,803
Derivative assets held for risk management	25,061	3,116	-	14,649	42,826
Loans and advances to Banks	3,339,038	-	-	-	3,339,038
Loans and advances to customers	2,808,069	3,225,484	606	-	6,034,159
Investment Securities	6,481,729	2,080	-	639,448	7,123,257
Other assets	151,914	34,529	9,325	1,241,325	1,437,093
	18,941,561	6,202,738	664,553	2,335,324	28,144,176
LIABILITIES					
Deposits	16,716,511	5,670,342	670,532	929,119	23,986,504
Derivative liabilities held for risk management	12	3,100	-	-	3,112
Other borrowed funds	2,055,978	-	-	-	2,055,978
Subordinated liabilities	-	502,528	-	-	502,528
Other liabilities	47,158	14,532	401	32,417	94,508
Total liabilities	18,819,659	6,190,502	670,933	961,536	26,642,630
Net on balance sheet position	121,902	12,236	(6,380)	1,373,788	1,501,546
Credit commitments undrawn	484,993	1,154,290	-	-	1,639,283

The effect of a reasonably possible movement of the currency rates, to which the Bank had significant exposures as at 31 December 2021, against the Rs, with all other variables held constant, on the profit or loss is as follows:

	Increase/(decrease) in profit or loss		
	USD	EURO	GBP
	Rs'000	Rs'000	Rs'000
+5% in currency rate	6,095	612	(319)
-5% in currency rate	(6,095)	(612)	319

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk (Cont'd)

	USD	EURO	GBP	OTHERS	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2020					
ASSETS					
Cash and cash equivalents	4,885,202	5,189,078	911,635	753,371	11,739,286
Derivative assets held for risk management	21	4,756	-	28,114	32,891
Loans and advances to Banks	1,983,472	-	-	-	1,983,472
Loans and advances to customers	5,441,644	3,413,909	554	-	8,856,107
Investment securities	16,360,284	1,929	-	951,313	17,313,526
Other assets	94,217	60,687	7,409	1,319,197	1,481,510
Total assets	28,764,840	8,670,359	919,598	3,051,995	41,406,792
LIABILITIES					
Deposits	23,063,686	8,134,369	919,143	2,139,179	34,256,377
Derivative liabilities held for risk management	21	3,742	2	8,145	11,910
Other borrowed funds	3,762,072	-	-	-	3,762,072
Subordinated liabilities	-	493,578	-	-	493,578
Other liabilities	10,059	17,266	563	14,747	42,635
Total liabilities	26,835,838	8,648,955	919,708	2,162,071	38,566,572
Net on balance sheet position	1,929,002	21,404	(110)	889,924	2,840,220
Credit commitments undrawn	708,813	61,505	-	-	770,318

The effect of a reasonably possible movement of the currency rates, to which the Bank had significant exposures as at 31 December 2021, against the Rs, with all other variables held constant, on the profit or loss is as follows:

	Increase/(decrease) in profit or loss		
	USD	EURO	GBP
	Rs'000	Rs'000	Rs'000
+5% in currency rate	96,450	1,070	(6)
-5% in currency rate	(96,450)	(1,070)	6

(f) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a project to manage the transition for any of its contracts that could be affected. The project is being led by senior representatives from functions across the Bank including the client facing teams, Legal, Finance, Operations and Technology. During 2021, the Bank has successfully completed the transition of a significant portion of its IBOR exposure to RFRs and has in place detailed plans, processes and procedures to support the transition of the remainder. Following the progress made during 2021, the Bank is confident that it has the operational capability to process the remaining transitions to RFRs for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023.

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Interest rate risk (Cont'd)

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

The Bank considers the main risks to which it is exposed as a result of IBOR reform as being mostly operational. Financial risk is predominantly limited to interest rate risk; which the Bank will continue addressing through the different channels in place.

The table below summarises the Bank's non-trading book fair value exposure to interest rate risks. It includes the Bank's financial instruments at carrying value categorised by the earlier of contractual maturity and date of repricing.

Interest Sensitivity of Assets and Liabilities- Repricing Gap Analysis

	Up to 1 mth	1-3 mths	3-6 mths	6-12 mths	1-3 Yrs	> 3 Yrs	Non Interest Bearing	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2022								
ASSETS								
Cash and cash equivalents	6,640,427	-	-	-	-	-	258,188	6,898,615
Derivative assets held for risk management	-	-	-	-	-	-	3,116	3,116
Loans and advances to Banks	-	5,147,185	-	-	-	-	-	5,147,185
Loans and advances to customers	1,111,874	15,557,886	486,537	108,341	1,411,524	923,887	580,216	20,180,265
Investment securities	-	2,313,032	1,170,669	1,174,262	6,264,591	-	-	10,922,555
Other assets	-	-	-	-	-	-	1,314,093	1,314,093
Total Assets	7,752,301	23,018,103	1,657,206	1,282,603	7,676,115	923,887	2,155,613	44,465,829
LIABILITIES								
Deposits	2,741,483	25,564,131	2,856,198	4,296,703	1,092,793	415,475	1,275,471	38,242,254
Derivative liabilities held for risk management	-	-	-	-	-	-	26,439	26,439
Other borrowed funds	299,036	-	-	-	-	990,243	-	1,289,279
Subordinated liabilities	1,414,503	-	-	-	732,257	785,904	-	2,932,664
Other liabilities	-	-	-	-	-	-	272,655	272,655
Total liabilities	4,455,022	25,564,131	2,856,198	4,296,703	1,825,050	2,191,622	1,574,565	42,763,291
Interest rate sensitivity gap	3,297,279	(2,546,028)	(1,198,992)	(3,014,100)	5,851,065	(1,267,735)	581,048	1,702,538

The impact on earnings of a 100bps movement in Rs and USD interest rates will amount to Rs 0.5 m and USD 0.9 m respectively.

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Interest rate risk (Cont'd)

Interest Sensitivity of Assets and Liabilities- Repricing Gap Analysis (cont'd)

At 31 December 2021

	Up to 1 mth	1-3 mths	3-6 mths	6-12 mths	1-3 Yrs	> 3 Yrs	Non Interest Bearing	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS								
Cash and cash equivalents	9,965,823	-	-	-	-	-	483,457	10,449,280
Derivative assets held for risk management	-	-	-	-	-	-	42,826	42,826
Loans and advances to Banks	-	3,336,245	-	-	-	-	-	3,336,245
Loans and advances to customers	584,217	13,378,764	681,957	104,846	1,444,110	580,124	700,531	17,474,549
Investment securities	-	8,000	113,959	1,020,938	3,501,000	5,677,063	-	10,320,960
Other assets	-	-	-	-	-	-	1,259,106	1,259,106
Total Assets	10,550,040	16,723,009	795,916	1,125,784	4,945,110	6,257,187	2,485,920	42,882,966
LIABILITIES								
Deposits	19,704,100	10,521,405	1,346,517	3,951,020	656,984	305,646	1,430,317	37,915,989
Derivative liabilities held for risk management	-	-	-	-	-	-	3,112	3,112
Other borrowed funds	-	-	-	-	-	2,055,978	-	2,055,978
Subordinated liabilities	-	-	-	298,772	-	1,097,772	-	1,396,544
Other liabilities	-	-	-	-	-	-	246,663	246,663
Total liabilities	19,704,100	10,521,405	1,346,517	4,249,792	656,984	3,459,396	1,680,092	41,618,286
Interest rate sensitivity gap	(9,154,060)	6,201,604	(550,601)	(3,124,008)	4,288,126	2,797,791	805,828	1,264,680

The impact on earnings of a 100bps movement in Rs and USD interest rates will amount to Rs 4.7 m and USD 0.5 m respectively.

	Up to 1 mth	1-3 mths	3-6 mths	6-12 mths	1-3 Yrs	> 3 Yrs	Non Interest Bearing	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2020								
ASSETS								
Cash and cash equivalents	11,530,872	-	-	-	-	-	645,907	12,176,779
Derivative assets held for risk management	-	-	-	-	-	-	32,891	32,891
Loans and advances to Banks	-	-	597,701	597,701	788,070	-	-	1,983,472
Loans and advances to customers	1,401,180	13,120,474	1,805,827	88,433	66,667	492,979	1,681,034	18,656,594
Investment securities	2,058,085	2,250,074	493,699	702,476	1,765,943	2,958,044	-	10,228,321
Other assets	-	-	-	-	-	-	1,338,351	1,338,351
Total Assets	14,990,137	15,370,548	2,897,227	1,388,610	2,620,680	3,451,023	3,698,183	44,416,408
LIABILITIES								
Deposits	30,018,108	10,792,675	998,484	2,984,193	1,850,363	326,600	1,080,069	48,050,492
Derivative liabilities held for risk management	-	-	-	-	-	-	13,041	13,041
Other borrowed funds	-	393,500	985,917	-	-	2,387,657	-	3,767,074
Subordinated liabilities	-	-	-	-	298,394	1,088,823	-	1,387,217
Other liabilities	-	-	-	-	-	-	213,809	213,809
Total liabilities	30,018,108	11,186,175	1,984,401	2,984,193	2,148,757	3,803,080	1,306,919	53,431,633
Interest rate sensitivity gap	(15,027,971)	4,184,373	912,826	(1,595,583)	471,923	(352,057)	2,391,264	(9,015,225)

The impact on earnings of a 100bps movement in Rs and USD interest rates will amount to Rs 3.42 m and USD 3.07 m respectively.

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (cont'd)

Derivative Cash Flows

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 Years	> 3 Years	Non Maturity Items	TOTAL
As at 31 December 2022								
Inflows	1,240,169	620,725	178,542	-	-	-	-	2,039,436
Outflows	1,249,007	629,748	178,837	-	-	-	-	2,057,592
As at 31 December 2021								
Inflows	1,049,203	848,174	118,163	-	-	-	-	2,015,540
Outflows	1,021,221	834,899	118,147	-	-	-	-	1,974,267
As at 31 December 2020								
Inflows	2,088,768	-	25,060	-	-	-	-	2,113,828
Outflows	2,068,467	-	24,331	-	-	-	-	2,092,798

(h) Financial Instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented at fair value compared to carrying amounts shown in the financial statement.

	Carrying value			Fair value		
	Dec-22	Dec-21	Dec-20	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets						
Cash and cash equivalents	6,898,615	10,449,280	12,176,779	6,898,615	10,449,280	12,176,779
Loans and advances	25,327,450	20,810,794	20,640,066	25,227,670	20,754,325	20,529,418
Investment securities	10,922,555	10,320,960	10,228,322	10,527,027	10,384,509	10,421,159
Other assets	1,314,093	1,259,106	1,338,351	1,314,093	1,259,106	1,338,351
Financial liabilities						
Deposits	38,242,254	37,915,989	48,050,492	38,231,109	37,896,203	48,040,135
Other borrowed funds	2,932,664	2,055,978	3,767,074	2,932,664	2,055,978	3,762,072
Subordinated liabilities	1,289,279	1,396,543	1,387,217	1,289,279	1,396,543	1,392,219
Other liabilities	272,655	246,663	213,809	272,655	246,663	213,809
Off-balance sheet						
Loan commitments	1,976,757	4,108,310	1,905,672	1,976,757	4,108,310	1,905,672
Other contingent liabilities	2,387,488	920,669	1,262,164	2,387,488	920,669	1,262,164

(i) Cash resources

The fair value of cash resources is equal to their carrying amount as these are for short terms only.

(ii) Loans and advances to Banks and to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. The fair value is calculated by applying the market rates to the fixed rate term loans.

(iii) Investment securities

Interest-bearing amortised cost investments include Treasury Notes whose fair values are based on market prices or broker/dealer price quotations. Financial assets classified as FVTOCI represent investment in Treasury Bills whose fair value are based on bid price and yield published by the Bank of Mauritius.

(iv) Deposits and subordinated liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and debt securities issued not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) Other financial assets and liabilities on the statement of financial position

The fair values of other assets, other borrowed funds, provisions and other liabilities at the reporting date approximate their fair values.

(vi) Off-balance sheet financial instruments

Guarantees, acceptances, loans commitments and other financial liabilities are shown at their fair values.

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level - 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
Level - 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the Over-The-Counter derivative contracts, traded loans, issued structured debt and other investment securities.
Level - 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The Bank's Level 2 instruments consists of Derivatives held for risk management and investment securities. The input used in the fair value of these instruments relates to Libor interest rate, as published by Reuters, and yield curve by the Government of Mauritius.

As at 31 December 2022, the Bank holds equity investments with significant unobservable components falling under the Level 3 fair value hierarchy. The equity investment has been fair valued based on the market approach. Derivatives held for risk management falling under category Level 2, uses Quoted prices using Reuters platform. Level 3 fair values of land and building have been derived using the services of a chartered valuer.

The hierarchy requires the use of observable market data when applicable.

At 31 December 2022

	Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Non-equity Investments				
Derivative assets held for risk management	-	3,116	-	3,116
Investment securities	-	1,366,817	-	1,366,817
Property and equipment	-	-	217,071	217,071
Equity Investments				
Investment securities	-	-	36,057	36,057
Total assets	-	1,369,933	253,128	1,623,061
Derivative liabilities held for risk management	-	26,439	-	26,439
Total liabilities	-	26,439	-	26,439

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy (Cont'd)

At 31 December 2021	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Non-equity Investments				
Derivative assets held for risk management	-	42,826	-	42,826
Investment securities	-	2,053,080	-	2,053,080
Property and equipment	-	-	227,253	227,253
Equity Investments				
Investment securities	-	-	30,021	30,021
Total assets	-	2,095,906	257,274	2,353,180
Derivative liabilities held for risk management	-	3,112	-	3,112
Total liabilities	-	3,112	-	3,112

At 31 December 2020	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Non-equity Investments				
Derivative assets held for risk management	-	32,891	-	32,891
Investment securities	-	12,005,170	-	12,005,170
Property and equipment	-	-	231,503	231,503
Equity Investments				
Investment securities	-	-	29,984	29,984
Total assets	-	12,038,061	261,487	12,299,548
Derivative liabilities held for risk management	-	13,041	-	13,041
Total liabilities	-	13,041	-	13,041

The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 3.

Financial instrument	Fair value		Rate	Relationship of unobservable inputs to fair value
	Rs000	Unobservable input		
FVTOCI investment: M Oriental Bank Ltd	29,854	Illiquidity discount	13%	A decrease of 5% in the discount rate from 20% to 25% would increase the fair value of the investment by Rs1.2m and an increase of 5% would decrease the fair value by Rs1.2m.
FVTOCI investment: SME Equity Fund (Mauritius) Ltd	3,801	Net asset	N/A	
FVTOCI investment: S.W.I.F.T SCRL	2,402	Net asset	N/A	

Reconciliation of level 3 fair value measurement

	Rs000
Balance as at 01 January 2020	276,124
Fair value	(14,637)
Balance as at 31 December 2020	261,487
Fair value	(4,213)
Balance as at 31 December 2021	257,274
Fair value	(4,146)
Balance as at 31 December 2022	253,128

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy (Cont'd)

Transfer between levels

No transfer arose between levels during the year.

Valuation process

The valuations of non-property items required for financial reporting purposes, including level 3 fair values are performed at Finance department led by the Chief Financial Officer (CFO).

(j) Financial instruments by category

At 31 December 2022

	Amortised cost	Financial assets at fair value through profit or loss	FVTOCI	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets				
Cash and cash equivalents	6,898,615	-	-	6,898,615
Derivative assets held for risk management	-	3,116	-	3,116
Loan and advances to Banks	5,147,185	-	-	5,147,185
Loan and advances to customers	20,180,265	-	-	20,180,265
Investment securities	10,922,555	-	1,402,874	12,325,429
Other assets	1,314,092	-	-	1,314,092
	44,462,712	3,116	1,402,874	45,868,702

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Rs'000	Rs'000	Rs'000
Deposits from customers	-	38,242,254	38,242,254
Derivative liabilities held for risk management	26,439	-	26,439
Other borrowed funds	-	2,932,664	2,932,664
Subordinated liabilities	-	1,289,279	1,289,279
Other liabilities	-	272,655	272,655
	26,439	42,736,852	42,763,291

At 31 December 2021

	Amortised cost	Financial assets at fair value through profit or loss	FVTOCI	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets				
Cash and cash equivalents	10,449,280	-	-	10,449,280
Derivative assets held for risk management	-	42,826	-	42,826
Loan and advances to Banks	3,336,245	-	-	3,336,245
Loan and advances to customers	17,474,549	-	-	17,474,549
Investment securities	10,320,960	-	2,083,101	12,404,061
Other assets	1,259,106	-	-	1,259,106
	42,840,140	42,826	2,083,101	44,966,067

Notes to the Financial Statements

for the year ended 31 December 2022

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(j) Financial instruments by category (Cont'd)

At 31 December 2021 (Cont'd)

	Financial liabilities at fair value profit or loss	Financial liabilities at amortised cost	Total
	Rs'000	Rs'000	Rs'000
Financial liabilities			
Deposits from customers	-	37,915,989	37,915,989
Derivative liabilities held for risk management	3,112	-	3,112
Other borrowed funds	-	2,055,978	2,055,978
Subordinated liabilities	-	1,396,543	1,396,543
Other liabilities	-	246,663	246,663
	3,112	41,615,173	41,618,285

At 31 December 2020

	Amortised cost	Financial assets at Value through profit or loss	FVTOCI	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets				
Cash and cash equivalents	12,176,779	-	-	12,176,779
Derivative assets held for risk management	-	32,891	-	32,891
Loan and advances to Banks	1,983,472	-	-	1,983,472
Loan and advances to customers	18,656,594	-	-	18,656,594
Investment securities	10,228,322	-	12,035,154	22,263,476
Other assets	1,338,351	-	-	1,338,351
	44,383,518	32,891	12,035,154	56,451,563

	Financial liabilities at fair value profit or loss	Financial liabilities at amortised cost	Total
	Rs'000	Rs'000	Rs'000
Financial liabilities			
Deposits from customers	-	48,050,492	48,050,492
Derivative liabilities held for risk management	13,041	-	13,041
Other borrowed funds	-	3,767,074	3,767,074
Subordinated liabilities	-	1,387,217	1,387,217
Other liabilities	-	213,809	213,809
	13,041	53,418,592	53,431,633

Notes to the Financial Statements

for the year ended 31 December 2022

3. NET INTEREST INCOME

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Interest income			
Loans and advances to Banks	148,356	127,979	127,077
Loans and advances to customers	840,929	779,104	1,062,691
Investments securities	233,277	229,695	253,970
Cash and cash equivalents and placements	170,659	18,565	43,285
Total interest income calculated using the effective interest method	1,393,221	1,155,343	1,487,023
Interest expense			
Deposits from customers	(235,303)	(197,183)	(367,867)
Borrowings from Banks	(75,274)	(52,074)	(117,862)
Subordinated liabilities	(81,930)	(86,879)	(69,780)
Lease liabilities	(6,900)	(4,200)	(4,335)
Total interest expense	(399,407)	(340,336)	(559,844)
Net interest income	993,814	815,007	927,179
(a) Segment A			
Interest income			
Loans and advances to customers	551,486	654,652	748,835
Investments securities	113,748	121,334	139,098
Cash and cash equivalents and placements	-	190	4,561
Total interest income calculated using the effective interest method	665,234	776,176	892,494
Interest expense			
Deposits from customers	(136,279)	(122,411)	(242,231)
Borrowings from Banks	(6,268)	(4,285)	(1,500)
Subordinated liabilities	(50,274)	(48,603)	(35,606)
Lease liabilities	(6,900)	(4,200)	(4,335)
Total interest expense	(199,721)	(179,499)	(283,672)
Net interest income	465,513	596,677	608,822
(b) Segment B			
Interest income			
Loans and advances to Banks	148,356	127,979	127,077
Loans and advances to customers	289,443	124,452	313,856
Investments securities	119,529	108,361	114,872
Cash and cash equivalents and placements	170,659	18,375	38,724
Total interest income calculated using the effective interest method	727,987	379,167	594,529
Interest expense			
Deposits from customers	(99,024)	(74,772)	(125,636)
Borrowings from Banks	(69,006)	(47,789)	(116,362)
Subordinated liabilities	(31,656)	(38,276)	(34,174)
Total interest expense	(199,686)	(160,837)	(276,172)
Net interest income	528,301	218,330	318,357

Notes to the Financial Statements

for the year ended 31 December 2022

3. NET INTEREST INCOME (Continued)

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents and placements	170,659	18,565	43,285
Loans and advances to banks	148,356	127,979	127,077
Loans and advances to customers	825,787	763,735	1,043,477
Investments securities	197,573	185,752	195,548
Lease receivables	15,142	15,368	19,214
Recognised on financial assets measured at FVTOCI			
Investment securities	35,704	43,944	58,422
Total interest income calculated using the effective interest method	1,393,221	1,155,343	1,487,023
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	(235,303)	(197,183)	(367,867)
Interest expense on lease liabilities	(6,900)	(4,200)	(4,335)
Borrowings from Banks	(75,274)	(52,074)	(117,862)
Subordinated liabilities	(81,930)	(86,879)	(69,780)
Total interest expense	(399,407)	(340,336)	(559,844)
Net interest income	993,814	815,007	927,179
Segment A			
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents and placements	-	190	4,561
Loans and advances to customers	536,344	639,284	729,621
Investments securities	78,044	77,391	84,959
Lease receivables	15,142	15,368	19,214
Recognised on financial assets measured at FVTOCI			
Investment securities	35,704	43,943	54,139
Total interest income calculated using the effective interest method	665,234	776,176	892,494
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	(136,279)	(122,411)	(242,231)
Interest expense on lease liabilities	(6,900)	(4,200)	(4,335)
Borrowings from Banks	(6,268)	(4,285)	(1,500)
Subordinated liabilities	(50,274)	(48,603)	(35,606)
Total interest expense	(199,721)	(179,499)	(283,672)
Net interest income	465,513	596,677	608,822
Segment B			
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents and placements	170,659	18,375	38,724
Loans and advances to banks	148,356	127,979	127,077
Loans and advances to customers	289,443	124,452	313,856
Investments securities	119,529	108,361	110,589
Recognised on financial assets measured at FVTOCI			
Investment securities	-	-	4,283
Total interest income calculated using the effective interest method	727,987	379,167	594,529
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	(99,024)	(74,772)	(125,636)
Borrowings from Banks	(69,006)	(47,789)	(116,362)
Subordinated liabilities	(31,656)	(38,276)	(34,174)
Total interest expense	(199,686)	(160,837)	(276,172)
Net interest income	528,301	218,330	318,357

Notes to the Financial Statements

for the year ended 31 December 2022

4. NET FEE AND COMMISSION INCOME

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Fee and commission income			
Retail Banking customer fees	14,207	14,691	17,175
Corporate Banking credit related fees	23,759	31,544	25,493
International Banking customer fees	268,891	266,371	143,519
Guarantees	17,388	8,382	12,416
Credit cards and e-commerce related fees	16,537	207,433	410,578
Others	116,269	79,490	79,932
Total fee and commission income	457,051	607,911	689,113
Fee and commission expense			
InterBank transaction fees	(18,679)	(19,844)	(18,726)
Credit cards and e-commerce related fees	(29,713)	(239,195)	(399,646)
Others	(79,258)	(70,594)	(78,877)
Total fee and commission expense	(127,650)	(329,633)	(497,249)
Net fee and commission income	329,401	278,278	191,864
(a) Segment A			
Fee and commission income			
Retail Banking customer fees	14,207	14,691	17,175
Corporate Banking credit related fees	23,759	31,544	25,493
Guarantees	7,335	4,968	6,324
Credit cards	16,517	17,340	19,948
Others	45,422	46,963	42,982
Total fee and commission income	107,240	115,506	111,922
Fee and commission expense			
InterBank transaction fees	(4,120)	(2,136)	(3,067)
Credit cards	(14,721)	(9,635)	(11,850)
Others	(36,342)	(31,688)	(68,498)
Total fee and commission expense	(55,183)	(43,459)	(83,415)
Net fee and commission income	52,057	72,047	28,507
(b) Segment B			
Fee and commission income			
International Banking customer fees	268,891	266,371	143,519
Guarantees	10,053	3,414	6,092
Credit cards and e-commerce related fees	20	190,093	390,630
Others	70,847	32,527	36,950
Total fee and commission income	349,811	492,405	577,191
Fee and commission expense			
InterBank transaction fees	(14,559)	(17,708)	(15,659)
Credit cards and e-commerce related fees	(14,992)	(229,560)	(387,796)
Others	(42,916)	(38,906)	(10,379)
Total fee and commission expense	(72,467)	(286,174)	(413,834)
Net fee and commission income	277,344	206,231	163,357

Notes to the Financial Statements

for the year ended 31 December 2022

5. NET GAIN ON DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Profit arising from dealing in foreign currencies	202,070	124,677	139,782
Net (loss)/gain from derivatives	(23,323)	39,714	19,849
	178,747	164,391	159,631
(a) Segment A			
Profit arising from dealing in foreign currencies	84,192	53,750	56,066
Net gain/(loss) from derivatives	2,219	-	3,712
	86,411	53,750	59,778
(b) Segment B			
Profit arising from dealing in foreign currencies	117,878	70,927	83,716
Net gain/(loss) from derivatives	(25,542)	39,714	16,137
	92,336	110,641	99,853

6. OTHER OPERATING INCOME

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
(Loss)/gain on disposal/scrap of property and equipment	82	245	402
Others	1,664	28,808	-
	1,746	29,053	402
(a) Segment A			
(Loss)/gain on disposal/scrap of property and equipment	82	245	402
Others	1,664	-	-
	1,746	245	402
(b) Segment B			
Others	-	28,808	-

7. NET IMPAIRMENT REVERSAL/(LOSS) ON FINANCIAL ASSETS

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Impairment loss for the year	(165,299)	(193,358)	(1,210,941)
Bad debts written off for which no provisions were made	(43)	(1,817)	(3,205)
Provisions released during the year	175,886	254,740	134,775
Recoveries of advances written off	22,932	12,234	5,712
Net impairment reversal/(loss) on financial assets	33,476	71,799	(1,073,659)
(a) SEGMENT A			
Impairment loss for the year	(109,309)	(102,549)	(309,204)
Bad debts written off for which no provisions were made	(43)	(1,817)	(3,205)
Provisions released during the year	167,253	141,832	99,302
Recoveries of advances written off	9,750	12,234	5,712
Net impairment reversal/(loss) on financial assets	67,651	49,700	(207,395)

Notes to the Financial Statements

for the year ended 31 December 2022

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS (CONT'D)

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
(b) SEGMENT B			
Impairment loss for the year	(55,990)	(90,809)	(901,737)
Provisions released during the year	8,633	112,908	35,473
Recoveries of advances written off	13,182	-	-
Net impairment reversal/(loss) on financial assets	(34,175)	22,099	(866,264)

8. PERSONNEL EXPENSES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Wages and salaries	(404,885)	(345,672)	(299,880)
Compulsory social security obligations	(24,130)	(20,333)	(14,083)
Funded pension costs (note 28)	(10,427)	(11,361)	(10,545)
Unfunded pension costs (note 28)	(4,959)	(5,264)	(6,722)
Defined contribution plan	(28,958)	(25,629)	(23,974)
Other personnel expenses	(143,992)	(148,800)	(92,616)
	(617,351)	(557,059)	(447,820)
(a) Segment A			
Wages and salaries	(285,657)	(245,076)	(207,774)
Compulsory social security obligations	(16,563)	(14,245)	(10,347)
Funded pension costs	(8,714)	(8,294)	(9,166)
Unfunded pension costs	(3,525)	(3,843)	(4,974)
Defined contribution plan	(21,003)	(18,709)	(17,694)
Other personnel expenses	(103,421)	(115,033)	(81,413)
	(438,883)	(405,200)	(331,368)
(b) Segment B			
Wages and salaries	(119,228)	(100,596)	(92,106)
Compulsory social security obligations	(7,567)	(6,088)	(3,736)
Funded pension costs	(1,714)	(3,067)	(1,379)
Unfunded pension costs	(1,434)	(1,421)	(1,748)
Defined contribution plan	(7,955)	(6,920)	(6,280)
Other personnel expenses	(40,570)	(33,767)	(11,203)
	(178,468)	(151,859)	(116,452)

9. OTHER EXPENSES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Software licensing and other information technology cost	(142,884)	(142,433)	(107,044)
Premises related expenses	(62,753)	(52,747)	(66,371)
Legal and professional expenses	(22,273)	(46,228)	(19,153)
Others	(62,563)	(54,958)	(56,416)
	(290,473)	(296,366)	(248,984)
(a) Segment A			
Software licensing and other information technology cost	(121,040)	(123,500)	(92,503)
Premises related expenses	(46,165)	(41,672)	(55,669)
Legal and professional expenses	(4,758)	(24,103)	(10,858)
Others	(41,103)	(31,753)	(31,644)
	(213,066)	(221,028)	(190,674)

Notes to the Financial Statements

for the year ended 31 December 2022

9. OTHER EXPENSES (CONT'D)

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
(b) Segment B			
Software licensing and other information technology cost	(21,844)	(18,933)	(14,541)
Premises related expenses	(16,588)	(11,075)	(10,702)
Legal and professional expenses	(17,515)	(22,125)	(8,295)
Others	(21,460)	(23,205)	(24,772)
	(77,407)	(75,338)	(58,310)

10. INCOME TAX EXPENSE

Income tax includes the tax calculated on the chargeable income of the Bank, Corporate Social Responsibility ("CSR") and Special Levy. The levy for is capped at 1.5 times of the levy payable for the year of assessment 2017-2018. No levy shall be paid for an accounting period where a bank incurred a loss in the accounting period.

As from 01 January 2020, the applicable tax rate based on the new tax regime is charged at 5% on taxable income up to Rs 1.5 billion.

The Bank is required to allocate 2% of its chargeable income under Segment A ('Resident') of the preceding financial year to Government-approved CSR projects. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Mauritius Revenue Authority at the time of submission of the income tax return on the year under review.

The Bank has been subject to tax review for the years of assessment 2018 to 2019 and the tax assessment has been completed with the regulators. The Bank has successfully challenged the initial amount claimed and finally closed with a mutual settlement amounting to Rs 7.6 million in 2022.

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
(a) Current tax expense			
Tax expense (including Special levy and CSR)	33,566	57,087	2,731
(b) Deferred tax expense/(credit)			
Originated and reversal of temporary differences (Note 20)	8,179	51,955	(42,550)
	41,745	109,042	(39,819)
(c) Reconciliation of effective tax rate			
Profit/(loss) before income tax	535,570	522,466	(531,544)
Taxed at 5% (2021 and 2020: 5%)	26,778	26,123	(26,577)
Non-deductible expenses	414	466	677
Income not subject to tax	(1,147)	(612)	(286)
Special levy on Banks	9,624	7,693	(30,873)
Corporate social responsibility fund	2,410	3,369	2,045
Other permanent differences, including write-off of loans	1,556	43,746	15,059
Differences in rates	2,110	28,257	136
Total income tax in statement of profit or loss	41,745	109,042	(39,819)
Segment A			
Current tax expense			
Tax expense/(credit) (including Special levy and CSR)	12,075	39,280	(19,305)
Deferred tax expense			
Originated and reversal of temporary differences	10,505	7,153	(13,689)

Notes to the Financial Statements

for the year ended 31 December 2022

10. INCOME TAX EXPENSE (CONT'D)

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Segment B			
Current tax expense			
Current year	21,491	17,807	22,036
Deferred tax credit			
Originated and reversal of temporary differences	(2,326)	44,802	(28,861)
	19,165	62,609	(6,825)
11. EARNINGS PER SHARE			
Profit/(loss) for the year (Rs'000)	493,825	413,424	(491,725)
Weighted average number of ordinary shares	14,564,560	14,564,560	12,814,560
Earnings/(loss) per share (Rs.)	33.91	28.39	(38.37)

12. CASH AND CASH EQUIVALENTS

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Cash in hand	137,132	118,967	159,626
Foreign currency notes and coins	29,135	39,236	33,391
Unrestricted balances with central Banks	77,900	311,987	431,018
Balance due in clearing	14,021	13,267	21,872
Money market placements	3,859,470	3,598,830	2,912,723
Balances with Banks abroad	2,785,146	6,373,457	8,622,567
	6,902,804	10,455,744	12,181,197
Less: allowance for expected credit loss	(4,189)	(6,464)	(4,418)
	6,898,615	10,449,280	12,176,779
Current	6,898,615	10,449,280	12,176,779
Segment A			
Cash in hand	137,132	118,967	159,626
Foreign currency notes and coins	29,135	39,236	33,391
Unrestricted balances with central Banks	77,900	311,987	431,018
Balance due in clearing	14,021	13,267	21,872
	258,188	483,457	645,907
Segment B			
Money market placements	3,859,470	3,598,830	2,912,723
Balance with Banks abroad	2,785,146	6,373,457	8,622,567
	6,644,616	9,972,287	11,535,290
Less: allowance for expected credit loss	(4,189)	(6,464)	(4,418)
	6,640,427	9,965,823	11,530,872

Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flows from financing activities.

Notes to the Financial Statements

for the year ended 31 December 2022

12. CASH AND CASH EQUIVALENTS (CONT'D)

Reconciliation of liabilities arising from financing activities (Cont'd)

	Balance as at 01 January 2022	Financing cash flows (i)	Non-cash changes		Balance as at 31 December 2022
			New R-O-U	Other Changes (ii)	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Other borrowed funds	2,055,978	869,454	-	7,232	2,932,664
Subordinated liabilities	1,396,543	(104,806)	-	(2,458)	1,289,279
Lease liabilities	96,615	(19,898)	-	7,900	84,617
	3,549,136	744,750	-	12,674	4,306,560

	Balance as at 01 January 2021	Financing cash flows (i)	Non-cash changes		Balance as at 31 December 2021
			New R-O-U	Other Changes (ii)	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Other borrowed funds	3,767,074	(1,711,917)	-	821	2,055,978
Subordinated liabilities	1,387,217	-	-	9,326	1,396,543
Lease liabilities	48,074	(8,083)	56,493	131	96,615
	5,202,365	(1,720,000)	56,493	10,278	3,549,136

	Balance as at 01 January 2020	Financing cash flows (i)	Non-cash changes		Balance as at 31 December 2020
			New R-O-U	Other Changes (ii)	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Other borrowed funds	2,449,494	1,119,627	-	197,953	3,767,074
Subordinated liabilities	713,831	595,000	-	78,386	1,387,217
Lease liabilities	57,723	(6,962)	1,983	(4,670)	48,074
	3,221,048	1,707,665	1,983	271,669	5,202,365

(i) The cash flows from rights of use, subordinated and other borrowed funds make up the net amount of proceeds from borrowings and repayments against borrowings in the statement of cash flows under financing activities.

(ii) Other changes include interest accruals, exchange gains or losses, amortisation and interest payments.

13. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

	Contractual/ Nominal Amount	Assets Fair Value	Liabilities Fair Value
	Rs'000	Rs'000	Rs'000
As at 31 December 2022			
Currency forwards	155,412	1,059	933
Currency Swaps	1,895,918	2,057	25,506
	2,051,330	3,116	26,439
Segment A	115,625	3,041	818
Segment B	1,935,705	75	25,621
Current	2,051,330	3,116	26,439
As at 31 December 2021			
Currency forwards	559,113	3,153	3,112
Currency Swaps	1,456,426	39,673	-
	2,015,539	42,826	3,112
Segment B	2,015,539	42,826	3,112
Current	2,015,539	42,826	3,112

Notes to the Financial Statements

for the year ended 31 December 2022

13. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT (CONT'D)

	Contractual/ Nominal Amount	Assets Fair Value	Liabilities Fair Value
	Rs'000	Rs'000	Rs'000
As at 31 December 2020			
Currency forwards	173,199	4,798	3,765
Currency Swaps	1,940,629	28,093	9,276
	2,113,828	32,891	13,041
Segment A	607,451	4,844	1,131
Segment B	1,506,377	28,047	11,910
Current	2,113,828	32,891	13,041

14. LOANS AND ADVANCES TO BANKS

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
In and outside Mauritius	5,150,285	3,339,038	1,985,889
Less: allowance for expected credit loss	(3,100)	(2,793)	(2,417)
	5,147,185	3,336,245	1,983,472
Current	4,481,670	2,685,635	1,187,661
Non Current	665,515	650,610	795,811
	5,147,185	3,336,245	1,983,472
(i) Segment A			
In Mauritius	-	-	597,701
Less: allowance for expected credit loss	-	-	(638)
	-	-	597,063
Segment B			
Outside Mauritius	5,150,285	3,339,038	1,388,188
Less: allowance for expected credit loss	(3,100)	(2,793)	(1,779)
	5,147,185	3,336,245	1,386,409
(ii) Remaining term to maturity			
Up to 3 months	2,030,554	493,693	-
Over 3 months and up to 6 months	887,888	1,579,817	597,701
Over 6 months and up to 12 months	1,565,927	614,373	597,701
Over 1 year and up to 5 years	665,916	651,155	790,487
	5,150,285	3,339,038	1,985,889

(iii) Allowance for expected credit loss

	Stage 3 ECL	Stage 1 & 2 ECL	Total
	Rs'000	Rs'000	Rs'000
Balance as at 01 January 2020	-	4,306	4,306
Provision reversed during the year	-	(1,889)	(1,889)
Balance as at 31 December 2020	-	2,417	2,417
Provision during the year	-	376	376
Balance as at 31 December 2021	-	2,793	2,793
Provision reversed during the year	-	307	307
Balance as at 31 December 2022	-	3,100	3,100

Notes to the Financial Statements

for the year ended 31 December 2022

15. LOANS AND ADVANCES TO CUSTOMERS

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Retail customers			
- Credit cards	51,466	69,831	68,331
- Mortgages	6,790,438	4,247,861	3,260,562
- Other retail loans	2,925,435	3,416,474	3,664,718
Corporate customers	8,493,149	8,396,108	9,226,746
Entities outside Mauritius	2,660,897	2,204,690	4,340,936
	20,921,385	18,334,964	20,561,293
Less: allowance for credit impairment	(741,120)	(860,415)	(1,904,699)
	20,180,265	17,474,549	18,656,594
Current	4,095,251	4,000,668	4,252,014
Non current	16,085,014	13,473,881	14,404,580
	20,180,265	17,474,549	18,656,594
Net finance lease receivables included in loans and advances to customers	272,322	277,907	350,278

(a) Segment A

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Retail customers			
- Credit cards	51,466	69,831	68,331
- Mortgages	6,673,828	4,184,021	3,182,708
- Other retail loans	2,790,805	3,218,502	3,429,825
Corporate customers	6,993,223	7,737,337	8,688,700
	16,509,322	15,209,691	15,369,564
Less allowance for credit impairment	(421,059)	(601,000)	(798,403)
	16,088,263	14,608,691	14,571,161

(b) Segment B

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Retail customers			
- Mortgages	116,610	63,840	77,854
- Other retail loans	134,630	197,972	234,893
Corporate customers	1,499,926	658,771	538,046
Entities outside Mauritius	2,660,897	2,204,690	4,340,936
	4,412,063	3,125,273	5,191,729
Less allowance for expected credit loss	(320,061)	(259,415)	(1,106,296)
	4,092,002	2,865,858	4,085,433

(c) Remaining term to maturity

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Up to 3 months	2,675,544	2,394,187	3,156,547
Over 3 months and up to 6 months	634,106	755,917	434,719
Over 6 months and up to 12 months	830,826	914,449	747,815
Over 1 year and up to 5 years	6,095,471	6,265,096	9,398,284
Over 5 years	10,685,438	8,005,315	6,823,928
	20,921,385	18,334,964	20,561,293

Notes to the Financial Statements

for the year ended 31 December 2022

15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(d) Credit concentration of risk by industry sectors

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Agriculture and fishing	256,326	425,388	636,497
Manufacturing	314,594	36,187	53,950
of which Export Processing Zone License holders	19,619	21,441	13,656
Tourism	1,384,047	1,682,526	2,168,547
Transport	672,359	590,454	438,111
Construction	8,657,635	6,404,451	5,795,945
of which Residential Mortgages	6,790,438	4,247,862	3,263,335
other constructions	1,867,197	2,156,589	2,532,610
Financial and business services	1,989,706	2,588,138	3,287,914
Traders	2,816,970	3,493,100	2,922,517
Personal	1,815,888	1,653,738	1,701,194
of which credit cards	51,466	69,831	68,331
Professional	11,163	14,433	12,979
Global business license holders	1,054,997	672,979	553,567
Others	1,947,700	773,570	2,990,072
of which credit central government	1,355,644	512,881	1,246,431
	20,921,385	18,334,964	20,561,293

(i) Segment A

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Agriculture and Fishing	256,326	423,979	629,300
Manufacturing	49,519	36,187	53,950
of which Export Processing Zone License holders	19,619	21,441	13,656
Tourism	1,384,047	1,637,355	2,021,086
Transport	417,912	355,752	367,281
Construction	8,485,689	6,217,553	5,521,876
of which Residential Mortgages	6,673,828	4,184,022	3,182,708
other constructions	1,811,861	2,033,531	2,339,168
Financial and business services	1,018,297	1,530,250	2,463,032
Traders	2,607,289	3,121,422	2,405,465
Personal	1,739,049	1,612,071	1,577,454
of which credit cards	51,466	69,831	68,331
Professional	11,163	14,433	12,979
Others	540,031	260,689	317,141
	16,509,322	15,209,691	15,369,564

(ii) Segment B

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Agriculture and Fishing	-	1,409	7,197
Manufacturing	265,075	-	-
of which Export Processing Zone License holders	-	-	-
Tourism	-	45,171	147,461
Transport	254,447	234,702	70,830
Construction	171,946	186,898	274,069
of which Residential Mortgages	116,610	63,840	80,627
other constructions	55,336	123,058	193,442
Financial and business services	971,409	1,057,888	824,882
Traders	209,681	371,678	517,052
Personal	76,839	41,667	123,740
Global business license holders	1,054,997	672,979	553,567
Others	1,407,669	512,881	2,672,931
of which credit central government	1,355,644	512,881	1,958,656
	4,412,063	3,125,273	5,191,729

Notes to the Financial Statements

for the year ended 31 December 2022

15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(d) Credit concentration of risk by industry sectors (Cont'd)

Others include the following sectors: Media, Entertainment and Recreational Activities, Education, Modernisation and Expansion Enterprise Certificate Holders, Health Development Certificate Holders, Public Non financial Corporations, State and Local Government, Infrastructure, ICT, Freeport certificate holders and others.

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Off balance sheet by industry sector			
Agriculture and Fishing	100,390	4,326	493
Manufacturing	224,338	386,973	265,326
Tourism	18,682	24,531	109,596
Transport	9,984	246,962	1,918
Construction	1,215,331	1,414,746	588,467
Financial and business services	509,370	291,836	681,072
Traders	488,300	905,677	757,340
Personal	316,792	643,952	248,214
Global business license holders	1,183,135	164,157	331,571
Others	297,923	945,839	183,839
	4,364,245	5,028,999	3,167,836

(e) Allowance for expected credit loss

	Specific allowances for impairment Stage 3 ECL	Portfolio for allowances impairment Stage 1 and 2 ECL	Total
	Rs'000	Rs'000	Rs'000
Balance as at 1 January 2020	912,583	241,949	1,154,532
Provision for credit impairment for the year	1,082,315	159,216	1,241,531
Loans written off out of allowance	(328,770)	-	(328,770)
Provisions released	(134,775)	(27,819)	(162,594)
Balance as at 31 December 2020	1,531,353	373,346	1,904,699
Provision for credit impairment for the year	224,426	47,747	272,173
Loans written off out of allowance	(1,048,799)	-	(1,048,799)
Provisions released	(123,737)	(143,921)	(267,658)
Balance as at 31 December 2021	583,243	277,172	860,415
Provision for credit impairment for the year	160,525	55,751	216,276
Loans written off out of allowance	(154,214)	-	(154,214)
Provisions released	(70,611)	(110,746)	(181,357)
Balance as at 31 December 2022	518,943	222,177	741,120

(f) Allowance for credit impairment

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Retail customers			
- Credit cards	5,841	6,540	4,730
- Mortgages	51,441	33,802	69,817
- Other retail loans	88,697	119,716	202,124
Corporate customers	278,695	609,622	637,572
Entities outside Mauritius	316,446	90,735	990,456
	741,120	860,415	1,904,699

Notes to the Financial Statements

for the year ended 31 December 2022

15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(f) Allowance for credit impairment (Cont'd)

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Segment A			
Retail customers			
- Credit cards	5,841	6,540	4,730
- Mortgages	51,032	33,800	66,739
- Other retail loans	86,465	115,535	200,135
Corporate customers	277,721	445,125	526,799
	421,059	601,000	798,403
Segment B			
Retail customers			
- Mortgages	409	2	3,078
- Other retail loans	2,232	4,181	1,989
Corporate customers	974	164,497	4,257
Entities outside Mauritius	316,446	90,735	1,096,972
	320,061	259,415	1,106,296

(g) Investment in finance leases

The amount of investments in finance leases included in the loans and advances to customers.

	Up to 1 Year	Between 1 - 2 years	Between 2 - 3 years	Between 3 - 4 years	Between 4 - 5 years	Over 5 years	Dec-22 Total	Dec-21 Total	Dec-20 Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Gross investment in finance leases	5,171	85,830	76,270	75,940	134,563	228,553	606,327	607,800	677,663
Unearned finance income	(4,943)	(75,009)	(55,646)	(49,886)	(70,995)	(74,775)	(331,254)	(327,086)	(323,847)
Present value of minimum lease payments	228	10,821	20,624	26,054	63,568	153,778	275,073	280,714	353,816
Allowance for impairment	(2)	(108)	(206)	(261)	(636)	(1,538)	(2,751)	(2,807)	(3,538)
	226	10,713	20,418	25,793	62,932	152,240	272,322	277,907	350,278

Under finance lease, all the risks and rewards of ownership of the asset are transferred to the lessee. The term of the lease contract generally ranges from five to seven years. All finance lease receivables are secured over the asset leased and in some cases additional guarantees are taken from the lessee.

Amount due from lessees under finance leases are recorded under loans and advances. Finance lease income is allocated to the accounting period so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Notes to the Financial Statements

for the year ended 31 December 2022

15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(h) Allowance for expected credit loss by industry sectors

	Dec-22					Dec-21	Dec-20
	Gross amount of loans	Impaired loans	Stage 3 ECL	Stage 1 & 2 ECL	Total ECL	Total ECL	Total ECL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Agriculture and fishing	256,326	-	-	2,403	2,403	7,151	13,359
Manufacturing	314,594	1,700	789	4,510	5,299	1,232	1,542
<i>of which Export Processing Zone License holders</i>	19,619	-	-	4,046	4,046	-	-
Tourism	1,384,047	716	716	12,973	13,689	32,563	111,304
Transport	672,359	262,184	259,876	7,801	267,677	249,968	14,851
Construction	8,657,635	133,481	82,984	82,161	165,145	205,350	330,461
<i>of which Residential Mortgages</i>	6,790,438	79,637	29,355	64,333	93,688	104,438	103,901
<i>Other constructions</i>	1,867,197	53,844	53,629	17,827	71,456	100,912	226,557
Financial and business services	1,989,706	715	715	24,371	25,086	34,184	59,935
Traders	2,816,970	119,054	116,372	27,639	144,011	222,603	202,086
Personal	1,815,888	59,132	54,460	17,564	72,024	90,209	73,614
<i>of which credit cards</i>	51,466	4,281	2,836	574	3,410	4,912	4,026
Professional	11,163	-	-	105	105	242	269
Global business license holders	1,054,997	-	-	16,103	16,103	4,745	125,073
Others	1,947,700	3,232	3,031	26,547	29,578	12,168	972,205
	20,921,385	580,214	518,943	222,177	741,120	860,415	1,904,699

Notes to the Financial Statements

for the year ended 31 December 2022

	Dec-22					Dec-21	Dec-20
	Gross amount of loans	Impaired loans	Stage 3 ECL	Stage 1 & 2 ECL	Total ECL	Total ECL	Total ECL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Segment A							
Agriculture and Fishing	256,326	-	-	2,403	2,403	7,130	13,050
Manufacturing	49,519	1,700	789	464	1,253	1,232	1,542
<i>of which Export Processing Zone License holders</i>	19,619	-	-	-	-	-	-
Tourism	1,384,047	716	716	12,973	13,689	32,245	109,829
Transport	417,912	10,190	7,884	3,917	11,801	13,611	14,143
Construction	8,485,689	130,016	82,954	79,536	162,490	204,030	325,301
<i>of which Residential Mortgages</i>	6,673,828	76,172	29,325	62,553	91,878	103,986	100,676
<i>Other constructions</i>	1,811,861	53,844	53,629	16,982	70,611	100,044	224,623
Financial and Business Services	1,018,297	715	715	9,544	10,259	26,726	51,688
Traders	2,607,289	118,361	115,679	24,438	140,117	217,316	196,916
Personal	1,739,049	59,132	54,460	16,391	70,851	89,915	72,377
<i>of which credit cards</i>	51,466	4,281	2,836	574	3,410	4,912	4,026
Professional	11,163	-	-	105	105	242	269
Others	540,031	3,232	3,031	5,061	8,092	8,553	13,288
	16,509,322	324,062	266,228	154,832	421,060	601,000	798,403
Segment B							
Agriculture and fishing	-	-	-	-	-	21	309
Manufacturing	265,075	-	-	4,046	4,046	-	-
<i>of which Export Processing Zone License holders</i>	-	-	-	4,046	4,046	-	-
Tourism	-	-	-	-	-	318	1,475
Transport	254,447	251,994	251,992	3,884	255,876	236,357	708
Construction	171,946	3,465	30	2,625	2,655	1,320	5,160
<i>of which Residential Mortgages</i>	116,610	3,465	30	1,780	1,810	452	3,225
<i>Other constructions</i>	55,336	-	-	845	845	868	1,934
Financial and Business Services	971,409	-	-	14,827	14,827	7,458	8,247
Traders	209,681	693	693	3,201	3,894	5,287	5,170
Personal	76,839	-	-	1,173	1,173	294	1,237
Global business license holders	1,054,997	-	-	16,103	16,103	4,745	125,073
Central government	1,355,644	-	-	-	-	-	-
Others	1,407,669	-	-	21,486	21,486	3,615	958,917
	4,412,063	256,152	252,715	67,345	320,060	259,415	1,106,296

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16. INVESTMENT SECURITIES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Investment securities at fair value through OCI	1,402,874	2,083,101	12,035,154
Investment securities at amortised cost	10,937,676	10,339,563	10,239,400
	12,340,550	12,422,664	22,274,554
Less: Allowance for expected loss	(15,121)	(18,603)	(11,078)
	12,325,429	12,404,061	22,263,476
Current	6,066,361	4,949,211	17,533,269
Non-current	6,259,068	7,454,850	4,730,207

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
(a) Investments at FVTOCI			
Equity shares in M Oriental Bank Ltd (Kenya)	29,854	24,680	26,517
Bank/Government of Mauritius securities and other corporate bonds	1,366,817	2,053,080	12,005,170
Other equity investments	6,203	5,341	3,467
	1,402,874	2,083,101	12,035,154
Segment A			
Bank/Government of Mauritius securities	1,366,817	2,053,080	2,168,261
Others	3,801	3,261	1,538
	1,370,618	2,056,341	2,169,799
Segment B			
Equity shares in M Oriental Bank Ltd (Kenya)	29,854	24,680	26,517
Other corporate bonds	-	-	9,836,909
Others	2,402	2,080	1,929
	32,256	26,760	9,865,355

The Bank holds 4,597,208 shares, representing 3.69% shareholding of M Oriental Bank Ltd, incorporated and operating in Kenya. The investment securities has been fair valued based on the market approach using the most recent transaction price. The investment held in Industrial Finance Corporation of Mauritius (Equity) Ltd (formerly known as SME Equity Fund Ltd) has been valued using net asset value basis and investment in SWIFT has been valued using observable price as at 31 December 2022. Refer to note 2 (i).

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
(b) Investments at amortised cost			
Government of Mauritius bonds	1,328,331	1,581,273	921,613
Bank of Mauritius Bills	-	-	678,878
Treasury Bills / Notes issued by Government of Mauritius	180,923	-	199,557
BOM notes/Treasury notes	811,918	1,627,266	957,658
Corporate Bonds/Other Bank Placements	8,616,504	7,131,024	7,481,694
	10,937,676	10,339,563	10,239,400
Less: Allowance for expected loss	(15,121)	(18,603)	(11,078)
	10,922,555	10,320,960	10,228,322
Segment A			
Government of Mauritius bonds	1,328,331	1,581,273	921,613
Bank of Mauritius Bills	-	-	678,878
Treasury Bills /issued by Government of Mauritius	180,923	-	199,557
BOM notes/Treasury notes	811,918	1,627,266	957,658
	2,321,172	3,208,539	2,757,706
Less: Allowance for expected loss	(7,338)	(8,756)	(3,231)
	2,313,834	3,199,783	2,754,475
Segment B			
Corporate Bonds/Other Bank Placements	8,616,504	7,131,024	7,481,694
Less: Allowance for expected loss	(7,783)	(9,847)	(7,847)
	8,608,721	7,121,177	7,473,847

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for the year ended 31 December 2022

16. INVESTMENT SECURITIES (CONT'D)

Investments at amortised cost (cont'd)

Remaining term to maturity - 2022

	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Government of Mauritius bonds	-	10,077	-	1,318,254	-	1,328,331
Treasury Bills / Notes issued by Government of Mauritius	-	-	-	180,923	-	180,923
BOM notes/Treasury notes/Corporate Bonds/Other Bank Placements	2,315,161	1,163,197	1,175,592	4,774,472	-	9,428,422
	2,315,161	1,173,274	1,175,592	6,273,649	-	10,937,676

Remaining term to maturity - 2021

	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Government of Mauritius bonds	-	-	250,145	1,331,128	-	1,581,273
Treasury Bills / Notes issued by Government of Mauritius	-	-	-	-	-	-
BOM notes/Treasury notes/Corporate Bonds/Other Bank Placements	648,480	1,206,403	779,686	6,123,721	-	8,758,290
	648,480	1,206,403	1,029,831	7,454,849	-	10,339,563

Remaining term to maturity - 2020

	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Government of Mauritius bonds	-	-	-	921,613	-	921,613
Treasury Bills / Notes issued by Government of Mauritius	199,557	-	678,878	-	-	878,435
BOM notes/Treasury notes/Corporate Bonds/Other Bank Placements	4,102,415	493,715	23,550	3,397,401	422,271	8,439,352
	4,301,972	493,715	702,428	4,319,014	422,271	10,239,400

Notes to the Financial Statements

for the year ended 31 December 2022

17. RIGHT OF USE ASSETS

	Buildings		
	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Segment A			
<u>Cost</u>			
At 1 January	106,318	55,365	64,274
Additions	-	56,493	1,983
Remeasurement	2,622	-	-
Terminations	-	(5,540)	(10,892)
At 31 December	108,940	106,318	55,365
<u>Accumulated depreciation</u>			
At 1 January	16,959	14,990	9,178
Charge for the year	15,016	7,057	10,485
Terminations	-	(5,088)	(4,673)
At 31 December	31,975	16,959	14,990
<u>Carrying amount</u>			
At 31 December	76,965	89,359	40,375

The Bank leases various properties mainly to operate its branches. The average lease term is 5 years.

The Bank does not have an option to purchase the leased assets at the end of the lease term. The Bank's obligations are secured by the lessor's title to the leased assets for such leases.

Amounts recognised in profit or loss under:

	Dec-22	Dec-21	Dec-21
	Rs'000	Rs'000	Rs'000
Depreciation and amortisation - depreciation expense on right-of-use assets	15,016	7,057	10,485
Interest expense - interest expense on lease liabilities	6,900	4,200	4,335
Other expenses - Loss arising on derecognition of right-of-use assets	-	1,090	1,549
Other expenses - expense relating to short-term leases	-	-	-
Other expenses - expense relating to leases of low value assets	15	79	79
	21,931	12,426	16,448

At 31 December 2022, the Bank is committed to Rs 1.1 million (2021: Rs 1.1 million) for low-value assets.

The total cash outflow for leases amounted to Rs 19.9 million (2021: Rs 11.7 million) for the year.

Notes to the Financial Statements

for the year ended 31 December 2022

18. PROPERTY AND EQUIPMENT

Cost or Valuation

Balance as at 01 January 2020

Acquisitions	-	813	63	5,969	6,845
Transfer to equipment and furniture	-	-	9,424	(9,424)	-
Disposal	-	-	(3,492)	-	(3,492)
Expensed during the year	-	(76)	-	-	(76)
Write off/scrapped	-	(2,108)	(1,236)	-	(3,344)

Balance as at 31 December 2020

Acquisitions	-	19,076	1,120	92,960	113,156
Transfer to equipment and furniture	-	43,308	59,811	(103,119)	-
Disposal	-	-	(946)	-	(946)
Reclassification from intangible assets	-	-	-	10,600	10,600
Write off/scrapped	-	(129)	-	-	(129)

Balance as at 31 December 2021

Acquisitions	-	21,219	58	293	21,570
Revaluation	39,063	-	-	-	39,063
Reclassification to non current assets held for sale	(55,520)	-	-	-	(55,520)
Transfer to equipment and furniture	-	-	-	-	-
Disposal	-	-	-	-	-
Reclassification to intangible assets	-	-	-	(3,800)	(3,800)
Expensed during the year	-	-	-	(446)	(446)
Write off/scrapped	-	(480)	-	-	(480)

Balance as at 31 December 2022

Accumulated depreciation

Balance as at 01 January 2020

Depreciation for the year	4,262	12,685	15,672	-	32,619
Disposal	-	-	(3,492)	-	(3,492)
Write off/scrapped	-	(1,904)	(1,076)	-	(2,980)

Balance as at 31 December 2020

Depreciation for the year	4,250	13,590	15,646	-	33,486
Disposal	-	-	(947)	-	(947)
Write off/scrapped	-	(77)	(4)	-	(81)

Balance as at 31 December 2021

Depreciation for the year	4,245	19,997	19,888	-	44,130
Reclassification to non current assets held for sale	(10,520)	-	-	-	(10,520)
Write off/scrapped	-	(398)	-	-	(398)

Balance as at 31 December 2022

Net book value as at 31 December 2022

Net book value as at 31 December 2021	227,253	72,298	128,127	8,152	435,830
Net book value as at 31 December 2020	231,503	23,556	82,837	7,711	345,607

Net book value as at 31 December 2022 by segments

Segment A	217,071	73,332	107,998	4,199	402,600
Segment B	-	106	299	-	405
	217,071	73,438	108,297	4,199	403,005

Net book value as at 31 December 2021 by segments

Segment A	227,253	72,242	127,430	8,152	435,077
Segment B	-	56	697	-	753
	227,253	72,298	128,127	8,152	435,830

Net book value as at 31 December 2020 by segments

Segment A	231,503	23,475	81,741	7,711	344,430
Segment B	-	81	1,096	-	1,177
	231,503	23,556	82,837	7,711	345,607

	Land and buildings	Computer and other equipment	Motor vehicles and furniture and fittings	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 01 January 2020	304,128	115,867	172,108	11,166	603,269
Acquisitions	-	813	63	5,969	6,845
Transfer to equipment and furniture	-	-	9,424	(9,424)	-
Disposal	-	-	(3,492)	-	(3,492)
Expensed during the year	-	(76)	-	-	(76)
Write off/scrapped	-	(2,108)	(1,236)	-	(3,344)
Balance as at 31 December 2020	304,128	114,496	176,867	7,711	603,202
Acquisitions	-	19,076	1,120	92,960	113,156
Transfer to equipment and furniture	-	43,308	59,811	(103,119)	-
Disposal	-	-	(946)	-	(946)
Reclassification from intangible assets	-	-	-	10,600	10,600
Write off/scrapped	-	(129)	-	-	(129)
Balance as at 31 December 2021	304,128	176,751	236,852	8,152	725,883
Acquisitions	-	21,219	58	293	21,570
Revaluation	39,063	-	-	-	39,063
Reclassification to non current assets held for sale	(55,520)	-	-	-	(55,520)
Transfer to equipment and furniture	-	-	-	-	-
Disposal	-	-	-	-	-
Reclassification to intangible assets	-	-	-	(3,800)	(3,800)
Expensed during the year	-	-	-	(446)	(446)
Write off/scrapped	-	(480)	-	-	(480)
Balance as at 31 December 2022	287,671	197,490	236,910	4,199	726,270
Accumulated depreciation					
Balance as at 01 January 2020	68,363	80,159	82,926	-	231,448
Depreciation for the year	4,262	12,685	15,672	-	32,619
Disposal	-	-	(3,492)	-	(3,492)
Write off/scrapped	-	(1,904)	(1,076)	-	(2,980)
Balance as at 31 December 2020	72,625	90,940	94,030	-	257,595
Depreciation for the year	4,250	13,590	15,646	-	33,486
Disposal	-	-	(947)	-	(947)
Write off/scrapped	-	(77)	(4)	-	(81)
Balance as at 31 December 2021	76,875	104,453	108,725	-	290,053
Depreciation for the year	4,245	19,997	19,888	-	44,130
Reclassification to non current assets held for sale	(10,520)	-	-	-	(10,520)
Write off/scrapped	-	(398)	-	-	(398)
Balance as at 31 December 2022	70,600	124,052	128,613	-	323,265
Net book value as at 31 December 2022	217,071	73,438	108,297	4,199	403,005
Net book value as at 31 December 2021	227,253	72,298	128,127	8,152	435,830
Net book value as at 31 December 2020	231,503	23,556	82,837	7,711	345,607
Net book value as at 31 December 2022 by segments					
Segment A	217,071	73,332	107,998	4,199	402,600
Segment B	-	106	299	-	405
	217,071	73,438	108,297	4,199	403,005
Net book value as at 31 December 2021 by segments					
Segment A	227,253	72,242	127,430	8,152	435,077
Segment B	-	56	697	-	753
	227,253	72,298	128,127	8,152	435,830
Net book value as at 31 December 2020 by segments					
Segment A	231,503	23,475	81,741	7,711	344,430
Segment B	-	81	1,096	-	1,177
	231,503	23,556	82,837	7,711	345,607

Notes to the Financial Statements

for the year ended 31 December 2022

18. PROPERTY AND EQUIPMENT (CONT'D)

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Assets disposed/scrapped/written-off during the year (cost)			
Computer and equipment	480	129	2,108
Other assets	-	946	4,728
	480	1,075	6,836
Work in progress included in property and equipment as at year end were incurred for:			
(i) Renovation of branch	2,466	-	3,984
(ii) Others	1,733	8,152	3,727
	4,199	8,152	7,711

The Bank's land and buildings were last revalued in February 2022 by V.Ramjee & Associates Ltd (chartered valuer). The revalued amount was not materially different from the carrying amount at date of valuation. The basis of valuation is based on market value, defined in accordance with International Valuation Standard Committee.

The directors have assessed the fair value of the above assets at 31 December 2022 and have estimated the fair value to approximate their carrying value at that date.

The directors have assessed the carrying value of equipment and are of the opinion that no impairment is required at the reporting date. (2021: Nil, 2020: Nil)

Land and Buildings excluding revaluation

If these land and buildings were stated on the historical cost basis, the net book value would have as follows:

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Cost	201,000	201,000	201,000
Accumulated depreciation	(82,569)	(78,549)	(74,529)
Net	118,431	122,451	126,471

Non-current asset held for sale

During the year, the directors have resolved to dispose of one of its properties and have already initiated all actions to look for a potential buyer. Accordingly, the property has been classified as held for sale as per the requirements of IFRS 5. At reporting date, the asset is measured at its net realisable value of Rs 45 million.

Notes to the Financial Statements

for the year ended 31 December 2022

19. INTANGIBLE ASSETS

Cost

Balance as at 1 January 2020

Additions	406	8,230	8,636
Transfer to computer software	8,734	(8,734)	-
Write-off/scrapped	(40,475)	-	(40,475)
Balance as at 31 December 2020	272,001	15,764	287,765
Additions	10,274	54,725	64,999
Transfer to computer software	13,465	(13,465)	-
Reclassification to property and equipment	-	(10,600)	(10,600)
Balance as at 31 December 2021	295,740	46,424	342,164
Additions	12,037	30,217	42,254
Transfer to computer software	70,358	(70,358)	-
Expensed during the year	-	(5,382)	(5,382)
Reclassification from property and equipment	-	3,800	3,800
Balance as at 31 December 2022	378,135	4,701	382,836

Amortisation

Balance as at 1 January 2020

Charge for the year	35,517	-	35,517
Write-off/scrapped	(40,475)	-	(40,475)
Balance as at 31 December 2020	176,180	-	176,180
Charge for the year	35,318	-	35,318
Balance as at 31 December 2021	211,498	-	211,498
Charge for the year	37,755	-	37,755
Balance as at 31 December 2022	249,253	-	249,253

Net book value as at 31 December 2022

Net book value as at 31 December 2021	84,242	46,424	130,666
Net book value as at 31 December 2020	95,821	15,764	111,585

	Computer Software Rs'000	Work in Progress Rs'000	Total Rs'000
Balance as at 1 January 2020	303,336	16,268	319,604
Additions	406	8,230	8,636
Transfer to computer software	8,734	(8,734)	-
Write-off/scrapped	(40,475)	-	(40,475)
Balance as at 31 December 2020	272,001	15,764	287,765
Additions	10,274	54,725	64,999
Transfer to computer software	13,465	(13,465)	-
Reclassification to property and equipment	-	(10,600)	(10,600)
Balance as at 31 December 2021	295,740	46,424	342,164
Additions	12,037	30,217	42,254
Transfer to computer software	70,358	(70,358)	-
Expensed during the year	-	(5,382)	(5,382)
Reclassification from property and equipment	-	3,800	3,800
Balance as at 31 December 2022	378,135	4,701	382,836
Amortisation			
Balance as at 1 January 2020	181,138	-	181,138
Charge for the year	35,517	-	35,517
Write-off/scrapped	(40,475)	-	(40,475)
Balance as at 31 December 2020	176,180	-	176,180
Charge for the year	35,318	-	35,318
Balance as at 31 December 2021	211,498	-	211,498
Charge for the year	37,755	-	37,755
Balance as at 31 December 2022	249,253	-	249,253
Net book value as at 31 December 2022	128,882	4,701	133,583
Net book value as at 31 December 2021	84,242	46,424	130,666
Net book value as at 31 December 2020	95,821	15,764	111,585

Notes to the Financial Statements

for the year ended 31 December 2022

19. INTANGIBLE ASSETS (CONT'D)

The directors have assessed the carrying value of intangible assets and are of the opinion that no impairment is required at the reporting date. (2021: Nil, 2020: Nil)

	Computer Software	Work in Progress	Total
	Rs'000	Rs'000	Rs'000
Net book value as at 31 December 2022 by segments			
Segment A	127,282	4,701	131,983
Segment B	1,600	-	1,600
	128,882	4,701	133,583
Net book value as at 31 December 2021 by segments			
Segment A	84,242	46,424	130,666
Segment B	-	-	-
	84,242	46,424	130,666
Net book value as at 31 December 2020 by segments			
Segment A	91,477	15,764	107,241
Segment B	4,344	-	4,344
	95,821	15,764	111,585

20. DEFERRED TAX ASSETS

The movement on the deferred income tax account is as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Balance as at 1 January	45,936	88,682	51,277
Profit or loss (charge)/credit (note 10)	(8,179)	(51,955)	42,550
Amount recognised directly in other comprehensive income:			
Deferred income tax on fair value adjustments on FVTOCI investments	8,312	11,117	(7,054)
Deferred tax on revaluation of buildings	(2,558)	-	-
Deferred tax on actuarial losses on retirement benefits obligations	1,004	(1,908)	1,909
Balance as at 31 December	44,515	45,936	88,682
Segment A	34,989	38,965	36,493
Segment B	9,526	6,971	52,189
	44,515	45,936	88,682
Deferred tax assets			
Allowances for expected credit losses	35,555	42,366	94,547
Securities classified at FVTOCI	10,674	2,354	-
Retirement benefit obligations	4,910	4,048	6,322
	51,139	48,768	100,869
Deferred tax liabilities			
Accelerated capital allowances	3,139	1,905	2,524
Securities classified at FVTOCI	-	-	8,736
Revaluation reserve	3,485	927	927
	6,624	2,832	12,187
Net non-current	44,515	45,936	88,682

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 7% (2021-7% and 2020-7%) for segment A and an effective tax rate of 5% (2021-5% and 2020-5%) for segment B.

Notes to the Financial Statements

for the year ended 31 December 2022

21. OTHER ASSETS

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Mandatory balances with central Bank*	1,296,753	1,240,759	1,319,126
Non-Banking assets acquired in satisfaction of debts**	9,104	9,104	9,104
Other receivables	269,638	144,579	121,188
	1,575,495	1,394,442	1,449,418
Less: Allowance for expected loss	(3,976)	(6,867)	(1,347)
	1,571,519	1,387,575	1,448,071
Current	1,605,598	1,371,797	1,384,642
Non Current	23,257	15,778	63,429

* Balances to be maintained with Central Bank as cash reserve requirement.

**The Bank's policy is to dispose of such assets as soon as possible depending on the market availability.

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
(a) Segment A			
Mandatory balances with central Bank	1,296,753	1,240,759	1,319,126
Non-Banking assets acquired in satisfaction of debts	9,104	9,104	9,104
Other receivables	242,315	122,837	108,088
	1,548,172	1,372,700	1,436,318
Less: Allowance for expected loss	(3,976)	(6,867)	(1,347)
	1,544,196	1,365,833	1,434,971
Segment B			
Other receivables	27,323	21,742	13,100
	27,323	21,742	13,100

22. DEPOSITS FROM CUSTOMERS

(a) Deposits comprise the following:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Retail customers	10,597,683	10,668,308	11,757,961
Corporate customers	3,681,227	4,695,117	4,400,618
International customers	22,523,388	21,791,134	31,136,246
Government	1,439,956	761,430	755,667
	38,242,254	37,915,989	48,050,492
Current	36,733,029	36,951,630	45,854,905
Non Current	1,509,225	964,359	2,195,587

Notes to the Financial Statements

for the year ended 31 December 2022

22. DEPOSITS FROM CUSTOMERS (CONT'D)

(b) The table below shows the remaining term to maturity for deposits by type of customer:

	Time deposits with remaining term to maturity							
	Current accounts	Savings accounts	Up to 3 months	Over 3 months	Over 6 months	Over 1 year	Over 5 years	Total
				and up to 6 months	and up to 12 months	and up to 5 years		
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2022								
Retail customers	2,002,009	7,075,698	326,584	90,644	275,876	826,872	-	10,597,683
Corporate customers	1,431,296	412,325	369,558	474,419	610,657	352,657	30,314	3,681,226
International customers	12,370,871	2,186,262	3,108,069	1,925,252	2,811,552	121,382	-	22,523,388
Government	36,232	15,225	110,500	500,000	600,000	178,000	-	1,439,957
Total	15,840,408	9,689,510	3,914,711	2,990,315	4,298,085	1,478,911	30,314	38,242,254
At 31 December 2021								
Retail customers	1,848,749	7,145,412	229,080	175,996	661,456	607,615	-	10,668,308
Corporate customers	1,466,118	691,606	755,277	125,353	1,433,604	223,159	-	4,695,117
International customers	12,592,466	1,639,129	5,222,788	1,039,254	1,274,411	23,086	-	21,791,134
Government	43,230	7,701	-	-	600,000	110,499	-	761,430
Total	15,950,563	9,483,848	6,207,145	1,340,603	3,969,471	964,359	-	37,915,989
At 31 December 2020								
Retail customers	2,679,136	7,268,332	312,777	196,303	279,825	1,016,331	5,256	11,757,960
Corporate customers	1,187,300	718,948	581,122	408,916	598,975	905,357	-	4,400,618
International customers	23,560,124	1,566,547	3,942,353	396,874	1,512,205	158,143	-	31,136,246
Government	43,430	1,738	-	-	600,000	110,500	-	755,668
Total	27,469,990	9,555,565	4,836,252	1,002,093	2,991,005	2,190,331	5,256	48,050,492

(c) Deposits by Segments

	Current accounts	Savings accounts	Up to 3 months	Over 3 months	Over 6 months	Over 1 year	over 5 years	Total
				and up to 6 months	and up to 12 months	and up to 5 years		
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2022								
Segment A	3,452,578	7,496,771	804,821	1,063,425	1,484,462	1,357,419	30,314	15,689,790
Segment B	12,387,830	2,192,739	3,109,890	1,926,890	2,813,623	121,492	-	22,552,464
At 31 December 2021								
Segment A	3,334,146	7,842,721	971,027	299,357	2,685,730	941,171	-	16,074,152
Segment B	12,616,417	1,641,127	5,236,118	1,041,246	1,283,741	23,188	-	21,841,837
At 31 December 2020								
Segment A	3,882,090	7,985,682	881,206	600,848	1,470,976	2,030,424	5,256	16,856,482
Segment B	23,587,900	1,569,883	3,955,046	401,245	1,520,029	159,907	-	31,194,010

Notes to the Financial Statements

for the year ended 31 December 2022

23. OTHER BORROWED FUNDS

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Short term Borrowings from banks	1,414,503	-	1,379,417
Long term Borrowings from other financial institutions	1,513,159	2,050,976	2,382,655
Bonds	5,002	5,002	5,002
	2,932,664	2,055,978	3,767,074
Current	2,007,870	569,851	1,908,278
Non current	924,794	1,486,127	1,858,796
Segment A			
Short term Borrowings from Banks	1,329,024	-	-
Bonds	5,002	5,002	5,002
	1,334,026	5,002	5,002
Long term domestic borrowing bear interest rates on average of 5%.			
Segment B			
Short term Borrowings from Banks abroad (at market rates)	85,479	-	1,379,417
Long term Borrowings from other financial institutions	1,513,159	2,050,976	2,382,655
	1,598,638	2,050,976	3,762,072

Long term foreign borrowings bear interest rates ranging from 5% to 7.06%. (2021:2.05% to 2.15%, 2020: 2.10% to 5%)

2022

Remaining term to maturity

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	above 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Long term Borrowings from other financial institutions/bonds	593,367	588,667	220,750	110,375	-	5,002	1,518,161
Short term borrowings	1,414,503	-	-	-	-	-	1,414,503
	2,007,870	588,667	220,750	110,375	-	5,002	2,932,664

2021

Remaining term to maturity

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	above 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Long term Borrowings from other financial institutions/bonds	569,851	578,000	578,000	216,750	108,375	5,002	2,055,978
	569,851	578,000	578,000	216,750	108,375	5,002	2,055,978

2020

Remaining term to maturity

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	above 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Long term Borrowings from other financial institutions/bonds	528,861	520,476	520,476	520,476	194,363	103,005	2,387,657
Short term borrowings	1,379,417	-	-	-	-	-	1,379,417
	1,908,278	520,476	520,476	520,476	194,363	103,005	3,767,074

Notes to the Financial Statements

for the year ended 31 December 2022

24. SUBORDINATED LIABILITIES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Remaining term to maturity			
Within 1 year	194,062	100,964	10,617
Over 1 years and up to 2 years	125,776	188,253	87,811
Over 2 years and up to 3 years	125,776	129,236	186,453
Over 3 years and up to 4 years	125,777	129,236	127,811
Over 4 years and up to 5 years	82,888	129,236	127,811
Over 5 years	635,000	719,618	846,714
	1,289,279	1,396,543	1,387,217
Current	194,062	100,964	10,617
Non current	1,095,217	1,295,579	1,376,600
Segment A			
Within 1 year	99,280	-	-
Over 1 years and up to 2 years	40,000	99,017	-
Over 2 years and up to 3 years	40,000	40,000	98,642
Over 3 years and up to 4 years	40,000	40,000	40,000
Over 4 years and up to 5 years	40,000	40,000	40,000.00
Over 5 years	635,000	675,000	714,998
	894,280	894,017	893,640
Segment B			
Within 1 year	94,782	100,964	10,617
Over 1 years and up to 2 years	85,776	89,236	87,811
Over 2 years and up to 3 years	85,776	89,236	87,811
Over 3 years and up to 4 years	85,777	89,236	87,811
Over 4 years and up to 5 years	42,888	89,236	87,811
Over 5 years	-	44,618	131,716
	394,999	502,526	493,577
Interest rates on the subordinated debts range between 5% and 9.075% (between 5% and 7.56% in 2021 and between 5% and 8.05% in 2020).			
Movement in subordinated liabilities			
Opening balance	1,396,543	1,387,217	713,831
Additions	-	7,840	595,000
Redemptions/amortisation/exchange difference	(107,264)	1,486	78,386
Closing balance	1,289,279	1,396,543	1,387,217

25. CURRENT TAX LIABILITIES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Special levy on Banks	9,624	7,693	-
Corporate social responsibility fund	667	632	383
Income tax	12,366	19,228	1,400
	22,657	27,553	1,783
Current	22,657	27,553	1,783

Notes to the Financial Statements

for the year ended 31 December 2022

26. OTHER LIABILITIES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Bills payable	75,275	20,212	25,218
Other payables	421,304	499,680	342,016
Allowances for off balance sheet exposures	15,564	8,338	13,814
	512,143	528,230	381,048
Current	512,143	497,423	256,742
Non current	-	30,807	124,306
Segment A			
Bills payable	75,275	20,212	25,218
Other payables	363,167	382,477	249,725
Allowances for off balance sheet exposures	15,564	8,338	13,814
	454,006	411,027	288,757
Segment B			
Other payables	58,137	117,203	92,291
	58,137	117,203	92,291

27. LEASE LIABILITIES

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Segment A			
Analysed as:			
Non-current	71,218	87,020	43,471
Current	13,399	9,595	4,603
	84,617	96,615	48,074
Disclosure required by IFRS 16			
Maturity analysis:			
Year 1	18,939	16,660	10,004
Year 2	18,853	18,999	8,383
Year 3	18,931	19,280	7,644
Year 4	18,963	19,667	7,558
Year 5	18,997	19,763	7,246
Onwards	11,879	29,796	26,765
	106,562	124,165	67,600

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Bank's Finance department.

Notes to the Financial Statements

for the year ended 31 December 2022

28. PENSION OBLIGATIONS

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Pension obligations under defined benefit plan			
Amounts recognised in the statement of financial position:	55,650	42,002	59,106
Amounts charged to profit or loss statement (note 8)	10,429	11,361	10,545
Amount (credited)/charged to other comprehensive income	10,611	(21,754)	25,584
Pension obligations under unfunded obligation			
Amounts recognised in the statement of financial position:	28,803	18,808	21,040
Amounts charged to profit or loss (note 8)	4,959	5,264	6,722
Amount charged/(credited) to other comprehensive income	5,036	(7,496)	3,587
Amount in the statement of financial position			
(a) Pension obligations under defined benefit plan	55,650	42,002	59,106
(b) Pension obligations under unfunded obligation	28,803	18,808	21,040
	84,453	60,810	80,146
Amounts charged to profit or loss statement (note 8)			
(a) Pension obligations under defined benefit plan	10,429	11,361	10,545
(b) Pension obligations under unfunded obligation	4,959	5,264	6,722
	15,388	16,625	17,267
Amount charged/(credited) to other comprehensive income			
(a) Pension obligations under defined benefit plan	10,611	(21,754)	25,584
(b) Pension obligations under unfunded obligation	5,036	(7,496)	3,587
	15,647	(29,250)	29,171

(a) Defined pension benefits

The Bank operates a defined pension benefit plan for all its employees in employment before the financial year 2008. The employees in the scheme are entitled to 10% of their basic salary as pension benefit. The assets of the funded plan are held and independently administered by Swan Life Ltd.

The following information is based on actuarial valuation report dated 23 February 2023 by Swan Life Ltd:

(i) The amounts recognised in the statement of financial position are as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Present value of funded obligations	195,414	192,377	199,865
Fair value of plan assets	(139,764)	(150,375)	(140,759)
Liability in the statement of financial position	55,650	42,002	59,106

(ii) The movement in the defined benefit obligations over the year is as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
At 1 January	42,002	59,106	33,160
Amount recognised in profit or loss	10,429	11,361	10,545
Amount recognised in other comprehensive income (gross)	10,611	(21,754)	25,584
Contributions by the employer	(7,392)	(6,711)	(10,183)
At 31 December	55,650	42,002	59,106
Non-current	55,650	42,002	59,106

Notes to the Financial Statements

for the year ended 31 December 2022

28. PENSION OBLIGATIONS (CONT'D)

(a) Defined pension benefits

(iii) The movement in the defined benefit obligations for the year is as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
At 1 January	192,377	199,865	161,068
Included in profit or loss			
Current service cost	8,222	9,593	8,322
Interest cost	7,186	4,752	7,965
Included in other comprehensive income			
Experience (gains)/losses on the liabilities	7,323	(4,709)	4,733
Changes in assumptions underlying the present value of the scheme	6,027	(13,400)	21,352
Other			
Benefits paid	(25,722)	(3,724)	(3,575)
At 31 December	195,413	192,377	199,865

(iv) The movement in the fair value of plan assets of the year is as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
At 1 January	150,375	140,759	127,908
Interest Income	5,639	3,409	6,539
Employer's contribution	7,392	6,711	10,183
Scheme expenses	(289)	(225)	(416)
Cost of insuring risk benefits	(371)	(200)	(381)
Actuarial gain/(loss)	2,739	3,645	501
Benefits paid	(25,722)	(3,724)	(3,575)
At 31 December	139,763	150,375	140,759

(v) The amounts recognised in profit or loss are as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Current service cost	8,222	9,593	8,322
Scheme expenses	289	225	416
Cost of insuring risk benefits	371	200	381
Net interest cost	1,547	1,343	1,426
Total included in employee benefit expense	10,429	11,361	10,545
Actual return on plan assets	8,378	7,054	7,040

(vi) The amounts recognised in other comprehensive income are as follows:

	Dec-22	Dec-21	Dec-20
	Rs'000	Rs'000	Rs'000
Losses on pension scheme assets	(2,739)	(3,645)	(501)
Experience losses on the liabilities	7,323	(4,709)	4,733
Changes in assumptions underlying the present value of the scheme	6,027	(13,400)	21,352
	10,611	(21,754)	25,584

(vii) Plan assets

The assets of the plan are invested in the Deposit Administration Policy underwritten by Swan Life Ltd. The Deposit Administration Policy is a pooled insurance product for Group Pension Schemes. It is a long-term investment Policy which aims to provide a smooth progression of returns from one year to the next without regular fluctuations associated with asset-linked investments such as Equity Funds. Moreover, the Deposit Administration Policy offers a minimum guaranteed return of 4% p.a.

Notes to the Financial Statements

for the year ended 31 December 2022

28. PENSION OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

(viii) As the pension fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the pension fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

(ix) Average duration

The Weighted average duration of the liabilities at 31 December 2022 is 9 years (2021: 9 years) at the end of the reporting period.

(x) Future cash flows

The funding requirements of the defined benefit plan are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The Bank expects to pay Rs 6.71m in contributions to its post-employment benefit plans for the year ending 31 December 2023.

(b) Liability for unfunded pension plan

The liability relates to employees who are entitled to Retirement Gratuities payable under the Workers' Right Act (WRA). The latter provides for a lump sum at retirement based on final salary and years of service. All employees joining after 2008 will be entitled to receive the gratuity payment under the WRA.

The movement in the obligation of the unfunded pension plan of the year is as follows:

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
At 1 January	18,808	21,040	10,731
Amount recognised in profit or loss:			
Current service cost	4,075	4,612	2,990
Past service cost	-	-	3,174
Net interest cost	884	652	558
Amount recognised in profit or loss	4,959	5,264	6,722
Amount recognised in other comprehensive income (gross)	5,036	(7,496)	3,587
At 31 December	28,803	18,808	21,040

The weighted average duration of the liability as at 31 December 2022 is 11 years (2021:14 years).

(c) Key assumption

The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	Dec-22 %	Dec-21 %	Dec-20 %
<u>Funded pension liability</u>			
Discount rate	6.1	4.0	2.4
Future salary growth rate	3.5	3.0	3.0
<u>Unfunded pension liability</u>			
Discount rate	6.3	4.7	3.1
Future salary growth rate	3.5	3.0	3.0

Notes to the Financial Statements

for the year ended 31 December 2022

28. PENSION OBLIGATIONS (CONT'D)

(d) Sensitivity analysis

Sensitivity analysis on both funded and unfunded benefit obligations to changes in the weighted principal assumptions is:

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
<u>Defined benefit funded scheme:</u>			
1% increase in discount rate	15,034	15,733	22,285
1% decrease in discount rate	(17,093)	(17,981)	(19,233)
1% increase in future salary growth rate	19,905	21,313	24,780
1% decrease in future salary growth rate	(17,701)	(18,535)	(21,224)
<u>Unfunded obligations</u>			
1% increase in discount rate	5,631	4,925	7,221
1% decrease in discount rate	(7,326)	(6,511)	(5,707)
1% increase in future salary growth rate	7,011	5,411	6,814
1% decrease in future salary growth rate	(6,182)	(6,072)	(5,505)

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods used in preparing the sensitivity analysis from prior years.

(e) Risk exposure

Through its defined pension benefit and unfunded plans, the Bank is exposed to a number of risks, the most significant of which are detailed below:

(i) Funded plan

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

(ii) Unfunded plan

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

29. STATED CAPITAL

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
<u>Shares at no par value</u>			
Stated capital	1,456,456	1,456,456	1,456,456
At start of year	1,456,456	1,456,456	1,156,456
Issue of shares during the year	-	-	300,000
At end of year	1,456,456	1,456,456	1,456,456
No of ordinary shares in issue (no par value)	14,564,560	14,564,560	14,564,560

Bank One Limited's share capital stood at Rs 1,456,456,000, represented by 14,564,560 ordinary shares of no par value, held equally between CIEL Finance Limited and I&M Group PLC.

Notes to the Financial Statements

for the year ended 31 December 2022

29. STATED CAPITAL (CONT'D)

Each share confers on the holder the right to:

- one vote on a poll at a meeting of the Bank on any resolution;
- an equal share in dividends authorised by the Board; and
- an equal share in the distribution of the surplus assets of the Bank.

30. CONTINGENT LIABILITIES

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Acceptances on account of customers	99,666	27,777	74,141
Guarantees on account of customers	1,517,969	764,363	1,158,545
Letters of credit and other obligations on account of customers	769,853	128,549	29,478
Other contingent items	586,992	95,274	135,779
	2,974,480	1,015,963	1,397,943
Segment A			
Acceptances on account of customers	11,864	7,077	2,749
Guarantees on account of customers	587,881	428,498	523,908
Letters of credit and other obligations on account of customers	7,777	7,027	9,335
Other contingent items	-	-	62,582
	607,522	442,602	598,574
Segment B			
Acceptances on account of customers	87,802	20,700	71,392
Guarantees on account of customers	930,088	335,865	634,637
Letters of credit and other obligations on account of customers	762,076	121,522	20,143
Other contingent items	586,992	95,274	73,197
	2,366,958	573,361	799,369

Legal claims

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken. The Bank has formal control and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments for any adverse effects which the claims may have on the financial standing.

31. COMMITMENTS

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
(a) Undrawn credit facilities	1,976,757	4,108,310	1,905,672
Segment A	1,627,275	2,547,774	1,588,221
Segment B	349,482	1,560,536	317,451

(b) Securities pledged

GOM bonds as collateral for the purpose of overnight facility from the Bank of Mauritius when required:

Treasury notes and GOM bonds as collateral for facilities availed under the Special Foreign Currency line of credit.

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Treasury/GOM bonds	-	396,000	350,000
Treasury notes/bills	-	27,000	19,000
	-	423,000	369,000

Notes to the Financial Statements

for the year ended 31 December 2022

32. RELATED PARTIES

	Nature of relationship	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Cash and cash equivalents	Related companies	713,678	105,559	44,728
Loans and advances	Related companies	789,401	776,103	655,741
	Directors	-	-	347
	Key management personnel	102,873	74,491	26,425
Deposits	Related companies	1,187,028	1,458,218	3,103,715
	Directors	93	-	6,947
	Key management personnel	37,171	25,175	26,237
Borrowings	Related company	6,730	5,002	5,002
Interest income	Related companies	3,207	796	5,385
	Key management personnel	1,815	1,341	513
Interest expense	Related companies	1,979	250	1,341
	Directors	1	1	3
	Key management personnel	127	45	124
Fees and Expenses	Directors	9,528	9,030	8,866

Related companies relates to enterprises in which shareholders, key directors/key management personnel have significant interest as defined in the guideline issued by BOM.

Credit commitments for Director/Senior management personnel amounted to Rs9.66m. Bank guarantees and committed lines for related companies amounts to Rs455.15m.

Terms and conditions of transactions with related parties

The above related party transactions were carried out under normal business terms and conditions and were subject to interest wherever applicable. None of exposures granted to related parties was impaired at 31 December 2022 (2021 and 2020: nil).

(a) Key Management personnel compensation

	Dec-22 Rs'000	Dec-21 Rs'000	Dec-20 Rs'000
Salaries and short term employee benefits	99,905	81,496	94,229
Post employment benefits	5,905	5,519	5,236

There are no other long term benefits, termination benefits or share based payments payable to key management personnel.

Notes to the Financial Statements

for the year ended 31 December 2022

33. SEGMENTAL STATEMENT OF FINANCIAL POSITION

Statement of Financial Position

	Dec-22			Dec-21			Dec-20		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
ASSETS									
Cash and cash equivalents	6,898,615	258,188	6,640,427	10,449,280	483,457	9,965,823	12,176,779	645,907	11,530,872
Derivative assets held for risk management	3,116	3,037	79	42,826	-	42,826	32,891	4,844	28,047
Non-current asset held for sale	45,000	45,000	-						
Loan and advances to Banks	5,147,185	-	5,147,185	3,336,245	-	3,336,245	1,983,472	597,063	1,386,409
Loan and advances to customers	20,180,265	16,088,263	4,092,002	17,474,549	14,608,691	2,865,858	18,656,594	14,571,161	4,085,433
Investment securities - FVTOCI	1,402,874	1,370,618	32,256	2,083,101	2,056,341	26,760	12,035,154	2,169,799	9,865,355
Investment securities - Amortised cost	10,922,555	2,313,834	8,608,721	10,320,960	3,199,783	7,121,177	10,228,322	2,754,475	7,473,847
Right-Of-Use assets	76,965	76,965	-	89,359	89,359	-	40,375	40,375	-
Property and equipment	403,005	402,600	405	435,830	435,077	753	345,607	344,430	1,177
Intangible asset	133,583	131,983	1,600	130,666	130,666	-	111,585	107,241	4,344
Deferred tax asset	44,515	44,515	-	45,936	38,965	6,971	88,682	36,492	52,190
Other assets	1,571,519	1,544,196	27,323	1,387,575	1,365,833	21,742	1,448,071	1,434,971	13,100
Total assets	46,829,197	22,279,199	24,549,998	45,796,327	22,408,172	23,388,155	57,147,532	22,706,758	34,440,774
Liabilities									
Deposits from customers	38,242,254	15,689,790	22,552,464	37,915,989	16,074,152	21,841,837	48,050,492	16,856,482	31,194,010
Derivative liabilities held for risk management	26,439	818	25,621	3,112	-	3,112	13,041	1,131	11,910
Other borrowed funds	2,932,664	1,334,026	1,598,638	2,055,978	5,002	2,050,976	3,767,074	5,002	3,762,072
Subordinated liabilities	1,289,279	894,280	394,999	1,396,543	894,017	502,526	1,387,217	893,640	493,577
Pensions obligations	84,453	84,453	-	60,810	44,391	16,419	80,146	74,676	5,470
Current tax liabilities	22,657	22,657	-	27,553	27,553	-	1,783	1,783	-
Other liabilities	512,143	454,006	58,137	528,230	411,027	117,203	381,048	288,757	92,291
Lease liabilities	84,617	84,617	-	96,615	96,615	-	48,074	48,074	-
	43,194,506	18,564,647	24,629,859	42,084,830	17,552,757	24,532,073	53,728,875	18,169,545	35,559,330
Shareholders' Equity									
Stated Capital	1,456,456			1,456,456			1,456,456		
Retained earnings	1,646,082			1,725,369			1,376,237		
Other reserves	532,153			529,672			585,964		
	3,634,691			3,711,497			3,418,657		
TOTAL EQUITY AND LIABILITIES	46,829,197			45,796,327			57,147,532		

Notes to the Financial Statements

for the year ended 31 December 2022

34. SEGMENTAL STATEMENT OF PROFIT OR LOSS

Statement of profit or loss

	Dec-22			Dec-21			Dec-20		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest income	1,393,221	665,234	727,987	1,155,343	776,176	379,167	1,487,023	892,494	594,529
Interest expense	(399,407)	(199,721)	(199,686)	(340,336)	(179,499)	(160,837)	(559,844)	(283,672)	(276,172)
Net interest income	993,814	465,513	528,301	815,007	596,677	218,330	927,179	608,822	318,357
Fee and commission income	457,051	107,240	349,811	607,911	115,506	492,405	689,113	111,922	577,191
Fee and commission expense	(127,650)	(55,183)	(72,467)	(329,633)	(43,459)	(286,174)	(497,249)	(83,415)	(413,834)
Net fee and commission income	329,401	52,057	277,344	278,278	72,047	206,231	191,864	28,507	163,357
Net gain on dealing in foreign currencies and derivatives	178,747	86,411	92,336	164,391	53,750	110,641	159,631	59,778	99,853
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	3,111	3,111	-	93,224	93,224	-	38,464	38,464	-
Other operating income	1,746	1,746	-	29,053	245	28,808	402	402	-
	183,604	91,268	92,336	286,668	147,219	139,449	198,497	98,644	99,853
Operating income	1,506,819	608,838	897,981	1,379,953	815,943	564,010	1,317,540	735,973	581,567
Non Interest Expenses									
Personnel expenses	(617,351)	(438,883)	(178,468)	(557,059)	(405,200)	(151,859)	(447,820)	(331,368)	(116,452)
Depreciation and amortisation	(96,901)	(84,051)	(12,850)	(75,861)	(63,744)	(12,117)	(78,621)	(66,796)	(11,825)
Other Expenses	(290,473)	(213,066)	(77,407)	(296,366)	(221,028)	(75,338)	(248,984)	(190,674)	(58,310)
	(1,004,725)	(736,000)	(268,725)	(929,286)	(689,972)	(239,314)	(775,425)	(588,838)	(186,587)
Profit before Impairment	502,094	(127,162)	629,256	450,667	125,971	324,696	542,115	147,135	394,980
Net impairment (reversal)/loss on financial assets	33,476	67,651	(34,175)	71,799	49,700	22,099	(1,073,659)	(207,395)	(866,264)
Profit/(loss) before income tax	535,570	(59,511)	595,081	522,466	175,671	346,795	(531,544)	(60,260)	(471,284)
Income tax (expense)/credit	(41,745)	(22,580)	(19,165)	(109,042)	(46,433)	(62,609)	39,819	32,994	6,825
Profit/(loss) after tax	493,825	(82,091)	575,916	413,424	129,238	284,186	(491,725)	(27,266)	(464,459)

35. SUBSEQUENT EVENT

Pursuant to the board meeting held on 7 March 2023, a final dividend of Rs 266.5 million (Rs 18.30 per share) was approved for distribution as dividend to shareholders subject to approval from Bank of Mauritius.

Bank One Limited

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