



BANK ONE

ANNUAL REPORT 2021



Africa is synonymous with opportunity, growth and challenges.
But to us, Africa means home. A home that we share with fellow Africans, a home whose boundaries are indiscernible to us.
The community is at the heart of every move we take and our philosophy aligns with the ancestral African Ubuntu philosophy that spreads across the continent: I am because you are.
We are proud. We are determined. We are skilled.
We are stronger, together. We are One, through many.



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TOGETHER*
we value each other's
talents and contributions.

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

423

CLIENTS

+ 50,000

OUR 4 MAIN BUSINESS ENABLERS

HUMAN CAPITAL

CUSTOMER EXPERIENCE

TRANSFORMATION

COMMUNICATION



OUR 5 REVENUE GENERATORS

RETAIL BANKING



CORPORATE BANKING



INTERNATIONAL BANKING



TREASURY OPERATIONS



PERSONAL FINANCIAL SERVICES



AT A GLANCE

OUR ACCOLADES IN 2021

OUR STRONG CREDENTIALS HAVE BEEN RECOGNISED THROUGH VARIOUS AWARDS:

GLOBAL FINANCE MAGAZINE



BEST PRIVATE BANK MAURITIUS 2022



BEST SME BANK MAURITIUS 2022

GLOBAL RETAIL BANKING INNOVATION AWARDS 2021



BEST MASS AFFLUENT BANKING OFFERING

GTR LEADERS IN TRADE AWARDS 2021



BEST TRADE FINANCE BANK IN MAURITIUS

CAPITAL FINANCE INTERNATIONAL (CFI.CO)



BEST CUSTODIAN BANK 2021 (INDIAN OCEAN)



BEST INTERNATIONAL BANKING 2021 (INDIAN OCEAN)

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
Representative of Investment Adviser (Unrestricted) Licence Mr Guillaume Passebecq	Financial Services Commission of Mauritius

MAIN CORRESPONDENT BANKS:

Citibank NA, London
Citibank NA, New York
JP Morgan, New York, USA
Sumitomo Mitsui Banking Corporation, Japan
Mizuho Bank Limited, United Kingdom
MashreqBank PSC, Dubai City
Axis Bank, Mumbai
Bank of China Limited, Johannesburg

SBM Bank (Mauritius) Ltd, Mumbai
I & M Bank Limited, Nairobi, Kenya
BNI Madagascar, Antananarivo
DBS Bank Ltd, Singapore
Absa Bank Ltd, Johannesburg
FirstRand Bank Ltd, Johannesburg
The Standard Bank of South Africa Limited, Johannesburg
Abu Dhabi Commercial Bank, Abu Dhabi

EXTERNAL AUDITORS:

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

AT A GLANCE

FROM AFRICA, FOR AFRICA



-  OUR SHAREHOLDER NETWORK
-  OUR COUNTRY COVERAGE

BRANCH NETWORK



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

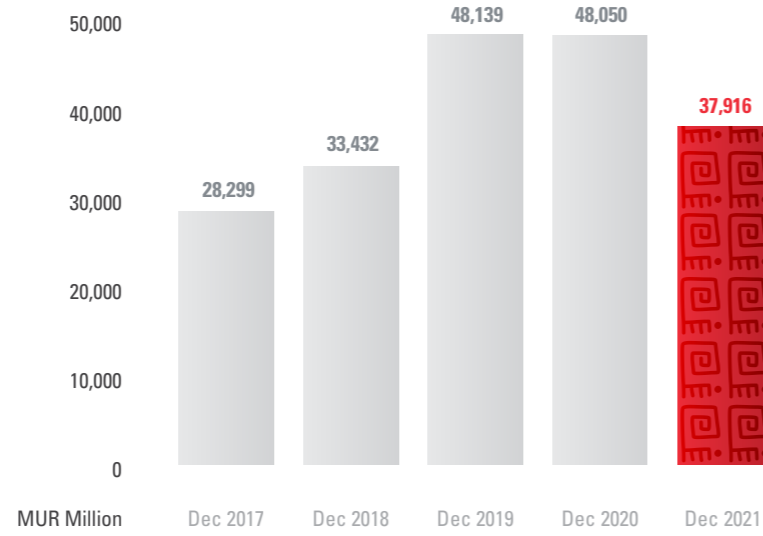
ROSE BELLE
G-29, Centre Commercial du
Vieux Moulin, Rose Belle

PHONE:
+230 202 9200

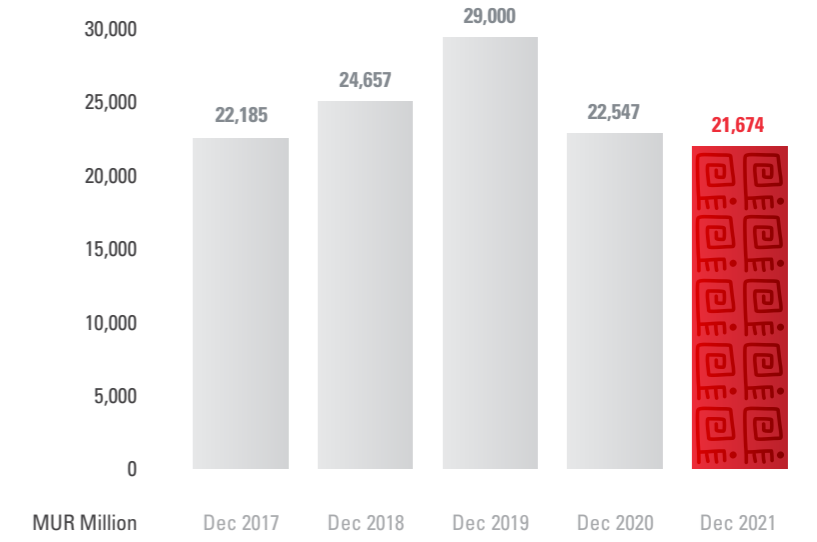
EMAIL:
contactcentre@bankone.mu

FINANCIAL HIGHLIGHTS

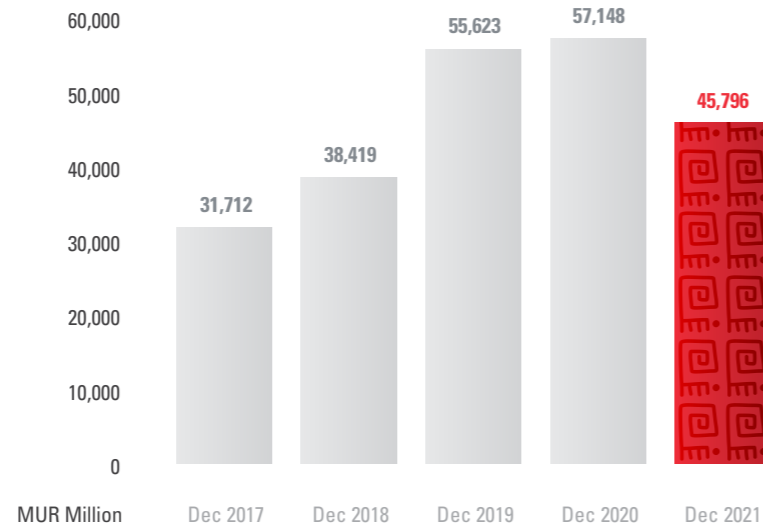
TOTAL DEPOSITS



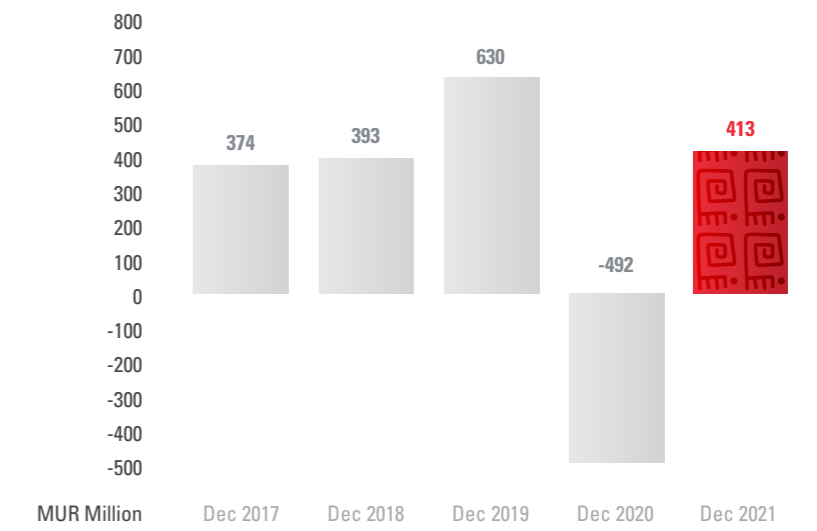
GROSS ADVANCES



TOTAL ASSETS

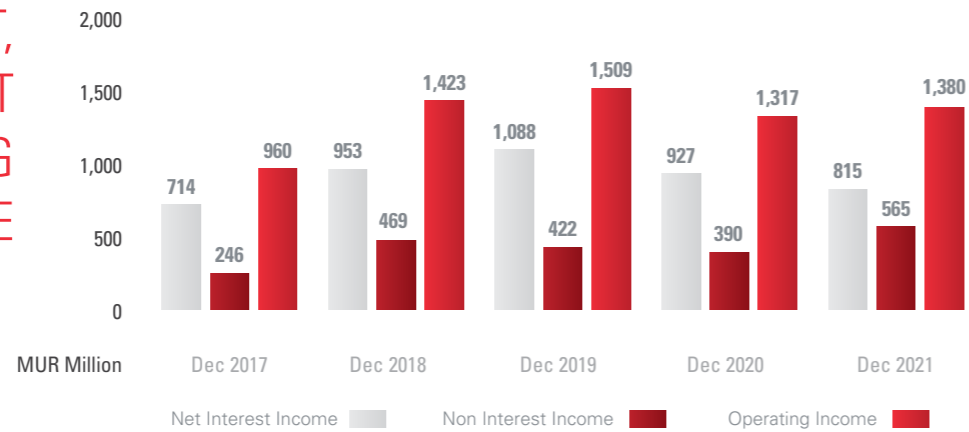


PROFIT AFTER TAX

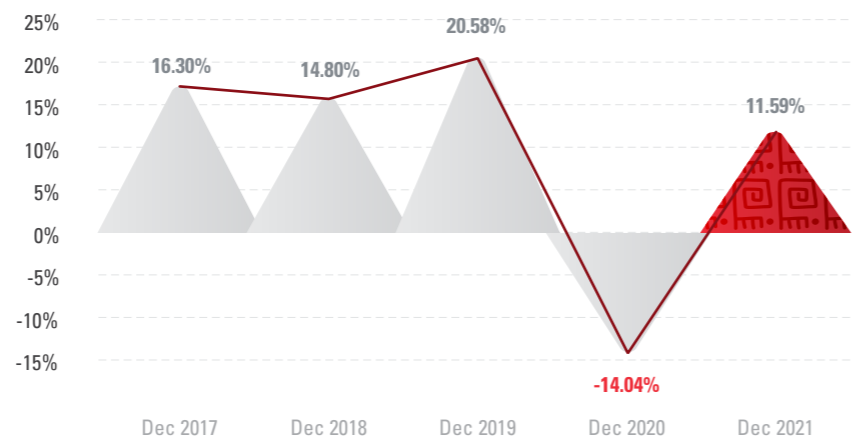


FINANCIAL HIGHLIGHTS

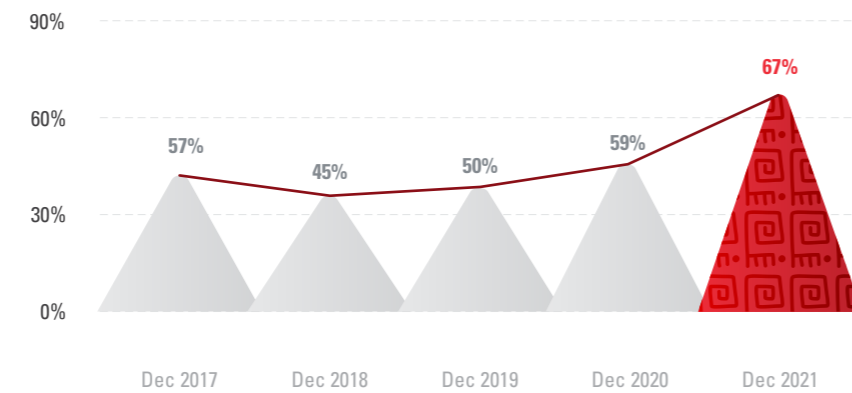
NET INTEREST, NON INTEREST AND OPERATING INCOME



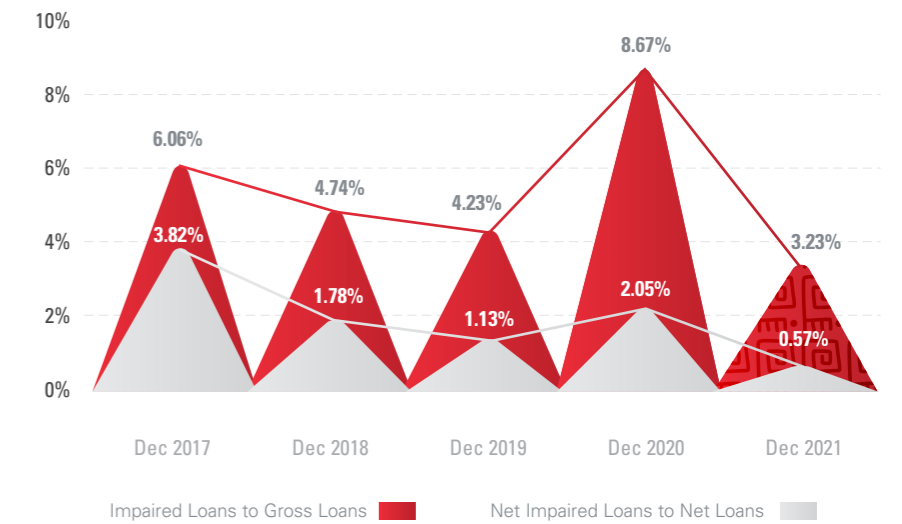
RETURN ON EQUITY



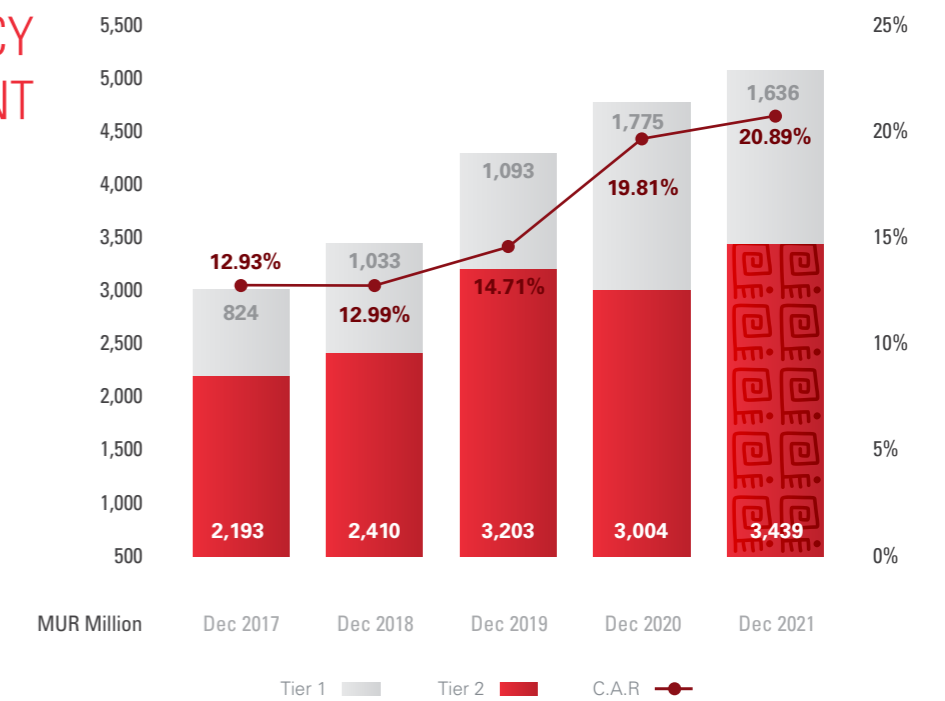
COST TO INCOME RATIO



IMPAIRED AND NET IMPAIRED LOANS RATIOS



CAPITAL ADEQUACY ASSESSMENT





MIARA*
we are the architects
of our success.

SANDRA
MARTYRES



CHAIRPERSON'S REPORT

DEAR SHAREHOLDERS,

As my tenure as the Chairperson of Bank One comes to a close, I look back at the past nine years I spent on the Board. We have gone through both exciting and challenging times, but the Bank has definitely made significant strides during this period, transforming itself from a small domestic bank to an international player with a strong focus on Sub-Saharan Africa, thereby expanding its customer base in regions where its shareholders have a significant presence.

The year 2021 has been a year of extended turmoil. It was generally believed that, with the availability of new vaccines, the shadow cast on the world economy by Covid-19 in 2020 would disappear and that growth would pick up, at first gradually and then with increased momentum in the second half of 2021. However, that was not to be as second and third waves of the pandemic plagued the world. Lockdowns, travel restrictions and closed borders added further misery in terms of lost lives and livelihoods. The mass vaccination drives across the globe did help to contain the problem until the Delta and Omicron variants surfaced - the latter, fortunately, though more contagious was less dangerous. Mauritius, which was already severely impacted in 2020, continued to struggle with the vicissitudes of the newer variants through 2021. The Government's systematic roll out of vaccinations in the country have since reinforced the hope that the coming year will be a better one on both the economic and social fronts.

Mauritius clocked an annual GDP growth rate of -14.9% in 2020, compared with the 3% growth recorded in 2019. However, recovery signs were evident in Q2 and Q3 of 2021, with the economy registering growth figures of 17.8% and 5.5% respectively. During Q4, Omicron played spoilsport. Overall, sector wise commendable growth was witnessed in manufacturing, housing, financial services and tourism, amongst other sectors. A more optimistic outlook has been forecast 2022, with the gradual return to normalcy across the country.

Globally, the main causes for concern on the economic front are headwinds in the shape of rising commodity prices and disruptions in global supply chains fuelling inflation. The US itself has seen inflation rates surge to 7.5%, the highest recorded in the past 40 years. Consequently, the Fed is expected to adopt a more hawkish stance, with about 7 interest rate hikes forecast in the coming year. This will have an adverse effect on Sub-Saharan Africa, with pressures on the domestic currencies and more difficult access to forex.

On the political front, the Russia – Ukraine war could have serious ramifications for the global economy should there be any further escalation. It is hoped that diplomatic channels can be reopened with NATO to resolve the matter, so as to minimise further loss of life and property.

Despite the challenges faced in 2021, Bank One continued to pursue its digital transformation programme with the successful launch of POP, a unique payments application that will significantly enhance customer experience.

In terms of business, the Bank was able to rebound from the loss of the previous year, posting healthy results in terms of both growth and profitability. The NPA figure dropped substantially while capital adequacy, liquidity and other critical performance ratios, showed a marked improvement. Given the existing strong base, business prospects for 2022 look very promising.

During the year, there were a number of changes on the Bank One Board. Messrs Chris Low, Lakshman Bheenick and Jerome de Chasteauneuf, were appointed as NEDs in place of Messrs L.A. Sivaramakrishnan, Marc-Emmanuel Vives and Paul Leech, who all retired from the Board. Ms Roselyne Renel, my replacement effective January 2022, joined as an Independent Director in May 2021. I would like to take this opportunity to thank the outgoing Directors for their contribution to the smooth and successful running of the Board, and to welcome the new entrants. Furthermore, I would like to introduce Roselyne, who is currently the Group Chief Credit Officer for the Lloyds Banking Group in the United Kingdom. She grew up in Mauritius and retains a strong emotional connection with the country, even though she has been living overseas for a long time. She comes with a wealth of banking experience as well as a deep knowledge of the Sub-Saharan Africa region. I wish her all success in helping Bank One with its Sub-Saharan Africa focused growth strategy.

Finally, I would like to thank our shareholders who have always been available to support the Bank, my fellow directors for their active and valuable participation in Board meetings, the Bank One team for their commitment and unstinted efforts, and our external auditors and regulators for their guidance and support. Although I am leaving the Board, I will remain a part of the Bank One family and will be cheering on the business and the team.

Sandra Martyres

CHAIRPERSON OF THE BOARD UNTIL 31 DECEMBER 2021

04 March 2022

CEO'S REPORT

DEAR SHAREHOLDERS, DIRECTORS AND COLLEAGUES,

I am pleased to provide an update on the performance of Bank One for the year ended 31 December 2021.

I would like to start with a note of thanks to our outgoing Chairperson, Sandra Martyres. Sandra has contributed significantly to Bank One over her 9 years on the Board, first as an Independent Director and then as Chairperson. I have particularly valued Sandra's thoughtful input and support in overcoming the challenges brought about by the Covid-19 pandemic these past 2 years.

At the same time we wish farewell to Sandra, the Bank One team is delighted to welcome Roselyne Renel as our new chair. Roselyne understands both Mauritius and the region extremely well and will add significant value as we look to develop our new Sub-Saharan African strategy.

2021: DEALING WITH COVID-19 CHALLENGES

Similar to 2020, our focus in 2021 remained on weathering the health and economic storm of the Covid-19 pandemic. Our health protocols have been of particular importance in keeping both our team members and customers safe, and I am pleased to say over 80% of the Bank One family are fully vaccinated and equipped for hybrid work.

On the customer front, we have sought to deliver more of our services digitally. We continued to support our clients challenged by the economic downturn resulting from lack of tourists and have also been able to offer a significant number of personal and corporate clients material relief under the Bank of Mauritius forbearance programme. This has helped them address the economic stress caused by Covid-19, it is an ongoing initiative which continues today.

The efforts of the Bank of Mauritius and the Government to support the market during the pandemic, are duly recognised. These include the social payment support mechanisms, forbearance, the provision of foreign currency liquidity to the market and the setting up of the Mauritius Investment Corporation. All provided essential confidence and support to the economy, allowing the island to face up to the worst impacts of the global pandemic crisis. With Covid-19 hopefully appearing to ebb, Mauritius will be in a better position to bounce back and reclaim its place in the region, notably as a consequence of this valuable support.

THE BANK ONE STRATEGY

Even at the height of the pandemic, we have continued to focus on the future. Our bridge to Africa strategy looks to link up Bank One with our shareholders in Sub-Saharan Africa (SSA). The CIEL and I&M Groups have significant financial services, health and sugar investments in over ten Sub-Saharan African countries, we intend to leverage on their presence in these countries to acquire new, and deepen our existing, relationship with financial institutions in the region. Amongst local banks in Mauritius, this provides us with a unique competitive advantage, where we can support businesses to grow in SSA with advice and finance, while at the same time offering such businesses Mauritius as a platform for regional growth.

Despite the challenges of the pandemic, there are encouraging initial signs of success across our business lines in SSA. We will continue to invest in people and capabilities in 2022 to reinforce our strong regional credentials.

“

To support our ambitious growth plans, we are making significant progress on the Bank's largest digital and systems investment programme.

MARK
WATKINSON

CEO'S REPORT

To support our ambitious growth plans, we are making significant progress on the Bank's largest digital and systems investment programme. The intention is to transform our customer proposition for both our personal and corporate clients, and to drive business efficiencies. New system deliveries will take place throughout the coming year. A recent example of an innovative digital service launched by Bank One was POP, a new payments application based off the back of the Bank of Mauritius Instant Payments system, allowing users - no matter where they have their bank accounts - to make instant payments across the domestic banking sector. This is the beginning of a payment revolution in the country.

All growth plans hinge on equipping our people for change. Bank One has joined I&M Group PLC in a cultural transformation journey that has involved training 18 of our high potential staff to become cultural change champions. Those champions are delivering a high impact programme that will touch every member of staff by the end of Q1 this year. Our plans in 2022 will continue to value our people and invest in them.

FINANCIAL PERFORMANCE

Despite the impact of the pandemic, travel restrictions and the closure of large parts of the domestic economy, the Bank generated a resilient set of results in 2021.

Operating income was up 5% as a result of strong non funds income growth relating to our SSA business, and underlying costs were up 20% due to the on-going systems investment and investment in our people. This investment is crucial to the long-term competitive position of the Bank.

Non-performing loans were significantly managed down during the year, from circa 9% in 2020 to just above 3% for the year under review. A major achievement in very difficult trading conditions.

The Bank generated a PBT of MUR 522 million, a material turnaround from the loss suffered in 2020.

The overall financial position of Bank One remains strong, with a Tier 1 ratio of 14.16% and Capital Adequacy Ratio of 20.89%.

Based on the Bank's strong performance up to Q3 of 2021, the Bank of Mauritius approved an interim dividend which was paid to shareholders in January 2022.

CONCLUDING REMARKS

I would like to take this opportunity to thank our customers, shareholders, directors, regulators and the Bank One team, for all their support in 2021. The year 2022 will not be without its challenges, particularly with respect to inflation, interest rates and foreign currency, but the Bank has fortified its base through the hard work put into the business over the last 2 years and it is well geared to execute its new strategy.

I look forward to working closely with you all in 2022.



Mark Watkinson
CEO AND DIRECTOR



BOARD OF DIRECTORS

SANDRA MARTYRES

Independent Chairperson

(Served as Independent Chairperson of the Board until expiry of her tenure on 31.12.2021; Non-Resident)

Sandra Martyres has over 25 years' experience in banking at Senior Management level, overseeing all areas from front office (corporate banking, trade finance, treasury & foreign exchange trading) to support functions (Finance, HR, Admin, IT, Operations). She retired from Société Générale as Deputy CEO – India and is currently an Independent Director on the Boards of Novartis India Ltd, Franklin Templeton Trustee Services India P. Ltd and HNI India Office Ltd, and an Executive Member of the Managing Committee of Alliance Française de Bombay.

Sandra holds a Master's Degree in Economics from the University of Mumbai.

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 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 as Chief Risk Officer for the Corporate & Investment Banking division of Standard Bank of South Africa 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 is also currently a member of the Supervisory Board of Eurex Clearing AG (member of Deutsche Börse Group).

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



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. 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 an 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 a Director of the Mauritius Bankers Association (MBA) in May 2020 and an Independent Non-Executive Director of the Mauritius Institute of Directors (MIoD) in July 2020.



LAKSHMAN BHEENICK

Non-Executive Director

(Appointed on 01.06.2021; Resident)

Lakshman Bheenick is currently the CEO of 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 his CEO role, 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 (now ABSA) in Mauritius and left in June 2006 as Head of Market Making & Liquidity Management.

Lakshman holds a BA (Econ) from the University of Manchester.

Directorship in listed entities in Mauritius: IPRO Growth Fund Ltd.



BOARD OF DIRECTORS

JEROME 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 listed conglomerates 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 the listed entities Alteo Limited and Sun Limited. Jérôme de Chasteauneuf also sits as an Independent Director on the Board of the Stock Exchange of Mauritius and as a Non-Executive Director on the board of Harel Mallac & Co. Ltd.

Prior to joining CIEL, Jérôme de Chasteauneuf held senior positions at PricewaterhouseCoopers in Jersey and London. 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).

Directorship in listed entities: CIEL Limited, Alteo Limited, Harel Mallac & Co. Ltd, Sun Limited.

GAURI A. GUPTA

Non-Executive Director

(Appointed on 02.03.17; 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 of the I&M Bank Group, listed on the Nairobi Securities Exchange.

Gauri is a Director on the board of several companies under the I&M Bank Group, including I&M Burbidge Capital Limited, an East African Corporate Advisory firm.



CHRIS LOW

Non-Executive Director

(Appointed on 24.05.2021; Non-Resident)

Currently, Chris Low 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 a Senior Advisor (Banking Specialist) at the Department of International Trade of 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 of their subsidiary companies in Botswana, Mozambique, Nigeria and Tanzania. Furthermore, he was a board and credit committee member for Diamond Bank Nigeria. In prior roles, Chris worked for the National Bank of Kuwait in the Middle East and for the 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 of England and Wales.



LEONARD C. MUSUSA

Independent Director

(Appointed on 02.03.17; 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 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 various companies in Kenya and Tanzania, in the financial, consumer industry and media sectors. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and Fellow Certified Public Accountant (Tanzania).



BOARD OF DIRECTORS

IGNASI SERRAHIMA ARBESTAIN

Independent Director

(Appointed on 16.04.2019; Non-Resident)

Ignasi Serrahima Arbestain 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 Espanol, S.A (Madrid), and Bankinter, S.A. (Madrid), between September 2000 and March 2014.

He holds a degree in Business Administration and an MBA at ESADE, Spain, as well as a Master's in International Management from the Thunderbird School of Global Management, USA.

NIKHIL TREEBHOOHUN

Independent Director

(Appointed on 21.12.2017; Resident)

Nikhil Treebhoozun has over 30 years' professional experience in the field of development, at both the national (as the Chief Executive of such intermediary organisations 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 international (as Head of the Trade Section at the Commonwealth Secretariat in London) levels. 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.

Directorship in listed entities in Mauritius: Terra Mauricia Ltd.



PAUL LEECH

Non-Executive Director

(Appointed on 26.06.2019 and ceased to be a director on 25.08.2021)

Paul Leech is currently the Non-Executive Chairman of CIEL Finance Limited and the Chairman of its Strategy Committee. He is also the Non-Executive Chairman of the IQ-EQ group companies in Mauritius. Prior to these roles, he was Group CEO of Cim Financial Services Ltd from 2014 to 2017 and worked for 33 years with the HSBC Group in Asia, Africa and Europe. He held the position of Head of International at HSBC in Asia-Pacific prior to his retirement from HSBC in 2011.

Paul holds a bachelor's degree from the University of Birmingham.



L.A. SIVARAMAKRISHNAN

Non-Executive Director

(Appointed 07.03.2016 and ceased to be a director on 24.05.2021)

L. A. Sivaramakrishnan is the Head of Business Development at I&M Bank Limited. He has over 40 years' banking experience and has previously occupied the position of Head of Corporate Banking at I&M Bank Limited and Head of I&M Kenya's Main Branch in Nairobi. He also held senior positions at the Bank of Baroda in India and Kenya. He is also a director of I&M Insurance Agency Ltd, a fully owned subsidiary of I&M Bank Ltd.

L. A. Sivaramakrishnan holds an MSc in Agricultural Sciences and is a Certified Associate of the Indian Institute of Bankers (CAIB).



BOARD OF DIRECTORS

MARC-EMMANUEL VIVES

Non-Executive Director

(Appointed on 15.04.2015 and ceased to be a director on 01.06.2021)

Marc-Emmanuel Vives joined CIEL Finance Limited as Chief Executive Officer in September 2014, bringing with him over 25 years' experience at Société Générale. He left CIEL Finance Limited in July 2021 to pursue personal projects.

After starting within the General Inspection of the Société Générale Group, he spent the next 18 years of his career in various assignments in emerging countries, first in Argentina as Commercial Director, then Chairman & CEO of Société Générale Argentina, later in Russia, as CEO of Bank Société Générale Vostok, before becoming First Deputy Chairman of Rosbank, and finally in India as Country Manager.

Marc-Emmanuel holds a Master's degree in Business Administration from HEC Business School France, as well as a degree in History from Sorbonne University in Paris.



SENIOR MANAGEMENT TEAM'S PROFILE



SENIOR MANAGEMENT TEAM'S PROFILE



ERIC HAUTEFEUILLE

Chief Operations Officer

Eric has a banking career spanning almost three decades at senior level. He spent 24 years at Société Générale, where he worked in various countries including 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 for the last five years. He was instrumental in developing the BNI footprint, particularly on mobile, cards and payments businesses, as well as branchless digital microfinance.



RANJEEVESINGH (RANJEEVE) GOWREESUNKUR

Chief Financial Officer

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

He started his career in 1998 at the Union International Bank and has since held various senior positions and gained extensive banking experience in his different roles at Delphis Bank, First City Bank, SBI (Mauritius) and Deutsche Bank (Mauritius). Ranjeeve joined Bank One as Financial Accountant in 2008 and was appointed as CFO in 2014.



STEPHEN VLOK

Chief Risk Officer

Stephen holds a Bachelor of Commerce and a Master of Commerce degree specialising in Financial Management. He is also a certified member of the Institute of Bankers of South Africa and obtained an Associate Diploma from the Institute. Before joining Bank One, Stephen gained twenty years' experience in risk management in the South African banking and investment industries. Stephen joined the Bank as Chief Risk Officer in November 2014.



CARL STEPHEN CHIRWA

Head of International Banking

Carl 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 in 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 is a Fellow of the Association of Chartered Certified Accountants (UK) – FCCA, an associate member of the London Institute of Banking and Finance (UK) – ACIB, and holder of an MBA from Durham University.

He has over 20 years' experience in the financial services industry, having worked in audit, accounting, offshore and HP financing, of which 15 were spent gaining senior management experience within the banking sector. He held several key positions in various organisations over these years, namely KPMG, Deloitte, HSBC, AAMIL, Barclays and, before joining Bank One, Banque des Mascareignes. He also had international exposure with ABSA, Barclays Dubai and Barclays Africa, where he worked mainly 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 is an International School of Management (IDRAC) graduate who 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 new 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 and Family Offices through a one stop shop and open architecture model.

SENIOR MANAGEMENT TEAM'S PROFILE



BHAVYA SHAH

Head of Personal Financial Services

Bhavya Shah brings nearly two decades of retail banking experience, with 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 joining Bank One, Bhavya was working for the HSBC Group, where his last role was Global Head of Retail Propositions, Wealth & Personal Banking.

Bhavya holds a Master's 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. He joined Bank One as Head of Personal Financial Services in June 2021.



RISHYRAJ (RISHY) LUTCHMAN

Head of Treasury

Rishy 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. Prior to leaving SBM, Rishy held the post of Chief Dealer.



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 organisation. Prior to joining Bank One, he was the Executive Head: Compliance, Governance and Ethics at Nedbank Africa.

Kenny is an accredited Ethics Officer and 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 from the University of Johannesburg and University of Stellenbosch, respectively. Kenny joined Bank One in April 2021.



VALERIE DUVAL

Head of Legal

Valerie Duval was called to the bar in 1995 and joined Bank One in 2008, after acquiring a strong 13 years' experience in leadership positions in the insurance sector, handling high level claims for key general insurers on the market.

As the Head of Legal for Bank One over the last 14 years, Valerie's expertise ranges from advising Bank One on all legal aspects relating to the affairs and operations of the Bank, to providing strategic legal support including assisting in the review of complex transactions, providing legal input in contractual negotiations and contributing to the successful recovery of assets in foreign jurisdictions.



PRISCILLA MUTTU

Head of Human Resources

With over 25 years' experience in the human resources field, Priscilla is a seasoned Human Resources professional. She holds a Master's degree 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 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, amongst others). From 2011 to 2014, Priscilla headed the HR department of the Bramer Bank, before being appointed as Chief HR Officer of GroFin in January 2015. GroFin is a development financier specialised in financing and supporting small and growing businesses (SGBs), with 16 offices across Africa and the Middle East. Priscilla joined Bank One as Head of HR in December 2017.

A photograph of three people in a meeting. On the left, a man with a beard and short dark hair, wearing a light blue button-down shirt, is looking towards the center. In the middle, a woman wearing a red hijab, glasses, and a dark top with a red and white patterned scarf is looking at a laptop. On the right, a woman with long dark hair, wearing a black and white patterned top, is smiling and looking at the laptop. They are all sitting at a table with laptops open. The background is a bright, modern office space with a white wall and a hanging light fixture.

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collective efforts.



ECONOMIC OUTLOOK

GLOBAL ECONOMY

Global growth is estimated to have risen by 5.5% in 2021. This is up from a decline of 3.4% in 2020. The growth has been aided by a relaxation of pandemic-related lockdown measures in many countries. That said, the emergence of Omicron, a new highly infectious Covid-19 variant, and that of the challenges relating to global supply chain bottlenecks, means the global economy remains very stressed.

Rates of recovery around the world have been uneven. The more advanced economies with high vaccination rates have tended to emerge faster than lower income countries with less successful vaccination programmes.

WORLD ECONOMIC OUTLOOK GROWTH PROJECTIONS

In the United States, activity grew at a softer than expected pace in the second half of 2021, with material slowdowns in private consumption and manufacturing production. Activity faced several unanticipated headwinds, including Covid-19 outbreaks, mounting supply shortages and rising energy prices, as well as a fading boost-to-incomes from pandemic-related fiscal support. Meanwhile, inflation increased to 7.5%, the highest level in 40 years. Projections are that this will lead the Federal Reserve to increase interest rates 6 to 7 times during the year.

US growth is expected to slow to 3.7% in 2022 and 2.6% in 2023, as excess savings are spent and support from fiscal and monetary policy wanes.

After a remarkable rebound in the second and third quarters of 2021, growth in Europe is estimated to have slowed in the fourth quarter, owing in part to a sharp resurgence of Covid-19, a persistent drag on production from supply bottlenecks in economies heavily exposed to global supply chains, as well as sharply higher energy prices.

After growing by an estimated 5.2% in 2021, European growth is projected to slow to 4.2% in 2022 - 0.2 percentage point below previous projections -, reflecting a somewhat softer than expected recovery in services consumption, due to the emergence of the Omicron variant. Growth is forecasted to decelerate further to 2.1% in 2023.

In 2022, the Sub-Saharan Africa region is expected to grow to 3.6% - 10 basis points better than the projection for 2020. Underlying growth will be supported by continued progress on the vaccination front. Concerns however exist regarding the impact of rising global inflation and interest rates on Sub-Saharan Africa.

MAURITIAN ECONOMY

The impact of the global pandemic has hit the Mauritian economy hard. The loss of revenue from tourism has been significant. The opening of the borders to vaccinated tourists led to a jump in tourist numbers in October, but numbers were impacted again in December with the announcement of Omicron.

After a contraction of circa 15% in GDP in 2020, the economy grew by approximately 5% in 2021. Continued policy support from the monetary and fiscal authorities, progress in the vaccination campaign, as well as the buoyancy of some major sectors (mainly the textile industry, having benefited from a de-risking from China), have greatly supported the economy.

The country's foreign exchange reserves buffer was adequate to protect the economy against external vulnerabilities. The Gross Official International Reserves of USD 8.5 billion as at end of December 2021 provided an import cover of 21.8 months, based on imports of goods and services for 2020, compared to 16.9 months as at end of December 2020.

The Bank of Mauritius maintained its accommodative monetary policy stance to support economic recovery. The policy rate has been kept unchanged at 1.85% by the Monetary Policy Committee.

Continued economic support from the Government and the Bank of Mauritius has cushioned the impact of the pandemic on banks' asset quality. The support from the Mauritius Investment Corporation (MIC) has been instrumental in supporting some of the big corporates impacted by Covid-19, saving hundreds of jobs. There has been a decline in the ratio of non-performing loans on the island over the year, from 5% to 4.5% by the end of 2021.

Despite the pandemic and the impact of Financial Action Task Force (FATF) listing, the global business sector recorded modest growth in 2021. With the removal of Mauritius from the FATF listing and its equivalent in the UK and the EU, further growth is expected in 2022.

The headline inflation rate excluding "alcoholic beverages and tobacco" rose from 2.5% in 2020 to 4% in 2021. This was driven by several factors, namely higher prices of food, commodities and other goods and services.

As a result of the economic pressures of the pandemic, the MUR continued to depreciate and lost over 9% of its value against the USD in 2021.



FINANCIAL ANALYSIS

STATEMENT OF FINANCIAL POSITION

As part of Bank One's strategic review, a right sizing exercise was carried out, focusing predominantly on the Bank's liability portfolio. This resulted in the Bank exiting a number of clients that no longer met its key business criteria. The review was completed in 2021 and, as a result, the deposit portfolio was consciously reduced from MUR 48 billion in December 2020 to MUR 38 billion in December 2021.

In the current climate, the Bank retained a prudent approach to lending. The gross loans book declined slightly from MUR 22.5 billion as at December 2020 to MUR 21.7 billion in December 2021.

The liquidity position of the Bank remained strong, with a Liquidity Coverage Ratio of 298% as at December 2021.

With a capital adequacy ratio of 20.89% and a tier 1 ratio of 14.16%, the Bank remained one of the best capitalised banks on the market.

The non-performing loan book was managed down from MUR 1,955 million (NPL ratio of 8.67%) as at December 2020 to MUR 701 million (NPL ratio of 3.23%) as at December 2021. The Bank successfully disposed of its two largest non-performing loans in the secondary market.

STATEMENT OF COMPREHENSIVE INCOME

The Bank's operating income went up by 5%, from MUR 1,318 million in 2020 to MUR 1,380 million for the year ended December 2021.

Net interest income fell by 12% compared against the prior year, as a result of lower loan balances, reduced margins and the full year impact of the subordinate loan (MUR 600 million) issue raised in June 2020.

Non-interest income went up by 45% compared to last year, an increase resulting from a rise in profits on fixed income trading and syndication fees.

The Bank continued its investment in digitalisation and technology, bringing about an increase in its non-interest expense by 20% in 2021.

Despite the challenging trading conditions, the Bank delivered a profit after tax of MUR 413 million against a prior year loss of MUR 492 million.

ACHIEVEMENTS V/S OBJECTIVES AND PLAN FOR 2022

2021 OBJECTIVES	2021 PERFORMANCE	2022 OBJECTIVES
RETURN ON AVERAGE EQUITY (ROAE) To achieve a ROAE of above 8%, with significant investments planned in technology.	Achieved a ROAE of 11.59%, contributed by one-off gains and recoveries.	To achieve a ROAE of above 13%.
RETURN ON AVERAGE ASSETS (ROAA) To achieve a ROAA of above 0.6%.	Achieved a ROAA 0.86%.	To achieve a ROAA of above 1%.
GROWTH IN OPERATING INCOME Growth of above 12% in operating income.	4.73% increase in operating income, contributed by one-off income.	Growth of above 24% in operating income.
COST TO INCOME RATIO Cost to income ratio of less than 60%.	Cost to income ratio of 67%, with lower income and increase including exceptional cost.	Cost to income ratio of less than 60%.
DEPOSITS GROWTH Deposit growth of 7%, contributed by both Segment A and Segment B.	Lower deposits size as per the Bank's strategy.	Deposit growth of 22%, contributed by both Segment A and Segment B.
GROSS LOANS AND ADVANCES GROWTH 19% growth to be contributed by both Segment A and Segment B.	Gross loan book slightly low 4%.	32% growth to be contributed by both Segment A and Segment B.
GROSS IMPAIRED RATIO Gross impaired ratio to be brought down below 5%.	Gross impaired ratio of 3.23%.	Gross impaired ratio to be brought down below 3%.
CAPITAL ADEQUACY RATIO (CAR) Maintain CAR above 15%.	CAR at 20.89% as at December 2021.	Maintain CAR above 15%.

FINANCIAL ANALYSIS

STATEMENT OF PROFIT OR LOSS

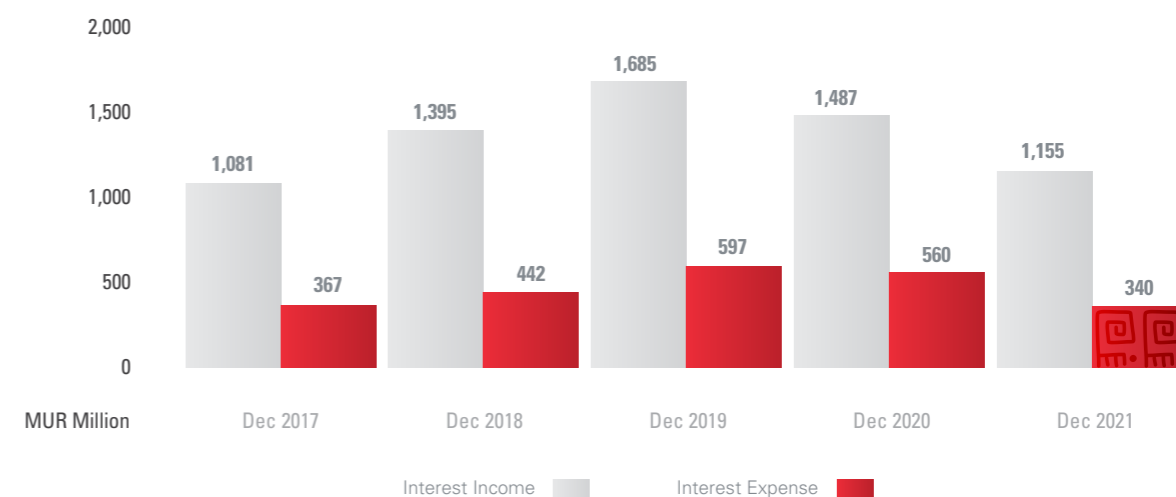
	Year ended Dec-19 MUR 000	Year ended Dec-20 MUR 000	Year ended Dec-21 MUR 000
Net interest income	1,087,656	927,179	815,007
Net fee and commission income	276,724	191,864	278,278
Net trading income	138,099	159,631	164,391
Other operating income	6,965	38,866	122,277
Operating income	1,509,444	1,317,540	1,379,953
Non-interest expense	(714,934)	(775,425)	(929,286)
Operating profit	794,510	542,115	450,667
Allowance for credit Impairment	(95,369)	(1,073,659)	71,799
Profit/(loss) before tax	699,141	(531,544)	522,466
Income tax (expense)/credit	(68,683)	39,819	(109,042)
Profit/(loss) for the year	630,458	(491,725)	413,424

INTEREST INCOME AND EXPENSE

	Year ended Dec-19 MUR 000	Year ended Dec-20 MUR 000	Year ended Dec-21 MUR 000
Interest income			
Loans and advances to customers and banks	1,236,442	1,189,768	907,082
Investment securities and bonds	316,174	253,970	229,696
Placements	132,519	43,285	18,565
	1,685,135	1,487,023	1,155,343
Interest expense			
Deposits from customers	488,146	372,202	201,383
Borrowings from Banks	55,409	117,862	52,074
Other	53,924	69,780	86,879
	597,479	559,844	340,336
Net interest income	1,087,656	927,179	815,007
Average interest earning assets	38,126,119	39,614,033	39,502,982
Average interest bearing liabilities	21,583,802	25,065,350	24,954,069
Interest income/average interest earning assets	4.4%	3.75%	2.92%
Interest expense/average interest earning liabilities	2.77%	2.23%	1.36%
Net Margin	1.63%	1.52%	1.56%
Core revenue*	1,509,444	1,317,138	1,379,708

*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 & INTEREST EXPENSE



With the compression of the returns on interest earning assets (from 3.75% in 2020 to 2.92% in 2021), interest income went down by 22% compared to last year. The falling interest rates have affected income generated by both local as well as foreign assets and investments.

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

The interest-bearing liabilities remained at the same level that last year. Overall interest expenses fell by 39%, mainly attributed to the offloading of some expensive deposits as well as the non-rolling over of some short-term borrowings which were raised in 2020 to improve the Bank's liquidity level.

The above resulted in a 12% fall in overall net interest income.

NON-INTEREST INCOME

	Dec-19 MUR 000	Dec-20 MUR 000	Dec-21 MUR 000
Net fees and commission	276,724	191,864	278,278
Net trading income	138,099	159,631	164,391
Other operating income	6,965	38,866	122,277
	421,788	390,361	564,946

The overall non-interest income increased by 45% in 2021.

Net fees and commission are significantly higher compared to last year, mainly contributed by some offshore trade transaction-related and facility arrangement fees.

Other operating income for the year includes one-off gains on fixed income trading generated earlier during the year on the back of market volatility.

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-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Personnel expenses	447,389	447,820	557,059
Depreciation and amortisation	78,828	78,621	75,861
Other expenses	188,717	248,984	296,366
	714,934	775,425	929,286

Non-interest expenses increased by 20%, bringing about a cost to income ratio of 67% for the year. The Bank's objective is to improve the cost to income ratio to below 60% in the short- to medium-term.

HR costs increased by 24% compared to the prior year, as a result of a rise in pension costs, provision for staff bonuses (no provision was made in 2020), the impact of an early voluntary retirement scheme and recruitment costs.

Other expenses rose as a result of IT, premises and consultancy costs, 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 2021.

Sectors	2019	2020	2021		
	Total	Total	Segment A	Segment B	Total
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Lending					
Agriculture & fishing	1,107,424	636,497	423,979	1,409	425,388
Manufacturing	134,182	53,950	36,187	-	36,187
Tourism	2,567,194	2,168,547	1,637,355	45,171	1,682,526
Transport	1,126,481	438,111	355,752	234,702	590,454
Construction	5,291,909	5,795,945	6,217,553	186,898	6,404,450
Financial and business services	4,200,137	3,287,914	1,530,250	1,057,888	2,588,138
Traders	3,410,028	2,922,517	3,121,422	371,678	3,493,100
Personal	1,474,929	1,701,194	1,612,071	41,667	1,653,738
Professional	12,357	12,979	14,433	-	14,433
Global business License holders	808,228	553,567	-	672,979	672,979
Others	3,949,934	2,990,072	260,689	512,881	773,570
	24,082,803	20,561,293	15,209,691	3,125,273	18,334,964
Lending to banks	4,916,727	1,985,889	-	3,339,038	3,339,038
Total credit Exposure	28,999,530	22,547,182	15,209,691	6,464,311	21,674,002
Trading					
Trading	2,571,081	12,035,154	2,056,341	26,760	2,083,101
Investment	14,348,745	10,239,400	3,208,539	7,131,024	10,339,563
Off balance sheet	4,778,841	3,167,836	2,990,376	2,038,623	5,028,998

Total lending exposures have remained stable, at MUR 21.7 billion as at December 2021. Significant investments in the trading book, including investments in BOM and US securities, have been disposed of during the year.

In line with the Bank's strategy, exposure to banks have gone up from MUR 1.9 billion as at December 2020 to MUR 3.3 billion as at December 2021. Exposure to this segment is expected to grow further in coming quarters.

CREDIT QUALITY

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

	Dec-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Impaired advances	1,226,770	1,955,228	700,531
Allowance for impairment – stage 3	912,583	1,531,353	583,243
Impaired advances/Gross advances	4.23%	8.67%	3.23%
Net impaired/Net advances	1.13%	2.05%	0.57%
Provision coverage ratio	74.4%	78.32%	83.26%

The Bank closed 2021 with an impairment ratio of 3.23%, as compared to 8.67% as at December 2020. The two largest non-performing exposures were disposed of during the year under review.

The Bank improved its provision coverage ratio from 78.32% as at December 2020 to 83.26% as at December 2021. The Bank holds adequate collaterals to cover the remaining 16.74%.

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 2021, is shown on next page.

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
Agriculture and fishing	423,979	1,409	12	1,409	100%	1%
Manufacturing	36,187	-	1,529	-	41%	-
Tourism	1,637,355	45,171	4,782	-	100%	-
Transport	355,752	234,702	10,721	234,702	71%	100%
Construction	6,217,553	186,898	160,165	128	62%	1%
Financial and business services	1,530,250	1,057,888	2,739	-	39%	-
Traders	3,121,422	371,678	206,915	2,667	80%	100%
Personal	1,612,071	41,667	69,784	-	90%	-
Professional	14,433	-	-	-	-	-
Global business license holders	-	672,979	-	-	-	-
Others	260,689	512,881	4,978	-	-	-
Total	15,209,691	3,125,273	461,625	238,906		
Sectors						
Loans to banks	-	3,339,038	-	-	-	-

45% of Segment A impairments originate from exposures to traders, while 98% of 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.



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we help build each
other's future.

LINES OF BUSINESS AND DIGITAL TRANSFORMATION

PERSONAL FINANCIAL SERVICES (PFS)

As the Covid-19 pandemic situation continued to impact Mauritius through 2021, the Bank's PFS segment, which provides banking services to individuals and SMEs, had to refocus on brilliant basics – i.e. ensuring that the business managed the health & safety of its people and customers through enhanced sanitary protocols across branches, while enabling customers to manage their personal finances and businesses through the very difficult times.

Enhanced activity management from the PFS team helped maintain a high level of customer engagement. This in turn enabled PFS to continue driving new business and delivering improved innovations into the market. PFS focused on mortgage driven growth and, as a result, its asset book grew by 12.92% against a 2.55% increase in the deposit book. Key to the mortgage growth was a new Eco home loan campaign, in collaboration with La Vallée de Ferney. This enabled the Bank to deliver a best-in-class mortgage proposition, while allowing customers to contribute positively to the management of the environment.

Proactive management of moratoriums and lower than expected delinquencies, helped keep the impairments position of the line of business at a low level.

The pandemic has hit the SME segment particularly hard, but the team worked extremely hard to support its customers and, as a result, was delighted to be awarded the “Best SME Bank” in Mauritius by Global Finance.

Building on the Bank's shareholder cross border presence in Sub-Saharan Africa, the PFS team launched a new offshore banking proposition during the year. This won early recognition when the Elite PFS team won the “Best Mass Affluent Banking Offering” at the Global Retail Banking Innovation Awards in 2021, organised by Digital Banker.

The biggest story for the year, however, was the launch of POP in the fourth quarter – Mauritius' first universal instant payment app. Building on the principles of open banking, POP enables customers from any bank that is part of the Bank of Mauritius' central payment switch (MauCAS), to register on POP and avail free, instant payment to any other bank account in the country – be it a person, wallet or merchant. Users can link all their different bank accounts in the one POP app, split bills, recharge mobile and manage subscriptions. Merchants accepting POP benefit from a materially lower interchange cost, that it can use to provide enhanced value to customers, create loyalty and improve the bottom-line. Further developments are planned for POP.

CORPORATE BANKING (CBD)

The domestic corporate market remains rather challenged by the pandemic, particularly all sectors relating to tourism. The opening of the borders in October will eventually feed through to a recovery but it will take time. Despite the pandemic, the textile and real estate segments are showing some signs of recovery. Textile has benefited from a global de-risking from China, while real estate has seen an upswing from buyers looking for a location offering some shelter from the pandemic as well as improved stability/security.

During the year, the business restructured its balance sheet and let go of expensive deposits and low return money market lines.

Corporate Banking is now well positioned to benefit from a return to more normal business conditions. The focus for the coming year will be to support its domestic clients, particularly in the real estate segment, as well as Mauritian businesses looking to do business in Africa.

INTERNATIONAL BANKING (IBD)

The environment was characterised by numerous headwinds, triggered by continued global lockdowns, global supply chain disruptions, the Mauritius FATF listing, slow vaccine rollouts in key target markets, an extremely challenged credit environment and historically low interest rates.

Despite these significant challenges, IBD recorded a strong rebound to profitability.

Asset growth was selective due to the uncertain credit environment, and the focus was on growing fee income through trade and structured transactions.

On the liability side, the Bank conducted a review of its client base and exited customers with limited potential for growth.

During the year, IBD was recognised by CFI as the “Best Trade Finance Banking” in Mauritius and the Indian Ocean.

The core focus of the business is to work in collaboration with the Bank's shareholders to develop its Sub-Saharan African franchise. As the global and regional markets reopen, the opportunities for IBD remain positive.

PRIVATE BANKING AND WEALTH MANAGEMENT & SECURITIES SERVICES (PBWM)

PBWM 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. The weekly newsletter, introduced around the end of 2020, has also been enhanced to provide regular market updates to clients.

On the liability side, the business conducted a review of all clients and exited those presenting limited opportunities for growth.

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

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 Sub-Saharan Africa.

TREASURY BUSINESS

The key challenge for Treasury has been the shortage of foreign currency on the market. This has been caused by the closure of the tourism sector for the past 18 months. The Bank of Mauritius (BOM) has actively intervened on the market and done a great deal to alleviate the worst impacts of the shortage, though it nevertheless remains very difficult to meet clients' needs.

During the year, the MUR depreciated by over 9% against the dollar.

Interest rates have remained low and stable, and the market continues to be very liquid in MUR. It is likely, with rising inflation and a forecasted growth in global interest rates, there will be pressure on the upside for MUR rates to increase.

Treasury remains very focused on the Bank's Sub-Saharan African strategy. It has launched Falcon, a new trading platform for customers, and is also expanding its African currency trading pairs.

DIGITAL TRANSFORMATION

The Bank remains very focused on its digital transformation journey and is implementing its largest ever investment programme. The key remains digitising products and services, simplifying processes, and making available world class delivery channels for customers. Overarching the transformation change programme is a clear focus on data and analytics.

Key deliveries during the year were a new payments application for personal customers and an FX trading platform for financial institutions and corporates.

In 2022, the Bank will be delivering new mobile banking and internet banking capabilities, significant workflow improvements and a new cards platform.

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 interests 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 the integrated risk management of the Bank and the resultant outcome that assists the Bank in reaching its strategic vision.

RESPONSIBILITY OF THE BOARD

The Bank's Board of Directors (the Board) remains ultimately responsible for ensuring risks are adequately identified, measured, managed and monitored. It 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 whereby:

1. Business lines take ownership of the risks from end to end.
2. Independent risk oversight through the various empowered Risk functions.
3. Internal Audit 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 reaching 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 are promoted through the prudent and consistent adoption of the risk culture statement. The risk culture journey is complimented by a deliverable risk appetite statement and quarterly 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 relevant sub committees monitor the Bank's risk profile 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 assessed and monitored on a qualitative basis.

THE BOARD'S RESPONSIBILITIES INCLUDE:

- Approval of 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 via 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. Cyber Resilience;
- d. Market Risk (within Finance Team);
- e. Operational Risk;
- f. Data & Analytics (DnA); and
- g. Sustainability

The Bank uses the Internal Capital Adequacy Assessment Process (ICAAP) to assess its optimal capital requirements. Its 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 in the calculation of regulatory capital, taking into consideration the macro-prudential policy measures introduced by BOM.

CREDIT RISK MANAGEMENT

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of loss arising from a client or counterparty failing to fulfil its financial obligations. Primarily arises from wholesale and retail loans & advances. Counterparty risk stems mainly from derivative contracts.	<p>The Board Risk Management Committee (BRMC) sets the Credit Strategy and approves the Credit Policy.</p> <p>The Board Credit Committee (BCC) monitors credit risk to be within the risk appetite and be proactive to any operating environment changes.</p> <p>Management credit approval rests with the Management Credit Committee (MCC). Credit portfolio risks are further discussed at the monthly MIRC.</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>	Various credit management controls are in place, such as credit policies, data analytics, models and risk indicators, to guide the decision-making process based on agreed principles and risk appetite levels. The impact of the following key aspects is considered – probability of default (PD), exposure at default (EAD), loss given default (LGD), provisions and the return on risk-adjusted capital.

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 the standardised approach to credit risk.

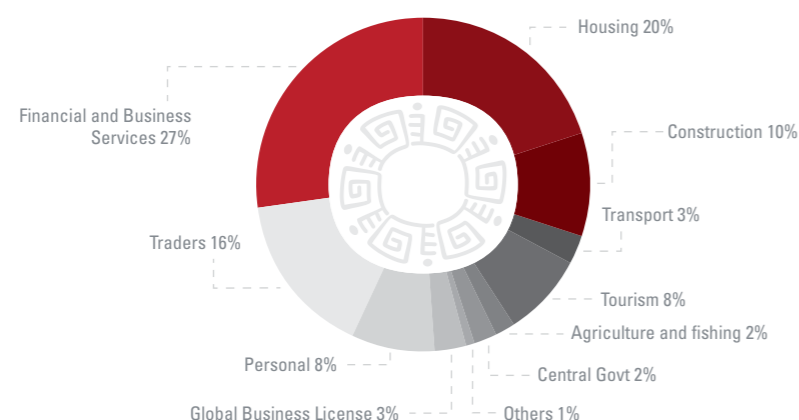
	Year ended Dec-19 MUR 000	Year ended Dec-20 MUR 000	Year ended Dec-21 MUR 000
CREDIT RELATED COMMITMENTS			
Bank guarantees and other contingent liabilities	760,284	1,262,164	920,688
Undrawn Credit Related Commitments	4,018,557	1,905,672	4,108,310

RISK MANAGEMENT

BANK PLACEMENTS AND LENDING

These instruments are normally of a better credit quality by the virtue of the regulated market in which these counterparties operate. External credit rating agencies' reports on the credit quality of rated banks are utilised 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.

SECTORWISE DISTRIBUTION



As shown in the chart above, the risk is well diversified. The largest concentration is on Financial and Business Services at 30% (2020: 24%) with the bulk of the exposure to other banks. This has increased from the prior year as Construction decreased their contribution. No major variance in the other sectors occurred during 2021.

In line with the Bank's strategy, the exposure to banks is expected to increase further in future years.

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 2021 have shown an increase in concentration percentages:

Group	2021		2020	
	Exposure MUR 000	% of Tier 1 Capital	Exposure MUR 000	% of Tier 1 Capital
1	946,615	27.53	1,088,733	36.24
2	874,293	25.42	1,081,930	36.02
3	800,198	23.27	1,049,446	34.94
4	732,954	21.31	1,020,950	33.99
5	705,000	20.50	911,376	30.34
6	463,876	13.30	1,049,446	34.90

Single Borrower	2021		2020	
	Exposure MUR 000	% of Tier 1 Capital	Exposure MUR 000	% of Tier 1 Capital
1	650,250	18.64	590,250	19.65
2	650,250	18.91	590,250	19.65
3	643,234	18.71	590,250	19.65
4	606,900	17.65	583,881	19.44
5	540,430	15.72	482,960	16.08
6	445,855	12.78	472,200	15.72

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 2021:

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 2021, all portfolios remained in the Low Risk category for concentration risk, despite the increase in the top six group and single borrowers.

RELATED PARTY TRANSACTIONS

The Conduct Review & Corporate Governance Committee (CRCGC) 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 MUR 971 million (2020: MUR 727 million) which represents 28.24% of Tier I Capital (2020: 24.20%). The facilities range from bank placements, overdrafts and loans. Collateral is taken for the facilities, except for bank placements, which are bank senior unsecured risk. Settlement of facilities will be from the underlying obligor's operating cash flow and arm's length terms and conditions apply.

The aggregate related party exposure (Off-balance sheet) of the Bank was MUR 244 million as at year-end (2020: MUR 367.7 million).

None of the loans advanced to related parties were classified as non-performing as at 31 December 2021.

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

Related Party	2021		2020	
	Exposure MUR 000	% of Tier 1 Capital	Exposure MUR 000	% of Tier 1 Capital
1	380,000	11.05	380,000	12.65
2	348,600	10.14	348,729	11.61
3	222,700	6.48	220,740	7.35
4	173,400	5.04	57,435	1.91
5	27,232	0.79	12,360	0.41
6	15,958	0.46	9,396	0.31

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

CREDIT QUALITY

IMPAIRMENT AND PROVISIONING POLICIES

Impairment provisions are recognised for financial reporting purposes under International Financial Reporting Standard IFRS 9 and the 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.

RISK MANAGEMENT

IFRS 9

The IFRS 9 standard requires the Bank to use the 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.

The Bank of Mauritius (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 Bank's philosophy is to resolve recovery matters through negotiations. If no agreement is reached, legal action is pursued with urgency for the timely recovery of all non-performing assets (NPAs).

For 2021, the NPA portfolio decreased substantially, by 64%. The driver was the resolution of seven of the largest fifteen NPAs. The Provisions Coverage Ratio (PCR) has continued to improve from 78.32% in 2020 to 83.27% for the year under review.

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 Retail and Corporate clients decreased to MUR 1.03 billion (2020: MUR 2.3 billion), which equates to 8% (2020: 17%) of the Segment A portfolio. Management conducts quarterly stress tests on this portfolio and has taken an additional management overlay Provision (Stage 1 & 2) of MUR 70 million (2020: MUR 88.4 million).

The past due portfolio has performed better than expected given the external environment and fallout of the pandemic.

STAGE 1 AND 2 OUTSTANDING BALANCE CONTRIBUTION

Loan and advances Stage 1 and Stage 2	As at 31 December 2021			As at 31 December 2020		
	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	99%	97%	98%	98%	93%	95%
Stage 2	1%	3%	2%	2%	7%	5%

As a result of proactive and effective monitoring of the total credit portfolio, 98% (2021: 95%) of the portfolio remains within Stage 1. The Stage 2 bucket contributes 2% (2021: 5%) to the overall portfolio. Given the operating environment of 2021, the portfolio's 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 has reviewed the terms and conditions by allowing concessions such as extending the maturity, changing the frequency of interest servicing, review and downward revision of interest rate as well as amendments to other terms of loan covenants. The Bank follows the requirements of the Bank of Mauritius Guideline on Credit Impairment and Income Recognition on restructured facilities.

For the year under review, credit facilities were restructured for an amount of MUR 9.8 million (2020: MUR 5 million). These loans are being regularly repaid and the balance reduced to MUR 9.2 million (2020: MUR 4.9 million) as at 31 December 2021.

PROPERTIES IN POSSESSION (PIPS)

As at December 2021, the Bank held four PIPs in its books, with an assessed total value of MUR 9.1 million (2020: MUR 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 2021, 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, this 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	GOVERNANCE	MORE INFORMATION
The risk of a potential decrease in stakeholder value, resulting from adverse changes in market prices and interest rates that negatively affect assets and liabilities.	Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monthly monitored via the ALCO, which reports any key risks to the MIRC on a monthly basis, and quarterly to the Board Risk Management Committee (BRMC). The Analytics team monitors and reports on limit governance.	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 Bank's risk appetite. Market risk is monitored on a daily basis.

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. They are reported to Bank of Mauritius on a daily basis.

During 2021, the Bank operated well within the regulatory limits regarding net open positions.

A monthly report is submitted to the ALCO and a quarterly report to the BRMC, for notification of any underlying breach in limits. 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 2021, VaR limits against the actual potential loss reflect sufficient headroom:

VAR LIMIT VS ACTUAL POSITION DECEMBER 2021	USD	EUR	GBP
Limit	MUR 800k	MUR 500k	MUR 200k
Potential Loss	MUR 652k	MUR 13k	MUR 16k

(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 the ALCO and quarterly to the 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 comprise mainly interest rate sensitivity analysis and stress testing.

RISK MANAGEMENT

INTEREST RATE REPRICING GAP ANALYSIS

A detailed evaluation of the interest rate sensitivity analysis as at 31 December 2021 is provided 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.

MUR & USD EARNINGS AT RISK ANALYSIS AS AT 31 DECEMBER 2021

INTEREST RATE MOVEMENT 2021	IMPACT ON EARNINGS ON ACCOUNT OF INTEREST BASIS (MUR M)	IMPACT ON EARNINGS ON ACCOUNT OF INTEREST BASIS (USD M)
+ 100 bps	4.72	0.53
-100 bps	(4.72)	(0.53)
+ 200 bps	9.43	1.07
-200 bps	(9.43)	(1.07)

The Bank is able to absorb potential interest shocks.

LIQUIDITY RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of losses from not having cash to honour commitments when falling due.	Treasury is responsible for the daily management of liquidity and provides daily reporting to Senior Management. The ALCO oversees the activities of Treasury on a monthly basis and reports monthly to the MIRC and quarterly to the BRMC.	The Bank manages its liquidity on a prudent and proactive basis and ensures that 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- and 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 the 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 regularly 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 2021, the Bank was well above the minimum consolidated liquidity requirements as shown in the table below:

LIQUIDITY COVERAGE RATIO - QUARTER ENDING DECEMBER 2021

(CONSOLIDATED IN MUR 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)	7,403,444	7,403,444
Cash Outflows		
Retail deposits and deposits from small business customers, of which:		
<i>Less stable deposits</i>	13,221,600	1,322,160
Unsecured wholesale funding, of which:		
<i>Non-operational deposits (all counterparties)</i>	11,440,209	4,576,083
<i>Unsecured debt</i>	2,234,669	2,234,669
Additional requirements, of which:		
<i>Credit and liquidity facilities</i>	571,213	141,001
Other contractual funding obligations		
Other contingent funding obligations	422,548	21,127
Total Cash Outflows	27,890,239	8,295,041
Cash Inflows		
Secured funding	5,218,018	5,218,018
Inflows from fully performing exposures	1,155,480	577,740
Other cash inflows	15,454	15,454
Total Cash Inflows	6,388,952	5,811,212
		TOTAL ADJUSTED VALUE
TOTAL HQLA		7,403,444
TOTAL NET CASH OUTFLOWS		2,483,829
Liquidity Coverage Ratio (%)		298%
Quarterly Average Of Daily HQLA		7,357,750

Notes: The reported values for 'quarterly average of monthly observations' are based on October, November and December 2021 month end figures.

The reported values for 'quarterly average of daily HQLA' are based on business days figures over the 1 October 2021 to 31 December 2021 period.

- As at end of December 2021, the Bank's quarterly average LCR was 298% (2020: 394%), significantly above the regulatory minimum of 100%.
- 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 during the ALCO and quarterly in the BRMC.

RISK MANAGEMENT

OPERATIONAL RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.	<p>The management of operational risk within Bank One 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.</p> <p>The Operational Risk function reports monthly to the MIRC and quarterly to the BRMC.</p>	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 in planning for and anticipating 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 following underlying risk principles:

- 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 the internal control programme are the fundamentals of the new operational risk strategy. 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 resiliency.

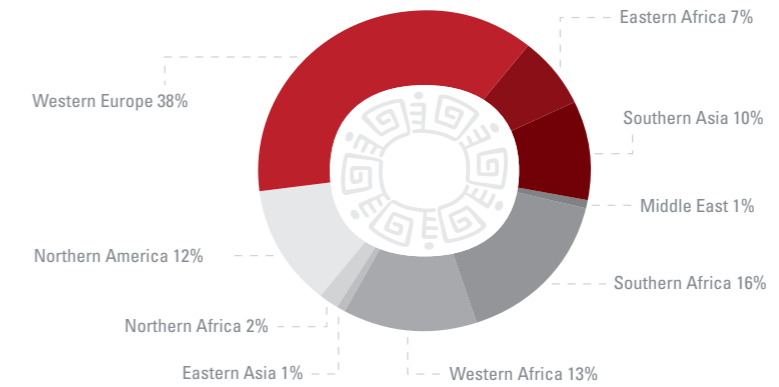
Business continuity is a key focus area for the Operational Risk function. The Covid-19 pandemic provided a live test of the Bank’s continuity plans. While lessons were learned, the plans held up well during the lockdowns and all major functions of the Bank continued to operate and serve clients. Lessons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

COUNTRY RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
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.	The Analytics team provides weekly information on the limits and headroom to the limits to Senior Management. The MIRC has monthly overview and the BRMC quarterly oversight on the country risk portfolio and BRMC approves all country limits. The frequency of country limit reviews is done monthly to support the Bank’s strategic intent.	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 2021 are disclosed in the chart below:

EXPOSURE BY REGION - DEC 2021



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

BUSINESS / STRATEGIC RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of non-attainment of the planned strategic objectives, the consequences of inappropriate strategies or the decline in income or margins that affect negatively on profitability.	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.	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 holistic approach is prudently adopted.

CYBER RESILIENCE

DEFINITION	GOVERNANCE	MORE INFORMATION
The ability of a firm to manage a cyber-breach or data breach while continuing to conduct its business activities as usual.	The policies and procedures are in place to ensure global best practices are implemented to cater for governance progress, projects progress, prevention capability, detection capability and response capability. Cyber resilience is one of the top risks reported monthly to the MIRC and quarterly to the BRMC.	A dedicated team of IT Security specialists are hired, and various cyber resilience testing and trainings are regularly carried out.

RISK MANAGEMENT

REPUTATION RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The current or potential risk to earnings and capital driven by the adverse perception of Bank One on the part of clients, counterparties, employees, or regulators.	Exco sub-committee (Legal Committee) directly manages reputational risk reporting quarterly to the MIRC.	The Bank continues to dynamically assess and monitor reputational risk on a qualitative basis. Overall, reputation risk in 2021 remained acceptable and stable from prior years.

COMPLIANCE RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of the potential for losses and legal penalties, due to failure to comply with laws and/or regulations.	The Compliance team reports compliance matters to the MIRC on a monthly basis. The BRMC has oversight over the Bank's compliance risks and receives detailed reporting on a quarterly basis.	The Bank has completed a significant compliance transformation programme, managed as a project with the appropriate governance in place. The regulatory and compliance framework will now be governed through a regulatory & compliance forum that will monthly report to MIRC.

RISK CAPITAL MANAGEMENT

The main objective of Bank One is to maintain a strong capital adequacy position despite facing a significant and prolonged uncertainty, due to exceptional circumstances under the Covid-19 pandemic. The Bank also ensures it can support and sustain its business growth, even in such difficult times. 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 was required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% for the year 2021. However, due to the challenges caused by the Covid-19 pandemic and its potential impacts on economic activities, the BOM has implemented some measures to alleviate the effects on banks. The minimum CAR of 12.5% in 2021 has thus been deferred until 31 March 2022, hence maintaining a capital conservation buffer of 1.875% for this year. The Bank has computed its CAR as at 31 December 2021 and ensures capital levels at all-time exceed the minimum capital requirements of 11.875% 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 2021, the Bank's CAR stood at 20.89% (against a regulatory requirement of 11.875%), out of which the Common Equity Tier 1 (CET 1) CAR was 14.16% (against minimum regulatory requirement of 6.5%) which is well above the minimum requirement.

CORE CAPITAL (TIER 1 CAPITAL)

	Basel III Dec-19 MUR 000	Basel III Dec-20 MUR 000	Basel III Dec-21 MUR 000
Paid up capital	1,156,456	1,456,456	1,456,456
Statutory reserve	401,538	401,538	463,552
Retained earnings	1,875,669	1,376,237	1,725,369
Deductions			
Intangibles	(138,466)	(111,585)	(130,667)
Deferred tax	(51,277)	(88,683)	(45,937)
Investment in other bank	(40,395)	(29,984)	(30,021)
Total tier 1 capital	3,203,525	3,003,979	3,438,752

SUPPLEMENTARY CAPITAL (TIER 2 CAPITAL)

Reserves arising from revaluation of assets	43,791	43,791	43,791
Portfolio provision	284,954	220,017	218,290
General banking reserves	47,881	55,589	57,867
Subordinated debt	673,831	1,327,219	1,316,544
Fair value gains	42,534	128,689	-
Total tier 2 capital	1,092,991	1,775,303	1,636,492
Total capital base	4,296,517	4,779,282	5,075,244

RISK WEIGHTED ASSETS FOR:

Credit risk	27,280,266	22,048,421	22,092,561
Market risk	46,133	25,244	96,415
Operational risk	1,876,059	2,055,049	2,103,468
Total risk weighted assets	29,202,458	24,128,714	24,292,444
Tier 1 ratio	10.97%	12.45%	14.16%
Capital adequacy ratio	14.71%	19.81%	20.89%

RISK WEIGHTED ON-BALANCE SHEET ITEMS

	MUR 000	Risk weight %	Dec-19 MUR 000	Dec-20 Risk weighted MUR 000	Dec-21 MUR 000
Cash in Hand & with Central Bank	1,710,950	0-50%	54,068	-	-
Balance and Placements with Banks	11,695,611	20-100%	2,427,330	3,605,792	3,242,884
Balance in Process of Collection	13,267	20%	6,099	4,374	2,653
Treasury Bills and GOM Bills	5,261,619	0%	-	-	-
Other Investment	5,852,117	0-100%	1,725,469	1,964,327	1,566,397
Fixed and Other Assets	683,331	100%	581,025	517,997	683,331
Loans and Advances	20,641,882	0 - 100%	22,197,502	15,509,389	16,113,479
	45,858,776		26,991,494	21,601,879	21,608,744

RISK MANAGEMENT

RISK WEIGHTED OFF-BALANCE SHEET ITEMS

	Credit Conversion Factor (%)	Risk weight %	Dec-19	Dec-20	Dec-21
			Risk weighted		
			MUR 000	MUR 000	MUR 000
Acceptances and Bill of Exchange	100%	100%	209,860	340,823	369,025
Guarantees, bonds etc	50%	100%	61,451	92,188	78,441
Letter of credit	20%	100%	2,493	6,057	25,580
Foreign Exchange Contracts	1% to 7.5%	20-100%	14,968	7,474	10,771
			288,772	446,542	483,817

RISK WEIGHTED EXPOSURES

	Dec-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Risk weighted On-Balance Sheet Assets	26,991,494	21,601,879	21,608,744
Risk weighted off-balance sheet exposures	288,772	446,542	483,817
Risk weighted on market risk	46,133	25,244	96,415
Risk weighted on operational risk	1,876,059	2,055,049	2,103,468
Total risk weighted assets	29,202,458	24,128,714	24,292,444

	Dec-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Foreign exchange risk	46,133	25,244	96,415
Interest rate risk	-	-	-
Equivalent risk-weighted assets	46,133	25,244	96,415

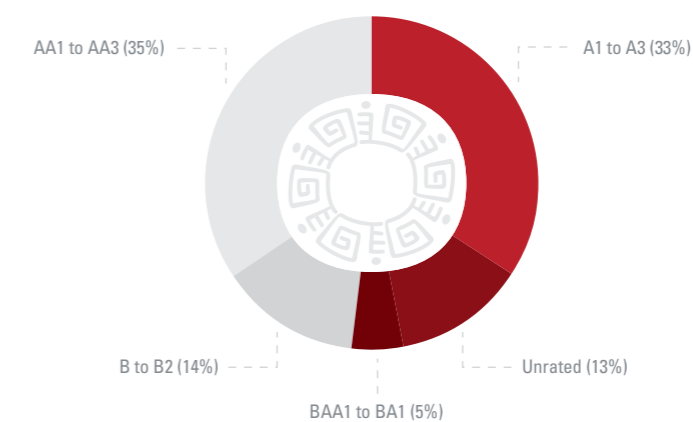
RISK -WEIGHTED ASSETS FOR OPERATIONAL RISK

	Dec-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Average gross income for last 3 years	1,250,706	1,370,032	1,402,312
Capital charge	187,606	205,505	210,346
Equivalent risk-weighted assets	1,876,059	2,055,049	2,103,468

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.

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

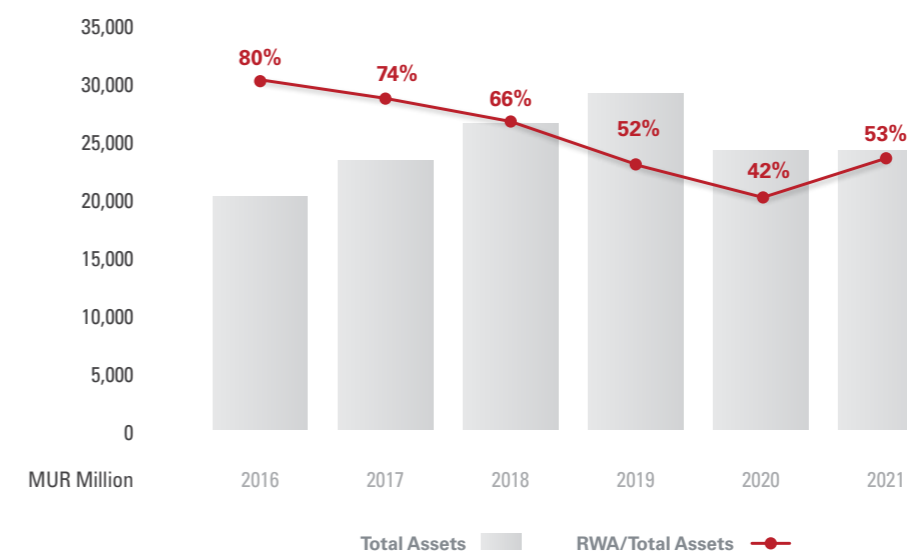
EXPOSURES BY RISK GRADE



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 2021, 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 assess its risk management and their capital adequacy in relation to it and ensures that the institution holds adequate capital in relation to the institution 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 prudential 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 reported to the Assets and Liabilities Committee. The Bank performs different kind of stress testing techniques, including scenario analyses and other techniques used to evaluate the potential negative impact on the capital available, caused by specific event or movement 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, and also 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 & ASSUMPTIONS	
RISK TYPE	ASSESSMENT METHODOLOGY
Compliance Risk	Qualitative Assessment
Concentration Risk	HH Index and Stress Testing
Country Risk	Quantitative and Qualitative Assessment
Credit Risk	Moody's risk analyst & 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 subcommittee created to assess risks & opportunities

SUSTAINABILITY

EMBRACING SUSTAINABILITY AT BANK ONE

Despite the challenges of the pandemic, the Bank has sought to maintain the momentum of its sustainability strategy to support unprivileged communities and make a real difference to the environment of the island.

KEY 2021 INITIATIVES HAVE INCLUDED

A. FOOD AND FINANCIAL RELIEF

The focus was on a food and financial relief programme managed by Caritas for vulnerable families during the Covid-19 pandemic.

B. LEARNING AND DEVELOPMENT OF CHILDREN



The provision of school materials and the establishment of an IT centre for students aged 6 to 11 years old at the Jean Blaise Learning Centre, near Port Louis.

C. ENVIRONMENTAL



A partnership with Vallée-de-Ferney Trust to protect endemic forests on the island. This included the launch of the innovative Eco-Home loan campaign.

Bank One remains committed to integrating sustainability criteria into its business strategies. Since 2020, Bank One has implemented an environmental and social management system (ESMS) in line with World Bank performance standards to ensure greater environmental and social efficacy in its lending practices.

With a detailed World Bank ESMS in place, Bank One is aligned to the Bank of Mauritius draft guidelines on climate-related and environmental financial risk management.



MWA*

we merge our multifaceted identities into one.



*MWA - (KINYARWANDA - RWANDA)

CORPORATE PROFILE

Bank One is jointly owned by the CIEL and I&M Groups. CIEL is one of the largest diversified conglomerates in Mauritius, employing some 35,000 people with businesses in over 10 Sub Saharan African countries serving the financial services sector, sugar and healthcare. I&M is a Kenyan listed financial services group with Banks in Kenya, Uganda, Tanzania, Rwanda and Mauritius. Together the CIEL and I&M groups have a long history and a major presence in the region with unrivalled market access and knowledge.

With the significant demographic changes underway in Sub Saharan Africa and the customer needs that are emerging, Bank One's strategy is to leverage its shareholder strength in the region to provide solutions to both Mauritian and Sub Saharan African businesses looking to grow.

Bank One is an integrated member of the CIEL and I&M groups and through its team of 425 high calibre staff from 10 different nationalities, is well positioned to support the growth ambitions of businesses in Mauritius and in Sub Saharan Africa. Key financial services offered are; loans, deposits, transaction banking, trade, foreign currency, structuring and advisory capabilities, private banking, cross border personal banking, custody and security services.

DIRECTORS IN OFFICE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Ms. Sandra Martyres	Appointed as Independent Chairperson on 07.09.2017 Ceased to be a Director on 31.12.2021
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	Appointed as Non-Executive Director on 01.06.2021
Mr. Jérôme de Chasteauneuf	Appointed as Non-Executive Director on 25.08.2021
Ms. Gauri A. Gupta	Non-Executive Director
Mr. Christopher A.M Low	Appointed as Non-Executive Director on 24.05.2021
Mr. Leonard C. Mususa	Independent Director
Mr. Ignasi Serrahima Arbestain	Independent Director
Mr. Nikhil Treebhohun	Independent Director
Mr. Paul E. Leech	Non-Executive Director; Ceased to be a director on 25.08.2021
Mr. L.A. Sivaramakrishnan	Non-Executive Director; Ceased to be a director on 24.05.2021
Mr. Marc-Emmanuel Vives	Non-Executive Director; Ceased to be a director on 01.06.2021

SECRETARY TO THE BOARD AND BOARD COMMITTEES

Ms. Kareen Ng ChitWing ACG

BOARD COMMITTEES' COMPOSITION AS AT 31 DECEMBER 2021

CONDUCT REVIEW & AUDIT COMMITTEE

Mr. Leonard Mususa (Chairperson)
Ms. Sandra Martyres
Mr. Nikhil Treebhohun

BOARD RISK MANAGEMENT COMMITTEE

Mr. Lakshman Bheenick (Chairperson)
Mr. Chris Low
Ms. Sandra Martyres
Mr. Leonard C. Mususa
Ms. Roselyne Renel
Mr. Mark Watkinson

BOARD CREDIT COMMITTEE

Ms. Gauri Gupta (Chairperson)
Mr. Lakshman Bheenick
Ms. Roselyne Renel

GOVERNANCE, NOMINATION & REMUNERATION COMMITTEE

Ms. Gauri A. Gupta (Chairperson)
Mr. Lakshman Bheenick
Ms. Sandra Martyres
Mr. Ignasi Serrahima
Mr. Nikhil Treebhohun

BOARD STRATEGY & INVESTMENT COMMITTEE

Mr. Chris Low (Chairperson)
Mr. Lakshman Bheenick
Ms. Sandra Martyres
Mr. Ignasi Serrahima
Mr. Mark Watkinson

EXECUTIVE MANAGEMENT TEAM

Chief Executive Officer:
Chief Operating Officer:
Chief Financial Officer:
Chief Risk Officer:
Head of International Banking:
Head of Corporate Banking:
Head of Private Banking and Wealth Management:
Head of Personal Financial Services:
Head of Treasury:
Head of Regulatory Affairs:
Head of Legal:
Head of Human Resources:

Mr. Mark R. P. Watkinson
Mr. Eric Hautefeuille
Mr. Ranjeevesingh Gowreesunkur
Mr. Stephen Vlok
Mr. Carl Chirwa
Mr. Fareed Soobadar
Mr. Guillaume Passebecq
Mr. Bhavya Shah
Mr. Rishyraj Lutchman
Mr. John Alfred (Kenny) Morton
Ms. Valérie Duval
Ms. Priscilla Mutty

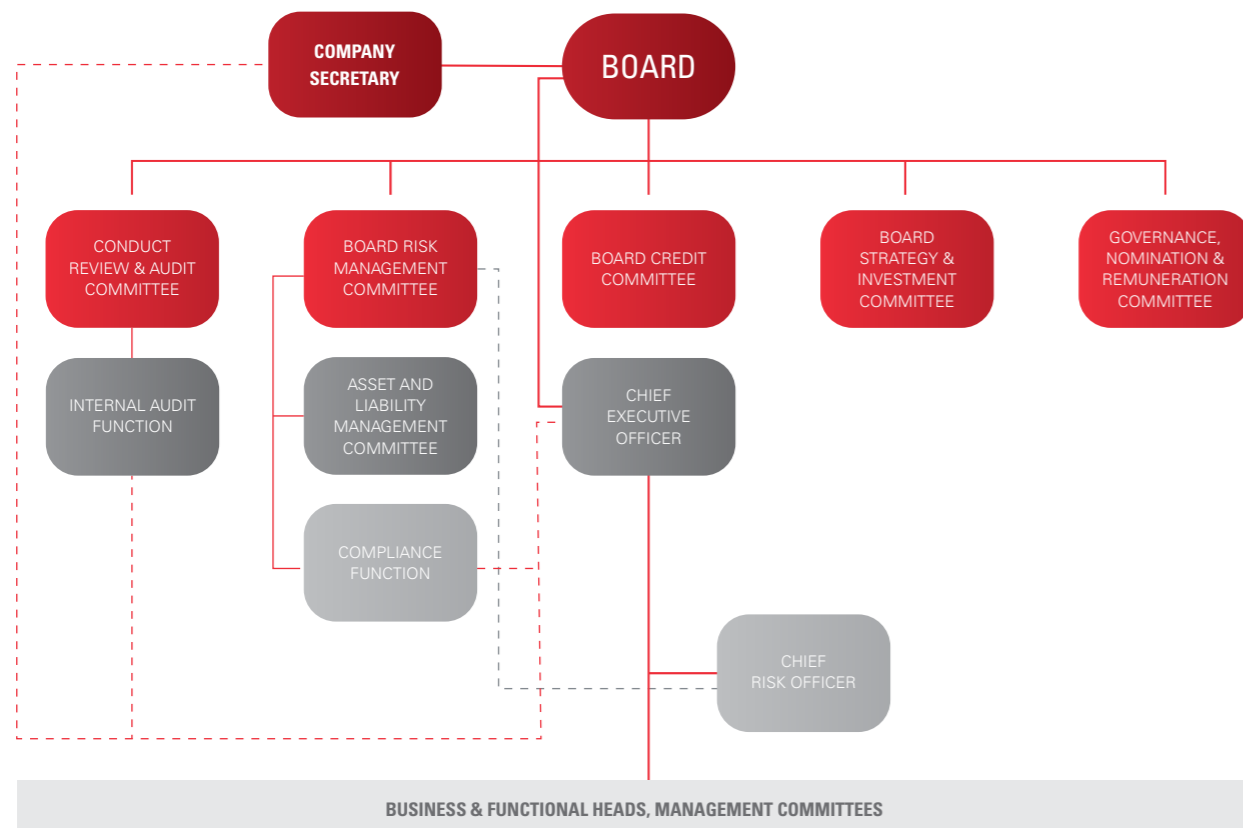
CORPORATE GOVERNANCE REPORT

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 not less than seven or more than ten 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.

Ms. Sandra Martyres served as Chairperson on the Board during the financial year under review and retired from the Board at the expiry of her term of office on 31 December 2021. Ms. Roselyne Renel was appointed as Independent Director on 24 May 2021 and took over from Ms. S Martyres as Chairperson of the Board as of 01 January 2022.

During the year under review, Messrs. Chris Low, Lakshman Bheenick and Jérôme de Chasteauneuf were appointed as Non-Executive Directors in replacement of Messrs. L.A. Sivaramakrishnan, Marc-Emmanuel Vives and Paul Leech respectively who retired from the Board.

The responsibilities of the Board of Directors are set out in its Board Charter¹ which is reviewed on an annual basis by the Board. The responsibilities of the Board include, but are not limited to:

- 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

During the year under review, the Board set out to review its governance framework and the structure of its board committees to ensure adequate and relevant Board oversight in line with the strategic evolution and direction of the Bank. The Board Investment and Transformation Committee and the Board Strategy Committee were merged into a single committee, namely the Board Strategy and Investment Committee. The Conduct Review and Corporate Governance Committee was dismantled, and the Conduct Review responsibilities were assigned to the Audit Committee, which was renamed as the Conduct Review and Audit Committee. The Nomination and Remuneration Committee now also oversees the Governance responsibilities of the Board, and is now termed as the Governance, Nomination and Remuneration Committee.

The terms of reference of the five board committees are summarized below. The full terms of reference of the committees are available on the Bank’s website. The terms of reference of the Board Committees are reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

CONDUCT REVIEW & AUDIT COMMITTEE

FREQUENCY	QUARTERLY
MAIN TERMS OF REFERENCE	<ul style="list-style-type: none"> Perform the functions of the Conduct Review Committee in line with the guideline issued by the Bank of Mauritius (BOM) on related party transactions and the Bank's internal Policy thereon, and shall mainly review and approve related party transactions; 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"> 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; The recommendation for appointment of the Bank's auditors; The scope and results of internal audit reviews and external audits; and The effectiveness of systems of risk management, internal control and compliance.

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. 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 Management, and by other sanctioning authorities. 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

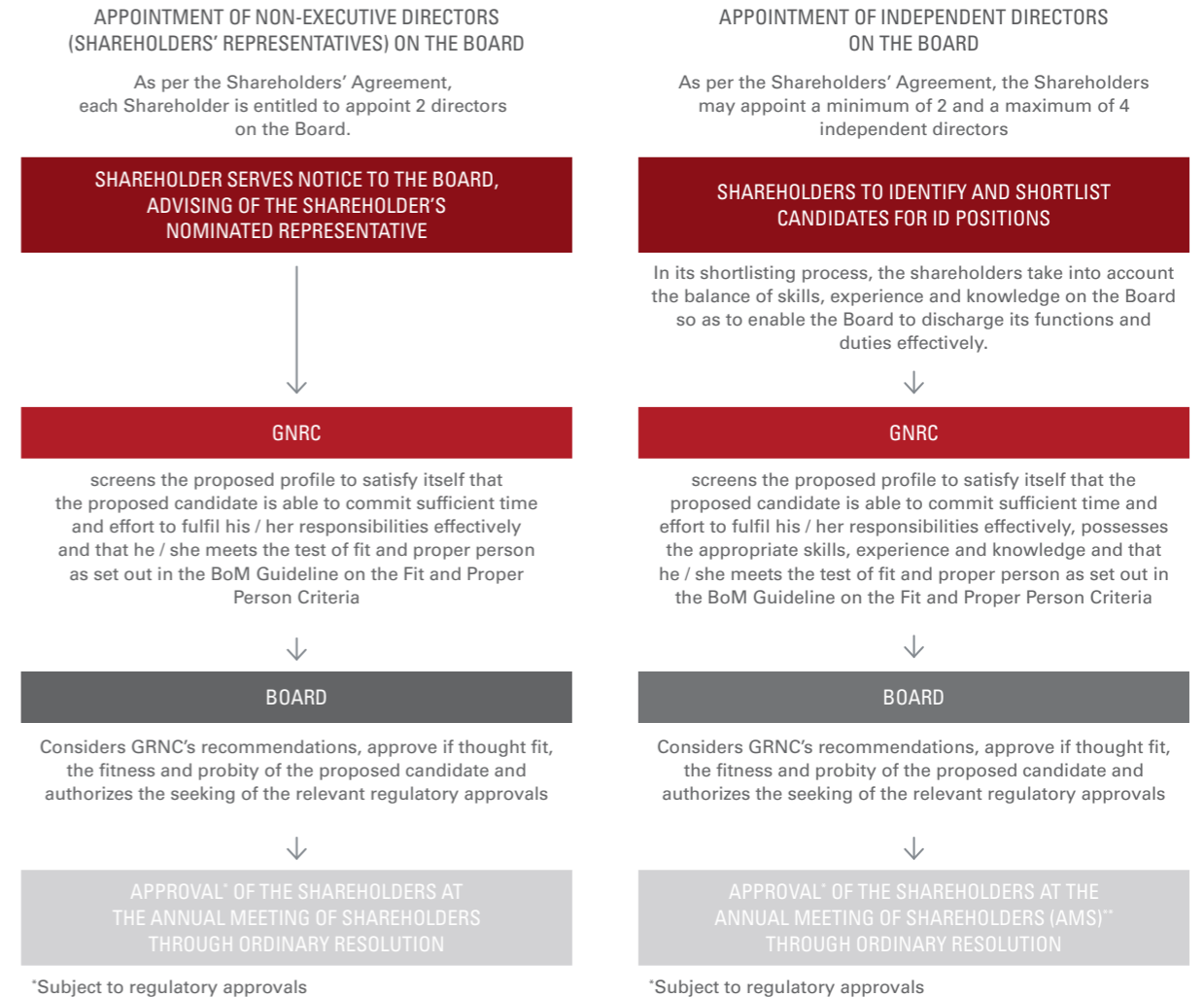
DIRECTORS	STATUS	BOARD	CRCGC ¹	CRAC ¹	GNRC ¹	BRMC	BITC ¹	BSIC ¹	BCC	TOTAL REMUNERATION FY 2021 (MUR)
Sandra Martyres	IC	4/4	1/1	4/4	4/4	8/8		3/3	4/7 ^{3c}	1,424,000
Mark Watkinson	ED	4/4				8/8	2/2	3/3		19,983,494 ⁶
Gauri Gupta	NED	4/4			4/4			1/3 ^{2c}	4/7 ^{2d}	842,742
Chris Low	NED	3/4 ^{2a}				3/8 ^{2b}		2/3 ^{2c}		799,665
Lakshman Bheenick	NED	3/4 ⁴			2/4 ⁴	3/8 ⁴		2/3 ^{5b}	3/7 ⁴	1,061,375 ⁷
Jerome de Chasteauneuf	NED	2/4 ^{5a}								197,789 ⁷
Paul Leech	NED	2/4 ^{5a}						1/3 ^{5b}		245,583
L.A Sivaramakrishnan	NED	1/4 ^{2a}				5/8 ^{2b}	2/2		3/7 ^{2d}	537,757
Marc-Emmanuel Vives	NED	1/4 ⁴			2/4 ⁴	5/8 ⁴	2/2		4/7 ⁴	897,667
Roselyne Renel	ID	3/4 ^{3a}				3/8 ^{3b}			3/7 ^{3c}	503,387
Leonard Mususa	ID	4/4	1/1	4/4		8/8				1,069,000
Ignacio Serrahima Arbestain	ID	4/4			3/4		2/2	2/3		567,000
Nikhil Treebhohun	ID	4/4	1/1	4/4	4/4					733,000
										28,862,459

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

- Restructuring of Committees was approved by the Board on 03 March 2021.
 - The Conduct Review & Corporate Governance Committee (CRCGC) was dismantled and the Conduct Review Committee responsibilities were reassigned to the Board Audit Committee, and the latter was redesignated as the Conduct Review & Audit Committee (CRAC). The Corporate Governance responsibilities were taken over by the Nomination & Remuneration Committee, and the latter was redesignated as the Governance, Nomination & Remuneration Committee (GNRC).
 - The Board Investment and Transformation Committee (BITC) and the Board Strategy Committee (BSC) were merged into a single committee, termed as the Board Strategy and Investment Committee (BSIC).
- Mr. Chris Low was appointed as NED on 24 May 2021 in the stead of Mr. L.A. Sivaramakrishnan who retired from the Board on even date.
- Mr. Chris Low was appointed as member of the BRMC in the stead of Mr. L.A. Sivaramakrishnan on 24 May 2021.
- Mr. Chris Low was appointed as member of the BSIC in the stead of Ms. Gauri Gupta on 24 May 2021.
- Ms. Gauri Gupta was appointed as a member of the BCC in the stead of Mr. L. A. Sivaramakrishnan on 24 May 2021.
- Ms. Roselyne Renel was appointed as NED on 24 May 2021.
- Ms. Roselyne Renel was appointed as additional member on the BRMC on 19 July 2021.
- Ms. Roselyne Renel was appointed as a member of the BCC in the stead of Ms. Sandra Martyres on 19 July 2021.
- Mr. Lakshman Bheenick was appointed as NED on 01 June 2021 in the stead of Mr. Marc-Emmanuel Vives who retired from the Board on even date. He also replaced Mr. M E Vives on even date on the GNRC, BRMC and BCC.
- Mr. Jerome de Chasteauneuf was appointed as NED on 25 August 2021 in the stead of Mr. Paul Leech who retired from the Board on even date.
- Mr. Lakshman Bheenick was appointed as member on the BSIC in the stead of Mr. Paul Leech on 25 August 2021.
- Other than through his remuneration for serving as CEO, the latter is not paid an additional remuneration for serving on the Board of Directors.
- 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:



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.

CORPORATE GOVERNANCE REPORT

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 the recent changes in the banking business environment. In view of the changes in the board membership during the year, a workshop around "High Performance Boards" was organized for all directors where members had the opportunity to reflect and discuss on the roles and responsibilities of the directors, board dynamics and best practices in high performing boards. A workshop around the enterprise-wide risk assessment and value creation was also delivered to the Board in 2021.

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 lays out the values, standards of behavior and ethical practices expected in all the Bank's dealings. The Governance, Nomination & Remuneration Committee has oversight on all matters relating to ethical standards within the Bank. The code of ethics is reviewed on an annual basis. During the year under review, the Bank reviewed its Code of Ethics to more explicitly set out the Bank's fair and ethical commitment towards its customers and the community at large. The following policies were reviewed / developed and linked to the Code of Ethics:

- Conflict of Interest & Outside Business Interest Policy
- Gift & Entertainment Policy
- Personal Account Dealing & Insider Dealing Policy and
- Anti-Bribery & Corruption Policy.

Training and awareness sessions were also organized when the policies were rolled out to ensure that all team members are adequately familiarized with the policies.

The Board had also approved a Whistleblowing Policy, which defines the whistleblowing framework, including the escalation and investigation process as well as the confidentiality assurance for whistleblowers. An external and independent channel where whistleblowers could share their concerns was also put in place to ensure that employees feel free to voice out any concerns, with respect to the Bank or its people, without fear of reprisal.

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 50 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 BoM guideline on corporate governance, the Board has established a mechanism to review its performance and that of its members every two years. The Board had considered whether to outsource the Board Performance Review FY 2019 & 2020 (the "Review") to an external independent party but had agreed to reconsider such external evaluation at the time of the next review given the costs involved and the financial position of the Bank FY 2020. The Board has instead agreed that the FY 2019 & 2020 exercise be done as per the existing review mechanism.

The Review was carried out in Q4 / 2020 and included an assessment of the Board's composition and independence, performance and effectiveness of the Board's responsibilities, maintenance and implementation of the Board's governance and relationship with management, as well as an evaluation of its sub committees. The appraisal exercise also covered the Chairman's performance and a peer assessment, whereby each director rated all his colleagues. The Review also included an assessment of the Board's leadership during the Covid-19 crisis and how well the transition in the senior management was managed at the Board level. The Board Chairperson also held individual one-to-one sessions with each director. Feedback obtained from the evaluation questionnaires were compiled by the Company Secretary and presented to the Board in Q1 / 2021. Actions to be taken as a result of the evaluation were also discussed and agreed upon and the implementation thereof were delegated to the Company Secretary. The Board, through its Governance, Nomination & Remuneration Committee, took note of the progress of the implementation of the agreed action plan at its Q4 / 2021 meeting. Such a process aids the Board to identify and deal with issues that impede on its effectiveness.

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. The Board reviewed, in late 2020, its long term incentive scheme for its key management personnel - payments under such a scheme are over a period of three years with a view to retain its 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, whose Chairperson regularly reports to the Board to provide the latter with the necessary assurance that risks are effectively managed.

The Board has, upon the recommendation of the Board Risk Management Committee (BRMC), approved a risk appetite statement and defined the acceptable risk metrics which are 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. Progress on the same is reported to the BRMC on a quarterly basis.

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 52 to 66, 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 89. 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. As such, it has adopted an Environmental and Social Policy stipulating some guiding principles on effective environmental and social management practices in all its activities, products and services.

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. She 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 Board Audit Committee, 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 Board Audit Committee. 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 Conduct Review and Audit Committee on the quarterly financial statements, and at year end on the yearly audited financial results of the Bank. The Conduct Review and Audit Committee also regularly meets with External Auditors, without management being present.

THE CONDUCT REVIEW AND AUDIT COMMITTEE

All of the Conduct Review and Audit Committee's 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 Conduct Review and Audit Committee (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 interim dividend payment, 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 87.

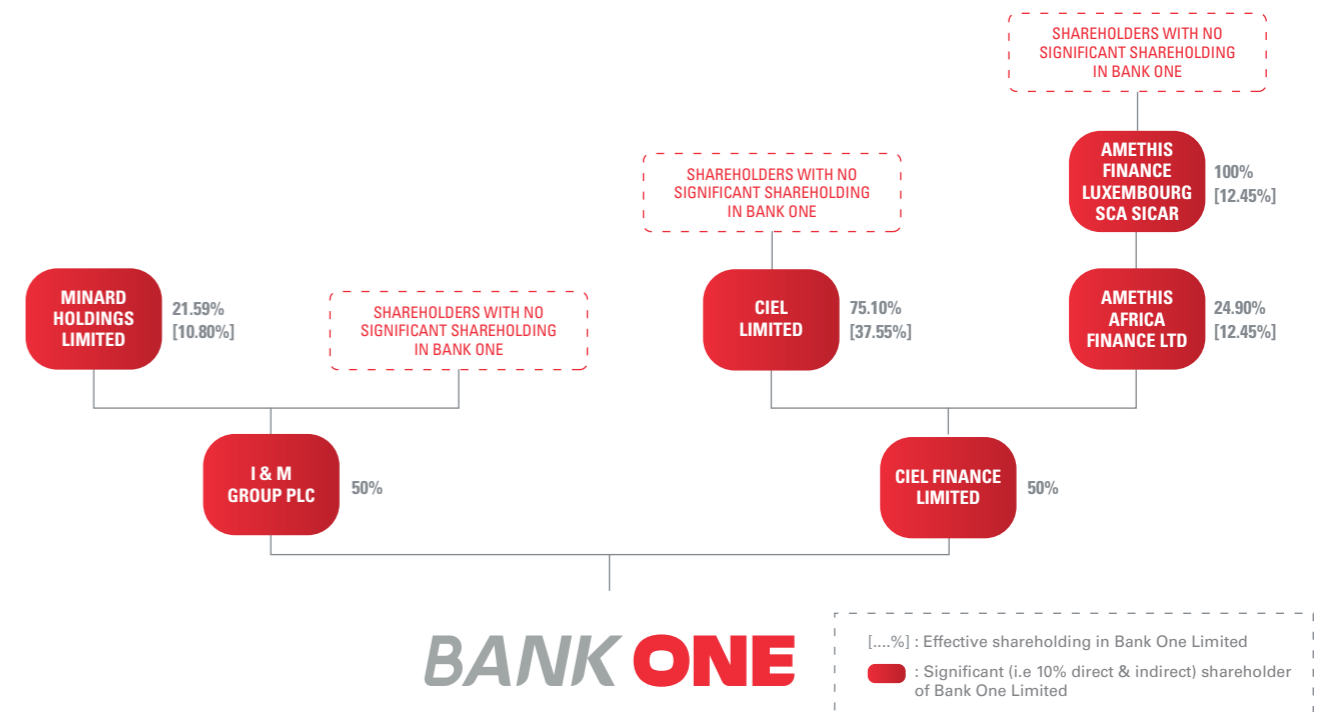
CORPORATE GOVERNANCE REPORT

RELATIONSHIPS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

SHAREHOLDERS	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.
FINANCIAL PARTNERS	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.
REGULATORS	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.
GOVERNMENT AGENCIES & AUTHORITIES	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.
EMPLOYEES	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.
CUSTOMERS	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.
SUPPLIERS	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.
COMMUNITY	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.
MEDIA	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.

SHAREHOLDING STRUCTURE AND SHAREHOLDERS

Bank One Limited's share capital stood at MUR 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

EBÈNE SKIES, RUE DE L'INSTITUT, EBÈNE, MAURITIUS

CIEL Finance is the Banking and Financial Services cluster of CIEL, actively involved in 5 sub-sectors of the financial industry: banking, fiduciary services, asset management, stockbroking and private equity.

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 Finance also benefits from a strategic and shareholding partner named Amethis Finance. This partnership between CIEL and Amethis Finance aims at creating synergies and optimising their development in the Banking & Financial Services sphere in Sub-Saharan Africa and the Indian Ocean. The two partners expect to generate additional business opportunities and share best practices between their respective units.

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 MUR 8.6Bn and a consolidated audited turnover of MUR 17.9Bn for the 12 months' period ended 30 June 2021, CIEL's portfolio was valued at MUR 18.6Bn and the group total assets at MUR 84Bn as at 30 June 2021.

Amethis is an investment fund manager focused on the African and European continents, with assets under management exceeding USD 1 billion and close to 30 investments completed to date. Amethis, member of the Edmond de Rothschild Private Equity partnership, has been founded in 2012 by Luc Rigouzzo and Laurent Demey. Amethis brings growth capital to promising mid-cap champions in a diversity of sectors offering growth support through its international network spanning Europe and Africa. With five offices in Paris, Abidjan, Casablanca, Nairobi, and Luxembourg, the Amethis team comprises 40 experienced professionals with strong regional and sectoral expertise.

CORPORATE GOVERNANCE REPORT

I&M GROUP PLC

I&M BANK HOUSE, 2ND NGONG AVENUE, NAIROBI, KENYA

I&M Group PLC is the parent entity of the I&M group and has interests 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 2021, its total assets were approximately USD 3.6 billion, it had a branch network of 89 branches and a staff complement of over 2,500 spread across the five countries. Based on the share price as at December 2021, the company's market capitalisation was approximately USD 308 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

04 March 2022



Kareen 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 2021

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
04 March 2022



Gauri Gupta
CHAIRPERSON OF THE GOVERNANCE, NOMINATION &
REMUNERATION COMMITTEE

OTHER STATUTORY DISCLOSURES

Under section 221 of the Companies Act 2001

DIRECTORS

The following persons held office as directors of the Bank as at 31 December 2021:

Refer to page 70.

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 2021 (MUR 000)
Audit fees	Audits, Quarterly Review and Internal Control Review	5,408
Other fees	Tax advisory	127
	Tax assessment	345
	Dividend declaration assessment	230
	AML/ CFT assessment	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 67, 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 2021, all such returns as are required under the Mauritius Companies Act 2001, in terms of section 166(d).



Kareen Ng, ACIS

COMPANY SECRETARY

04 March 2022

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 04 March 2022 and signed on its behalf by:



Roselyne Renel
INDEPENDENT CHAIRPERSON



Leonard C. 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, Governance, Nomination & Remuneration 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 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

04 March 2022





NDAWONYE*
we shine our light over
the whole continent.

*NDAWONYE - ZULU

FINANCIAL STATEMENTS

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 98 to 185, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year 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 2021, 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' *Code of Ethics for Professional Accountants* (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 consolidated and separate 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 implementation 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 conditions in light of the global pandemic of COVID-19. 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; • Assessed whether the ECL provision adequately reflect the COVID-19 impact; • 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. <p>We found the assumptions used in determining the expected credit losses to be appropriate.</p>

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.

Corporate Governance Report

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.

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.

Independent Auditors' Report

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.

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.

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

4 March 2022



Pradeep Malik, FCA
Licensed by FRC

Statement of Financial Position

as at 31 December 2021

Notes	Dec-21 MUR 000	Dec-20 MUR 000	Dec-19 MUR 000	
ASSETS				
Cash and cash equivalents	12	10,449,280	12,176,779	7,945,661
Derivative assets held for risk management	13	42,826	32,891	3,770
Loans and advances to banks	14(a)	3,336,245	1,983,472	4,912,421
Securities purchased under agreement to resell	14(b)	-	-	2,034,570
Loans and advances to customers	15	17,474,549	18,656,594	22,928,271
Investment in financial instruments measured at fair value through Other Comprehensive Income (FVTOCI)	16(a)	2,083,101	12,035,154	2,568,506
Investment in financial instruments measured at amortised cost	16(b)	10,320,960	10,228,322	13,066,886
Right-of-use assets	17	89,359	40,375	55,096
Property and equipment	18	435,830	345,607	371,821
Intangible assets	19	130,666	111,585	138,466
Deferred tax assets	20	45,936	88,682	51,277
Other assets	21	1,387,575	1,448,071	1,546,750
Total assets		45,796,327	57,147,532	55,623,495
LIABILITIES				
Deposits from customers	22	37,915,989	48,050,492	48,138,611
Derivative liabilities held for risk management	13	3,112	13,041	33,348
Other borrowed funds	23	2,055,978	3,767,074	2,449,494
Subordinated liabilities	24	1,396,543	1,387,217	713,831
Pension obligations	28	60,810	80,146	43,891
Current tax liabilities	25	27,553	1,783	59,037
Other liabilities	26	528,230	381,048	576,053
Lease liabilities	27	96,615	48,074	57,723
Total liabilities		42,084,830	53,728,875	52,071,988
EQUITY				
Stated capital	29	1,456,456	1,456,456	1,156,456
Retained earnings		1,725,369	1,376,237	1,875,669
Other reserves		529,672	585,964	519,382
Total equity		3,711,497	3,418,657	3,551,507
Total equity and liabilities		45,796,327	57,147,532	55,623,495

These financial statements were approved and authorised for issue by the Board of Directors on 04 March 2022.



Roselyne Renel

Chairperson



Mark Watkinson

Chief Executive Officer



Leonard Mususa

Chairman of the Board Audit Committee

The notes on pages 102 to 185 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

Notes	Dec-21 MUR 000	Dec-20 MUR 000	Dec-19 MUR 000
Interest income	1,155,343	1,487,023	1,685,135
Interest expense	(340,336)	(559,844)	(597,479)
Net interest income	815,007	927,179	1,087,656
Fee and commission income	607,911	689,113	671,250
Fee and commission expense	(329,633)	(497,249)	(394,526)
Net fee and commission income	278,278	191,864	276,724
Net gain on dealing in foreign currencies and derivatives	164,391	159,631	138,099
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	93,224	38,464	6,826
Other operating income	29,053	402	139
	286,668	198,497	145,064
Operating income	1,379,953	1,317,540	1,509,444
Personnel expenses	(557,059)	(447,820)	(447,389)
Depreciation and amortisation	(75,861)	(78,621)	(78,828)
Other expenses	(296,366)	(248,984)	(188,717)
	(929,286)	(775,425)	(714,934)
Profit before impairment	450,667	542,115	794,510
Net impairment reversal/(loss) on financial assets	71,799	(1,073,659)	(95,369)
Total impairment reversal/(loss)	71,799	(1,073,659)	(95,369)
Profit/(loss) before income tax	522,466	(531,544)	699,141
Income tax (expense)/credit	(109,042)	39,819	(68,683)
Profit/(loss) for the year	413,424	(491,725)	630,458
Earnings/(loss) per share (MUR)	28.39	(38.37)	69.55
Profit/(loss) for the year	413,424	(491,725)	630,458
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit obligation, net of tax	27,361	(27,280)	(22,133)
Movement in fair value reserve for equity instruments at FVTOCI	(1,882)	(10,585)	2,077
<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 instruments during the year	(93,224)	(38,464)	(18,755)
Loss allowance relating to debt instruments held at FVTOCI	1,264	3,395	-
(Losses)/gains on FVTOCI instruments during the year	(54,103)	131,809	63,683
Other comprehensive (loss)/income for the year	(120,584)	58,875	24,872
Total comprehensive income/(loss) for the year	292,840	(432,850)	655,330

The notes on pages 102 to 185 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2021

	Stated capital	Revaluation surplus	Statutory reserve	General Banking reserve	Fair value Reserve	Retirement Benefit Plan Reserve	Retained earnings	Total equity
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Balance as at 1 January 2019	856,456	97,313	306,969	37,030	(4,471)	(47,752)	1,488,632	2,734,177
Profit for the year	-	-	-	-	-	-	630,458	630,458
Other comprehensive income for the year	-	-	-	-	47,005	(22,133)	-	24,872
Transfer to general Banking reserve	-	-	-	10,852	-	-	(10,852)	-
Transfer to statutory reserve	-	-	94,569	-	-	-	(94,569)	-
Total comprehensive income	-	-	94,569	10,852	47,005	(22,133)	525,037	655,330
Transactions with owners								
Issue of shares	300,000	-	-	-	-	-	-	300,000
Dividend	-	-	-	-	-	-	(138,000)	(138,000)
Total transactions with owners	300,000	-	-	-	-	-	(138,000)	162,000
Balance as at 31 December 2019	1,156,456	97,313	401,538	47,882	42,534	(69,885)	1,875,669	3,551,507
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
Transactions with owners								
Issue of shares	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
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

Revaluation surplus

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

Statutory reserve

Statutory reserve, which comprises 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, which comprises 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 portfolio provisions in line with the Bank of Mauritius credit impairment measurement and income recognition guideline.

Dividend

Pursuant to the board meeting held on 24 November 2021, an interim dividend of MUR 168 million (MUR 11.53 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. In 2019, dividend of MUR 138m -MUR 16.11 per share (2018 - MUR 79.1m - MUR 9.24 per share) was declared and paid out of retained earnings.

The notes on pages 102 to 185 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2021

	Dec-21 MUR 000	Dec-20 MUR 000	Dec-19 MUR 000
Cash flows from operating activities			
Profit/(loss) before income tax	522,466	(531,544)	699,141
Net change on provision for credit impairment (note 7)	(71,799)	1,073,659	95,369
Depreciation (notes 17 and 18)	40,543	43,104	43,748
Amortisation (note 19)	35,318	35,517	35,080
Gain on disposal of property and equipment (note 6)	(245)	(402)	(139)
Change in provisions and pensions obligations	9,915	8,488	5,064
Gain on sale of securities	(122,032)	(38,464)	(6,826)
Exchange gain and others	-	272,944	21,075
Net interest income	(815,007)	(927,179)	(1,087,656)
	(400,841)	(63,877)	(195,144)
Changes in operating assets and liabilities			
Movement in derivatives	(19,864)	(49,428)	36,315
(Increase)/decrease in loans and advances			
-to Banks	(2,061,525)	2,951,010	(1,938,625)
-to customers	1,944,693	3,253,311	(2,073,391)
Decrease/(increase) in securities purchased under agreement to resell	-	2,037,050	(2,035,393)
(Increase)/decrease in other assets	(27,831)	92,817	(482,225)
(Decrease)/increase in deposits from customers	(10,124,845)	(92,198)	14,643,385
Increase/(decrease) in other liabilities	154,907	(196,730)	206,919
Interest received	1,210,884	1,401,666	1,616,357
Interest paid	(345,794)	(555,765)	(534,084)
Income tax paid	(31,258)	(52,474)	(30,050)
Net cash (used in)/from operating activities	(9,701,474)	8,725,382	9,214,064
Cash flows used in investing activities			
Purchase of investment securities	(31,189,349)	(150,471,330)	(29,553,832)
Proceeds from sale of investment securities	41,056,959	143,984,117	20,225,868
Purchase of property and equipment (note 18)	(113,156)	(6,845)	(18,746)
Proceeds from sale of other assets	-	-	180
Proceeds from sale of property and equipment	296	765	-
Purchase of intangible assets (note 19)	(64,999)	(8,636)	(12,469)
Net cash from/(used in) investing activities	9,689,751	(6,501,929)	(9,358,999)
Cash flows from financing activities			
Issue of shares	-	300,000	300,000
Proceeds from subordinated liabilities	7,840	595,000	-
Repayment of other borrowed funds	(1,711,917)	(264,792)	(79,866)
Proceeds from other borrowed funds	-	1,384,419	1,366,125
Dividend paid	-	-	(138,000)
Repayment of the lease liabilities	(11,699)	(6,962)	(6,551)
Net cash (used in)/from financing activities	(1,715,776)	2,007,665	1,441,708
Cash and cash equivalents at the beginning of the year (note 12)	12,176,779	7,945,661	6,648,888
Net cash (used in)/from operating activities	(9,701,474)	8,725,382	9,214,064
Net cash from/(used in) investing activities	9,689,751	(6,501,929)	(9,358,999)
Net cash (used in)/ from financing activities	(1,715,776)	2,007,665	1,441,708
Net (decrease)/increase in cash and cash equivalents	(1,727,499)	4,231,118	1,296,773
Cash and cash equivalents at end of year (note 12)	10,449,280	12,176,779	7,945,661

The notes on pages 102 to 185 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2021

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 2021.

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.

IFRS 7 Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform

IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform

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 classification of liabilities as current or non-current (effective 01 January 2023)

IAS 1 Presentation of Financial Statements - Amendments to defer the effective date of the January 2020 amendments (effective 01 January 2023)

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 01 January 2023)

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)

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 (effective 01 January 2022)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments regarding the costs to include when assessing whether a contract is onerous (effective 01 January 2022)

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) (effective 01 January 2022)

IFRS 16 Leases - Amendment to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification (effective 01 April 2021)

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.

Notes to the Financial Statements

for the year ended 31 December 2021

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

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 fair value or revalued amount;
- 3) Defined pensions benefits plan; 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 (MUR), 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 equities classified as fair value through other comprehensive income financial assets, are included in the fair value reserve in other comprehensive income.

Notes to the Financial Statements

for the year ended 31 December 2021

1.2 Significant Accounting Policies (Cont'd)

(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.

(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.

Notes to the Financial Statements

for the year ended 31 December 2021

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.

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.

Notes to the Financial Statements

for the year ended 31 December 2021

1.2 Significant Accounting Policies (Cont'd)

(f) Financial Instruments (Cont'd)

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.

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 described below.

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.

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.

Notes to the Financial Statements

for the year ended 31 December 2021

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.

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. As this uses the same criteria as under IAS 39, the Bank's methodology for specific provisions has remained unchanged. 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.

Notes to the Financial Statements

for the year ended 31 December 2021

1.2 Significant Accounting Policies (Cont'd)

(f) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

iii) Stage 3: Lifetime ECL – credit impaired (Cont'd)

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 balance sheet.

(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		Term Loans
		Loans and advances to customers	Loans to individuals	Credit cards
				Mortgages
			Other Retail Loans	
			Loans to corporate entities	Corporate Customers
		Loans to entities outside Mauritius	Offshore Retail and Corporate Loans	
	Loans to corporate entities	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	Deposits from customers	Retail Corporate International
	Derivatives financial liabilities (FVTPL)	Derivatives held for risk management	Unlisted
	Financial liabilities at amortised cost	Other borrowed funds	Local and foreign Banks
Subordinated liabilities			
Off balance sheet financial Instruments	Loans commitments		Retail Corporate International Private
	Guarantees, acceptances and other financial facilities	Acceptances Guarantees Letter of credit	Retail Corporate International Private

Notes to the Financial Statements

for the year ended 31 December 2021

(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 notes (vii) (f) (impairment) for more details.

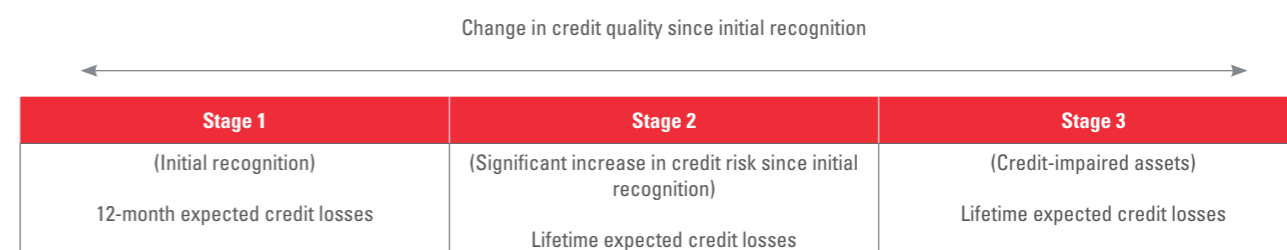
Expected credit loss measurement (ECL)

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. Refer to note (viii) (a) for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'. Refer to notes (viii) (a) for a description of how the Bank defines credit-impaired and default.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events within the next 12 months. Instruments in stages 2/3 have their ECL measured on expected credit losses on a lifetime basis. Refer to notes (viii) (a) for a description of inputs, assumptions and estimation techniques used in measuring ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note (viii) (a) includes an explanation of how the Bank has incorporated this in its ECL models.
- 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. (Refer to (vi) (Grouping of instruments for lossess measured on a collective basis))

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



Notes to the Financial Statements

for the year ended 31 December 2021

1.2 Significant Accounting Policies (Cont'd)

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

(ii) Credit risk measurement (Cont'd)

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

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

Notes to the Financial Statements

for the year ended 31 December 2021

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.

(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.

Notes to the Financial Statements

for the year ended 31 December 2021

1.2 Significant Accounting Policies (Cont'd)

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

(v) Measuring ECL- Explanation of inputs, assumptions and estimation techniques (Cont'd)

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.

(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:

- (i) Unemployment rate, given its impact on secured and unsecured borrower's ability to meet their contractual repayments;
- (ii) GDP, given the significant impact on individual and companies' performance and collateral valuations; and
- (iii) 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.

Notes to the Financial Statements

for the year ended 31 December 2021

(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 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.

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 2021

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 building) 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2021

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.

(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

Notes to the Financial Statements

for the year ended 31 December 2021

1.2 Significant Accounting Policies (Cont'd)

(t) Employee Benefits (Cont'd)

Retirement and other benefit obligations (Cont'd)

The Bank presents the first two components of defined benefit costs in profit or loss in the line item administrative 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 statement of profit or loss.

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:

- (a) When the Bank can no longer withdraw the offer of those benefits;
- (b) When the Bank recognises costs for a restructuring that is within the scope of IAS 37 and involves payment of termination benefits.

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

As at 31 December 2021, no provision has been made for termination benefits (2020: Nil).

Notes to the Financial Statements

for the year ended 31 December 2021

(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 MUR 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 shall be 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 the statement of profit or loss and other comprehensive income. The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statement of financial position.

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

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

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

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

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the Financial Statements

for the year ended 31 December 2021

1.2 Significant Accounting Policies (Cont'd)

(v) Leases (Cont'd)

Policies applicable prior to 1 January 2019 (Cont'd)

The Bank as a lessor - Finance leases

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Bank is also engaged in the provision of leases to both individuals and corporates. The Bank's portfolio is made up of principally motor vehicles and equipment. As part of the wider risk management principles of the Bank, the risks associated with the lease portfolio are monitored through rigorous credit assessment, determining the financed amount as part of the cost of the asset based on the customers' credit risk profile, amongst others.

Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred by the Bank, and thus the lease payment receivable is treated by the Bank as repayment of principal and interest income to reimburse and reward the lessor for its investment and services.

Initial direct costs such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, but excluding general overheads, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable; there is no need to add them separately.

The Bank as a lessee - Operating leases

Where the Bank is a lessee which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight line basis over the period of the lease.

Policies applicable from 1 January 2019

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.

Notes to the Financial Statements

for the year ended 31 December 2021

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.

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 asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the 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 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in '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 2021

1.2 Significant Accounting Policies (Cont'd)

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 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 (MUR).

(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 1.1(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(h) 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2021

(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 judgement is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

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.

Notes to the Financial Statements

for the year ended 31 December 2021

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Analysis of loans and advances

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Stage 1	20,554,010	19,597,463	27,265,359
Stage 2	419,461	994,491	507,401
Stage 3	700,531	1,955,228	1,226,770
Gross	21,674,002	22,547,182	28,999,530
Less allowance for credit impairment	(863,208)	(1,907,116)	(1,158,838)
Net	20,810,794	20,640,066	27,840,692
Loans and advances renegotiated	9,814	4,981	3,861
Fair value of collaterals	9,269	4,895	3,438

(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-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Balances with Banks in Mauritius, Banks abroad and inter Bank loans	10,449,280	12,176,779	7,945,661
Derivative assets held for risk management	42,826	32,891	3,770
Government of Mauritius/Bank of Mauritius securities	5,252,863	4,922,736	4,078,859
Other Investments	7,151,198	17,340,740	11,555,710
Loans and advances to customers and Banks	20,810,794	20,640,066	27,840,692
Securities purchased under agreement to resell	-	-	2,034,570
Others	1,332,111	1,395,745	1,502,889
Credit risk exposures relating to off balance sheet assets are as follows:			
Financial guarantees	920,689	1,262,164	760,284
Loans commitments and other credit related liabilities	4,108,310	1,905,672	4,018,557
Total	50,068,071	59,676,793	59,740,992

(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

	2021			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 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

Notes to the Financial Statements

for the year ended 31 December 2021

Loans and advances to Banks at amortised cost

	2020			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 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

Loans and advances to Banks at amortised cost

	2019			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 000
Performing	4,916,727	-	-	4,916,727
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	4,916,727	-	-	4,916,727
Loss allowance	(4,306)	-	-	(4,306)
Carrying amount	4,912,421	-	-	4,912,421

(b) Loans and advances to customers at amortised cost

Loans and advances to customers at amortised cost

	2021			Total
	Stage 1 12M ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 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

Notes to the Financial Statements

for the year ended 31 December 2021

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 (Cont'd)

Loans and advances to customers at amortised cost

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 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

Loans and advances to customers at amortised cost

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 000
Performing	22,348,632	-	-	22,348,632
Special Mention	-	507,401	-	507,401
Sub Standard	-	-	286,971	286,971
Doubtful	-	-	699,362	699,362
Loss	-	-	240,437	240,437
Gross carrying amount	22,348,632	507,401	1,226,770	24,082,803
Loss allowance	(226,404)	(15,545)	(912,583)	(1,154,532)
Carrying amount	22,122,228	491,856	314,187	22,928,271

Securities purchased under agreement to resell

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 000
Performing	2,037,050	-	-	2,037,050
Gross carrying amount	2,037,050	-	-	2,037,050
Loss allowance	(2,480)	-	-	(2,480)
Carrying amount	2,034,570	-	-	2,034,570

Notes to the Financial Statements

for the year ended 31 December 2021

(d) Investments in debt instruments at amortised cost

Investments in debt instruments at amortised cost

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 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	
	MUR 000	MUR 000	MUR 000	MUR 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

Investments in debt instruments at amortised cost

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 000
Performing	13,081,338	-	-	13,081,338
Special Mention	-	-	-	-
Sub Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	13,081,338	-	-	13,081,338
Loss allowance	(14,452)	-	-	(14,452)
Carrying amount	13,066,886	-	-	13,066,886

Notes to the Financial Statements

for the year ended 31 December 2021

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

(e) Investments in debt instruments at FVTOCI

Investments in debt instruments at FVTOCI

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 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	
	MUR 000	MUR 000	MUR 000	MUR 000
Performing	12,035,154	-	-	12,035,154
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	12,035,154	-	-	12,035,154

Investments in debt instruments at FVTOCI

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 000
Performing	2,568,506	-	-	2,568,506
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	2,568,506	-	-	2,568,506

Notes to the Financial Statements

for the year ended 31 December 2021

(f) Financial guarantees

Financial guarantees

	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 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

Financial guarantees

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	MUR 000	MUR 000	MUR 000	MUR 000
Performing	1,253,516	-	-	1,253,516
Special Mention	-	8,886	-	8,886
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	1,253,516	8,886	-	1,262,402
Loss allowance	(13,670)	(145)	-	(13,815)
Carrying amount	1,239,846	8,741	-	1,248,587

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.

Notes to the Financial Statements

for the year ended 31 December 2021

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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:

(g) Credit impaired assets

Credit-impaired assets

	2021			
	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of collateral held
	MUR 000	MUR 000	MUR 000	MUR 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
	MUR 000	MUR 000	MUR 000	MUR 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

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

Portfolio-LTV distribution

	2021		
	Credit -impaired (Gross carrying amount)		
	Retail	Corporate	International Banking
	MUR 000	MUR 000	MUR 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

Notes to the Financial Statements

for the year ended 31 December 2021

Portfolio-LTV distribution

Lower than 50%
50-60%
60-70%
70-80%
80-90%
90-100%
Higher than 100%

Total

(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.

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	
	MUR 000	MUR 000	MUR 000	
	127,057	4,854	170,668	302,579

Loss allowance as at 01 January 2021

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)

Other movement with no P&L impact

Transfers:

Transfer from stage 2 to stage 3	-	(3,586)	3,586	-
Transfer from stage 3 to stage 2	-	-	-	-
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

Notes to the Financial Statements

for the year ended 31 December 2021

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) Loss allowance (Cont'd)

Loss allowance- Class of Asset – Retail

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR 000	MUR 000	MUR 000	MUR 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
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)
Write-offs	-	-	-	-
Loss allowance as at 31 December 2020	127,057	4,854	170,668	302,579

Loss allowance- Class of Asset – Corporate

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR 000	MUR 000	MUR 000	MUR 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 1 to stage 3	-	-	-	-
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:				
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
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

Notes to the Financial Statements

for the year ended 31 December 2021

Loss allowance- Class of Asset - Corporate

Loss allowance as at 01 January 2020

Movements with P&L impact

Transfers:

Transfer from stage 1 to stage 2

Transfer from stage 1 to stage 3

Transfer from stage 2 to stage 1

New financial assets originated or purchased

Changes to PDs/LGDs/EADs

Total net P&L charge during the year

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

Loss allowance as at 31 December 2020

Loss allowance- Class of Asset - IBD

Loss allowance as at 01 January 2021

Movements with P&L impact

Transfers:

Transfer from stage 1 to stage 2

Transfer from stage 1 to stage 3

Transfer from stage 2 to stage 1

New financial assets originated or purchased

Changes to PDs/LGDs/EADs

Write off

Total net P&L charge during the year

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

Loss allowance as at 31 December 2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR 000	MUR 000	MUR 000	MUR 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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	MUR 000	MUR 000	MUR 000	MUR 000
Loss allowance as at 01 January 2021	81,684	27	1,058,561	1,140,272
Movements with P&L impact				
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
New financial assets originated or purchased	481	-	42	523
Changes to PDs/LGDs/EADs	(424)	30	119,336	118,942
Write off	-	-	(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:				
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Financial assets derecognised during the year	(41,423)	-	-	(41,423)
Loss allowance as at 31 December 2021	40,318	57	237,424	277,799

Notes to the Financial Statements

for the year ended 31 December 2021

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
	MUR 000	MUR 000	MUR 000	MUR 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

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

Notes to the Financial Statements

for the year ended 31 December 2021

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

	Dec-21 MUR 000	Mauritius MUR 000	Africa MUR 000	Europe MUR 000	Others MUR 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	5,252,862	5,252,862	-	-	-
Other Investments	7,151,199	-	1,114,410	3,236,288	2,800,501
Other assets	2,033,903	2,033,903	-	-	-
Total assets	45,740,864	23,199,634	7,198,758	6,624,070	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%

	Dec-20 MUR 000	Mauritius MUR 000	Africa MUR 000	Europe MUR 000	Others MUR 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	1,395,745	1,395,745	-	-	-
Total assets	56,508,957	22,383,866	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%

Notes to the Financial Statements

for the year ended 31 December 2021

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	Dec-19	Mauritius	Africa	Europe	Others
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
ASSETS					
Cash and cash equivalents	7,743,924	2,077,336	984,650	2,276,696	2,405,242
Derivative assets held for risk management	3,770	1	-	3,769	-
Loans and advances to Banks	4,912,421	1,275,930	2,236,089	566,569	833,833
Securities purchased under agreement to resell	2,034,570	2,034,570	-	-	-
Loans and advances to customers	22,928,271	15,608,883	5,361,332	122,668	1,835,388
Government of Mauritius/Bank of Mauritius securities	4,078,859	4,078,859	-	-	-
Other Investments	11,555,710	97,961	1,434,862	6,379,528	3,643,359
Other assets	1,502,889	1,502,889	-	-	-
Total assets	54,760,414	26,676,429	10,016,933	9,349,230	8,717,822
On balance sheet country region percentage	100%	49%	18%	17%	16%
Credit risk exposure relating to off balance sheet items as follows:					
Financial guarantees and other credit related liabilities	760,284	428,380	294,209	-	37,695
Off balance sheet country region percentage	100%	56%	39%	0%	5%

The table below represents an analysis of trading assets and investments securities at 31 December 2021 and comparatives for December 2020 and 2019. 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-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Cash and cash equivalents			
AA- To A	8,061,377	8,535,206	4,444,029
BBB+ To BB	1,798,693	2,007,097	1,453,956
UNRATED	589,210	1,634,476	1,845,939
Total	10,449,280	12,176,779	7,743,924
Derivatives Assets			
AA- To A	39,684	28,016	3769
BBB+	28	32	1
UNRATED	3,114	4,843	-
Total	42,826	32,891	3,770
Government of Mauritius/Bank of Mauritius securities			
UNRATED	5,252,862	4,922,736	4,078,859
Investments securities			
AAA to A+	5,394,898	14,788,505	9,183,175
B+ to BBB-	1,292,363	588,995	2,017,295
UNRATED	463,938	1,963,240	355,240
Total	7,151,199	17,340,740	11,555,710

Notes to the Financial Statements

for the year ended 31 December 2021

Loans and advances to Banks

A to A-

BBB+

UNRATED

Total

Securities purchased under agreement to resell

UNRATED

Loans and advances to customers

AAA To AA

BBB- To B

CCC+

UNRATED

Total

Other Assets

UNRATED

Total

Off balance sheet ratings

BBB- To B

UNRATED

Total

(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-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Tier 1 Capital	3,438,753	3,003,979	3,203,525
Tier 2 Capital	1,636,492	1,775,301	1,092,991
Total Capital Base	5,075,245	4,779,280	4,296,516
Total Risk Weighted Assets	24,295,444	24,128,714	29,202,458
Capital Adequacy Ratio	20.89%	19.81%	14.71%

The minimum statutory capital adequacy ratio is fixed at 11.875%.

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
A to A-	613,859	1,187,507	546,553
BBB+	745,401	596,974	3,421,423
UNRATED	1,976,985	198,991	944,445
Total	3,336,245	1,983,472	4,912,421
Securities purchased under agreement to resell	-	-	2,034,570
Loans and advances to customers	108,544	192,043	1,362,257
BBB- To B	1,431,188	2,900,027	4,648,719
CCC+	-	-	277,472
UNRATED	15,934,817	15,564,524	16,639,823
Total	17,474,549	18,656,594	22,928,271
Other Assets	2,033,903	1,395,745	1,502,889
Total	2,033,903	1,395,745	1,502,889
Off balance sheet ratings	130	150	150
UNRATED	920,559	1,262,014	760,134
Total	920,689	1,262,164	760,284

Notes to the Financial Statements

for the year ended 31 December 2021

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 2021. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

	USD	EURO	GBP	OTHERS	TOTAL
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
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	566	196,334
Total assets	18,941,561	6,202,738	664,553	1,094,565	26,903,417
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)	133,029	260,787
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 MUR, with all other variables held constant, on the profit or loss is as follows:

	Increase/(decrease) in profit or loss		
	USD	EURO	GBP
	MUR 000	MUR 000	MUR 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 2021

At 31 December 2020

	USD	EURO	GBP	OTHERS	TOTAL
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
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	73	162,386
	28,764,840	8,670,359	919,598	1,732,871	40,087,668
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)	(429,200)	1,521,096
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 2020, against the MUR, with all other variables held constant, on the profit or loss is as follows:

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

Notes to the Financial Statements

for the year ended 31 December 2021

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk (Cont'd)

At 31 December 2019

	USD	EURO	GBP	OTHERS	TOTAL
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
ASSETS					
Cash and cash equivalents	2,436,966	1,836,215	187,444	1,740,582	6,201,207
Derivative assets held for risk management	-	45	747	2,978	3,770
Loans and advances to Banks	4,403,441	488,267	-	-	4,891,708
Securities purchased under agreement to resell	-	2,034,570	-	-	2,034,570
Loans and advances to customers	8,840,716	2,929,162	385	-	11,770,263
Investment Securities	6,208,657	817,016	3,575,261	841,801	11,442,735
Other assets	328,775	22,150	4,378	253	355,556
Total assets	22,218,555	8,127,425	3,768,215	2,585,614	36,699,809
LIABILITIES					
Deposits	21,047,692	7,598,925	948,808	2,498,185	32,093,610
Derivative liabilities held for risk management	-	-	32,503	846	33,349
Other borrowed funds	2,449,494	-	-	-	2,449,494
Subordinated liabilities	-	415,597	-	-	415,597
Other liabilities	138,813	102,089	3,936	4,949	249,787
Total liabilities	23,635,999	8,116,611	985,247	2,503,980	35,241,837
Net on balance sheet position	(1,417,444)	10,814	2,782,968	81,634	1,457,972
Credit commitments undrawn	656,253	61,505	-	-	717,758

The effect of a reasonably possible movement of the currency rates, to which the Bank had significant exposures as at 31 December 2019, against the MUR, with all other variables held constant, on the profit or loss is as follows:

	Increase/(decrease) in profit or loss		
	USD	EURO	GBP
	MUR 000	MUR 000	MUR 000
+5% in currency rate	(70,872)	541	139,148
-5% in currency rate	70,872	(541)	(139,148)

(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.

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.

Notes to the Financial Statements

for the year ended 31 December 2021

Interest Sensitivity of Assets and Liabilities- Repricing Gap Analysis

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
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 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	-	3,339,038	-	-	-	-	-	3,339,038
Loans and advances to customers	584,217	13,378,764	681,957	104,846	1,444,110	1,440,539	700,531	18,334,964
Investment securities	2,083,102	8,000	119,000	1,020,938	3,495,337	5,645,003	32,681	12,404,061
Other assets	-	-	-	-	-	-	1,332,111	1,332,111
Total Assets	12,633,142	16,725,802	800,957	1,125,784	4,939,447	7,085,542	2,591,606	45,902,280
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	-	-	-	-	-	-	571,838	571,838
Total liabilities	19,704,100	10,521,405	1,346,517	4,249,792	656,984	3,459,396	2,005,267	41,943,461
Interest rate sensitivity gap	(7,070,958)	6,204,397	(545,560)	(3,124,008)	4,282,463	3,626,146	586,339	3,958,819

The impact on earnings of a 100bps movement in MUR and USD interest rates will amount to MUR 4.7m and USD0.5m respectively.

At 31 December 2020

	Up to 1 mth	1-3 mths	3-6 mths	6-12 mths	1-3 Yrs	> 3 Yrs	Non Interest Bearing	TOTAL
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
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	14,093,239	2,250,074	493,699	702,476	1,765,943	2,969,123	-	22,274,554
Other assets	-	-	-	-	-	-	1,395,743	1,395,743
Total Assets	27,025,291	15,370,548	2,897,227	1,388,610	2,620,680	3,462,102	3,755,575	56,520,033
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	-	-	-	-	-	-	13,042	13,042
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	-	-	-	-	-	-	323,240	323,240
Total liabilities	30,018,108	11,186,175	1,984,401	2,984,193	2,148,757	3,803,080	1,416,351	53,541,065
Interest rate sensitivity gap	(2,992,817)	4,184,373	912,826	(1,595,583)	471,923	(340,978)	2,339,224	2,978,968

The impact on earnings of a 100bps movement in MUR and USD interest rates will amount to MUR 3.42m and USD3.07m respectively.

Notes to the Financial Statements

for the year ended 31 December 2021

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (cont'd)

Maturities of Assets and Liabilities

At 31 December 2020

	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
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
ASSETS								
Cash and cash equivalents	12,178,836	-	-	-	-	-	(2,057)	12,176,779
Derivative assets held for risk management	32,023	-	868	-	-	-	-	32,891
Loans and advances to Banks	-	40,057	640,918	680,975	634,435	-	-	1,996,385
Loans and advances to customers	745,015	2,020,210	1,905,189	4,217,875	4,938,042	10,973,179	-	24,799,510
Investment securities	14,093,239	2,250,074	493,699	702,476	1,765,943	2,969,123	-	22,274,554
Other assets	-	-	-	-	-	-	1,395,743	1,395,743
Total Assets	27,049,113	4,310,341	3,040,674	5,601,326	7,338,420	13,942,302	1,393,686	62,675,862
LIABILITIES								
Deposits	38,456,259	2,475,694	1,005,394	4,409,336	4,137,468	1,844,220	1,080,069	53,408,440
Derivative liabilities held for risk management	13,041	-	-	-	-	-	-	13,041
Other borrowed funds	-	394,212	1,300,902	309,834	602,065	1,446,725	-	4,053,738
Subordinated liabilities	1,971	24,168	11,825	41,906	398,939	1,209,569	-	1,688,378
Other liabilities	-	-	-	-	-	-	323,240	323,240
Total Liabilities	38,471,271	2,894,074	2,318,121	4,761,076	5,138,472	4,500,514	1,403,309	59,486,837
Net liquidity gap	(11,422,158)	1,416,267	722,553	840,250	2,199,948	9,441,788	(9,623)	3,189,025
Financial guarantees	614,037	-	-	-	-	-	-	614,037
Credit commitment undrawn	1,804,602	-	-	-	-	-	-	1,804,602

Notes to the Financial Statements

for the year ended 31 December 2021

Maturities of Assets and Liabilities

At 31 December 2019

	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
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
ASSETS								
Cash and cash equivalents	7,946,188	-	-	-	-	-	(527)	7,945,661
Derivative assets held for risk management	3,769	-	-	1	-	-	-	3,770
Loans and advances to Banks	221,990	730,240	1,394,429	2,088,709	805,990	-	(4,306)	5,237,052
Securities purchased under agreement to resell	2,036,456	-	-	-	-	-	(2,400)	2,034,056
Loans and advances to customers	1,057,627	1,633,895	2,506,082	4,653,392	11,652,815	7,076,886	72,238	28,652,935
Investment securities	5,730,257	2,875,962	3,000,925	679,820	4,039,305	2,708,747	23,252	19,058,268
Other assets	-	-	-	-	-	-	1,502,888	1,502,888
Total Assets	16,996,287	5,240,097	6,901,436	7,421,922	16,498,110	9,785,633	1,591,145	64,434,630
LIABILITIES								
Deposits	32,324,104	10,135,869	1,630,744	4,240,800	2,962,491	1,375,867	1,109,919	53,779,794
Derivative liabilities held for risk management	32,892	456	-	-	-	-	-	33,348
Other borrowed funds	-	-	-	344,547	1,279,206	1,419,249	-	3,043,002
Subordinated liabilities	1,971	17,627	11,825	35,365	117,808	891,512	-	1,076,108
Other liabilities	-	-	-	-	-	-	602,794	602,794
Total Liabilities	32,358,967	10,153,952	1,642,569	4,620,712	4,359,505	3,686,628	1,712,713	58,535,046
Net liquidity gap	(15,362,680)	(4,913,855)	5,258,867	2,801,210	12,138,605	6,099,005	(121,568)	5,899,584
Financial guarantees	467,162	-	-	-	-	-	-	467,162
Credit commitment undrawn	2,336,517	-	-	-	-	-	-	2,336,517

Derivative Cash Flows

As at 31 December 2021

	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
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
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
As at 31 December 2019								
Inflows	3,461,994	335,833	-	39	-	-	-	3,797,866
Outflows	3,490,677	335,270	-	39	-	-	-	3,825,986

Notes to the Financial Statements

for the year ended 31 December 2021

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(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-21 MUR 000	Dec-20 MUR 000	Dec-19 MUR 000	Dec-21 MUR 000	Dec-20 MUR 000	Dec-19 MUR 000
Financial assets						
Cash and cash equivalents	10,449,280	12,176,779	7,945,661	10,449,280	12,176,779	7,945,661
Loans and advances	20,810,794	20,640,066	27,840,692	20,754,325	20,529,418	28,728,900
Securities purchased under agreement to resell	-	-	2,034,570	-	-	2,034,570
Investment securities	10,320,960	10,228,322	13,066,886	10,384,509	10,421,159	12,080,152
Other assets	1,332,111	1,395,745	1,502,889	1,332,111	1,395,745	1,502,889
Financial liabilities						
Deposits	37,915,989	48,050,492	48,138,611	37,896,203	48,040,135	48,063,321
Other borrowed funds	2,055,978	3,767,074	2,449,494	2,055,978	3,762,072	2,449,494
Subordinated liabilities	1,396,543	1,387,217	713,831	1,396,543	1,392,219	713,831
Other liabilities	247,016	261,049	307,431	247,016	261,049	307,431
Off-balance sheet						
Loan commitments	4,108,310	1,905,672	4,017,652	4,108,310	1,905,672	4,017,652
Other contingent liabilities	920,669	1,262,164	1,071,578	920,669	1,262,164	1,071,578

(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) Securities purchased under agreement to resell

The fair value of securities purchased under agreement to resell is equal to their carrying amount as these are for short terms only.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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 2021

(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 2021, 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 2021

	Level 1 MUR 000	Level 2 MUR 000	Level 3 MUR 000	Total MUR 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

Notes to the Financial Statements

for the year ended 31 December 2021

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy (Cont'd)

At 31 December 2020

	Level 1	Level 2	Level 3	Total
	MUR 000	MUR 000	MUR 000	MUR 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

At 31 December 2019

	Level 1	Level 2	Level 3	Total
	MUR 000	MUR 000	MUR 000	MUR 000
Non-equity Investments				
Derivative assets held for risk management	-	3,770	-	3,770
Investment securities	-	2,530,686	-	2,530,686
Property and equipment	-	-	235,765	235,765
Equity Investments				
Investment securities	-	-	40,395	40,395
Total assets	-	2,534,456	276,160	2,810,616
Derivative liabilities held for risk management	-	33,348	-	33,348
Total liabilities	-	33,348	-	33,348

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

Financial instrument

Financial instrument	Fair value MUR 000	Unobservable input	Rate	Relationship of unobservable inputs to fair value
FVTOCI investment: M Oriental Bank Ltd	24,680	Illiquidity discount	13%	A decrease of 5% in the discount rate from 25% to 20% would increase the fair value of the investment by MUR 1.3m and an increase of 5% would decrease the fair value by MUR 1.3m.
FVTOCI investment: SME Equity Fund (Mauritius) Ltd	3,261	Net asset	N/A	N/A
FVTOCI investment: S.W.I.F.T SCRL	2,080	Net asset	N/A	N/A

Reconciliation of level 3 fair value measurement

	MUR 000
Balance as at 01 January 2019	277,897
Fair value	(1,773)
Balance as at 31 December 2019	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

Notes to the Financial Statements

for the year ended 31 December 2021

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 2021

	Amortised cost	Financial assets at fair value through profit or loss	FVTOCI	Total
	MUR 000	MUR 000	MUR 000	MUR 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	1,332,111	-	-	1,332,111
	42,913,145	42,826	2,083,101	45,039,072

Financial liabilities

	Financial liabilities at fair value profit or loss	Financial liabilities at amortised cost	Total
	MUR 000	MUR 000	MUR 000
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	-	247,016	247,016
	3,112	41,615,526	41,618,638

At 31 December 2020

	Amortised cost	Financial assets at fair value through profit or loss	FVTOCI	Total
	MUR 000	MUR 000	MUR 000	MUR 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	1,395,742	-	-	1,395,742
	44,440,909	32,891	12,035,154	56,508,954

Notes to the Financial Statements

for the year ended 31 December 2021

2. FINANCIAL RISK MANAGEMENT (CONT'D)

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

At 31 December 2020 (Cont'd)

	Financial liabilities at fair value profit or loss	Financial liabilities at amortised cost	Total
	MUR 000	MUR 000	MUR 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	-	343,281	343,281
	13,041	53,548,064	53,561,105

At 31 December 2019

	Amortised cost	Financial assets at Value through profit or loss	FVTOCI	Total
	MUR 000	MUR 000	MUR 000	MUR 000
Financial assets				
Cash and cash equivalents	7,945,661	-	-	7,945,661
Derivative assets held for risk management	-	3,770	-	3,770
Loan and advances to Banks	4,912,421	-	-	4,912,421
Securities purchased under agreement to resell	2,034,570	-	-	2,034,570
Loan and advances to customers	22,928,271	-	-	22,928,271
Investment securities	13,066,886	-	2,568,506	15,635,392
Other assets	1,512,994	-	-	1,512,994
	52,400,803	3,770	2,568,506	54,973,079

	Financial liabilities at fair value profit or loss	Financial liabilities at amortised cost	Total
	MUR 000	MUR 000	MUR 000
Financial liabilities			
Deposits from customers	-	48,138,611	48,138,611
Derivative liabilities held for risk management	33,348	-	33,348
Other borrowed funds	-	2,449,494	2,449,494
Subordinated liabilities	-	713,831	713,831
Other liabilities	-	563,976	563,976
	33,348	51,865,912	51,899,260

Notes to the Financial Statements

for the year ended 31 December 2021

3. NET INTEREST INCOME

Interest income

Loans and advances to Banks	127,979	127,077	93,479
Loans and advances to customers	779,104	1,062,691	1,142,963
Investments securities	229,695	253,970	316,174
Cash and cash equivalents	18,565	43,285	131,243
Securities purchased under agreement to resell	-	-	1,276

Total interest income

Interest expense

Deposits from customers	(201,383)	(372,202)	(488,146)
Borrowings from Banks	(52,074)	(117,862)	(55,409)
Subordinated liabilities	(86,879)	(69,780)	(53,924)

Total interest expense

Net interest income

(a) Segment A

Interest income

Loans and advances to customers	654,652	748,835	636,792
Investments securities	121,334	139,098	256,435
Cash and cash equivalents	190	4,561	6,340
Securities purchased under agreement to resell	-	-	1,276

Total interest income

Interest expense

Deposits from customers	(126,611)	(246,566)	(348,447)
Borrowings from Banks	(4,285)	(1,500)	(693)
Subordinated liabilities	(48,603)	(35,606)	(23,525)

Total interest expense

Net interest income

(b) Segment B

Interest income

Loans and advances to Banks	127,979	127,077	93,479
Loans and advances to customers	124,452	313,856	506,171
Investments securities	108,361	114,872	59,739
Cash and cash equivalents	18,375	38,724	124,903

Total interest income

Interest expense

Deposits from customers	(74,772)	(125,636)	(139,699)
Borrowings from Banks	(47,789)	(116,362)	(54,716)
Subordinated liabilities	(38,276)	(34,174)	(30,399)

Total interest expense

Net interest income

Dec-21	Dec-20	Dec-19
MUR 000	MUR 000	MUR 000
127,979	127,077	93,479
779,104	1,062,691	1,142,963
229,695	253,970	316,174
18,565	43,285	131,243
-	-	1,276
1,155,343	1,487,023	1,685,135
(201,383)	(372,202)	(488,146)
(52,074)	(117,862)	(55,409)
(86,879)	(69,780)	(53,924)
(340,336)	(559,844)	(597,479)
815,007	927,179	1,087,656
654,652	748,835	636,792
121,334	139,098	256,435
190	4,561	6,340
-	-	1,276
776,176	892,494	900,843
(126,611)	(246,566)	(348,447)
(4,285)	(1,500)	(693)
(48,603)	(35,606)	(23,525)
(179,499)	(283,672)	(372,665)
596,677	608,822	528,178
127,979	127,077	93,479
124,452	313,856	506,171
108,361	114,872	59,739
18,375	38,724	124,903
379,167	594,529	784,292
(74,772)	(125,636)	(139,699)
(47,789)	(116,362)	(54,716)
(38,276)	(34,174)	(30,399)
(160,837)	(276,172)	(224,814)
218,330	318,357	559,478

Notes to the Financial Statements

for the year ended 31 December 2021

3. NET INTEREST INCOME (Continued)

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents	18,565	43,285	131,243
Securities purchased under agreement to resell	-	-	1,276
Loans and advances to banks	127,979	127,077	93,479
Loans and advances to customers	763,735	1,043,477	1,123,910
Investments securities and placements	185,752	195,548	186,315
Lease receivables	15,368	19,214	19,053
Recognised on financial assets measured at FVTOCI			
Investment securities	43,944	58,422	129,859
Total interest income	1,155,343	1,487,023	1,685,135
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	(197,183)	(367,867)	(483,078)
Interest expense on lease liabilities	(4,200)	(4,335)	(5,068)
Borrowings from Banks	(52,074)	(117,862)	(55,409)
Subordinated liabilities	(86,879)	(69,780)	(53,924)
Total interest expense	(340,336)	(559,844)	(597,479)
Net interest income	815,007	927,179	1,087,656
Segment A			
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents	190	4,561	6,340
Securities purchased under agreement to resell	-	-	1,276
Loans and advances to customers	639,284	729,621	617,739
Investments securities and placements	77,391	84,959	126,576
Lease receivables	15,368	19,214	19,053
Recognised on financial assets measured at FVTOCI			
Investment securities	43,944	54,139	129,859
Total interest income	776,177	892,494	900,843
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	(122,411)	(242,231)	(343,379)
Interest expense on lease liabilities	(4,200)	(4,335)	(5,068)
Borrowings from Banks	(4,285)	(1,500)	(693)
Subordinated liabilities	(48,603)	(35,606)	(23,525)
Total interest expense	(179,499)	(283,672)	(372,665)
Net interest income	596,678	608,822	528,178
Segment B			
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents	18,375	38,724	124,903
Loans and advances to banks	127,979	127,077	93,479
Loans and advances to customers	124,452	313,856	506,171
Investments securities and placements	108,361	110,589	59,739
Recognised on financial assets measured at FVTOCI			
Investment securities	-	4,283	-
Total interest income	379,167	594,529	784,292
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	(74,772)	(125,636)	(139,699)
Borrowings from Banks	(47,789)	(116,362)	(54,716)
Subordinated liabilities	(38,276)	(34,174)	(30,399)
Total interest expense	(160,837)	(276,172)	(224,814)
Net interest income	218,330	318,357	559,478

Notes to the Financial Statements

for the year ended 31 December 2021

4. NET FEE AND COMMISSION INCOME

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Fee and commission income			
Retail Banking customer fees	14,691	17,175	49,492
Corporate Banking credit related fees	31,544	25,493	26,408
International Banking customer fees	266,371	143,519	125,757
Guarantees	8,382	12,416	7,659
Credit cards and e-commerce related fees	207,433	410,578	399,065
Others	79,490	79,932	62,869
Total fee and commission income	607,911	689,113	671,250
Fee and commission expense			
InterBank transaction fees	(19,844)	(18,726)	(15,553)
Credit cards and e-commerce related fees	(239,195)	(399,646)	(309,392)
Others	(70,594)	(78,877)	(69,581)
Total fee and commission expense	(329,633)	(497,249)	(394,526)
Net fee and commission income	278,278	191,864	276,724
(a) Segment A			
Fee and commission income			
Retail Banking customer fees	14,691	17,175	49,492
Corporate Banking credit related fees	31,544	25,493	26,408
Guarantees	4,968	6,324	3,934
Credit cards	17,340	19,948	22,084
Others	46,963	42,982	18,236
Total fee and commission income	115,506	111,922	120,154
Fee and commission expense			
InterBank transaction fees	(2,136)	(3,067)	(2,568)
Credit cards	(9,635)	(11,850)	(13,629)
Others	(31,688)	(68,498)	(45,565)
Total fee and commission expense	(43,459)	(83,415)	(61,762)
Net fee and commission income	72,047	28,507	58,392
(b) Segment B			
Fee and commission income			
International Banking customer fees	266,371	143,519	125,757
Guarantees	3,414	6,092	3,725
Credit cards and e-commerce related fees	190,093	390,630	376,981
Others	32,527	36,950	44,633
Total fee and commission income	492,405	577,191	551,096
Fee and commission expense			
InterBank transaction fees	(17,708)	(15,659)	(12,985)
Credit cards and e-commerce related fees	(229,560)	(387,796)	(295,763)
Others	(38,906)	(10,379)	(24,016)
Total fee and commission expense	(286,174)	(413,834)	(332,764)
Net fee and commission income	206,231	163,357	218,332

Notes to the Financial Statements

for the year ended 31 December 2021

5. NET GAIN ON DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Profit arising from dealing in foreign currencies	124,677	139,782	167,678
Net gain/(loss) from derivatives	39,714	19,849	(29,579)
	164,391	159,631	138,099
(a) Segment A			
Profit arising from dealing in foreign currencies	53,750	56,066	58,753
Net gain/(loss) from derivatives	-	3,712	(17,495)
	53,750	59,778	41,258
(b) Segment B			
Profit arising from dealing in foreign currencies	70,927	83,716	108,925
Net gain/(loss) from derivatives	39,714	16,137	(12,084)
	110,641	99,853	96,841

6. OTHER OPERATING INCOME

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Gain on disposal of property and equipment	245	402	139
Others	28,808	-	-
	29,053	402	139
(a) Segment A			
Gain on disposal of property and equipment	245	402	139
(b) Segment B			
Others	28,808	-	-

7. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Impairment loss for the year	(193,358)	(1,210,941)	(228,695)
Bad debts written off for which no provisions were made	(1,817)	(3,205)	-
Provisions released during the year	254,740	134,775	117,988
Recoveries of advances written off	12,234	5,712	15,338
Net impairment reversal/(loss) on financial assets	71,799	(1,073,659)	(95,369)
(a) SEGMENT A			
Impairment loss for the year	(102,549)	(309,204)	(216,081)
Bad debts written off for which no provisions were made	(1,817)	(3,205)	-
Provisions released during the year	141,832	99,302	117,988
Recoveries of advances written off	12,234	5,712	15,338
Net impairment reversal/(loss) on financial assets	49,700	(207,395)	(82,755)

Notes to the Financial Statements

for the year ended 31 December 2021

(b) SEGMENT B

Impairment loss for the year
Provisions released during the year

Net impairment reversal/(loss) on financial assets

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Impairment loss for the year	(90,809)	(901,737)	(12,614)
Provisions released during the year	112,908	35,473	-
Net impairment reversal/(loss) on financial assets	22,099	(866,264)	(12,614)

8. PERSONNEL EXPENSES

Wages and salaries
Compulsory social security obligations
Funded pension costs (note 28)
Unfunded pension costs (note 28)
Deferred contribution plan
Other personnel expenses

(a) Segment A

Wages and salaries
Compulsory social security obligations
Funded pension costs (note 28)
Unfunded pension costs (note 28)
Deferred contribution plan
Other personnel expenses

(b) Segment B

Wages and salaries
Compulsory social security obligations
Funded pension costs (note 28)
Unfunded pension costs (note 28)
Deferred contribution plan
Other personnel expenses

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Wages and salaries	(281,230)	(261,429)	(245,678)
Compulsory social security obligations	(20,333)	(14,083)	(10,584)
Funded pension costs (note 28)	(11,361)	(10,545)	(9,141)
Unfunded pension costs (note 28)	(5,264)	(6,722)	(1,991)
Deferred contribution plan	(25,629)	(23,974)	(22,021)
Other personnel expenses	(213,242)	(131,067)	(157,974)
	(557,059)	(447,820)	(447,389)
(a) Segment A			
Wages and salaries	(200,452)	(192,511)	(179,270)
Compulsory social security obligations	(14,245)	(10,347)	(7,880)
Funded pension costs (note 28)	(8,294)	(9,166)	(7,896)
Unfunded pension costs (note 28)	(3,843)	(4,974)	(1,454)
Deferred contribution plan	(18,709)	(17,694)	(16,005)
Other personnel expenses	(159,657)	(96,676)	(114,282)
	(405,200)	(331,368)	(326,787)
(b) Segment B			
Wages and salaries	(80,778)	(68,918)	(66,408)
Compulsory social security obligations	(6,088)	(3,736)	(2,704)
Funded pension costs (note 28)	(3,067)	(1,379)	(1,245)
Unfunded pension costs (note 28)	(1,421)	(1,748)	(537)
Deferred contribution plan	(6,920)	(6,280)	(6,016)
Other personnel expenses	(53,585)	(34,391)	(43,692)
	(151,859)	(116,452)	(120,602)

9. OTHER EXPENSES

Software licensing and other information technology cost
Premises related expenses
Legal and professional expenses
Others

Special levy for 2019 amounting to MUR 38.3 million has been reclassified to income tax expense (Refer to note 10).

The Bank of Mauritius (BOM) in consultation with the Mauritius Revenue Authority (MRA) has clarified that Special levy on Banks should be treated as a tax expense. Thus, the Bank reclassified the levy of MUR 38.3 million from other operating expenses to income tax expenses for the year 2019.

(a) Segment A

Software licensing and other information technology cost
Premises related expenses
Legal and professional expenses
Others

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Software licensing and other information technology cost	(142,433)	(107,044)	(67,552)
Premises related expenses	(52,747)	(66,371)	(52,745)
Legal and professional expenses	(46,228)	(19,153)	(20,653)
Others	(54,958)	(56,416)	(47,767)
	(296,366)	(248,984)	(188,717)

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Software licensing and other information technology cost	(123,500)	(92,503)	(55,874)
Premises related expenses	(41,672)	(55,669)	(43,332)
Legal and professional expenses	(24,103)	(10,858)	(8,252)
Others	(31,753)	(31,644)	(33,914)
	(221,028)	(190,674)	(141,372)

Notes to the Financial Statements

for the year ended 31 December 2021

9. OTHER EXPENSES (CONT'D)

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
(b) Segment B			
Software licensing and other information technology cost	(18,933)	(14,541)	(11,678)
Premises related expenses	(11,075)	(10,702)	(9,413)
Legal and professional expenses	(22,125)	(8,295)	(12,401)
Others	(23,205)	(24,772)	(13,853)
	<u>(75,338)</u>	<u>(58,310)</u>	<u>(47,345)</u>

10. INCOME TAX EXPENSE

Income tax includes the tax calculated on the chargeable income of the Bank, Corporate Social Responsibility ("CSR") and Special Levy.

As from 01 January 2020, the applicable tax rate based on the new tax regime is charged at 5% on taxable income up to MUR 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 is being subject to tax review for the years of assessment 2018 to 2019 and the tax assessment is still ongoing with the regulators.

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
(a) Current tax expense			
Tax expense (including Special levy and CSR)	57,087	2,731	74,650
(b) Deferred tax expense/(credit)			
Originated and reversal of temporary differences (Note 20)	51,955	(42,550)	(5,967)
	<u>109,042</u>	<u>(39,819)</u>	<u>68,683</u>

(c) Reconciliation of effective tax rate

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Profit/(loss) before income tax	522,466	(531,544)	699,141
Taxed at 5% (2020 and 2019: 5%)	26,123	(26,577)	34,117
Non-deductible expenses	466	677	8,628
Income not subject to tax	(612)	(286)	(1,371)
Special levy on Banks	7,693	(30,873)	38,303
Corporate social responsibility fund	3,369	2,045	-
Other permanent differences, including write-off of loans	43,746	15,059	(1,072)
Differences in rates	28,257	136	(9,922)
Total income tax in statement of profit or loss	<u>109,042</u>	<u>(39,819)</u>	<u>68,683</u>
Segment A			
Current tax expense			
Tax expense/(credit) (including Special levy and CSR)	39,280	(19,305)	53,792
Deferred tax expense			
Originated and reversal of temporary differences	7,153	(13,689)	(4,076)

Notes to the Financial Statements

for the year ended 31 December 2021

10. INCOME TAX EXPENSE

Segment B

Current tax expense

Current year

Deferred tax credit

Originated and reversal of temporary differences

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Current year	17,807	22,036	20,858
Originated and reversal of temporary differences	44,802	(28,861)	(1,891)

11. EARNINGS PER SHARE

Profit/(loss) for the year (MUR 000)

Weighted average number of ordinary shares

Earnings/(loss) per share (MUR)

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Profit/(loss) for the year	413,424	(491,725)	630,458
Weighted average number of ordinary shares	14,564,560	12,814,560	9,064,560
Earnings/(loss) per share	<u>28.39</u>	<u>(38.37)</u>	<u>69.55</u>

12. CASH AND CASH EQUIVALENTS

Cash in hand
Foreign currency notes and coins
Unrestricted balances with central Banks
Balance due in clearing
Money market placements
Balances with Banks abroad

Less: allowance for expected credit loss

Current

Segment A

Cash in hand
Foreign currency notes and coins
Unrestricted balances with central Banks
Balance due in clearing
Money market placements

Less: allowance for expected credit loss

Segment B

Money market placements
Balance with Banks abroad

Less: allowance for expected credit loss

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Cash in hand	118,967	159,626	174,524
Foreign currency notes and coins	39,236	33,391	27,213
Unrestricted balances with central Banks	311,987	431,018	289,771
Balance due in clearing	13,267	21,872	30,442
Money market placements	3,598,830	2,912,723	2,689,967
Balances with Banks abroad	6,373,457	8,622,567	4,734,807
	<u>10,455,744</u>	<u>12,181,197</u>	<u>7,946,724</u>
Less: allowance for expected credit loss	(6,464)	(4,418)	(1,063)
	<u>10,449,280</u>	<u>12,176,779</u>	<u>7,945,661</u>
Current	<u>10,449,280</u>	<u>12,176,779</u>	<u>7,945,661</u>
Segment A			
Cash in hand	118,967	159,626	174,524
Foreign currency notes and coins	39,236	33,391	27,213
Unrestricted balances with central Banks	311,987	431,018	289,771
Balance due in clearing	13,267	21,872	30,442
Money market placements	-	-	1,757,147
	<u>483,457</u>	<u>645,907</u>	<u>2,279,097</u>
Less: allowance for expected credit loss	-	-	(254)
	<u>483,457</u>	<u>645,907</u>	<u>2,278,843</u>
Segment B			
Money market placements	3,598,830	2,912,723	932,820
Balance with Banks abroad	6,373,457	8,622,567	4,734,807
	<u>9,972,287</u>	<u>11,535,290</u>	<u>5,667,627</u>
Less: allowance for expected credit loss	(6,464)	(4,418)	(809)
	<u>9,965,823</u>	<u>11,530,872</u>	<u>5,666,818</u>

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 2021

12. CASH AND CASH EQUIVALENTS (CONT'D)

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

	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)	
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 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)	
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 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 borrowing and repayments against borrowing 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
	MUR 000	MUR 000	MUR 000
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
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

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for the year ended 31 December 2021

As at 31 December 2019

Currency forwards
Currency Swaps

Segment A
Segment B
Current

	Contractual/ Nominal Amount	Assets Fair Value	Liabilities Fair Value
	MUR 000	MUR 000	MUR 000
Currency forwards	23,866	46	35
Currency Swaps	3,804,810	3,724	33,313
	3,828,676	3,770	33,348
Segment A	953,680	-	17,496
Segment B	2,874,996	3,770	15,852
Current	3,828,676	3,770	33,348

14(a). LOANS AND ADVANCES TO BANKS

In and outside Mauritius
Less: allowance for expected credit loss

Current
Non Current

(i) Segment A

In Mauritius
Less: allowance for expected credit loss

Segment B

Outside Mauritius
Less: allowance for expected credit loss

(ii) Remaining term to maturity

Up to 3 months
Over 3 months and up to 6 months
Over 6 months and up to 12 months
Over 1 year and up to 5 years

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
In and outside Mauritius	3,339,038	1,985,889	4,916,727
Less: allowance for expected credit loss	(2,793)	(2,417)	(4,306)
	3,336,245	1,983,472	4,912,421
Current	2,685,635	1,187,661	4,365,517
Non Current	650,610	795,811	546,904
	3,336,245	1,983,472	4,912,421
(i) Segment A			
In Mauritius	-	597,701	547,032
Less: allowance for expected credit loss	-	(638)	(128)
	-	597,063	546,904
Segment B			
Outside Mauritius	3,339,038	1,388,188	4,369,695
Less: allowance for expected credit loss	(2,793)	(1,779)	(4,178)
	3,336,245	1,386,409	4,365,517
(ii) Remaining term to maturity			
Up to 3 months	493,693	-	908,102
Over 3 months and up to 6 months	1,579,817	597,701	1,385,805
Over 6 months and up to 12 months	614,373	597,701	2,075,792
Over 1 year and up to 5 years	651,155	790,487	547,028
	3,339,038	1,985,889	4,916,727

Notes to the Financial Statements

for the year ended 31 December 2021

14(a). LOANS AND ADVANCES TO BANKS (CONT'D)

(iii) Allowance for expected credit loss

Balance as at 01 January 2019

Provision reversed during the year

Balance as at 31 December 2019

Provision reversed during the year

Balance as at 31 December 2020

Provision made during the year

Balance as at 31 December 2021

	Stage 3 ECL	Stage 1 & 2 ECL	Total
	MUR 000	MUR 000	MUR 000
Balance as at 01 January 2019	-	6,557	6,557
Provision reversed during the year	-	(2,251)	(2,251)
Balance as at 31 December 2019	-	4,306	4,306
Provision reversed during the year	-	(1,889)	(1,889)
Balance as at 31 December 2020	-	2,417	2,417
Provision made during the year	-	376	376
Balance as at 31 December 2021	-	2,793	2,793

14(b). SECURITIES PURCHASED UNDER AGREEMENT TO RESELL

Securities purchased under agreement to resell
Less: Allowance for expected loss

Current

(i) Segment A

Loan to Bank on reverse repurchase agreement
Less: Allowance for expected loss

(ii) Remaining term to maturity

Up to 3 months

(iii) Allowance for expected credit loss

Balance as at 01 January 2019

Provision made during the year

Balance as at 31 December 2020

Provision reversed during the year

Balance as at 31 December 2021

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Securities purchased under agreement to resell	-	-	2,037,050
Less: Allowance for expected loss	-	-	(2,480)
	-	-	2,034,570
Current	-	-	2,034,570
Loan to Bank on reverse repurchase agreement	-	-	2,037,050
Less: Allowance for expected loss	-	-	(2,480)
	-	-	2,034,570
Up to 3 months	-	-	2,037,050
	-	-	2,037,050

	Stage 1 ECL impairment	Total
	MUR 000	MUR 000
Balance as at 01 January 2019	(2,480)	(2,480)
Provision made during the year	2,480	2,480
Balance as at 31 December 2020	-	-
Provision reversed during the year	-	-
Balance as at 31 December 2021	-	-

Notes to the Financial Statements

for the year ended 31 December 2021

15. LOANS AND ADVANCES TO CUSTOMERS

Retail customers

- Credit cards

- Mortgages

- Other retail loans

Corporate customers

Entities outside Mauritius

Less: allowance for credit impairment

Current

Non current

Net finance lease receivables included in loans and advances
to customers

(a) Segment A

Retail customers

- Credit cards

- Mortgages

- Other retail loans

Corporate customers

Less allowance for credit impairment

(b) Segment B

Retail customers

- Mortgages

- Other retail loans

Corporate customers

Entities outside Mauritius

Less allowance for expected credit loss

(c) Remaining term to maturity

Up to 3 months

Over 3 months and up to 6 months

Over 6 months and up to 12 months

Over 1 year and up to 5 years

Over 5 years

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Retail customers	69,831	68,331	57,803
- Credit cards	4,247,861	3,260,562	2,680,407
- Mortgages	3,416,474	3,664,718	3,458,321
- Other retail loans	8,396,108	9,226,746	10,743,108
Corporate customers	2,204,690	4,340,936	7,143,164
Entities outside Mauritius	18,334,964	20,561,293	24,082,803
Less: allowance for credit impairment	(860,415)	(1,904,699)	(1,154,532)
	17,474,549	18,656,594	22,928,271
Current	4,000,668	4,252,014	6,549,168
Non current	13,473,881	14,404,580	16,379,103
	17,474,549	18,656,594	22,928,271
Net finance lease receivables included in loans and advances to customers	277,907	350,278	342,386

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Retail customers	69,831	68,331	57,803
- Credit cards	4,184,021	3,182,708	2,597,385
- Mortgages	3,218,502	3,429,825	3,253,044
- Other retail loans	7,737,337	8,688,700	9,196,207
Corporate customers	15,209,691	15,369,564	15,104,439
Less allowance for credit impairment	(601,000)	(798,403)	(646,641)
	14,608,691	14,571,161	14,457,798

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Retail customers	63,840	77,854	83,022
- Mortgages	197,972	234,893	205,277
- Other retail loans	658,771	538,046	1,546,901
Corporate customers	2,204,690	4,340,936	7,143,164
Entities outside Mauritius	3,125,273	5,191,729	8,978,364
Less allowance for expected credit loss	(259,415)	(1,106,296)	(507,891)
	2,865,858	4,085,433	8,470,473

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Up to 3 months	2,394,187	3,156,547	4,950,500
Over 3 months and up to 6 months	755,917	434,719	1,151,281
Over 6 months and up to 12 months	914,449	747,815	517,457
Over 1 year and up to 5 years	6,265,096	9,398,284	10,220,748
Over 5 years	8,005,315	6,823,928	7,242,817
	18,334,964	20,561,293	24,082,803

Notes to the Financial Statements

for the year ended 31 December 2021

15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(d) Credit concentration of risk by industry sectors

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Agriculture and fishing	425,388	636,497	1,107,424
Manufacturing	36,187	53,950	134,182
<i>of which Export Processing Zone License holders</i>	<i>21,441</i>	<i>13,656</i>	<i>15,767</i>
Tourism	1,682,526	2,168,547	2,567,194
Transport	590,454	438,111	1,126,481
Construction	6,404,451	5,795,945	5,291,909
<i>of which Residential Mortgages</i>	<i>4,247,862</i>	<i>3,263,335</i>	<i>2,680,408</i>
<i>other constructions</i>	<i>2,156,589</i>	<i>2,532,610</i>	<i>2,611,501</i>
Financial and business services	2,588,138	3,287,914	4,200,137
Traders	3,493,100	2,922,517	3,410,028
Personal	1,653,738	1,701,194	1,474,929
<i>of which credit cards</i>	<i>69,831</i>	<i>68,331</i>	<i>57,803</i>
Professional	14,433	12,979	12,357
Global business license holders	672,979	553,567	808,228
Others	773,570	2,990,072	3,949,934
<i>of which credit central government</i>	<i>512,881</i>	<i>1,246,431</i>	<i>1,958,656</i>
	18,334,964	20,561,293	24,082,803

(i) Segment A

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Agriculture and Fishing	423,979	629,300	1,097,613
Manufacturing	36,187	53,950	60,925
<i>of which Export Processing Zone License holders</i>	<i>21,441</i>	<i>13,656</i>	<i>15,767</i>
Tourism	1,637,355	2,021,086	1,389,644
Transport	355,752	367,281	283,709
Construction	6,217,553	5,521,876	4,964,061
<i>of which Residential Mortgages</i>	<i>4,184,022</i>	<i>3,182,708</i>	<i>2,597,386</i>
<i>other constructions</i>	<i>2,033,531</i>	<i>2,339,168</i>	<i>2,366,675</i>
Financial and business services	1,530,250	2,463,032	2,801,709
Traders	3,121,422	2,405,465	2,672,302
Personal	1,612,071	1,577,454	1,466,444
<i>of which credit cards</i>	<i>69,831</i>	<i>68,331</i>	<i>57,803</i>
Professional	14,433	12,979	12,357
Others	260,689	317,141	355,675
	15,209,691	15,369,564	15,104,439

(ii) Segment B

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Agriculture and Fishing	1,409	7,197	9,811
Manufacturing	-	-	73,257
<i>of which Export Processing Zone License holders</i>	<i>-</i>	<i>-</i>	<i>-</i>
Tourism	45,171	147,461	1,177,550
Transport	234,702	70,830	842,772
Construction	186,898	274,069	327,848
<i>of which Residential Mortgages</i>	<i>63,840</i>	<i>80,627</i>	<i>83,022</i>
<i>other constructions</i>	<i>123,058</i>	<i>193,442</i>	<i>244,826</i>
Financial and business services	1,057,888	824,882	1,398,428
Traders	371,678	517,052	737,726
Personal	41,667	123,740	8,485
Global business license holders	672,979	553,567	808,228
Others	512,881	2,672,931	3,594,259
<i>of which credit central government</i>	<i>512,881</i>	<i>1,246,431</i>	<i>1,958,656</i>
	3,125,273	5,191,729	8,978,364

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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.

Off balance sheet by industry sector

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Agriculture and Fishing	4,326	493	521
Manufacturing	386,973	265,326	53,643
Tourism	24,531	109,596	125,500
Transport	246,962	1,918	7,702
Construction	1,414,746	588,467	888,616
Financial and business services	291,836	681,072	2,031,473
Traders	905,677	757,340	1,068,368
Personal	643,952	248,214	253,658
Global business license holders	164,155	331,571	183,959
Others	945,839	183,839	165,401
	5,028,997	3,167,836	4,778,841

(e) Allowance for expected credit loss

	Specific allowances for impairment Stage 3 ECL	Portfolio for allowances impairment Stage 1 and 2 ECL	Total
	MUR 000	MUR 000	MUR 000
Balance as at 1 January 2019	745,492	292,443	1,037,935
Provision for credit impairment for the year	325,708	126,686	452,394
Loans written off out of allowance	(42,417)	-	(42,417)
Provisions released	(116,200)	(177,180)	(293,380)
Balance as at 31 December 2019	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

(f) Allowance for credit impairment

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Retail customers			
- Credit cards	6,540	4,730	7,596
- Mortgages	33,802	69,817	71,806
- Other retail loans	119,716	202,124	113,199
Corporate customers	609,622	637,572	463,720
Entities outside Mauritius	90,735	990,456	498,211
	860,415	1,904,699	1,154,532

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15. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(h) Allowance for credit impairment by industry sectors (cont'd)

Segment A	Dec-21				Dec-20	Dec-19
	Gross amount of loans	Impaired loans	Stage 3 ECL	Stage 1 & 2 ECL	Total ECL	Total ECL
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Agriculture and Fishing	423,979	12	18	7,112	7,130	13,050
Manufacturing	36,187	1,529	625	607	1,232	1,542
<i>of which Export Processing Zone License holders</i>	21,441	-	-	-	-	-
Tourism	1,637,355	4,782	4,779	27,466	32,245	109,829
Transport	355,752	10,721	7,643	5,968	13,611	14,143
Construction	6,217,553	160,165	99,732	104,298	204,030	325,301
<i>of which Residential Mortgages</i>	4,184,022	90,800	33,800	70,186	103,986	100,676
<i>Other constructions</i>	2,033,531	69,365	65,932	34,112	100,044	224,623
Financial and Business Services	1,530,250	2,739	1,056	25,670	26,726	51,688
Traders	3,121,422	206,915	164,955	52,361	217,316	196,916
Personal	1,612,071	69,784	62,873	27,042	89,915	72,377
<i>of which credit cards</i>	69,831	3,669	3,741	1,171	4,912	4,026
Professional	14,433	-	-	242	242	269
Others	260,689	4,978	4,180	4,373	8,553	13,288
	15,209,691	461,625	345,861	255,139	601,000	798,403
Segment B						
Agriculture and fishing	1,409	1,409	11	10	21	309
Manufacturing	-	-	-	-	-	-
<i>of which Export Processing Zone License holders</i>	-	-	-	-	-	-
Tourism	45,171	-	-	318	318	1,475
Transport	234,702	234,702	234,702	1,655	236,357	708
Construction	186,898	128	2	1,318	1,320	5,160
<i>of which Residential Mortgages</i>	63,840	-	2	450	452	3,225
<i>Other constructions</i>	123,058	-	-	868	868	1,934
Financial and Business Services	1,057,888	-	-	7,458	7,458	8,247
Traders	371,678	2,667	2,667	2,620	5,287	5,170
Personal	41,667	-	-	294	294	1,237
Global business license holders	672,979	-	-	4,745	4,745	125,073
Others	512,881	-	-	3,615	3,615	958,917
	3,125,273	238,906	237,382	22,033	259,415	1,106,296

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16. INVESTMENT SECURITIES

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Investment securities at fair value through OCI	2,083,101	12,035,154	2,571,081
Investment securities at amortised cost	10,339,563	10,239,400	13,081,338
	12,422,664	22,274,554	15,652,419
Less: Allowance for expected loss	(18,603)	(11,078)	(17,027)
	12,404,061	22,263,476	15,635,392
Current	4,949,211	17,533,269	9,713,414
Non-current	7,454,850	4,730,207	5,921,978
(a) Investments at FVTOCI			
Equity shares in M Oriental Bank Ltd (Kenya)	24,680	26,517	37,198
Bank/Government of Mauritius securities and other corporate bonds	2,053,080	12,005,170	2,530,686
Other equity investments	5,341	3,467	3,197
	2,083,101	12,035,154	2,571,081
Less: Allowance for expected loss	-	-	(2,575)
	2,083,101	12,035,154	2,568,506
Segment A			
Bank/Government of Mauritius securities	2,053,080	2,168,261	2,530,686
Others	3,261	1,538	1,660
	2,056,341	2,169,799	2,532,346
Less: Allowance for expected loss	-	-	(2,540)
	2,056,341	2,169,799	2,529,806
Segment B			
Equity shares in M Oriental Bank Ltd (Kenya)	24,680	26,517	37,198
Other corporate bonds	-	9,836,909	-
Others	2,080	1,929	1,537
	26,760	9,865,355	38,735
Less: Allowance for expected loss	-	-	(35)
	26,760	9,865,355	38,700
The Bank holds 4,597,210 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 SME Equity Fund Mauritius has been valued using net asset value basis and investment in SWIFT has been valued using observable price as at 31 December 2021. Refer to note 2 (i).			
(b) Investments at amortised cost			
Government of Mauritius bonds	1,581,273	921,613	206,227
Bank of Mauritius Bills	-	678,878	1,338,606
Treasury Bills / Notes issued by Government of Mauritius	-	199,557	9,062
BOM notes/Treasury notes/Corporate Bonds/Other Bank Placements	8,758,290	8,439,352	11,527,443
	10,339,563	10,239,400	13,081,338
Less: Allowance for expected loss	(18,603)	(11,078)	(14,452)
	10,320,960	10,228,322	13,066,886
Segment A			
Government of Mauritius bonds	1,581,273	921,613	206,227
Bank of Mauritius Bills	-	678,878	1,338,606
Treasury Bills /Notes issued by Government of Mauritius	-	199,557	9,062
BOM notes/Treasury notes	1,627,266	957,658	97,768
	3,208,539	2,757,706	1,651,663
Less: Allowance for expected loss	(8,756)	(3,231)	(2,242)
	3,199,783	2,754,475	1,649,421
Segment B			
Corporate Bonds/Other Bank Placements	7,131,024	7,481,694	11,429,675
Less: Allowance for expected loss	(9,847)	(7,847)	(12,210)
	7,121,177	7,473,847	11,417,465

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16. INVESTMENT SECURITIES (CONT'D)

Investments at amortised cost (cont'd)

Remaining term to maturity - 2021

	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 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
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 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

Remaining term to maturity - 2019

	Up to 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Government of Mauritius bonds	-	-	-	206,227	-	206,227
Treasury Bills / Notes issued by Government of Mauritius	218,765	472,909	-	655,994	-	1,347,668
BOM notes/Treasury notes/Corporate Bonds/Other Bank Placements	6,793,666	1,400,441	522,796	1,433,813	1,376,727	11,527,443
	7,012,431	1,873,350	522,796	2,296,034	1,376,727	13,081,338

Notes to the Financial Statements

for the year ended 31 December 2021

17. LEASES (The Bank as a lessee)

Right-of-use assets

Segment A

Cost

At 1 January

Additions

Terminations

At 31 December

Accumulated depreciation

At 1 January

Charge for the year

Terminations

At 31 December

Carrying amount

At 31 December

Buildings

	2021	2020	2019
	MUR 000	MUR 000	MUR 000
At 1 January	55,365	64,274	57,760
Additions	56,493	1,983	6,514
Terminations	(5,540)	(10,892)	-
At 31 December	106,318	55,365	64,274
At 1 January	14,990	9,178	-
Charge for the year	7,057	10,485	9,178
Terminations	(5,088)	(4,673)	-
At 31 December	16,959	14,990	9,178
At 31 December	89,359	40,375	55,096

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.

With the termination of one of the lease for building in the current financial year and the addition of a new one, there has been a net increase of right-of-use assets of MUR 49.0 million in 2021. The maturity analysis of lease liabilities is presented in note 27.

Amounts recognised in profit or loss under:

	2021	2020	2019
	MUR 000	MUR 000	MUR 000
Depreciation and amortisation - depreciation expense on right-of-use assets	7,057	10,485	9,178
Interest expense - interest expense on lease liabilities	4,199	4,335	5,068
Other expenses - Loss arising on derecognition of right-of-use assets	1,090	1,549	-
Other expenses - expense relating to short-term leases	-	-	645
Other expenses - expense relating to leases of low value assets	79	79	78
	12,425	16,448	14,969

At 31 December 2021, the Bank is committed to MUR 1.1 million (2020: MUR 1.1 million) for low-value assets.

The total cash outflow for leases amounted to MUR 11.7 million (2020: MUR 7.0 million) for the year.

Notes to the Financial Statements

for the year ended 31 December 2021

18. PROPERTY AND EQUIPMENT

	Land and buildings	Computer and other equipment	Motor vehicles and furniture and fittings	Work in Progress	Total
Cost or Valuation	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Balance as at 01 January 2019	304,128	212,700	206,841	11,801	735,470
Acquisitions	-	1,095	372	17,279	18,746
Transfer to equipment and furniture	-	7,360	3,915	(11,275)	-
Disposal	-	-	(1,600)	-	(1,600)
Reclassification to intangible assets	-	-	-	(6,639)	(6,639)
Write off/scrapped	-	(105,288)	(37,420)	-	(142,708)
Balance as at 31 December 2019	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
Accumulated depreciation					
Balance as at 01 January 2019	64,127	171,116	105,926	-	341,169
Depreciation for the year	4,236	14,330	16,004	-	34,570
Disposal	-	-	(1,600)	-	(1,600)
Write off/scrapped	-	(105,287)	(37,404)	-	(142,691)
Balance as at 31 December 2019	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
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 2019	235,765	35,708	89,182	11,166	371,821
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
Net book value as at 31 December 2019 by segments					
Segment A	235,765	35,636	87,685	11,166	370,252
Segment B	-	72	1,497	-	1,569
	235,765	35,708	89,182	11,166	371,821

Notes to the Financial Statements

for the year ended 31 December 2021

Assets disposed/scrapped/written-off during the year (cost)

Computer and equipment
Other assets

Dec-21	Dec-20	Dec-19
MUR 000	MUR 000	MUR 000
129	2,108	105,288
947	4,728	39,020
1,076	6,836	144,308

Work in progress included in property and equipment as at year end were incurred for:

(i) Renovation of branch
(ii) Others

Dec-21	Dec-20	Dec-19
MUR 000	MUR 000	MUR 000
-	3,984	10,561
8,153	3,727	605
8,153	7,711	11,166

The Bank's land and buildings were last revalued in February 2021 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 2021 and have estimated the fair value to approximate their carrying value at that date.

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-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Cost	201,000	201,000	201,000
Accumulated depreciation	(78,549)	(74,529)	(70,509)
Net	122,451	126,471	130,491

Notes to the Financial Statements

for the year ended 31 December 2021

19. INTANGIBLE ASSETS

Cost

Balance as at 1 January 2019
Additions
Transfer to computer software
Write-off/scrapped
Reclassification from property and equipment
Expensed during the year

Balance as at 31 December 2019

Additions
Transfer to computer software
Write-off/scrapped
Balance as at 31 December 2020
Additions
Transfer to computer software
Reclassification to property and equipment

Balance as at 31 December 2021

Amortisation

Balance as at 1 January 2019
Charge for the year
Write-off/scrapped
Balance as at 31 December 2019
Charge for the year
Write-off/scrapped

Balance as at 31 December 2020

Balance as at 31 December 2021

Net book value as at 31 December 2021

Net book value as at 31 December 2020

Net book value as at 31 December 2019

	Computer Software	Work in Progress	Total
	MUR 000	MUR 000	MUR 000
Balance as at 1 January 2019	305,584	5,531	311,115
Additions	760	11,709	12,469
Transfer to computer software	5,510	(5,510)	-
Write-off/scrapped	(8,518)	-	(8,518)
Reclassification from property and equipment	-	6,639	6,639
Expensed during the year	-	(2,101)	(2,101)
Balance as at 31 December 2019	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
Amortisation			
Balance as at 1 January 2019	154,576	-	154,576
Charge for the year	35,080	-	35,080
Write-off/scrapped	(8,518)	-	(8,518)
Balance as at 31 December 2019	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
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
Net book value as at 31 December 2019	122,198	16,268	138,466

Notes to the Financial Statements

for the year ended 31 December 2021

Net book value as at 31 December 2021 by segments

Segment A

Segment B

Net book value as at 31 December 2020 by segments

Segment A

Segment B

Net book value as at 31 December 2019 by segments

Segment A

Segment B

20. DEFERRED TAX ASSETS

The movement on the deferred income tax account is as follows:

Balance as at 1 January

Profit or loss (charge)/credit (note 10)

Amount recognised directly in other comprehensive income:

Deferred income tax on fair value adjustments on FVTOCI investments

Deferred tax on actuarial losses on retirement benefits obligations

Balance as at 31 December

Deferred tax assets

Allowances for expected credit losses

Securities classified at FVTOCI

Retirement benefit obligations

Deferred tax liabilities

Accelerated capital allowances

Securities classified at FVTOCI

Revaluation reserve

Net non-current

Computer Software	Work in Progress	Total
MUR 000	MUR 000	MUR 000
84,242	46,424	130,666
-	-	-
84,242	46,424	130,666
91,477	15,764	107,241
4,344	-	4,344
95,821	15,764	111,585
116,784	16,268	133,052
5,414	-	5,414
122,198	16,268	138,466

Dec-21	Dec-20	Dec-19
MUR 000	MUR 000	MUR 000
88,682	51,277	46,980
(51,955)	42,550	5,967
11,117	(7,054)	(3,349)
(1,908)	1,909	1,679
45,936	88,682	51,277
42,366	94,547	53,385
2,354	-	-
4,048	6,322	4,819
48,768	100,869	58,204
1,905	2,524	4,300
-	8,736	1,700
927	927	927
2,832	12,187	6,927
45,936	88,682	51,277

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 7% (2020-7% and 2019-7%) for segment A and an effective tax rate of 5% (2020-5% and 2019-5%) for segment B.

Notes to the Financial Statements

for the year ended 31 December 2021

21. OTHER ASSETS

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Mandatory balances with central Bank*	1,240,759	1,319,126	1,400,901
Non-Banking assets acquired in satisfaction of debts**	9,104	9,104	9,104
Other receivables	144,579	121,188	138,819
	1,394,442	1,449,418	1,548,824
Less: Allowance for expected loss	(6,867)	(1,347)	(2,074)
	1,387,575	1,448,071	1,546,750
Current	1,371,797	1,384,642	53,444
Non Current	15,778	63,429	1,493,306

* 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.

(a) Segment A

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Mandatory balances with central Bank	1,240,759	1,319,126	1,400,901
Non-Banking assets acquired in satisfaction of debts	9,104	9,104	9,104
Other receivables	122,837	108,088	121,605
	1,372,700	1,436,318	1,531,610
Less: Allowance for expected loss	(6,867)	(1,347)	(2,074)
	1,365,833	1,434,971	1,529,536

Segment B

	Dec-21	Dec-20	Dec-19
Other receivables	21,742	13,100	17,214
	21,742	13,100	17,214

22. DEPOSITS FROM CUSTOMERS

(a) Deposits comprise the following:

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Retail customers	10,668,308	11,757,961	9,903,419
Corporate customers	4,695,117	4,400,618	6,456,769
International customers	21,791,134	31,136,246	30,880,472
Government	761,430	755,667	897,951
	37,915,989	48,050,492	48,138,611
Current	36,951,630	45,854,905	45,664,732
Non Current	964,359	2,195,587	2,473,879

Notes to the Financial Statements

for the year ended 31 December 2021

(b) The table below shows the remaining term to maturity for deposits by type of customer:

	Time deposits with remaining term to maturity							Total
	Current accounts	Savings accounts	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 1 year and up to 5 years	Over 5 years	
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
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
At 31 December 2019								
Retail customers	1,364,305	7,133,372	184,884	132,073	266,524	805,230	17,031	9,903,419
Corporate customers	1,285,120	685,641	1,734,863	564,097	843,264	1,343,784	-	6,456,769
International customers	21,776,184	1,766,515	4,825,976	1,129,802	1,184,661	197,334	-	30,880,472
Government	36,879	35,572	135,000	-	580,000	110,500	-	897,951
Total	24,462,488	9,621,100	6,880,723	1,825,972	2,874,449	2,456,848	17,031	48,138,611

(c) Deposits by Segments

	Current accounts	Savings accounts	Up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 12 months	Over 1 year and up to 5 years	over 5 years	Total
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
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
At 31 December 2019								
Segment A	2,669,848	7,852,337	2,037,925	691,285	1,685,255	2,257,996	17,031	17,211,677
Segment B	21,792,641	1,768,761	4,842,798	1,134,687	1,189,194	198,853	-	30,926,934

Notes to the Financial Statements

for the year ended 31 December 2021

26. OTHER LIABILITIES

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Bills payable	20,212	25,218	56,549
Other payables	499,680	342,016	502,970
Allowances for off balance sheet exposures	8,338	13,814	16,534
	528,230	381,048	576,053
Current	497,423	256,742	526,952
Non current	30,807	124,306	49,101
Segment A			
Bills payable	20,212	25,218	56,549
Other payables	382,477	249,725	253,242
Allowances for off balance sheet exposures	8,338	13,814	16,534
	411,027	288,757	326,325
Segment B			
Other payables	117,203	92,291	249,728
	117,203	92,291	249,728

27. LEASE LIABILITIES

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Segment A			
Analysed as:			
Non-current	87,020	43,471	51,510
Current	9,595	4,603	6,213
	96,615	48,074	57,723
Disclosure required by IFRS 16			
Maturity analysis:			
Year 1	16,660	10,004	11,619
Year 2	18,999	8,383	10,783
Year 3	19,280	7,644	9,558
Year 4	19,667	7,558	9,631
Year 5	19,763	7,246	8,891
Onwards	29,796	26,765	42,989
	124,165	67,600	93,471

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 2021

28. PENSION OBLIGATIONS

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Pension obligations under defined benefit plan			
Amounts recognised in the statement of financial position:	42,002	59,106	33,160
Amounts charged to profit or loss statement (note 8)	11,361	10,545	9,141
Amount (credited)/charged to other comprehensive income net of deferred tax	(20,350)	23,926	24,298
Pension obligations under unfunded obligation			
Amounts recognised in the statement of financial position:	18,808	21,040	10,731
Amounts charged to profit or loss (note 8)	5,264	6,722	1,991
Amount (credited)/charged to other comprehensive income net of deferred tax	(7,011)	3,354	(2,165)
<u>Amount in the statement of financial position</u>			
(a) Pension obligations under defined benefit plan	42,002	59,106	33,160
(b) Pension obligations under unfunded obligation	18,808	21,040	10,731
	60,810	80,146	43,891
<u>Amounts charged to profit or loss statement (note 8)</u>			
(a) Pension obligations under defined benefit plan	11,361	10,545	9,141
(b) Pension obligations under unfunded obligation	5,264	6,722	1,991
	16,625	17,267	11,132
<u>Amount charged/(credited) to other comprehensive income net of deferred tax</u>			
(a) Pension obligations under defined benefit plan	(20,350)	23,926	24,298
(b) Pension obligations under unfunded obligation	(7,011)	3,354	(2,165)
	(27,361)	27,280	22,133

(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 26 January 2022 by Swan Life Ltd:

(i) The amounts recognised in the statement of financial position are as follows:

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Present value of funded obligations	192,377	199,865	161,068
Fair value of plan assets	(150,375)	(140,759)	(127,908)
Liability in the statement of financial position	42,002	59,106	33,160

(ii) The movement in the defined benefit obligations over the year is as follows:

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
At 1 January	59,106	33,160	21,258
Amount recognised in profit or loss	11,361	10,545	9,141
Amount recognised in other comprehensive income (gross)	(21,754)	25,584	26,127
Contributions by the employer	(6,711)	(10,183)	(23,366)
At 31 December	42,002	59,106	33,160
Non-current	42,002	59,106	33,160

Notes to the Financial Statements

for the year ended 31 December 2021

28. PENSION OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

(iii) The movement in the defined benefit obligations of the year is as follows:

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
At 1 January	199,865	161,068	142,063
Included in profit or loss			
Current service cost	9,593	8,322	7,166
Interest cost	4,752	7,965	8,024
Included in other comprehensive income			
Experience (gains)/losses on the liabilities	(4,709)	4,733	7,680
Changes in assumptions underlying the present value of the scheme	(13,400)	21,352	17,511
Other			
Benefits paid	(3,724)	(3,575)	(21,376)
At 31 December	192,377	199,865	161,068

(iv) The movement in the fair value of plan assets of the year is as follows:

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
At 1 January	140,759	127,908	120,806
Interest Income	3,409	6,539	7,389
Employer's contribution	6,711	10,183	23,366
Scheme expenses	(225)	(416)	(927)
Cost of insuring risk benefits	(200)	(381)	(414)
Actuarial gain/(loss)	3,645	501	(936)
Benefits paid	(3,724)	(3,575)	(21,376)
At 31 December	150,375	140,759	127,908

(v) The amounts recognised in profit or loss are as follows:

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Current service cost	9,593	8,322	7,166
Scheme expenses	225	416	927
Cost of insuring risk benefits	200	381	414
Net interest cost	1,343	1,426	635
Total included in employee benefit expense	11,361	10,545	9,142
Actual return on plan assets	7,054	7,040	6,453

(vi) The amounts recognised in other comprehensive income are as follows:

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
(Gain)/losses on pension scheme assets	(3,645)	(501)	936
Experience losses on the liabilities	(4,709)	4,733	7,680
Changes in assumptions underlying the present value of the scheme	(13,400)	21,352	17,511
	(21,754)	25,584	26,127

(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 2021

(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 2021 is 9 years (2020: 10 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 MUR 6.71m in contributions to its post-employment benefit plans for the year ending 31 December 2022.

(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-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
At 1 January	21,040	10,731	11,055
Amount recognised in profit or loss:			
Current service cost	4,612	2,990	1,353
Past service cost	-	3,174	-
Net interest cost	652	558	638
Amount recognised in profit or loss	5,264	6,722	1,991
Amount recognised in other comprehensive income (gross)	(7,496)	3,587	(2,315)
At 31 December	18,808	21,040	10,731

The weighted average duration of the liability as at 31 December 2021 is 14 years (2020:16 years).

(c) Key assumption

The principal actuarial assumptions used for the purposes of the actuarial valuations were:

	Dec-21	Dec-20	Dec-19
	%	%	%
<u>Funded pension liability</u>			
Discount rate	4.0	2.4	5.0
Future salary growth rate	3.0	3.0	4.5
<u>Unfunded pension liability</u>			
Discount rate	4.7	3.1	5.2
Future salary growth rate	3.0	3.0	4.5

Notes to the Financial Statements

for the year ended 31 December 2021

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-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
<i>Defined benefit funded scheme:</i>			
1% increase in discount rate	15,733	22,285	21,668
1% decrease in discount rate	(17,981)	(19,233)	(13,554)
1% increase in future salary growth rate	21,313	24,780	24,584
1% decrease in future salary growth rate	(18,535)	(21,224)	(16,561)
<i>Unfunded obligations</i>			
1% increase in discount rate	4,925	7,221	5,091
1% decrease in discount rate	(6,511)	(5,707)	(3,952)
1% increase in future salary growth rate	5,411	6,814	4,662
1% decrease in future salary growth rate	(6,072)	(5,505)	(3,547)

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

	No of shares	Dec-21	Dec-20	Dec-19
	2021	MUR 000	MUR 000	MUR 000
<i>Shares at no par value</i>				
Stated capital	14,564,560	1,456,456	1,456,456	1,156,456
At start of year	14,564,560	1,456,456	1,156,456	856,456
Issue of shares during the year	-	-	300,000	300,000
At end of year	14,564,560	1,456,456	1,456,456	1,156,456
No of ordinary shares in issue (no par value)	14,564,560	14,564,560	14,564,560	11,564,560

Bank One Limited's share capital stood at MUR 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.

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.

Notes to the Financial Statements

for the year ended 31 December 2021

30. CONTINGENT LIABILITIES

Acceptances on account of customers
Guarantees on account of customers
Letters of credit and other obligations on account of customers
Other contingent items

Segment A

Acceptances on account of customers
Guarantees on account of customers
Letters of credit and other obligations on account of customers
Other contingent items

Segment B

Acceptances on account of customers
Guarantees on account of customers
Letters of credit and other obligations on account of customers
Other contingent items

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

(a) Undrawn credit facilities

Segment A
Segment B

(b) Operating lease commitments - where Bank One is the lessee

The Bank leases various ATM machines and branches under non-cancellable lease agreements. These leases have varying terms, escalation clauses and renewal rights.

With the application of IFRS 16- Leases on 01 January 2019, the leases are accounted as right-of-use assets and lease liabilities in notes 17 and 27 respectively.

Dec-21	Dec-20	Dec-19
MUR 000	MUR 000	MUR 000
27,777	74,141	38,312
764,363	1,158,545	698,484
128,549	29,478	23,488
95,274	135,779	311,294
1,015,963	1,397,943	1,071,578
<hr/>		
7,077	2,749	3,547
428,498	523,908	416,019
7,027	9,335	7,720
-	62,582	124,498
442,602	598,574	551,784
<hr/>		
20,700	71,392	34,765
335,865	634,637	282,465
121,522	20,143	15,768
95,274	73,197	186,796
573,361	799,369	519,794

Dec-21	Dec-20	Dec-19
MUR 000	MUR 000	MUR 000
4,108,310	1,905,672	4,018,557
2,547,774	1,588,221	1,489,397
1,560,536	317,451	2,529,160

Notes to the Financial Statements

for the year ended 31 December 2021

31. COMMITMENTS (CONT'D)

(c) 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-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Treasury/GOM bonds	396,000	350,000	200,000
Treasury notes/bills	27,000	19,000	108,200
	423,000	369,000	308,200

32. RELATED PARTIES

	Nature of relationship	Dec-21	Dec-20	Dec-19
		MUR 000	MUR 000	MUR 000
Cash and cash equivalents	Related companies	105,559	44,728	56,179
Investments in securities	Related companies	-	-	218,580
Loans and advances	Related companies	776,103	655,741	682,008
	Directors	-	347	-
	Key management personnel	74,491	26,425	14,953
Deposits	Related companies	1,458,218	3,103,715	1,025,848
	Directors	-	6,947	9,981
	Key management personnel	25,175	26,237	44,990
Borrowings	Related company	5,002	5,002	-
Interest income	Related companies	796	5,385	9,774
	Key management personnel	1,341	513	483
Interest expense	Related companies	250	1,341	1,262
	Directors	1	3	20
	Key management personnel	45	124	320
Fees and Expenses	Directors	9,030	8,866	7,749

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 MUR 14.87m. Bank guarantees and committed lines for related companies amounts to MUR 343.66m.

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 2021 (2020 and 2019: nil).

(a) Key Management personnel compensation

	Dec-21	Dec-20	Dec-19
	MUR 000	MUR 000	MUR 000
Salaries and short term employee benefits	81,496	94,229	79,958
Post employment benefits	5,519	5,236	5,410

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 2021

33. SEGMENTAL STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Dec-21			Dec-20			Dec-19		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
ASSETS									
Cash and cash equivalents	10,449,280	483,457	9,965,823	12,176,779	645,907	11,530,872	7,945,661	2,278,843	5,666,818
Derivative assets held for risk management	42,826	-	42,826	32,891	4,844	28,047	3,770	-	3,770
Loan and advances to Banks	3,336,245	-	3,336,245	1,983,472	597,063	1,386,409	4,912,421	546,904	4,365,517
Securities purchased under agreement to resell	-	-	-	-	-	-	2,034,570	2,034,570	-
Loan and advances to customers	17,474,549	14,608,691	2,865,858	18,656,594	14,571,161	4,085,433	22,928,271	14,457,798	8,470,473
Investment securities-FVTOCI	2,083,101	2,056,341	26,760	12,035,154	2,169,799	9,865,355	2,568,506	2,529,806	38,700
Investment securities-Amortised cost	10,320,960	3,199,783	7,121,177	10,228,322	2,754,475	7,473,847	13,066,886	1,649,421	11,417,465
Right-Of-Use assets	89,359	89,359	-	40,375	40,375	-	55,096	55,096	-
Property and equipment	435,830	435,077	753	345,607	344,430	1,177	371,821	370,252	1,569
Intangible asset	130,666	130,666	-	111,585	107,241	4,344	138,466	133,052	5,414
Deferred tax asset	45,936	38,965	6,971	88,682	36,492	52,190	51,277	28,347	22,930
Other assets	1,387,575	1,365,833	21,742	1,448,071	1,434,971	13,100	1,546,750	1,529,536	17,214
Total assets	45,796,327	22,408,172	23,388,155	57,147,532	22,706,758	34,440,774	55,623,495	25,613,625	30,009,870
Liabilities									
Deposits from customers	37,915,989	16,074,152	21,841,837	48,050,492	16,856,482	31,194,010	48,138,611	17,211,677	30,926,934
Derivative liabilities held for risk management	3,112	-	3,112	13,041	1,131	11,910	33,348	17,496	15,852
Other borrowed funds	2,055,978	5,002	2,050,976	3,767,074	5,002	3,762,072	2,449,494	-	2,449,494
Pensions obligations	60,810	44,391	16,419	80,146	74,676	5,470	43,891	40,998	2,893
Subordinated liabilities	1,396,543	894,017	502,526	1,387,217	893,640	493,577	713,831	298,817	415,014
Current tax liabilities	27,553	27,553	-	1,783	1,783	-	59,037	59,037	-
Other liabilities	528,230	411,027	117,203	381,048	288,757	92,291	576,053	326,325	249,728
Lease liabilities	96,615	96,615	-	48,074	48,074	-	57,723	57,723	-
	42,084,830	17,552,757	24,532,073	53,728,875	18,169,545	35,559,330	52,071,988	18,012,073	34,059,915
Shareholders' Equity									
Stated Capital	1,456,456			1,456,456			1,156,456		
Retained earnings	1,725,369			1,376,237			1,875,669		
Other reserves	529,672			585,964			519,382		
	3,711,497			3,418,657			3,551,507		
TOTAL EQUITY AND LIABILITIES	45,796,327			57,147,532			55,623,495		

Notes to the Financial Statements

for the year ended 31 December 2021

34. SEGMENTAL STATEMENT OF PROFIT OR LOSS

Statement of profit or loss	Dec-21			Dec-20			Dec-19		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Interest income	1,155,343	776,176	379,167	1,487,023	892,494	594,529	1,685,135	900,843	784,292
Interest expense	(340,336)	(179,499)	(160,837)	(559,844)	(283,672)	(276,172)	(597,479)	(372,665)	(224,814)
Net interest income	815,007	596,677	218,330	927,179	608,822	318,357	1,087,656	528,178	559,478
Fee and commission income	607,911	115,506	492,405	689,113	111,922	577,191	671,250	120,154	551,096
Fee and commission expense	(329,633)	(43,459)	(286,174)	(497,249)	(83,415)	(413,834)	(394,526)	(61,762)	(332,764)
Net fee and commission income	278,278	72,047	206,231	191,864	28,507	163,357	276,724	58,392	218,332
Net gain on dealing in foreign currencies and derivatives	164,391	53,750	110,641	159,631	59,778	99,853	138,099	41,258	96,841
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	93,224	93,224	-	38,464	38,464	-	6,826	6,826	-
Other operating income	29,053	245	28,808	402	402	-	139	139	-
	286,668	147,219	139,449	198,497	98,644	99,853	145,064	48,223	96,841
Operating income	1,379,953	815,943	564,010	1,317,540	735,973	581,567	1,509,444	634,793	874,651
Non Interest Expenses									
Personnel expenses	(557,059)	(405,200)	(151,859)	(447,820)	(331,368)	(116,452)	(447,389)	(326,787)	(120,602)
Depreciation and amortisation	(75,861)	(63,744)	(12,117)	(78,621)	(66,796)	(11,825)	(78,828)	(67,069)	(11,759)
Other Expenses	(296,366)	(221,028)	(75,338)	(248,984)	(190,674)	(58,310)	(188,717)	(141,372)	(47,345)
	(929,286)	(689,972)	(239,314)	(775,425)	(588,838)	(186,587)	(714,934)	(535,228)	(179,706)
Profit before Impairment	450,667	125,971	324,696	542,115	147,135	394,980	794,510	99,565	694,945
Net impairment (reversal)/loss on financial assets	71,799	49,700	22,099	(1,073,659)	(207,395)	(866,264)	(95,369)	(82,755)	(12,614)
Profit/(loss) before income tax	522,466	175,671	346,795	(531,544)	(60,260)	(471,284)	699,141	16,810	682,331
Income tax (expense)/credit	(109,042)	(46,433)	(62,609)	39,819	32,994	6,825	(68,683)	(49,716)	(18,967)
Profit/(loss) after tax	413,424	129,238	284,186	(491,725)	(27,266)	(464,459)	630,458	(32,906)	663,364

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for the year ended 31 December 2021

35. SUBSEQUENT EVENT

Pursuant to the board meeting held on 24 November 2021, an interim dividend of MUR 168 million (MUR 11.53 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. In 2019, dividend of MUR 138m -MUR 16.11 per share (2018 - MUR 79.1 - MUR 9.24 per share) was declared and paid out of retained earnings.

36. IMPACT OF COVID-19 OUTBREAK

In March 2021, the authorities imposed a second national lockdown in the wake of a resurgence of COVID-19 infections. However, the economic damage of the second wave of the pandemic has been much more limited than the first, mostly due to the prompt roll-out of work access permits. The readiness of households and business operators in adapting to the new environment also facilitated a rapid resumption of most economic activities. Containment measures were subsequently relaxed, although several activity restrictions remained in place through to end-June 2021. The economy rebounded in 2021Q2 as key economic sectors recovered and as a result of base effects. All sectors registered positive growth in 2021Q2 as sentiment gradually improved amid the ongoing vaccination campaign. Domestic demand recovered, mostly reflecting a rebound in building and construction work.

However, headline inflation rose from 1.8 per cent in FY2019-20 to 2.2 per cent in FY2020-21, mainly due to domestic supply shocks while demand-side pressures remained muted. The rise in CPI during FY2020-21 resulted primarily from seasonal volatility in the price of fresh vegetables and supply chain disruptions stemming from the COVID-19 pandemic.

Despite the re-opening of its frontiers as from October 2021, Mauritius did not witness the expected level of tourists arrival, hence leaving the hospitality sector in a soaring situation.

The Key Repo Rate (KRR) was kept unchanged at 1.85 per cent per annum at the three MPC meetings held during FY2020-21. Banks' Savings Deposit Rate (SDR) fluctuated between 0.15-0.60 per cent during FY2020-21, while the Prime Lending Rate (PLR) remained within a range of 4.00-6.85 per cent. The weighted average rupee deposit rate of Banks dropped from 0.50 per cent in June 2020 to 0.43 per cent in June 2021. Banks' weighted average lending rate reached a peak of 4.73 per cent in September 2020, but subsequently inched down to 4.59 per cent in June 2021. The spread between the weighted average lending and deposit rates varied between 4.13 per cent and 4.26 per cent during FY2020-21 compared to a range of 4.17 per cent and 4.52 per cent during the preceding year.

The Bank is well positioned to secure its balance sheet, protect its capital and ensure it has sufficient liquidity to meet any unforeseen outflows. The Bank closed the year under review at a record high Capital Adequacy Ratio of 20.89% against a regulatory minimum of 11.875% and a Tier 1 ratio of 14.16% (minimum 8% as per BOM guideline).

On the liquidity front, the Bank made use of its treasury arm to raise additional liquidity through instruments such as Swaps, Repos and short-term borrowings to ensure it has an enhanced liquidity buffer. As at December 2021, the Bank's LCR stood at a high 298% compared to a regulatory minimum of 100%.

The low interest rates environment prevailing since the Covid-19 outbreak has had a substantial impact on the Bank's returns, both in loans and advances and other interest earning investments. Additionally, the flows from loans were re-invested in US securities at very low rates eroding the Bank's interest income. With the fall in Libor rates, the interest payable on the Bank's long-term borrowings were adjusted. The low interest rate environment is expected to persist in the near to medium term.

In this declining interest rate environment, the Bank's portfolio of investment securities held at fair value through OCI would definitely gain value, however, any maturing securities would be replaced at lower yields.

Following the pandemic, the Bank carried out a review on its Property, Plant and Equipment portfolio to assess any impact on its value. As at December 2021, no major impact on the Bank's PPE and projects in progress were noted.

On the liabilities side, the Bank implemented its strategy to bring down its balance sheet size by exiting some large deposit tickets which eventually brought down its deposit's portfolio from MUR 48bn as at December 2020 to MUR 37.9bn as at December 2021.

No exposure was classified as non-performing on account of Covid-19 outbreak impact. The accounts which were allowed moratoriums were maintained in stage 1 and the appropriate provisions booked.

Bank One Limited

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