Respect and fairness at the core of our results.

FINANCIAL STATEMENTS

AKOMA NTOASO

Respect

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 120 to 123, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

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

Independent Auditor's Report
to the shareholders of Bank One Limited

Key audit matters

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

Key audit matter	How our audit addressed by the key audit matter
Provision for expected credit losses	
Management determines the allowances for expected credit losses ('ECL') on financial instruments as required under IFRS 9 Financial Instruments. The key areas where we identified significant management judgements and estimates in the application of IFRS 9 are: • 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 are the key drivers of the ECL results and are therefore critical in the ECL modelling approach. • Macro-Economic Forecasts – IFRS 9 requires the measurement of ECL on a forward-looking basis using the most appropriate macro-economic forecasts. • Significant Increase in Credit Risk ('SICR') – Determining and identifying SICR involves a higher level of judgement, especially where facilities have maturity of greater than 12 months. • Qualitative adjustments - Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain which involve significant management judgement.	Our procedures included the following amongst others: • Involving our specialist team to validate the IFRS 9 model, including: • Evaluating the appropriateness of the impairment methodologies applied by the Bank against the requirements of IFRS 9; • Assessing the appropriateness of macro-economic forecasts used; and • Independently assessing assumptions underlying the PD, LGD and EAD. • Testing the completeness and accuracy of data used for ECL calculation through sample testing; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9. • Inspecting the minutes of the Risk Management and Credit Risk Committee to ensure that there are governance controls in place in relation to the assessment of the allowances for ECL;
For impaired credits, the most significant judgements are whether impairment events have occurred and the valuation of any underlying collaterals, along with the determination of the corresponding PD and LGD. Due to the significance of the judgements and estimated involved in the overall determination of the allowances for ECL, this item is considered as a key audit matter. The details of the policies and processes for the determination of the allowances for ECL are disclosed in Note 1.2 (g) to the financial statements.	For impaired credits, we have further: • Performed a risk-based test of loans and advances to customers to ensure timely identification of impaired loans to ensure appropriate and adequate allowances for ECL; and • Performed substantive tests of details on Stage 3 provisioning including validation of valuation of collateral securities and future cash flows.

Independent Auditor's Report

to the shareholders of Bank One Limited

Other information

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

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

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

Responsibilities of directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent Auditor's Report

to the shareholders of Bank One Limited

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.

Financial Reporting Act 2004

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("the code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Use of this report

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

Deloitte
Chartered Accountants

22 March 2023

Rajeev Tatiah, FCCA
Licensed by FRC

Statement of Financial Position

as at 31 December 2023

	Notes	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
ASSETS				
Cash and cash equivalents	12	**8,462,698**	6,898,615	10,449,280
Derivative assets held for risk management	13	**4,580**	3,116	42,826
Non-current asset held-for-sale	18	**-**	45,000	-
Loans and advances to banks	14	**8,873,984**	5,147,185	3,336,245
Loans and advances to customers	15	**19,129,086**	20,180,265	17,474,549
Investment in financial instruments measured at fair value through Other Comprehensive Income (FVTOCI)	16(a)	**2,427,459**	1,402,874	2,083,101
Investment in financial instruments measured at amortised cost	16(b)	**10,617,591**	10,922,555	10,320,960
Right-of-use assets	17	**69,774**	76,965	89,359
Property and equipment	18	**420,993**	403,005	435,830
Intangible assets	19	**124,338**	133,583	130,666
Deferred tax assets	20	**31,539**	44,515	45,936
Other assets	21	**2,008,376**	1,571,519	1,387,575
Total assets		**52,170,418**	46,829,197	45,796,327
LIABILITIES				
Deposits from customers	22	**44,847,282**	38,242,254	37,915,989
Derivative liabilities held for risk management	13	**39,434**	26,439	3,112
Other borrowed funds	23	**1,299,929**	2,932,664	2,055,978
Subordinated liabilities	24	**1,112,897**	1,289,279	1,396,543
Pension obligations	28	**121,264**	84,453	60,810
Current tax liabilities	25	**36,942**	22,657	27,553
Other liabilities	26	**482,325**	512,143	528,230
Lease liabilities	27	**79,065**	84,617	96,615
Total liabilities		**48,019,138**	43,194,506	42,084,830
EQUITY				
Stated capital	29	**1,456,456**	1,456,456	1,456,456
Retained earnings		**2,021,147**	1,646,082	1,725,369
Other reserves		**673,677**	532,153	529,672
Total equity		**4,151,280**	3,634,691	3,711,497
Total equity and liabilities		**52,170,418**	46,829,197	45,796,327

These financial statements were approved and authorised for issue by the Board of Directors on 22 March 2024.

Roselyne Renel
Chairperson of the Board of Directors

Mark Watkinson
Chief Executive Officer

Tchang Fa Wong Sun Thiong
Director

The notes on pages 124 to 210 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Notes	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Interest income		**2,352,766**	1,393,221	1,155,343
Interest expense		**(1,083,860)**	(399,407)	(340,336)
Net interest income	3	**1,268,906**	993,814	815,007
Fee and commission income		**400,946**	457,051	607,911
Fee and commission expense		**(138,951)**	(127,650)	(329,633)
Net fee and commission income	4	**261,995**	329,401	278,278
Net gain on dealing in foreign currencies and derivatives	5	**255,594**	178,747	164,391
Net gain from derecognition of financial assets measured at fair value through other comprehensive income ("FVTOCI")	6	**733**	3,111	93,224
Other operating (loss)/income	6	**(55)**	1,746	29,053
		256,272	183,604	286,668
Operating income		**1,787,173**	1,506,819	1,379,953
Personnel expenses	8	**(674,637)**	(617,351)	(557,059)
Depreciation and amortisation	17, 18 and 19	**(110,637)**	(96,901)	(75,861)
Other expenses	9	**(323,319)**	(290,473)	(296,366)
		(1,108,593)	(1,004,725)	(929,286)
Profit before impairment		**678,580**	502,094	450,667
Net impairment reversal on financial assets	7	**132,150**	33,476	71,799
Total impairment reversal		**132,150**	33,476	71,799
Profit before income tax		**810,730**	535,570	522,466
Income tax expense	10	**(54,920)**	(41,745)	(109,042)
Profit for the year		**755,810**	493,825	413,424
Earnings per share (Rs)	11	**51.89**	33.91	28.39
Profit for the year		**755,810**	493,825	413,424
Other Comprehensive Income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation, net of tax		**(33,759)**	(14,643)	27,361
Revaluation on building, net of tax		**-**	36,505	-
Movement in fair value reserve for equity instruments at FVTOCI		**(4,076)**	6,080	(1,882)
Items that may be reclassified subsequently to profit or loss:				
Movement in fair value reserve for debt instruments at FVTOCI investment securities, net of tax:				
Reclassification of gains on disposal of FVTOCI debt instruments during the year		**(733)**	(3,111)	(93,224)
(Credit)/loss allowance relating to debt instruments held at FVTOCI		**(1,152)**	(146)	1,264
Gains/(losses) on FVTOCI instruments during the year		**66,999**	(107,316)	(54,103)
Other comprehensive income for the year		**27,279**	(82,631)	(120,584)
Total comprehensive income for the year		**783,089**	411,194	292,840

The notes on pages 124 to 210 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2023

	Stated capital	Revaluation surplus	Statutory reserve	General banking reserve	Fair value reserve	Retirement Benefit Plan reserve	Retained earnings	Total equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 1 January 2021	1,456,456	97,313	401,538	55,589	128,689	(97,165)	1,376,237	3,418,657
Profit for the year	-	-	-	-	-	-	413,424	413,424
Other comprehensive loss for the year	-	-	-	-	(147,945)	27,361	-	(120,584)
Transfer to general banking reserve	-	-	-	2,279	-	-	(2,279)	-
Transfer to statutory reserve	-	-	62,013	-	-	-	(62,013)	-
Total comprehensive income	-	-	62,013	2,279	(147,945)	27,361	349,132	292,840
Balance as at 31 December 2021	1,456,456	97,313	463,551	57,868	(19,256)	(69,804)	1,725,369	3,711,497
Balance as at 1 January 2022	1,456,456	97,313	463,551	57,868	(19,256)	(69,804)	1,725,369	3,711,497
Profit for the year	-	-	-	-	-	-	493,825	493,825
Other comprehensive loss for the year	-	36,505	-	-	(104,493)	(14,643)	-	(82,631)
Transfer to general banking reserve	-	-	-	11,038	-	-	(11,038)	-
Transfer to statutory reserve	-	-	74,074	-	-	-	(74,074)	-
Total comprehensive income	-	36,505	74,074	11,038	(104,493)	(14,643)	408,713	411,194
Transactions with owners								
Dividend	-	-	-	-	-	-	(488,000)	(488,000)
Total transactions with owners	-	-	-	-	-	-	(488,000)	(488,000)
Balance as at 31 December 2022	1,456,456	133,818	537,625	68,906	(123,749)	(84,447)	1,646,082	3,634,691
Balance as at 1 January 2023	**1,456,456**	**133,818**	**537,625**	**68,906**	**(123,749)**	**(84,447)**	**1,646,082**	**3,634,691**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**755,810**	**755,810**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**61,038**	**(33,759)**	**-**	**27,279**
Transfer to general banking reserve	**-**	**-**	**-**	**874**	**-**	**-**	**(874)**	**-**
Transfer to statutory reserve	**-**	**-**	**113,371**	**-**	**-**	**-**	**(113,371)**	**-**
Total comprehensive income	**-**	**-**	**113,371**	**874**	**61,038**	**(33,759)**	**641,565**	**783,089**
Transactions with owners								
Dividend	**-**	**-**	**-**	**-**	**-**	**-**	**(266,500)**	**(266,500)**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(266,500)**	**(266,500)**
Balance as at 31 December 2023	**1,456,456**	**133,818**	**650,996**	**69,780**	**(62,711)**	**(118,206)**	**2,021,147**	**4,151,280**

Revaluation surplus

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

Statutory reserve

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

Fair value reserve

Fair value reserve comprises cummulative 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 prudential portfolio provisions made by management for exposures in specific industries, in line with regulatory requirements.

Dividend

Pursuant to the board meeting held on 07 March 2023, a final dividend of Rs.266.5 million (Rs18.30 per share) (2022: Rs488 million) was approved for distribution as dividend to shareholders and was paid in June 2023, out of retained earnings, after all regulatory approvals were obtained.

The notes on pages 124 to 210 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2023

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Cash flows from operating activities			
Profit before income tax	**810,730**	535,570	522,466
Net change on provision for credit impairment (note 7)	**(132,150)**	(33,476)	(71,799)
Depreciation (notes 17 and 18)	**60,024**	59,146	40,543
Amortisation (note 19)	**50,613**	37,755	35,318
Loss/(gain) on disposal of property and equipment/small equipment (note 6)	**55**	82	(245)
Change in pensions obligations	**765**	7,995	9,915
Net gain from derecognition of financial assets measured at fair value through other comprehensive income ("FVTOCI")	**(733)**	(3,111)	(122,032)
Net interest income	**(1,268,906)**	(993,814)	(815,007)
	(479,602)	(389,853)	(400,841)
Changes in operating assets and liabilities			
Movement in derivatives	**11,531**	63,037	(19,864)
(Increase)/decrease in loans and advances			
- to banks	**(3,685,429)**	(1,891,009)	(2,061,525)
- to customers	**1,128,569**	(2,582,403)	1,944,693
Increase in other assets	**(327,426)**	(75,229)	(27,831)
Increase/(decrease) in deposits from customers	**6,480,500**	373,084	(10,124,845)
(Decrease)/increase in other liabilities	**(14,604)**	(20,162)	154,907
Interest received	**2,358,306**	1,384,163	1,210,884
Interest paid	**(952,875)**	(439,325)	(345,794)
Income tax paid	**(29,946)**	(38,462)	(31,258)
Net cash generated from/(used in) operating activities	**4,489,024**	(3,616,159)	(9,701,474)
Cash flows used in investing activities			
Purchase of investment securities	**(18,403,797)**	(11,690,734)	(31,189,349)
Proceeds from sale of investment securities	**17,638,987**	11,563,302	41,056,959
Purchase of property and equipment (note 18)	**(18,057)**	(21,570)	(113,156)
Proceeds from sale of property and equipment	**21**	-	296
Purchase of intangible assets (note 19)	**(41,483)**	(42,254)	(64,999)
Net cash (used in)/generated from investing activities	**(824,329)**	(191,256)	9,689,751
Cash flows from financing activities			
Repayment of subordinated liabilities	**(177,088)**	(104,806)	-
Proceeds from subordinated liabilities	**-**	-	7,840
Repayment of other borrowed funds	**(2,008,514)**	(539,431)	(1,711,917)
Proceeds from other borrowed funds	**371,339**	1,408,885	-
Dividend paid	**(266,500)**	(488,000)	-
Repayment of the lease liabilities	**(19,849)**	(19,898)	(11,699)
Net cash (used in)/generated from financing activities	**(2,100,612)**	256,750	(1,715,776)
Cash and cash equivalents at the beginning of the year (note 12)	**6,898,615**	10,449,280	12,176,779
Net cash generated from/(used in) operating activities	**4,489,024**	(3,616,159)	(9,701,474)
Net cash (used in)/generated from investing activities	**(824,329)**	(191,256)	9,689,751
Net cash (used in)/generated from financing activities	**(2,100,612)**	256,750	(1,715,776)
Net increase/(decrease) in cash and cash equivalents	**1,564,083**	(3,550,665)	(1,727,499)
Cash and cash equivalents at end of year (note 12)	**8,462,698**	6,898,615	10,449,280

The notes on pages 124 to 210 form an integral part of these financial statements.

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 2023.

New and revised IFRSs that are effective for the current year

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

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Amendments regarding the disclosure of accounting policies

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

IAS 12 Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations

IAS 12 Income Taxes - Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes

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 2024)

IAS 1 Presentation of Financial Statements - Amendments to defer the effective date of the January 2020 amendments (effective 01 January 2024)

IAS 1 Presentation of Financial Statements: Amendments regarding the classification of debt with covenants (effective 01 January 2024)

IAS 7 Statement of cash flows: Amendments regarding supplier finance arrangements (effective 01 January 2024)

IFRS 7 Financial instruments: Disclosures - Amendments regarding supplier finance arrangements (effective 01 January 2024)

IFRS 16 Leases - Amendments to classify how a seller-lessee subsequently measures sale and leaseback transactions (effective 01 January 2024)

IFRS S1 General Requirements for Disclosure of Sustainability - related financial information - Original issue (effective 01 January 2024)

IFRS S2 Climate-related Disclosures (effective 01 January 2024)

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

1.2 Material Accounting Policy Information

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

(a) Basis of preparation

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

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

1) Financial assets measured at fair value through other comprehensive income;

2) Certain classes of property and equipment - measured at revalued amount;

3) Defined pensions benefits plan assets measured at fair value; and

4) Derivative assets and liabilities held for risk management purposes (FVTPL).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1.3.

(b) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Transactions denominated in foreign currencies are accounted for at the closing rate of exchange ruling at the date of the transaction.

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

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

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

1.2 Material Accounting Policy Information (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 profit or loss using the effective interest method.

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

(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 Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

1.2 Material Accounting Policy Information (Cont'd)

(f) Financial Instruments (Cont'd)

Financial Assets (Cont'd)

Specifically:

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

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

- the Bank 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 Bank 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 Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank'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 Bank manages its financial assets in order to generate cash flows. The Bank'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 Bank'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).

1.2 Material Accounting Policy Information (Cont'd)

(f) Financial Instruments (Cont'd)

Financial Assets (Cont'd)

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

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. There have been no such changes in the current and prior years.

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

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

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

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

Foreign exchange gains and losses

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

Cash and cash equivalents

Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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

1.2 Material Accounting Policy Information (Cont'd)

(f) Financial Instruments (Cont'd)

Financial Assets (Cont'd)

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

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.

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 Bank 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.

1.2 Material Accounting Policy Information (Cont'd)

(f) Financial Instruments (Cont'd)

Financial Assets (Cont'd)

Acceptances, letters of credit and Financial guarantee contracts

Financial guarantee contracts (Cont'd)

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. 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 ECL is recognised in the provision account.

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

1.2 Material Accounting Policy Information (Cont'd)

(f) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

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

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

(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 is disclosed 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
	Securities purchased under agreement to resell		Loans to corporate entities	Corporate Customers
	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	Loans commitments	Retail Corporate International Private
	Guarantees, acceptances and other financial facilities	Acceptances Guarantees Letter of credit	Retail Corporate International Private

(ii) <u>Credit risk measurement</u>

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposures vary with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to "Measuring ECL- Explanation of inputs, assumptions and estimation techniques"

1.2 Material Accounting Policy Information (Cont'd)

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

(ii) Credit risk measurement (Cont'd)

Expected credit loss measurement (ECL)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'stage 3'.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events within the next 12 months. Instruments in stages 2/3 have their ECL measured on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3). Currently the Bank does not have any purchased or originated credit-impaired financial assets on its books.

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

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

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition) 12-month expected credit losses	(Significant increase in credit risk since initial recognition) Lifetime expected credit losses	(Credit-impaired assets) Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank is 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

1.2 Material Accounting Policy Information (Cont'd)

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

(iii) Qualitative criteria (Cont'd)

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

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

The assessment of SICR incorporates forward-looking information (refer to note 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 unlikeliness to pay criteria which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable than the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

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

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

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

1.2 Material Accounting Policy Information (Cont'd)

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

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

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime ED) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M PD), or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

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

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

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

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

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

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

1.2 Material Accounting Policy Information (Cont'd)

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

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

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

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

Sensitivity Analysis

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

(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.

(h) Write-off policy

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

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

(i) Modification and derecognition of financial assets

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

1.2 Material Accounting Policy Information (Cont'd)

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

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

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

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

(j) Modification and derecognition of financial liabilities

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

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Bank. Modification gains are presented in 'other income' and modification losses are presented in 'other expenses' in profit or loss

(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)**.

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.

1.2 Material Accounting Policy Information (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 SOFR. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

The Bank's derivative transactions, while providing effective economic hedges under the Bank's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported through profit and loss.

(m) Property and equipment

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

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

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

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

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

Work-in-Progress ("WIP") is not subject to depreciation. Once the WIP is ready to be used, it will be capitalised and will be depreciated over its useful life.

Revaluation of property

Properties are subject to revaluation every 3 years 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.

1.2 Material Accounting Policy Information (Cont'd)

(n) Intangible assets (Cont'd)

Computer software (Cont'd)

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

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

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

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

(o) Impairment of non-financial assets

Non-financial 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.

1.2 Material Accounting Policy Information (Cont'd)

(t) Employee Benefits

(i) *Short-term employee benefits*

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

(ii) *Defined contribution pension plan*

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

(iii) *Retirement and other benefit obligations*

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

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

Defined benefit costs are categorised as follows:

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

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

<u>State plan</u>

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

<u>Defined benefit plans</u>

The Bank also operates a defined benefit pension plan.

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 of profit or loss.

1.2 Material Accounting Policy Information (Cont'd)

(t) Employee Benefits (Cont'd)

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

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

(iv) *Preferential rate loans to employees*

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

(v) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or when the employee accepts voluntary redundancy in exchange of these benefits. The Bank recognises termination benefits at the earlier of the following dates:

(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 2023, no provision has been made for termination benefits (2022 and 2021: Nil).

(u) Income Tax

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

(i) *Current tax*

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

(ii) *Special Levy*

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

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

1.2 Material Accounting Policy Information (Cont'd)

(u) Income Tax (Cont'd)

(iii) *Corporate Social Responsibility*

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

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

(iv) *Deferred income tax*

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

(v) Leases

The Bank as a lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Bank and the lease does not benefit from a guarantee from the Bank.

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.

1.2 Material Accounting Policy Information (Cont'd)

(v) Leases (Cont'd)

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

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

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

The Bank did not make any such adjustments in the current and prior years.

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

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use assets.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position.

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

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

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

1.2 Material Accounting Policy Information (Cont'd)

(v) Leases (Cont'd)

The Bank as a lessor

The Bank is engaged in the provision of finance leases to both individuals and corporates. The Bank's portfolio is made up of principally motor vehicles and equipment. The credit quality of the lease book is monitored by a dedicated Credit RiskTeam, with the Bank having established strong credit quality assessment criteria, with monitoring of credit limits and collateralisation.

Leases for which the Bank is a lessor are classified as finance leases.

(i) Recognition and initial measurement for finance lease receivables

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. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

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.

(ii) Subsequent measurement

The recognition of interest income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease. The Bank aims to allocate interest income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Bank's finance lease receivable.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Bank's net investment in finance lease receivables. Subsequent to initial recognition, the Bank regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Lease repayments relating to the period, excluding cost for services, are applied against the gross investment in the lease receivables to reduce both the principal and the unearned finance income. Estimated unguaranteed residual values used in computing the Bank's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease is revised and any reduction in respect of amounts accrued is recognised immediately.

(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.

1.2 Material Accounting Policy Information (Cont'd)

(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.

1.3 Critical accounting estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

(a) Going concern

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

(b) Determination of functional currency

The determination of the functional currency of the Bank is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. The directors have considered those factors therein and have determined the functional currency of the Bank as Mauritian Rupees (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 1.2(g), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

1.3 Critical accounting estimates and judgements (Cont'd)

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

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

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

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

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

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrower's financial situation and the net realisable value of collaterals. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(e) Fair value of financial instruments

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

(f) Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year and which is validated by the Bank. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

Further information on the carrying amounts of the Bank's retirement benefit obligations and the sensitivity of those amounts to changes in discount rate are provided in note 28.

(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.

1.3 Critical accounting estimates and judgements (Cont'd)

(h) Provisions and other contingent liabilities

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

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

2 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

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

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

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

(b) Credit risk

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

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

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

Analysis of loans and advances

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Stage 1	**27,114,980**	24,500,602	20,554,010
Stage 2	**347,469**	990,854	419,461
Stage 3	**1,205,299**	580,214	700,531
Gross	**28,667,748**	26,071,670	21,674,002
Less allowance for credit impairment	**(664,678)**	(744,220)	(863,208)
Net	**28,003,070**	25,327,450	20,810,794
Loans and advances renegotiated	**94,313**	28,930	9,814
Fair value of collaterals	**94,313**	28,930	9,269

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(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-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Balances with Banks in Mauritius, Banks abroad and inter Bank placements	**8,462,698**	6,898,615	10,449,280
Derivative assets held for risk management	**4,580**	3,116	42,826
Government of Mauritius/Bank of Mauritius securities	**4,496,054**	3,680,651	5,252,863
Other Investments	**8,548,996**	8,644,778	7,151,198
Loans and advances to customers and Banks	**28,003,070**	25,327,450	20,810,794
Others	**1,724,124**	1,314,092	1,259,106
Credit risk exposures relating to off balance sheet assets are as follows:			
Financial guarantees	**2,967,346**	2,387,488	920,689
Loans commitments and other credit related liabilities	**2,795,582**	1,976,757	4,108,310
Total	**57,002,450**	50,232,947	49,995,066

(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	2023			
	Stage 1 12M ECL Rs'000	Stage 2 Lifetime ECL Rs'000	Stage 3 Lifetime ECL Rs'000	Total Rs'000
Performing	**8,917,253**	-	-	**8,917,253**
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	**8,917,253**	-	-	**8,917,253**
Loss allowance	**(43,269)**	-	-	**(43,269)**
Carrying amount	**8,873,984**	-	-	**8,873,984**

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

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

(a) *Loans and advances to Banks at amortised cost (Cont'd)*

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

(b) *Loans and advances to customers at amortised cost*

Loans and advances to customers at amortised cost	2023			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	18,369,218	-	-	18,369,218
Special Mention	-	175,978	-	175,978
Sub Standard	-	-	734,544	734,544
Doubtful	-	-	310,113	310,113
Loss	-	-	160,642	160,642
Gross carrying amount	18,369,218	175,978	1,205,299	19,750,495
Loss allowance	(49,673)	(6,393)	(565,343)	(621,409)
Carrying amount	18,319,545	169,585	639,956	19,129,086

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

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

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

(c) *Investments in debt instruments at amortised cost*

Investments in debt instruments at amortised cost	2023			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	10,625,229	-	-	10,625,229
Special Mention	-	-	-	-
Sub Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	10,625,229	-	-	10,625,229
Loss allowance	(7,638)	-	-	(7,638)
Carrying amount	10,617,591	-	-	10,617,591

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

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

(d) *Investments in debt instruments at FVTOCI*

Investments in debt instruments at FVTOCI	2023			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	2,395,437	-	-	2,395,437
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	2,395,437	-	-	2,395,437

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

(d) *Investments in debt instruments at FVTOCI (Cont'd)*

Investments in debt instruments at FVTOCI	2022			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	1,366,817	-	-	1,366,817
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	1,366,817	-	-	1,366,817

Investments in debt instruments at FVTOCI	2021			
	Stage 1	Stage 2	Stage 3	Total
	12M ECL	Lifetime ECL	Lifetime ECL	
	Rs'000	Rs'000	Rs'000	Rs'000
Performing	2,053,080	-	-	2,053,080
Special Mention	-	-	-	-
Sub-Standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Gross carrying amount	2,053,080	-	-	2,053,080

(e) *Financial guarantees*

Financial guarantees	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12M ECL	**Lifetime ECL**	**Lifetime ECL**	
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Performing	**2,964,262**	**-**	**-**	**2,964,262**
Special Mention	**-**	**3,084**	**-**	**3,084**
Sub-Standard	**-**	**-**	**-**	**-**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**
Gross carrying amount	**2,964,262**	**3,084**	**-**	**2,967,346**
Loss allowance	**(5,079)**	**-**	**-**	**(5,079)**
Carrying amount	**2,959,183**	**3,084**	**-**	**2,962,267**

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

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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

Collateral and other credit enhancements

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

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

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

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

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

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

(f) *Credit impaired assets*

Credit-impaired assets	2023			
	Gross Exposure	**Impairment Allowance**	**Carrying Amount**	**Fair Value of collateral held**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Loans to individuals:				
Personal Loan	**48,968**	**48,419**	**549**	**1,700**
Housing Loan	**44,702**	**17,388**	**27,314**	**148,363**
Car Loan	**985**	**396**	**589**	**22,011**
Property Loan	**10,460**	**991**	**9,469**	**104,345**
Other	**15,483**	**12,423**	**3,060**	**59,655**
Loans to corporate entities:				
State and Local government	**563,215**	**70,574**	**492,641**	**528,905**
Loans to corporate entities:				
Large corporate customers	**497,722**	**407,973**	**89,749**	**534,233**
Small and Medium sized enterprises (SMEs)				
Other	**23,764**	**7,179**	**16,585**	**115,581**
Total credit-impaired assets	**1,205,299**	**565,343**	**639,956**	**1,514,793**

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

(f) *Credit impaired assets (Cont'd)*

Credit-impaired assets

	2022			
	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of collateral held
	Rs'000	Rs'000	Rs'000	Rs'000
Loans to individuals:				
Personal Loan	54,102	51,101	3,001	36,069
Housing Loan	57,136	23,471	33,665	174,954
Car Loan	1,164	382	782	4,291
Property Loan	17,058	4,619	12,439	116,622
Other	8,394	5,502	2,892	51,337
Loans to corporate entities:				
Large corporate customers	429,862	427,074	2,788	655,532
Small and Medium sized enterprises (SMEs)				
Other	12,498	6,794	5,704	47,100
Total credit-impaired assets	580,214	518,943	61,271	1,085,905

Credit-impaired assets

	2021			
	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of collateral held
	Rs'000	Rs'000	Rs'000	Rs'000
Loans to individuals:				
Personal Loan	52,119	52,116	3	119
Housing Loan	52,620	20,149	32,471	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	8,644	40,267
Total credit-impaired assets	**700,531**	**583,243**	**117,288**	**1,003,496**

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

Portfolio-LTV distribution

	2023		
	Credit -impaired (Gross carrying amount)		
	Retail	Corporate	International Banking
	Rs'000	Rs'000	Rs'000
Lower than 50%	115,922	8,471	259,083
50-60%	-	-	-
60-70%	14,956	127,468	-
70-80%	1,129	-	-
80-90%	3,874	-	-
90-100%	2,789	-	-
Higher than 100%	4,612	104,681	562,314
Total	**143,282**	**240,620**	**821,397**

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

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

Portfolio-LTV distribution

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

Portfolio-LTV distribution

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

(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.

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) Loss allowance (Cont'd)

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

Loss allowance - *Class of Asset - Retail*	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2023	**54,825**	**3,121**	**97,102**	**155,048**
Movements with P&L impact				-
Transfers:				-
Transfer from stage 1 to stage 2	(1,320)	1,320	-	-
Transfer from stage 1 to stage 3	(1,183)	-	1,183	-
Transfer from stage 2 to stage 1	96	(96)	-	-
New financial assets originated or purchased	37,310	441	-	**37,751**
Changes to PDs/LGDs/EADs	(69,133)	20,335	(50,968)	**(99,766)**
Total net P&L charge during the year	**(34,230)**	**22,000**	**(49,785)**	**(62,015)**
Other movement with no P&L impact				-
Transfers:				-
Transfer from stage 2 to stage 3	-	(22,421)	22,421	-
Financial assets derecognised during the year	(2,559)	(329)	(10,463)	**(13,351)**
Write-offs	-	-	26,625	**26,625**
Loss allowance as at 31 December 2023	**18,036**	**2,371**	**85,900**	**106,307**

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

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

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) Loss allowance (Cont'd)

Loss allowance - *Class of Asset - Corporate*	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Loss allowance as at 01 January 2023	**104,254**	**15,009**	**169,153**	**288,416**
Movements with P&L impact				-
Transfers:				-
Transfer from stage 1 to stage 2	-	26	-	**26**
Transfer from stage 2 to stage 1	9	(9)	-	-
New financial assets originated or purchased	4,663	62	437	**5,162**
Changes to PDs/LGDs/EADs	(71,920)	5,420	(597)	**(67,097)**
Total net P&L charge during the year	**(67,248)**	**5,499**	**(160)**	**(61,909)**
Other movement with no P&L impact				
Transfers				-
Transfer from stage 2 to stage 3	-	(9,050)	30,405	**21,355**
Financial assets derecognised during the year	(12,405)	(9,418)	(39,712)	**(61,535)**
Write-offs	-	-	(10,303)	**(10,303)**
Loss allowance as at 31 December 2023	**24,601**	**2,040**	**149,383**	**176,024**

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

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

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 Rs'000	Stage 2 Lifetime ECL Rs'000	Stage 3 Lifetime ECL Rs'000	Total Rs'000
Loss allowance as at 01 January 2023	**47,842**	**43,589**	**252,687**	**344,118**
Movements with P&L impact				
Transfers:				
New financial assets originated or purchased	2,447	-	-	**2,447**
Changes to PDs/LGDs/EADs	5,234	43,561	(17,026)	**31,769**
Total net P&L charge during the year	**7,681**	**43,561**	**(17,026)**	**34,216**
Other movement with no P&L impact				-
Transfers:				-
Transfer from stage 2 to stage 3	-	**(43,589)**	**70,200**	**26,611**
Financial assets derecognised during the year	(3,236)	**(43,561)**	**24,200**	**(22,597)**
Loss allowance as at 31 December 2023	**52,287**	**-**	**330,061**	**382,348**

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

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

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Types of collateral and credit enhancements held at year end

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

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

	Dec-23 Rs 000	Mauritius Rs 000	Africa Rs 000	Europe Rs 000	Others Rs 000
ASSETS					
Cash and cash equivalents	**8,462,698**	**2,558,424**	**964,188**	**1,683,268**	**3,256,818**
Derivative assets held for risk management	**4,580**	**1,970**	**2,319**	**291**	**-**
Loans and advances to Banks	**8,873,984**	**-**	**8,873,984**	**-**	**-**
Loans and advances to customers	**19,129,086**	**16,760,920**	**2,060,193**	**136,971**	**171,002**
Government of Mauritius/ Bank of Mauritius securities	**4,496,054**	**4,496,054**	**-**	**-**	**-**
Other Investments	**8,548,996**	**1,000,352**	**29,363**	**2,484,660**	**5,034,621**
Other assets	**1,724,124**	**1,724,124**	**-**	**-**	**-**
Total assets	**51,239,522**	**26,541,844**	**11,930,047**	**4,305,190**	**8,462,441**
On balance sheet country region percentage	**100%**	**52%**	**23%**	**8%**	**17%**
Credit risk exposure relating to off balance sheet items as follows:					
Financial guarantees and other credit related liabilities	**2,967,347**	**1,954,801**	**958,292**	**-**	**54,254**
Off balance sheet country region percentage	**100%**	**66%**	**32%**	**0%**	**2%**

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

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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

The table below represents an analysis of trading assets and investments securities at 31 December 2023 and comparatives for December 2022 and 2021. 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-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Cash and cash equivalents			
AAA TO AA	**12,347**	780	-
AA- To A	**4,723,054**	4,485,022	8,061,377
BBB+ To BB	**2,307,453**	1,595,103	1,798,693
UNRATED	**1,419,844**	817,710	589,210
Total	**8,462,698**	6,898,615	10,449,280
Derivatives Assets			
AA- To A	**291**	42	39,684
BBB+	**383**	-	28
UNRATED	**3,906**	3,074	3,114
Total	**4,580**	3,116	42,826
Government of Mauritius/Bank of Mauritius securities			
UNRATED	**4,496,054**	3,680,651	5,252,863
Investments securities			
AAA to A+	**7,516,622**	5,410,800	5,394,898
B+ to BBB-	**1,000,353**	3,044,262	1,292,363
UNRATED	**32,021**	189,716	463,938
Total	**8,548,996**	8,644,778	7,151,199

2 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Loans and advances to Banks			
AAA to A-	**221,445**	1,109,304	613,859
BBB+ to B	**4,189,325**	2,396,638	745,401
CCC	**2,096,685**	-	-
UNRATED	**2,366,529**	1,641,243	1,976,985
Total	**8,873,984**	5,147,185	3,336,245
Loans and advances to customers			
AAA To A-	**1,252,645**	1,340,881	108,544
BBB- To B	**-**	-	1,431,188
UNRATED	**17,876,441**	18,839,384	15,934,817
Total	**19,129,086**	20,180,265	17,474,549
Other Assets			
UNRATED	**1,724,124**	1,314,093	1,259,106
Total	**1,724,124**	1,314,093	1,259,106
Off balance sheet ratings			
BBB- To B	**-**	-	130
UNRATED	**2,967,346**	2,387,488	920,559
Total	**2,967,346**	2,387,488	920,689

(c) Capital Structure

The Bank's objectives when managing capital are:

i) to comply with the capital requirements set by the Bank of Mauritius,

ii) 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

iii) 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-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Tier 1 Capital	**3,759,784**	3,302,260	3,438,753
Tier 2 Capital	**1,210,021**	1,494,027	1,636,492
Total Capital Base	**4,969,805**	4,796,287	5,075,245
Total Risk Weighted Assets	**29,501,825**	27,703,125	24,295,444
Capital Adequacy Ratio	**16.85%**	17.31%	20.89%

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

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 2023. Included in the table are the Bank`s financial instruments at carrying amounts, categorised by currency.

At 31 December 2023	USD	EURO	GBP	OTHERS	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS					
Cash and cash equivalents	6,107,550	404,119	277,005	921,776	7,710,450
Derivative assets held for risk management	4	2,300	444	1,814	4,562
Loans and advances to Banks	7,063,850	1,808,186	-	-	8,872,036
Loans and advances to customers	2,051,191	3,633,147	-	-	5,684,338
Investment Securities	5,034,621	2,660	-	-	5,037,281
Other assets	180,704	77,062	12,495	-	270,261
Total assets	20,437,920	5,927,474	289,944	923,590	27,578,928
LIABILITIES					
Deposits	22,486,262	4,885,683	682,903	113,900	28,168,748
Derivative liabilities held for risk management	-	3,608	135	1,827	5,570
Other borrowed funds	-	318,510	-	-	318,510
Subordinated liabilities	1,288,622	-	-	-	1,288,622
Other liabilities	7,071	1,309	4,530	2,542	15,452
Total liabilities	23,781,955	5,209,110	687,568	118,269	29,796,902
Net on balance sheet position	(3,344,035)	718,364	(397,624)	805,321	(2,217,974)
Credit commitments undrawn	674,657	499,434	-	-	1,174,091

The effect of a reasonably possible movement of the currency rates,to which the Bank had significant exposures as at 31 December 2023, 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
	Rs 000	Rs 000	Rs 000
+5% in currency rate	(167,069)	35,445	(19,881)
-5% in currency rate	167,069	(35,445)	19,881

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk (Cont'd)

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

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

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

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Currency risk (Cont'd)

At 31 December 2021	USD	EURO	GBP	OTHERS	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 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	1,241,325	1,437,093
	18,941,561	6,202,738	664,553	2,335,324	28,144,176
LIABILITIES					
Deposits	16,716,511	5,670,342	670,532	929,119	23,986,504
Derivative liabilities held for risk management	12	3,100	-	-	3,112
Other borrowed funds	2,055,978	-	-	-	2,055,978
Subordinated liabilities	-	502,528	-	-	502,528
Other liabilities	47,158	14,532	401	32,417	94,508
Total liabilities	18,819,659	6,190,502	670,933	961,536	26,642,630
Net on balance sheet position	121,902	12,236	(6,380)	1,373,788	1,501,546
Credit commitments undrawn	484,993	1,154,290	-	-	1,639,283

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

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

(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.

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Interest rate risk (Cont'd)

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

Interest Sensitivity of Assets and Liabilities- Repricing Gap Analysis

At 31 December 2023	Up to 1 mth	1-3 mths	3-6 mths	6-12 mths	1-3 Yrs	> 3 Yrs	Non Interest Bearing	TOTAL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	8,139,734	-	-	-	-	-	322,964	**8,462,698**
Derivative assets held for risk management	-	-	-	-	-	-	4,580	**4,580**
Loans and advances to Banks	8,873,984	-	-	-	-	-	-	**8,873,984**
Loans and advances to customers	12,577,512	3,162,613	73,631	403,917	1,145,364	470,829	1,205,297	**19,039,163**
Investment securities	2,427,459	4,303,684	991,069	782,417	4,540,421	-		**13,045,050**
Other assets	-	-	-	-	-	-	1,724,124	**1,724,124**
Total Assets	**32,018,689**	**7,466,297**	**1,064,700**	**1,186,334**	**5,685,785**	**470,829**	**3,256,965**	**51,149,599**
LIABILITIES								
Deposits	3,140,222	32,426,090	3,101,220	4,143,953	1,495,566	364,168	176,063	**44,847,282**
Derivative liabilities held for risk management	-	-	-	-	-	-	39,434	**39,434**
Other borrowed funds	371,339	-	-	364,633	563,957	-	-	**1,299,929**
Subordinated liabilities	199,143	-	-	-	-	913,754	-	**1,112,897**
Other liabilities	-	-	-	-	-	-	236,793	**236,793**
Total liabilities	**3,710,704**	**32,426,090**	**3,101,220**	**4,508,586**	**2,059,523**	**1,277,922**	**452,290**	**47,536,335**
Interest rate sensitivity gap	**28,307,985**	**(24,959,793)**	**(2,036,520)**	**(3,322,252)**	**3,626,262**	**(807,093)**	**2,804,675**	**3,613,264**

The impact on earnings of a 100bps movement in MUR and USD interest rates will amount to MUR3.05m and USD1.32m respectively.

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Interest rate risk (Cont'd)

Interest Sensitivity of Assets and Liabilities- Repricing Gap Analysis

At 31 December 2022

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

The impact on earnings of a 100bps movement in MUR and USD interest rates will amount to MUR0.5m and USD0.9m respectively.

At 31 December 2021

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

The impact on earnings of a 100bps movement in MUR and USD interest rates will amount to MUR4.7m and USD0.5m respectively.

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. The Bank`s liquidity management process is carried out by the Bank Treasury team. The Bank uses the maturity gap report for measurement and management of liquidity risk. The maturity gap report slots the inflows and outflows in different maturity buckets as defined by the Bank of Mauritius, according to the expected timing of cash flows.

Maturities of Assets and Liabilities

At 31 December 2023

	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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	8,466,299	-	-	-	-	-	(3,601)	8,462,698
Derivative assets held for risk management	4,580	-	-	-	-	-	-	4,580
Loans and advances to Banks	1,275,604	861,952	3,446,754	2,892,281	445,379	-	-	8,921,970
Loans and advances to customers	200,121	458,604	687,657	1,733,910	3,930,613	15,190,715	-	22,201,620
Investment securities	2,427,459	4,306,780	991,782	782,978	4,543,687	-	(7,638)	13,045,048
Other assets	-	-	-	-	-	-	1,724,124	1,724,124
Total Assets	12,374,063	5,627,336	5,126,193	5,409,169	8,919,679	15,190,715	1,712,885	54,360,040
LIABILITIES								
Deposits	29,849,982	5,284,838	3,536,665	6,605,813	2,315,812	1,460,272	176,063	49,229,445
Derivative liabilities held for risk management	5,571	-	33,863	-	-	-	-	39,434
Other borrowed funds	371,339	121,220	190,783	309,751	343,374	5,000	-	1,341,467
Subordinated liabilities	1,971	5,913	11,825	23,650	371,060	1,061,440	-	1,475,859
Other liabilities	-	-	-	-	-	-	365,291	365,291
Finance liabilities	1,661	4,982	4,982	8,304	40,046	38,406	-	98,381
Total Liabilities	30,230,524	5,416,953	3,778,118	6,947,518	3,070,292	2,565,118	541,354	52,549,877
Net liquidity gap	(17,856,461)	210,383	1,348,075	(1,538,349)	5,849,387	12,625,597	1,171,531	1,810,163
Financial guarantees	2,967,346	-	-	-	-	-	-	2,967,346
Credit commitment undrawn	2,795,582	-	-	-	-	-	-	2,795,582

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (cont'd)

Maturities of Assets and Liabilities (cont'd)

At 31 December 2022	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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	6,898,615	-	-	-	-	-	-	6,898,615
Derivative assets held for risk management	105	943	2,068	-	-	-	-	3,116
Loans and advances to Banks	-	2,254,165	1,035,116	1,712,070	369,684	-	-	5,371,035
Loans and advances to customers	189,286	525,227	763,526	2,474,798	7,261,484	15,610,823	-	26,825,144
Investment securities	-	2,313,032	1,170,669	1,173,212	6,265,642	-	-	10,922,555
Other assets	-	-	-	-	-	-	1,314,093	1,314,093
Total Assets	7,088,006	5,093,367	2,971,379	5,360,080	13,896,810	15,610,823	1,314,093	51,334,558
LIABILITIES								
Deposits	27,168,676	1,969,923	3,299,746	6,768,077	1,917,725	1,512,310	1,275,471	43,911,928
Derivative liabilities held for risk management	10,473	12,259	3,707	-	-	-	-	26,439
Other borrowed funds	1,414,503	112,768	183,960	296,641	809,417	115,375	-	2,932,664
Subordinated liabilities	1,971	5,913	11,825	23,650	371,060	1,061,441	-	1,475,860
Other liabilities	-	-	-	-	-	-	272,655	272,655
Finance liabilities	1,578	4,735	4,735	7,891	37,784	49,839	-	106,562
Total Liabilities	28,597,201	2,105,598	3,503,973	7,096,259	3,135,986	2,738,965	1,548,126	48,726,108
Net liquidity gap	(21,509,195)	2,987,769	(532,594)	(1,736,179)	10,760,824	12,871,858	(234,033)	2,608,450
Financial guarantees	2,387,488	-	-	-	-	-	-	2,387,488
Credit commitment undrawn	1,976,757	-	-	-	-	-	-	1,976,757

Notes to the Financial Statements
for the year ended 31 December 2023

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(g) Liquidity risk (cont'd)

Maturities of Assets and Liabilities (cont'd)

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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS								
Cash and cash equivalents	10,449,280	-	-	-	-	-	-	10,449,280
Derivative assets held for risk management	27,950	14,876	-	-	-	-	-	42,826
Loans and advances to Banks	-	490,896	1,570,866	634,042	647,466	-	-	3,343,270
Loans and advances to customers	197,058	509,219	753,438	1,878,703	5,000,894	11,156,038	-	19,495,350
Investment securities	2,083,102	8,000	119,000	1,020,938	3,495,337	5,645,003	32,682	12,404,062
Other assets	-	-	-	-	-	-	1,259,106	1,259,106
Total Assets	12,757,390	1,022,991	2,443,304	3,533,683	9,143,697	16,801,041	1,291,788	46,993,894
LIABILITIES								
Deposits	27,328,788	1,846,185	1,346,112	5,829,710	2,083,478	1,549,474	1,080,069	41,063,816
Derivative liabilities held for risk management	31	3,081	-	-	-	-	-	3,112
Other borrowed funds	-	128,370	203,925	326,193	320,086	1,077,404	-	2,055,978
Subordinated liabilities	1,971	5,913	11,825	23,650	371,060	1,061,440	-	1,475,859
Other liabilities	-	-	-	-	-	-	246,663	246,663
Finance liabilities	1,388	2,779	4,165	8,328	38,279	69,226	-	124,165
Total Liabilities	27,332,178	1,986,328	1,566,027	6,187,881	2,812,903	3,757,544	1,326,732	44,969,593
Net liquidity gap	(14,574,788)	(963,337)	877,277	(2,654,198)	6,330,794	13,043,497	(34,944)	2,024,301
Financial guarantees	920,689	-	-	-	-	-	-	920,689
Credit commitment undrawn	4,108,310	-	-	-	-	-	-	4,108,310

Derivative Cash Flows

As at 31 December 2023	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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Inflows	**4,580**	**-**	**-**	**-**	**-**	**-**	**-**	**4,580**
Outflows	**5,571**	**-**	**33,863**	**-**	**-**	**-**	**-**	**39,434**
As at 31 December 2022								
Inflows	1,240,169	620,725	178,542	-	-	-	-	2,039,436
Outflows	1,249,007	629,748	178,837	-	-	-	-	2,057,592
As at 31 December 2021								
Inflows	1,049,203	848,174	118,163	-	-	-	-	2,015,540
Outflows	1,021,221	834,899	118,147	-	-	-	-	1,974,267

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-23	Dec-22	Dec-21	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial assets						
Cash and cash equivalents	**8,462,698**	6,898,615	10,449,280	**8,437,916**	6,898,615	10,449,280
Loans and advances	**28,003,070**	25,327,450	20,810,794	**27,890,506**	25,227,670	20,754,325
Investment securities	**10,617,591**	10,922,555	10,320,960	**10,437,986**	10,527,027	10,384,509
Other assets	**1,724,124**	1,314,093	1,259,106	**1,724,124**	1,314,093	1,259,106
Financial liabilities						
Deposits	**44,847,282**	38,242,254	37,915,989	**44,840,577**	38,231,109	37,896,203
Other borrowed funds	**1,299,929**	2,932,664	2,055,978	**1,299,929**	2,932,664	2,055,978
Subordinated liabilities	**1,112,897**	1,289,279	1,396,543	**1,112,897**	1,289,279	1,396,543
Other liabilities	**236,793**	272,655	246,663	**236,793**	272,655	246,663
Off-balance sheet						
Loan commitments	**2,795,582**	1,976,757	4,108,310	**2,795,582**	1,976,757	4,108,310
Other contingent liabilities	**2,967,346**	2,387,488	920,669	**2,967,346**	2,387,488	920,669

(i) *Cash resources*

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

(ii) *Loans and advances to Banks and to customers*

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

(iii) *Investment securities*

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

(iv) *Deposits and subordinated liabilities*

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

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

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

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

(vi) *Off-balance sheet financial instruments*

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

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy

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

Level - 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level - 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the Over-The-Counter derivative contracts, traded loans, issued structured debt and other investment securities.

Level - 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

As at 31 December 2023, 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 2023

	Level 1	Level 2	Level 3	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Non-equity Investments				
Derivative assets held for risk management	-	4,580	-	4,580
Investment securities	-	2,395,437	-	2,395,437
Property and equipment	-	-	257,183	257,183
Equity Investments				
Investment securities	-	-	32,021	32,021
Total assets	-	2,400,017	289,204	2,689,221
Derivative liabilities held for risk management	-	39,434	-	39,434
Total liabilities	-	39,434	-	39,434

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy (Cont'd)

At 31 December 2022

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

At 31 December 2021

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

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

Financial instrument	Fair value Rs000	Unobservable input	Rate	Relationship of unobservable inputs to fair value
FVTOCI investment: M Oriental Bank Ltd	26,086	Illiquidity discount	13%	A decrease of 5% in the discount rate from 20% to 25% would increase the fair value of the investment by MUR1.3m and an increase of 5% would decrease the fair value by MUR1.3m.
FVTOCI investment: SME Equity Fund (Mauritius) Ltd	3,276	Net asset	N/A	N/A
FVTOCI investment: S.W.I.F.T SCRL	2,659	Net asset	N/A	N/A

Reconciliation of level 3 fair value measurement

	Rs 000
Balance as at 01 January 2021	261,487
Fair value	(4,213)
Balance as at 31 December 2021	257,274
Fair value	(4,146)
Balance as at 31 December 2022	**253,128**
Fair value	**36,076**
Balance as at 31 December 2023	**289,204**

2. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Fair value hierarchy (Cont'd)

Transfer between levels

No transfer arose between levels during the year.

Valuation process

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

(j) Financial instruments by category

At 31 December 2023

	Amortised cost Rs 000	Financial assets at fair value through profit or loss Rs 000	FVTOCI Rs 000	Total Rs 000
Financial assets				
Cash and cash equivalents	8,437,916	-	-	8,437,916
Derivative assets held for risk management	-	4,580	-	4,580
Loan and advances to Banks	8,913,446	-	-	8,913,446
Loan and advances to customers	19,038,519	-	-	19,038,519
Investment securities	10,612,944	-	2,427,458	13,040,402
Other assets	1,724,124	-	-	1,724,124
	48,726,949	4,580	2,427,458	51,158,987

	Financial liabilities at fair value through profit or loss Rs 000	Financial liabilities at amortised cost Rs 000	Total Rs 000
Financial liabilities			
Deposits from customers	-	44,847,282	44,847,282
Derivative liabilities held for risk management	39,434	-	39,434
Other borrowed funds	-	1,299,929	1,299,929
Subordinated liabilities	-	1,112,897	1,112,897
Other liabilities	-	236,793	236,793
	39,434	47,496,901	47,536,335

At 31 December 2022

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

2. FINANCIAL RISK MANAGEMENT (CONT'D)

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

At 31 December 2022 (Cont'd)

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

At 31 December 2021

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

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

3. NET INTEREST INCOME

		Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
	Interest income			
	Loans and advances to banks	339,172	148,356	127,979
	Loans and advances to customers	1,375,402	840,929	779,104
	Investments securities	270,635	233,277	229,695
	Cash and cash equivalents and placements	367,557	170,659	18,565
	Total interest income calculated using the effective interest method	2,352,766	1,393,221	1,155,343
	Interest expense			
	Deposits from customers	(845,756)	(235,303)	(197,183)
	Borrowings from banks	(157,598)	(75,274)	(52,074)
	Subordinated liabilities	(74,049)	(81,930)	(86,879)
	Lease liabilities	(6,457)	(6,900)	(4,200)
	Total interest expense	(1,083,860)	(399,407)	(340,336)
	Net interest income	1,268,906	993,814	815,007
(a)	**Segment A**			
	Interest income			
	Loans and advances to customers	1,045,915	551,486	654,652
	Investments securities	129,349	113,748	121,334
	Cash and cash equivalents and placements	31,450	-	190
	Total interest income calculated using the effective interest method	1,206,714	665,234	776,176
	Interest expense			
	Deposits from customers	(440,730)	(136,279)	(122,411)
	Borrowings from banks	(39,128)	(6,268)	(4,285)
	Subordinated liabilities	(47,839)	(50,274)	(48,603)
	Lease liabilities	(6,457)	(6,900)	(4,200)
	Total interest expense	(534,154)	(199,721)	(179,499)
	Net interest income	672,560	465,513	596,677
(b)	**Segment B**			
	Interest income			
	Loans and advances to banks	339,172	148,356	127,979
	Loans and advances to customers	329,487	289,443	124,452
	Investments securities	141,286	119,529	108,361
	Cash and cash equivalents and placements	336,107	170,659	18,375
	Total interest income calculated using the effective interest method	1,146,052	727,987	379,167
	Interest expense			
	Deposits from customers	(405,026)	(99,024)	(74,772)
	Borrowings from banks	(118,470)	(69,006)	(47,789)
	Subordinated liabilities	(26,210)	(31,656)	(38,276)
	Total interest expense	(549,706)	(199,686)	(160,837)
	Net interest income	596,346	528,301	218,330

3. NET INTEREST INCOME (Continued)

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents and placements	**367,557**	170,659	18,565
Loans and advances to banks	**339,172**	148,356	127,979
Loans and advances to customers	**1,354,434**	825,787	763,735
Investments securities	**194,428**	197,573	185,752
Lease receivables	**20,968**	15,142	15,368
Recognised on financial assets measured at FVTOCI			
Investment securities	**76,207**	35,704	43,944
Total interest income calculated using the effective interest method	**2,352,766**	1,393,221	1,155,343
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	**(845,756)**	(235,303)	(197,183)
Interest expense on lease liabilities	**(6,457)**	(6,900)	(4,200)
Borrowings from Banks	**(157,598)**	(75,274)	(52,074)
Subordinated liabilities	**(74,049)**	(81,930)	(86,879)
Total interest expense	**(1,083,860)**	(399,407)	(340,336)
Net interest income	**1,268,906**	993,814	815,007
Segment A			
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents and placements	**31,450**	-	190
Loans and advances to customers	**1,024,947**	536,344	639,284
Investments securities	**53,142**	78,044	77,391
Lease receivables	**20,968**	15,142	15,368
Recognised on financial assets measured at FVTOCI			
Investment securities	**76,207**	35,704	43,943
Total interest income calculated using the effective interest method	**1,206,714**	665,234	776,176
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	**(440,730)**	(136,279)	(122,411)
Interest expense on lease liabilities	**(6,457)**	(6,900)	(4,200)
Borrowings from Banks	**(39,128)**	(6,268)	(4,285)
Subordinated liabilities	**(47,839)**	(50,274)	(48,603)
Total interest expense	**(534,154)**	(199,721)	(179,499)
Net interest income	**672,560**	465,513	596,677
Segment B			
Recognised on financial assets measured at amortised cost			
Interest Income			
Cash and cash equivalents and placements	**336,107**	170,659	18,375
Loans and advances to banks	**339,172**	148,356	127,979
Loans and advances to customers	**329,487**	289,443	124,452
Investments securities	**141,286**	119,529	108,361
Total interest income calculated using the effective interest method	**1,146,052**	727,987	379,167
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from customers	**(405,026)**	(99,024)	(74,772)
Borrowings from Banks	**(118,470)**	(69,006)	(47,789)
Subordinated liabilities	**(26,210)**	(31,656)	(38,276)
Total interest expense	**(549,706)**	(199,686)	(160,837)
Net interest income	**596,346**	528,301	218,330

4. NET FEE AND COMMISSION INCOME

		Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
	Fee and commission income			
	Retail Banking customer fees	**19,656**	14,207	14,691
	Corporate Banking credit related fees	**25,674**	23,759	31,544
	International Banking customer fees	**216,757**	268,891	266,371
	Guarantees	**17,072**	17,388	8,382
	Credit cards and e-commerce related fees	**22,634**	16,537	207,433
	Others	**99,153**	116,269	79,490
	Total fee and commission income	**400,946**	457,051	607,911
	Fee and commission expense			
	InterBank transaction fees	**(30,999)**	(18,679)	(19,844)
	Credit cards and e-commerce related fees	**(23,603)**	(29,713)	(239,195)
	Others	**(84,349)**	(79,258)	(70,594)
	Total fee and commission expense	**(138,951)**	(127,650)	(329,633)
	Net fee and commission income	**261,995**	329,401	278,278
(a)	**Segment A**			
	Fee and commission income			
	Retail Banking customer fees	**19,656**	14,207	14,691
	Corporate Banking credit related fees	**25,674**	23,759	31,544
	Guarantees	**6,683**	7,335	4,968
	Credit cards	**22,247**	16,517	17,340
	Others	**48,443**	45,422	46,963
	Total fee and commission income	**122,703**	107,240	115,506
	Fee and commission expense			
	InterBank transaction fees	**(7,391)**	(4,120)	(2,136)
	Credit cards	**(23,603)**	(14,721)	(9,635)
	Others	**(39,847)**	(36,342)	(31,688)
	Total fee and commission expense	**(70,841)**	(55,183)	(43,459)
	Net fee and commission income	**51,862**	52,057	72,047
(b)	**Segment B**			
	Fee and commission income			
	International Banking customer fees	**216,757**	268,891	266,371
	Guarantees	**10,389**	10,053	3,414
	Credit cards and e-commerce related fees	**387**	20	190,093
	Others	**50,710**	70,847	32,527
	Total fee and commission income	**278,243**	349,811	492,405
	Fee and commission expense			
	InterBank transaction fees	**(23,608)**	(14,559)	(17,708)
	Credit cards and e-commerce related fees	**-**	(14,992)	(229,560)
	Others	**(44,502)**	(42,916)	(38,906)
	Total fee and commission expense	**(68,110)**	(72,467)	(286,174)
	Net fee and commission income	**210,133**	277,344	206,231

5. NET GAIN ON DEALING IN FOREIGN CURRENCIES AND DERIVATIVES

		Dec-23	Dec-22	Dec-21
		Rs 000	Rs 000	Rs 000
	Profit arising from dealing in foreign currencies	290,448	202,070	124,677
	Net (loss)/gain from derivatives	(34,854)	(23,323)	39,714
		255,594	178,747	164,391
(a)	Segment A			
	Profit arising from dealing in foreign currencies	91,271	84,192	53,750
	Net (loss)/gain from derivatives	(31,896)	2,219	-
		59,375	86,411	53,750
(b)	Segment B			
	Profit arising from dealing in foreign currencies	199,177	117,878	70,927
	Net (loss)/gain from derivatives	(2,958)	(25,542)	39,714
		196,219	92,336	110,641

6. OTHER OPERATING INCOME

		Dec-23	Dec-22	Dec-21
		Rs 000	Rs 000	Rs 000
	(Loss)/gain on disposal/scrap of property and equipment	(55)	82	245
	Others	733	1,664	28,808
		678	1,746	29,053
	Others include gain/loss on disposal of securities.			
(a)	Segment A			
	(Loss)/gain on disposal/scrap of property and equipment	(55)	82	245
	Others	733	1,664	-
		678	1,746	245
(b)	Segment B			
	Others	-	-	28,808

7. NET IMPAIRMENT REVERSAL ON FINANCIAL ASSETS

		Dec-23	Dec-22	Dec-21
		Rs 000	Rs 000	Rs 000
	Impairment loss for the year	(127,564)	(165,299)	(193,358)
	Bad debts written off for which no provisions were made	(246)	(43)	(1,817)
	Provisions released during the year	250,781	175,886	254,740
	Recoveries of advances written off	9,179	22,932	12,234
	Net impairment reversal on financial assets	132,150	33,476	71,799
(a)	Segment A			
	Impairment loss for the year	(63,718)	(109,309)	(102,549)
	Bad debts written off for which no provisions were made	(21)	(43)	(1,817)
	Provisions released during the year	174,787	167,253	141,832
	Recoveries of advances written off	9,179	9,750	12,234
	Net impairment reversal on financial assets	120,227	67,651	49,700

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for the year ended 31 December 2023

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

		Dec-23	Dec-22	Dec-21
		Rs 000	Rs 000	Rs 000
(b)	Segment B			
	Impairment loss for the year	(63,846)	(55,990)	(90,809)
	Bad debts written off for which no provisions were made	(225)	-	-
	Provisions released during the year	75,994	8,633	112,908
	Recoveries of advances written off	-	13,182	-
	Net impairment reversal/(loss) on financial assets	11,923	(34,175)	22,099

8. PERSONNEL EXPENSES

		Dec-23	Dec-22	Dec-21
		Rs 000	Rs 000	Rs 000
	Wages and salaries	(455,895)	(404,885)	(345,672)
	Compulsory social security obligations	(26,635)	(24,130)	(20,333)
	Funded pension costs (note 28)	(12,086)	(10,427)	(11,361)
	Unfunded pension costs (note 28)	5,175	(4,959)	(5,264)
	Defined contribution plan	(32,161)	(28,958)	(25,629)
	Other personnel expenses	(153,035)	(143,992)	(148,800)
		(674,637)	(617,351)	(557,059)
(a)	Segment A			
	Wages and salaries	(301,354)	(285,657)	(245,076)
	Compulsory social security obligations	(18,219)	(16,563)	(14,245)
	Funded pension costs	(9,486)	(8,714)	(8,294)
	Unfunded pension costs	3,467	(3,525)	(3,843)
	Defined contribution plan	(23,971)	(21,003)	(18,709)
	Other personnel expenses	(103,919)	(103,421)	(115,033)
		(453,482)	(438,883)	(405,200)
(b)	Segment B			
	Wages and salaries	(154,541)	(119,228)	(100,596)
	Compulsory social security obligations	(8,416)	(7,567)	(6,088)
	Funded pension costs	(2,600)	(1,714)	(3,067)
	Unfunded pension costs	1,708	(1,434)	(1,421)
	Defined contribution plan	(8,190)	(7,955)	(6,920)
	Other personnel expenses	(49,116)	(40,570)	(33,767)
		(221,155)	(178,468)	(151,859)

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9. OTHER EXPENSES

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Software licensing and other information technology cost	**(150,878)**	(142,884)	(142,433)
Premises related expenses	**(63,919)**	(62,753)	(52,747)
Legal and professional expenses	**(25,921)**	(22,273)	(46,228)
Others	**(82,601)**	(62,563)	(54,958)
	(323,319)	(290,473)	(296,366)

Others include directors expenses, subscriptions and marketing and promotion expenses.

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
(a) Segment A			
Software licensing and other information technology cost	**(127,429)**	(121,040)	(123,500)
Premises related expenses	**(49,113)**	(46,165)	(41,672)
Legal and professional expenses	**(12,868)**	(4,758)	(24,103)
Others	**(47,467)**	(41,103)	(31,753)
	(236,877)	(213,066)	(221,028)
(b) Segment B			
Software licensing and other information technology cost	**(23,449)**	(21,844)	(18,933)
Premises related expenses	**(14,806)**	(16,588)	(11,075)
Legal and professional expenses	**(13,053)**	(17,515)	(22,125)
Others	**(35,134)**	(21,460)	(23,205)
	(86,442)	(77,407)	(75,338)

10. INCOME TAX EXPENSE

(a) Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Prior to the enactment of the Finance Act 2023, the tax regime applicable to banks was as follows for financial years ended 31 December 2021 to 31 December 2022, subject to Banks satisfying some prescribed conditions:

Up to Rs 1.5 bn	5%
Above Rs 1.5 bn and up to the amount equivalent to the chargeable income of the base year (FY 31 December 2017)	15%
Remainder	5%

Following enactment of the Finance Act 2023 in July 2023, the reduced incentive rate of 5% applicable to banks on chargeable income exceeding MUR 1.5 billion has been abolished. Banks are now taxed at 5% on a chargeable income of less than MUR 1.5 billion and at 15% on a chargeable income exceeding MUR 1.5 billion.

Deferred tax asset is calculated at the rate of 7% for Segment A and 5% for Segment B.

(d) Special levy on banks having leviable income not exceeding Rs 1.2 billion is 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.

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
(a) Current tax expense			
Tax expense (including Special levy and CSR)	**44,645**	33,566	57,087
(b) Deferred tax expense/(credit)			
Originated and reversal of temporary differences (Note 20)	**10,275**	8,179	51,955
	54,920	41,745	109,042
(c) Reconciliation of effective tax rate			
Profit/(loss) before income tax	**810,730**	535,570	522,466
Taxed at 5% (2022 and 2021: 5%)	**35,799**	26,778	26,123
Non-deductible expenses	**531**	414	466
Income not subject to tax	**(459)**	(1,147)	(612)
Special levy on Banks	**9,625**	9,624	7,693
Corporate social responsibility fund	**-**	2,410	3,369
Other permanent differences, including write-off of loans	**1,211**	1,556	43,746
Differences in rates	**1,261**	2,110	28,257
Total income tax in statement of profit or loss	**47,968**	41,745	109,042
Segment A			
Current tax expense			
Tax expense/(credit) (including Special levy and CSR)	**10,409**	12,075	39,280
Deferred tax expense			
Originated and reversal of temporary differences	**9,613**	10,505	7,153

10. INCOME TAX EXPENSE (CONT'D)

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Segment B			
Current tax expense			
Current year	**34,236**	21,491	17,807
Deferred tax credit			
Originated and reversal of temporary differences	**662**	(2,326)	44,802

11. EARNINGS PER SHARE

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Profit for the year (Rs 000)	**755,810**	493,825	413,424
Weighted average number of ordinary shares	**14,564,560**	14,564,560	14,564,560
Earnings per share (Rs.)	**51.89**	33.91	28.39

12. CASH AND CASH EQUIVALENTS

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Cash in hand	**141,477**	137,132	118,967
Foreign currency notes and coins	**12,254**	29,135	39,236
Unrestricted balances with central Banks	**149,912**	77,900	311,987
Balance due in clearing	**20,518**	14,021	13,267
Money market placements	**4,304,793**	3,859,470	3,598,830
Balances with Banks abroad	**3,837,344**	2,785,146	6,373,457
	8,466,298	6,902,804	10,455,744
Less: allowance for expected credit loss (Stage 1)	**(3,600)**	(4,189)	(6,464)
	8,462,698	6,898,615	10,449,280
Current	**8,462,698**	6,898,615	10,449,280
Segment A			
Cash in hand	**141,477**	137,132	118,967
Foreign currency notes and coins	**12,254**	29,135	39,236
Unrestricted balances with central Banks	**149,912**	77,900	311,987
Balance due in clearing	**20,518**	14,021	13,267
Money market placements	**2,235,922**	-	-
	2,560,083	258,188	483,457
Less: allowance for expected credit loss (Stage 1)	**(1,258)**	-	-
	2,558,825	258,188	483,457
Segment B			
Money market placements	**2,068,871**	3,859,470	3,598,830
Balance with Banks abroad	**3,837,344**	2,785,146	6,373,457
	5,906,215	6,644,616	9,972,287
Less: allowance for expected credit loss	**(2,342)**	(4,189)	(6,464)
	5,903,873	6,640,427	9,965,823

There were no transfer between stages during the year (2022 and 2021: Nil)

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 aring 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.

12. CASH AND CASH EQUIVALENTS (CONT'D)

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

	Balance as at 01 January 2023	Financing cash flows (i)	Non-cash changes: New R-O-U	Non-cash changes: Other Changes (ii)	Balance as at 31 December 2023
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Other borrowed funds	2,932,664	**(1,637,175)**	**-**	**4,440**	**1,299,929**
Subordinated liabilities	1,289,279	**(177,088)**	**-**	**706**	**1,112,897**
Lease liabilities	84,617	**(19,849)**	**7,840**	**6,457**	**79,065**
	4,306,560	**(1,834,112)**	**7,840**	**11,603**	**2,491,891**

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

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

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

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

13. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

	Contractual/ Nominal Amount	Assets Fair Value	Liabilities Fair Value
	Rs 000	Rs 000	Rs 000
As at 31 December 2023			
Currency forwards	**1,039,698**	**2,739**	**3,139**
Currency Swaps	**1,717,580**	**1,841**	**36,295**
	2,757,278	**4,580**	**39,434**
Segment A	**1,976,334**	**1,971**	**33,867**
Segment B	**780,944**	**2,609**	**5,567**
Current	**2,757,278**	**4,580**	**39,434**
As at 31 December 2022			
Currency forwards	155,412	1,059	933
Currency Swaps	1,895,918	2,057	25,506
	2,051,330	3,116	26,439
Segment A	115,625	3,041	818
Segment B	1,935,705	75	25,621
Current	2,051,330	3,116	26,439
As at 31 December 2021			
Currency forwards	559,113	3,153	3,112
Currency Swaps	1,456,426	39,673	-
	2,015,539	42,826	3,112
Segment B	2,015,539	42,826	3,112
Current	2,015,539	42,826	3,112

14. LOANS AND ADVANCES TO BANKS

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
In and outside Mauritius	**8,917,253**	5,150,285	3,339,038
Less: allowance for expected credit loss	**(43,269)**	(3,100)	(2,793)
	8,873,984	5,147,185	3,336,245
Current	**8,431,094**	4,481,670	2,685,635
Non Current	**442,890**	665,515	650,610
	8,873,984	5,147,185	3,336,245
(i) Segment B			
Outside Mauritius	**8,917,253**	5,150,285	3,339,038
Less: allowance for expected credit loss	**(43,269)**	(3,100)	(2,793)
	8,873,984	5,147,185	3,336,245
(ii) Remaining term to maturity			
Up to 3 months	**2,799,502**	2,030,554	493,693
Over 3 months and up to 6 months	**3,297,472**	887,888	1,579,817
Over 6 months and up to 12 months	**2,375,231**	1,565,927	614,373
Over 1 year and up to 5 years	**445,048**	665,916	651,155
	8,917,253	5,150,285	3,339,038

(iii) Allowance for expected credit loss

	Stage 3 ECL	Stage 1 & 2 ECL	Total
	Rs 000	Rs 000	Rs 000
Balance as at 01 January 2021	-	2,417	2,417
Provision during the year	-	376	376
Balance as at 31 December 2021	-	2,793	2,793
Provision during the year	-	307	307
Balance as at 31 December 2022	-	3,100	3,100
Provision during the year	-	40,169	40,169
Balance as at 31 December 2023	-	**43,269**	**43,269**

15. LOANS AND ADVANCES TO CUSTOMERS

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Retail customers			
- Credit cards	72,104	51,466	69,831
- Mortgages	7,837,976	6,790,438	4,247,861
- Other retail loans	3,362,367	2,925,435	3,416,474
Corporate customers	5,847,737	8,493,149	8,396,108
Entities outside Mauritius	2,630,311	2,660,897	2,204,690
	19,750,495	20,921,385	18,334,964
Less: allowance for credit impairment	(621,409)	(741,120)	(860,415)
	19,129,086	20,180,265	17,474,549
Current	3,829,006	4,095,251	4,000,668
Non current	15,300,080	16,085,014	13,473,881
	19,129,086	20,180,265	17,474,549
Net finance lease receivables included in loans and advances to customers (Note 15 g)	270,151	272,322	277,907

(a) Segment A

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Retail customers			
- Credit cards	72,104	51,466	69,831
- Mortgages	7,712,944	6,673,828	4,184,021
- Other retail loans	3,242,600	2,790,805	3,218,502
Corporate customers	5,402,200	6,993,223	7,737,337
	16,429,848	16,509,322	15,209,691
Less allowance for credit impairment	(283,193)	(421,059)	(601,000)
	16,146,655	16,088,263	14,608,691

(b) Segment B

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Retail customers			
- Mortgages	125,032	116,610	63,840
- Other retail loans	119,767	134,630	197,972
Corporate customers	445,537	1,499,926	658,771
Entities outside Mauritius	2,630,311	2,660,897	2,204,690
	3,320,647	4,412,063	3,125,273
Less allowance for expected credit loss	(338,216)	(320,061)	(259,415)
	2,982,431	4,092,002	2,865,858

(c) Remaining term to maturity

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Up to 3 months	2,559,556	2,675,544	2,394,187
Over 3 months and up to 6 months	229,073	634,106	755,917
Over 6 months and up to 12 months	1,051,987	830,826	914,449
Over 1 year and up to 5 years	4,306,216	6,095,471	6,265,096
Over 5 years	11,603,663	10,685,438	8,005,315
	19,750,495	20,921,385	18,334,964

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

(d) Credit concentration of risk by industry sectors

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Agriculture and fishing	29,942	256,326	425,388
Manufacturing	47,856	314,594	36,187
of which Export Processing Zone License holders	8,672	19,619	21,441
Tourism	1,092,597	1,384,047	1,682,526
Transport	694,789	672,359	590,454
Construction	1,798,178	1,867,197	2,156,589
Financial and business services	1,714,392	1,989,706	2,588,138
Traders	2,405,685	2,816,970	3,493,100
Personal	9,599,800	8,606,326	5,901,600
of which Residential Mortgages	7,837,976	6,790,438	4,247,861
Professional	12,478	11,163	14,433
Global business license holders	456,855	1,054,997	672,979
Others	1,897,923	1,947,700	773,570
of which credit central government	1,326,516	1,355,644	512,881
	19,750,495	20,921,385	18,334,964

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
(i) Segment A			
Agriculture and Fishing	29,942	256,326	423,979
Manufacturing	47,856	49,519	36,187
of which Export Processing Zone License holders	8,672	19,619	21,441
Tourism	1,092,597	1,384,047	1,637,355
Transport	434,443	417,912	355,752
Construction	1,749,585	1,811,861	2,033,531
Financial and business services	772,787	1,018,297	1,530,250
Traders	2,300,251	2,607,289	3,121,422
Personal	9,457,344	8,412,877	5,796,093
of which Residential Mortgages	7,712,944	6,673,828	4,184,021
Professional	12,478	11,163	14,433
Others	532,565	540,031	260,689
	16,429,848	16,509,322	15,209,691
(ii) Segment B			
Agriculture and Fishing	-	-	1,409
Manufacturing	-	265,075	-
of which Export Processing Zone License holders	-	-	-
Tourism	-	-	45,171
Transport	260,346	254,447	234,702
Construction	48,593	55,336	123,058
Financial and business services	941,605	971,409	1,057,888
Traders	105,434	209,681	371,678
Personal	142,456	193,449	105,507
of which Residential Mortgages	125,032	116,610	63,840
Global business license holders	456,855	1,054,997	672,979
Others	1,365,358	1,407,669	512,881
of which credit central government	1,326,516	1,355,644	512,881
	3,320,647	4,412,063	3,125,273

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

(d) Credit concentration of risk by industry sectors (Cont'd)

Others include the following sectors: Media, Entertainment and Recreational Activities, Education, Modernisation and Expansion Enterprise Certificate Holders, Health Development Certificate Holders, Public Non financial Corporations, State and Local Government, Infrastructure, ICT, Freeport certificate holders and others.

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Off balance sheet by industry sector			
Agriculture and Fishing	**350,622**	100,390	4,326
Manufacturing	**425,208**	224,338	386,973
Tourism	**14,626**	18,682	24,531
Transport	**4,816**	9,984	246,962
Construction	**835,857**	1,215,331	1,414,746
Financial and business services	**1,527,236**	509,370	291,836
Traders	**841,934**	488,300	905,677
Personal	**387,637**	316,792	643,952
Global business license holders	**1,193,841**	1,183,135	164,157
Others	**181,151**	297,923	945,839
	5,762,928	4,364,245	5,028,999

(e) Allowance for expected credit loss

	Specific allowances for impairment Stage 3 ECL	Portfolio allowances for impairment Stage 1 and 2 ECL	Total
	Rs 000	Rs 000	Rs 000
Balance as at 1 January 2021	1,531,353	373,346	1,904,699
Provision for expected credit loss for the year	224,426	47,747	272,173
Loans written off out of allowance	(1,048,799)	-	(1,048,799)
Provisions released	(123,737)	(143,921)	(267,658)
Balance as at 31 December 2021	583,243	277,172	860,415
Provision for expected credit loss for the year	160,525	55,751	216,276
Loans written off out of allowance	(154,214)	-	(154,214)
Provisions released	(70,611)	(110,746)	(181,357)
Balance as at 31 December 2022	**518,943**	**222,177**	**741,120**
Provision for expected credit loss for the year	**201,400**	**7,900**	**209,300**
Loans written off out of allowance	**(42,107)**	**-**	**(42,107)**
Provisions released	**(112,894)**	**(174,010)**	**(286,904)**
Balance as at 31 December 2023	**565,342**	**56,067**	**621,409**

(f) Allowance for credit impairment

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Retail customers			
- Credit cards	**4,449**	5,841	6,540
- Mortgages	**25,227**	51,441	33,802
- Other retail loans	**81,874**	88,698	119,716
Corporate customers	**380,433**	278,695	609,622
Entities outside Mauritius	**129,426**	316,445	90,735
	621,409	741,120	860,415

Notes to the Financial Statements
for the year ended 31 December 2023

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

(f) Allowance for credit impairment (Cont'd)

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Segment A			
Retail customers			
- Credit cards	**4,449**	5,841	6,540
- Mortgages	**25,147**	51,032	33,800
- Other retail loans	**80,710**	86,465	115,535
Corporate customers	**172,886**	277,721	445,125
	283,192	421,059	601,000
Segment B			
Retail customers			
- Mortgages	**80**	409	2
- Other retail loans	**1,164**	2,232	4,181
Corporate customers	**207,547**	974	164,497
Entities outside Mauritius	**129,426**	316,446	90,735
	338,217	320,061	259,415

(g) Investment in finance leases

The amount of investments in finance leases included in the loans and advances to customers.

	Up to 1 Year	Between 1 - 2 years	Between 2 - 3 years	Between 3 - 4 years	Between 4 - 5 years	Over 5 years	Dec-23 Total	Dec-22 Total	Dec-21 Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Gross investment in finance leases	**8,824**	**65,892**	**65,069**	**125,280**	**88,022**	**235,237**	**588,324**	606,327	607,800
Unearned finance income	**(8,511)**	**(58,774)**	**(51,453)**	**(78,534)**	**(44,840)**	**(73,332)**	**(315,444)**	(331,254)	(327,086)
Present value of minimum lease payments	**313**	**7,118**	**13,616**	**46,746**	**43,182**	**161,905**	**272,880**	275,073	280,714
Allowance for impairment	**(3)**	**(71)**	**(136)**	**(468)**	**(432)**	**(1,619)**	**(2,729)**	(2,751)	(2,807)
	310	**7,047**	**13,480**	**46,278**	**42,750**	**160,286**	**270,151**	272,322	277,907

Under finance lease, all the risks and rewards of ownership of the asset are transferred to the lessee. The term of the lease contract generally ranges from five to seven years. All finance lease receivables are secured over the asset leased and in some cases additional guarantees are taken from the lessee.

Amount due from lessees under finance leases are recorded under loans and advances. Finance lease income is allocated to the accounting period so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

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

(h) Allowance for expected credit loss by industry sectors

	Dec-23					Dec-22	Dec-21
	Gross amount of loans	Impaired loans	Stage 3 ECL	Stage 1 & 2 ECL	Total ECL	Total ECL	Total ECL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture and fishing	29,942	-	-	84	84	2,403	7,151
Manufacturing	47,856	-	-	135	135	5,299	1,232
of which Export Processing Zone License holders	8,672	-	-	-	-	4,046	-
Tourism	1,092,597	855	855	3,075	3,930	13,689	32,563
Transport	694,789	265,915	265,006	1,993	266,999	267,677	249,968
Construction	1,798,178	139,969	38,517	5,068	43,585	165,145	205,350
Financial and business services	1,714,392	854	854	4,961	5,815	25,086	34,184
Traders	2,405,685	111,938	111,223	6,786	118,009	144,011	222,603
Personal	9,599,800	122,459	78,688	27,039	105,727	72,024	90,209
of which Residential Mortgages	7,837,976	62,136	17,478	22,079	39,557	93,688	104,438
Professional	12,478	-	-	35	35	105	242
Global business license holders	456,855	-	-	1,352	1,352	16,103	4,745
Others	1,897,923	563,309	70,200	5,538	75,738	29,578	12,168
of which government	1,326,516	563,215	70,200	3,925	74,125	21,486	3,615
	19,750,495	1,205,299	565,343	56,066	621,409	741,120	860,415

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

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

	Dec-23					Dec-22	Dec-21
Segment A	Gross amount of loans	Impaired loans	Stage 3 ECL	Stage 1 & 2 ECL	Total ECL	Total ECL	Total ECL
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Agriculture and Fishing	29,942	-	-	84	84	2,403	7,130
Manufacturing	47,856	-	-	135	135	1,253	1,232
of which Export Processing Zone License holders	8,672	-	-	-	-	-	-
Tourism	1,092,597	855	855	3,075	3,930	13,689	32,245
Transport	434,443	7,802	6,893	1,223	8,116	11,801	13,611
Construction	1,749,585	139,969	38,517	4,924	43,441	162,490	204,030
Financial and Business Services	772,787	854	854	2,175	3,029	10,259	26,726
Traders	2,300,251	111,938	111,223	6,474	117,697	140,117	217,316
Personal	9,457,344	120,614	78,608	26,618	105,226	70,850	89,915
of which Residential Mortgages	7,712,944	60,291	17,398	21,709	39,107	91,878	103,986
Professional	12,478	-	-	35	35	105	242
Others	532,565	95	-	1,499	1,499	8,092	8,553
	16,429,848	382,127	236,950	46,242	283,192	421,059	601,000
Segment B							
Agriculture and fishing	-	-	-	-	-	-	21
Manufacturing	-	-	-	-	-	4,046	-
of which Export Processing Zone License holders	-	-	-	-	-	4,046	-
Tourism	-	-	-	-		-	318
Transport	260,346	258,113	258,113	770	258,883	255,876	236,357
Construction	48,593	-	-	144	144	2,655	1,320
Financial and Business Services	941,605	-	-	2,786	2,786	14,827	7,458
Traders	105,434	-	-	312	312	3,894	5,287
Personal	142,456	1,845	80	421	501	1,173	294
of which Residential Mortgages	125,032	1,845	80	370	450	1,810	452
Global business license holders	456,855	-	-	1,352	1,352	16,103	4,745
Others	1,365,358	563,214	70,200	4,039	74,239	21,486	3,615
of which government	1,326,516	563,215	70,200	3,925	74,125	21,486	3,615
	3,320,647	823,172	328,393	9,824	338,217	320,060	259,415

16. INVESTMENT SECURITIES

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Investment securities at fair value through OCI	**2,427,459**	1,402,874	2,083,101
Investment securities at amortised cost	**10,625,229**	10,937,676	10,339,563
	13,052,688	12,340,550	12,422,664
Less: Allowance for expected loss	**(7,638)**	(15,121)	(18,603)
	13,045,050	12,325,429	12,404,061
Current	**8,471,553**	6,066,361	4,949,211
Non-current	**4,573,497**	6,259,068	7,454,850

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
(a) **Investments at FVTOCI**			
Equity shares in M Oriental Bank Ltd (Kenya)	**26,086**	29,854	24,680
Other equity investments	**5,936**	6,203	5,341
Bank/Government of Mauritius securities and other corporate bonds	**2,395,437**	1,366,817	2,053,080
	2,427,459	1,402,874	2,083,101
Segment A			
Bank/Government of Mauritius securities	**2,395,437**	1,366,817	2,053,080
Others	**3,276**	3,801	3,261
	2,398,713	1,370,618	2,056,341
Segment B			
Equity shares in M Oriental Bank Ltd (Kenya)	**26,086**	29,854	24,680
Others	**2,660**	2,402	2,080
	28,746	32,256	26,760

The Bank holds 4,597,208 shares, representing 3.69% shareholding of M Oriental Bank Ltd, incorporated and operating in Kenya. The investment securities has been fair valued based on the market approach using the most recent transaction price. The investment held in Industrial Finance Corporation of Mauritius (Equity) Ltd (formerly known as SME Equity Fund Ltd) has been valued using net asset value basis and investment in SWIFT has been valued using observable price as at 31 December 2023. Refer to note 2 (i).

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
(b) **Investments at amortised cost**			
Government of Mauritius bonds	**1,315,358**	1,328,331	1,581,273
Treasury Bills / Notes issued by Government of Mauritius	**181,038**	180,923	-
BOM notes/Treasury notes	**1,608,413**	811,918	1,627,266
Corporate Bonds/Other Bank Placements	**7,520,420**	8,616,504	7,131,024
	10,625,229	10,937,676	10,339,563
Less: Allowance for expected loss	**(7,638)**	(15,121)	(18,603)
	10,617,591	10,922,555	10,320,960
Segment A			
Government of Mauritius bonds	**1,315,358**	1,328,331	1,581,273
Treasury Bills /issued by Government of Mauritius	**181,038**	180,923	-
BOM notes/Treasury notes	**1,608,413**	811,918	1,627,266
	3,104,809	2,321,172	3,208,539
Less: Allowance for expected loss	**(3,840)**	(7,338)	(8,756)
	3,100,969	2,313,834	3,199,783
Segment B			
Corporate Bonds/Other Bank Placements	**7,520,420**	8,616,504	7,131,024
Less: Allowance for expected loss	**(3,798)**	(7,783)	(9,847)
	7,516,622	8,608,721	7,121,177

16. INVESTMENT SECURITIES (CONT'D)

Investments at amortised cost (cont'd)

Remaining term to maturity - 2023	Up to 3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	Total Rs 000
Government of Mauritius bonds	**-**	**191,928**	**201,222**	**922,208**	**1,315,358**
Treasury Bills / Notes issued by Government of Mauritius	**-**	**80,058**	**100,980**	**-**	**181,038**
BOM notes/Treasury notes/Corporate Bonds/ Other Bank Placements	**4,306,780**	**719,796**	**480,778**	**3,621,479**	**9,128,833**
	4,306,780	**991,782**	**782,980**	**4,543,687**	**10,625,229**

Remaining term to maturity - 2022	Up to 3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	Total Rs 000
Government of Mauritius bonds	-	10,077	-	1,318,254	1,328,331
Treasury Bills / Notes issued by Government of Mauritius	-	-	-	180,923	180,923
BOM notes/Treasury notes/Corporate Bonds/ Other Bank Placements	2,315,161	1,163,197	1,175,592	4,774,472	9,428,422
	2,315,161	1,173,274	1,175,592	6,273,649	10,937,676

Remaining term to maturity - 2021	Up to 3 months Rs 000	3-6 months Rs 000	6-12 months Rs 000	1-5 years Rs 000	Total Rs 000
Government of Mauritius bonds	-	-	250,145	1,331,128	1,581,273
Treasury Bills / Notes issued by Government of Mauritius	-	-	-	-	-
BOM notes/Treasury notes/Corporate Bonds/ Other Bank Placements	648,480	1,206,403	779,686	6,123,721	8,758,290
	648,480	1,206,403	1,029,831	7,454,849	10,339,563

17. RIGHT OF USE ASSETS

	Buildings		
	2023	2022	2021
Segment A	Rs 000	Rs 000	Rs 000
Cost			
At 1 January	**108,940**	106,318	55,365
Additions	**7,840**	-	56,493
Remeasurement	**-**	2,622	-
Terminations	**-**	-	(5,540)
At 31 December	**116,780**	108,940	106,318
Accumulated depreciation			
At 1 January	**31,975**	16,959	14,990
Charge for the year	**15,031**	15,016	7,057
Terminations	**-**	-	(5,088)
At 31 December	**47,006**	31,975	16,959
Carrying amount			
At 31 December	**69,774**	76,965	89,359

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.

Amounts recognised in profit or loss under:

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Depreciation and amortisation - depreciation expense on right-of-use assets	**15,031**	15,016	7,057
Interest expense - interest expense on lease liabilities	**6,457**	6,900	4,200
Other expenses - Loss arising on derecognition of right-of-use assets	**-**	-	1,090
Other expenses - expense relating to leases of low value assets	**-**	15	79
	21,488	21,931	12,426

At 31 December 2023, the Bank is committed to Rs 0.9 million (2022: Rs 1.1 million) for low-value assets.

The total cash outflow for leases amounted to Rs 19.9 million (2022: Rs 19.9 million) for the year.

18. PROPERTY AND EQUIPMENT

	Land and buildings	Computer and other equipment	Motor vehicles and furniture and fittings	Work in Progress	Total
Cost or Valuation	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**	**Rs 000**
Balance as at 01 January 2021	304,128	114,496	176,867	7,711	603,202
Acquisitions	-	19,076	1,120	92,960	113,156
Transfer to equipment and furniture	-	43,308	59,811	(103,119)	-
Disposal	-	-	(946)	-	(946)
Reclassification from intangible assets	-	-	-	10,600	10,600
Write off/scrapped	-	(129)	-	-	(129)
Balance as at 31 December 2021	**304,128**	**176,751**	**236,852**	**8,152**	**725,883**
Acquisitions	-	21,219	58	293	21,570
Revaluation	39,063	-	-	-	39,063
Reclassification to non current assets held for sale	(55,520)	-	-	-	(55,520)
Reclassification to intangible assets	-	-	-	(3,800)	(3,800)
Expensed during the year	-	-	-	(446)	(446)
Write off/scrapped	-	(480)	-	-	(480)
Balance as at 31 December 2022	287,671	197,490	236,910	4,199	726,270
Acquisitions		1,165	885	16,007	18,057
Reclassification from non current assets held for sale	55,520	-	-	-	55,520
Transfer to equipment and furniture	-	10,027	4,042	(14,069)	-
Disposal	-	(48)	-	-	(48)
Write off/scrapped	-	(13,475)	(5,367)	-	(18,842)
Balance as at 31 December 2023	**343,191**	**195,159**	**236,470**	**6,137**	**780,957**
Accumulated depreciation					
Balance as at 01 January 2021	**72,625**	**90,940**	**94,030**	**-**	**257,595**
Depreciation for the year	4,250	13,590	15,646	-	33,486
Disposal	-	-	(947)	-	(947)
Write off/scrapped	-	(77)	(4)	-	(81)
Balance as at 31 December 2021	**76,875**	**104,453**	**108,725**	**-**	**290,053**
Depreciation for the year	4,245	19,997	19,888	-	44,130
Reclassification to non current assets held for sale	(10,520)	-	-	-	(10,520)
Write off/scrapped	-	(398)	-	-	(398)
Balance as at 31 December 2022	**70,600**	**124,052**	**128,613**	**-**	**323,265**
Depreciation for the year	4,888	20,410	19,695	-	44,993
Disposal	-	(24)	-	-	(24)
Reclassification to non current assets held for sale	10,520	-	-	-	10,520
Write off/scrapped	-	(13,458)	(5,332)	-	(18,790)
Balance as at 31 December 2023	**86,008**	**130,980**	**142,976**	**-**	**359,964**
Net book value as at 31 December 2023	**257,183**	**64,179**	**93,494**	**6,137**	**420,993**
Net book value as at 31 December 2022	217,071	73,438	108,297	4,199	403,005
Net book value as at 31 December 2021	227,253	72,298	128,127	8,152	435,830
Net book value as at 31 December 2023 by segments					
Segment A	257,183	64,148	93,494	6,137	420,962
Segment B	-	31	-	-	31
	257,183	**64,179**	**93,494**	**6,137**	**420,993**
Net book value as at 31 December 2022 by segments					
Segment A	217,071	73,332	107,998	4,199	402,600
Segment B	-	106	299	-	405
	217,071	73,438	108,297	4,199	403,005
Net book value as at 31 December 2021 by segments					
Segment A	227,253	72,242	127,430	8,152	435,077
Segment B	-	56	697	-	753
	227,253	72,298	128,127	8,152	435,830

18. PROPERTY AND EQUIPMENT (CONT'D)

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Assets disposed/scrapped/written-off during the year (cost)			
Computer and equipment	**13,523**	480	129
Other assets	**5,367**	-	946
	18,890	480	1,075
Work in progress included in property and equipment as at year end were incurred for:			
(i) Renovation of branch	**1,912**	2,466	-
(ii) Others	**4,225**	1,733	8,152
	6,137	4,199	8,152

The Bank's land and buildings were last revalued in February 2022 by V.Ramjee & Associates Ltd (chartered valuer). The revalued amount was not materially different from the carrying amount at date of valuation. The basis of valuation is based on market value, defined in accordance with International Valuation Standard Committee.

The directors have assessed the fair value of the above assets at 31 December 2023 and have estimated the fair value to approximate their carrying value at that date.

The directors have assesed the carrying value of equipment and are of the opinion that no impairment is required at the reporting date. (2022: Nil, 2021: Nil)

During the year, management has resolved not to proceed with the disposal of the property earmarked for sale in 2022. Accordingly, the property has been reclassified to property, plant and equipment as per the requirements of IFRS 5.

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-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Cost	**201,000**	201,000	201,000
Accumulated depreciation	**(86,924)**	(82,569)	(78,549)
Net	**114,076**	118,431	122,451

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19. INTANGIBLE ASSETS

	Computer Software	Work in Progress	Total
Cost	**Rs 000**	**Rs 000**	**Rs 000**
Balance as at 01 January 2021	**272,001**	**15,764**	**287,765**
Additions	10,274	54,725	64,999
Transfer to computer software	13,465	(13,465)	-
Reclassification to property and equipment	-	(10,600)	(10,600)
Balance as at 31 December 2021	**295,740**	**46,424**	**342,164**
Additions	12,037	30,217	42,254
Transfer to computer software	70,358	(70,358)	-
Expensed during the year	-	(5,382)	(5,382)
Reclassification from property and equipment	-	3,800	3,800
Balance as at 31 December 2022	378,135	4,701	382,836
Additions	-	41,483	41,483
Transfer to computer software	35,158	(35,158)	-
Expensed during the year	-	(115)	(115)
Balance as at 31 December 2023	413,293	10,911	424,204
Amortisation			
Balance as at 01 January 2021	**176,180**	**-**	**176,180**
Charge for the year	35,318	-	35,318
Balance as at 31 December 2021	**211,498**	**-**	**211,498**
Charge for the year	37,755	-	37,755
Balance as at 31 December 2022	249,253	-	249,253
Charge for the year	50,613	-	50,613
Balance as at 31 December 2023	299,866	-	299,866
Net book value			
Net book value as at 31 December 2023	**113,427**	**10,911**	**124,338**
Net book value as at 31 December 2022	128,882	4,701	133,583
Net book value as at 31 December 2021	84,242	46,424	130,666

19. INTANGIBLE ASSETS (CONT'D)

The directors have assesed the carrying value of intangible assets and are of the opinion that no impairment is required at the reporting date. (2022: Nil, 2021: Nil)

	Computer Software	Work in Progress	Total
	Rs 000	Rs 000	Rs 000
Net book value as at 31 December 2023 by segments			
Segment A	**112,496**	**10,911**	**123,407**
Segment B	**931**	**-**	**931**
	113,427	**10,911**	**124,338**
Net book value as at 31 December 2022 by segments			
Segment A	127,282	4,701	131,983
Segment B	1,600	-	1,600
	128,882	4,701	133,583
Net book value as at 31 December 2021 by segments			
Segment A	84,242	46,424	130,666
Segment B	-	-	-
	84,242	46,424	130,666

20. DEFERRED TAX ASSETS

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

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Balance as at 1 January	**44,515**	45,936	88,682
Profit or loss charge (note 10)	**(10,275)**	(8,179)	(51,955)
Amount recognised directly in other comprehensive income:			
Deferred income tax on fair value adjustments on FVTOCI investments	**(4,988)**	8,312	11,117
Deferred tax on revaluation of buildings	**-**	(2,558)	-
Deferred tax on actuarial losses on retirement benefits obligations	**2,287**	1,004	(1,908)
Balance as at 31 December	**31,539**	44,515	45,936
Segment A	**22,083**	34,989	38,965
Segment B	**9,456**	9,526	6,971
	31,539	44,515	45,936
Deferred tax assets			
Allowances for expected credit losses	**24,988**	35,555	42,366
Securities classified at FVTOCI	**5,686**	10,674	2,354
Retirement benefit obligations	**6,566**	4,910	4,048
	37,240	51,139	48,768
Deferred tax liabilities			
Accelerated capital allowances	**2,215**	3,139	1,905
Revaluation reserve	**3,485**	3,485	927
	5,700	6,624	2,832
Net non-current	**31,539**	44,515	45,936

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 7% (2022: 7% and 2021: 7%) for segment A and an effective tax rate of 5% (2022: 5% and 2021: 5%) for segment B.

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21. OTHER ASSETS

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Mandatory balances with Central Bank*	**1,720,635**	1,296,753	1,240,759
Non-Banking assets acquired in satisfaction of debts**	**9,104**	9,104	9,104
Other receivables	**292,692**	269,638	144,579
	2,022,431	1,575,495	1,394,442
Less: Allowance for expected loss	**(14,055)**	(3,976)	(6,867)
	2,008,376	1,571,519	1,387,575
Current	**1,993,488**	1,548,262	1,371,797
Non Current	**14,888**	23,257	15,778

** Balances to be maintained with Central Bank as cash reserve requirement.*

***The Bank's policy is to dispose of such assets depending on the market availability.*

		Dec-23	Dec-22	Dec-21
		Rs 000	Rs 000	Rs 000
(a)	**Segment A**			
	Mandatory balances with Central Bank	**1,720,635**	1,296,753	1,240,759
	Non-Banking assets acquired in satisfaction of debts	**9,104**	9,104	9,104
	Other receivables	**286,209**	242,315	122,837
		2,015,948	1,548,172	1,372,700
	Less: Allowance for expected loss	**(14,055)**	(3,976)	(6,867)
		2,001,893	1,544,196	1,365,833
	Segment B			
	Other receivables	**6,483**	27,323	21,742
		6,483	27,323	21,742

22. DEPOSITS FROM CUSTOMERS

		Dec-23	Dec-22	Dec-21
(a)	**Deposits comprise the following:**	Rs 000	Rs 000	Rs 000
	Retail customers	**11,808,463**	10,597,683	10,668,308
	Corporate customers	**4,301,439**	3,681,227	4,695,117
	International customers	**28,502,451**	22,523,388	21,791,134
	Government	**234,929**	1,439,956	761,430
		44,847,282	38,242,254	37,915,989
	Current	**42,987,143**	36,733,029	36,951,630
	Non Current	**1,860,139**	1,509,225	964,359

22. DEPOSITS FROM CUSTOMERS (CONT'D)

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

			Time deposits with remaining term to maturity					
	Current accounts	Savings accounts	Up to 3 months	Over 3 months 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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 31 December 2023								
Retail customers	**1,678,399**	**6,790,934**	**499,395**	**646,720**	**1,237,344**	**955,070**	**601**	**11,808,463**
Corporate customers	**1,382,376**	**354,009**	**574,219**	**539,332**	**891,986**	**559,517**	**-**	**4,301,439**
International customers	**15,415,017**	**2,437,111**	**6,587,638**	**1,919,911**	**1,937,228**	**205,546**	**-**	**28,502,451**
Government	**-**	**14,710**	**-**	**-**	**80,814**	**139,405**	**-**	**234,929**
Total	**18,475,792**	**9,596,764**	**7,661,252**	**3,105,963**	**4,147,372**	**1,859,538**	**601**	**44,847,282**
At 31 December 2022								
Retail customers	2,002,009	7,075,698	326,584	90,644	275,876	826,872	-	10,597,683
Corporate customers	1,431,296	412,325	369,558	474,419	610,657	352,657	30,314	3,681,226
International customers	12,370,871	2,186,262	3,108,069	1,925,252	2,811,552	121,382	-	22,523,388
Government	36,232	15,225	110,500	500,000	600,000	178,000	-	1,439,957
Total	15,840,408	9,689,510	3,914,711	2,990,315	4,298,085	1,478,911	30,314	38,242,254
At 31 December 2021								
Retail customers	1,848,749	7,145,412	229,080	175,996	661,456	607,615	-	10,668,308
Corporate customers	1,466,118	691,606	755,277	125,353	1,433,604	223,159	-	4,695,117
International customers	12,592,466	1,639,129	5,222,788	1,039,254	1,274,411	23,086	-	21,791,134
Government	43,230	7,701	-	-	600,000	110,499	-	761,430
Total	15,950,563	9,483,848	6,207,145	1,340,603	3,969,471	964,359	-	37,915,989

22. DEPOSITS FROM CUSTOMERS (CONT'D)

(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
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
At 31 December 2023								
Segment A	**3,611,822**	**7,886,133**	**1,911,053**	**1,200,205**	**2,187,795**	**1,635,190**	**601**	**18,432,799**
Segment B	**14,863,970**	**1,710,631**	**5,750,199**	**1,905,758**	**1,959,577**	**224,348**	**-**	**26,414,483**
At 31 December 2022								
Segment A	3,452,578	7,496,771	804,821	1,063,425	1,484,462	1,357,419	30,314	15,689,790
Segment B	12,387,830	2,192,739	3,109,890	1,926,890	2,813,623	121,492	-	22,552,464
At 31 December 2021								
Segment A	3,334,146	7,842,721	971,027	299,357	2,685,730	941,171	-	16,074,152
Segment B	12,616,417	1,641,127	5,236,118	1,041,246	1,283,741	23,188	-	21,841,837

23. OTHER BORROWED FUNDS

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Short term borrowings from banks	**371,339**	1,414,503	-
Long term borrowings from other financial institutions	**923,588**	1,513,159	2,050,976
Other borrowings	**5,002**	5,002	5,002
	1,299,929	2,932,664	2,055,978
Current	**965,079**	2,007,870	569,851
Non current	**334,850**	924,794	1,486,127
Segment A			
Short term borrowings from Banks	**-**	1,329,024	-
Other borrowings	**5,002**	5,002	5,002
	5,002	1,334,026	5,002
Long term domestic borrowing bear interest rates on average of 5%.			
Segment B			
Short term borrowings from banks abroad (at market rates)	**371,339**	85,479	-
Long term borrowings from other financial institutions	**923,588**	1,513,159	2,050,976
	1,294,927	1,598,638	2,050,976

Long term foreign borrowings bear interest rates ranging from 7.61% to 7.80%. (2022: 5% to 7.06%, 2021: 2.05% to 2.15%).

23. OTHER BORROWED FUNDS (CONT'D)

2023

Remaining term to maturity :	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	above 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Long term borrowings from other financial institutions/ bonds	593,740	219,900	109,950	-	-	5,000	928,590
Short term borrowings	371,339	-	-	-	-	-	371,339
	965,079	219,900	109,950	-	-	5,000	1,299,929

2022

Remaining term to maturity :	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	above 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Long term borrowings from other financial institutions/ bonds	593,367	588,667	220,750	110,375	-	5,002	1,518,161
Short term borrowings	1,414,503	-	-	-	-	-	1,414,503
	2,007,870	588,667	220,750	110,375	-	5,002	2,932,664

2021

Remaining term to maturity :	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	above 5 years	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Long term borrowings from other financial institutions/ bonds	569,851	578,000	578,000	216,750	108,375	5,002	2,055,978
	569,851	578,000	578,000	216,750	108,375	5,002	2,055,978

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24. SUBORDINATED LIABILITIES

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Remaining term to maturity :			
Within 1 year	135,470	194,062	100,964
Over 1 years and up to 2 years	128,971	125,776	188,253
Over 2 years and up to 3 years	128,971	125,776	129,236
Over 3 years and up to 4 years	84,485	125,777	129,236
Over 4 years and up to 5 years	40,000	82,888	129,236
Over 5 years	595,000	635,000	719,618
	1,112,897	1,289,279	1,396,543
Current	135,470	194,062	100,964
Non current	977,427	1,095,217	1,295,579
Segment A			
Within 1 year	39,387	99,280	-
Over 1 years and up to 2 years	40,000	40,000	99,017
Over 2 years and up to 3 years	40,000	40,000	40,000
Over 3 years and up to 4 years	40,000	40,000	40,000
Over 4 years and up to 5 years	40,000	40,000	40,000
Over 5 years	595,000	635,000	675,000
	794,387	894,280	894,017
Segment B			
Within 1 year	96,083	94,782	100,964
Over 1 years and up to 2 years	88,971	85,776	89,236
Over 2 years and up to 3 years	88,971	85,776	89,236
Over 3 years and up to 4 years	44,485	85,777	89,236
Over 4 years and up to 5 years	-	42,888	89,236
Over 5 years	-	-	44,618
	318,510	394,999	502,526

Interest rates on the subordinated debts range between 5% and 8.825% (between 5% and 9.075% in 2022 and between 5% and 7.56% in 2021).

Movement in subordinated liabilities			
Opening balance	1,289,279	1,396,543	1,387,217
Additions	-	-	7,840
Redemptions/amortisation/exchange difference	(176,382)	(107,264)	1,486
Closing balance	1,112,897	1,289,279	1,396,543

25. CURRENT TAX LIABILITIES

	Dec-23	Dec-22	Dec-21
	Rs 000	Rs 000	Rs 000
Special levy on Banks	9,623	9,624	7,693
Corporate social responsibility fund	-	667	632
Income tax	27,319	12,366	19,228
	36,942	22,657	27,553
Current	36,942	22,657	27,553

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26. OTHER LIABILITIES

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Bills payable	**38,971**	75,275	20,212
Other payables	**438,275**	421,304	499,680
Allowances for off balance sheet exposures	**5,079**	15,564	8,338
	482,325	512,143	528,230
Current	**482,325**	512,143	497,423
Non current	**-**	-	30,807
Other payables consist of provisions for expenses, card settlement payables, unclaimed items and others.			
Segment A			
Bills payable	**38,971**	75,275	20,212
Other payables	**379,830**	363,167	382,477
Allowances for off balance sheet exposures	**1,010**	15,564	8,338
	419,811	454,006	411,027
Segment B			
Other payables	**58,445**	58,137	117,203
Allowances for off balance sheet exposures	**4,069**	-	-
	62,514	58,137	117,203

27. LEASE LIABILITIES

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Segment A			
Analysed as:			
Non-current	**64,630**	71,218	87,020
Current	**14,435**	13,399	9,595
	79,065	84,617	96,615
Disclosure required by IFRS 16			
Maturity analysis:			
Year 1	**19,929**	18,939	16,660
Year 2	**20,007**	18,853	18,999
Year 3	**20,039**	18,931	19,280
Year 4	**20,072**	18,963	19,667
Year 5	**7,780**	18,997	19,763
Onwards	**10,554**	11,879	29,796
	98,381	106,562	124,165

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.

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28. PENSION OBLIGATIONS

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Pension obligations under defined benefit plan			
Amounts recognised in the statement of financial position:	**83,625**	55,650	42,002
Amounts charged to profit or loss statement (note 8)	**12,086**	10,427	11,361
Amount charged/(credited) to other comprehensive income	**22,034**	10,611	(21,754)
Pension obligations under unfunded obligation			
Amounts recognised in the statement of financial position:	**37,639**	28,803	18,808
Amounts charged to profit or loss (note 8)	**(5,175)**	4,959	5,264
Amount charged/(credited) to other comprehensive income	**14,012**	5,036	(7,496)
Amount in the statement of financial position			
(a) Pension obligations under defined benefit plan	**83,625**	55,650	42,002
(b) Pension obligations under unfunded obligation	**37,639**	28,803	18,808
	121,264	84,453	60,810
Amounts charged to profit or loss statement (note 8)			
(a) Pension obligations under defined benefit plan	**12,086**	10,427	11,361
(b) Pension obligations under unfunded obligation	**(5,175)**	4,959	5,264
	6,911	15,386	16,625
Amount charged/(credited) to other comprehensive income			
(a) Pension obligations under defined benefit plan	**22,034**	10,611	(21,754)
(b) Pension obligations under unfunded obligation	**14,012**	5,036	(7,496)
	36,046	15,647	(29,250)

(a) Defined pension benefits

The plan is a defined benefit arrangement, with benefits based on final salary. It provides for a pension at retirement and a benefit on death or disablement in service before retirement. 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 12 February 2024 by Swan Life Ltd:

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

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Present value of funded obligations	**221,539**	195,414	192,377
Fair value of plan assets	**(137,914)**	(139,764)	(150,375)
Liability in the statement of financial position	**83,625**	55,650	42,002

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

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
At 1 January	**55,650**	42,002	59,106
Amount recognised in profit or loss	**12,086**	10,429	11,361
Amount recognised in other comprehensive income (gross)	**22,034**	10,611	(21,754)
Contributions by the employer	**(6,145)**	(7,392)	(6,711)
At 31 December	**83,625**	55,650	42,002
Non-current	**83,625**	55,650	42,002

28. PENSION OBLIGATIONS (CONT'D)

(a) Defined pension benefits

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

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
At 1 January	**195,413**	192,377	199,865
Included in profit or loss			
Current service cost	**8,276**	8,222	9,593
Interest cost	**11,438**	7,186	4,752
Included in other comprehensive income			
Experience losses/(gains) on the liabilities	**14,272**	7,323	(4,709)
Changes in assumptions underlying the present value of the scheme	**8,233**	6,027	(13,400)
Other			
Benefits paid	**(16,093)**	(25,722)	(3,724)
At 31 December	**221,539**	195,413	192,377

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

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
At 1 January	**139,763**	150,375	140,759
Interest Income	**8,209**	5,639	3,409
Employer's contribution	**6,146**	7,392	6,711
Scheme expenses	**(239)**	(289)	(225)
Cost of insuring risk benefits	**(343)**	(371)	(200)
Actuarial gain	**471**	2,739	3,645
Benefits paid	**(16,093)**	(25,722)	(3,724)
At 31 December	**137,914**	139,763	150,375

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

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Current service cost	**8,276**	8,222	9,593
Scheme expenses	**239**	289	225
Cost of insuring risk benefits	**343**	371	200
Net interest cost	**3,228**	1,547	1,343
Total included in employee benefit expense	**12,086**	10,429	11,361
Actual return on plan assets	**8,680**	8,378	7,054

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

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Gains on pension scheme assets	**(471)**	(2,739)	(3,645)
Experience losses on the liabilities	**14,272**	7,323	(4,709)
Changes in assumptions underlying the present value of the scheme	**8,233**	6,027	(13,400)
	22,034	10,611	(21,754)

(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.

28. PENSION OBLIGATIONS (CONT'D)

(a) Defined pension benefits (Cont'd)

(viii) As the pension fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the pension fund.

In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

(ix) Average duration

The Weighted average duration of the liabilities at 31 December 2023 is 9 years (2022: 9 years) at the end of the reporting period.

(x) Future cash flows

The funding requirements of the defined benefit plan are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The Bank expects to pay MUR 6.71m in contributions to its post-employment benefit plans for the year ending 31 December 2024.

(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-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
At 1 January	**28,803**	18,808	21,040
Amount recognised in profit or loss:			
Current service cost	**5,213**	4,075	4,612
Past service cost	**(12,203)**	-	-
Net interest cost	**1,814**	884	652
Amount recognised in profit or loss	**(5,176)**	4,959	5,264
Amount recognised in other comprehensive income (gross)	**14,012**	5,036	(7,496)
At 31 December	**37,639**	28,803	18,808

The weighted average duration of the liability as at 31 December 2023 is 11 years (2022: 11 years).

(c) Key assumption

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

	Dec-23 %	Dec-22 %	Dec-21 %
Funded pension liability			
Discount rate	**5.2**	6.1	4.0
Future salary growth rate	**3.5**	3.5	3.0
Unfunded pension liability			
Discount rate	**5.3**	6.3	4.7
Future salary growth rate	**3.5**	3.5	3.0

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-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Defined benefit funded scheme:			
1% increase in discount rate	**16,912**	15,034	15,733
1% decrease in discount rate	**(19,190)**	(17,093)	(17,981)
1% increase in future salary growth rate	**20,449**	19,905	21,313
1% decrease in future salary growth rate	**(18,329)**	(17,701)	(18,535)
Unfunded obligations			
1% increase in discount rate	**(7,634)**	(5,631)	(4,925)
1% decrease in discount rate	**(9,375)**	(7,326)	(6,511)
1% increase in future salary growth rate	**9,431**	7,011	5,411
1% decrease in future salary growth rate	**(7,802)**	(6,182)	(6,072)

The sensitivity analyses above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods used in preparing the sensitivity analysis from prior years.

(e) Risk exposure

Through its defined pension benefit and unfunded plans, the Bank is exposed to a number of risks, the most significant of which are detailed below:

(i) Funded plan

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

(ii) Unfunded plan

Longevity risk: The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

29. STATED CAPITAL

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Shares at no par value			
Stated capital	**1,456,456**	1,456,456	1,456,456
At start of year and end of the year	**1,456,456**	1,456,456	1,456,456
No of ordinary shares in issue (no par value)	**14,564,560**	14,564,560	14,564,560

Bank One Limited's share capital stood at 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.

29. STATED CAPITAL (CONT'D)

Each share confers on the holder the right to:

- one vote on a poll at a meeting of the Bank on any resolution;
- an equal share in dividends authorised by the Board; and
- an equal share in the distribution of the surplus assets of the Bank.

30. CONTINGENT LIABILITIES

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Acceptances on account of customers	**424,260**	99,666	27,777
Guarantees on account of customers	**1,952,352**	1,517,969	764,363
Letters of credit and other obligations on account of customers	**590,734**	769,853	128,549
Other contingent items	**1,133,081**	586,992	95,274
	4,100,427	2,974,480	1,015,963
Segment A			
Acceptances on account of customers	**8,448**	11,864	7,077
Guarantees on account of customers	**698,900**	587,881	428,498
Letters of credit and other obligations on account of customers	**1,670**	7,777	7,027
Other contingent items	**-**	-	-
	709,018	607,522	442,602
Segment B			
Acceptances on account of customers	**415,812**	87,802	20,700
Guarantees on account of customers	**1,253,452**	930,088	335,865
Letters of credit and other obligations on account of customers	**589,064**	762,076	121,522
Other contingent items	**1,133,081**	586,992	95,274
	3,391,409	2,366,958	573,361

Legal claims

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken. The Bank has formal control and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments for any adverse effects which the claims may have on the financial standing.

31. COMMITMENTS

		Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
(a)	**Undrawn credit facilities**	**2,795,582**	1,976,757	4,108,310
	Segment A	**1,999,053**	1,627,275	2,547,774
	Segment B	**796,529**	349,482	1,560,536

(b) Securities pledged

GOM bonds as collateral for the purpose of overnight facility from the Bank of Mauritius when required:

Treasury notes and GOM bonds as collateral for facilities availed under the Special Foreign Currency line of credit.

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Treasury/GOM bonds	**-**	-	396,000
Treasury notes/bills	**-**	-	27,000
	-	-	423,000

32. RELATED PARTIES

	Nature of relationship	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Cash and cash equivalents	Related companies	**860,803**	713,678	105,559
Loans and advances	Related companies	**169,257**	789,401	776,103
	Directors	**-**	-	-
	Key management personnel	**75,326**	102,873	74,491
Deposits	Related companies	**1,082,978**	1,187,028	1,458,218
	Directors	**122**	93	-
	Key management personnel	**52,530**	37,171	25,175
Borrowings	Related company	**143,099**	6,730	5,002
Interest income	Related companies	**1,285**	3,207	796
	Key management personnel	**-**	1,815	1,341
Interest expense	Related companies	**7,348**	1,979	250
	Directors	**3**	1	1
	Key management personnel	**630**	127	45
Fees and Expenses	Directors	**11,030**	9,528	9,030

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 Rs21.75m. Bank guarantees and committed lines for related companies amounts to Rs241.63m.

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 2023 (2022 and 2021: nil).

(a) Key Management personnel compensation

	Dec-23 Rs 000	Dec-22 Rs 000	Dec-21 Rs 000
Salaries and short term employee benefits	**109,040**	99,905	81,496
Post employment benefits	**5,606**	5,905	5,519

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 2023

33. SEGMENTAL STATEMENT OF FINANCIAL POSITION

Statement of Financial Position

	Dec-23			Dec-22			Dec-21		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS									
Cash and cash equivalents	**8,462,698**	**2,558,825**	**5,903,873**	6,898,615	258,188	6,640,427	10,449,280	483,457	9,965,823
Derivative assets held for risk management	**4,580**	**1,971**	**2,609**	3,116	3,037	79	42,826	-	42,826
Non-current asset held for sale	**-**	**-**	**-**	45,000	45,000	-			
Loan and advances to Banks	**8,873,984**	**-**	**8,873,984**	5,147,185	-	5,147,185	3,336,245	-	3,336,245
Loan and advances to customers	**19,129,086**	**16,146,655**	**2,982,431**	20,180,265	16,088,263	4,092,002	17,474,549	14,608,691	2,865,858
Investment securities - FVTOCI	**2,427,459**	**2,398,713**	**28,746**	1,402,874	1,370,618	32,256	2,083,101	2,056,341	26,760
Investment securities - Amortised cost	**10,617,591**	**3,100,969**	**7,516,622**	10,922,555	2,313,834	8,608,721	10,320,960	3,199,783	7,121,177
Right-Of-Use assets	**69,774**	**69,774**	**-**	76,965	76,965	-	89,359	89,359	-
Property and equipment	**420,993**	**420,962**	**31**	403,005	402,600	405	435,830	435,077	753
Intangible asset	**124,338**	**123,407**	**931**	133,583	131,983	1,600	130,666	130,666	-
Deferred tax asset	**31,539**	**22,083**	**9,456**	44,515	44,515	-	45,936	38,965	6,971
Other assets	**2,008,376**	**2,001,893**	**6,483**	1,571,519	1,544,196	27,323	1,387,575	1,365,833	21,742
Total assets	**52,170,418**	**26,845,252**	**25,325,166**	46,829,197	22,279,199	24,549,998	45,796,327	22,408,172	23,388,155
Liabilities									
Deposits from customers	**44,847,282**	**18,432,799**	**26,414,483**	38,242,254	15,689,790	22,552,464	37,915,989	16,074,152	21,841,837
Derivative liabilities held for risk management	**39,434**	**33,867**	**5,567**	26,439	818	25,621	3,112	-	3,112
Other borrowed funds	**1,299,929**	**5,002**	**1,294,927**	2,932,664	1,334,026	1,598,638	2,055,978	5,002	2,050,976
Subordinated liabilities	**1,112,897**	**794,387**	**318,510**	1,289,279	894,280	394,999	1,396,543	894,017	502,526
Pensions obligations	**121,264**	**121,264**	**-**	84,453	84,453	-	60,810	44,391	16,419
Current tax liabilities	**36,942**	**36,942**	**-**	22,657	22,657	-	27,553	27,553	-
Other liabilities	**482,325**	**419,811**	**62,514**	512,143	454,006	58,137	528,230	411,027	117,203
Lease liabilities	**79,065**	**79,065**	**-**	84,617	84,617	-	96,615	96,615	-
	48,019,138	**19,923,137**	**28,096,001**	43,194,506	18,564,647	24,629,859	42,084,830	17,552,757	24,532,073
Shareholders' Equity									
Stated Capital	**1,456,456**	**-**	**-**	1,456,456	-	-	1,456,456	-	-
Retained earnings	**2,021,147**	**-**	**-**	1,646,082	-	-	1,725,369	-	-
Other reserves	**673,677**	**-**	**-**	532,153	-	-	529,672	-	-
	4,151,280	**-**	**-**	3,634,691	-	-	3,711,497	-	-
TOTAL EQUITY AND LIABILITIES	**52,170,418**	**-**	**-**	46,829,197	-	-	45,796,327	-	-

34. SEGMENTAL STATEMENT OF PROFIT OR LOSS

Statement of profit or loss

	Dec-23			Dec-22			Dec-21		
	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B	BANK	SEGMENT A	SEGMENT B
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Interest income	2,352,766	1,206,714	1,146,052	1,393,221	665,234	727,987	1,155,343	776,176	379,167
Interest expense	(1,083,860)	(534,154)	(549,706)	(399,407)	(199,721)	(199,686)	(340,336)	(179,499)	(160,837)
Net interest income	1,268,906	672,560	596,346	993,814	465,513	528,301	815,007	596,677	218,330
Fee and commission income	400,946	122,703	278,243	457,051	107,240	349,811	607,911	115,506	492,405
Fee and commission expense	(138,951)	(70,841)	(68,110)	(127,650)	(55,183)	(72,467)	(329,633)	(43,459)	(286,174)
Net fee and commission income	261,995	51,862	210,133	329,401	52,057	277,344	278,278	72,047	206,231
Net gain on dealing in foreign currencies and derivatives	255,594	59,375	196,219	178,747	86,411	92,336	164,391	53,750	110,641
Net gain from derecognition of financial assets measured at fair value through other comprehensive income	733	733	-	3,111	3,111	-	93,224	93,224	-
Other operating income	(55)	(55)	-	1,746	1,746	-	29,053	245	28,808
	256,272	60,053	196,219	183,604	91,268	92,336	286,668	147,219	139,449
Operating income	1,787,173	784,475	1,002,698	1,506,819	608,838	897,981	1,379,953	815,943	564,010
Non Interest Expenses									
Personnel expenses	(674,637)	(453,482)	(221,155)	(617,351)	(438,883)	(178,468)	(557,059)	(405,200)	(151,859)
Depreciation and amortisation	(110,637)	(94,455)	(16,182)	(96,901)	(84,051)	(12,850)	(75,861)	(63,744)	(12,117)
Other Expenses	(323,319)	(236,877)	(86,442)	(290,473)	(213,066)	(77,407)	(296,366)	(221,028)	(75,338)
	(1,108,593)	(784,814)	(323,779)	(1,004,725)	(736,000)	(268,725)	(929,286)	(689,972)	(239,314)
Profit before Impairment	678,580	(339)	678,919	502,094	(127,162)	629,256	450,667	125,971	324,696
Net impairment (reversal)/loss on financial assets	132,150	120,227	11,923	33,476	67,651	(34,175)	71,799	49,700	22,099
Profit/(loss) before income tax	810,730	119,888	690,842	535,570	(59,511)	595,081	522,466	175,671	346,795
Income tax expense	(54,920)	(20,022)	(34,898)	(41,745)	(22,580)	(19,165)	(109,042)	(46,433)	(62,609)
Profit/(loss) after tax	755,810	99,866	655,944	493,825	(82,091)	575,916	413,424	129,238	284,186

35. SUBSEQUENT EVENT

No subsequent event to be reported.

Designed by Beyond Communications