A trusted partner to accompany you on your journey in Africa.

STRATEGY

OSRAM NE NSOROMMA
Trust

Lines of business and digital transformation

Personal Financial Services (PFS)

Despite prevailing economic uncertainties, the PFS business exhibited a robust performance during 2023. Our commitment to prudent risk management and strategic investments facilitated a 10% growth in our Assets Book, coupled with maintaining a low NPA ratio of 1.25% and an impressive 26% increase in our Deposits Book.

PFS remained steadfast on its core priorities:

- Building a robust domestic business with diversified revenue streams, leading from being a mortgage powerhouse in the Mauritian market
- Expanding our offshore banking proposition for mass affluent clients, with a primary focus on the SSA region
- Continued investments in digital transformation for an enhanced customer experience and a greater emphasis on digital adoption

Domestic business:

Operating in a highly competitive environment, Bank One's business strategy is rooted in a culture of innovation, challenging market norms and placing the customer journey at its core.

We continued enhancing our value propositions to better meet the evolving needs of our target markets and forged key partnerships to strengthen our one-stop-shop banking ethos. Recognition by the Global Finance Magazine as the "Best SME Bank in Mauritius" for a second consecutive year underscores this commitment to delivering exceptional financial solutions. We strive for high-level service delivery through a well-distributed channel network across the island, consolidating income streams such as lending, bancassurance and foreign exchange.

Offshore Banking:

In 2023, our offshore business witnessed significant growth, expanding more than doubling its customer base of mass affluent clients seeking to benefit from the "Mauritian advantage". The Elite offshore team expanded, welcoming specialised business development professionals in Mauritius and overseas. Deeper partnerships were also forged with our shareholders' networks, to expand our reach in the South Southern Africa region.

The Elite experience was refined to enable the smoother onboarding of clients and the value proposition expanded to better cater to the offshore banking needs of mass affluent clients in Africa. These efforts resulted in Elite offering being recognised by the Global Retail Banking Innovation Awards as a "Best Mass Affluent Banking Offering", validating Bank One's commitment to excellence.

Digital:

2023 was the year to drive the adoption of the new Internet Banking and Mobile Banking applications that were launched towards the end of previous year. PFS prioritised customer education for the adoption of our state-of-the-art digital channels, which yielded significant results, with over 51% of all transactions and activities now happening through our digital services.

Further innovation came from the introduction of Pop Save, a fully digital savings account featuring an attractive interest rate.

Additionally, we extended our bancassurance capabilities with the release of Pop Insure, which revolutionises the insurance application process. Pop witnessed a phenomenal 376% increase in transaction volume compared to previous year, signalling the continued success of our efforts in fostering a cashless society.

Corporate Banking (CBD)

As the world continues to navigate the aftermath of the Covid-19 pandemic, geopolitical tensions and an uncertain economic future, Mauritius emerges as a notable example of resilience and potential, according to the 2024 Maurice Stratégie Economic Review and Outlook.

As we turn into 2024 and, looking into the future, growth remains key to fulfil the country's ambition. Mauritius, bearing the fifth highest cost of living in Africa, is on a trajectory towards significant economic growth, projecting a GDP increase of 6.5% in 2024. This growth is supported by a dynamic mix of drivers, including a buoyant tourism sector, substantial public and private investments and expected surges in goods and services exports. Notably, strategic hikes in minimum wage and salary compensation are anticipated to spur consumption and further fuel economic expansion.

Mauritius has signed a number of trade agreements, to be effective as from 2022. Leveraging on various trade agreements, Mauritius can increase its trade flow and promote greater cross border investments in African countries.

CBD continues on its strategy to extend its support to existing/new corporate clients on both the Mid-corporate segments and Top 100 companies. 2023 has remained a challenge for the local economy, where various strategies were implemented to boost transactional flows and focus on product cross-selling in terms of trade financing. Additionally, real estate financing and our established presence in the Sub-Saharan African market has helped improve profitability growth on the domestic corporate side. Our focus on the digital transformation journey remains vital to better serve our clients for the daily trade and transactional activities.

Considering the current volatile economic conditions and the low level of visibility on the future, avenues for financing remain low. Bank One's CBD assets book suffered a contraction compared to December 2023 and the high liquidity level in the economy, coupled with low deployment opportunities following the geopolitical war in Ukraine, shortage of hard currency on the market to accommodate trade growth and the continuous hike in Key Rate. The decline in CBD deposits book is aligned with our strategy to reduce its costs and, in this context, some high-ticket deposits were deliberately allowed to run off.

International Banking (IBD)

Africa is set to emerge as the second fastest-growing region in the world, with six SSA countries – Niger, Senegal, Rwanda, the Democratic Republic of Congo (DRC), Côte d'Ivoire and Ethiopia – becoming the top 10 fastest-growing economies in 2024. This is according to the Global Economic Prospects report released by the World Bank. Growth in SSA is projected to be 3.8% in 2024, up from an estimated 2.9% in 2023.

The year 2023 has been a difficult one for the SSA region's economy, especially in bringing stability to the macroeconomic imbalances. Despite increased conflicts and violence weighing on some of the economies of the SSA, the rising economic fragility arising due to climatic shocks and heightening instability, SSA countries stood firm in pushing growth as the inflationary pressures started to fade and financial conditions eased gradually by the end of the year 2023.

In response to these challenges, Bank One remains firm in pursuing its SSA strategy, as the latter remains one of the most exciting regions in the world embodying potential opportunities for recovery and growth.

IBD's tailor-made structured lending propositions and trade & cash management solutions are best suited to help Financial Institutions, Sovereigns, Central Banks and African Champions Corporates achieve their strategic growth ambitions.

With the growth trajectory of SSA at the heart of the continent's development, IBD worked towards its goal to meet our clients' debts and funding requirements by advising, arranging and structuring, while leveraging our extensive distribution network.

Bank One now stands with a Credit Rating of BB-Stable Outlook by Fitch Ratings since 23 June 2023. It is worth noting that, from a rating perspective, Bank One now ranks amongst the Top 15 Commercial Banks in Sub-Saharan Africa and, ultimately, won the Best International Bank 2023 in Indian Ocean award by Capital Finance International (CFI. CO).

The success of IBD lies in handling its relationship with its clients and in attending the right events and conferences to sustain the network with our partners and clients. For instance, the IBD team attended Global Trade Reviews and Leadership platforms such as the Africa CEO Forum as well as the AFSIC Conference, which have proven very successful in engendering a window to structure transactions by dealing with best-in-class FIs, Lenders and insurance companies, to diffuse risk on Africa-centric transactions.

As part of its diversification strategy, IBD also introduced two new business lines, to enhance its product suite and generate incremental and diversified revenue streams. The Trade Finance business is expected to grow exponentially in the coming years, to facilitate trade flows within SSA as well as imports of strategic commodities such as energy products, fertilisers and pharmaceuticals, to support Africa's growth.

In a nutshell, it is not a journey that is paved with overnight success; it is only over time that we can slowly but surely build upwards. We are pleased to continue support the SSA trade flows, with a view to boosting intra-African trade, bridging the SSA trade finance gap and plugging into the new future of client-inspired, innovative and dynamic payment capabilities across SSA.

Private Banking and Wealth Management & Securities Services (PBWM)

The Private Banking and Wealth Management & Securities Services (PBWM) clientele includes High Net Worth Individuals (HNWI), external Asset Managers, Financial Institutions, Collective Investment Scheme (CIS) and Pension Funds. To enhance its offering and customer experience, further investments have been made to improve the custody platform.

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

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

Lines of business and digital transformation

Treasury Business

The year under review has seen a pickup in the economy, with the tourism sector faring much better than pre pandemic levels.

However, currency inflows could not match the demand for hard currency; the shortage persisted and the central bank had to intervene several times to contain the USD/MUR volatility. The Bank of Mauritius interventions, though in smaller lots, totalled an amount of USD 360 million of sales to the local market. This helped theUSD/MUR rate to stabilise and even end the year on a weaker note, at 44.43 compared to 44.70 at the start of 2023.

The BoM MERI2 index, which is based on the currency distribution of the merchandise trade and tourism earnings, showed the local currency appreciated slightly at the end of December 2023, as compared to January 2023.

On the interest rate front, the central bank maintained Key Rate at the 4.50% level throughout the year, despite inflationary pressure subsiding towards the end of the year. With the new monetary policy framework in full swing, the central bank has been able to contain the MUR surplus liquidity by issuing its own securities, together with the issuances of 7-day bills at the key rate. Local banks have been able to access the open market operations at the central bank, by investing surplus MUR on overnight basis.

The treasury department's focus on the SSA strategy has been gathering momentum, with new counterparties being onboarded; we foresee a pickup in our target base in the years to come. Treasury has achieved a decent performance on both non-funded and interest income during 2023.

Digital transformation

The Bank remains committed to enhancing customer experience through its digital transformation journey, with incremental digital deliveries across newly built channels.

In 2023, a new Internet Banking platform for corporate customers was launched, with optimised ergonomics and new features such as bulk payment features.

Workflow capabilities for account opening were extended to our International Banking and Corporate Banking segments, to reduce turnaround time to service our customers.

POP extended its service offerings to Save and Insure, respectively empowering customers to earn interests by saving smartly through rules settings and allowing them to compare insurance offerings at their fingertips.

Quality of service and continuous improvement remain at the core of our values. In 2023, they led to a significant increase in adoption and satisfaction about our digital services across all channels.

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

Risk Management

Effective risk management is essential in delivering consistent and sustainable performance for all the Bank's stakeholders. It is a central part of the financial and operational management of the Bank.

The Bank adds value by taking and managing appropriate levels of risk, which in turn generate returns for shareholders.

Board and Board Committees

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

The Board has ultimate responsibility for risk governance and internal control systems, as well as in determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives, while ensuring an appropriate risk culture has been embedded.

Risk oversight has been delegated to appropriate Board Committees which:

- Review and assess the integrity of the risk control systems and ensure risk policies and strategies are effectively identified, managed and monitored to contribute to a climate of discipline and control, thereby reducing the opportunity of risk, including fraud, in all areas of operations.
- Consider reports by executive management on measures implemented to ensure compliance with the statutes, regulatory guidelines and internal policies and procedures.

As at 31 December 2023, the Board is satisfied that:

- Risk and capital management controls and processes across the Bank generally operated effectively.
- Business activities have been managed within risk appetite approved by the Board.
- The Bank is adequately capitalised and funded to support its strategy execution.

In the instances where gaps were identified or where the Bank incurred losses and breached its risk appetite, the Board is satisfied that Management has taken and continues to take appropriate remedial and timely action.

Three lines of defence

The Bank leverages the three lines of defence model (as pictured below) to build and maintain a strong risk culture, where resilience is a priority for the effective management of risk. Focus is placed on multiple drivers to strengthen the risk culture.

First line	Second line	Third line
Business lines	**Risk Management & Compliance**	**Internal Audit**
The first line of defence consists of the management of business lines. It is the responsibility of first line management to identify and manage risks. This includes, at an operational level, the daily effective management of risk in accordance with agreed risk policies, appetite and controls.	The second line of defence functions provide independent oversight and assurance and support management in ensuring their specific risks are effectively managed as close to the source as possible.	The third line of defence provides independent and objective assurance to the Board and Senior Management on the effectiveness of the first and second lines of defence.

Risk Governance

Executive management continuously ensures that legal, regulatory and business requirements are fully embedded in the Bank's policies, processes and governance frameworks, which are supported by robust control mechanisms to ensure compliance with same.

Risk Management Team

The Risk Management team is responsible for the day-to-day oversight of the management of risks and for instilling a strong risk culture across the Bank.

Risk management is enterprise wide and constitutes a crucial element in the execution of the Bank's strategy. The role of the risk management function is to ensure the full spectrum of risks faced by the Bank is properly identified, assessed, managed, monitored and reported in the pursuit of strategic and financial goals.

The Risk Management team maintains its objectivity by being independent of operations. The Chief Risk Officer has a direct reporting line to the Chief Executive Officer and to the Board Risk Management Committee.

Risk Management Framework

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

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

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

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

The following section outlines the principal risks that are core to the Bank, including the management thereof.

Credit risk

Overview and definition

Credit risk is defined as the risk of loss arising from a client or counterparty failing to fulfil its financial obligations.

Approach to managing Credit risk

Credit risk is the most material risk which the Bank is exposed to. In the absence of an effective and efficient credit risk management process, credit losses can have a significant adverse impact on the Bank. The Bank has therefore devised a credit risk management process to:

- Maintain credit risk at an acceptable level relative to capital.
- Preserve the quality of the statement of financial position.
- Ensure returns are proportionate to the risks being taken.

Risk Management

Credit risk is managed through:

- Defining credit risk appetite for counterparty, sector and country concentrations, with regular monitoring to proactively adjust to changes in the economic environment.
- A culture of responsible lending.
- Expert scrutiny and approval of credit risk and its mitigation via a delegated authority framework.
- Identifying, assessing and measuring credit risk from an individual facility level, through to an aggregate portfolio level.
- Monitoring credit risk exposures relative to approved limits, risk appetite, changes in the economic environment and in clients' state of affairs, to identify early signs of weaknesses in the exposure as this, in turn, will enable the Bank to take prompt action, such as the tightening of appetite for particular products, increase in collateral requirements or curtailing originations.

Governance and reporting

Credit risk governance cuts across levels of hierarchy within the Bank through committees at Board, Executive Management and Management levels. The key committees for credit risk are illustrated below:

	EVALUATE | MONITOR Transaction level	RESPOND | MONITOR Portfolio level
Board Committees	Board Credit Committee	Board Risk Management Committee
Executive Management Committees	Management Credit Committee	Management Integrated Risk Committee
Management Committees	Credit Forum	
Individuals	Individual Delegated Authorities	

The credit risk strategy and the credit risk policy are approved by the Board Risk Management Committee and the credit risk portfolio is monitored on a monthly basis at the Management Integrated Risk Committee.

The Board Credit Committee is the ultimate credit approving authority of the Bank and approves all exposures above the Management Credit Committee delegated authority.

Concentration Risk

The Concentration risk is defined as the risk that any single obligor or group of obligors has the potential to produce losses large enough (relative to the Bank's capital, assets or overall risk acceptance level) to threaten the Bank's health or ability to maintain its core operations.

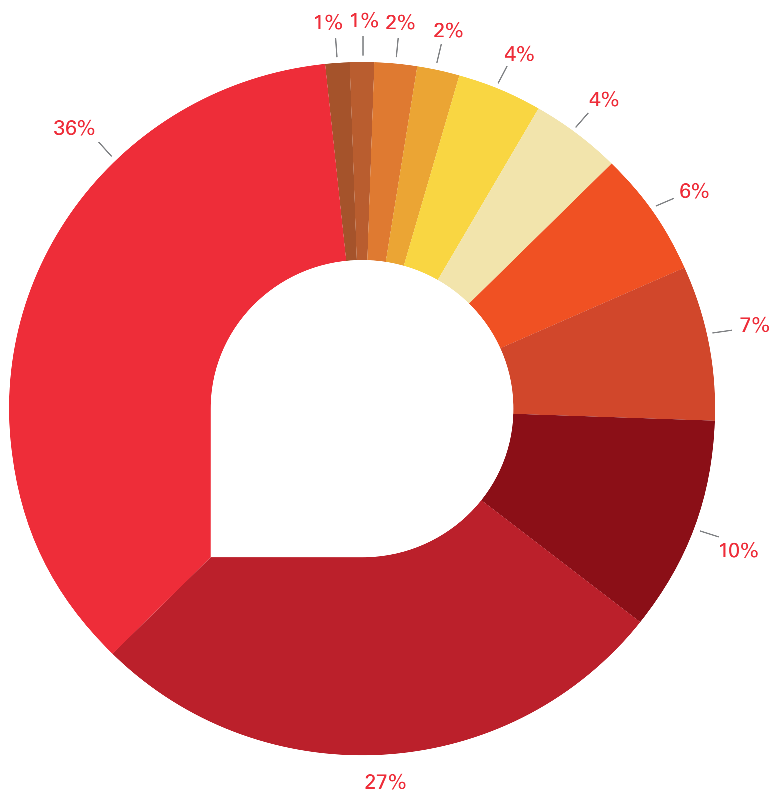
The Bank manages concentration risk in terms of sectors, obligors/group of obligors and at country of risk level.

The Bank has internal policies which are in line with the requirements of the Bank of Mauritius Guideline on Credit Concentration Risk.

As at 31 December 2023, the Bank was in compliance with the guideline.

Sectorial concentration

As shown in the chart below, the Bank has a well-diversified loan portfolio. The largest concentration relates to Financial and Business Services at 36% (2022: 28%), with the bulk of the exposure being to Financial Institutions and aligned with the Bank's strategy.



- Sectors accounting for less than 1% of the loan book
- Infrastructure
- Other
- Transport
- Tourism
- State & Local Government
- Personal
- Construction
- Commerce
- Housing
- Financial and Business Services

Risk Management

Top 10 Single Obligors

Single obligor	2023 Exposure MUR 000	2023 % of Tier 1 Capital	2022 Exposure MUR 000	2022 % of Tier 1 Capital
1	756,226	20.11%	674,307	19.68%
2	659,700	17.55%	662,250	19.33%
3	659,700	17.55%	662,250	19.33%
4	659,700	17.55%	662,250	19.33%
5	659,700	17.55%	662,250	19.33%
6	659,700	17.55%	441,500	12.89%
7	618,720	16.46%	441,500	12.89%
8	440,406	11.71%	441,500	12.89%
9	439,800	11.70%	441,500	12.89%
10	439,800	11.70%	441,500	12.89%

Top 10 Groups

Group	2023 Exposure MUR 000	2023 % of Tier 1 Capital	2022 Exposure MUR 000	2022 % of Tier 1 Capital
1	972,947	25.88%	1,143,750	33.38%
2	791,640	21.06%	1,038,595	30.32%
3	671,828	17.87%	800,415	23.36%
4	657,171	17.48%	686,358	20.03%
5	625,000	16.62%	662,250	19.33%
6	593,730	15.79%	625,000	18.24%
7	550,053	14.63%	504,046	14.71%
8	440,800	11.72%	492,594	14.38%
9	440,406	11.71%	452,458	13.21%
10	54,179	1.44%		

Related-party credit transactions

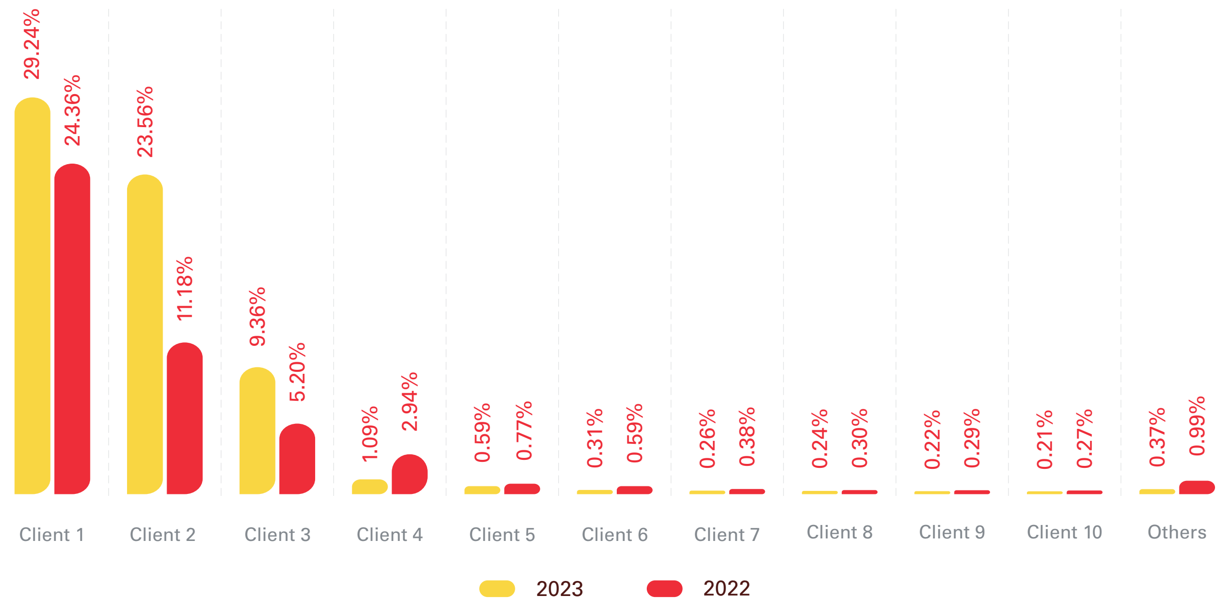
The Board has the authority to approve all related party exposures and has the responsibility to ensure these exposures are at standard market principles in terms of the arm's length principle. As at 31 December 2023, the Bank was in compliance with the Bank of Mauritius Guideline on Related Party Transactions.

The aggregate on balance sheet related party exposure of the Bank amounted to MUR 2.46billion as at December 2023 (December 2022: MUR 1.15billion), which represents 65.44% of Tier 1 Capital (December 2022: 47.27%). The facilities range from bank placements to overdrafts and loans. Collateral is taken for the facilities based on the credit risk assessment. Settlement of facilities are from the underlying obligor's operating cash flow, on arm's length terms and with relevant conditions.

The aggregate related party exposure (off-balance sheet) of the Bank was MUR 583 million as at year-end (2022: MUR 454 million).

None of the loans advanced to related parties were classified as non-performing as at 31 December 2023.

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



International Financial Reporting Standard 9 (''IFRS 9")

The Bank categorises its lending portfolio in terms of Performing, Watch List and Non-Performing. The exposures are assessed and assigned to one of the following stages:

- Stage 1: Performing assets;
- Stage 2: Performing assets with significant risk deterioration; and
- Stage 3: Non-performing credit impaired assets.

The IFRS 9 standard requires the Bank to use the best estimates of three components, namely Probability of Default, Loss Given Default and Exposure at Default, to arrive at an Expected Credit Loss. These components are estimated using both internal and external models.

External auditors have validated the internal models and tools for the purpose of IFRS 9. Impairment provisions are recognised for financial reporting purposes under the IFRS 9. Every two years, an independent valuation report is obtained from a qualified appraiser, to validate the net realisable value of collateral.

Collections segment

The credit risk monitoring and control for stage 1 and stage 2 exposures are managed jointly by the business lines and the Collections team.

As an additional control, facilities that are showing signs of deterioration and frequent delinquency are placed under Watch List and followed up on in Management and Board Credit and Risk Committees.

Recovery segment

Stage 3 exposures are exclusively managed by the Collections and Recovery teams. The Bank's philosophy is to resolve recovery matters through negotiations in the first instance. If no agreement is reached, legal action is pursued with urgency for a timely recovery of assets.

At year-end 2023, the NPA portfolio had increased by 108%, with NPA ratio at 4.20%. The Provision Coverage Ratio declined from 89% in 2022 to 47% at end 2023, hence increasing the Net at Risk value of the portfolio. The Recovery team achieved exceptional results, especially on the recovery of vintage accounts amounting to MUR 123 million. Recoveries and reversal of provisions have resulted in a Net Impairment Release of MUR 132 million for the FY2023.

Risk Management

Write off

When there is no realistic probability of recovery, assets are written off against the related impairment allowance, on completion of the Bank's internal processes and when all reasonably expected recoveries have been collected.

In subsequent periods, any recoveries of amounts previously written-off are recorded as a release to the credit impairment charge in the profit or loss.

Country risk

Overview and definition

Country risk arises out of the uncertainty that obligors will be able to fulfil obligations, due to the Bank given political or economic conditions in the host country. It also includes the risk that the Bank will be unable to obtain payment from customers or third parties on their contractual obligations, because of certain actions taken by a foreign Government, primarily relating to the convertibility and transferability of foreign currency.

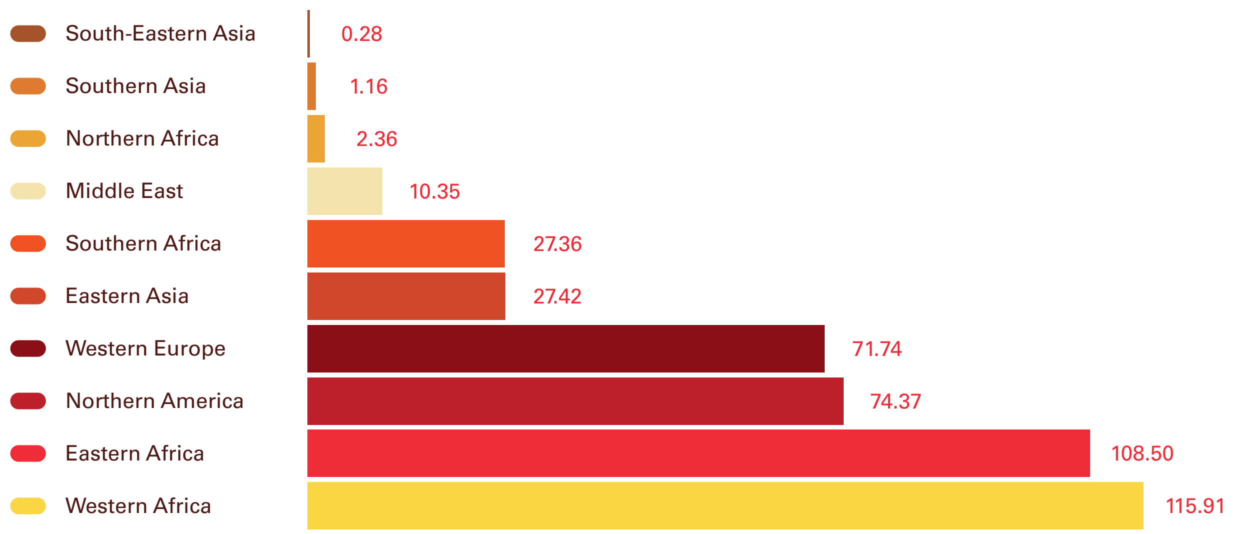
Approach to managing Country risk

In line with global cross-border financing principles, the Bank has a country risk management policy supported by well-defined frameworks to:

1. Classify the country of risk, which must reflect the primary geographical location of an obligor's revenue generation (cash flows) and assets. Country of risk transfers are applied when credit enhancements are included in the structure of exposures.
2. Allocate country limits to mitigate concentration risk. The Bank has a methodology which has been devised internally to set a cap on country limits. The methodology is hybrid and based on external credit ratings, presence markets, market knowledge and economy size of the country (Gross Domestic Product).

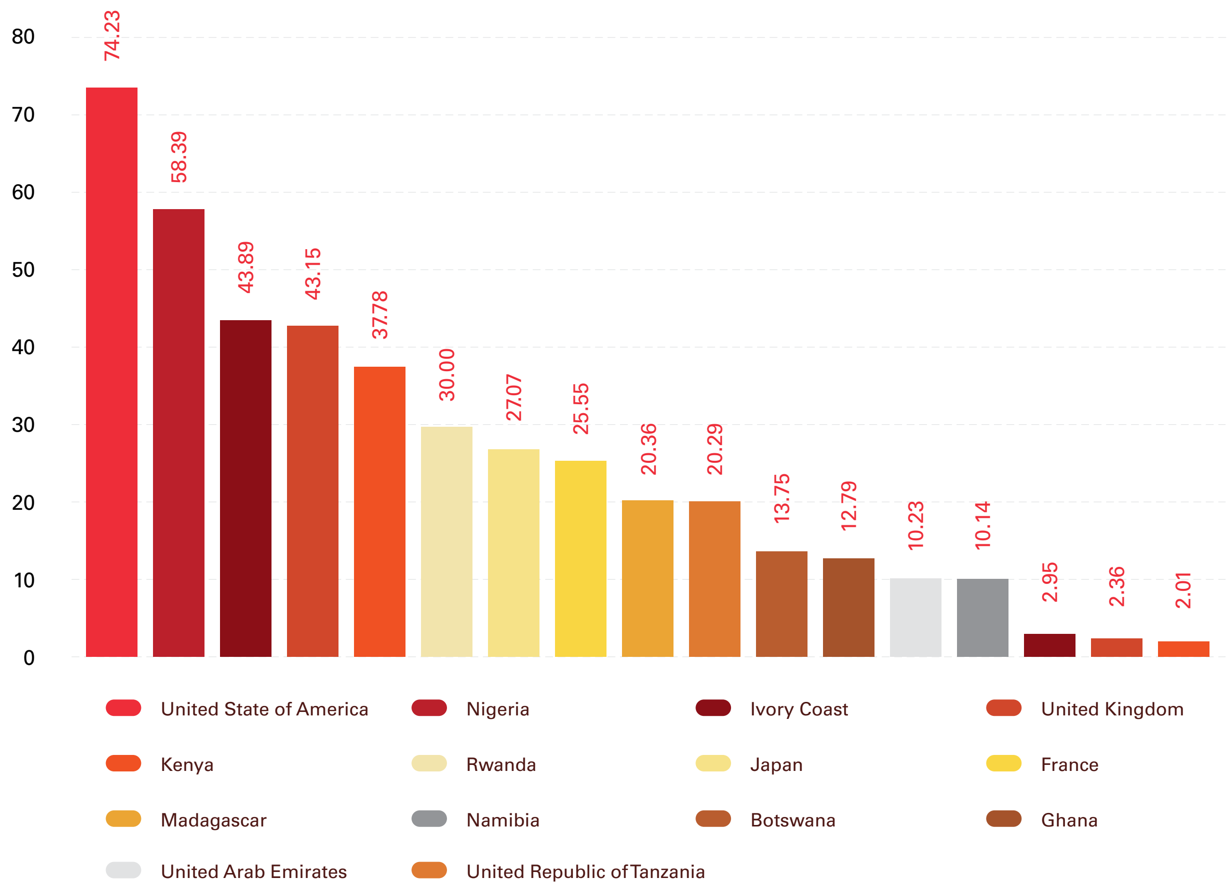
The graph below provides a snapshot of the Bank's cross border exposures by region as at end of December 2023. Concentration is mainly within Sub-Saharan Africa, in line with the Bank's strategy.

Exposure by Region (USD'M)



Per country, the Bank has the largest exposure to the United States of America, as it seeks to invest in High-Quality Liquid Assets, followed by Nigeria and Ivory Coast, where the Bank's exposures are mainly on strong credit quality, Domestic Systemically Important Banks.

Exposure by Country



Governance and reporting

The Bank's Management Credit Committee, Board Credit Committee and Board Risk Management Committee, represent the primary governance bodies overseeing country risk.

Risk Management

Market risk

Overview and definition

Market risk is defined as the risk of losses in stakeholder value, resulting from adverse changes in market prices and interest rates that negatively affect assets and liabilities.

Approach to managing Market risk

The Market Risk Policy outlines the framework to identify, measure, monitor, manage and report market risk, in order to minimise the risk of financial loss. The Assets & Liabilities Committee has been established to enforce compliance with the policy. The risk appetite has been expressed in the form of Value at Risk (VaR).

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

Accordingly, at 31 December 2023, VaR limits against the actual potential loss reflect sufficient headroom:

VaR limits vs actual position - December 2023	USD	EUR	GBP
Limit	MUR800k	MUR500k	MUR200k
Value at Risk	MUR279k	MUR14k	MUR3k
Expected shortfall	MUR329k	MUR15k	MUR4k

(i) Foreign exchange risk

The Bank has limited net foreign exchange exposure, as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or through cover transactions with the market.

The net open exposure positions, both by individual currency and in aggregate, are managed by the Treasury Department within established limits and reported to the Bank of Mauritius daily.

Throughout 2023, the Bank operated well within the regulatory limits regarding net open positions.

A monthly report is submitted to the Asset & Liability Management Committee and a quarterly report is submitted to the Board Risk Management Committee, for notification of any underlying breach in limits. Breaches are immediately notified to Senior Management and simultaneously escalated to the relevant sanctioning authority, in line with the Bank's Escalation Matrix.

(ii) Interest rate risk

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

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

Interest rate sensitivity analysis

A detailed analysis of the interest rate sensitivity analysis as at 31 December 2023 is given in note 2 (f) of the Financial Statements.

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

The interest rate risk in the banking book is managed by controlling interest rate sensitivities, which relate to the immediate effects of interest rate changes on assets, liabilities and off-balance sheet items. With the composition of the statement of financial position as at 31 December 2023, Net Interest Income is expected to rise in an increasing rate scenario and fall in a decreasing rate scenario.

MUR & USD earnings at risk analysis as at 31 December 2023

Interest rate movement 2023	Impact on earnings on account of interest basis (MUR'M)	Impact on earnings on account of interest basis (USD'M)
+ 100 bps	3.05	1.32
- 100 bps	(3.05)	(1.32)
+ 200 bps	6.10	2.64
- 200 bps	(6.10)	(2.64)

The Bank is able to absorb potential interest shocks.

Governance and reporting

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monitored via the monthly Asset & Liability Management Committee, which reports any key risks monthly to the Management Integrated Risk Committee and quarterly to the Board Risk Management Committee. The Treasury Department monitors the debt securities book on a weekly basis and reports monthly to the Asset & Liability Management Committee.

Risk Management

Liquidity risk

Overview and definition

Liquidity risk is defined as the risk of losses from not having cash to honour commitments when falling due.

Approach to managing Liquidity risk

The Bank manages liquidity in line with applicable regulations and within the Bank's risk appetite framework. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity to ensure payment obligations can be met under both normal and stressed conditions. It also ensures minimum regulatory requirements are always met. This is achieved through a combination of maintaining adequate liquidity buffers and to ensure that cash flow requirements are met.

The Bank seeks to keep secure funding and liquidity positions to support its business development objectives. Diversified and stable sources of funding are maintained, comprising mainly customer deposits and borrowings, both short- and long-term. Additionally, an appropriate level of liquid assets is kept, ensuring obligations can be met within a reasonable time frame.

Liquidity risk is measured and monitored separately for each material currency and on a consolidated level. The Bank assesses funding and liquidity positions with respect to obligations under both Business As Usual and stressed conditions. The Board has set internal targets on key regulatory measures such as the Liquidity Coverage Ratio at currency level, while monitoring other ratios and early warning indicators to assess its liquidity situation. The key actions undertaken to ensure liquidity risk is effectively measured and monitored at the Bank include the following:

- Strong Liquidity Contingency Plan in place, which provides active monitoring and detailed early warning indicators under a liquidity stress situation.
- Effective monitoring and management of daily computation of liquidity ratios, which provides the Bank with cash flow projection within a reasonable time frame.
- Carrying out of frequent simulation on liquidity ratios, based on what-if investment in high-quality liquid assets and renewal of retail/wholesale market funding.
- Maintain adequate high-quality liquid asset buffer as well as achievement of conservative maturity profile and operational deposit optimisation, to ensure compliance with the liquidity coverage ratio with monitoring/reporting for assets and liabilities denominated in significant currencies.
- Close monitoring of the Liquidity Coverage Ratio by the Assets and Liabilities Committee on a monthly basis and as and when required.

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

The Bank monitors liquidity gaps on a static, cumulative as well as dynamic basis. Under the dynamic scenario, the Bank arranges assets and liabilities into different maturity ranges, according to the Bank of Mauritius Guideline on Liquidity Risk Management, considering the historical behavioural pattern of these assets and liabilities. Stress testing and scenario analysis form an important part of the Bank's liquidity management process.

Governance and reporting

The Asset and Liability Management Committee oversees the management of funding and liquidity risk at the Bank. The Treasury team is responsible for the daily management of liquidity and provides daily reporting to Senior Management. Weekly reporting on liquidity ratios is done by the Asset and Liability Management Unit within Finance to Management.

Liquidity Coverage Ratio (LCR)

LCR is computed as the percentage of high-quality liquid assets to total net cash outflows over the next 30 days, under a severe stress scenario. As at 31 December 2023, the Bank was well above the minimum consolidated liquidity requirements, as shown in the table below:

Liquidity Coverage Ratio - Quarter ending December 2023

(Consolidated in MUR'000s)	TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)
HIGH-QUALITY LIQUID ASSETS		
Total high-quality liquid assets (HQLA)	8,561,335	8,561,335
CASH OUTFLOWS		
Retail deposits and deposits from small business customers, of which:		
Less stable deposits	13,890,679	1,389,068
Unsecured wholesale funding, of which:		
Non-operational deposits (all counterparties)	13,725,862	5,490,345
Unsecured debt	2,725,582	2,725,582
Additional requirements, of which:		
Credit and liquidity facilities	668,335	137,610
Other contractual funding obligations	8,923	8,923
Other contingent funding obligations	846,768	42,338
TOTAL CASH OUTFLOWS	**31,866,149**	**9,793,867**
CASH INFLOWS		
Secured funding	6,590,478	6,590,478
Inflows from fully performing exposures	1,167,747	583,873
Other cash inflows	856	856
TOTAL CASH INFLOWS	**7,759,080**	**7,175,207**
		TOTAL ADJUSTED VALUE
TOTAL HQLA		**8,561,335**
TOTAL NET CASH OUTFLOWS		**2,618,660**
LIQUIDITY COVERAGE RATIO (%)		**327%**
QUARTERLY AVERAGE OF DAILY HQLA		**8,589,082**

Notes: The reported values for 'quarterly average of monthly observations' are based on October, November and December 2023 month end figures.

The reported values for 'quarterly average of daily HQLA' are based on business days figures over 01 October 2023 to 31 December 2023's period.

Comments:

- As at the end of December 2023, the Bank's quarterly average LCR was 327% compared to 304% as at September 2023, significantly above the regulatory minimum of 100%.
- This is driven by an excess of MUR 5.9billion of High Quality Liquid Assets (HQLA) over Net Cash Outflows (NCO).
- The Bank's stock of High-Quality Liquid Assets (HQLA) is proactively managed to ensure high levels of liquidity.
- Liquidity levels are monitored daily.
- Formal reviews of the Bank's liquidity position and limits take place monthly in the management ALCO.

Risk Management

Operational risk

Overview and definition

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

Approach to managing Operational risk

The Operational Risk Management Framework sets out the underlying risk principles by which the Bank identifies, manages and measures Operational risk. The framework aims at sustainably embedding the following:

- Proactive risk management and disciplined risk-taking, while ensuring the Bank's Operational risk profile remains within appetite.
- Fostering a positive risk and control culture, with clear ownership and accountability across the Bank.
- A sound and sustainable risk and control environment.

The operational risk management toolkit includes operational risk appetite, key risk indicators, risk and control self-assessments, control issues monitoring and internal control programmes. Focus is on sustainably reducing the Bank's material risk exposures, consistent with its risk appetite, as well as scanning and analysing emerging risks against which the Bank must demonstrate resiliency.

The Bank identifies and evaluates risks by applying the Evaluate-Respond-Monitor (ERM) approach, ensuring material operational risks facing the Bank are identified and understood and that appropriate management responses are put in place to protect and enable the Bank to meet its goals. Ongoing monitoring is proactively undertaken for prompt risks re-evaluation and re-assessment of responses, to ensure progress towards objectives.

Risk and Control Self-Assessment programme

The Risk and Control Self-Assessment programme remains an integral part of the Operational Risk Strategy, which aims at enhancing the roles and responsibilities of the first line of defence in identifying and managing key risks in their respective activities. Over the past years, the Bank adopted a risk-based approach that focuses on processes which are critical for strategy execution and for delivering to customers and stakeholders. This approach ensures material risks and rewards are fully understood and managed, resulting in consistent monitoring of the Bank's operational risk profile, in accordance with business objectives and appetite. Fraud preventative and detective controls are also identified as part of this ongoing exercise, to support the internal control programme from a fraud monitoring perspective. Periodic self-assessments by the first line of defence now contribute towards measuring the overall risk and control environment effectiveness.

Incident management and reporting

Incidents, including events resulting in actual loss and those resulting in non-financial impact and near-misses, are duly recorded and reported. The operational risk incident management process has been ringfenced over the last years, to bring more in-depth incident analysis with appropriate response and monitoring, aiming at sustainably resolving issues and, therefore, preventing recurrence. All material control failures are subject to a robust root cause analysis and lesson learnt process. Resulting impacts, both financial and non-financial, are thoroughly assessed against the yearly set operational risk appetite, which caters for quantitative and qualitative measurements. The incident management process further complements the internal control programme, with deep dives and post-implementation reviews undertaken on recurrent key themes, as a measure to proactively manage the overall operational risk profile.

Insurance cover

The Bank has contracted insurance covers to mitigate operational risks. These covers are reviewed on an annual basis. The Board ensures an adequate insurance programme is in place to protect the Bank against losses resulting from its business activities.

Business continuity management

Business continuity refers to the Bank's ability to maintain critical operations in the face of disruption from internal and external shocks. The aim of business continuity is to protect and preserve critical processes and resources such as systems, data, people and property, thus maintaining overall resilience.

Business continuity remains a key focus area for the Bank in the wake of the Covid-19 pandemic, with a robust framework to support the adopted scenario-based approach. The Bank's business recovery plans are designed to cater for short-, medium- and long-term solutions, taking into consideration the various devised scenarios to effectively reinforce the Bank's resiliency in contingent situations.

Criteria and underlying assumptions for determining the Bank's critical activities and expected resources are well defined as part of the Business Impact Analysis. Testing of contingency plans, comprising both scenario-based simulation exercises and planned testing of the disaster recovery servers, are undertaken twice yearly to assess the Bank's readiness and ability to resume operations of its critical activities within the set recovery time objectives.

Governance and reporting

Operational risk is managed through the Management Integrated Risk Committee. The Board Risk Management Committee has oversight over operational risk and receives quarterly reports to that effect.

Cyber and Information Security risk

Overview and definition

Cyber and Information Security risk is defined as the inability to manage a cyber or data breach while continuing to conduct business activities as usual.

Approach to managing Cyber and Information Security risk

Infrastructure and data protection

The Bank ensures security through infrastructure and data protection. Infrastructure protection involves securing systems, hardware, software, networks and physical security. Data protection prevents unauthorised actions on information, ensuring confidentiality, integrity, availability and privacy.

The Bank employs advanced security measures to fortify its network. Beyond traditional layers, which include multiple firewalls and a web application firewall filtering out malicious traffic, the Bank uses Intrusion Detection and Prevention Systems to identify and thwart unauthorised access. The recent implementation of an advanced network monitoring appliance, leveraging artificial intelligence, has significantly elevated the network's threat detection capabilities, enabling a prompt and effective response to malicious activities.

The Bank prioritises application security through regular code reviews, to identify and address potential security issues. The Bank has adopted secure coding practices, incorporating guidelines like least privilege and defence in depth, to prevent vulnerabilities such as SQL injection and cross-site scripting. These measures collectively contribute to a robust and secure application environment within the Bank.

Endpoint security is a core focus area. The Bank uses various tools and techniques to protect its devices and data from cyber threats. Some of them include antivirus and anti-malware software, patch management, data encryption, device control, Endpoint Detection and Response, Mobile Device Management and Multi-Factor Authentication.

Compliance with the Mauritius Data Protection Act and the General Data Protection Regulation is key. The Bank ensures robust data security through the implementation of encryption protocols for data in transit and at rest, assuring the confidentiality and integrity of sensitive information. A meticulous data classification and labelling system is in place, facilitating prioritised data handling with tailored controls based on its significance. Embracing a layered approach, the integration of encryption with data classification enhances overall resilience against potential threats.

To assess and validate the configuration and security frameworks, a predetermined schedule of security testing is implemented. This includes a combination of internal and external penetration testing, application penetration testing, Red Team and Purple Team exercises, API security testing and other relevant assessments.

Risk Management

Monitoring and awareness

The Bank enhances its cybersecurity framework by incorporating continuous monitoring and using advanced Security Information and Event Management systems. These systems enable real-time analysis of logs, network traffic and user behaviours, facilitating the prompt identification of anomalies or malicious patterns. The Bank employs intrusion detection and prevention systems to monitor and respond swiftly to potential security incidents. In tandem, educational programmes are integrated into employee training and development, featuring regular cybersecurity training sessions, awareness campaigns and informative material distribution, to educate employees and stakeholders about cybersecurity risks and best practices.

The Bank enhances its security posture through its dedicated Security Operation Centre, overseeing the Security Information and Event Management systems for comprehensive visibility. Proactive measures include continuous surveillance of network activities, system logs and user behaviours, to promptly detect anomalies or suspicious patterns. With a vigilant approach, the Bank has established a robust security monitoring system, ensuring swift identification and response to potential security threats, contributing to the overall resilience of its security infrastructure. Concurrently, the Bank has developed robust incident response plans and playbooks to ensure efficient and effective responses to security incidents, reflecting its commitment to proactive security management.

Prioritising a security-conscious culture, the Bank emphasises employee education through robust security and awareness programmes. Regular training sessions for staff and directors highlight cybersecurity best practices, addressing potential threats like phishing and social engineering. The Bank actively conducts simulated social engineering exercises to evaluate training effectiveness and foster a vigilant organisational ethos. This security-oriented approach extends to customers, offering insights into secure banking practices. Emphasising prompt reporting of abnormal events, the Bank maintains clear communication channels for timely reporting of security incidents to all stakeholders.

Regulatory requirements

The Bank of Mauritius introduced the Guideline on Cyber and Technology Risk Management in 2023. The Guideline enforces strict controls, covering governance, risk identification, protection, detection, response capabilities, assurance testing, awareness and training. This underscores the need for a structured approach to technology risk management in the banking sector, advocating for proactive measures, identification and mitigation of evolving cyber and technology risks. The holistic framework extends controls to various cybersecurity dimensions, ensuring a robust defence against a dynamic threat landscape. Regulatory emphasis on assurance testing underscores ongoing validation while the focus on awareness and training reflects a commitment to a well-prepared and cyber-resilient banking sector.

The Bank's independent gap assessment against the Guideline shows a comfortable compliance level for most controls. Partial compliance exists in some areas, while some controls are deemed not applicable. The Bank has established a remediation plan to attain a full compliance status.

Governance and reporting

Cybersecurity governance involves integrated strategies for the proactive prevention of cyber threats, encompassing accountability frameworks, decision hierarchies, risk alignment with business objectives and oversight processes. Cybersecurity management focuses on operationalising governance policies, ensuring day-to-day security through efficient resource allocation. The collaboration between governance and management aims to protect digital assets, reduce cyber threats and provide a strategic security outlook involving risk appetite definition and decision-making responsibilities.

The Bank has implemented a robust governance framework for cybersecurity and information security, aiming to ensure efficacy. This includes the enforcement of comprehensive security policies aligned with industry regulations and strict adherence to the Bank of Mauritius Guideline on Cyber and Technology Risk Management. To maintain compliance with regulatory requirements, the Bank is subject to regular audits and assessments.

In the realm of policy and compliance, the Bank undertakes the development and enforcement of security policies, encompassing acceptable use, access controls, data classification and incident response procedures. The approach includes a commitment to aligning with industry regulations and best practices.

In the domain of Cybersecurity and Information Risk Management, the Bank adopts a comprehensive framework, conducts regular risk assessments to identify and evaluate potential cyber threats and implements mitigation strategies involving advanced security measures, encryption protocols and multi-factor authentication. The Bank also prioritises continuous monitoring and active gathering of threat intelligence, to proactively stay ahead of emerging risks.

The Bank has strategically fortified its Security Governance by establishing a structured organisational framework, appointing responsible staffs and fostering communication channels.

The Bank actively engages in collaborative efforts with industry peers to strengthen its cybersecurity posture. The Bank also participates proactively in information-sharing initiatives, demonstrating a commitment to enhancing overall security through shared insights and industry cooperation.

Cyber and Information risk is managed through the Management Integrated Risk Committee. The Board Risk Management Committee has oversight over Cyber and Information risk and receives quarterly reports to that effect.

Environmental, Social and Governance (ESG) risk

Overview and definition

ESG risk refers to the potential threats the Bank's impact on Environmental, Social and Governance (ESG) factors pose to its reputation and financial performance. These factors go beyond traditional financial metrics and delve into how the Bank interacts with and impacts on the environment, its employees and stakeholders.

Climate risk is a component of ESG risk. It refers to financially material risks arising from the effects of climate change on the Bank or from exposure to activities that may be affected by environmental degradation and the loss of ecosystem services, which create an impact on the Bank's activities.

Climate-related and environmental financial risks encompass the challenges organisations confront due to climate change, categorised into physical and transition risks by the Task Force on Climate-related Financial Disclosures (TCFD).

Physical risks involve the impact of climate change on assets, operations and supply chains, ranging from extreme weather events to long-term shifts in climate patterns. For instance, a company with coastal facilities may experience increased risks from rising sea levels and more frequent cyclones, leading to infrastructure damage and higher operational costs.

Transition risks, on the other hand, arise from the global shift towards a low-carbon economy and sustainable practices. These risks can be policy-driven, technological, market-related or reputational. Policy-driven transition risks result from regulatory changes like carbon pricing, while technological risks may emerge as new technologies that make existing products obsolete. Market-related risks include shifts in consumer preferences for sustainable products. Reputational risks stem from public perception of a company's environmental responsibility, or the strength of its management of climate-related impacts to the business.

Approach to managing Climate risk

The Bank's approach to climate risk management is to operationalise the requirements of the Bank of Mauritius Guideline on Climate-related and Environmental Financial Risk Management, in alignment with the TCFD recommendations as the underlying framework. In 2023, the Bank initiated the groundwork for a robust climate risk management mechanism, by rethinking governance, strategy and risk management, with appropriate metrics and targets to guide a balanced approach.

Recognising climate change as a major financial risk and driver of existing risk categories, the Bank is integrating its management into existing governance. The Board has approved a Climate Risk Policy, which will culminate in a broader Climate Related Risk Management Framework.

The Bank of Mauritius Guideline on climate risk management presents scenario analysis and stress testing as central tools for identifying and understanding the financial threats posed by climate change and environmental damage to the business models of financial institutions. The Bank piloted its first ever climate scenario planning in 2023, to inform its strategy and stress testing. Scenarios address both physical and transition risks across short-, medium- and long-term horizons. They leverage internal climate data and external reference scenarios, considering impacts on revenue, assets and capital.

In 2023, the Bank piloted a Climate Risk Review Procedure for clients. This assessed counterparty-level climate risks through data collection, risk scans and tailored due diligence. Risks were categorised and influenced client acceptance and terms. In Q42023, a portfolio scan refined data availability and developed key risk indicators to inform a climate risk appetite. Embedding climate into credit risk assessment across the credit lifecycle will be a key focus in 2024.

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Risk Management

Since 2020, the Bank has been progressively developing a robust Environmental and Social Management System (ESMS), in line with the IFC Performance Standards, to ensure greater environmental and social efficacy among its customers. The ESMS makes it possible to:

- Bring the Bank's lending activities into compliance with good practices on social and environmental standards;
- Establishing applicable Environmental and Social (E&S) due diligence as pert risk category during credit assessment;
- Ensuring adequate monitoring of projects during the reimbursement period.

The ESMS adopted by the Bank aims to identify, as early as possible, all impacts on the environment and social impacts of its financing and, where applicable, provide corrective measures to avoid, mitigate or reduce these impacts during the maturity of the loans.

Governance and reporting

Climate risk is managed through the Management Integrated Risk Committee. The Board Risk Management Committee has oversight over climate risk and receives quarterly reports to that effect.

Compliance risk

Overview and definition

Compliance Risk is defined as the risk for potential losses and legal penalties, due to failure to comply with laws and/or regulations.

Approach to managing Compliance risk

An independent compliance function is in place to identify, assess, monitor and report on whether the Bank is complying with applicable laws, regulations and internal requirements.

Compliance risk is mitigated through the implementation of adequate policies and procedures and internal controls throughout the Bank. Policies and procedures ensure the Bank operates within the parameters of the laws and international regulations, as applicable, as well as international best practices, whilst internal controls ensure staffs comply with internal policies and procedures. Employees are also provided with relevant training on the application of policies and procedures, as well as on the regulatory framework in general.

The compliance team is accountable for the implementation of an effective regulatory and compliance framework, as outlined below:

1. Identifying and assessing compliance risks;
2. Providing advice/guidance on risk mitigation to compliance risk owners;
3. Monitoring the adequacy and effectiveness of risk mitigation and control; and
4. Reporting on the compliance risk status.

The focus is to further embed the compliance culture across the Bank and enable the business to fully assume its first line of defence responsibilities.

Governance and reporting

The Regulatory and Compliance Framework is now governed through the Regulatory Risk and Compliance Committee, which meets monthly and reports to the Management Integrated Risk Committee and the Board Risk Management Committee.

People risk

Overview and definition

People risk is defined as the risk of financial losses and negative performance related to inadequacies in human capital and the management of human resources. There are numerous and multi-faceted risks, ranging from workplace safety, absenteeism and succession planning, through to loss of key people and internal issues such as fraud and theft of material and intellectual property. Other issues include having the right skillset and right sizing the business to achieve its goals.

Approach to managing People risk

The success of the Bank is highly dependent on people. Programmes of work are ongoing to adjust the Bank's value proposition and inform its retention strategies. The Bank has instituted a range of reward and recognition initiatives to support client centricity, retain top talent and ensure its sustainable long-term performance. Executive Management has a strong focus on the identification and development of diverse talent pools. A dedicated team of Human Resource professionals is constantly in liaison with the Executive Committee and all employees to ensure effective and efficient people risk management.

Governance and reporting

People risk is managed through the Human Resources Committee and the Executive Committee. The Board Governance, Nomination and Remuneration Committee has oversight over people risk and receives quarterly detailed reports to that effect.

Strategic/Business risk

Overview and definition

Strategic/Business risk is defined as the risk of non-attainment of the planned strategic objectives, the consequences of inappropriate strategies or the decline in income or margins, that negatively affect profitability.

Approach to managing Strategic/Business risk

The Bank approaches strategic position and execution risks management as follows:

- Conduct of impact analysis on the risk profile from growth plans, strategic initiatives and business model vulnerabilities, with the aim of proactively identifying and managing new risks or existing risks that need to be reprioritized as part of the strategy review process.
- Detailed business case analysis.
- Embedment of framework to evaluate risks and mitigate controls of new products and processes.
- Close monitoring of the profitability of product lines and customer segments.
- Maintaining tight control over the cost base, including the management of its cost-to-income ratio, which allows for early intervention and management action to reduce costs.

The strategic direction of the Bank is reviewed once a year and forms part of the annual business budget and operating plan of the Bank. This is done in conjunction with the ICAAP and Risk Appetite review so that a comprehensive approach is prudently adopted.

Governance and reporting

The Board Strategic and Investment Committee has oversight on Strategic/Business risk. The Strategy Committee, a sub-committee of the Executive Committee, manages Strategic/Business risk operationally, over and above strategy being debated at the Management Integrated Risk Committee.

Risk Management

Reputational risk

Overview and definition

Reputational risk is defined as the current or potential risk to earnings and capital, driven by the adverse perception of the Bank on the part of clients, counterparties, employees or regulators.

Approach to managing Reputational risk

Principles are in place to identify, assess, escalate and effectively manage Reputational risk. The Bank continues to dynamically assess and monitor Reputational risk on a qualitative basis. A Reputational Risk Management Framework is in place to ensure the effective and consistent treatment of Reputational risks across the Bank.

Governance and reporting

Reputational risk is managed through the Reputational Risk Management Framework, with monthly reporting to the Management Integrated Risk Committee. The Board Risk Management Committee has oversight over the Bank's reputational risks and receives quarterly reports to that effect.

Capital Management

Capital Adequacy Assessment

As per Basel III guidelines, the Bank is required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% for the year 2023 onwards.

Therefore, the Bank is maintaining a capital conservation buffer of 2.5% for this year. The Bank has computed its CAR as at 31 December 2023 and ensures capital levels at all-time exceed the minimum capital requirements set by the regulator of 12.5%. The capital charge for operational risk is calculated under the Basic Indicator Approach and the capital charge for credit and market risk under the Standardised Approach.

As at December 2023, the Bank's CAR stood at 16.85% *(against a regulatory requirement of 12.5%)*, out of which the Common Equity Tier I (CET I) CAR was 12.74% *(against minimum regulatory requirement of 6.5%)*, which is well above the minimum requirement.

Core capital (Tier 1 capital)

	Basel III Dec-21 Rs'000	Basel III Dec-22 Rs'000	Basel III Dec-23 Rs'000
Paid up capital	1,456,456	1,456,456	**1,456,456**
Statutory reserve	463,552	537,625	**650,996**
Retained earnings	1,725,369	1,646,082	**2,021,147**
Deductions			
Intangibles	(130,667)	(133,583)	**(124,338)**
Deferred tax	(45,937)	(44,015)	**(31,540)**
Defined benefits pension assets	-	-	**(118,206)**
Loss on fair value securities	-	(123,748)	**(62,711)**
Investment in other bank	(30,021)	(36,057)	**(32,022)**
Total Tier 1 Capital	**3,438,752**	**3,302,260**	**3,759,784**

Supplementary capital (Tier 2 capital)

	Dec-21	Dec-22	Dec-23
Reserves arising from revaluation of assets	43,791	60,218	**60,218**
Portfolio provision	218,290	249,915	**133,071**
General banking reserves	57,867	68,906	**69,780**
Subordinated debt	1,316,545	1,114,989	**946,953**
Total tier 2 capital	**1,636,493**	**1,494,027**	**1,210,021**
Total capital base	**5,075,244**	**4,796,287**	**4,969,804**

Risk weighted assets for:

	Dec-21	Dec-22	Dec-23
Credit risk	22,092,561	25,505,633	**27,127,460**
Market risk	96,415	95,336	**37,393**
Operational risk	2,103,468	2,102,156	**2,336,973**
Total risk weighted assets	**24,292,444**	**27,703,125**	**29,501,826**
Tier 1 ratio	14.16%	11.92%	**12.74%**
Capital Adequacy Ratio	**20.89%**	**17.31%**	**16.85%**

Risk weighted on-balance sheet items

		Risk weight	Dec-21 Risk weighted	Dec-22 Risk weighted	Dec-23
	Rs'000	%	Rs'000	Rs'000	Rs'000
Cash in hand & with Central Bank	2,024,279	0%	-	-	-
Balance and placements with banks	8,142,137	20-100%	3,242,884	3,822,677	**2,007,152**
Balance in process of collection	20,518	20%	2,653	2,804	**4,104**
Treasury bills and GOM bills	4,499,754	0%	-	-	-
Other investment	8,788,506	0-50%	1,566,397	1,508,404	**1,104,523**
Fixed and other assets	792,563	100%	683,331	803,713	**792,563**
Loans and advances	27,834,813	0 – 150%	16,113,479	18,331,709	**22,073,396**
	52,102,570		**21,608,744**	**24,469,307**	**25,981,737**

Risk Management

Risk weighted off-balance sheet items

	Credit conversion factor (%)	Risk weight %	Dec-21	Dec-22	Dec-23
				Risk weighted	
			Rs'000	Rs'000	Rs'000
Acceptances and bill of exchange	100%	100%	369,025	1,006,587	1,013,949
Guarantees, bonds, etc.	50%	100%	78,441	19,570	79,420
Letter of credit	20%	100%	25,580	1,412	45,396
Foreign exchange contracts	1% to 7.5%	20-100%	10,771	8,757	6,958
			483,817	1,036,326	1,145,723

Risk weighted exposures

	Dec-21	Dec-22	Dec-23
	Rs'000	Rs'000	Rs'000
Risk weighted on balance sheet assets	21,608,744	24,497,082	25,981,737
Risk weighted off balance sheet exposures	446,542	483,817	1,145,723
Risk weighted on market risk	96,415	95,336	37,393
Risk weighted on operational risk	2,103,468	2,102,062	2,336,973
Total risk weighted assets	**24,292,444**	**27,730,806**	**29,501,826**

Risk weighted assets for Market risk

	Dec-21	Dec-22	Dec-23
	Rs'000	Rs'000	Rs'000
Foreign exchange risk	96,415	95,336	37,393
Equivalent risk weighted assets	**96,415**	**95,336**	**37,393**

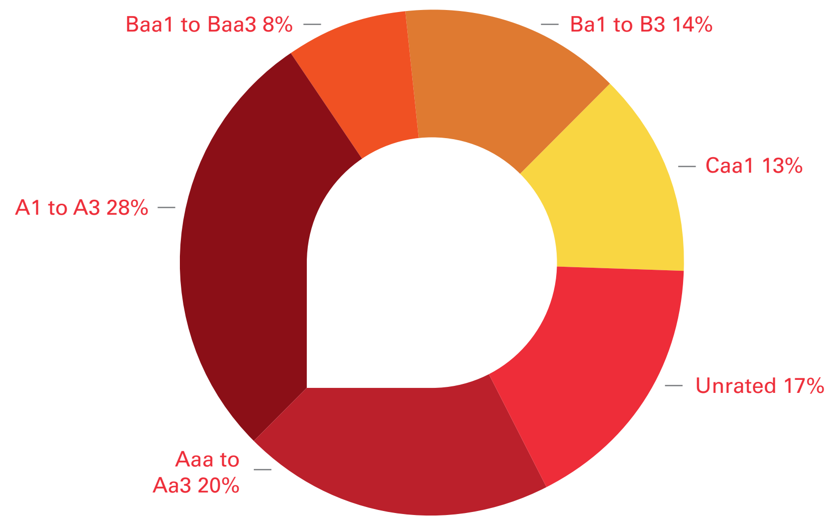
Risk weighted assets for Operational risk

	Dec-21	Dec-22	Dec-23
	Rs'000	Rs'000	Rs'000
Average gross income for last 3 years	1,402,312	1,401,375	1,557,982
Capital charge	210,346	210,206	233,697
Equivalent risk weighted assets	**2,103,468**	**2,102,062**	**2,336,973**

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

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

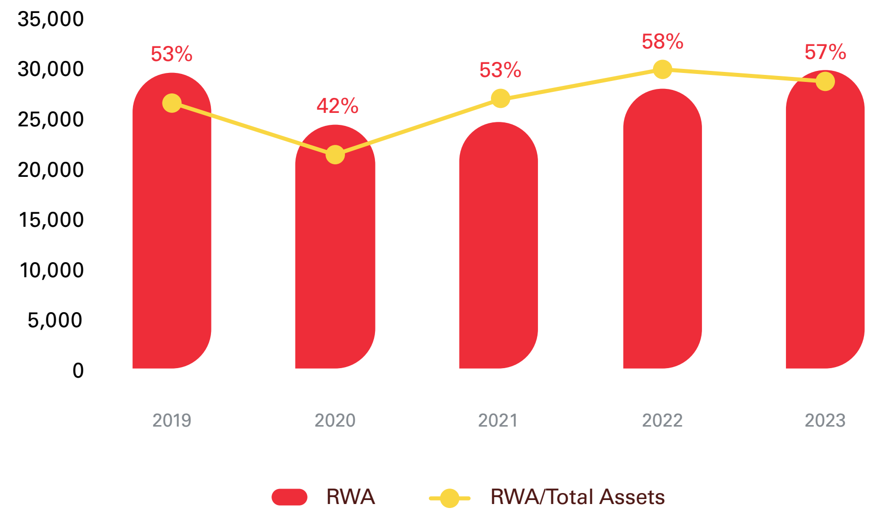
Exposures by risk grade



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

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

Risk weighted assets/Total assets



There has been a slight decrease in risk weighted assets to total assets in 2023.

Risk Management

Internal capital adequacy assessment and supervisory review process

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

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

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

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

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

Methodology and assumptions

Methodology & Assumptions

Risk Type	Assessment Methodology
Compliance risk	Qualitative assessment
Concentration risk	HH Index and Stress Testing
Country risk	Quantitative and Qualitative Assessment
Credit risk	Moody's Risk Analyst & Risk Calc Models for Institutional Obligors and banks
Interest Rate Risk in Banking Book	Gap Analysis and Stress Testing
Liquidity risk	Ratio Analysis and Stress Testing
Operational risk	Risk and Control Self-Assessment
Reputational risk	Qualitative assessment
Strategic risk	MIRC and Board subcommittee created to assess the risks & opportunities

Sustainability Report

Sustainability: The cornerstone to drive our growth

Evolving business landscape

2023 was a year of economic recovery, intertwined with pressing environmental and social challenges in Mauritius.

At Bank One, we do not view this as a dilemma but rather as an opportunity to drive innovation. Integrating Environmental, Social and Governance (ESG) principles into our core strategy is not merely a responsible choice; it is a strategic investment in our sustainable future.

The evolving economic landscape presents exciting possibilities for ESG-focused businesses. The government's diversification towards green sectors opens doors for financial solutions, supporting renewable energy and ocean-based industries.

ESG and financial performance

At Bank One, we have recognised the tangible benefits that the integration of ESG principles offers for our financial performance:

- Enhanced risk management: Proactively identifying and mitigating ESG risks associated with our portfolio strengthens our financial resilience.
- Improved operational efficiency: Embracing environmental best practices within our operations to gradually reduce energy consumption and waste, thereby lowering costs.
- Fostering an inclusive and diverse workplace attracts and retains top talent, thus boosting productivity and performance.
- Brand differentiation and customer loyalty: In a climate-conscious world, consumers increasingly choose brands aligned with their values. Demonstrating a commitment to ESG principles differentiates the Bank from competitors and attracts responsible investors and customers.

ESG and social responsibility

Beyond financial benefits, embracing ESG allows the Bank to fulfil its responsibility to contribute to a better society. This involves proactive engagement in addressing social and environmental challenges. During the year under review, the Bank focused on the following areas:

- Financial inclusion: Bank One is committed to promoting financial literacy, which it regards as an important component of financial inclusion. It is working on innovative finance solutions in view of supporting SMEs and underserved communities, thus fostering economic growth and poverty reduction.
- Climate action: Through the ongoing implementation of its climate-related and environmental financial risk management framework, the Bank is actively identifying, assessing and monitoring the climate-related risks and opportunities that Bank One is likely to face.
- Community engagement: The Bank partners with local NGOs and development agencies to support various social causes, including education, healthcare and environmental conservation.

Integrating ESG in core business

Moving forward, the Bank remains committed to continuously strengthening ESG integration across all facets of its business:

- Robust ESG Governance Framework: In 2023, Bank One formalised its 3-year ESG roadmap, including the development of governance frameworks, ensuring transparency, accountability and effective oversight of its sustainability efforts.
- Deepened stakeholder engagement: The Bank will engage with customers, employees, investors and regulators, to align its ESG strategy to meet their expectations.
- Continuous assessment and refinement: The Bank will continuously assess and refine its ESG metrics, making data-driven decisions to maximise our positive impact.

At Bank One, we believe ESG is not just a fad but rather a transformative force shaping the future of financial services. By actively embedding these principles into our core strategy, we contribute to a more sustainable Mauritius while securing our own long-term success.

Shareholder involvement

The Bank's two shareholders, CIEL Finance Limited and I&M Group, play a vital role in shaping the Bank's commitment to sustainability. Their dedication to environmental and social responsibility is not simply a financial consideration but rather a core value embedded in their operations.

This shared vision resonates deeply with the Bank, translating into the very fabric of its long-term goals. It is not just about aligning with shareholder priorities; it is about actively engaging with a broader spectrum of stakeholders to build a truly sustainable future.

Bank One is transitioning from an era of simply listening to shareholder voices to actively incorporating stakeholder aspirations into its decision-making. This means open dialogue with customers, employees, NGOs and regulators, to understand their concerns and perspectives on ESG issues.

By creating collaborative platforms and fostering transparent communication, our teams leverage collective wisdom to build a responsible and successful Bank - one that not only delivers value to shareholders but also contributes meaningfully to the communities we serve.

Our ESG Wheel (our 3-year journey)

Visualising the Bank's dedication to ESG, the circular model at the heart of its strategy spins on three pillars: Environment, Social and Governance. These interconnected segments reflect the Bank's unwavering commitment to a sustainable future.

Sustainability Report

The emerald green quadrant embraces the "E" of Environment, nurturing sustainability within our very DNA. Digitalisation drives a leaner and greener operation while responsible resource management minimises our footprint.

The vibrant orange segment embodies the "S" of Social, illuminating the shared value we forge with our people, society and business. An engaged workforce, empowered by financial literacy, fuels our success. By embracing diversity and inclusion, we weave a tapestry of talents and perspectives that strengthen our community and ignite innovation.

The deep blue segment anchors the "G" of Governance, ensuring a firm foundation of trust and transparency. We prioritise climate and environmental resilience, safeguarding our operations for generations to come. Ethical conduct and unwavering compliance form the bedrock of our business, while open communication about our ESG journey builds bridges with stakeholders, fuelling collaborative progress.

This dynamic wheel exemplifies our holistic approach to ESG. Within each segment lies a world of potential and the connections between them create a powerful synergy. As we navigate the future, this model guides our steps, ensuring our financial success remains intertwined with the well-being of our planet and its people.

Operationalising ESG at Bank One

Sustainable finance

At Bank One, we recognise the evolving landscape of sustainable finance and its increasing significance to our clients and the future of our planet.

Sustainable finance will be crucial for a green and just transition of the economy. The Bank is committed to adapting and innovating to meet the evolving needs of this dynamic space.

Operational footprint

Bank One recognises that its impact extends beyond the balance sheet. As a responsible financial institution, it is committed to minimising its environmental footprint and maximising its positive social impact. The Bank has adopted a proactive approach to tracking its operational footprint, with a view to better manage its resources and activities. To minimise its environmental footprint, the Bank is switching to energy-efficient LED lights and installing A/C timers to curb electricity consumption, its major source of carbon emissions. The Bank is also raising awareness amongst employees through campaigns and continuously monitoring usage to identify further reduction opportunities.

On the waste management front, the Bank responsibly disposes of and recycles paper, cardboard and electronic waste. Hybrid work models and a paperless approach are also being implemented to minimise waste generation.

These initiatives not only benefit the environment but also lead to cost savings for the Bank, creating a win-win situation for both the planet and the bottom line.

Digitalisation

At Bank One, digitalisation is paving the way for a new era of banking, which is ever more customer focused and seamless.

Engaged workforce

At the heart of our success is our engaged workforce. We foster a culture of ownership, empowerment and purpose, where voices are heard and contributions valued.

Financial literacy

Empowering financial well-being is not just a service but rather a mission. We believe knowledge is the key to secure futures, so we prioritise financial literacy initiatives, equipping individuals with the tools and confidence to make informed decisions, build financial resilience and achieve their financial goals.

Diversity and inclusion

Fostering a diverse and inclusive environment is not just a box to tick, it is the canvas where innovation thrives. At Bank One, we celebrate unique perspectives, champion equal opportunities and empower voices from every corner.

Ethics and compliance

At the heart of our ESG commitment lies an unwavering dedication to ethical conduct and rigorous compliance.

A strong foundation of integrity not only mitigates risk and fosters good governance, it also fuels trust with stakeholders and empowers long-term success.

By upholding the highest ethical standards, we attract and retain responsible investors, ensure responsible resource allocation and ultimately contribute to a sustainable future for all.

ESG communication

In the pursuit of a future we can bank on, transparency is of paramount importance.

Our commitment to sustainability thrives on open communication. Each year, we delve deeper into our annual reports, unveiling not just goals and metrics, but the very challenges we grapple with.

Through engaging digital platforms, we invite meaningful conversations that help shape our ESG journey.

Corporate Social Responsibility (CSR)

Engagement through our Community Action Relief and Empowerment (CARE) Programme

In 2023, Bank One remained engaged towards its communities, through its Community Action Relief and Empowerment (CARE) programme.

The CARE framework aims at strengthening and maintaining long-term relationships with its communities, while providing opportunities to the Bank's team members to participate in CSR activities focusing on financial inclusion, education and sustainable development.

Our Environmental and Social (E&S) Committee ensures the Bank's implementation of CSR initiatives and ensures that staff volunteering is encouraged.

Key CSR figures

- 7 CSR initiatives deployed.
- 2 joint initiatives with CIEL Foundation through the ACtTogether.mu social platform and The Ferney Valley Conservation Trust, respectively.
- +20 NGOs and over 150 beneficiaries impacted directly or indirectly through the Bank's various CSR initiatives.

Sustainability Report

Education

1. École Père Henri Souchon

École Père Henri Souchon is a vocational primary school situated in the vicinity of Pointe aux Sables, supporting approximately 100 unprivileged children aged 7 to 17 and living within and outside the Pointe aux Sables region.

The school is administered by reputed NGO Oasis de Paix. The Bank brought the collaboration further in 2023, through a long-term programme destined to strengthen the NGO's staff capacity development in providing a state-of-the-art service to its beneficiaries.

One of the key initiatives was to improve their staff's skillset. To this end, the Bank supported a "Train the Trainer" programme, delivered by the Mauritius Institute of Training and Development (MITD) to 9 of its staffs. A formal certificate award ceremony was also organised by the Bank.

2. The Jean Blaise Learning Centre

The Bank's partnership with the Jean Blaise Learning Centre dates back to 2020. It is an evening school run by the NGO "Association des Frères Auxiliaires", situated at the heart of Jean Blaise in Pointe aux Sables.

Bank One has been supporting the NGO in its mission to empower some 50 kids aged 6 to 11, who are experiencing academic difficulties.

With a view to getting the kids to start their academic year in ideal conditions, the Bank donated academic books, school supplies, stationery and learning equipment as immediate support throughout this project.

Moreover, as part of the Leaning Centre's operational support, it donated 2 full-fledged first aid kits and provided the NGO with funds to ensure all students have a tea and snack break before they start their classes.

Since the Covid-19 pandemic, the digital divide between the "haves" and the "have nots" has widened. To ensure that the Learning Centre had a state-of-the-art IT Corner, the Bank successfully set up an IT corner, which, going forward, will allow the kids from the Jean Blaise Learning Centre to have the appropriate IT infrastructure at their disposal to learn soft IT skills and access their online learning platform. Two brand new laptops and a multi-purpose printer and photocopier were donated to the Learning Centre, as part of the first phase of the IT corner set-up.

Sustainable Development

Support to Ferney Valley Conservation Trust

In partnership with the Ferney Valley Conservation Trust since 2021, the Bank remained supportive of the conservation trust, and ensured that conservation works continued to progress within the one-hectare of reforestation zone under the responsibility of the Bank.

Financial Inclusion

Collaboration with ACTogether.mu on PRO Workshop series

As part of its ongoing collaboration with ACTogether.mu since 2022 to promote capacity building in NGOs, Bank One hosted a PRO Workshop in its Corporate Office in Port Louis Waterfront and welcomed participants from 25 NGOs from across various sectors.

Moderated by Mr. Hurrysunny Bhunjun, a Bank One employee, a workshop on budget management was organised.

The Bank is looking forward to organising similar workshops which promote financial literacy and inclusion in 2024.

NGO participants and moderator, Mr. Hurrysunny Bhunjun, from Bank One, delivering a Budget Planning workshop as part of the PRO-Workshop series.