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PRECISION IN
EVERY DECISION**



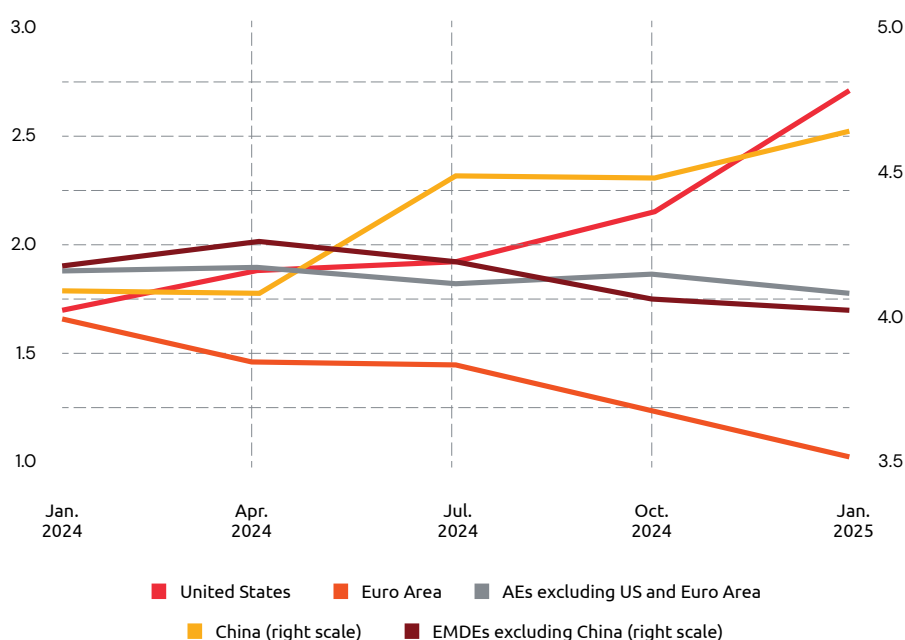
PERFORMANCE

ECONOMIC OUTLOOK

Global economy

Though flat, global growth is expected to remain stable. At 3.3% in both 2025 and 2026, growth forecasts are below the historical (2000–19) average of 3.7% and broadly unchanged from October 2023. The global growth profile (Figure 2) appears to be precarious across various economies with divergent paths.

Figure 2. Evolution of 2025 growth forecasts (percent)



Source: IMF staff calculations.

Note: The x-axis shows the months the *World Economic Outlook* is published.

AEs = advanced economies; EMDEs = emerging market and developing economies.

Energy commodity prices are expected to decline by 2.6% in 2025, more than expected in October. This reflects a decline in oil prices, driven by weak Chinese demand and strong supply from countries outside of OPEC+ (Organisation of the Petroleum Exporting Countries plus selected non-member countries, including Russia), partly offset by increases in gas prices, resulting from colder-than-expected weather and supply disruptions, including the ongoing conflict in the Middle East and outages in gas fields. Non-fuel commodity prices are expected to increase by 2.5% in 2025, on account of upward revisions to food & beverage prices relative to the October 2024 WEO, driven by bad weather affecting large producers.

Monetary policy rates of major central banks are expected to continue to decline, though at different paces, reflecting variations in growth and inflation outlooks. The fiscal policy perspective is expected to tighten during 2025–26 in advanced economies, including the United States and, potentially, in emerging markets and across developing economies.

In the United States, underlying demand remains robust, reflecting strong wealth effects, a less restrictive monetary policy perspective and strong financial conditions. Growth is projected to be at 2.7% in 2025, 0.5% higher than the October forecast, in part reflecting carryover from 2024 as well as robust labour markets and accelerating investment, amongst other signs of strength.

In the euro area, growth is expected to pick up but at a more gradual pace than anticipated in October, with geopolitical tensions continuing to weigh on sentiment. Weaker-than-expected momentum at the end of 2024, especially in manufacturing, and heightened political and policy uncertainty, explain a downward revision of 0.2% to 1.0% in 2025. In 2026, growth is set to rise to 1.4%, helped by stronger domestic demand, as financial conditions loosen, confidence improves and uncertainty recedes somewhat.

In other advanced economies, two offsetting forces keep growth forecasts relatively stable. On the one hand, recovering real incomes are expected to support the cyclical recovery in consumption. On the other hand, trade headwinds – including the sharp uptick in trade policy uncertainty – are expected to keep investment subdued.

In emerging markets and across developing economies, growth performance in 2025 and 2026 is expected to broadly match that of 2024. With respect to October projections, growth in 2025 for China is marginally revised upward by 0.1% to 4.6%. This revision reflects a carryover from 2024 as well as the fiscal package announced in November largely offsetting the negative effect on investment from heightened trade policy uncertainty and property market drag. In 2026, growth is projected to remain stable at 4.5%, as the effects of trade policy uncertainty dissipate and the retirement age increase slows down the decline in labour supply. In India, growth is projected to be solid at 6.5% in 2025 and 2026, as projected in October and in line with growth potential.

The gradual cooling of labour markets is expected to keep demand pressures at bay. Combined with the expected decline in energy prices, headline inflation is projected to continue its descent toward central bank targets. That said, inflation is projected to be close to, but above, the 2% target in 2025 in the United States, whereas inflationary dynamics are expected to be more subdued in the euro area. Low inflation is projected to persist in China.

Consequently, the gap between anticipated policy rates in the United States and other countries becomes wider.

Sub-Saharan Africa

The International Monetary Fund (IMF) has raised its economic growth forecast for sub-Saharan Africa to the highest level since 2021. However, as reported by Bloomberg, the global lender cautioned that elevated uncertainties, including social unrest, could impact stability. The IMF now projects the region's growth to reach 4.2% in 2025, up from its April forecast of 4%. However, in its January 2025 Regional Economic Outlook, the IMF lowered its 2024 projection to 3.6%, noting that resource-dependent nations are expected to grow at half the pace of those with diversified economies.

The World Bank in its January 2025 outlook anticipates growth in South Africa is projected to rise to an average of 1.9% a year in 2025–26, about a 0.5% upgrade from the June forecast. Improving energy availability and further reforms in the transport sector are expected to support stronger growth. Growth in Nigeria is forecast to strengthen to an average of 3.6% a year in 2025–26. Following monetary policy tightening in 2024, inflation is projected to gradually decline, boosting consumption and supporting growth in the services sector, which continues to be the main driver of growth. After a brief uptick in 2023, growth in Kenya eased last year amidst ongoing fiscal consolidation. In contrast, growth in Tanzania and Uganda accelerated in 2024, supported by higher private spending and, in the case of Uganda, stronger investment as well. In Kenya, growth is expected to be boosted by private investment and supported by more accommodative monetary policy. In Tanzania, robust public investment, an improved business environment and enhanced export competitiveness, are anticipated to boost growth. Excluding the two largest economies, growth in the SSA region is forecast to strengthen from 4% in 2024 to about 5.3% in 2025–26.

ECONOMIC OUTLOOK

Downside risks

Risks, however, remain tilted to the downside. Global growth could be weaker than projected on account of heightened uncertainty and the potential for adverse changes in trade policies. Further downside risks include a sharper-than-expected economic slowdown in China escalating global geopolitical tensions, especially an intensification of the conflict in the Middle East, and worsening political instability and an escalation of violent conflicts in the region, especially in East Africa. Furthermore, more persistent inflation than expected could keep global interest rates elevated, compounding the challenges confronting highly indebted countries, while greater frequency and intensity of adverse weather events could exacerbate poverty in many countries across SSA.

There has been a wave of protests across sub-Saharan Africa, especially in countries like Kenya, Nigeria and Ghana, where governments are grappling with financial pressures. In response, many governments have implemented tax hikes and spending cuts, fuelling discontent as citizens face steep increases in the cost of living.

Mauritian economy

On the domestic front, GDP growth was broad-based and driven by the construction sector, financial services, tourism and trade sectors. On the demand side, growth was mostly driven by consumption and investment. Major economic sectors are expected to post positive performances in 2025. The Bank of Mauritius projects growth to be between 3.5% and 4.0% for 2025. The output gap is expected to remain in positive territory and contribute to underlying inflationary pressures.

Although inflation in Mauritius reached 3.6% in December 2024, risks to the inflation outlook are tilted on the upside, both domestically and externally. As a small open economy which imports the bulk of what it consumes, Mauritius is not immune to risks of global inflationary pressures, including supply chain shocks as well as climate-related events. In light of the uncertainties on the global scene, the risks of imported inflation are assessed to be high. Furthermore, domestically generated inflation, including services inflation, remains sticky. The Bank of Mauritius projects inflation to close the year 2025 at 3.7%, which is above the mid-point target of 3.5% over the medium-term. However, with a potential global trade war looming in 2025, domestic inflation could turn out to be higher than currently anticipated.

Excess liquidity remains an important issue and, if unaddressed through the open market operations, can hamper the smooth transmission mechanism of monetary policy and contribute to underlying inflationary pressures in the economy. This arises essentially as low yields resulting from excess liquidity contribute to negative interest rate differentials with major currencies, which in turn hinders the proper functioning of the domestic foreign exchange market.

The BoM deliberated that several underlying factors could join to weaken the rupee against the US dollar and add to inflationary pressures. Furthermore, the ongoing growth momentum is positive. This offers space to reverse the negative interest rate differential which had contributed to a sustained depreciation of the rupee over the past few years. Against a backdrop of potential external headwinds that could lead to higher global inflation and contribute to further exchange rate pressures, a pro-active decision was warranted.

As a result, the Bank of Mauritius decided to raise the Key Rate by 50 basis points, from 4.00% to 4.50% per annum in February 2025. It is expected that, going forward, banks shall pass on this higher rate to their customers with more attractive Savings Deposit Rate, thereby enhancing the efficacy of the monetary transmission mechanism.

Mauritius economy continues to grow strongly, supported by strong momentum in tourism and investment. Tourist arrivals in 2024 are on track to surpass the record set in 2018, with spending per tourist also rising. Tourism revenues are expected to reach 13.5% of GDP by the end of the year. Private investment reached 21% of GDP in the second quarter of 2024. Most of this investment is concentrated in construction, with strong activity in both residential and non-residential buildings. However, labour shortages are increasingly limiting the growth of key sectors, particularly tourism, construction and ICT. Manufacturing growth remains weak, reflecting the ongoing decline of production in the textiles sector.

Gross Official International Reserves (GOIR) stood at Rs 402.5 billion (USD8.5 billion) as at end-December 2024, compared to Rs321.3 billion (USD7.2 billion) as at end-December 2023. Based on the imports of goods (f.o.b.) and services for calendar year 2024, GOIR represented 13.3 months of imports as at end-December 2024.

FINANCIAL ANALYSIS

Statement of financial position

The year 2024 was marked by significant volatility and heightened uncertainty. The total assets of the Bank increased by 6%, reaching MUR 55.4 billion as at 31 December 2024, compared to MUR 52.2 billion on 31 December 2023.

As of 31 December 2024, the Bank's gross advances declined by 16%, from MUR 28.0 billion in 2023 to MUR 23.6 billion. This decrease was largely attributable to negative growth in the offshore segment. Total deposits grew by 7% to MUR 47.9 billion, compared to MUR 44.8 billion in the previous year, contributed by both local and foreign currencies.

The Bank operated in a high-interest rate environment during the financial year, with rising deposit costs impacting margins. However, in the fourth quarter, the Bank of Mauritius reduced the key rate by 50 basis points, following a 25-basis points reduction by the U.S. Federal Reserve, which was positively reflected in the Bank's cost of funds.

The Bank's capital position remained solid, with a Capital Adequacy Ratio of 17.33% and a Tier 1 Ratio of 13.17%, well above the regulatory benchmark requirements of 12.50% and 8%, respectively.

The reclassification of an offshore exposure in early 2024 led to an increase in non-performing loans (NPL), rising from MUR 1,205 million in December 2023 to MUR 1,478 million in December 2024, thereby increasing the NPL ratio from 4.20% to 6.04%.

Statement of comprehensive income

Net Interest Income (NII) increased by 6%, reaching MUR 1,340 million in 2024, compared to MUR 1,269 million in 2023. The high-interest rate environment had a positive impact on the Bank's net interest margins, partially compensating for income gap created by the limited asset growth.

Non-interest income, comprising fees, trading and other income grew by 8%, from MUR 518 million in 2023 to MUR 559 million in 2024, representing 29% of the Bank's operating income.

The limited asset growth during the year also affected the related fee income generation. However, Treasury performed exceptionally well in the first three quarters, generating a record MUR 349 million from net gains on foreign exchange and derivative transactions.

Overall, operating income increased by 6% year-on-year, closing at MUR 1,899 million in 2024, compared to MUR 1,787 million in 2023.

The year-on-year growth rate in operating expenses moderated to 3% in 2024, closing at MUR 1,144 million compared to MUR 1,108 million in the previous year. The Bank continued investing in technology and human capital to support its operations.

The cost-to-income ratio improved from 62.03% in 2023 to 60.24% in 2024.

After accounting for net impairment provisions of MUR 156 million, the Bank recorded a profit after tax of MUR 567, compared to MUR 756 million in the prior year, which included net impairment reversals of MUR 132 million.

FINANCIAL ANALYSIS

Achievements vs. Objectives 2024 and Plan for 2025

Objectives for 2024	Performance in 2024	Objectives for 2025
Return on Average Equity (ROAE) To achieve a ROAE of above 19%.	Achieved a ROAE of 13.34%.	To achieve a ROAE of above 18.9%.
Return on Average Assets (ROAA) To achieve a ROAA of above 1.4%.	Achieved a ROAA 1.04%.	To achieve a ROAA of above 1.4%.
Operating income Growth of above 28% in operating income.	6% increase in operating income.	Growth of above 25% in operating income.
Cost to income ratio Cost to income ratio of below 58%.	Cost to income ratio of 60.24%, on account of lower revenue.	Cost to income ratio of below 56.4%.
Deposits growth Deposit growth of 27%, contributed by both local and offshore segments.	6% growth in deposits base, contributed by both local and offshore segments.	Deposit growth of 19%.
Gross loans and advances growth 35% growth in gross loans and advances book.	Gross loan book declined by 15%, largely on account of the offshore segment.	34% growth in gross loans and advances book.
Impaired ratio Gross impaired ratio to be brought down to below 1.9%.	Gross impaired ratio of 6.04%.	Gross impaired ratio to be brought down to below 4%.
Capital Adequacy Ratio (CAR) Maintain CAR above 14.5%.	CAR at 17.33% as at December 2024.	Maintain CAR above 14.5%.

The decline in loans and advances book and elevated cost of funding, negatively impacted the operating income. Furthermore, the classification of one offshore client as non-performing resulted in higher NPL ratio. The related impairment provisions negatively impacted the profitability of the Bank and the related ratios.

Statement of profit or loss

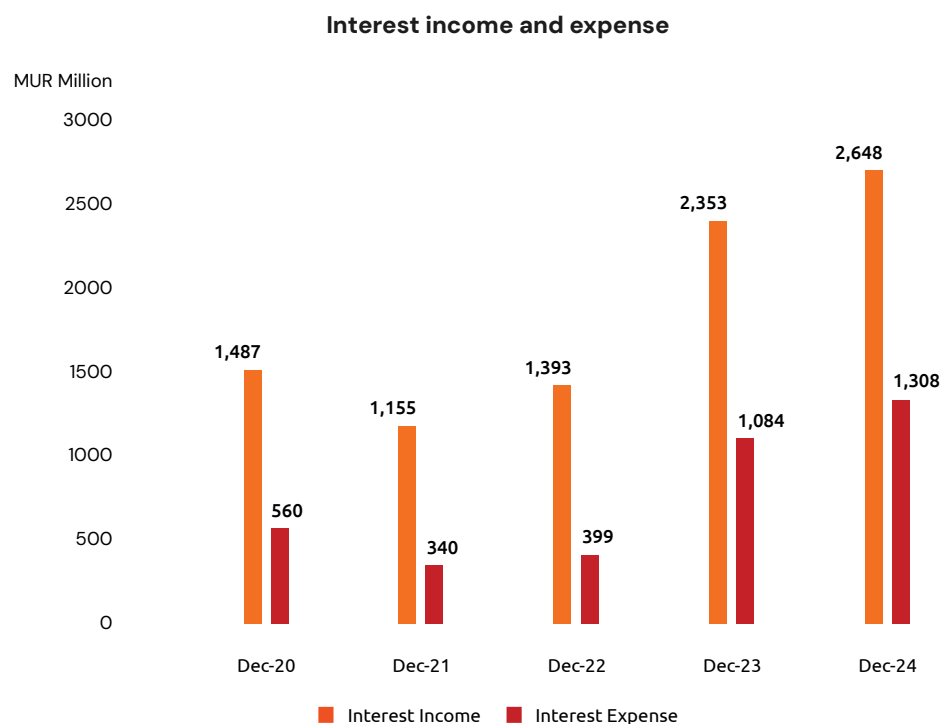
	Year ended Dec-22 MUR 000	Year ended Dec-23 MUR 000	Year ended Dec-24 MUR 000
Net interest income	993,814	1,268,906	1,340,023
Net fee and commission income	329,401	261,995	208,986
Net trading income	178,747	255,594	349,292
Other operating income	4,857	678	930
Operating income	1,506,819	1,787,173	1,899,231
Non-interest expense	(1,004,725)	(1,108,593)	(1,144,122)
Operating profit	502,094	678,580	755,109
Allowance for recoveries	33,476	132,150	(156,244)
Profit before tax	535,570	810,730	598,865
Income tax expense	(41,745)	(54,920)	(31,451)
Profit for the year	493,825	755,810	567,414

Interest income and expense

	Year ended Dec-22 MUR 000	Year ended Dec-23 MUR 000	Year ended Dec-24 MUR 000
Interest income			
Loans and advances to customers and banks	989,285	1,714,574	1,759,692
Investment securities and bonds	233,277	270,635	289,779
Placements	170,659	367,557	598,170
	1,393,221	2,352,766	2,647,641
Interest expense			
Deposits from customers	235,303	845,756	1,125,523
Borrowings from Banks	75,274	157,598	107,590
Subordinated liabilities	81,930	74,049	66,940
Lease liabilities	6,900	6,457	7,565
	399,407	1,083,860	1,307,618
Net interest income	993,814	1,268,906	1,340,023
Average interest earning assets	38,974,108	42,433,969	48,990,481
Average interest-bearing liabilities	23,863,643	27,439,200	32,254,001
Interest income/average interest earning assets	3.57%	5.54%	5.40%
Interest expense/average interest-bearing liabilities	1.67%	3.95%	4.05%
Net margin	1.90%	1.59%	1.35%
Core revenue*	1,505,072	1,787,173	1,898,301

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

FINANCIAL ANALYSIS



Interest income increased by 13% compared to the financial year 2023, largely driven by the interest earned in the placement of excess liquidity with other offshore banks, supported by an elevated interest rate environment.

Return on average interest-earning assets was 5.40% in 2024 (5.54% in 2023). This was mainly on account of the lower loan book, which usually generates higher returns. The Bank was very selective in lending in 2024 and some maturing exposures with heightened risks were not renewed as they no longer meet the risk appetite of the Bank.

Along the same lines, interest also was impacted by the high-interest rate environment. Total interest expense for the year was up by 21%. There was also a shift in the deposit mix, where the CASA ratio was on a downward trend compared to previous years, as reflected in the portfolio of interest-bearing liabilities, comprising largely of deposits, which increased by 18% compared to last year.

Overall, net interest income rose by 6% during the year.

Non-interest income

	Dec-22 MUR 000	Dec-23 MUR 000	Dec-24 MUR 000
Net fees and commission	329,401	261,995	208,986
Net trading income	178,747	255,594	349,292
Other operating income	4,857	678	930
	<u>513,005</u>	<u>518,267</u>	<u>559,208</u>

The impact of lower loan growth is reflected in the fees and commission line above, with lower processing and arrangement fees. The Bank also had to incur some one-off costs related to cards operations during the year, which negatively impacted the net fee and commission income, and which is not expected to recur.

The Bank reported a commendable increase in net trading income of 37% in 2024 compared to the previous year which was the result of the efficient excess cash management by the Treasury team.

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

Non-interest expense and cost management

	Dec-22	Dec-23	Dec-24
	MUR 000	MUR 000	MUR 000
Personnel expenses	617,351	674,637	633,411
Depreciation and amortisation	96,901	110,637	94,878
Other expenses	290,473	323,319	415,833
	<u>1,004,725</u>	<u>1,108,593</u>	<u>1,144,122</u>

Total expenses increased by a moderate 3% in 2024.

Personnel expenses were 6% lower than in 2023, on account of controlled HR related costs.

Depreciation and amortisation charges were lower compared to the previous year, with the full depreciation and amortisation of some investments made some years back.

The main drivers of the increase in other expenses were costs incurred on consultancy and professional services, the rising cost of insurance and the introduction of the Mauritius Deposit Insurance Scheme by the Bank of Mauritius.

Credit exposure

As shown in the table below, the Bank has a diversified credit portfolio as at December 2024.

Sectors	2022	2023	2024		
	Total	Total	Resident	Non-Resident	Total
Lending	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Agriculture & fishing	256,326	29,942	388,126	-	388,126
Manufacturing	314,594	47,856	39,892	-	39,892
Tourism	1,384,047	1,092,597	704,031	-	704,031
Transport	672,359	694,789	427,294	230,707	658,001
Construction	1,867,197	1,798,178	1,259,856	13,719	1,273,575
Financial and business services	1,989,706	1,714,392	830,116	692,664	1,522,780
Traders	2,816,970	2,405,685	2,451,194	24	2,451,218
Personal	8,606,326	9,599,800	9,243,386	148,694	9,392,080
Professional	11,163	12,478	11,287	-	11,287
Global business license holders	1,054,997	456,855	233,941	-	233,941
Central government	1,355,644	1,326,516	-	1,352,179	1,352,179
Others	592,056	571,407	537,586	84,511	622,097
	<u>20,921,385</u>	<u>19,750,495</u>	<u>16,126,709</u>	<u>2,522,498</u>	<u>18,649,207</u>
Lending to banks	5,150,285	8,917,253	-	5,839,020	5,839,020
Total credit exposure	<u>26,071,670</u>	<u>28,667,748</u>	<u>16,126,709</u>	<u>8,361,518</u>	<u>24,488,227</u>
Trading	1,402,874	2,427,459	4,142,620	37,779	4,180,399
Investment	10,937,676	10,625,229	1,325,789	8,197,342	9,523,131
Off balance sheet	4,364,245	5,762,928	3,477,719	1,325,625	4,803,344

FINANCIAL ANALYSIS

As highlighted earlier, the table shows the total credit exposures to individuals and corporates went down from MUR 28,667 million as at December 2023 to MUR 24,488 million as at December 2024. The main sectors reflecting this contraction are tourism, construction, financial and business services as well as personal.

Exposure to the personal segment is largely mortgage driven.

Credit exposure to banks was deliberately brought down from MUR 8.9 billion in 2023 to MUR 5.8 billion in 2024, as the Bank revisits its lending strategy.

Credit quality

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

	Dec-22 MUR 000	Dec-23 MUR 000	Dec-24 MUR 000
Impaired advances	580,214	1,205,299	1,477,530
Allowance for impairment – stage 3	518,943	565,343	756,086
Impaired advances/Gross advances	2.23%	4.20%	6.04%
Net impaired/Net advances	0.25%	2.29%	3.05%
Provision coverage ratio	89.44%	46.90%	51.17%

The classification of one offshore credit exposure in early 2024 resulted in a deterioration of the impaired portfolio and resulted in a gross impaired ratio of 6.04%. This exposure has been restructured in late 2024 and is being closely monitored.

The provision coverage ratio increased to 51.17% compared to 46.90% as at December 2023. The Bank holds adequate collaterals to cover the remaining 48.83%.

A breakdown of gross advances, impaired advances and related specific provisions percentage by industry sector, split between Resident and Non-Resident, as of 31 December 2024 is shown in the following table.

Loans to customers

Sectors	Gross amount of loans		Impaired loans		Impairment cover on impaired loans	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
	MUR 000	MUR 000	MUR 000	MUR 000		
Agriculture and fishing	388,126	-	-	-	-	-
Manufacturing	39,892	-	-	-	-	-
Tourism	704,031	-	9,350	-	9%	-
Transport	427,294	230,707	9,256	228,720	74%	100%
Construction	1,259,856	13,719	128,710	-	30%	-
Financial and business services	830,116	692,664	1,019	362,200	84%	50%
Traders	2,451,194	24	112,702	-	99%	-
Personal	9,243,386	148,694	162,925	-	48%	-
Professional	11,287	-	-	-	-	-
Global business licenseholders	233,941	-	-	-	-	-
Central government	-	1,352,179	-	462,577	-	19%
Others	537,586	84,511	71	-	0%	-
Total	16,126,709	2,522,498	424,033	1,053,497		
Sectors						
Loans to banks	-	5,839,020	-	-	-	-

Out of the impairment portfolio, 28.7% relate to resident exposures while 71.3% are for non-resident clients.

General provisions

In compliance with the guideline on "Classification, Provisioning and Write-off of Credit Exposures", issued and revised by the Bank of Mauritius in August 2024, the Bank maintained:

- additional portfolio provisions on the overall exposures booked as general reserve as an appropriation of retained earnings;
- additional portfolio provisions on certain specific sectors booked as general reserve as an appropriation of retained earnings.

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