Accountants and Business Advisers

BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

ANNUAL REPORT

YEAR ENDED MARCH 31, 2018

BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

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BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Statement of Management's Responsibility for Financial Reporting

The financial statements for the Bank's operations in Mauritius and for its offshore branch presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards of the International Accounting Standards Committee as well as the requirements of the Banking Act and the guidelines issued thereunder, have been applied and management has exercised its judgement and made best estimates where deemed necessary.

The Bank and its offshore banking unit have designed and maintained their accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Bank's and its offshore banking unit's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank and its offshore banking unit.

The Bank's and its offshore banking unit's authorised agents, acting in part of the Audit Committee and Territory Committee oversees management's responsibility for financial reporting, internal controls, assessment and control of major risk areas and assessment of significant and related party transactions.

The Bank's Internal Auditor conducts a well designed program of internal audit.

Pursuant to the provisions of the Banking Act, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank and of its offshore banking unit as it deems necessary.

The Bank's and its offshore banking unit's external auditors, Messrs AMG Global, have full and free access to management to discuss the audit and matters arising there from, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Ritesh Kumar
Vice President

Alok Kumar
Chief Manager

Date: 22 June 2018

BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

Principal Activities
During the year, the Bank continued its main activities related to general banking business, lending and investing in financial instruments.

Operating Results
The operating results for the year ended March 31, 2018 are given in the statement of profit or loss and other comprehensive incomeon page 37.

Net interest income for the year has been Rs.197 million (2017: Rs. 147.1million) and a profit before taxation of Rs.61.5million was reported (2017: Rs. 61.4million).

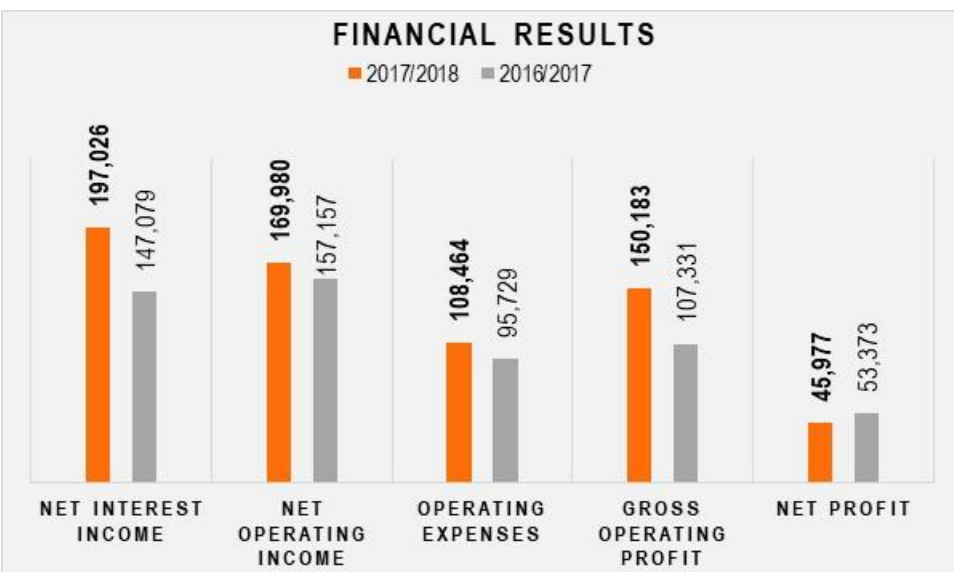
Reserves
Net profit for the year after taxation amounted to Rs. 46.0million (2017: profit of Rs. 53.4 million). The retained earnings stand at Rs. 699.7 million (2017: Rs 653.7million). There was no remittance to Head Office on account of remittable retained profits of previous years (2017: Nil).

Authorized Agents

The Bank is a foreign branch of Bank of Baroda incorporated in India. It is represented in Mauritius by Mr. Ritesh Kumar, its Vice President and Mr. Alok Kumar, its Chief Manager.

Highlights of Performance during 2017-2018:

We highlight below the performance of the Bank during the year:



Figures are in Rs'000

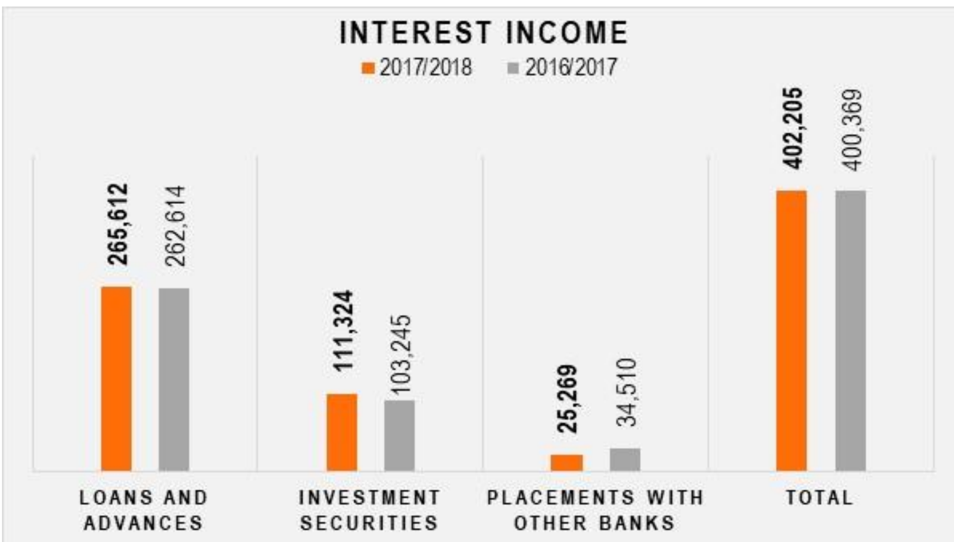
BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

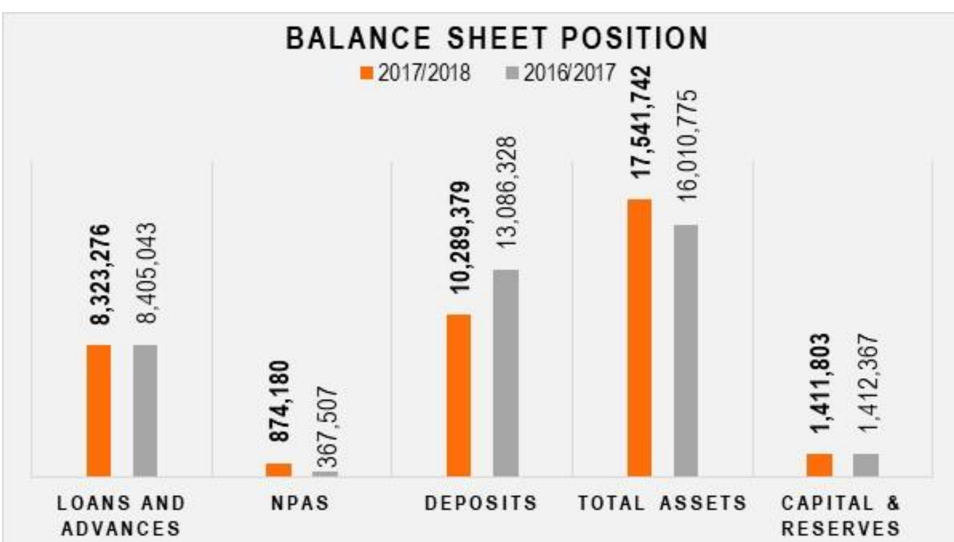
Highlights of Performance during 2017-2018 (continued)

- Net profit as of 31.03.2018 is Rs 46.0 million against Rs53.4million as on 31.03.2017.
- Gross operating profit showed a rise of Rs42.8 million (40%) from Rs 107.3million to Rs 150.2 million during year ended 2017-2018.



Figures are in Rs'000

- Total interest income increased by Rs 1.8 million to reach Rs 402.2 million during the year whilst net interest income increased by 34% to reach Rs 197.0 million for the year.



Figures are in Rs'000

BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

Highlights of Performance during 2017-2018 (continued)

- Non-interest income has increased by 10% during the year to reach Rs 61.6 million (2017: Rs 55.9million).
- Gross NPA level stood at Rs 874.2 million (2017: Rs 367.5) and recorded a rise of 137.8%.
- Gross loans and advances stood at Rs 8.3 billion (2017: Rs 8.4 billion).
- The Bank's deposits as at 31 March 2018amounted to Rs. 10.3 billion (2017: Rs 13.1 billion).
- Balance Sheet was at Rs 17.5billion. (2017:Rs 16.0 billion).

Performance Against Objectives

The table below compares the Bank's actual peformance for the year under review against objectives set for for the same year and also provides an overview of performance objectives for 2018-2019.

	Actual (Rs 000)		Growth (%)	Targets (Rs 000)	
	31 Mar 17	31 Mar 18		31 Mar 18	31 Mar 19
Deposits	13,086,328	**10,289,379**	(21%)	14,260,000	12,557,025
Loans and advances	8,405,043	**8,323,276**	(1%)	10,160,250	8,803,350
Shareholder's equity	1,412,367	**1,411,803**	-	1,499,067	1,651,616
Net interest income	147,079	**197,026**	34%	186,000	227,813
Other income	55,981	**61,621**	10%	61,000	77,625
Total income	203,060	**258,647**	27%	247,000	305,438
Staff expenses	48,979	**48,994**	-	55,500	55,000
Other expenses	46,750	**59,470**	27%	58,800	63,125
Total expenses	95,729	**108,464**	13%	114,300	118,125
Operating profit	107,331	**150,183**	40%	132,700	187,313
Reversal of impairment charge/(net allowance for credit impairment)	(45,903)	**(88,667)**	93%	32,000	67,500
Profit before tax	61,428	**61,516**	-	100,700	254,813
Tax expense	(8,055)	**(15,539)**	93%	(14,000)	(15,000)
Net profit	53,373	**45,977**	(14%)	86,700	239,813

Performance Against Objectives (continued)

During financial year ended 31 March 2018, the Bank achieved an operating profit and a net profit of Rs. 150.2 million and Rs 53.4million registering an increase of 40% in operating profit anda decrease of 14% in net profit.

During the year 2018-19, the Bank would continue to perform with a thrust on 'Growth with Quality' by focusing on low cost deposits, by further reducing the dependence on bulk business and quality credit growth by protecting the asset quality with a firm control on the process of credit origination.

The Bank's business plans and broad strategies in the year 2018-19 to achieve its corporate goals, objectives and to explore newer business opportunities in the domestic as well as offshore markets would be:

Products and Service Enhancements

- Implementation of Direct Debit (ECS).
- Introduction of Mobile Banking.
- Loan products enhancements to improve attractiveness and competitiveness.

Other Business Areas

- Become the preferred Bank for remittance to India & other African countries.
- Strengthening treasury operations and increased earnings by placement, investment, reduction in borrowing cost etc.
- To achieve gross profit growth by 25% through increase in net interest income& other income.
- To grow non-interest income by 10% with main focus on rapid funds to India, foreign exchange, LCs / BGs etc.
- Increase retail base by giving special thrust on opening of fresh deposit accounts and cross selling of retail loan products.
- To achieve a minimum 12% planned growth in domestic credit & 21% in total advances.
- Promote Alternate Delivery Channels i.e., Net banking, POS etc.,
- Refurbishment of 3 branches viz Port Louis, Flaq & Quatre Bornes.

BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

Performance Against Objectives (continued)

An overview of the Bank's performanfce, as on 31 March 2018 against objectives as on 31 March 2018 and 2019, is given as per table below:

	31 Mar 18 Objectives Rs' 000	31 Mar 18 Actuals Rs' 000	31 Mar 19 Objectives Rs' 000
Deposits	14,260,000	**10,289,379**	12,557,025
Advances	10,160,250	**8,323,276**	8,803,350
Net profit /(loss)	80,213	**45,977**	113,063
Expense ratio	46.04	**41.94**	38.67
Return on equity	5.4	**3.26**	7.41
Return on average assets	0.1	**0.26**	0.38
Specific provision for credit losses / Average loans	0.01	**1.20**	0.01
Net impaired loans / Average loans	0.01	**6.41**	0.01
Ratio: Tier 1	No specific targets Set	**64.40%**	No specific targets set
Total capital ratio (%)	No specific targets set but to keep well above minimum regulatory of 10%	**68.81%**	No specific targets set but to keep well above minimum regulatory of 10%

As mentioned earlier, during the year 2018-19, the Bank would continue to perform with a thrust on 'Growth with Quality' by focusing on low cost deposits, by further reducing the dependence on bulk business and quality credit growth by protecting the asset quality with a firm control on the process of credit origination.

BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

Analysis of Results

Comparative data of net interest income and non-interest income for the year ended 31 March 2018 and 31 March 2017 is as per table below:

	31 Mar 18	31 Mar 17	Variance	Growth
	Rs'000	Rs'000	Rs'000	%
Net interest income	**197,026**	147,079	49,947	34%
Non-interest income				
Fee income and commissions	**12,251**	22,843	(10,592)	(46%)
Profit arising from dealing in foreign Currencies	**41,800**	33,069	8,731	26%
Others	**7,570**	69	7,501	10871%
Total Non-interest income	**61,621**	55,981	5,640	10%

The comparative data on non-interest expenses for the year ended 31 March 2018 and 31 March 2017 is as per table below:

	31 Mar 18	31 Mar 17	Variance	Growth
	Rs'000	Rs'000	Rs'000	%
Non-interest expense				
Salaries and human developments	**42,634**	42,370	264	1%
Pension contribution and other staff benefits	**6,360**	6,609	(249)	(4%)
Depreciation	**9,135**	8,116	1,019	13%
Other administrative expenses	**50,335**	38,634	11,701	30%
Total: Non-interest expenses	**108,464**	95,729	12,735	13%
Productivity ratio (%)	**26.97%**	23.91%	-	-

- Overall the non-interest expenses have increased by 13% mostly due to increase in other administrative costs and depreciation expense.

- The productivity ratio registered a growth of around 3% to reach 26.97%.

Credit Exposure

As per Bank of Mauritius guidelines, our credit exposure as branch of a foreign bank to an entity and its related parties should not exceed 40% of our capital base. Our bank has a proactive Loan Policy put in place combined for Domestic and Offshore operations, which has been duly modified and approved by the Credit Policy Committee (CPC) of the Bank.

The policy establishes the approach for credit appraisal and sanction of credit proposal, documentation standards and awareness of the institution concern and strategies giving enough room for flexibilities and innovations.

The above mentioned 40% credit concentration limit is employed very advisedly and it is also ensured that the under- mentioned criteria, as per Bank of Mauritius guidelines, are being met:

- Credit exposures to any single customer shall not exceed 25% of the Bank's capital base
- Credit exposures to any group of closely related customers shall not exceed 40% of the Bank's capital base
- Aggregate large credit exposure to all customers and groups of closely related customers shall not exceed 800% of the Bank's capital base.
- For credit exposure in currencies other than the Mauritian Rupees there is no limit vis-à-vis the capital base.
- Our parent bank is made aware / has sanctioned exposures greater than 25% of the capital base of the Mauritius Branches.
- Our parent bank is adequately supervised and is consistent with the Core Principles for Effective Banking Supervision issued by the Basle Committee;
- Our parent bank is a continuing source of financial strength;
- There are no legal, regulatory, statutory or fiscal restrictions in India for obtaining capital from the parent bank in the event the parent bank has to make good the losses incurred by the Mauritius branches.

In keeping with the guidelines of the RBI, the Bank has adopted Standardized Approach for Credit Risk. Credit Risk is the risk that the counterparty to a financial transaction will fail to discharge an obligation resulting in a financial loss to the Bank Credit risk management processes involve identification, measurement, monitoring and control of credit exposures.

Credit Exposure (continued)

In order to provide clarity to the operating functionaries, the Bank has various policies in place such as Loan Policy, Off-balance Sheet Exposure Policy, etc. wherein the Bank has specified various prudential caps for credit risk exposures. The Bank also conducts industry studies to assess the risk prevalent in industries where the Bank has sizable exposure and also for identification of sunrise industries. The industry reports are communicated to the operating functionaries to consider the same while lending to these industries.

At Corporate Office Level, the Bank has adopted various credit rating models to measure the level of credit risk in a specific loan transaction. The Bank uses a robust rating model developed to measure credit risk for majority of the business loans (non-personal loans). The rating model has the capacity to estimate probability of default (PD), Loss Given Default (LGD) and unexpected losses in a specific loan asset.

Apart from estimating PD and LGD, the credit rating model will also help the Bank in several other ways as under:

(a) To migrate to Rating Based Approaches of computation of Risk Weighted Assets.
(b) To price a specific credit facility considering the inherent credit risk.
(c) To measure and assess the overall credit risk and to evolve a desired profile of credit risks.

Apart from assessing credit risk at the counterparty level, the Bank has appropriate processes and systems to assess credit risk at portfolio level. The Bank undertakes portfolio reviews at regular intervals to improve the quality of the portfolio or to mitigate the adverse impact of concentration of exposures to certain borrowers, sectors or industries.

The Bank has also implemented the Risk Adjusted Return on Capital (RAROC) Framework for corporate credit exposures. RAROC is defined as the ratio of risk adjusted return to capital employed. It facilitates us to evaluate whether the credit risk asset generates adequate profit to add economic value to shareholders' funds.

Under Standardized Approach, the Bank accepts rating of all RBI approved ECAI (External Credit Assessment Institution) namely Standard and Poor, Moody's and Fitch. The Bank encourages Corporate and Public Sector Entity (PSE) borrowers to solicit credit ratings from ECAI and has used these ratings for calculating risk weighted assets wherever such ratings are available.

Credit Exposure (continued)

Our credit exposure to different sectors of the economy and different countries as well as the maturity pattern of our advances portfolio is given as per table 1, 2 and 3 below:

Table 1: Advances – Credit concentration by industry sector

	31 Mar 18	31 Mar 17
	Rs'000	Rs'000
Agriculture & fishing	**285,904**	305,747
Manufacturing	**95,105**	97,332
Tourism	**735**	125
Transport	**77,559**	75,873
Construction	**429,581**	300,345
Financial and business services	**270,183**	377,565
Traders	**240,222**	441,764
Personal	**368,135**	300,353
Professional	**9,572**	7,757
Statutory and parastatal bodies	**-**	-
Education	**247,210**	319,781
Global business operations	**6,294,794**	6,175,158
Media, entertainment & recreational	**226**	338
Others	**4,050**	2,905
Total advances	**8,323,276**	8,405,043

Table 2: Advances – Credit concentration by country

	31 Mar 18	31 Mar 17
	Rs'000	Rs'000
Egypt	**259,712**	274,332
India	**5,932,810**	5,899,120
Kenya	**-**	-
Mauritius	**2,130,754**	2,231,591
Switzerland	**-**	-
Dubai	**-**	-
Total Advances	**8,323,276**	8,405,043

BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

Credit Exposure (continued)

Table 3: Maturity of advances

	31 Mar 18 Rs'000	31 Mar 17 Rs'000
Advance with residual maturity:		
- within 3 months	**4,085,293**	4,695,685
- over 3 up to 6 months	**1,345,399**	1,085,655
- over 6 up to 12 months	**177,784**	168,471
- over 1 up to 5 years	**1,819,666**	1,219,277
- over 5 years	**895,134**	1,235,955
Total Advances	**8,323,276**	8,405,043

The table below gives position of impaired assets of Mauritius Territory sector-wise.

Table 4: Impaired advances – Concentration by industry sector

	31 Mar 18 Rs'000	31 Mar 17 Rs'000
Agriculture & fishing	**167,486**	167,529
Manufacturing	**18,601**	18,102
Construction	**3,880**	15,247
Personal	**1,772**	705
Financial and business services	**-**	-
Trader	**8,605**	-
Others	**-**	1,202
Global business operations	**673,836**	164,722
Total	**874,180**	367,507

Risk Report

In keeping with the guidelines of the RBI, the Bank has adopted Standardized Approach for Credit Risk. Credit Risk is the risk that the counterparty to a financial transaction will fail to discharge an obligation resulting in a financial loss to the Bank Credit risk management processes involve identification, measurement, monitoring and control of credit exposures.

Risk Report (continued)

Under Standardized Approach, the Bank accepts rating of all RBI approved ECAI (External Credit Assessment Institution) namely Standard and Poor, Moody's and Fitch. The Bank encourages Corporate and Public Sector Entity (PSE) borrowers to solicit credit ratings from ECAI and has used these ratings for calculating risk weighted assets wherever such ratings are available.

(a) Credit Risk mitigation (CRM)

Bank obtains various types of securities (which may also be termed as collaterals) to secure the exposures (Fund based as well as Non fund based) on its borrowers. Generally the following types of securities (whether as primary securities or collateral securities are taken):

(i) Movable assets
(ii) Immovable assets
(iii) Shares
(iv) Bank's own deposits
(v) Life Insurance Policy

The Bank has well laid out policy on valuation of securities charged to the bank.

The securities mentioned at (iv) and (v) are recognized as Credit Risk mitigants under Basel II standardized approach for credit risk.

The main types of guarantors against the credit risk of the bank are:
(i) Individual (Personal Guarantee)
(ii) Corporates
(iii) Government

CRM collateral is mostly available in loans against deposits and loan against life policies.

CRM are also taken in non-fund based facilities like guarantees and letters of credit against deposits.

Eligible guarantors (as per Basel II) available under CRM in respect of Bank's exposure are mainly Sovereign, Bank and Primary Dealers with a lower risk weight that the counter party AND other entities (mainly parent, subsidiary and affiliate companies) having good rating.

(b) Securitisation

The Bank has a securitisation policy duly approved by the Board. As per policy the nature of the portfolio to be securitised are retail loans (housing loans, auto loans, advances against properties and personal loans).

Risk Management Policies and Controls

Taking various types of financial risks is an integral part of the banking business. Bank of Baroda has a robust and integrated Risk Management system to ensure that the risks assumed by it are within the defined risk appetites and are adequately compensated. The Risk Management Architecture in the Bank comprises Risk Management Structure Risk Management Policies and Risks Management Implementation and Monitoring Systems.

The overall responsibility of setting the Bank's risk appetite and effective risk management rests with the Board and apex level management of the Bank. The Board has constituted a **Sub Committee of the Board on ALM and Risk Management** to assist the Board on financial risk related issues. The Bank has a full-fledged Risk Management Department headed by a General Manager and consisting of a team of qualified, trained and experienced staff members.

The Mauritius Territory has set up separate committees, as under to supervise respective risk management functions.

Asset Liability Management Committee (ALCO) is basically responsible for the management of Market Risk and Balance Sheet Management. It has the delegated authority and responsibility of managing deposit rates, lending rates, spreads, transfer pricing, etc.

Territorial Committee has the responsibility and authority to formulate and implement various enterprise-wide credit risk strategies including lending policies and also to monitor Bank's credit risk management functions on a regular basis and also the authority and responsibility of mitigation of operational risk by creation and maintenance of an explicit operational risk management process.

The Bank has approved policies and procedures in place to measure, manage and mitigate various risks that the Bank is exposed to. In order to provide ready reference and guidance to the various functionaries of the Risk Management System, the Bank has in place Asset Liability Management and Group Risk Policy, Domestic Loan Policy, Mid Office Policy, Off Balance Sheet Exposure Policy (domestic), Business Continuity Planning Policy, Pillar III Disclosure Policy, Stress Test Policy and Stress Test Framework, Operational Risk Management Policy, Internal Capital Adequacy Assessment Process (ICAAP), Credit Risk Mitigation and Collateral Management Policy duly approved by the Board.

In the financial services industry, the main risk exposures that the Bank faces are Liquidity Risk, Credit Risk, Market Risk and Operational Risk.

<u>Liquidity Risk</u>

The Bank has managed its liquidity by prudent diversification of the deposit base, control on the level of bulk deposit and ready access to wholesale funds under normal market conditions.

Risk Management Policies and Controls (continued)

Credit risk

The Bank has in place a robust credit risk rating system, based on internationally adopted frameworks and global best practices, for its credit exposure. An effective way to mitigate credit risk is to identify potential risk in a particular asset, maintain a healthy asset quality and at the same time impart flexibility in pricing assets to meet the required risk-return parameters as per the Bank's overall strategy and credit policy.

The Bank has a well-defined Credit Policy for the Mauritius branches conforming to the guidelines of Regulatory Authorities and the Corporate Loan Policy for Overseas Operations which covers the important areas of credit risk management as under:

- Exposure ceilings to different sectors of the economy, different types of borrowers and their group and industry.
- Discretionary Lending powers for different levels of authority of the Bank.
- Processes involved in dispensation of credit – pre sanction inspection, rejection, appraisal, sanction, documentation, monitoring and recovery.

The Chief Executive and his team of Managers have been delegated with specified powers for lending with a system of reporting sanctions to the next higher authority for control.

The quality of larger standard assets of the credit portfolio is monitored on monthly basis. All non-performing and weak assets are monitored by a periodical reporting system and reviewed by the Impaired Loans Committee on a monthly basis for recovery follow up.

Other risks, namely, Interest Rate risk, Foreign Exchange risk and Liquidity risk are controlled by a local Committee for Asset Liability Management every month to ensure adherence to ALM Policy for Mauritius operations approved by the Corporate Office. The Operational risk is controlled by implementation of an audited computer software system. The Bank has an Internal Audit system of Mauritius operations and a Territorial Audit committee to monitor status of rectification of deficiencies, if any, observed in audit reports of branches periodically. The Internal Auditor reports directly to Corporate Audit Department who in turn reports to the Audit Committee of the Board.

Market Risk

Market risk is the exposure to adverse price movements of financial instruments arising as a result of changes in market variables such as interest rates exchange rates and other asset prices. The objective of market risk management is to avoid excessive exposure to the volatility inherent in financial instruments such as securities, foreign exchange contracts, equity and derivative instruments, as well as balance sheet or structural positions.

Risk Management Policies and Controls (continued)

Market Risk (continued)

The Bank has clearly articulated policies to control and monitor its treasury functions. The Bank also has an asset liability management policy to address market risks. These policies comprise management practices, procedures, prudential risk limits, review mechanisms and reporting systems. These policies are revised periodically in line with changes in financial and market conditions.

To manage the risks, Bank's Board of Directors has laid down various limits such as Aggregate Settlement limits, Stop Loss limits and Value at Risk Limits. The risk limits control the risk arising from open market positions. The stop loss limit takes into account realized and unrealized losses.

Bank has put in place a proper system for calculating capital charge on market risk on Trading portfolio as per RBI and Bank of Mauritius guidelines viz. Standardized Duration Approach. The capital charge thus calculated is converted into Risk Weighted Assets. The aggregated Risk Weighted for credit risk, market risk and operational risk are taken into consideration for arriving at the Bank's CRAR

As on 31March 2018, Bank of Baroda, Mauritius did not hold any securities for trading.

The following risks are identified as Market Risk: (i) Interest Rate Risk (ii) Currency Risk (iii) Price Risk.

Interest Rate Risk in the banking book (IRRBB)

The primary risk that arises for the Bank as a financial intermediary is interest rate risk due to the Bank's asset-liabilities management activities. The interest rate risk is measured and monitored through two approaches:

(i) Earnings at risk (Traditional Gap Analysis) (Short Term)

The immediate change of the changes in the interest rates on net interest income of the bank is analysed under this approach, through the use of interest sensitivity gap reports.

The Earning at Risk is analysed under different scenarios:

- Yield curve risk: A parallel shift of 1% is assumed for assets as well as liabilities.
- Bucket wise different yield changes are assumed for the assets and the same are applied to the liabilities as well.
- Basis risk and embedded option risk is assumed as per historical trend.

(ii) Economic value of Equity (Duration Gap Analysis) (Long Term)

Risk Management Policies and Controls (continued)

Market Risk (continued)
Interest Rate Risk in the banking book (IRRBB) (continued)

It is done by calculating modified duration of assets and the liabilities to finally arrive at the modified duration of equity.

- This approach assumes parallel shift in the yield curve for a given change in the yield.
- Impact on the Economic Value of Equity is also analysed for a 200 bps rate shock as indicated by RBI.
- Market linked yields for respective maturities are used in the calculation of the modified duration.

The analysis of Bank's interest rate risk in Banking Book is done for both the domestic and offshore operations. The economic value of equity for both domestic and offshore operations is measured and monitored on quarterly basis by Corporate Office.

Furthermore, the Bank calculates duration, modified duration, Value at Risk for its investment portfolio consisting of fixed income securities, equities and Forex positions on monthly basis. The Bank monitors the short-term interest rate risk by NII (Net Interest Income) perspective and long-term interest rate risk by EVE (Economic Value of Equity) perspective.

The foreign exchange risk is monitored and measured through VaR limits, portfolio size limits, IGL, AGL etc., The Value of Risk for the treasury positions is calculated for 10 days holding period at 99% confidence level. The stress testing of fixed interest investment portfolio through sensitivity analysis and equities though scenario analysis is regularly conducted. Based on the RBI directions, the Bank is also estimating the Economic Value of Equity impact on a quarterly basis.

Operational Risk

Operational Risk is the risk of loss on account of inadequate or failed internal process, people and system or external factors. Bank has adopted the Basic Indicator approach to compute the capital requirements for operational risk. The Bank monitors operational risk by reviewing whether its internal systems and procedures are duly complied with. The Bank collects and analyses loss and near miss data on operational risk based on different parameters on a half yearly basis and wherever necessary corrective steps are taken.

Operational Risk Management Committee (ORMC) of the Bank has the responsibility of controlling the operational risk losses so that they do not cause material impact to the banks functioning. The Bank has initiated measures to modify the processes and install new systems to improve the control environment. Roll out of Key Risk Indicators programme, Risk Control and Self-Assessment Programme and Root cause analysis during the current year will further strengthen the control environment.

Compliance

The Bank has put in place a Board approved Territory Specific compliance policy outlining the compliance philosophy of the Bank. Compliance function is an integral part of governance along with internal control and compliance risk management process. It ensures observance of regulatory/ statutory provisions contained in various legislations viz., Banking Regulation Act, Bank of Mauritius Guidelines, Reserve Bank of India Act, Prevention of Money Laundering Act, FEDAI (Foreign Exchange Dealers Association of India) etc.

The compliance function advises senior management on the Bank's compliance with these applicable laws, rules and standards as well as keeping them informed of developments in the area.

KYC/ AML Compliance

The Bank has well defined KYC-AML-CFT Policy, which is the foundation on which the Bank's Implementation of KYC norms, AML standards, CFT measures and obligation of the Bank under Prevention of Money Laundering Act (PMLA) 2002 are based.

AML Solution for generating system-based alerts on the basis of transactions in the accounts of the customers is in place. A central transaction monitoring unit (CTMU) also monitors of the transactions/alerts generated in AML Solution and escalation of STRs, if found suspicious, to the Principal Officer. System-based risk categorization of Bank's customers' accounts is done on half yearly basis.

The Bank has carried out an independent review of KYC, AML, & CFT policy and practices for Mauritius through independent reputed consultancy firms and taken steps to stream line the processes where required.

Internal Audit Functions

Internal audit function provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system and the risk governance framework as well as strategic and business planning and decision-making processes.

The internal auditors are not involved in developing, implementing or operating the risk management function or other functions.

The Bank carries internal audit function through a Central Internal Audit Division (CIAD). CIAD administers various streams of audits besides Risk Based Internal Audit (RBIA) of branches and offices. Audit Committee of the Board oversees overall internal audit function of the Bank. The committee guides in developing effective internal audit, concurrent audit and all other audit functions of the Bank.

BASEL III Implementation

The Basel III capital regulations have been implemented by Indian banks with effect from April 1, 2013. To ensure smooth transition to Basel III, appropriate transitional arrangements have been made with capital requirement and disclosures at consolidated level which are to be disclosed with the publication of financial results have been provided for meeting the minimum Basel III capital ratios, full regulatory adjustments to the components of capital. This implementation requires enhanced quality and quantity of capital on one side and more elaborate disclosure on the other. The bank is fully equipped to comply with the regulatory norms with reasonable cushion over the minimum regulatory capital requirements.

Bank has also successfully implemented Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards. The LCR standard aims to ensure that banks maintain an adequate level of unencumbered High Quality Liquid Assets that can be converted into cash to meet liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by the RBI. The Bank is fully geared up to achieve the prescribed ratios as per Basel and RBI guidelines, for the financial year ended March 31, 2018; LCR was well above regulatory requirements.

In line with the guidelines of the Reserve Bank of India and Bank of Mauritius, the Bank has adopted Standardized approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR.

Bank maintain capital to cushion the risk of loss in value of exposure, businesses etc. so as to protect the depositors and general creditors against losses. The Bank has a well-defined Internal Capital Adequacy Assessment Process (ICAAP) policy to comprehensively evaluate and document all risks and appropriate capital allocation so as to evolve a fully integrated risk capital model for both regulatory and economic capital.
The capital requirements are affected by the economic environment, the regulatory requirement and by the risk arising from the Bank's activities. The purpose of capital planning of the Bank is to ensure the adequacy of capital at the times of changing economic conditions, even at the times of economic recession.

In capital planning process the Bank reviews:

- Current capital requirement of the bank
- The targeted and sustainable capital in terms of business strategy and risk appetite
- The future capital planning is done on a three-year outlook.

The capital plan is revised on annual basis. The policy of the Bank is to maintain capital as prescribed in the ICAAP policy (minimum 13.0% capital adequacy ratio or as decided by the Bank from time to time). At the same time, bank has a policy to maintain capital to take of the future growth in business so that the minimum capital required is maintained on continuous basis. On the basis of the estimation, the bank raises capital in Tier-1 or Tier 2 with the approval of the Board of Directors. The capital adequacy position is reviewed by the Board of the Bank on quarterly basis. As on 31 March 2018, there is no deficiency of capital.

BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

The Bank maintains capital to cushion the risk of loss in value of exposure, business, etc so as to protect the depositors and general creditors against losses. The position of the Bank's risk weighted assets (RWA) minimum capital requirements and actual capital adequacy as at 31 March 2018 are summarized as under:

	31 Mar 18 Rs'000	31 Mar 17 Rs'000
Tier 1 Capital	**1,066,034**	1,023,503
Tier 2 Capital	**73,027**	69,024
Total Capital	**1,139,061**	1,092,527
Eligible Tier 2 Capital	**73,027**	69,024
Total Eligible Capital	**1,139,061**	1,092,527
Weighted amount of on-balance sheet assets	**1,655,438**	1,610,474
Weighted amount of off-balance sheet exposures	**251,315**	320,164
Weighted risk assets for operational risk	**169,718**	170,718
Aggregate net open foreign exchange position	**26,507**	6,009
Total Weighted Risk Assets	**1,655,438**	2,107,365
Capital Adequacy Ratio	**68.81%**	51.84%

The Bank's capital adequacy ratio (CAR) is comfortable at 68.81% under Basel III as at 31 March 2018.

In compliance with the Pillar 2 guidelines of the Reserve Bank of India, the Bank formulated its Policy of Internal Capital Assessment Process (ICAAP) to assess internal capital in relation to various risks the Bank is exposed to.

Stress Testing and scenario analysis are used to assess the financial and management capability of the Bank to continue to operate effectively under exceptional but plausible conditions. Such conditions may arise from economic, legal, political, environmental and social factors. The Bank has a Board approved Stress Testing Policy describing various techniques used to gauge their potential vulnerability and Bank's capacity to sustain such vulnerability. The Bank conducted its ICAAP tests at quarterly intervals along with the stress test as per the ICAAP Policy of the Bank.

The disclosure under Pillar 3 of market discipline guidelines of the RBI has been done as on 30 September 2017 and 31 March 2018. The year-end disclosure as on 31March 2018 is part of the Annual Report and is displayed on the Bank's web site. The half-yearly disclosure as on 30September 2017 has also been displayed on the Bank's web site.

Capital Structure

The Bank of Mauritius (BoM) sets the regulatory requirements with respect to a bank's capital structure in Mauritius and has exercised its discretion in fixing the minimum capital adequacy ratio at 10%, that is, above the 8% norm of the Basel Committee. The Bank maintains its capital structure within prudential and supervisory limits, whilst ensuring it has sufficient capacity for its future development after serving remuneration to its shareholders. In line with the Basel II Accord, the capital adequacy is estimated by the ratio of the sum of risk-weighted assets and risk-weighted off-balance sheet exposures of the Bank to its capital base, which is calculated as the sum of Tier 1 and Tier 2 Capital net of relevant deductions, as per the new BoM Guideline on Eligible Capital.

Whereas the 1988 Basel Capital Accord focuses on the capital base of banks, Basel II emphasises the measurement and management of key banking risks including credit risk, market risk and operational risk. As such, it is meant to better reflect the underlying risks in banking and is thus expected to foster stronger risk management practices within the banking industry. The risk management framework proposed in Basel II seeks to ensure that the strategies formulated by a bank are clearly linked to its appetite for risk, so that its capital resources are managed at an optimum level to support both its risk and strategic objectives. Basel II is anchored on three pillars, namely:

Pillar 1: minimum capital requirements – Whilst key elements of the 1988 Accord have been retained with respect to capital adequacy namely the general requirement for banks to hold total capital equivalent to at least 8% of their risk-weighted assets, the revised framework entails significantly more risk-sensitive capital requirements that are both conceptually sound and adaptable to the existing supervisory and accounting systems in individual member countries. Modifications to the definition of risk-weighted assets have two primary elements: substantive changes to the treatment of credit risk relative to the 1988 Accord and the introduction of an explicit treatment of operational risk that leads to a measure of this category of risk being included in the denominator of the calculation of the capital ratio. Another major feature of Basel II is that it enables a greater use of internal risk assessments by banks.

Pillar 2: supervisory review process discusses the key principles of supervisory review, risk management guidance and supervisory transparency and accountability produced by theCommittee with respect to banking risks. This includes guidance relating to the treatment of interest rate risk in the banking book, credit risk, operational risk and enhanced cross-border communication and co-operation. In addition to ensuring that banks have adequate capital to support all the risks in their business, the supervisory review process of the New Accord aims at encouraging them to develop and use better risk management techniques. The forward-looking approach to capital adequacy supervision fostered by Basel II would facilitate subsequent adjustments to the framework to reflect market developments and advances in risk management practices.

Pillar 3: market discipline is intended to complement the minimum capital requirements (Pillar 1); and the supervisory review process (Pillar 2); through the alignment of supervisory disclosures to international and domestic accounting standards. Basel II endeavors to foster market discipline by developing a set of disclosure requirements which will allow market participants to assess key piecesof information on the scope of application, capital, risk exposures, risk assessment processes and, hence, the capital adequacy of the institution. It is deemed that such disclosures have particular relevance under the revised framework, given that increased reliance on internal methodologies givesbanks more discretion in assessing capital requirements.

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Reflecting its commitment to ensure a good risk management framework, the Bank has, since April 2007, adhered to the Basel II Standardized Approach to credit risk, operational risk and market risk. This has enabled the Bank to promote enhanced risk awareness at all levels of the organization and to align its capital requirements more closely to specific risks. Capital allocation has, as a result, become more sensitive to risk and reflects a better assessment of return against risk, thus further improving the strategic decision-making process.

The table below shows the components of Tier 1 and Tier 2 Capital for the Bank and the resulting capital adequacy ratios calculated under the Basel III requirements.

	31 Mar 18	31 Mar 17	31 Mar 16
	Rs’000	Rs’000	Rs’000
I: CAPITAL BASE			
Paid up or assigned capital	**200,860**	200,860	200,860
Statutory reserve	**201,177**	201,177	201,177
Other disclosed free reserves, incl. retained earnings	**653,687**	600,314	523,838
Current year’s retained profits/(losses)	**45,977**	53,373	73,525
Deferred tax	**(35,667)**	(32,221)	(26,796)
Core capital (A)	**1,066,034**	1,023,503	972,604
Portfolio provision	**19,358**	20,014	16,388
Reserves on revaluation of securities not held-for-trading	**53,669**	49,010	50,337
Supplementary capital (B)	**73,027**	69,024	66,725
CAPITAL BASE (A+B)	**1,139,061**	1,092,527	1,039,329
Total risk-weighted assets	**1,655,438**	2,107,365	1,802,000
CAPITAL ADEQUACY RATIO (%)			
BIS risk adjusted ratio	**68.81%**	51.84%	57.68%
of which Tier 1	**64.40%**	48.57%	53.97%

BANK OF BARODA – MAURITIUS OPERATIONS

Management Discussion and Analysis

For the year ended March 31, 2018

Risk weighted assets and off-balance sheet exposures

Risk weighted on-balance sheet assets

	BASEL III (Rs 000)			
	31 Mar 18	31 Mar 18	31 Mar 17	31 Mar 16
	Actual	Weighted		
Cash, balances with Central Bank and banks abroad	**931,345**	**6,437**	3,204	6,689
Investments	**8,527,175**	**-**	-	-
Loans and advances to customers	**7,765,943**	**915,734**	1,319,392	1,268,383
Investment properties	**32,000**	**32,000**	31,132	31,132
Property, plant and equipment	**131,121**	**131,121**	121,958	109,225
Other assets	**154,158**	**122,606**	134,888	67,223
	17,541,742	**1,207,898**	1,610,474	1,482,652

Risk weighted off-balance sheet exposures

	BASEL III (Rs 000)			
	31 Mar 18	31 Mar 18	31 Mar 17	31 Mar 16
	Actual	Weighted		
Letters of credit, guarantees, acceptances, endorsements	**420,142**	**212,610**	135,131	92,909
Other obligations	**1,250,004**	**250,001**	185,033	76,393
	1,670,146	**462,611**	320,164	169,302

	BASEL III		
	31 Mar 18	31 Mar 17	31 Mar 16
	Rs'000	Rs'000	Rs'000
Annual gross income for the last 3 years (Segment A)	**139,596**	134,172	139,707
Average income for the last 3 years (Segment A)	**137,825**	113,812	97,705
Capital charge	**20,673**	17,072	14,656
Equivalent risk-weighted assets	**206,738**	170,718	146,560
Foreign exchange position	**25,506**	6,009	6,901

Ritesh Kumar
Vice President

Alok Kumar
Chief Manager

Date: 22 JUN 2018

Background

Bank of Mauritius has issued a set of guidelines for corporate governance to be adopted by banks operating in Mauritius to come into effect from April 2001. The steps initiated by the Bank of Baroda (Mauritius Branches), referred to as "the Bank" elsewhere in this report, for implementation of these guidelines in Mauritius are set out below.

Bank of Baroda is operating in Mauritius as a branch of its head office in India and the guidelines of Bank of Mauritius applicable to the Bank are those for a foreign bank. The Bank has a sound Corporate Governance Policy at the corporate level and the local management of the overseas territories including Mauritius, is governed by the Corporate Policy for their operations. As a matter of prudent policy wherever guidelines issued by regulatory authorities of the host country in any territory are more stringent in so far as the Bank's operations in the territory are concerned, the Bank adopts the local regulations, wherever applicable.

The Bank's philosophy on Code of Governance and the steps initiated at the corporate level for implementation of the same are as detailed below.

Bank's Philosophy on Code of Governance

The Bank shall continue its endeavor to protect and enhance the shareholder's value and shall not only comply with the statutory requirements but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. The Bank shall strive hard to best serve the interest of all its stakeholders including the Government, its clients and the public at large. The Bank believes in setting high standards of ethical values, transparency and a disciplined approached to achieve excellence in all its sphere of activities. The Bank is also committed to follow the best international practices.

Constitution of the Board of Directors

The constitution of the Board of Directors of the Bank is governed by local banking laws in India, and satisfies the requirements of Corporate Governance.

The Chairman (non-executive), Managing Director and CEO, three Executive Directors are appointed by the Government of India. The other directors include the following:

a) A representative of:
   - i) The Government of India
   - ii) The Reserve Bank of India
   - iii) Non Workmen
   - iv) Shareholders

Constitution of the Board of Directors (continued)

The shareholders' nominated directors are elected for a period of three years.

Two directors nominated by the Government of India are persons having special knowledge or practical experience in different fields considered useful to the Bank including a Chartered Accountant under Chartered Accountant Category.The composition of the Board is made of an optimum number of executive, non-executive and independent directors. None of the non-executive directors has pecuniary relationship with the Bank.

Committee of Directors / Executives

The Bank has constituted various committees of directors and / or executives to look into different areas of strategic importance in terms of Reserve Bank of India and Government of India guidelines on Corporate Governance and risk management system. The important committees of the Board are as under:

Management Committee of the Board

The Committee considers various business matters of material significance like sanction of high value loan proposals, compromise / write off, sanction of capital and revenue expenditure, premises, investments, donations, etc.

Audit Committee of Board

The Audit Committee comprises of five directors with the non-executive independent director, a Chartered Accountant, chairing the Committee.

The Committee assesses and reviews the financial reporting system of the Bank. It reviews with the Management the annual financial statements before their submission to the Board. The Committee also reviews the adequacy of control systems including internal audit department and discusses any significant audit findings and follow up action thereon. It also reviews the financial and risk management policies of the Bank.

Shareholders / Investors Grievance Committee

This committee takes care of redress of shareholders and investors' complaints on matters relating to their interest.

Customer Service Committee

The committee has created a platform for making suggestions and innovative measures for enhancing the quality of customer services and improving the level of satisfaction for all categories of clientele.

ALM and Risk Management Committee

The Bank has constituted a Directors' Committee on Assets Liability Management and Risk Management to oversee the establishment of proposed ALM and Risk Management system in the Bank.

Disclosures

The Bank through its various committees of the Board ensures that there are no materially significant Related Party Transactions of the Bank with its directors, management, and / or close members of key personnel.

Oversight of Mauritius Territory Operations by Management and the Board

Appointing and Monitoring Territorial Management

The Chief Executive of the Mauritius Territory is appointed through a stringent selection process based on technical competence and proven track record of the executive appointed. The Territorial Management team under the head of the Chief Executive is required to formulate policies for the various aspects of the Bank's operations in Mauritius such as Credit Policy, ALM Policy, Investment Policy, Personnel Policy etc, taking into account the Bank's corporate objectives and policies and the local environment and get them approved by the Board for implementation. Such policies are being reviewed from time to time and the policies updated on an ongoing basis according to the changes in the business environment, local statutory requirements and the corporate objectives.

The Chief Executive and other members of the Management team in the territory are vested with discretionary powers by the Board, for granting loans, investments, and for incurring capital and revenue expenditure, within which they are required to take decisions on such matters and refer matters falling beyond their powers to the higher management at the Corporate Office for decision. Such discretionary powers to the territorial management team is reviewed from time to time to ensure that healthy business growth is achieved by the Bank while proper control is exercised by the Board, through the Senior Management at corporate level, on the management of risks.

Business Planning Process

The Board approves a set of business policy guidelines for the entire Bank annually and the Mauritius Territory prepares a budget plan based on such guidelines and gets it approved by the Corporate Management. Midterm reviews of actual business performance of the territory vis-à-vis the business targets are undertaken by the Corporate Office and suggestions and / or corrective measures are advised to the territory, wherever necessary.

Integrity of Internal Control and Management Information Systems

A proper Management Information System is in place for the territory to report financial and other data relating to the operations periodically to the Board.

Internal Audit and Inspection

The Bank has a system of sending a senior executive, for inspection of the territory's operations at least once every three years, who submits his reports to the Board through the Central Audit and Inspection Division. The Board monitors compliance of such reports through its Audit Committee.

Integrity in conducting Banking Operations

The Territorial Management of the Bank always ensures to maintain the highest level of integrity in dealing with the public and aims to keep up the trust reposed by the investing public in Mauritius.

The Bank, as a policy, gives paramount importance to adherence by the Bank to the directives and policy guidelines issued by the Bank of Mauritius for its operation in Mauritius. There is a proper reporting system between the territorial and corporate managements to ensure such compliance.

Related Party Transactions

As per the Bank's guideline on corporate governance and administrative policy guidelines, no related party transactions can be entered into by the Bank in the territory without prior approval of the Corporate Office except loans and advances to staff members under mutually settled wage agreements. The Chief Executive or any authority having discretionary powers for lending or administrative powers in the territory cannot exercise such powers in his / her own case but has to refer such transactions to the next higher authority for prior approval.

Dividend Policy

Remittable profit of the Territory is sent to Corporate Office in India.

Profile of each member of Senior Management Team

- Mr. Ritesh Kumar - Vice President (Bank of Baroda, Mauritius Operations)

Qualifications	:	MA (Economics), MBA (Finance), CAIIB
Joined Service on	:	29th April 2008
Present Posting	:	Since 06th April 2017
Present Job Role	:	Chief Executive of the Territory

  The job profile and responsibilities for heading the Mauritius Territory involves basically four segments of functionality i.e. operational function, administration function, regulatory compliance function and developmental function.

- Mr. Alok Kumar - Chief Manager (Bank of Baroda Port Louis)

Qualifications	:	LL.B, MCA, CAIIB
Joined Service on	:	19th July 1999
Present Posting	:	Since 30 May 2016
Job Role	:	In charge of the Bank of Baroda Port Louis

  Overall supervision and control of offshore banking unit sanction of credit proposals, funds management, foreign currency business including syndications of loans and other international funded and non-funded banking business.

Material Clauses of the Constitution

Bank of Baroda, Mauritius is treated as a branch of Bank of Baroda incorporated in India governed by the Indian law and regulations but is complying to the regulations of Mauritius in all areas and more stringent guidelines of the two are followed.

Statement of remuneration philosophy

The payment of salary, allowances etc. during the Expatriate Officer's tenure in the host country will be in accordance with the decisions of the Working Group of Standing Committee in India and as approved by the Board. All the terms and conditions of service will be as per Government Guidelines with regard to the Expatriate Officers of Nationalised Banks.

Policies and practices as regards social, ethical, safety, health and environment issues

The Bank has a policy for occupational safety and health and any requests are considered accordingly.

Other disclosure requirements required by Section 8.4 of the Code of Corporate Governance of Mauritius are not applicable as the Bank operates as a foreign branch in Mauritius.

Ritesh Kumar
Vice President

Alok Kumar
Chief Manager

Date: 22 JUN 2018

BANK OF BARODA – MAURITIUS OPERATIONS

STATEMENT OF COMPLIANCE

(SECTION 75(3)OF THE FINANCIAL REPORTING ACT)

For the year ended March 31, 2018

We, the authorised agents of Bank of Baroda – Mauritius Branches, confirm that to the best of our knowledge Bank of Baroda – Mauritius Brancheshas complied with all of its obligations and requirements under the Code of Corporate Governance.

Ritesh Kumar
Vice President

Alok Kumar
Chief Manager

Date: 22 JUN 2018

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Grand-Baie
Mauritius

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AMG GLOBAL
Accountants and Business Advisers

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

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

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **Bank of Baroda – Mauritius Branches (Including Offshore Banking Unit)** (the "Bank"), on pages 36 to 83 which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements on pages 36 to 83 give a true and fair view of the financial position of the Bank as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001 applicable to banks and the Financial Reporting Act 2004.

Basis of Opinion

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

INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Key Audit Matter

Key Audit Matter	***How the matter was addressed in the audit***
Impairment of loans and advances As at 31 March 2018, the Bank has gross loans and advances portfolio of MUR 8,323 million, representing 47% of the Bank's total assets. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment, which amounts to Rs 557 million as at the reporting date. Allowance for credit impairment comprises of specific and portfolio allowances, made in accordance with Bank of Mauritius and Reserve Bank of India guidelines, whichever is more stringent. Failure to recognize adequate allowance for credit impairment can result in incorrect valuation of the loan and advances balances in the financial statements. Refer to Note 2(h) for accounting policy on loans and advances and allowance for credit impairment. We identified the valuation of loans and advances as a key audit matter.	We assessed and tested the design and operating effectiveness of the controls over portfolio and specific impairment calculations, including impairment events identification and collaterals valuation. Additionally, the main audit procedures performed, amongst others, are described below. *Portfolio impairment allowances* • Evaluating the model, including inputs used for portfolio impairment calculation in light of Bank of Mauritius guidelines; and • Re-performing the calculations in accordance with those guidelines. *Specific impairment allowances* • Reviewing the minutes of the Mauritius Credit Committee; • Obtaining and testing loan arrears reports and ensuring that all arrears exceeding 90 days are included in the specific impairment analysis; • Reviewing the extent of provision made on impaired accounts and ensuring that they are in accordance with the guidelines of the Bank of Mauritius and Reserve Bank of India, whichever is more stringent.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Other Information

The Bank Managers are responsible for the other information. The other information comprises the Statement of Management's responsibility for financial reporting, Management Discussion and Analysis and Statement of Compliance under Section 75(3) of the Financial Reporting Act.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Bank Managers responsibility for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Bank Managers;

- Conclude on the appropriateness of Bank Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE MEMBERS OF BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interest in the Bank or any of its subsidiaries, other than our capacity as auditors and arm's length dealings in the ordinary course of business. We have obtained all the information and explanations that we have required.

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act 2004

In our opinion the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Financial Reporting Act 2004

The Bank Managers are responsible for preparing the corporate governance report and making the disclosures required by Section 8.4 of the Code of Corporate Governance (the 'Code'). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

AMG Global
Grand-Baie, Mauritius

Nooredin Mohit
Licensed by FRC

Date: 22 June 2018

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Statement of Financial Position
As at March 31, 2018

	Note	2018 Rs'000	2017 Rs'000	2016 Rs'000
ASSETS				
Cash resources				
Cash and balances with Central Bank		**785,574**	672,291	609,371
Balances with banks		**145,771**	18,749	112,063
	5	**931,345**	691,040	721,434
Securities and other investments				
Investment securities				
- Held to maturity		**1,761,628**	2,373,791	2,485,375
- Available-for-sale		**2,236,197**	804,378	367,117
Placements		**4,529,350**	3,738,415	4,624,370
	6	**8,527,175**	6,916,584	7,476,862
Loans and advances				
Retail and personal		**563,555**	728,807	524,747
Business		**7,706,388**	7,609,570	5,714,795
Government		**53,333**	66,666	80,000
	7	**8,323,276**	8,405,043	6,319,542
Less: allowance for credit impairment losses	8	**(557,333)**	(289,869)	(243,988)
		7,765,943	8,115,174	6,075,554
Others				
Investment properties	9	**32,000**	31,132	31,132
Property, plant and equipment	10	**131,121**	121,957	109,225
Deferred tax assets	15	**35,667**	32,221	26,796
Advanced tax	14	**-**	-	-
Other assets	11	**118,491**	102,667	67,223
		317,279	287,977	234,376
Total assets		**17,541,742**	16,010,775	14,508,226
LIABILITIES AND CAPITAL RESOURCES				
Deposits				
Personal		**4,686,419**	3,658,035	3,948,986
Business		**5,002,733**	5,372,813	2,020,911
Government		**600,227**	623,020	1,137,771
Banks		**-**	3,432,460	2,307,500
	12	**10,289,379**	13,086,328	9,415,168
Borrowings				
Borrowings from banks		**5,722,525**	1,406,751	3,594,437
Others				
Other liabilities	13	**86,406**	74,945	109,170
Current tax liabilities	14	**12,587**	10,782	18,687
Deferred tax liabilities	15	**-**	-	-
Retirement benefit obligations	16	**19,042**	19,602	17,620
		118,035	105,329	145,477
Capital resources				
Assigned capital	17	**200,860**	200,860	200,860
Reserves		**511,279**	557,820	554,922
Retained earnings		**699,664**	653,687	597,362
		1,411,803	1,412,367	1,353,144
Total equity and liabilities		**17,541,742**	16,010,775	14,508,226

These financial statements have been approved on : 22 JUN 2018

Ritesh Kumar
Vice President

Alok Kumar
Chief Manager

The notes on pages 40 to 83 are an integral part of these financial statements.
Auditors' report on pages 31 to 35.

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Statement of Profit or Loss and Other Comprehensive Income
For the year ended March 31, 2018

	Note	2018	2017	2016
		Rs'000	Rs'000	Rs'000
Interest income				
Loans and advances		**265,612**	262,614	295,038
Investment securities	19	**111,324**	103,245	98,607
Placements with other banks		**25,269**	34,510	52,248
		402,205	400,369	445,893
Interest expense				
Deposits		**(149,284)**	(141,221)	(149,219)
Deposits and borrowings from banks		**(55,895)**	(112,069)	(189,772)
Others		**-**	-	(660)
		(205,179)	(253,290)	(339,651)
Net interest income		**197,026**	147,079	106,242
Other income				
Fee income and commissions	21	**12,251**	22,843	11,598
Net trading income		**41,800**	33,069	26,209
Other revenue		**7,570**	69	7,466
		61,621	55,981	45,273
Total operating income		**258,647**	203,060	151,515
(Net allowance for credit impairment losses)/ reversal of impairment charge	20	**(88,667)**	(45,903)	34,219
Net operating income		**169,980**	157,157	185,734
Operating expenses				
Salaries and human resource development		**(42,634)**	(42,370)	(36,706)
Pension contribution and other staff benefits		**(6,360)**	(6,609)	(6,358)
Depreciation		**(9,135)**	(8,116)	(9,481)
Other administrative expenses		**(50,335)**	(38,634)	(38,349)
Total operating expenses		**(108,464)**	(95,729)	(90,894)
Profit before taxation	22	**61,516**	61,428	94,840
Tax expense	14	**(15,539)**	(8,055)	(21,315)
Profit for the year		**45,977**	53,373	73,525
Other comprehensive income:				
Items that are or may be reclassified to profit or loss:				
Exchange differences on translation		**(56,895)**	5,850	(29,410)
Items that will never be reclassified to profit or loss:				
Revaluation of property, plant and equipment		**10,354**	-	-
Other comprehensive income/(loss)		**(46,541)**	5,850	(29,410)
Total comprehensive income for the year		**(564)**	59,223	44,115

The notes on pages 40 to 83 are an integral part of these financial statements.
Auditors' report on pages 31 to 35.

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Statement of Changes in Equity
For the year ended March 31, 2018

	Assigned capital	Statutory reserve	Fair value reserve	Revaluation reserve	Capital reserve	Translation reserve	Retained earnings	Total equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At April 1, 2015	200,860	201,177	1,070	107,254	7,559	271,293	520,893	1,310,106
Total comprehensive income	-	-	-	-	-	(29,410)	73,525	44,115
Appropriation from retained earnings	-	-	7	-	-	-	(7)	
Movement in revaluation reserve	-	-	(1,077)	(2,951)	-		2,951	(1,077)
At March 31, 2016	**200,860**	**201,177**	**-**	**104,303**	**7,559**	**241,883**	**597,362**	**1,353,144**
Revaluation and other reserves						**554,922**		
At April 1, 2016	200,860	201,177	-	104,303	7,559	241,883	597,362	1,353,144
Total comprehensive income	-	-	-	-	-	5,850	53,373	59,223
Appropriation from retained earnings	-	-	-	-	-	-	-	-
Movement in revaluation reserve	-	-	-	(2,952)	-	-	2,952	-
At March 31, 2017	**200,860**	**201,177**	**-**	**101,351**	**7,559**	**247,733**	**653,687**	**1,412,367**
Revaluation and other reserves						**557,820**		
At April 1, 2017	**200,860**	**201,177**	**-**	**101,351**	**7,559**	**247,733**	**653,687**	**1,412,367**
Total comprehensive income	**-**	**-**	**-**	**10,354**	**-**	**(56,895)**	**45,977**	**(564)**
At March 31, 2018	**200,860**	**201,177**	**-**	**111,705**	**7,559**	**190,838**	**699,664**	**1,411,803**
Revaluation and other reserves						**511,279**		

The notes on pages 40 to 83 are an integral part of these financial statements.
Auditors' report on pages 31 to 35.

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)

Statement of Cash Flows

For the year ended March 31, 2018

	Note	2018	2017	2017
		Rs'000	Rs'000	Rs'000
Operating activities				
Net profit before tax		**61,516**	61,428	94,840
Adjustments for:				
Net allowance for credit impairment	20	**88,667**	45,903	(34,219)
Depreciation	10	**9,134**	8,116	9,481
Profit on disposal of plant and equipment		**(104)**	(128)	-
Retirement benefit obligations		**2,362**	2,791	1,539
Gain on fair value of investment property		**(868)**	-	-
Changes in operating assets and liabilities				
Net change in other assets		**(15,824)**	(35,444)	64,369
Net change in other liabilities		**10,439**	(35,101)	(38,281)
Net cash flows generated from operations		**155,322**	47,565	97,729
Payments for retirement benefits obligations		**(2,889)**	(815)	-
Tax paid		**(16,180)**	(20,538)	(550)
Net cash generated from operating activities		**136,253**	26,212	97,179
Investing activities				
(Purchase)/ redemption of investment securities		**(819,656)**	(325,677)	(598,583)
Net change in placements		**(790,935)**	885,955	4,609,746
Net change in loans and advances		**263,991**	(2,085,501)	5,699,214
Purchase of plant and equipment		**(7,965)**	(20,862)	(1,164)
Proceeds from disposal of property, plant and equipment		**138**	161	-
Net cash (used in)/generated from investing activities		**(1,354,427)**	(1,545,924)	9,709,213
Financing activities				
Net change in deposits from customers		**(2,796,949)**	3,671,160	(12,027,413)
Net change in borrowings with banks		**4,315,774**	(2,187,686)	(74,315)
Net cash generated from/(used in) financing activities		**1,518,825**	1,483,474	(12,101,728)
Net increase/(decrease) in cash and cash equivalents		**300,651**	(36,238)	(2,295,336)
Cash and cash equivalents at 1 April		**691,040**	721,434	3,049,545
Net foreign exchange difference		**(60,346)**	5,844	(32,775)
Cash and cash equivalents at 31 March	5	**931,345**	691,040	721,434

The notes on pages 40 to 83 are an integral part of these financial statements.

Auditors' report on pages 31 to 35.

1. Basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and instructions, Guidelines and Guidance notes issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

(b) Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

(c) Functional and presentation currency

The financial statements are presented in Mauritian Rupee (MUR) which is the Bank's functional and presentation currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2. Significant accounting policies

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

(a) Foreign currency translation

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

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

2. Significant accounting policies (continued)

(b) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(d) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loans origination fees for loans which are probable of being drawn down, are deferred (together with the related costs) and recognised as an adjustment to the effective yield on the loan.

Commission and fees arising from negotiating or participation in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(e) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate.

The difference between sale and repurchase price is treated as interest and accrued over the life of repos agreements using the effective yield method.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand including foreign currency notes and coins, balances with the Bank of Mauritius and balances with banks abroad with original maturities of less than three months from the date of acquisition.

2. Significant accounting policies (continued)

(g) Investment securities

Investment securities are Government of Mauritius Treasury Bills, Mauritius Development Loan Stocks, treasury notes and debentures. The Bank classifies its investment securities as held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale. The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using the dividend growth model, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the Statement of profit or loss. Other changes in the carrying amount of AFS investment securities are recognised in other comprehensive income and accumulated under the heading of net unrealised investment fair value reserve. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instruments original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned while holding investment securities is reported as interest income.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the Bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

(h) Loans and provisions for loan impairment

Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

2. Significant accounting policies (continued)

(h) Loans and provisions for loan impairment (continued)

All loans and advances are recognised when cash is advanced to borrowers. An allowance for loan impairment is established if there is the objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the reporting date. These have been estimated upon the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible,

It is written off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in the statement of profit or loss and other comprehensive income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

(i) Impairment

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(j) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both are classified as investment properties. Investment properties comprise office buildings and shops space leased out under operating lease agreements with rental income recognised over the lease term.

Some properties may be partially occupied by the Bank, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Bank can be sold separately, the Bank accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Bank considers the owner-occupied portion as insignificant when the property is more than 5% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Bank uses the size of the property measured in square metre.

2. Significant accounting policies (continued)

(j) Investment properties (continued)

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is calculated by discounting the expected net rentals at a rate that reflects the current market conditions as of the valuation date adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed by external independent professional appraisers every three years.

(k) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value based on triennial valuations by external independent valuers, less subsequent depreciation for property. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the assets (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

2. Significant accounting policies (continued)

(k) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or revaluation of property, plant and equipment over the expected useful lives of the assets concerned. The principal annual rates are:

Buildings	4.87%
Furniture, fittings and equipment	25.89%
ATM	20%
Computer Equipment	33.33%
Motor vehicles	31.23%

Land is not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation reserve relating to that asset are transferred to retained earnings. Repairs and renewals are charged to profit or loss when the expenditure is incurred.

(l) Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method,

(m) Provisions

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

(n) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

2. Significant accounting policies (continued)

(n) Taxation (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Under this method, the Bank is required to make provision for deferred income taxes on the revaluation of certain non-current assets and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base.

The rates enacted or subsequently enacted at the reporting date are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(o) Employee benefits

Unfunded plans

Gratuity shall be payable at the rate of one month basic pay for each completed year of service subject to a maximum of 15 months basic pay as per personal policy of the Bank.

The present value of the unfunded obligations is calculated by management and is provided for as a non-current liability in the statement of financial position. The obligations arising under this item are not funded.

(p) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

(q) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed under memorandum items.

(r) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2. Significant accounting policies (continued)

(s) Segmental reporting

The Bank prepares its financial statements in line with the requirements of the Bank of Mauritius Guideline on Public Disclosure of Information, which requires that segment information should be provided for Segment A and Segment B banking business. Segment B relates to the banking business that give rise to 'foreign source income'. All other banking business is classified under Segment A.

(t) New accounting standards, amendments and interpretations

The Bank has applied all of the new Standards and Interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee effective for the accounting period beginning on 01 April 2017 that are relevant to the current year and to the Bank's operations. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements. These are described below:

Amendments to IAS 7 Statement of Cash Flows (effective 01 January 2017)
These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. Amendments were made to the disclosures in the statement of cash flows.

Amendments to IAS 12 Income Taxes (effective 01 January 2017)
These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendment did not have a material impact on the financial statements.

Standards issued but not yet effective that are relevant to the Bank's operations are listed below.

- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 9 'Financial Instruments'
- IFRS 16 'Leases'
- Amendment to IAS 40 'Investment Property' relating to transfers of investment property
- Amendment to IAS 19 'Employee benefits' on plan amendment, curtailment or settlement'
- Annual Improvements to IFRSs 2014–2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

2. Significant accounting policies (continued)

(t) New accounting standards, amendments and interpretations (continued)

Standards issued but not yet effective that are relevant to the Bank's operations are listed below (continued)

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018)

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank plans to adopt the new standard on the required effective date using the full retrospective approach. The Bank has assessed the impact of the new standard and there will be no significant effect when applied.

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018)

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and will be effective as from 1 January 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments for the Bank.

The Bank will not restate comparatives on initial application of IFRS 9 on 1 April 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

The impact of the new classification and measurement requirements under IFRS 9 will have significant impact on the financial statements of the Bank.

The Bank has set-up an internal committee comprising of representatives from all impacted departments and sought the services of an external consulting firm to develop a model for the implementation of IFRS 9 which includes process and output validation, testing, calibration and analysis. The parallel run of IFRS 9 and IAS 39 impairment models is in progress.

2. Significant accounting policies (continued)

(t) New accounting standards, amendments and interpretations (continued)

Standards issued but not yet effective that are relevant to the Bank's operations are listed below (continued)

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018) (continued)

Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise Expected Credit Losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts *(these were covered by IAS 37: Provisions, Contingent Liabilities and Contingent Assets)*.

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss will be recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Bank will assess whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets.

Stage 3: Exposures which meet the definition of default. The Bank has aligned its definition of default with the guideline issued by the Bank of Mauritius on Credit Impairment Measurement and Income Recognition, which considers exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses will be recognized for these assets.

The revised impairment model is expected to have a material financial impact on the recognition of impairment losses going forward, as well as existing impairment provisions previously recognised in terms of the requirements of IAS 39. Impairment provisions are expected to increase from IAS 39 provisioning as a result of:

(t) New accounting standards, amendments and interpretations (continued)

Standards issued but not yet effective that are relevant to the Bank's operations are listed below (continued)

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018) (continued)

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12 months expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between 3 to 12 months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The implementation of a default definition for exposures that are more than 90 days past due, as well as for certain indicators that an exposure or obligor is unlikely to pay.
- The inclusion of forecasted macroeconomic scenarios into the expected credit losses of a portfolio;
- The inclusion of expected credit losses on items that typically would not have been impaired under IAS 39, such as loan commitments. The adoption of IFRS 9 at 01 April 2018, by applying the accounting policies and ECL measurement methodologies outlined above, is expected to result in the following movements:

Financial assets measured at amortised cost will be subject to impairment provisions of IFRS 9. The Bank expects to apply the expected credit losses approach as required by IFRS 9.

In general, Management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Classification and measurement

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1. The business model within which financial assets are managed; and
2. Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

2. Significant accounting policies (continued)

(t) New accounting standards, amendments and interpretations (continued)

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018) (continued)

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss.

The accounting for financial liabilities is largely unchanged.

An assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for complex financial assets.

Based on the Bank's financial assets and liabilities at the reporting date, the initial application of the Bank's new classification and measurement policies on 1 April 2018 is expected to have significant impact on the Bank's financial statements and the amount is yet to be determined.

IFRS 16 'Leases' (effective for annual periods beginning on or after 01 January 2019)

This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank does not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

2. Significant accounting policies (continued)

(t) New accounting standards, amendments and interpretations (continued)

Amendment to IAS 40 'Investment Property' relating to transfers of investment property (effective for annual periods beginning on or after 01 January 2018)

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. If a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

The Bank does not anticipate any significant impact of this amendment when it will be adopted.

Amendment to IAS 19 'Employee benefits' on plan amendment, curtailment or settlement' (effective for annual periods beginning on or after 01 January 2019)

These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Bank does not anticipate any significant impact of this amendment when it will be adopted.

Annual Improvements to IFRSs 2014–2016 Cycle (effective for annual periods beginning on or after 01 January 2018)

These amendments impact 2 standards:

- IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 01 January 2018)

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

3. Financial risk management

(a) Strategy in using financial instruments

The Bank activities are, by nature, principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets.

The Bank seeks to increase these margins by consolidating short term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Bank also enters into guarantees and other commitments such as letter of credit, performance and other bonds.

(b) Credit risk

The Bank takes on exposure to credit risk which is the risk that its counterparties will be unable to fulfil their contractual obligations.

The Bank maintains an acceptable level of credit risk by setting exposure limits on the amount of risks accepted in relation to one borrower or group of borrowers. Periodic risk assessments are carried out to assist in portfolio management decisions including exposure levels and the constitution of required provisions. The Impaired Loan Committee reviews all none performing and weak assets as well as the larger quality assets on a monthly basis.

The Bank does not have a geographical concentration of assets, liabilities or off balance sheet items.

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

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Credit risk exposures relating to on-balance sheet assets are as follows:			
Loans and advances to individuals	**563,555**	728,807	524,747
Loans and advances to corporates	**7,759,721**	7,676,236	5,794,795
Pledged assets	**229,800**	150,000	150,000
Investment securities	**3,768,025**	3,028,169	2,702,492
Other assets	**118,491**	102,667	67,223
Credit risk exposures relating to off-balance sheet items are as follows:			
Financial guarantees	**36,762**	13,366	43,718
Loan commitments and other credit related liabilities	**383,380**	271,715	220,269
Total	**12,859,734**	11,970,960	9,503,244

3. Financial risk management (continued)

(b) Credit risk (continued)

The above table represents a worst case scenario of credit risk exposure to the bank at March 31, 2018, 2017 and 2016, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 65% of the maximum exposure is derived from loans and advances to companies and customers (2017: 70% 2016: 66%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from its loan and advances portfolio based on the following: 100% of the loans and advances portfolio is categorised in the top three grades of the internal rating system (2017: 100% 2016: 100%).

(ii) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

	Individual		Corporates		Total loans
		Demand		Demand	and
	Overdrafts	loan	Overdrafts	loan	advances
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Standard monitoring					
March 31, 2018	**150,139**	**1,259,403**	**662,069**	**4,711,732**	**6,783,343**
March 31, 2017	136,040	910,113	362,552	6,512,526	7,921,231
March 31, 2016	4,002	462,789	229,923	4,942,244	5,638,958

(iii) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Individual		Corporates		Total loans
		Demand		Demand	and
	Overdrafts	loan	Overdrafts	loan	advances
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2018					
Past due up to 30 days	**2,339**	**343,777**	**1,082**	**260,151**	**607,349**
Past due up to 30-60 days	**-**	**6,974**	**-**	**51,272**	**58,246**
Past due up to 60-90 days	**-**	**183**	**-**	**-**	**183**
Total	**2,339**	**350,934**	**1,082**	**311,423**	**665,778**
Fair value of collateral	**113,669**	**381,068**	**196,030**	**678,823**	**1,369,590**

3. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Loans and advances past due but not impaired (continued)

	Individual		Companies		Total loans
	Overdrafts	Demand loan	Overdrafts	Demand loan	and advances
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2017					
Past due up to 30 days	9,169	18,805	16,374	52,839	97,187
Past due up to 30-60 days	-	16,855	-	-	16,855
Past due up to 60-90 days	-	2,263	-	-	2,263
Total	9,169	37,923	16,374	52,839	116,305
Fair value of collateral	15,575	81,490	325,900	301,600	724,565

	Individual		Companies		Total loans
	Overdrafts	Demand loan	Overdrafts	Demand loan	and advances
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2016					
Past due up to 30 days	9,314	3,793	4,054	-	17,161
Past due up to 30-60 days	-	18,792	-	430,758	449,550
Past due up to 60-90 days	-	22,792	-	-	22,792
Total	9,314	45,377	4,054	430,758	489,503
Fair value of collateral	62,715	82,644	19,464	1,060,770	1,225,593

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

(iv) Loans and advances individually impaired

	Individual		Companies		Total loans
	Overdrafts	Demand loan	Overdrafts	Demand loan	and advances
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2018					
Individually impaired loans	**4,908**	**8,238**	**38,997**	**822,037**	**874,180**
Fair value of collateral	**12,500**	**13,700**	**67,600**	**30,000**	**123,800**

3. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Loans and advances individually impaired (continued)

	Individual		Companies		Total loans
	Overdrafts	Demand loan	Overdrafts	Demand loan	and advances
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2017					
Individually impaired loans	4,921	8,478	39,935	314,173	367,507
Fair value of collateral	-	25,425	-	57,600	83,025

	Individual		Companies		Total loans
	Overdrafts	Demand loan	Overdrafts	Demand loan	and advances
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2016					
Individually impaired loans	-	3,265	24,637	163,178	191,080
Fair value of collateral	-	9,000	-	36,000	45,000

(v) An estimate of the fair value of collateral and other credit enhancements held against financial assets

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Against neither past due nor impaired			
Properties	**18,034,454**	4,458,568	3,598,698
Fixed deposits	**597,462**	479,987	789,871
Others	**517,964**	58,916,638	2,522,985
Total	**19,149,880**	63,855,193	6,911,554
Past due but not impaired			
Properties	**1,266,850**	443,779	960,770
Fixed deposits	**6,645**	-	19,464
Others	**96,095**	280,786	245,359
Total	**1,369,590**	724,565	1,225,593
Against individually impaired			
Properties	**123,800**	57,600	36,000
Fixed deposits	**-**	-	-
Others	**-**	25,425	9,000
Total	**123,800**	83,025	45,000

3. Financial risk management (continued)

(b) Credit risk (continued)

Credit related commitments

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Economic sectors risk concentration within the customer loan portfolio, debentures and off balance sheet commitments (excluding foreign inwards and outwards bills)

	2018		2017		2016	
	Fund based Rs'000	**Non-fund-based Rs'000**	Fund based Rs'000	Non-fund-based Rs'000	Fund based Rs'000	Non-fund-based Rs'000
Agriculture & fishing	**285,904**	**-**	305,747	-	296,347	115
Manufacturing	**95,105**	**2,920**	97,332	1,096	102,254	3,987
Tourism	**735**	**-**	125	-	-	-
Transport	**77,559**	**-**	75,873	-	59,495	-
Construction	**429,581**	**185,552**	300,345	181,347	188,958	129,850
Financial and business services	**270,183**	**170**	377,565	230	323,936	290
Traders	**240,222**	**31,926**	441,764	47,458	408,367	65,635
Personal	**368,135**	**-**	300,353	-	248,542	-
Professional	**9,572**	**-**	7,757	-	2,024	-
Statutory and para-statal bodies	**-**	**-**	-	-	-	-
Education	**247,210**	**20**	319,781	-	348,330	40
Global business operations	**6,294,794**	**-**	6,175,158	-	4,330,396	-
Media, entertainment and recreational activies	**226**	**-**	338	-	533	60
Other customers	**4,050**	**199,554**	2,905	54,950	10,360	74,065
	8,323,276	**420,142**	8,405,043	285,081	6,319,542	274,042

(c) Market risk

Market risk arises from open positions in interest rate and foreign currency products, all of which are exposed to general and specific market movements. The Bank's exposure to market risk is the result of both trading and asset/liability management activities. The market risk management policies of the Bank are determined by its corporate office in India.

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Bank's exposure to foreign currency exchange risk at March 31, 2018, 2017 and 2016. The table shows the Bank's assets and liabilities at carrying amounts categorised by currency

Concentration of assets, liabilities and off-balance sheet items

	EUR	USD	GBP	MUR	OTHERS	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2018						
Assets						
Cash and balances with Central Bank	67	118,598	5,194	660,485	-	784,344
Foreign currency notes and coins	814	53	363	-	-	1,230
Balances with banks	13,380	84,698	25,551	-	22,142	145,771
Treasury bills and other securities	-	4,218,750	310,600	3,997,825	-	8,527,175
Loans and advances	57,802	6,229,073	7,436	1,471,632	-	7,765,943
Investment properties	-	-	-	32,000	-	32,000
Property, plant and equipment	-	195	-	130,926	-	131,121
Other assets	1,725	45,046	1,549	70,171	-	118,491
Total assets	73,788	10,696,413	350,693	6,363,039	22,142	17,506,075
Liabilities						
Due to customers	48,906	3,671,594	330,174	6,238,705	-	10,289,379
Other liabilities and provisions	351	11,285	754	90,718	-	103,108
Borrowings from banks	20,750	5,690,250	-	9,596	1,929	5,722,525
Retirement benefit obligations	-	2,238	-	16,804	-	19,042
Total liabilities	70,007	9,375,367	330,928	6,355,823	1,929	16,134,054
Net on-balance sheet position	3,781	1,321,046	19,765	7,216	20,213	1,372,021
Credit commitments	-	-	-	420,142	-	420,142

	EURO	USD	GBP	MUR	OTHER	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2017						
Total assets	79,459	9,663,549	236,003	5,996,254	3,289	15,978,554
Total liabilities	77,339	8,568,736	233,529	5,717,680	1,124	14,598,408
Net on-balance sheet position	2,120	1,094,813	2,474	278,574	2,165	1,380,146
Credit commitments	-	-	-	285,081	-	285,081

3. Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

	EURO	USD	GBP	MUR	OTHER	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2016						
Total assets	167,205	8,770,808	339,821	5,224,859	5,533	14,508,226
Total liabilities	165,313	7,666,753	335,879	4,987,137	-	13,155,082
Net on-balance sheet position	1,892	1,104,055	3,942	237,722	5,533	1,353,144
Credit commitments	-	21,839	-	252,203	-	274,042

Sensitivity analysis

If the Mauritian rupee had weakened/strengthened against the following currencies with all variables remaining constant, the impact on the results for the year would have been as shown below mainly as a result of foreign exchange gains/losses.

	Change by 5%			
Impact on result for the year	GBP	MUR	EUR	OTHERS
	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2018	**840**	**482**	**161**	**859**
March 31, 2017	105	11,839	90	92
March 31, 2016	168	10,897	80	235

(ii) Interest rate risk

Interest rate risk arises from investments in fixed income securities (Held-to-Maturity Investments), bank balances and deposits which are exposed to fluctuations in interest rates. Exposure to interest rate risk on short term business is monitored by the ALCO Committee through a close matching of assets and liabilities. The impact of exposure to sustained low interest rates is also regularly monitored.

Sensitivity analysis

	Impact on results	
	+1%	-1%
	Rs'000	Rs'000
At March 31, 2018		
- Effects on profit	**11,695**	**(11,695)**
At March 31, 2017		
- Effects on profit	25,883	(25,883)
At March 31, 2016		
- Effects on profit	10,604	(10,604)

3. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest sensitivity of assets and liabilities – repricing analysis

The table below summarises the effective interest rate by major currencies for monetary financial instruments:

	Up to 1 month	2-3 months	4-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2018							
Assets							
Cash and balances with Central Bank	**128,220**	**-**	**-**	**-**	**-**	**656,124**	**784,344**
Foreign currency notes and coins	**-**	**-**	**-**	**-**	**-**	**1,230**	**1,230**
Balances with banks	**145,771**	**-**	**-**	**-**	**-**	**-**	**145,771**
Treasury bills and other securities	**834,861**	**5,003,121**	**2,022,969**	**666,224**	**-**	**-**	**8,527,175**
Loans and advances to customers	**2,272,676**	**1,812,616**	**1,523,183**	**1,159,706**	**997,762**	**-**	**7,765,943**
Investment properties	**-**	**-**	**-**	**-**	**-**	**32,000**	**32,000**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**131,121**	**131,121**
Other assets	**-**	**-**	**-**	**-**	**-**	**118,491**	**118,491**
Total assets	**3,381,528**	**6,815,737**	**3,546,152**	**1,825,930**	**997,762**	**938,966**	**17,506,075**
Liabilities							
Due to customers	**6,561,051**	**1,080,697**	**1,123,207**	**593,979**	**109,745**	**820,700**	**10,289,379**
Borrowings from banks	**4,807,900**	**-**	**70,875**	**843,750**	**-**	**-**	**5,722,525**
Other liabilities and provisions	**-**	**-**	**-**	**-**	**-**	**103,108**	**103,108**
Retirement benefit obligations	**-**	**-**	**-**	**-**	**-**	**19,042**	**19,042**
Total liabilities	**11,368,951**	**1,080,697**	**1,194,082**	**1,437,729**	**109,745**	**942,850**	**16,134,054**
Interest sensitivity gap	**(7,987,423)**	**5,735,040**	**2,352,070**	**388,201**	**888,017**	**(3,884)**	**1,372,021**

	Up to 1 month	2-3 months	4-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
March 31, 2017	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Total assets	4,961,400	4,350,062	2,183,291	1,974,115	1,452,158	1,057,528	15,978,554
Total liabilities	5,198,662	949,461	2,097,992	1,796,235	1,833,633	2,722,425	14,598,408
Interest sensitivity gap	(237,262)	3,400,601	85,299	177,880	(381,475)	(1,664,897)	1,380,146

	Up to 1 month	2-3 months	4-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
March 31, 2016	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Total assets	5,932,494	2,583,026	666,777	2,335,952	2,038,785	951,192	14,508,226
Total liabilities	3,289,072	1,275,979	4,740,171	1,125,671	2,127,527	596,662	13,155,082
Interest sensitivity gap	2,643,422	1,307,047	(4,073,394)	1,210,281	(88,742)	354,530	1,353,144

3. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest sensitivity of assets and liabilities – repricing analysis (continued)

The table below summarises the effective interest rate by major currencies for monetary financial instruments:

March 31, 2018	**EUR**	**USD**	**GBP**	**MUR**
Assets	**%**	**%**	**%**	**%**
Treasury bills and other securities				
Placements				
Loans and advances to customers	**1.38**	**2.57**	**1.44**	**5.83**
Liability				
Due to customers	**0.30**	**0.51**	**0.28**	**2.06**

March 31, 2017	**EUR**	**USD**	**GBP**	**MUR**
Assets	**%**	**%**	**%**	**%**
Treasury bills and other securities	-	-	-	3.42
Placements	0.01	0.67	0.57	-
Loans and advances to customers	1.33	2.49	1.34	6.07
Liability				
Due to customers	0.44	0.43	0.49	2.40

March 31, 2016	**EUR**	**USD**	**GBP**	**MUR**
Assets	**%**	**%**	**%**	**%**
Treasury bills and other securities	-	-	-	3.39
Placements	-	0.94	0.85	-
Loans and advances to customers	1.02	0.98	1.04	6.55
Liability				
Due to customers	0.23	0.68	0.72	2.23

(d) Liquidity risk

The Bank maintains a stock of highly marketable assets that can be liquidated to cater for unforeseen interruption to cash flow. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on reputation, the strength of earnings and the Bank's financial position. Liquidity management includes control over assets maturities, volume and quality of liquid assets and short term funds.

3. Financial risk management (continued)

(d) Liquidity risk (continued)

Maturity of assets and liabilities

March 31, 2018	Up to 1 month Rs'000	2-3 months Rs'000	4-12 months Rs'000	1-3 years Rs'000	Over 3 years Rs'000	Total Rs'000
Assets						
Cash and balances with Central Bank	128,220	-	-	-	656,124	784,344
Foreign currency notes and coins	-	-	-	-	1,230	1,230
Balances with banks	145,771	-	-	-	-	145,771
Treasury bills and other securities	834,861	5,003,121	2,022,969	666,224	-	8,527,175
Loans and advances to customers	2,272,676	1,812,616	1,523,183	1,159,706	997,762	7,765,943
Investment property	-	-	-	-	32,000	32,000
Property, plant and equipment	-	-	-	-	131,121	131,121
Other assets	-	-	-	-	118,491	118,491
Total assets	3,381,528	6,815,737	3,546,152	1,825,930	1,936,728	17,506,075
Liabilities						
Due to customers	6,561,051	1,080,697	1,123,207	593,979	930,445	10,289,379
Borrowings from banks	4,807,900	-	70,875	843,750	-	5,722,525
Other liabilities and provisions	-	-	-	-	103,108	103,108
Retirement benefit obligations	-	-	-	-	19,042	19,042
Total liabilities	11,368,951	1,080,697	1,194,082	1,437,729	1,052,595	16,134,054
Net liquidity gap	(7,987,423)	5,735,040	2,352,070	388,201	884,133	1,372,021

(e) Compliance risk

Compliance risk arises from failure or inability to comply with laws, regulations or codes applicable to the Financial Services Industry. Non-compliance can lead to fines, public reprimands, and enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

(f) Operational risk management

Operational risk is the risk of financial loss and business instability arising from failures in internal controls, operational processes or other supporting systems.

It is understood that such risks cannot be entirely eliminated and the cost of controls in minimising these risks may outweigh the potential benefits. As part of the implementation of the Bank's risk strategy, independent checks on risk issues are undertaken by the Internal Audit unit.

3. Financial risk management (continued)

(g) Legal risk

Legal risk is the risk that the business activities of the Bank have unintended or unexpected consequences. It includes risk arising from:

- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in counterparty insolvency;
- Actual or potential violations of laws or regulations (including activities unauthorised for the Bank and which attract a civil or criminal fine or penalty);
- Failure to protect the Bank's property (including its interest in its premises);
- The possibility of civil claims (including acts or other events) which may lead to litigation or other disputes.

The Bank identifies and manages legal risk through its legal advisers.

(h) Category of financial assets and liabilities

(i) Fair value of financial assets and liabilities

The fair value of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair values are not materially different from their carrying amounts.

The table below sets out the Bank's classification of financial assets and liabilities, and their fair value (excluding accrued interest):

	Available for sale	Other Amortised costs	Carrying value	Fair value
March 31, 2018	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Assets				
Cash and balances with Central Bank	-	785,574	785,574	785,574
Balances with banks	-	145,771	145,771	145,771
Held to maturity investment securities	-	1,761,628	1,761,628	1,761,628
Placements	-	4,529,350	4,529,350	4,529,350
Available for sale investment securities	2,236,197	-	2,236,197	2,236,197
Loans and advances	-	8,323,276	8,323,276	8,323,276
	2,236,197	15,545,599	17,781,796	17,781,796
Liabilities				
Deposits	-	10,289,379	10,289,379	10,289,379
Borrowings from banks	-	5,722,525	5,722,525	5,722,525
	-	16,011,904	16,011,904	16,011,904

3. Financial risk management (continued)

(h) Category of financial assets and liabilities (continued)

(i) Fair value of financial assets and liabilities (continued)

March 31, 2017	Available for sale	Other Amortised costs	Carrying value	Fair value
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
Cash and balances with Central Bank	-	672,291	672,291	672,291
Balances with banks	-	18,749	18,749	18,749
Held to maturity investment securities	-	2,373,971	2,373,971	2,373,971
Placements		3,738,415	3,738,415	3,738,415
Available for sale investment securities	804,378	-	804,378	804,378
Loans and advances	-	8,405,043	8,405,043	8,405,043
	804,378	15,208,469	16,012,847	16,012,847
Liabilities				
Deposits	-	13,086,328	13,086,328	13,086,328
Borrowings from banks	-	1,406,751	1,406,751	1,406,751
	-	14,493,079	14,493,079	14,493,079

March 31, 2016	Available for sale	Other Amortised costs	Carrying value	Fair value
	Rs'000	Rs'000	Rs'000	Rs'000
Assets				
Cash and balances with Central Bank	-	609,371	609,371	609,371
Balances with banks	-	112,063	112,063	112,063
Held to maturity investment securities	-	2,485,375	2,485,375	2,485,375
Placements		4,624,370	4,624,370	4,624,370
Available for sale investment securities	367,117	-	367,117	367,117
Loans and advances	-	6,319,542	6,319,542	6,319,542
	367,117	14,150,721	14,517,838	14,517,838
Liabilities				
Deposits	-	9,415,168	9,415,168	9,415,168
Borrowings from banks	-	3,594,437	3,594,437	3,594,437
	-	13,009,605	13,009,605	13,009,605

For investment securities, all Bank of Mauritius bills and bonds have been fair valued based on the latest weighted yield rate.

3. Financial risk management (continued)

(h) Category of financial assets and liabilities (continued)

(ii) Fair value hierarchy financial assets and liabilities

The table below analyses financial instruments carried at fair value, by the level of fair value hierarchy. The different levels have been defined as:
Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observables data (unobservable inputs)

	Level 1	Level 2	Level 3
	Rs'000	Rs'000	Rs'000
March 31, 2018			
Available for sale investment securities	**-**	**2,236,197**	**-**
March 31, 2017			
Available for sale investment securities	-	804,378	-
March 31, 2016			
Available for sale investment securities	-	367,117	-

There were no transfers between level 1 and level 2 in the year.

4. Accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ as a result of changes in these estimates.

The notes to the financial statements include areas where management has applied judgements that have a significant effect on the amount recognized in the financial statements and include classification of financial instruments into the Held to maturity category and Available for Sale category.

The estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

4. Accounting judgements and key sources of estimation uncertainty (continued)

(a) Specific provision for credit impairment

The calculation of specific provision for credit impairment requires management to estimate the recoverable amount of each impaired asset which is estimated future cash flows discounted at the original effective interest rate of advance. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers.

(b) Portfolio provision for credit impairment

The portfolio provision is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as management estimate of the impact of current economic and other relevant conditions on the recoverability of the loans advances portfolio.

(c) Measurement of fair values

A number of the bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the bank uses market observable data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observables data (unobservable inputs)

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Notes to the Financial Statements
For the year ended March 31, 2018

5. CASH AND CASH EQUIVALENTS

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Cash and balances with Central Bank	**784,344**	670,174	607,407
Foreign currency notes and coins	**1,230**	2,117	1,964
Balances with banks	**145,771**	18,749	112,063
Cash and cash equivalents	**931,345**	691,040	721,434

6. SECURITIES AND OTHER INVESTMENTS

	2018						2017	2016
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	Rs'000	Rs'000
	Within 3 months	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**	Total	Total
Securities								
Available-for-sale								
Segment A								
Treasury bills	**1,515,228**	**672,257**	**48,712**	**-**	**-**	**2,236,197**	-	367,117
Bank of Mauritius bills	**-**	**-**	**-**	**-**	**-**	**-**	804,378	-
	1,515,228	**672,257**	**48,712**	**-**	**-**	**2,236,197**	804,378	367,117
Held-to-maturity								
Segment A								
Government treasury notes	**388,596**	**110,273**	**347,977**	**319,304**	**-**	**1,166,150**	-	1,281,205
Bank of Mauritius notes	**248,558**	**-**	**-**	**346,920**	**-**	**595,478**	2,373,971	1,204,170
	637,154	**110,273**	**347,977**	**666,224**	**-**	**1,761,628**	2,373,971	2,485,375
Segment B								
Securities of Government bodies	**35,639**	**-**	**-**	**-**	**-**	**35,639**	38,938	39,495
Less Impairment loss	**(35,639)**	**-**	**-**	**-**	**-**	**(35,639)**	(32,274)	(32,374)
Exchange differences	**-**	**-**	**-**	**-**	**-**	**-**	(6,664)	(7,121)
	-	**-**	**-**	**-**	**-**	**-**	-	-
	637,154	**110,273**	**347,977**	**666,224**	**-**	**1,761,628**	2,373,971	2,485,375
Other investments								
Segment A								
Interbranch placement	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Segment B								
Interbranch placement	**-**	**843,750**	**-**	**-**	**-**	**843,750**	2,169,635	1,961,870
Interbank placement	**3,685,600**	**-**	**-**	**-**	**-**	**3,685,600**	1,568,600	2,662,500
	3,685,600	**843,750**	**-**	**-**	**-**	**4,529,350**	3,738,235	4,624,370
	3,685,600	**843,750**	**-**	**-**	**-**	**4,529,350**	3,738,235	4,624,370
	5,837,982	**1,626,280**	**396,689**	**666,224**	**-**	**8,527,175**	6,916,584	7,476,862
Total								
Segment A	**2,152,382**	**782,530**	**396,689**	**666,224**	**-**	**3,997,825**	3,178,349	2,852,492
Segment B	**3,685,600**	**843,750**	**-**	**-**	**-**	**4,529,350**	3,738,235	4,624,370
	5,837,982	**1,626,280**	**396,689**	**666,224**	**-**	**8,527,175**	6,916,584	7,476,862

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Notes to the Financial Statements
For the year ended March 31, 2018

7. LOANS AND ADVANCES

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Remaining term to maturity			
Within 3 months	**4,085,293**	4,695,685	3,086,900
Over 3 to 6 months	**1,345,399**	1,085,655	432,626
Over 6 to 12 months	**177,784**	168,471	224,042
Over 1 to 5 years	**1,819,664**	1,219,277	1,300,690
Over 5 years	**895,136**	1,235,955	1,275,284
	8,323,276	8,405,043	6,319,542
Segment A			
Within 3 months	**440,528**	496,931	308,717
Over 3 to 6 months	**30,846**	160,774	73,416
Over 6 to 12 months	**33,066**	60,929	140,783
Over 1 to 5 years	**784,571**	427,525	505,933
Over 5 years	**739,471**	1,083,726	960,297
	2,028,482	2,229,885	1,989,146
Segment B			
Within 3 months	**3,644,765**	4,198,754	2,778,183
Over 3 to 6 months	**1,314,553**	924,881	359,210
Over 6 to 12 months	**144,718**	107,542	83,259
Over 1 to 5 years	**1,035,093**	791,752	794,757
Over 5 years	**155,665**	152,229	314,987
	6,294,794	6,175,158	4,330,396
Total	**8,323,276**	8,405,043	6,319,542

Credit concentration of risk by industry sectors

Name of sector			
Agriculture and fishing	**285,904**	305,747	296,347
Manufacturing	**95,105**	97,332	102,254
Tourism	**735**	125	-
Transport	**77,559**	75,873	59,495
Construction	**429,581**	300,345	188,958
Financial & business services	**270,183**	377,565	323,936
Traders	**240,222**	441,764	408,367
Personal	**368,135**	300,353	248,542
Professional	**9,572**	7,757	2,024
Statutory and parastatal bodies	**-**	-	-
Education	**247,210**	319,781	348,330
Global business operations	**6,294,794**	6,175,158	4,330,396
Media, entertainment and recreational activities	**226**	338	533
Others	**4,050**	2,905	10,360
Total	**8,323,276**	8,405,043	6,319,542
	-	-	-

7. **LOANS AND ADVANCES (continued)**	**2018**	2017	2016
	Rs'000	Rs'000	Rs'000
Credit concentration of risk by industry sectors			
Segment A			
Name of sector			
Agriculture and fishing	**285,904**	305,747	296,347
Manufacturing	**95,105**	97,332	102,254
Tourism	**735**	125	-
Transport	**77,559**	75,873	59,495
Construction	**429,581**	300,345	188,958
Financial & business services	**270,183**	377,565	323,936
Traders	**240,222**	441,764	408,367
Personal	**368,135**	300,353	248,542
Professional	**9,572**	7,757	2,024
Statutory and parastatal bodies	**-**	-	-
Education	**247,210**	319,781	348,330
Media, entertainment and recreational activities	**226**	338	533
Others	**4,050**	2,905	10,360
	2,028,482	2,229,885	1,989,146
Segment B			
Name of sector			
Global business operations	**6,294,794**	6,175,158	4,330,396
Total	**8,323,276**	8,405,043	6,319,542

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
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8. ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES

Movement on allowance for losses on loans and advances

	2018			2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Specific allowances	Portfolio allowances	Total	Total	Total
At April 1	209,618	80,251	289,869	243,988	280,731
Provision for credit losses for the year (see note 20)	76,418	17,423	93,841	68,155	76,403
Provision released during the year (see note 20)	(190)	(4,984)	(5,174)	(22,252)	(68,443)
Provision transferred on take-over of loan portfolio from foreign branches	182,224	-	182,224	-	-
Exchange differences	-	(3,427)	(3,427)	(22)	(44,703)
At March 31	468,070	89,263	557,333	289,869	243,988

Allowance for losses by industry sectors including general provision

	2018					2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Gross amount	Non-performing	Specific allowances	Portfolio allowances	Total	Total	Total
Agriculture and fishing	285,904	167,486	167,486	1,184	168,670	168,910	168,825
Manufacturing	95,105	18,601	5,520	764	6,284	5,267	1,631
Tourism	735	-	-	15	15	1	-
Transport	77,559	-	-	1,551	1,551	759	595
Construction	429,581	3,880	3,348	8,514	11,862	6,801	3,061
Financial & business services	270,183	-	-	4,053	4,053	3,776	3,239
Traders	240,222	8,605	2,151	3,474	5,625	4,418	4,084
Personal	368,135	1,772	694	7,327	8,021	3,173	2,511
Professional	9,572	-	-	96	96	78	20
Statutory and parastatal bodies	-	-	-	-	-	-	-
Education	247,210	-	-	2,472	2,472	3,198	3,483
Global business operations	6,294,794	673,836	288,871	59,769	348,640	93,181	55,760
Media, entertainment and recreational activities	226	-	-	2	2	3	5
Others	4,050	-	-	42	42	304	774
Total	8,323,276	874,180	468,070	89,263	557,333	289,869	243,988
Included in general banking reserve					-	-	-
Allowances for losses					557,333	289,869	243,988

8. ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES (continued)

	2018					2017	2016
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Gross amount	Non-performing	Specific allowances	Portfolio allowances	Total	Total	Total
Segment A							
Agriculture and fishing	285,904	167,486	167,486	1,184	168,670	168,910	168,825
Manufacturing	95,105	18,601	5,520	764	6,284	5,267	1,631
Tourism	735	-	-	15	15	1	-
Transport	77,559	-	-	1,551	1,551	759	595
Construction	429,581	3,880	3,348	8,514	11,862	6,801	3,061
Financial & business services	270,183	-	-	4,053	4,053	3,776	3,239
Traders	240,222	8,605	2,151	3,474	5,625	4,418	4,084
Personal	368,135	1,772	694	7,327	8,021	3,173	2,511
Professional	9,572	-	-	96	96	78	20
Statutory and parastatal bodies	-	-	-	-	-	-	-
Education	247,210	-	-	2,472	2,472	3,198	3,483
Media, entertainment and recreational activities	226	-	-	2	2	3	5
Others	4,050	-	-	42	42	304	774
	2,028,482	200,344	179,199	29,494	208,693	196,688	188,228
Segment B							
Global business operations	6,294,794	673,836	288,871	59,769	348,640	93,181	55,760
Total	8,323,276	874,180	468,070	89,263	557,333	289,869	243,988
Credit facilities to related parties							
Loans to related parties					-	-	-

9. INVESTMENT PROPERTIES

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
At fair value			
At April 1	31,132	31,132	31,132
Net gains from fair value adjustment	868	-	-
At March 31	32,000	31,132	31,132

9. INVESTMENT PROPERTIES (continued)

The investment properties were revalued in March 2018, by S. M. Ikhlaas Belath MRICS (Chartered Valuation Surveyor). The valuation was made on the basis of open market value. The fair value measurement for investment properties of Rs'000 32,000 has been categorised as a Level 2 fair value based on the inputs to the valuation technique used in note 4(c). Investment properties generated in 2018 a rental income of Rs 2.9 million. Direct operating expenses recognised in the statement of profit or loss and other comprehensive income were nil.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Computer equipment	ATM	Furniture, fittings and equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At April 1, 2015	114,762	16,111	19,781	49,828	5,917	206,399
Additions	-	435	-	729	-	1,164
Revaluation	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
At March 31, 2016	114,762	16,546	19,781	50,557	5,917	207,563
Additions	-	2,416	2,905	14,756	785	20,862
Disposals	-	-	-	-	(653)	(653)
Exchange differences	-	7	-	5	4	16
At March 31, 2017	114,762	18,969	22,686	65,318	6,053	227,788
Additions	-	1,967	143	5,855	-	7,965
Disposals	-	-	-	-	(1,869)	(1,869)
Revaluation	4,951	-	-	-	-	4,951
Exchange differences	-	(89)	-	(30)	(58)	(177)
At March 31, 2018	**119,713**	**20,847**	**22,829**	**71,143**	**4,126**	**238,658**
DEPRECIATION						
At April 1, 2015	7,639	14,083	18,919	43,718	4,478	88,837
Charge for the year	3,368	1,154	520	3,871	568	9,481
Disposal adjustments	-	-	-	-	-	-
Exchange differences		17		4	(1)	20
At March 31, 2016	11,007	15,254	19,439	47,593	5,045	98,338
Charge for the year	3,219	1,729	158	2,456	554	8,116
Disposal adjustments	-	-	-	-	(620)	(620)
Exchange differences	-	3	-	(9)	3	(3)
At March 31, 2017	14,226	16,986	19,597	50,040	4,982	105,831
Charge for the year	2,941	1,129	707	4,303	54	9,134
Disposal adjustments	-	-	-	-	(1,835)	(1,835)
Revaluation adjustments	(5,403)	-	-	-	-	(5,403)
Exchange differences	-	(89)	-	(54)	(47)	(190)
At March 31, 2018	**11,764**	**18,026**	**20,304**	**54,289**	**3,154**	**107,537**
NET BOOK VALUES						
At March 31, 2016	103,755	1,292	342	2,964	872	109,225
At March 31, 2017	100,536	1,983	3,089	15,278	1,071	121,957
At March 31, 2018	**107,949**	**2,821**	**2,525**	**16,854**	**972**	**131,121**

Land and buildings

The land and buildings were revalued in March 2018, by S. M. Ikhlaas Belath MRICS (Chartered Valuation Surveyor). The valuation was made on the basis of open market value. The book values of the properties were adjusted to the revalued amounts and the resulting surplus credited to "Revaluation reserve" in shareholders' equity; the revalued amount has been categorised as a Level 2 fair value based on the inputs to the valuation technique used in note 4(c). If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Cost	**52,134**	52,134	52,134
Accumulated depreciation	**(11,764)**	(14,226)	(11,007)
Net book value	**40,370**	37,908	41,127

11. OTHER ASSETS

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Balances due in clearing	**32,186**	16,017	33,446
Accrued interest receivable	**83,582**	76,567	4,830
Others	**2,723**	10,083	28,947
	118,491	102,667	67,223
Analysed as follows:			
Segment A			
Balances due in clearing	**32,186**	16,017	33,446
Accrued interest	**37,115**	37,552	1,331
Others	**2,533**	8,373	1,644
	71,834	61,942	36,421
Segment B			
Accrued interest	**46,467**	39,015	3,499
Others	**190**	1,710	27,303
	46,657	40,725	30,802
Total	**118,491**	102,667	67,223

12. DEPOSITS

	2018	2017	2016
Personal and business			
Demand deposits	**3,570,885**	3,579,565	873,830
Savings/bank deposits	**2,912,983**	6,049,559	2,484,934
Time deposits with remaining term to maturity:		-	
- within 3 months	**1,528,725**	1,175,033	3,815,273
- over 3 up to 6 months	**386,717**	692,841	1,067,962
- over 6 up to 12 months	**736,490**	1,112,161	606,658
- over 1 up to 5 years	**1,153,579**	477,169	566,511
	10,289,379	13,086,328	9,415,168

The fair value of deposits at fixed interest rate at March 31, 2018 amounts to Rs 1,016,701,000 (2017: Rs 665,000,000; 2016: Rs 1,035,214,238).

	2018	2017	2016
Segment A			
Demand deposits	**820,700**	972,585	951,092
Savings deposits	**2,912,983**	2,617,098	2,484,933
Time deposits with remaining term to maturity;			
- within 3 months	**856,976**	484,030	369,933
- over 3 up to 6 months	**289,900**	254,887	591,480
- over 6 up to 12 months	**527,543**	826,685	416,163
- over 1 up to 5 years	**703,579**	477,169	420,897
	6,111,681	5,632,454	5,234,498
Segment B			
Demand deposits	**2,750,185**	2,606,980	676,931
Bank	**-**	3,432,461	4,483
Time deposits with remaining term to maturity:			
- within 3 months	**671,749**	691,003	2,982,279
- over 3 up to 6 months	**96,817**	437,954	326,482
- over 6 up to 12 months	**208,947**	285,476	190,495
- over 1 up to 5 years	**450,000**	-	-
	4,177,698	7,453,874	4,180,670
Total	**10,289,379**	13,086,328	9,415,168

13. OTHER LIABILITIES

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Bills payable	**14,328**	13,983	11,039
Accrued interest payable	**53,326**	52,921	76,382
Others	**18,752**	8,041	21,749
	86,406	74,945	109,170
Analysed as follows:			
Segment A			
Bills payable	**14,328**	13,983	11,039
Accrued interest payable	**40,935**	42,056	47,100
Others	**11,480**	6,187	21,010
	66,743	62,226	79,149
Segment B			
Accrued interest payable	**12,391**	10,865	29,282
Others	**7,272**	1,854	739
	19,663	12,719	30,021
Total	**86,406**	74,945	109,170

14. CURRENT TAX LIABILITIES

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Statement of financial position			
At April 1	**10,782**	18,687	(280)
Tax expense	**17,963**	12,604	19,268
Tax paid during the year	**(16,180)**	(20,538)	(550)
Exchange loss/ (gain)	**22**	29	249
At March 31	**12,587**	10,782	18,687
Statement of profit or loss and other comprehensive income			
Current year tax expense	**14,125**	16,242	16,002
Over/(under) provision	**3,838**	(3,638)	3,266
Deferred tax (note 15)	**(3,446)**	(5,425)	2,047
Corporate Social Responsibility	**1,022**	876	-
Tax charge	**15,539**	8,055	21,315
Tax charge			
Segment A	**8,575**	6,090	15,515
Segment B	**6,964**	1,965	5,800
	15,539	8,055	21,315
Current tax liabilities			
Segment A	**5,499**	8,821	13,444
Segment B	**7,088**	1,961	5,243
	12,587	10,782	18,687

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	2018	2017	2016
Profit before tax	**61,516**	61,428	94,840
Tax calculated at 15%	**9,227**	9,214	14,226
Expenses not deductible for tax purposes	**16,175**	12,122	15,631
Income not subject to tax	**(3,717)**	(4,733)	(18,723)
Tax losses not utilised	**-**	-	-
Foreign tax credit	**(13,044)**	(7,046)	(2,214)
Special levy	**5,484**	6,685	7,797
Tax deducted at source	**-**	-	(715)
Over/(under) provision	**3,838**	(3,638)	3,266
Tax charge	**17,963**	12,604	19,268

15. DEFERRED TAX (ASSETS)/LIABILITIES

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
The movement on the deferred income tax account is as follows :			
At April 1	**(32,221)**	(26,796)	(28,843)
NPA recovered	**-**	-	2,135
Income statement (credit)/charge	**(3,446)**	(5,425)	(88)
Revaluation reserves	**-**	-	-
At March 31	**(35,667)**	(32,221)	(26,796)
Deferred income tax liabilities			
Accelerated tax depreciation	**-**	-	-
Asset revaluations	**1,021**	-	-
	1,021	-	-
Deferred income tax assets			
Provisions for credit impairment	**(34,066)**	(29,336)	(23,397)
Accelerated tax depreciation	**(35)**	59	(960)
Retirement benefit obligations	**(2,587)**	(2,944)	(2,439)
	(36,688)	(32,221)	(26,796)
Net deferred income tax assets	**(35,667)**	(32,221)	(26,796)

16. RETIREMENT BENEFIT OBLIGATIONS

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

	2018	2017	2016
Present value of unfunded obligations	**19,042**	19,602	17,620
Analysed as:			
Segment A	**16,804**	18,571	16,260
Segment B	**2,238**	1,031	1,360
Total	**19,042**	19,602	17,620

(ii) The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	2018	2017	2016
Current service cost	**2,362**	2,791	1,539
Interest cost	**-**	-	-
Total included in staff costs	**2,362**	2,791	1,539

(iii) Movement in the liability recognised in the statement of financial position:

	2018	2017	2016
At April 1	**19,602**	17,620	16,114
Total expense as above	**2,362**	2,791	1,539
Amounts paid	**(2,889)**	(815)	-
Exchange differences	**(33)**	6	(33)
At March 31	**19,042**	19,602	17,620

Retirement benefits comprise mainly of gratuity payable under the Employment Rights Act 2008. It has been assumed that the rate of future salary increases will be equal to the discount rate.

Employee benefits for current year have been based on computations made by the bank.

The basis for the constitution of the provision for retirement benefit obligations is detailed in accounting policy note 2 (o).

17. ASSIGNED CAPITAL

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
At April 1 and March 31	**200,860**	200,860	200,860

18. CONTINGENT LIABILITIES

	2018	2017	2016
(a) Instruments			
Guarantees on account of customers	**392,523**	272,957	245,585
Letters of credit on account of customers	**15,404**	2,932	18,921
Other contingent items	**-**	-	24
	407,927	275,889	264,530
(b) Others			
Inward bills for collection	**12,027**	8,937	9,440
Outward bills for collection	**188**	255	72
	12,215	9,192	9,512
	420,142	285,081	274,042
Segment A			
Instruments			
Guarantees on account of customers	**392,523**	272,957	223,770
Letters of credit on account of customers	**15,404**	2,932	18,921
	407,927	275,889	242,691
Others			
Inward bills for collection	**12,027**	8,937	9,440
Outward bills for collection	**188**	255	72
	12,215	9,192	9,512
	420,142	285,081	252,203
Segment B			
Instruments			
Guarantees on account of customers	**-**	-	21,815
Letters of credit on account of customers	**-**	-	-
Other contingent items	**-**	-	24
	-	-	21,839
Total	**420,142**	285,081	274,042

19. INTEREST INCOME - INVESTMENT SECURITIES

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Interest on available-for-sale securities	**39,018**	12,750	13,336
Interest on held-to-maturity investments	**72,306**	90,495	85,271
	111,324	103,245	98,607
Segment A			
Interest on available-for-sale securities	**39,018**	12,750	13,336
Interest on held-to-maturity investments	**68,975**	87,016	83,704
	107,993	99,766	97,040
Segment B			
Interest on available-for-sale securities	**-**	-	-
Interest on held-to-maturity investments	**3,330**	3,479	1,567
	3,330	3,479	1,567
Total	**111,324**	103,245	98,607

20. PROVISION FOR CREDIT IMPAIRMENT LOSSES

	2018	2017	2016
Specific and portfolio provisions	**93,841**	68,155	20,240
Provision released during the year	**(5,174)**	(22,252)	(54,459)
	88,667	45,903	(34,219)
Segment A			
Specific and portfolio provisions	**4,244**	11,913	4,606
Provision released during the year	**(2,190)**	(1,710)	-
	2,054	10,203	4,606
Segment B			
Specific and portfolio provisions	**89,597**	56,242	15,634
Provision released during the year	**(2,984)**	(20,542)	(54,459)
	86,613	35,700	(38,825)
Total	**88,667**	45,903	(34,219)

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Notes to the Financial Statements
For the year ended March 31, 2018

21. FEE INCOME AND COMMISSIONS

	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Guarantees	**3,447**	4,423	-
Letters of credit and foreign bills for collection	**442**	313	-
Service charges	**3,885**	14,200	11,465
Others	**4,477**	3,907	133
	12,251	22,843	11,598
Segment A			
Guarantees	**3,446**	4,423	-
Letters of credit and foreign bills for collection	**262**	313	-
Service charges	**8,461**	14,200	11,465
Others	**-**	-	-
	12,169	18,936	11,465
Segment B			
Loan related			
- Letters of credit	**-**	-	-
Guarantees	**-**	-	-
Others - *Processing charges*	**82**	3,907	133
	82	3,907	133
Total	**12,251**	22,843	11,598

22. PROFIT BEFORE TAXATION

Net income retained is arrived at after:			
crediting:			
Profit on disposal of plant and equipment	**122**	122	-
and charging:			
Depreciation	**9,134**	8,116	9,481
Auditors' remuneration	**550**	550	653
Tax services	**-**	-	-
Staff costs	**48,994**	48,979	43,064
Analysis of staff costs			
- Salaries and wages	**42,634**	42,370	36,706
- Retirement benefit obligation costs (note 16)	**2,362**	2,791	1,542
- Other costs	**3,998**	3,818	4,816
	48,994	48,979	43,064

23. CAPITAL COMMITMENTS

	Segment A		
	2018	2017	2016
	Rs'000	Rs'000	Rs'000
Expenditure contracted for but not incurred			
- Property, plant and equipment	**-**	-	-

24. RELATED PARTY TRANSACTIONS

Balances with related offices			
- Interest bearing	**982,412**	2,168,816	1,556
- Interest free	**-**	(35,205)	66,144
Borrowing from Bank of Baroda- Outside Mauritius	**4,867,422**	896,964	3,594,437

The balances were unsecured and repayable within one year. They arose from normal course of banking transactions, made at at arm's length.

Key management personnel			
Salaries and short-term employee benefits	**3,855**	3,389	3,594
Other benefits	**1,166**	658	290
	5,021	4,047	3,884

There are no significant related party transactions between the Bank and other related parties outside the ordinary course of business.

25. DOMICILE, LEGAL FORM, COUNTRY OF INCORPORATION AND NATURE OF BUSINESS

The financial statements reflect the domestic banking operations carried out in or from Mauritius by 'Bank of Baroda - Mauritius Branches' which is registered under Section 276 of Companies Act 2001 as a foreign company. The company is incorporated in India and its principal activity is the provision of general banking services. The principal place of business is Sir William Newton Street, Port Louis.

BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)
Notes to the Financial Statements
For the year ended March 31, 2018

26. SEGMENTAL REPORTING

	Notes	2018 Segment A	2018 Segment B	2018 Total	2017 Segment A	2017 Segment B	2017 Total	2016 Total
ASSETS		**Rs'000**	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000	Rs'000
Cash resources								
Cash and balances with central bank	5	**660,405**	**125,169**	**785,574**	573,943	98,348	672,291	609,371
Balances with banks		**-**	**145,771**	**145,771**	-	18,749	18,749	112,063
		660,405	**270,940**	**931,345**	573,943	117,097	691,040	721,434
Securities and other investments								
Investment securities	6	**3,997,825**	**4,529,350**	**8,527,175**	3,178,349	3,738,235	6,916,584	7,476,862
Loans and advances								
Personal		**562,060**	**1,495**	**563,555**	300,353	428,454	728,807	524,747
Business		**1,413,089**	**6,293,299**	**7,706,388**	1,862,864	5,746,706	7,609,570	5,714,795
Government		**53,333**	**-**	**53,333**	66,666	-	66,666	80,000
	7	**2,028,482**	**6,294,794**	**8,323,276**	2,229,883	6,175,160	8,405,043	6,319,542
Less: allowance for credit losses	8	**(208,693)**	**(348,640)**	**(557,333)**	(196,688)	(93,181)	(289,869)	(243,988)
		1,819,789	**5,946,154**	**7,765,943**	2,033,195	6,081,979	8,115,174	6,075,554
Other								
Investment properties	9	**32,000**	**-**	**32,000**	31,132	-	31,132	31,132
Property, plant and equipment	10	**130,926**	**195**	**131,121**	121,699	258	121,957	109,225
Deferred tax assets	15	**35,667**	**-**	**35,667**	32,221	-	32,221	26,796
Advanced tax	14	**-**	**-**	**-**	-	-	-	-
Other assets	11	**71,834**	**46,657**	**118,491**	61,942	40,725	102,667	67,223
		270,427	**46,852**	**317,279**	246,994	40,983	287,977	234,376
Total assets		**6,748,446**	**10,793,296**	**17,541,742**	6,032,481	9,978,294	16,010,775	14,508,226

26. SEGMENTAL REPORTING (continued)

	Notes	2018 Segment A Rs'000	2018 Segment B Rs'000	2018 Total Rs'000	2017 Segment A Rs'000	2017 Segment B Rs'000	2017 Total Rs'000	2016 Total Rs'000
LIABILITIES AND CAPITAL RESOURCES								
Deposits								
Personal		**3,681,059**	**1,005,360**	**4,686,419**	3,172,369	485,666	3,658,035	3,948,986
Business		**1,830,395**	**3,172,338**	**5,002,733**	2,194,889	3,177,924	5,372,813	2,020,911
Government		**600,227**	**-**	**600,227**	265,089	357,931	623,020	1,137,771
Banks			**-**	**-**	-	3,432,460	3,432,460	2,307,500
	12	**6,111,681**	**4,177,698**	**10,289,379**	5,632,347	7,453,981	13,086,328	9,415,168
Borrowings								
Borrowings from banks		**-**	**5,722,525**	**5,722,525**	-	1,406,751	1,406,751	3,594,437
Other								
Other liabilities	13	**66,743**	**19,663**	**86,406**	62,226	12,719	74,945	109,170
Current tax liabilities	14	**5,499**	**7,088**	**12,587**	8,821	1,961	10,782	18,687
Retirement benefit obligations	16	**16,804**	**2,238**	**19,042**	18,571	1,031	19,602	17,620
		89,046	**28,989**	**118,035**	89,618	15,711	105,329	145,477
Capital resources								
Assigned capital	17			**200,860**			200,860	200,860
Reserves				**511,279**			557,820	554,922
Retained earnings				**699,664**			653,687	597,362
				1,411,803			1,412,367	1,353,144
Total equity and liabilities				**17,541,742**			16,010,775	14,508,226
CONTINGENT LIABILITIES								
Letters of credit, guarantees and other obligations	18	**420,142**	**-**	**420,142**	285,081	-	285,081	274,042

26. SEGMENTAL REPORTING (continued)

		2018			2017			2016
	Notes	**Segment A**	**Segment B**	**Total**	Segment A	Segment B	Total	Total
		Rs'000	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000	Rs'000
Interest income								
Loans and advances		**117,350**	**148,262**	**265,612**	118,871	143,743	262,614	295,038
Investment securities	19	**107,994**	**3,330**	**111,324**	99,766	3,479	103,245	98,607
Placements with other banks		**64**	**25,205**	**25,269**	329	34,181	34,510	52,248
		225,408	**176,797**	**402,205**	218,966	181,403	400,369	445,893
Interest expense								
Deposits		**(128,558)**	**(20,726)**	**(149,284)**	(127,803)	(13,418)	(141,221)	(149,219)
Deposits and borrowings from banks		**(99)**	**(55,796)**	**(55,895)**	(31)	(112,038)	(112,069)	(189,772)
Other		**-**	**-**	**-**	-		-	(660)
		(128,657)	**(76,522)**	**(205,179)**	(127,834)	(125,456)	(253,290)	(339,651)
Net interest income		**96,751**	**100,275**	**197,026**	91,132	55,947	147,079	106,242
Provision for credit impairment losses								
-Loans and advances	20	**(2,054)**	**(86,613)**	**(88,667)**	(10,203)	(35,700)	(45,903)	34,219
Net interest income after provision for credit impairment losses		**94,697**	**13,662**	**108,359**	80,929	20,247	101,176	140,461
Other income								
Fee income and commissions	21	**12,169**	**82**	**12,251**	18,936	3,907	22,843	11,598
Profit arising from dealing in foreign currencies		**23,355**	**18,445**	**41,800**	24,035	9,034	33,069	26,209
Others		**7,321**	**249**	**7,570**	69	-	69	7,466
		42,845	**18,776**	**61,621**	43,040	12,941	55,981	45,273
Net operating income		**137,542**	**32,438**	**169,980**	123,969	33,188	157,157	185,734
Non-interest expense								
Salaries and human resource development		**(37,919)**	**(4,715)**	**(42,634)**	(38,104)	(4,266)	(42,370)	(36,706)
Pension contribution and other staff benefits		**(4,710)**	**(1,650)**	**(6,360)**	(6,598)	(11)	(6,609)	(6,358)
Depreciation		**(9,060)**	**(75)**	**(9,135)**	(7,939)	(177)	(8,116)	(9,481)
Other administrative expenses		**(45,120)**	**(5,215)**	**(50,335)**	(33,431)	(5,203)	(38,634)	(38,349)
		(96,809)	**(11,655)**	**(108,464)**	(86,072)	(9,657)	(95,729)	(90,894)
Profit/ (loss) before taxation	22	**40,733**	**20,783**	**61,516**	37,897	23,531	61,428	94,840
Income tax expense	14	**(8,575)**	**(6,964)**	**(15,539)**	(6,090)	(1,965)	(8,055)	(21,315)
Net profit/ (loss) for the year		**32,158**	**13,819**	**45,977**	31,807	21,566	53,373	73,525

27. OTHER RESERVES

(a) Statutory reserve

Additional provisions for certain specific sectors are made in accordance with the BOM macro-prudential measures.

(b) Fair value reserve

Fair value reserve comprises of gains arising on available for sale investments.

(c) Revaluation reserve

Revaluation gains arose on revaluation of land and buildings in previous years.

(d) Capital reserve

This reserve comprises amounts set aside for general banking risks including-future losses and unforseen risk. It also includes provision made to meet other regulatory requirements including country risk.

(e) Translation reserve

Translation reserve arises as a result of translating balances of the Offshore Banking Unit in United States Dollar to the presentation currency which is Mauritian Rupee.

28. EVENTS AFTER REPORTING YEAR

There have been no material events after the reporting date which would require disclosure or adjustments to these financial statements for the year ended 31 March 2018.

Annual Compliance Statement in Accordance with
Paragraph 59 of the Guideline on Corporate Governance.

Statement of Compliance

Name of the Institution	:	Bank of Baroda – Mauritius
Reporting Period	:	Financial Year Ended 31st March 2018
		From : 01-Apr-2017
		To : 31-Mar-2018

I, ERIC TUCKER, General Manager (International Operations) Bank of Baroda, Mumbai, India and Independent / Non Executive Member of the Local Advisory Board of Bank of Baroda, Mauritius Operations, confirms, to the best of my knowledge that the Bank of Baroda has materially complied with the provisions of the law, regulations and guidelines issued by the Bank.

Signed: Etucker

ERIC TUCKER
Independent / Non Executive Member
Local Advisory Board
Bank of Baroda, Mauritius Operations

Dated: ...29th.... June 2018