

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

ANNUAL REPORT

YEAR ENDED MARCH 31, 2019

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**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Statement of Management's Responsibility for Financial Reporting**

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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 Mauritius 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 Mauritius 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 Moore Stephens (Mauritius), Chartered Accountants, 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

  
**S. K. Pande**

Chief Manager

Date: 21-06-2019

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

#### 1. FINANCIAL REVIEW

##### 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, 2019 are given in the statement of profit or loss and other comprehensive income on page 37.

Net interest income for the year has been **Rs. 352.8 million** (2018: Rs. 197.0 million) and a profit before taxation of **Rs. 320.2 million** was reported (2018: Rs. 61.5 million).

##### Reserves

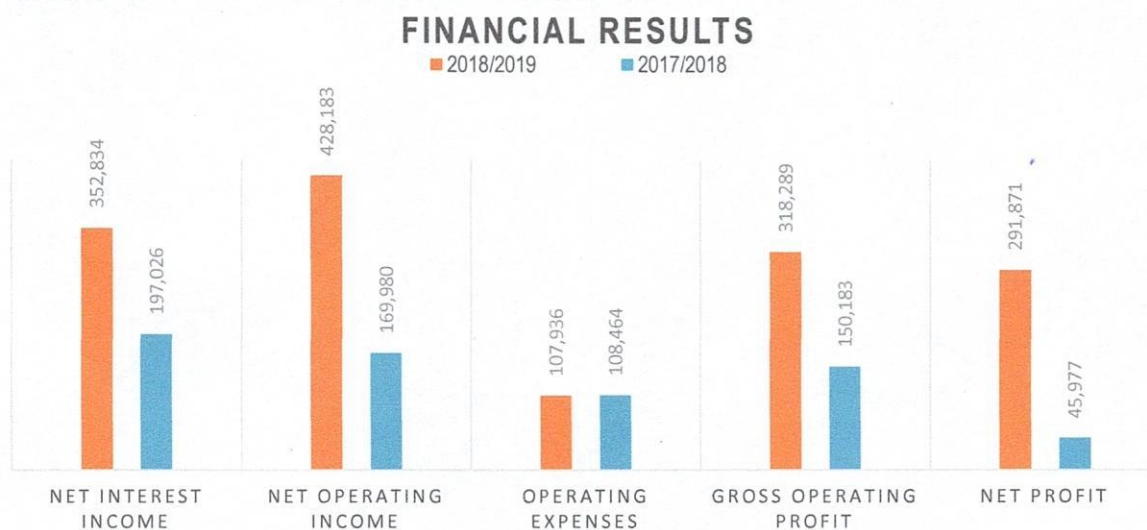
Net profit for the year after taxation amounted to **Rs. 291.9 million** (2018: profit of Rs. 46.0 million). The retained earnings stand at **Rs. 892.1 million** (2018: Rs 699.7 million). There was no remittance to Head Office on account of remittable retained profits of previous years (2018: Nil).

##### 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. S. K. Pande, its Chief Manager.

##### Highlights of Performance during 2018-2019:

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



Figures are in Rs'000

## BANK OF BARODA – MAURITIUS OPERATIONS

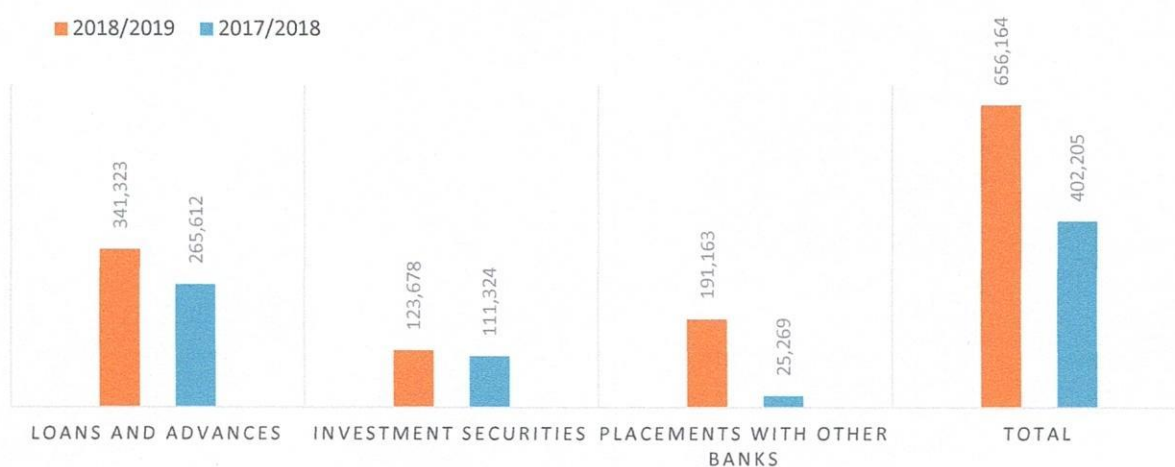
### Management Discussion and Analysis

For the year ended March 31, 2019

#### Highlights of Performance during 2018-2019 (continued)

- Net profit after tax as of 31.03.2019 is **Rs 291.9 million** against Rs 46.0 million as on 31.03.2018.
- Gross operating profit showed a rise of Rs 168.1 million (111.9%) from **Rs 150.2 million** to Rs 318.3 million during year ended 2018-2019.

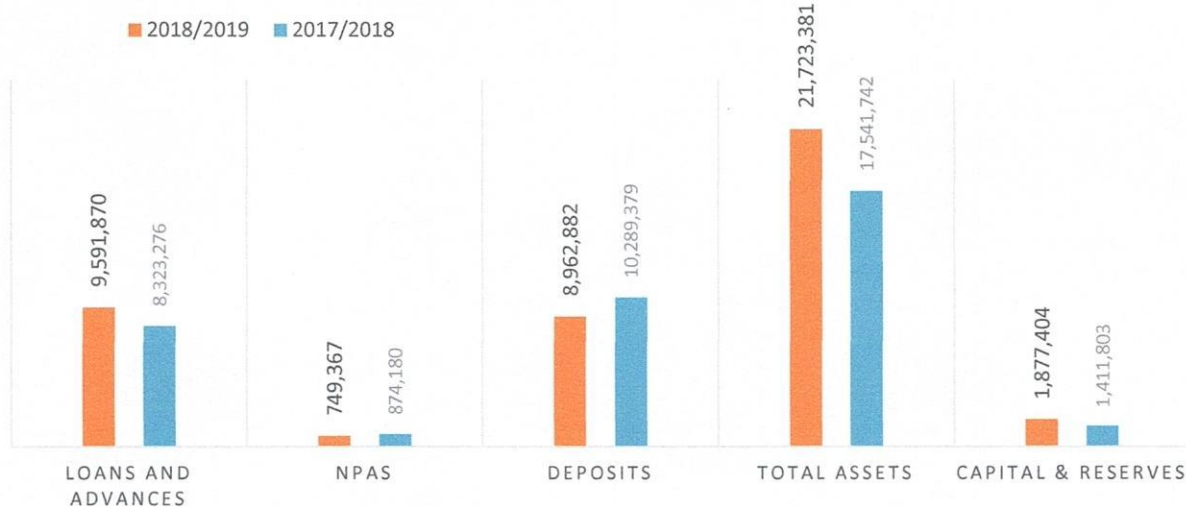
### INTEREST INCOME



Figures are in Rs'000

- Total interest income increased by Rs 254.0 million to reach **Rs 656.2 million** during the year whilst net interest income increased by 79% to reach **Rs 352.8 million** for the year.

### BALANCE POSITION



Figures are in Rs'000

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

#### Highlights of Performance during 2018-2019 (continued)

- Non-interest income has increased by 19% during the year to reach **Rs 73.4 million** (2018: Rs 61.6 million).
- Cash recoveries in NPA accounts amounted to **Rs 123 million** for the year.
- Gross NPA level stood at **Rs 749.4 million** (2018: Rs 874.2) and recorded a fall of 14.3%.
- Gross loans and advances stood at **Rs 9.6 billion** (2018: Rs 8.3 billion).
- The Bank's deposits as at 31 March 2019 amounted to **Rs. 9.0 billion** (2018: Rs 10.3 billion).
- Total Assets were at **Rs 21.7 billion** (2018: Rs 17.5 billion).

#### Performance Against Objectives

The table below compares the Bank's actual performance for the year under review against objectives set for for the same year and also provides an overview of performance objectives for 2019-2020.

	Actual (Rs 000)		Growth (%)	Targets (Rs 000)	
	31 Mar 18	31 Mar 19		31 Mar 19	31 Mar 20
Deposits	10,289,379	<b>8,962,882</b>	<b>(13%)</b>	12,557,025	10,660,589
Loans and advances	8,323,276	<b>9,591,870</b>	<b>15%</b>	8,803,350	9,611,250
Shareholder's equity	1,411,803	<b>1,877,404</b>	<b>33%</b>	1,651,616	2,121,930
Net interest income	197,026	<b>352,834</b>	<b>79%</b>	227,813	349,500
Other income	61,621	<b>73,391</b>	<b>19%</b>	77,625	88,074
Total operating income	258,647	<b>426,225</b>	<b>65%</b>	305,438	437,574
Staff expenses	48,994	<b>47,823</b>	<b>(2%)</b>	55,000	62,000
Other expenses	59,470	<b>60,113</b>	<b>1%</b>	63,125	77,101
Total operating expenses	108,464	<b>107,936</b>	<b>-</b>	118,125	139,101
Operating profit	150,183	<b>318,289</b>	<b>112%</b>	187,313	298,473
(Net allowance for credit impairment) / reversal of impairment charge	(88,667)	<b>1,958</b>	<b>-</b>	67,500	(32,619)
Profit before tax	61,516	<b>320,247</b>	<b>421%</b>	254,813	265,854
Tax expense	(15,539)	<b>(28,376)</b>	<b>83%</b>	(15,000)	(24,000)
Net profit	45,977	<b>291,871</b>	<b>535%</b>	239,813	241,854

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2019

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#### **Performance Against Objectives (continued)**

During financial year ended 31 March 2019, the Bank achieved an operating profit and a net profit of Rs. 318.3 million and Rs 291.9 million registering an increase of 112% in operating profit and an increase of 535% 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:

#### Technological Upgrade

- Transforming Mobile Van Unit with CBS connectivity and installation of ATM. Mobile Van is a doorstep banking service provided only by Bank of Baroda in Mauritius and it caters services to remote areas where there are no banks.
- Roll out of EMV based chip cards.

#### 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 and 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, 2019

**Performance Against Objectives (continued)**

An overview of the Bank's performance, as on 31 March 2019 against objectives as on 31 March 2019 and 2020, is given as per table below:

	31 Mar 19 Objectives	31 Mar 19 Actuals	31 Mar 20 Objectives
	Rs' 000	Rs' 000	Rs' 000
Deposits	12,557,025	8,962,882	10,660,589
Advances	8,803,350	9,591,870	9,611,250
Net profit	113,063	291,871	241,854
Expense ratio	38.67	25.32	31.79
Return on equity	7.41	15.55	11.52
Return on average assets	0.38	1.34	1.25
Specific provision for credit losses / Average loans	0.01	0.05	0.05
Net impaired loans / Average loans	0.01	0.08	0.08
Ratio: Tier 1	No specific targets Set	62.83%	No specific targets set
Total capital ratio (%)	No specific targets set but to keep well above minimum regulatory of 10%	66.68%	No specific targets set but to keep well above minimum regulatory of 10%
Deposits			

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, 2019

#### Analysis of Results

Comparative data of net interest income and non-interest income for the year ended 31 March 2019 and 31 March 2018 is as per table below:

	31 Mar 19	31 Mar 18	Variance	Growth
	Rs'000	Rs'000	Rs'000	%
<b>Net interest income</b>	<b>352,834</b>	197,026	155,808	79%
<b>Non-interest income</b>				
Fee income and commissions	14,497	12,251	2,246	18%
Profit arising from dealing in foreign Currencies	50,027	41,800	8,227	20%
Others	8,867	7,570	1,297	17%
<b>Total Non-interest income</b>	<b>73,391</b>	61,621	11,770	19%

The comparative data on non-interest expenses for the year ended 31 March 2019 and 31 March 2018 is as per table below:

	31 Mar 19	31 Mar 18	Variance	Growth
	Rs'000	Rs'000	Rs'000	%
<b>Non-interest expense</b>				
Salaries and human developments	41,140	42,634	(1,494)	(4%)
Pension contribution and other staff benefits	6,683	6,360	323	4%
Depreciation	10,812	9,135	1,677	18%
Other administrative expenses	49,301	50,335	(1,034)	(2%)
<b>Total: Non-interest expenses</b>	<b>107,936</b>	108,464	(528)	-
Productivity ratio (%)	16.45%	26.97%	-	-

- Overall there has been no significant change in non-interest expenses.
- The productivity ratio registered a decrease of around 39% to reach 26.97%.

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

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#### 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; and
- 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.

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

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#### 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.

**BANK OF BARODA – MAURITIUS OPERATIONS****Management Discussion and Analysis**

For the year ended March 31, 2019

**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 19	31 Mar 18
	Rs'000	Rs'000
Agriculture & fishing	294,998	285,904
Manufacturing	192,573	95,105
Tourism	546	735
Transport	92,060	77,559
Construction	640,497	429,581
Financial and business services	156,648	270,183
Traders	535,702	240,222
Personal	422,947	368,135
Professional	17,207	9,572
Education	169,107	247,210
Global business operations	7,044,591	6,294,794
Media, entertainment & recreational	32	226
Others	24,962	4,050
<b>Total advances</b>	<b>9,591,870</b>	<b>8,323,276</b>

**Table 2: Advances – Credit concentration by country**

	31 Mar 19	31 Mar 18
	Rs'000	Rs'000
Egypt	2,840,668	259,712
India	4,252,019	5,932,810
Mauritius	2,499,183	2,130,754
<b>Total Advances</b>	<b>9,591,870</b>	<b>8,323,276</b>

**BANK OF BARODA – MAURITIUS OPERATIONS****Management Discussion and Analysis**

For the year ended March 31, 2019

**Credit Exposure (continued)****Table 3: Maturity of advances**

	31 Mar 19	31 Mar 18
	Rs'000	Rs'000
Advance with residual maturity:		
- within 3 months	1,249,900	4,085,292
- over 3 up to 6 months	1,444,010	1,345,399
- over 6 up to 12 months	1,263,597	177,784
- over 1 up to 5 years	1,266,129	1,819,666
- over 5 years	4,368,234	895,134
<b>Total Advances</b>	<b>9,591,870</b>	<b>8,323,275</b>

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

**Table 4: Impaired advances – Concentration by industry sector**

	31 Mar 19	31 Mar 18
	Rs'000	Rs'000
Agriculture & fishing	167,476	167,486
Manufacturing	17,518	18,601
Construction	5,587	3,880
Personal	7,704	1,772
Trader	9,424	8,605
Others	3,453	-
Global business operations	538,206	673,836
<b>Total</b>	<b>749,368</b>	<b>874,180</b>

**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.

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2019

#### **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 than 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).

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

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#### 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.

#### Liquidity Risk

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.

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

#### **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.

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2019

#### **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 31<sup>st</sup> March 2019, 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)**

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

#### **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 through 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.

**BANK OF BARODA – MAURITIUS OPERATIONS****Management Discussion and Analysis**

For the year ended March 31, 2019

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**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.

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

#### 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, 2019; 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 maintains 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 2019, there is no deficiency of capital.

**BANK OF BARODA – MAURITIUS OPERATIONS****Management Discussion and Analysis**

For the year ended March 31, 2019

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 2019 are summarized as under:

	31 Mar 19 Rs'000	31 Mar 18 Rs'000
Tier 1 Capital	1,357,921	1,066,034
Tier 2 Capital	83,300	73,027
Total Capital	1,441,221	1,139,061
Eligible Tier 2 Capital	83,300	73,027
Total Eligible Capital	1,441,221	1,139,061
Weighted amount of on-balance sheet assets	1,628,170	1,655,438
Weighted amount of off-balance sheet exposures	276,378	251,315
Weighted risk assets for operational risk	229,698	169,718
Aggregate net open foreign exchange position	27,113	26,507
Total Weighted Risk Assets	2,161,358	1,655,438
Capital Adequacy Ratio	66.68%	68.81%

The Bank's capital adequacy ratio (CAR) is comfortable at 66.68% under Basel III as at 31 March 2019.

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 31 March 2019. The year-end disclosure as on 31 March 2019 is part of the Annual Report and is displayed on the Bank's web site. The half-yearly disclosure as on 30 September 2018 has also been displayed on the Bank's web site.

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

#### 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 emphasizes 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 the Committee 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 pieces of 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 gives banks more discretion in assessing capital requirements.

## BANK OF BARODA – MAURITIUS OPERATIONS

### Management Discussion and Analysis

For the year ended March 31, 2019

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 19	31 Mar 18	31 Mar 17
	Rs'000	Rs'000	Rs'000
<b>I: CAPITAL BASE</b>			
Paid up or assigned capital	300,285	200,860	200,860
Statutory reserve	201,177	201,177	201,177
Other disclosed free reserves, incl. retained earnings	600,239	653,687	600,314
Current year's retained profits/(losses)	291,871	45,977	53,373
Deferred tax	(32,291)	(35,667)	(32,221)
<b>Core capital (A)</b>	<b>1,361,281</b>	<b>1,066,034</b>	<b>1,023,503</b>
Portfolio provision	31,068	19,358	20,014
Reserves on revaluation of securities not held-for-trading	52,232	53,669	49,010
<b>Supplementary capital (B)</b>	<b>83,300</b>	<b>73,027</b>	<b>69,024</b>
<b>CAPITAL BASE (A+B)</b>	<b>1,444,581</b>	<b>1,139,061</b>	<b>1,092,527</b>
Total risk-weighted assets	2,161,358	1,655,438	2,107,365
<b>CAPITAL ADEQUACY RATIO (%)</b>			
BIS risk adjusted ratio	71.28%	68.81%	51.84%
of which Tier 1	67.43%	64.40%	48.57%

**BANK OF BARODA – MAURITIUS OPERATIONS****Management Discussion and Analysis**

For the year ended March 31, 2019

**Risk weighted assets and off-balance sheet exposures****Risk weighted on-balance sheet assets**

	BASEL III (Rs 000)			
	31 Mar 19 Actual	31 Mar 19 Weighted	31 Mar 18 Weighted	31 Mar 17 Weighted
Cash, balances with Central Bank and banks abroad	856,581	11,622	6,437	3,204
Investments	11,364,229	-	-	-
Loans and advances to customers	9,024,104	1,267,560	915,734	1,319,392
Investment properties	32,000	32,000	32,000	31,132
Property, plant and equipment	124,048	124,048	131,121	121,958
Other assets	290,128	75,126	122,606	134,888
	21,723,381	1,510,356	1,207,898	1,610,474

**Risk weighted off-balance sheet exposures**

	BASEL III (Rs 000)			
	31 Mar 19 Actual	31 Mar 19 Weighted	31 Mar 18 Weighted	31 Mar 17 Weighted
Letters of credit, guarantees, acceptances, endorsements	524,511	274,610	212,610	135,131
Other obligations	991,300	198,260	250,001	185,033
	1,515,811	472,870	462,611	320,164

	BASEL III		
	31 Mar 19 Rs'000	31 Mar 18 Rs'000	31 Mar 17 Rs'000
Annual gross income for the last 3 years (Segment A)	185,628	139,596	134,172
Average income for the last 3 years (Segment A)	153,132	137,825	113,812
Capital charge	22,970	20,673	17,072
<b>Equivalent risk-weighted assets</b>	<b>229,697</b>	<b>206,738</b>	<b>170,718</b>
Foreign exchange position	27,113	25,506	6,009

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2018

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#### **2. 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.

#### **3. STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

##### **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 approach to achieve excellence in all its sphere of activities. The Bank is also committed to follow the best international practices.

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2019

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#### **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

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.

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2019

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#### **4. STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)**

##### **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.

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2019

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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.

## **5. DIVIDEND POLICY**

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

## **BANK OF BARODA – MAURITIUS OPERATIONS**

### **Management Discussion and Analysis**

For the year ended March 31, 2019

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#### **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	:	April, 2008
Present Posting	:	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. S. K. Pande - Chief Manager (Bank of Baroda, Offshore Banking Unit)
 

Qualifications	:	MA, MBA (Banking & Finance), CAIIB
Joined Service on	:	16 <sup>th</sup> January 1984
Present Posting	:	Since 25 <sup>th</sup> September 2017
Job Role	:	In charge of the Offshore Banking Unit

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.

**BANK OF BARODA – MAURITIUS OPERATIONS****Management Discussion and Analysis**

For the year ended March 31, 2019

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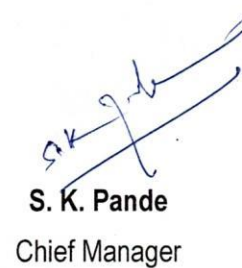
**Policies and practices as regards social, ethical, safety, health and environment issues**

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



**S. K. Pande**  
Chief Manager

Date: 21-06-2019

**BANK OF BARODA – MAURITIUS OPERATIONS**

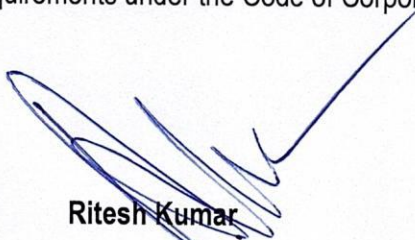
## STATEMENT OF COMPLIANCE

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


For the year ended March 31, 2019

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



**Ritesh Kumar**  
Vice President



**S. K. Pandey**  
Chief Manager

Date: 21-06-2019

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Sir William Newton Street  
Port Louis, Mauritius

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

### **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”) set out on pages 36 to 84, which comprise the statement of financial position as at 31 March 2019 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 the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements give a true and fair view of the financial position of the Bank as at 31 March 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

#### ***Basis for opinion***

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

#### ***Key Audit Matter***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**Report on the Audit of the Financial Statements (continued)**

**Key Audit Matter – (continued)**

<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p>As at 31 March 2019, the bank had gross loans and advances portfolio of Rs'000 9,591,870, representing 44% of the bank's total assets.</p> <p>These loans are measured at amortised cost under IFRS 9, less an allowance for the expected credit loss, which amounts to Rs'000 567,766 as at the reporting date.</p> <p>Allowance for credit impairment policy comprises specific and portfolio allowances, made in accordance with the Bank of Mauritius and Reserve Bank of India guidelines, whichever is more stringent. Failure to recognize adequate allowance for credit impairment can result in a potential overstatement of the loans and advances balance in the financial statements.</p> <p>Given the inherent risk associated with loans and advances coupled with the adoption of IFRS 9 by the bank for FY19, we deemed the valuation of loans and advances as well as the expected credit loss allowance a key audit matter.</p>	<p>We assessed and tested the design and operating effectiveness of key controls over loans and advances as well as the estimated expected credit loss allowance associated with non-performing accounts (NPA). In relation to impairment, careful audit consideration was given to specific impairment calculations, including impairment allowance triggers and collateral valuation.</p> <p>In particular, we tested the upstream controls over the integrity of data inputs feeding the Impairment Engine Calculation, data validation checks performed over the expected credit loss allowance downstream, assessed the reasonableness of assumptions used by management and appraised the governance framework underpinning the estimation of impairment allowance.</p> <p><i>Portfolio impairment provision</i></p> <ul style="list-style-type: none"> <li>• Evaluated the robustness of the impairment model, including tests over the completeness, data quality and accuracy of inputs feeding the impairment calculation engine in line with the Bank of Mauritius Guidelines; and</li> <li>• Reperformed the impairment allowance calculation in accordance with those guidelines.</li> </ul> <p><i>Specific impairment provision</i></p> <ul style="list-style-type: none"> <li>• Reviewed the meetings of the Mauritius Credit Committee;</li> <li>• Obtained and tested loan arrears reports and ensured that all arrears exceeding 90 days past due were included in the NPA category for specific impairment assessment;</li> <li>• Reviewed and challenged management in respect of the extent of provision made on impairment accounts and ensured impairment allowance booked was in accordance with the guidelines of the Bank of Mauritius and Reserve Bank of India, whichever is more stringent.</li> </ul>

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

**Report on the Audit of the Financial Statements (continued)**

**Key Audit Matter – (continued)**

<i>Key Audit Matter</i>	<i>How the matter was addressed in the audit</i>
<p><i>Disclosure of IFRS 9 – impact</i></p> <p>The Company is adopting IFRS 9 as from 1<sup>st</sup> April 2018 and have included the effect in Note 4. This disclosure highlights that the Company continues to refine its expected credit loss model (ECL) and embed its operational process, which changed the actual impact on adoption.</p>	<p>We have performed audit procedures in assessing the impact of the adoption of IFRS 9:</p> <ul style="list-style-type: none"> <li>• Considered the appropriateness of the key technical decisions, judgements, assumptions and elections made by management; and</li> <li>• Considered key classification and measurement decisions, including the Sole Payment of Principal and Interest (SPPI) test and Business Model Assessments outcomes.</li> </ul>

**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. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004, and for such internal control as the Bank Managers 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 directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

## **Report on the Audit of the Financial Statements (continued)**

### *Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 the Bank Managers.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

**Report on the Audit of the Financial Statements (continued)**

***Report on other legal and regulatory requirements***

*Mauritius Companies Act 2001*

We have no relationship with or interests in the Bank other than in our capacity as auditors and arm's length dealings in the ordinary course of business.

We have obtained all the information and explanations 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*

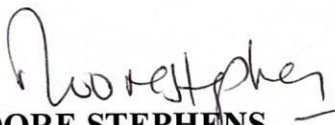
In our opinion the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

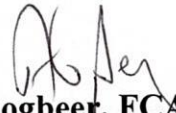
The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

*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.

  
**MOORE STEPHENS**  
Chartered Accountants

  
**Arvin Rogbeer, FCA, FCCA**  
Signing Partner  
Licensed by FRC

Port Louis  
Republic of Mauritius

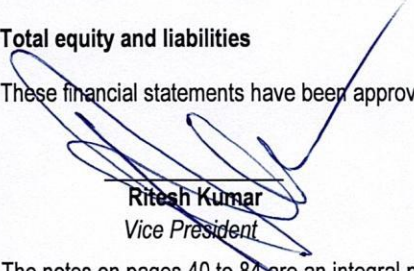
Date: **21 JUN 2019**

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

Statement of Financial Position  
As at March 31, 2019

	Note	2019 Rs'000	2018 Rs'000	2017 Rs'000
<b>ASSETS</b>				
<b>Cash resources</b>				
Cash and balances with Central Bank		774,992	785,574	672,291
Balances with banks		81,589	145,771	18,749
	5	856,581	931,345	691,040
<b>Securities and other investments</b>				
Investment securities				
- Held to maturity		2,507,779	1,761,628	2,373,971
- Available-for-sale		-	2,236,197	804,378
Placements		8,856,450	4,529,350	3,738,235
	6	11,364,229	8,527,175	6,916,584
<b>Loans and advances</b>				
Retail and personal		970,137	563,555	728,807
Business		7,369,470	7,706,388	7,609,570
Government		39,999	53,333	66,666
		8,379,606	8,323,276	8,405,043
Business - current due	7(a)	1,212,264	-	-
	7	9,591,870	8,323,276	8,405,043
<b>Less: allowance for credit impairment losses</b>	8	(567,766)	(557,333)	(289,869)
		9,024,104	7,765,943	8,115,174
<b>Others</b>				
Investment properties	9	32,000	32,000	31,132
Property, plant and equipment	10	124,048	131,121	121,957
Deferred tax assets	15	32,291	35,667	32,221
Other assets	11	290,128	118,491	102,667
		478,467	317,279	287,977
<b>Total assets</b>		<b>21,723,381</b>	<b>17,541,742</b>	<b>16,010,775</b>
<b>LIABILITIES AND CAPITAL RESOURCES</b>				
<b>Deposits</b>				
Personal		4,845,998	4,686,419	3,658,035
Business		4,076,897	5,002,733	5,372,813
Government		39,987	600,227	623,020
Banks		-	-	3,432,460
	12	8,962,882	10,289,379	13,086,328
<b>Borrowings</b>				
Borrowings from banks		10,737,142	5,722,525	1,406,751
<b>Others</b>				
Other liabilities	13	101,464	86,406	74,945
Current tax liabilities	14	23,658	12,587	10,782
Retirement benefit obligations	16	20,831	19,042	19,602
		145,953	118,035	105,329
<b>Capital resources</b>				
Assigned capital	17	300,285	200,860	200,860
Reserves		685,009	511,279	557,820
Retained earnings		892,110	699,664	653,687
		1,877,404	1,411,803	1,412,367
<b>Total equity and liabilities</b>		<b>21,723,381</b>	<b>17,541,742</b>	<b>16,010,775</b>

These financial statements have been approved on :21-06-2019

  
Ritesh Kumar  
Vice President

  
S. K. Pande  
Chief Manager

The notes on pages 40 to 84 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, 2019

	Note	2019 Rs'000	2018 Rs'000	2017 Rs'000
<b>Interest income</b>				
Loans and advances		341,323	265,612	262,614
Investment securities	19	123,678	111,324	103,245
Placements with other banks		191,163	25,269	34,510
		<u>656,164</u>	<u>402,205</u>	<u>400,369</u>
<b>Interest expense</b>				
Deposits		(121,911)	(149,284)	(141,221)
Deposits and borrowings from banks		(181,419)	(55,895)	(112,069)
Others		-	-	-
		<u>(303,330)</u>	<u>(205,179)</u>	<u>(253,290)</u>
<b>Net interest income</b>		<u>352,834</u>	<u>197,026</u>	<u>147,079</u>
<b>Other income</b>				
Fee income and commissions	21	14,497	12,251	22,843
Net trading income		50,027	41,800	33,069
Other revenue		8,867	7,570	69
		<u>73,391</u>	<u>61,621</u>	<u>55,981</u>
<b>Total operating income</b>		<u>426,225</u>	<u>258,647</u>	<u>203,060</u>
Reversal of impairment charge/(net allowance for credit impairment losses)	20	1,958	(88,667)	(45,903)
<b>Net operating income</b>		<u>428,183</u>	<u>169,980</u>	<u>157,157</u>
<b>Operating expenses</b>				
Salaries and human resource development		(41,140)	(42,634)	(42,370)
Pension contribution and other staff benefits		(6,683)	(6,360)	(6,609)
Depreciation		(10,812)	(9,135)	(8,116)
Other administrative expenses		(49,301)	(50,335)	(38,634)
<b>Total operating expenses</b>		<u>(107,936)</u>	<u>(108,464)</u>	<u>(95,729)</u>
<b>Profit before taxation</b>	22	<u>320,247</u>	<u>61,516</u>	<u>61,428</u>
Tax expense	14	<u>(28,376)</u>	<u>(15,539)</u>	<u>(8,055)</u>
<b>Profit for the year</b>		<u>291,871</u>	<u>45,977</u>	<u>53,373</u>
<b>Other comprehensive income:</b>				
<b><u>Items that are or may be reclassified to profit or loss:</u></b>				
Exchange differences on translation		176,922	(56,895)	5,850
<b><u>Items that will never be reclassified to profit or loss:</u></b>				
Revaluation of property, plant and equipment		(3,192)	10,354	-
<b>Other comprehensive income/(loss)</b>		<u>173,730</u>	<u>(46,541)</u>	<u>5,850</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>465,601</u>	<u>(564)</u>	<u>59,223</u>

The notes on pages 40 to 84 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, 2019

	Assigned capital Rs'000	Statutory reserve Rs'000	Revaluation reserve Rs'000	Capital reserve Rs'000	Translation reserve Rs'000	Retained earnings Rs'000	Total equity Rs'000
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
Movement in revaluation reserve	-	-	(2,952)	-	-	2,952	-
<b>At March 31, 2017</b>	<b>200,860</b>	<b>201,177</b>	<b>101,351</b>	<b>7,559</b>	<b>247,733</b>	<b>653,687</b>	<b>1,412,367</b>
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)
<b>At March 31, 2018</b>	<b>200,860</b>	<b>201,177</b>	<b>111,705</b>	<b>7,559</b>	<b>190,838</b>	<b>699,664</b>	<b>1,411,803</b>
Revaluation and other reserves					511,279		
At April 1, 2018	200,860	201,177	111,705	7,559	190,838	699,664	1,411,803
Total comprehensive income	-	-	(3,192)	-	176,922	291,871	465,601
Appropriation from retained earnings	99,425	-	-	-	-	(99,425)	-
<b>At March 31, 2019</b>	<b>300,285</b>	<b>201,177</b>	<b>108,513</b>	<b>7,559</b>	<b>367,760</b>	<b>892,110</b>	<b>1,877,404</b>
Revaluation and other reserves					685,009		

The notes on pages 40 to 84 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, 2019

	Note	2019 Rs'000	2018 Rs'000	2017 Rs'000
<b>Operating activities</b>				
Net profit before tax		320,247	61,516	61,428
<b>Adjustments for:</b>				
Net allowance for credit impairment	20	9,919	88,667	45,903
Depreciation	10	10,812	9,134	8,116
Loss/(Profit) on disposal of plant and equipment		351	(104)	(128)
Retirement benefit obligations		1,789	2,362	2,791
Gain on fair value of investment property		-	(868)	-
<b>Changes in operating assets and liabilities</b>				
Net change in other assets		(171,637)	(15,824)	(35,444)
Net change in other liabilities		15,058	10,439	(35,101)
<b>Net cash flows generated from operations</b>		<b>186,539</b>	<b>155,322</b>	<b>47,565</b>
Payments for retirement benefits obligations		-	(2,889)	(815)
Tax paid		(14,122)	(16,180)	(20,538)
<b>Net cash generated from operating activities</b>		<b>172,417</b>	<b>136,253</b>	<b>26,212</b>
<b>Investing activities</b>				
(Purchase)/ redemption of investment securities		1,490,046	(819,656)	(325,677)
Net change in placements		(4,327,100)	(790,935)	885,955
Net change in loans and advances		(1,268,594)	263,991	(2,085,501)
Purchase of plant and equipment		(4,042)	(7,965)	(20,862)
Proceeds from disposal of property, plant and equipment		660	138	161
<b>Net cash used in investing activities</b>		<b>(4,109,030)</b>	<b>(1,354,427)</b>	<b>(1,545,924)</b>
<b>Financing activities</b>				
Net change in deposits from customers		(1,326,497)	(2,796,949)	3,671,160
Net change in borrowings with banks		5,014,617	4,315,774	(2,187,686)
<b>Net cash generated from financing activities</b>		<b>3,688,120</b>	<b>1,518,825</b>	<b>1,483,474</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(248,492)</b>	<b>300,651</b>	<b>(36,238)</b>
<b>Cash and cash equivalents at 1 April</b>		<b>931,344</b>	<b>691,040</b>	<b>721,434</b>
<b>Net foreign exchange difference</b>		<b>173,730</b>	<b>(60,347)</b>	<b>5,844</b>
<b>Cash and cash equivalents at 31 March</b>	5	<b>856,581</b>	<b>931,344</b>	<b>691,040</b>

The notes on pages 40 to 84 are an integral part of these financial statements.

Auditors' report on pages 31 to 35.

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

### **Notes to the Financial Statements**

For the year ended March 31, 2019

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#### **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.

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

## **Notes to the Financial Statements**

For the year ended March 31, 2019

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### **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.

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

## **Notes to the Financial Statements**

For the year ended March 31, 2019

### **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.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)**
**Notes to the Financial Statements**

For the year ended March 31, 2019

**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.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)**
**Notes to the Financial Statements**

For the year ended March 31, 2019

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**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.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)**
**Notes to the Financial Statements**

 For the year ended March 31, 2019
 

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**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 are 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.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**For the year ended March 31, 2019

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**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.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**

For the year ended March 31, 2019

**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**

In the current year, the Company has applied all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning 01 January 2018, which are applicable as from 1<sup>st</sup> April 2018 for the Bank.

The nature and the impact of each new standard or amendment are described below:

	<b>Effective for accounting period beginning on or after</b>
IFRS 9 Financial Instruments	01 January 2018
IFRS 15 Revenue from Contracts with Customers	01 January 2018
IFRS 7 Financial Instruments Disclosures (Revised)	01 January 2018
IFRIC 22 Foreign Currency transactions and advance consideration	01 January 2018

The Company applied IFRS 9, IFRS 7 (Revised) and IFRS 15 for the first time. The Nature and effect of the changes as a result of adoption of these new accounting standards are described below.

**IFRS 9 Financial Instruments**

The Company has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 01 April 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments; Recognition and Measurement. The new standard brings about fundamental changes to the accounting and measurement for financial assets, certain aspects of accounting for financial liabilities and changes in the method of impairment loss calculation for financial assets.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**For the year ended March 31, 2019

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**2. Significant accounting policies (continued)****(t) New accounting standards, amendments and interpretations (continued)****IFRS 9 Financial Instruments (Cont'd)**

The Company has not restated comparative information for the financial years 2017 and 2016 for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented for the financial year 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 01 April 2018 and are disclosed in Note 3.

The key changes to the accounting policies of the Company on account of introduction of IFRS 9 have been summarised below:

**Changes to classification and measurement**

To determine the classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for-sale (AFS), held-to-maturity (at amortised cost) have been replaced by:

- > Debt instruments at amortised cost;
- > Debt instruments at fair value through other comprehensive income (FVTOCI), with gains or losses recycled to profit or loss on derecognition;
- > Equity instruments at FVTOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- > Financial assets at FVTPL.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

The Company's classification of its financial assets and liabilities is explained in Note 3. The quantitative impact of applying IFRS 9 as at 01 April 2018 is disclosed in Note 3.

**Changes to the impairment calculation**

The adoption of IFRS 9 has fundamentally changed the Company's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Company's impairment method are disclosed in Note 4. The quantitative impact of applying IFRS 9 as at 01 April 2018 is disclosed in Note 3.

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

### **Notes to the Financial Statements**

For the year ended March 31, 2019

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## **2. Significant accounting policies (continued)**

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

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

#### **IFRS 7 Financial Instruments (Revised)**

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated, and the Company has adopted it, together with IFRS 9, for the year beginning 01 April 2018.

Changes include transitional disclosures as shown in Note 3, detailed qualitative and quantitative information about the ECL calculations.

#### **IFRIC 22 Foreign currency transactions and advance consideration**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the Company must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**

For the year ended March 31, 2019

**2. Significant accounting policies (continued)****(t) New accounting standards, amendments and interpretations (continued)****Standards issued but not yet effective applicable to the Company**

	<b>Effective for accounting period beginning on or after</b>
IFRS 16 Leases	01-Jan-19
IFRIC 23 Uncertainty over Income Tax Treatments	01-Jan-19
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	01-Jan-19
Amendments to References to the Conceptual Framework in IFRS Standards	01-Jan-20
Definition of Material (Amendments to IAS 1 and IAS 8)	01-Jan-20

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRS 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees: leases of 'low-value' assets and short-term leases (i.e. leases with lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the right-of-use of the asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use of the asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (i.e. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use of the asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases under the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosure than under IAS 17.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**

For the year ended March 31, 2019

**2. Significant accounting policies (continued)****(t) New accounting standards, amendments and interpretations (continued)****IFRS 16 Leases (Cont'd)****Transition to IFRS 16**

IFRS 16 is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard either a full retrospective or a modified retrospective approach. The standard's transition provision permits certain reliefs.

The Company plans to adopt IFRS 16 using the modified retrospective approach, which means it will apply the standard from 01 April 2019, the cumulative impact of adoption will be recognized as at 01 April 2019 and comparatives will not be restated.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the underlying assets is of low-value. The Company has leases of certain office equipment that are considered as low-value. No practical expedient will be used.

In 2018, the Company continued to progress its detailed impact assessment and implementation of IFRS 16. Much of the early part of 2018 was spent focusing on reviewing contracts, aggregating data to support the evaluation of the accounting impacts and identifying where key policy decisions were required. The Company for the moment is not expecting to invest on software given the low volume of assets under lease.

**Net impact on equity**

Work completed by the Company to date indicates the new leases standard is expected to have a material effect on the Company's financial statements as it will significantly increase the Company's assets and liabilities (as described above). In addition, compared with the existing accounting for operating leases, the classification and timing of expenses will be impacted which may lead to some improvement in the Company's operating profit, while its interest expense and depreciation of these assets will increase. This is due to the change in accounting for expenses of leases that were classified as operating leases under IAS 17. In addition, the classification between cash flow from operating activities and cash flow from financing activities will also change. Many commonly used financial ratios and performance metrics for the Company, using existing definitions, will also be impacted including net debt, EBITDA, operating cash flows. The impact of deferred tax is still being assessed by the Company. The amount disclosed in gross of deferred tax.

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

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

### **Notes to the Financial Statements**

For the year ended March 31, 2019

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#### **2. Significant accounting policies (continued)**

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

##### **Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

##### **Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

##### **Definition of Material (Amendments to IAS 1 and IAS 8)**

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The Company is still assessing the impact of these new standards and interpretations on its financial statements.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**

For the year ended March 31, 2019

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**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.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**

For the year ended March 31, 2019

**3. Financial risk management (continued)****(b) Credit risk (continued)****(i) Maximum exposure to credit risk before collateral held or other credit enhancements**

	2019 Rs'000	2018 Rs'000	2017 Rs'000
<b>Credit risk exposures relating to on-balance sheet assets are as follows:</b>			
Loans and advances to individuals	970,137	563,555	728,807
Loans and advances to corporates	8,621,733	7,759,721	7,676,236
Pledged assets	200,000	229,800	150,000
Investment securities	2,507,779	3,768,025	3,028,169
Other assets	290,128	118,491	102,667
<b>Credit risk exposures relating to off-balance sheet items are as follows:</b>			
Financial guarantees	86,014	36,762	13,366
Loan commitments and other credit related liabilities	438,497	383,380	271,715
<b>Total</b>	<b>13,114,288</b>	<b>12,859,734</b>	<b>11,970,960</b>

The above table represents a worst-case scenario of credit risk exposure to the bank at March 31, 2019, 2018 and 2017, 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, 73% of the maximum exposure is derived from loans and advances to companies and customers (2018: 65% and 2017: 70%).

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 (2018: 100% 2017: 100%).

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**

For the year ended March 31, 2019

**3. Financial risk management (continued)****(b) Credit risk (continued)****(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.

	Loans and advances to customers				Total loans and advances  Rs'000
	Individual		Companies		
	Demand		Demand		
	Overdrafts	loan	Overdrafts	loan	
	Rs'000	Rs'000	Rs'000	Rs'000	
<b>Grades:</b>					
<u>Standard monitoring</u>					
<b>March 31, 2019</b>	<b>96,352</b>	<b>740,345</b>	<b>460,554</b>	<b>7,006,012</b>	<b>8,303,263</b>
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

**(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:

	Loans and advances to customers				Total loans and advances
	Individual		Companies		
	Demand		Demand		
	Overdrafts	loan	Overdrafts	loan	
March 31, 2019	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Past due up to 30 days	6,542	66,934	354,630	22,722	450,828
Past due up to 30-60 days	-	31,419	-	31,008	62,427
Past due up to 60-90 days	-	184	-	25,801	25,985
Total	6,542	98,537	354,630	79,531	539,240
Fair value of collateral	25,003	98,537	819,348	222,394	1,165,282

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 3. Financial risk management (continued)

## (b) Credit risk (continued)

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

	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
March 31, 2018	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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

	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
March 31, 2017	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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

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 and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
March 31, 2019	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Individually impaired loans	4,624	19,458	39,438	685,847	749,367
Fair value of collateral	17,500	39,318	114,100	434,885	605,803

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 3. Financial risk management (continued)

## (b) Credit risk (continued)

## (iv) Loans and advances individually impaired (continued)

	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
March 31, 2018	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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

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

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

	2019 Rs'000	2018 Rs'000	2017 Rs'000
<b>Against neither past due nor impaired</b>			
Property	40,552,094	18,034,454	4,458,568
Fixed Deposits	335,533	597,462	479,987
Others	132,153	517,964	58,916,638
Total	41,019,780	19,149,880	63,855,193
<b>Past due but not impaired</b>			
Property	1,121,910	1,266,850	443,779
Fixed Deposits	11,523	6,645	-
Others	351,665	96,095	280,786
Total	1,485,098	1,369,590	724,565
<b>Against individually impaired</b>			
Property	201,411	123,800	57,600
Others	-	-	25,425
Total	201,411	123,800	83,025

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 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)***

	2019		2018		2017	
	Fund based	Non-fund-based	Fund based	Non-fund-based	Fund based	Non-fund-based
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Agriculture & fishing	294,998	-	285,904	-	305,747	-
Manufacturing	192,573	-	95,105	2,920	97,332	1,096
Tourism	546	-	735	-	125	-
Transport	92,060	-	77,559	-	75,873	-
Construction	640,497	259,819	429,581	185,552	300,345	181,347
Financial and business services	156,648	360	270,183	170	377,565	230
Traders	535,702	26,431	240,222	31,926	441,764	47,458
Personal	422,947	-	368,135	-	300,353	-
Professional	-	-	9,572	-	7,757	-
Statutory and para-statal bodies	17,207	-	-	-	-	-
Education	169,107	100	247,210	20	319,781	-
Global business operation	7,044,591	-	6,294,794	-	6,175,158	-
Media, entertainment and recreational activities	32	-	226	-	338	-
Other customers	24,962	237,801	4,050	199,554	2,905	54,950
	<b>9,591,870</b>	<b>524,511</b>	<b>8,323,276</b>	<b>420,142</b>	<b>8,405,043</b>	<b>285,081</b>

## (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.

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 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, 2019, 2018 and 2017. The table shows the Bank's assets and liabilities at carrying amounts categorised by currency.

**Concentration of assets, liabilities and off-balance sheet items**

At March 31, 2019	EURO	USD	GBP	MUR	OTHER	TOTAL
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Assets</b>						
Cash and balances with central bank	99	134,459	5,458	634,595	-	774,611
Foreign currency notes and coins	227	109	36	-	9	381
Balances with banks	3,210	69,468	2,950	-	5,960	81,588
Placement with Head office and branches	-	8,737,500	118,950	-	-	8,856,450
Treasury bills and other securities	-	-	-	2,507,779	-	2,507,779
Loans and advances	255,023	6,492,988	-	2,276,093	-	9,024,104
Investment properties	-	-	-	32,000	-	32,000
Property, plant and equipment	-	159	-	123,889	-	124,048
Other assets	319	43,632	1,256	244,921	-	290,128
<b>Total assets</b>	<b>258,878</b>	<b>15,478,315</b>	<b>128,650</b>	<b>5,819,277</b>	<b>5,969</b>	<b>21,691,089</b>
<b>Liabilities</b>						
Due to customers	45,890	3,863,061	119,389	4,934,539	3	8,962,882
Other liabilities and provisions	53	37,437	88	87,527	-	125,105
Borrowings from banks	227,677	10,509,465	-	-	-	10,737,142
Retirement benefit obligations	-	2,317	-	18,514	-	20,831
<b>Total liabilities</b>	<b>273,620</b>	<b>14,412,280</b>	<b>119,477</b>	<b>5,040,580</b>	<b>3</b>	<b>19,845,960</b>
Net on-balance sheet position	(14,742)	1,066,035	9,173	778,697	5,966	1,845,129
<b>Credit commitments</b>	<b>-</b>	<b>50,933</b>	<b>2</b>	<b>473,559</b>	<b>17</b>	<b>524,511</b>

	EURO	USD	GBP	MUR	OTHER	TOTAL
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At March 31, 2018						
Total assets	73,788	10,696,413	350,693	6,367,154	22,142	17,510,190
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	11,331	20,213	1,376,136
Credit commitments	-	-	-	420,142	-	420,142

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

## Notes to the Financial Statements

For the year ended March 31, 2019

**3. Financial risk management (continued)****(c) Market risk (continued)****(i) Currency risk (continued)**

	EURO Rs'000	USD Rs'000	GBP Rs'000	MUR Rs'000	OTHER Rs'000	TOTAL Rs'000
<u>March 31, 2017</u>						
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

**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.

	GBP	USD	EURO	OTHERS
Impact on result for the year	Change by 5%	Change by 5%	Change by 5%	Change by 5%
	Rs'000	Rs'000	Rs'000	Rs'000
<b>March 31, 2019</b>	<b>390</b>	<b>45,306</b>	<b>(627)</b>	<b>254</b>
March 31, 2018	840	482	161	859
March 31, 2017	105	11,839	90	92

**(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 Meetings 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% Rs'000	-1% Rs'000
<b>At March 31, 2019</b>		
- Effects on profit	<b>15,449</b>	<b>(15,449)</b>
At March 31, 2018		
- Effects on profit	11,695	(11,695)
At March 31, 2017		
- Effects on profit	25,883	(25,883)

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 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
At March 31, 2019	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Assets</b>							
Cash and balances with Central Bank	228,128	-	-	-	-	546,483	774,611
Foreign currency notes and coins	-	-	-	-	-	381	381
Balances with banks	81,588	-	-	-	-	-	81,588
Placement with banks	7,108,950	-	1,747,500	-	-	-	8,856,450
Treasury bills and other securities	416,208	971,099	209,361	632,647	278,464	-	2,507,779
Loans and advances to customers	1,114,429	135,470	2,707,607	464,047	4,602,551	-	9,024,104
Investment properties	-	-	-	-	-	32,000	32,000
Property, plant and equipment	-	-	-	-	-	124,048	124,048
Other assets	-	-	-	-	-	290,128	290,128
<b>Total assets</b>	<b>Rs. 8,949,303</b>	<b>1,106,569</b>	<b>4,664,468</b>	<b>1,096,694</b>	<b>4,881,015</b>	<b>993,040</b>	<b>21,691,089</b>
<b>Liabilities</b>							
Due to customers	7,299,952	227,107	881,523	298,306	255,994	-	8,962,882
Borrowings from banks	4,578,952	5,242,500	915,690	-	-	-	10,737,142
Other liabilities and provisions	-	-	-	-	-	125,105	125,105
Retirement benefit obligations	-	-	-	-	-	20,831	20,831
<b>Total liabilities</b>	<b>11,878,904</b>	<b>5,469,607</b>	<b>1,797,213</b>	<b>298,306</b>	<b>255,994</b>	<b>145,936</b>	<b>19,845,960</b>
<b>Interest sensitivity gap</b>	<b>(2,929,601)</b>	<b>(4,363,038)</b>	<b>2,867,255</b>	<b>798,388</b>	<b>4,625,021</b>	<b>847,104</b>	<b>1,845,129</b>

	Up to 1 month	2-3 months	4-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
At March 31, 2018	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
<b>Total assets</b>	3,381,528	6,815,737	3,546,152	1,825,930	997,762	938,966	17,506,075
<b>Total liabilities</b>	11,368,951	1,080,697	1,194,082	1,437,729	109,745	942,850	16,134,054
<b>Interest sensitivity gap</b>	<b>(7,987,423)</b>	<b>5,735,040</b>	<b>2,352,070</b>	<b>388,201</b>	<b>888,017</b>	<b>(3,884)</b>	<b>1,372,021</b>

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

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 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:

At March 31, 2019	EURO	USD	GBP	MUR
Assets	%	%	%	%
Treasury bills and other securities	-	-	-	4.35
Placements	-	-	-	-
Loans and advances to customers	0.27	3.10	-	5.15
<b>Liability</b>				
Due to customers	-	-	-	-
<b>At March 31, 2018</b>	<b>EURO</b>	<b>USD</b>	<b>GBP</b>	<b>MUR</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Treasury bills and other securities	-	-	-	-
Placements	-	-	-	-
Loans and advances to customers	1.38	2.57	1.44	5.83
<b>Liability</b>				
Due to customers	0.30	0.51	0.28	2.06
<b>At March 31, 2017</b>	<b>EURO</b>	<b>USD</b>	<b>GBP</b>	<b>MUR</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
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
<b>Liability</b>				
Due to customers	0.44	0.43	0.49	2.40

## (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.

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 3. Financial risk management (continued)

## (d) Liquidity risk (continued)

*Maturity of assets and liabilities*

At March 31, 2019	Up to 1 month	2-3 months	4-12 months	1-3 years	Over 3 years	Total
Assets	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cash and balances with Central Bank	228,128	-	-	-	546,483	774,611
Foreign currency notes and coins	-	-	-	-	381	381
Balances with banks	81,588	-	-	-	-	81,588
Placements with banks	7,108,950	-	1,747,500	-	-	8,856,450
Treasury bills and other securities	416,208	971,099	209,361	632,647	278,464	2,507,779
Loans and advances to customers	1,258,070	1,193,580	1,216,433	1,614,390	3,741,631	9,024,104
Investment property	-	-	-	-	32,000	32,000
Property, plant and equipment	-	-	-	-	124,048	124,048
Other assets	-	-	-	-	290,128	290,128
<b>Total assets</b>	<b>9,092,944</b>	<b>2,164,679</b>	<b>3,173,294</b>	<b>2,247,037</b>	<b>5,013,135</b>	<b>21,691,089</b>
Liabilities						
Due to customers	7,299,952	227,107	881,523	298,306	255,994	8,962,882
Borrowings from banks	4,578,952	5,242,500	915,690	-	-	10,737,142
Other liabilities and provisions	-	-	-	-	125,105	125,105
Retirement benefit obligations	-	-	-	-	20,831	20,831
<b>Total liabilities</b>	<b>11,878,904</b>	<b>5,469,607</b>	<b>1,797,213</b>	<b>298,306</b>	<b>401,930</b>	<b>19,845,960</b>
Net liquidity gap	(2,785,960)	(3,304,928)	1,376,081	1,948,731	4,611,205	1,845,129

## (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.

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)**
**Notes to the Financial Statements**

For the year ended March 31, 2019

**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); and
- 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):

	Other Amortised costs	Carrying value	Fair value
	Rs'000	Rs'000	Rs'000
<b>March 31, 2019</b>			
<b>ASSETS</b>			
Cash and balances with central bank	774,992	774,992	774,992
Balances with banks	81,589	81,589	81,589
Held to maturity investment securities	2,507,779	2,507,779	2,507,779
Placements	8,856,450	8,856,450	8,856,450
Available for sale investment securities	-	-	-
Loans and advances	9,591,870	9,591,870	9,591,870
	<u>21,812,680</u>	<u>21,812,680</u>	<u>21,812,680</u>
<b>LIABILITIES</b>			
Deposits	8,962,882	8,962,882	8,962,882
Borrowings from banks	10,727,142	10,727,142	10,727,142
	<u>19,690,024</u>	<u>19,690,024</u>	<u>19,690,024</u>

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

## Notes to the Financial Statements

For the year ended March 31, 2019

## 3. Financial risk management (continued)

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

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

	Available for sale	Other Amortised costs	Carrying value	Fair value
	Rs'000	Rs'000	Rs'000	Rs'000
<b>March 31, 2018</b>				
<b>ASSETS</b>				
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
	<u>2,236,197</u>	<u>15,545,599</u>	<u>17,781,796</u>	<u>17,781,796</u>
<b>LIABILITIES</b>				
Deposits	-	10,289,379	10,289,379	10,289,379
Borrowings from banks	-	5,722,525	5,722,525	5,722,525
	<u>-</u>	<u>16,011,904</u>	<u>16,011,904</u>	<u>16,011,904</u>
		Other		
	Available for sale	Amortised costs	Carrying value	Fair value
	Rs'000	Rs'000	Rs'000	Rs'000
<b>March 31, 2017</b>				
<b>ASSETS</b>				
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
	<u>804,378</u>	<u>15,208,469</u>	<u>16,012,847</u>	<u>16,012,847</u>
<b>LIABILITIES</b>				
Deposits	-	13,086,328	13,086,328	13,086,328
Borrowings from banks	-	1,406,751	1,406,751	1,406,751
	<u>-</u>	<u>14,493,079</u>	<u>14,493,079</u>	<u>14,493,079</u>

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

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)**
**Notes to the Financial Statements**

For the year ended March 31, 2019

**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)

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b><u>March 31, 2019</u></b>			
Available for sale investment securities	-	-	-
<b><u>March 31, 2018</u></b>			
Available for sale investment securities	-	2,236,197	-
<b><u>March 31, 2017</u></b>			
Available for sale investment securities	-	804,378	-

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:

**BANK OF BARODA – MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)****Notes to the Financial Statements**For the year ended March 31, 2019

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**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 loan's 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, 2019

**5. CASH RESOURCES**

	2019 Rs'000	2018 Rs'000	2017 Rs'000
Cash in hand and balances with Central Bank	774,611	784,344	670,174
Foreign currency notes and coins	381	1,230	2,117
Balances with banks	81,589	145,771	18,749
<b>Cash resources</b>	<b>856,581</b>	<b>931,345</b>	<b>691,040</b>

**6. SECURITIES AND OTHER INVESTMENTS**

	2019					2018	2017
	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
<b>Securities</b>							
<b>Available-for-sale</b>							
<b>Segment A</b>							
Treasury bills	-	-	-	-	-	2,236,197	-
Bank of Mauritius bills	-	-	-	-	-	-	804,378
	-	-	-	-	-	2,236,197	804,378
<b>Held-to-maturity</b>							
<b>Segment A</b>							
Government securities (Mauritius)	1,089,812	48,313	161,048	861,685	-	2,160,858	1,166,150
Bank of Mauritius securities	297,494	-	-	49,427	-	346,921	595,478
	1,387,306	48,313	161,048	911,112	-	2,507,779	2,373,791
<b>Segment B</b>							
Government securities (overseas)	35,438	-	-	-	-	35,438	35,639
Less impairment losses	(35,438)	-	-	-	-	(35,438)	(35,639)
Exchange differences	-	-	-	-	-	-	(32,274)
	-	-	-	-	-	-	(6,664)
	1,387,306	48,313	161,048	911,112	-	2,507,779	2,373,791
<b>Other investments</b>							
<b>Segment B</b>							
Interbranch placement (overseas)	3,613,950	-	-	-	-	3,613,950	843,750
Interbank placement	3,495,000	-	1,747,500	-	-	5,242,500	3,685,600
	7,108,950	-	1,747,500	-	-	8,856,450	4,529,350
	7,108,950	-	1,747,500	-	-	8,856,450	4,529,350
	8,496,256	48,313	1,908,548	911,112	-	11,364,229	8,527,175
<b>Total</b>							
<b>Segment A</b>	1,387,306	48,313	161,048	911,112	-	2,507,779	3,997,825
<b>Segment B</b>	7,108,950	-	1,747,500	-	-	8,856,450	4,529,350
	8,496,256	48,313	1,908,548	911,112	-	11,364,229	8,527,175

The treasury notes issued by the Government of Mauritius have not suffered any impairment. Whereas, the securities issued by the overseas governments have been impaired fully (Argentina - Rs'000 3,414) and (Ivory Coast - Rs'000 32,024).

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

Notes to the Financial Statements

For the year ended March 31, 2019

**7. LOANS AND ADVANCES**

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
<b>Remaining term to maturity</b>			
Within 3 months (Note (a) - below)	1,249,900	4,085,293	4,695,685
Over 3 to 6 months	1,444,010	1,345,399	1,085,655
Over 6 to 12 months	1,263,597	177,784	168,471
Over 1 to 5 years	1,266,129	1,819,666	1,219,277
Over 5 years	4,368,234	895,134	1,235,955
	<b>9,591,870</b>	<b>8,323,276</b>	<b>8,405,043</b>

**Note (a):** Debt amounting to Rs'000 1,212,264 was repaid after the financial year end and was received by 29th March 2019 on the Nostro Account, held with Bank of Baroda New York, and same was received on Bank of Baroda Mauritius account on 2nd April 2019. This was due to the timing difference between the two countries.

**Segment A**

Within 3 months	937,880	440,528	496,931
Over 3 to 6 months	76,149	30,846	160,774
Over 6 to 12 months	7,045	33,066	60,929
Over 1 to 5 years	494,290	784,571	427,525
Over 5 years	979,540	739,471	1,083,726
	<b>2,494,904</b>	<b>2,028,482</b>	<b>2,229,885</b>

**Segment B**

Within 3 months	312,020	3,644,765	4,198,754
Over 3 to 6 months	1,367,860	1,314,553	924,881
Over 6 to 12 months	1,256,552	144,718	107,542
Over 1 to 5 years	771,839	1,035,093	791,752
Over 5 years	3,388,695	155,665	152,229
	<b>7,096,966</b>	<b>6,294,794</b>	<b>6,175,158</b>

<b>Total</b>	<b>9,591,870</b>	<b>8,323,276</b>	<b>8,405,043</b>
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**Credit concentration of risk by industry sectors**

<b>Name of sector</b>			
Agriculture and fishing	294,998	285,904	305,747
Manufacturing	192,573	95,105	97,332
Tourism	546	735	125
Transport	92,060	77,559	75,873
Construction	640,497	429,581	300,345
Financial & business services	156,648	270,183	377,565
Traders	535,702	240,222	441,764
Personal	422,947	368,135	300,353
Professional	17,207	9,572	7,757
Education	169,107	247,210	319,781
Global business operations	7,044,591	6,294,794	6,175,158
Media, entertainment and recreational activities	32	226	338
Others	24,962	4,050	2,905
<b>Total</b>	<b>9,591,870</b>	<b>8,323,276</b>	<b>8,405,043</b>

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

Notes to the Financial Statements

For the year ended March 31, 2019

<b>7. LOANS AND ADVANCES (continued)</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<b>Credit concentration of risk by industry sectors</b>			
<b><u>Segment A</u></b>			
<b>Name of sector</b>			
Agriculture and fishing	294,998	285,904	305,747
Manufacturing	192,573	95,105	97,332
Tourism	546	735	125
Transport	92,060	77,559	75,873
Construction	640,497	429,581	300,345
Financial & business services	156,648	270,183	377,565
Traders	535,702	240,222	441,764
Personal	422,947	368,135	300,353
Professional	17,207	9,572	7,757
Education	169,107	247,210	319,781
Media, entertainment and recreational activities	32	226	338
Others	24,962	4,050	2,905
	<b>2,547,279</b>	<b>2,028,482</b>	<b>2,229,885</b>
<b><u>Segment B</u></b>			
<b>Name of sector</b>			
Global business operations	<b>7,044,591</b>	<b>6,294,794</b>	<b>6,175,158</b>
<b>Total</b>	<b>9,591,870</b>	<b>8,323,276</b>	<b>8,405,043</b>

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

Notes to the Financial Statements

For the year ended March 31, 2019

## 8 ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES

## Movement on allowance for losses on loans and advances

At April 1

Provision for credit losses for the year (see note 20)

Provision released during the year (see note 20)

Provision transferred on take-over of loan portfolio from foreign branches

Exchange differences

At March 31

## Allowance for losses by industry sectors including general provision

	2019				2018				2017			
	Rs'000		Rs'000		Rs'000		Rs'000		Rs'000		Rs'000	
	Specific allowances	Portfolio allowances	Total	Total	Specific allowances	Portfolio allowances	Total	Total	Specific allowances	Portfolio allowances	Total	Total
At April 1	468,070	89,263	557,333	557,333	289,869		289,869	289,869	243,988		243,988	243,988
Provision for credit losses for the year (see note 20)	25,714	11,730	37,444	37,444	93,841		93,841	93,841	68,155		68,155	68,155
Provision released during the year (see note 20)	(39,402)	-	(39,402)	(39,402)	(5,174)		(5,174)	(5,174)	(22,252)		(22,252)	(22,252)
Provision transferred on take-over of loan portfolio from foreign branches	-	-	-	-	182,224		182,224	182,224	-		-	-
Exchange differences	9,440	2,951	12,391	12,391	(3,427)		(3,427)	(3,427)	(22)		(22)	(22)
At March 31	463,822	103,944	567,766	567,766	557,333		557,333	557,333	289,869		289,869	289,869
Allowance for losses by industry sectors including general provision	2019				2018				2017			
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	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	Total	Total	Total	Total	Total
Agriculture and fishing	294,998	167,475	167,476	1,275	168,751	168,751	168,670	168,910	168,910	168,910	168,910	168,910
Manufacturing	192,573	17,518	8,278	1,741	10,019	10,019	6,284	5,267	5,267	5,267	5,267	5,267
Tourism	546	-	-	5	5	5	15	1	1	1	1	1
Transport	92,060	7,342	1,651	847	2,498	2,498	1,551	759	759	759	759	759
Construction	640,497	5,587	4,116	7,724	11,840	11,840	11,862	6,801	6,801	6,801	6,801	6,801
Financial & business services	156,648	-	-	1,566	1,566	1,566	4,053	3,776	3,776	3,776	3,776	3,776
Traders	535,702	9,424	5,195	5,273	10,468	10,468	5,625	4,418	4,418	4,418	4,418	4,418
Personal	422,947	3,816	1,026	5,191	6,217	6,217	8,021	3,173	3,173	3,173	3,173	3,173
Professional	17,207	-	-	172	172	172	96	78	78	78	78	78
Education	169,107	-	-	1,691	1,691	1,691	2,472	3,198	3,198	3,198	3,198	3,198
Global business operations	7,044,591	538,205	276,080	78,208	354,288	354,288	348,640	93,181	93,181	93,181	93,181	93,181
Media, entertainment and recreational activities	32	-	-	1	1	1	2	3	3	3	3	3
Others	24,962	-	-	250	250	250	42	304	304	304	304	304
Total	9,591,870	749,367	463,822	103,944	567,766	567,766	557,333	289,869	289,869	289,869	289,869	289,869
Included in general banking reserve												
Allowances for losses					567,766	567,766	557,333	289,869	289,869	289,869	289,869	289,869

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

Notes to the Financial Statements

For the year ended March 31, 2019

**8. ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES (continued)**

	2019				2018		2017	
	Rs'000	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	Total
<b>Segment A</b>								
Agriculture and fishing	294,998	167,475	167,476	1,274	168,750	168,670	168,910	
Manufacturing	192,573	17,518	8,278	1,741	10,019	6,284	5,267	
Tourism	546	-	-	5	5	15	1	
Transport	92,060	7,342	1,651	847	2,498	1,551	759	
Construction	640,497	5,587	4,116	7,724	11,840	11,862	6,801	
Financial & business services	156,648	-	-	1,566	1,566	4,053	3,776	
Traders	535,702	9,424	5,195	5,273	10,468	5,625	4,418	
Personal	422,947	3,816	1,026	5,191	6,217	8,021	3,173	
Professional	17,207	-	-	172	172	96	78	
Education	169,107	-	-	1,691	1,691	2,472	3,198	
Media, entertainment and recreational activities	32	-	-	1	1	2	3	
Others	24,962	-	-	250	250	42	304	
<b>Segment B</b>								
Global business operations	2,547,279	211,162	187,742	25,735	213,477	208,693	196,888	
<b>Total</b>								
	7,044,591	538,205	276,081	78,208	354,289	93,181	55,760	
	9,591,870	749,367	463,823	103,943	567,766	301,874	252,448	

**9. INVESTMENT PROPERTIES**

At fair value

At April 1

Net gains from fair value adjustment

At March 31

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
	32,000	31,132	31,132
	-	868	-
	32,000	32,000	31,132

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

Notes to the Financial Statements  
For the year ended March 31, 2019

**9. INVESTMENT PROPERTIES (continued)**

The investment properties were revalued in March 2018, by S. M. Ikhlās 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 2019 a rental income of **Rs 2.3 million** (2018: 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 Rs'000	Computer equipment Rs'000	ATM Rs'000	Furniture, fittings and equipment Rs'000	Motor vehicles Rs'000	Total Rs'000
<b>COST OR VALUATION</b>						
At April 1, 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
Additions	-	97	71	3,874	-	4,042
Disposals	(309)	-	-	-	-	(309)
<b>At March 31, 2019</b>	<b>119,404</b>	<b>20,944</b>	<b>22,900</b>	<b>75,017</b>	<b>4,126</b>	<b>242,391</b>
<b>DEPRECIATION</b>						
At April 1, 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	-	9	-	(15)	3	(3)
At March 31, 2017	14,226	16,992	19,597	50,034	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	-	(95)	-	(54)	(47)	(196)
At March 31, 2018	11,764	18,026	20,304	54,283	3,154	107,531
Charge for the year	3,301	1,544	713	5,216	38	10,812
<b>At March 31, 2019</b>	<b>15,065</b>	<b>19,570</b>	<b>21,017</b>	<b>59,499</b>	<b>3,192</b>	<b>118,343</b>
<b>NET BOOK VALUES</b>						
At March 31, 2017	100,536	1,977	3,089	15,284	1,071	121,957
At March 31, 2018	107,949	2,821	2,525	16,860	972	131,127
<b>At March 31, 2019</b>	<b>104,339</b>	<b>1,374</b>	<b>1,884</b>	<b>15,518</b>	<b>934</b>	<b>124,048</b>

**Land and buildings**

The land and buildings were revalued in March 2018, by S. M. Ikhlās 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:

	2019 Rs'000	2018 Rs'000	2017 Rs'000
Cost	52,134	52,134	52,134
Accumulated depreciation	(15,065)	(11,764)	(14,226)
Net book value	37,069	40,370	37,908

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

Notes to the Financial Statements

For the year ended March 31, 2019

**11. OTHER ASSETS**

	2019 Rs'000	2018 Rs'000	2017 Rs'000
Balances due in clearing	58,111	32,186	16,017
Accrued interest receivable	83,590	83,582	76,567
Others	148,427	2,723	10,083
	<u>290,128</u>	<u>118,491</u>	<u>102,667</u>
<b>Analysed as follows:</b>			
<b>Segment A</b>			
Balances due in clearing	58,111	32,186	16,017
Accrued interest	38,383	37,115	37,552
Others	148,427	2,533	8,373
	<u>244,921</u>	<u>71,834</u>	<u>61,942</u>
<b>Segment B</b>			
Accrued interest	45,207	46,467	39,015
Others	-	190	1,710
	<u>45,207</u>	<u>46,657</u>	<u>40,725</u>
<b>Total</b>	<u>290,128</u>	<u>118,491</u>	<u>102,667</u>

**12. DEPOSITS****Personal and business**

	2019 Rs'000	2018 Rs'000	2017 Rs'000
Demand deposits	3,011,609	3,570,885	3,579,565
Savings/bank deposits	3,517,957	2,912,983	6,049,559
Time deposits with remaining term to maturity:			
- within 3 months	997,492	1,528,725	1,175,033
- over 3 up to 6 months	114,136	386,717	692,841
- over 6 up to 12 months	767,279	736,490	1,112,161
- over 1 up to 5 years	554,409	1,153,579	477,169
	<u>8,962,882</u>	<u>10,289,379</u>	<u>13,086,328</u>

The fair value of deposits at fixed interest rate at March 31, 2019 amounts to Rs 3,312,556,000 (2018: Rs 1,016,701,000, 2017: Rs 665,000,000).

	2019 Rs'000	2018 Rs'000	2017 Rs'000
<b>Segment A</b>			
Demand deposits	556,080	820,700	972,585
Savings deposits	3,517,957	2,912,983	2,617,098
Time deposits with remaining term to maturity:			
- within 3 months	419,727	856,976	484,030
- over 3 up to 6 months	42,942	289,900	254,887
- over 6 up to 12 months	633,144	527,543	826,685
- over 1 up to 5 years	554,409	703,579	477,169
	<u>5,724,259</u>	<u>6,111,681</u>	<u>5,632,454</u>
<b>Segment B</b>			
Demand deposits	2,455,529	2,750,185	2,606,980
Bank	-	-	3,432,461
Time deposits with remaining term to maturity:			
- within 3 months	577,765	671,749	691,003
- over 3 up to 6 months	71,194	96,817	437,954
- over 6 up to 12 months	134,135	208,947	285,476
- over 1 up to 5 years	-	450,000	-
	<u>3,238,623</u>	<u>4,177,698</u>	<u>7,453,874</u>
<b>Total</b>	<u>8,962,882</u>	<u>10,289,379</u>	<u>13,086,328</u>

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

Notes to the Financial Statements  
For the year ended March 31, 2019

**13. OTHER LIABILITIES**

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
Bills payable	19,237	14,328	13,983
Accrued interest payable	71,872	53,326	52,921
Others	10,355	18,752	8,041
	<b>101,464</b>	<b>86,406</b>	<b>74,945</b>
Analysed as follows:			
<b>Segment A</b>			
Bills payable	19,237	14,328	13,983
Accrued interest payable	37,489	40,935	42,056
Others	7,160	11,480	6,187
	<b>63,886</b>	<b>66,743</b>	<b>62,226</b>
<b>Segment B</b>			
Accrued interest payable	34,383	12,391	10,865
Others	3,195	7,272	1,854
	<b>37,578</b>	<b>19,663</b>	<b>12,719</b>
Total	<b>101,464</b>	<b>86,406</b>	<b>74,945</b>

**14. CURRENT TAX LIABILITIES**

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
<b>Statement of financial position</b>			
At April 1	12,587	10,782	18,687
Tax expense	25,302	17,963	12,604
Tax paid during the year	(14,230)	(16,180)	(20,538)
Exchange loss/ (gain)	(1)	22	29
<b>At March 31</b>	<b>23,658</b>	<b>12,587</b>	<b>10,782</b>
<b>Statement of profit or loss and other comprehensive income</b>			
Current year tax expense	30,862	14,125	16,242
(Over)/under provision for previous year	(5,560)	3,838	(3,638)
Deferred tax (note 15)	3,376	(3,446)	(5,425)
Exchange loss/ (gain)	(302)	-	-
Corporate Social Responsibility	-	1,022	876
Tax charge	<b>28,376</b>	<b>15,539</b>	<b>8,055</b>
<b>Tax charge</b>			
Segment A	19,330	8,575	6,090
Segment B	9,046	6,964	1,965
	<b>28,376</b>	<b>15,539</b>	<b>8,055</b>
<b>Current tax liabilities</b>			
Segment A	14,612	5,499	8,821
Segment B	9,046	7,088	1,961
	<b>23,658</b>	<b>12,587</b>	<b>10,782</b>

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:

Profit before tax	320,247	61,516	61,428
Tax calculated at 15%	48,037	9,227	9,214
Expenses not deductible for tax purposes	9,845	16,175	12,122
Income not subject to tax	(8,860)	(3,717)	(4,733)
Foreign tax credit	(28,249)	(13,044)	(7,046)
Special levy	10,089	5,484	6,685
Over/(under) provision	(5,560)	3,838	(3,638)
Tax charge	<b>25,302</b>	<b>17,963</b>	<b>12,604</b>

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

Notes to the Financial Statements

For the year ended March 31, 2019

**15. DEFERRED TAX (ASSETS)/LIABILITIES**

	2019	2018	2017
	Rs'000	Rs'000	Rs'000
The movement on the deferred income tax account is as follows :			
At April 1	(35,667)	(32,221)	(26,796)
Income statement (credit)/charge	3,376	(3,446)	(5,425)
<b>At March 31</b>	<b>(32,291)</b>	<b>(35,667)</b>	<b>(32,221)</b>
<b>Deferred income tax liabilities</b>			
Asset revaluations	1,021	1,021	-
	1,021	1,021	-
<b>Deferred income tax assets</b>			
Provisions for credit impairment	(32,022)	(34,066)	(29,336)
Accelerated tax depreciation	1,835	(35)	59
Retirement benefit obligations	(3,125)	(2,587)	(2,944)
	(33,312)	(36,688)	(32,221)
<b>Net deferred income tax assets</b>	<b>(32,291)</b>	<b>(35,667)</b>	<b>(32,221)</b>

**16. RETIREMENT BENEFIT OBLIGATIONS**

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

Present value of unfunded obligations	20,831	19,042	19,602
Analysed as:			
Segment A	18,513	16,804	18,571
Segment B	2,318	2,238	1,031
Total	20,831	19,042	19,602

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

Current service cost	2,752	2,362	2,791
Interest cost	-	-	-
Total included in staff costs	2,752	2,362	2,791

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

At April 1	19,042	19,602	17,620
Total expense as above	2,752	2,362	2,791
Amounts paid	(1,043)	(2,889)	(815)
Exchange differences	80	(33)	6
<b>At March 31</b>	<b>20,831</b>	<b>19,042</b>	<b>19,602</b>

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).

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

Notes to the Financial Statements

For the year ended March 31, 2019

17. ASSIGNED CAPITAL	2019 Rs'000	2018 Rs'000	2017 Rs'000
At April 1 and March 31	300,285	200,860	200,860

The assigned capital was increased by Rs 99.425m on 27th June 2018 and a further Rs 100m was increased on 2nd June 2019. This was to meet the requirements as per the Bank of Mauritius to increase the assigned capital to Rs 400m.

18. CONTINGENT LIABILITIES	2019 Rs'000	2018 Rs'000	2017 Rs'000
<b>(a) Instruments</b>			
Guarantees on account of customers	487,539	392,523	272,957
Letters of credit on account of customers	13,566	15,404	2,932
Other contingent items	-	-	-
	501,105	407,927	275,889
<b>(b) Others</b>			
Inward bills for collection	23,336	12,027	8,937
Outward bills for collection	70	188	255
	23,406	12,215	9,192
	524,511	420,142	285,081

**Segment A****Instruments**

Guarantees on account of customers	473,559	392,523	272,957
Letters of credit on account of customers	9,090	15,404	2,932
	482,649	407,927	275,889

**Others**

Inward bills for collection	23,336	12,027	8,937
Outward bills for collection	70	188	255
	23,406	12,215	9,192
	506,055	420,142	285,081

**Segment B****Instruments**

Guarantees on account of customers	13,980	-	-
Letters of credit on account of customers	4,476	-	-
	18,456	-	-

<b>Total</b>	<b>524,511</b>	<b>420,142</b>	<b>285,081</b>
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**BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)**

Notes to the Financial Statements

For the year ended March 31, 2019

**19. INTEREST INCOME - INVESTMENT SECURITIES**

	2019 Rs'000	2018 Rs'000	2017 Rs'000
Interest on available-for-sale securities	-	39,018	12,750
Interest on held-to-maturity investments	123,678	72,306	90,495
	<u>123,678</u>	<u>111,324</u>	<u>103,245</u>

**Segment A**

Interest on available-for-sale securities	-	39,019	12,750
Interest on held-to-maturity investments	120,016	68,975	87,016
	<u>120,016</u>	<u>107,994</u>	<u>99,766</u>

**Segment B**

Interest on held-to-maturity investments	3,662	3,330	3,479
	<u>3,662</u>	<u>3,330</u>	<u>3,479</u>

<b>Total</b>	<u>123,678</u>	<u>111,324</u>	<u>103,245</u>
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**20. PROVISION FOR CREDIT IMPAIRMENT LOSSES**

Specific and portfolio provisions	37,444	93,841	68,155
Provision released during the year	(39,402)	(5,174)	(22,252)
	<u>(1,958)</u>	<u>88,667</u>	<u>45,903</u>

**Segment A**

Specific and portfolio provisions	8,463	4,244	11,913
Provision released during the year	-	(2,190)	(1,710)
	<u>8,463</u>	<u>2,054</u>	<u>10,203</u>

**Segment B**

Specific and portfolio provisions	28,981	89,597	56,242
Provision released during the year	(39,402)	(2,984)	(20,542)
	<u>(10,421)</u>	<u>86,613</u>	<u>35,700</u>

<b>Total</b>	<u>(1,958)</u>	<u>88,667</u>	<u>45,903</u>
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**BANK OF BARODA - MAURITIUS BRANCHES (INCLUDING OFFSHORE BANKING UNIT)**

Notes to the Financial Statements

For the year ended March 31, 2019

**21. FEE INCOME AND COMMISSIONS**

	2019 Rs'000	2018 Rs'000	2017 Rs'000
Guarantees	2,654	3,447	4,423
Letters of credit and foreign bills for collection	701	442	313
Service charges	4,876	3,885	14,200
Others	6,266	4,477	3,907
	<u>14,497</u>	<u>12,251</u>	<u>22,843</u>
<b>Segment A</b>			
Guarantees	2,654	3,446	4,423
Letters of credit and foreign bills for collection	701	262	313
Service charges	4,876	8,461	14,200
Others	4,511	-	-
	<u>12,742</u>	<u>12,169</u>	<u>18,936</u>
<b>Segment B</b>			
Loan related			
Others - <i>Processing charges</i>	1,755	82	3,907
	<u>1,755</u>	<u>82</u>	<u>3,907</u>
<b>Total</b>	<u>14,497</u>	<u>12,251</u>	<u>22,843</u>

**22. PROFIT BEFORE TAXATION**

Net income retained is arrived at after:

**crediting:**

Profit on disposal of plant and equipment	351,265	122	122
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**and charging:**

Depreciation	10,812	9,134	8,116
Auditors' remuneration	573	550	550
Tax services	-	-	-
Staff costs	47,823	48,994	48,979

**Analysis of staff costs**

- Salaries and wages	41,140	42,634	42,370
- Retirement benefit obligation costs (note 16)	2,752	2,362	2,791
- Other costs	3,931	3,998	3,818
	<u>47,823</u>	<u>48,994</u>	<u>48,979</u>

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

Notes to the Financial Statements

For the year ended March 31, 2019

**23. CAPITAL COMMITMENTS**

	<b>Segment A</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
Expenditure contracted for but not incurred			
- Property, plant and equipment	-	-	-

**24. RELATED PARTY TRANSACTIONS**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>Rs'000</b>	<b>Rs'000</b>	<b>Rs'000</b>
<u>Balances with related offices</u>			
- Interest bearing	1,271,957	982,412	2,168,816
- Interest free	-	-	(35,205)
Borrowing from Bank of Baroda- Outside Mauritius	10,737,142	4,867,422	896,964

The balances arose from normal course of banking transactions, made at arm's length.

Key management personnel

Salaries and short-term employee benefits	4,205	3,855	3,389
Other benefits	1,376	1,166	658
	<b>5,581</b>	<b>5,021</b>	<b>4,047</b>

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 the branch of 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, 2019

**26. SEGMENTAL REPORTING**

SEGMENTAL REPORTING					2019		2018		2017	
Notes		Segment A	Segment B	Total	Segment A	Segment B	Total	Segment A	Segment B	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
5	Cash resources Cash and balances with central bank Balances with banks	634,596	140,396	774,992	660,405	125,169	785,574			672,291
		-	81,589	81,589	-	145,771	145,771			18,749
		634,596	221,985	856,581	660,405	270,940	931,345			691,040
6	Securities and other investments Investment securities	2,507,779	8,856,450	11,364,229	3,997,825	4,529,350	8,527,175			6,916,584
	Loans and advances Personal Business Government	965,858	4,279	970,137	562,060	1,495	563,555			728,807
		1,684,939	6,896,795	8,581,734	1,413,089	6,293,299	7,706,388			7,609,570
		39,999	-	39,999	53,333	-	53,333			66,666
7	Less: allowance for credit losses	2,690,796	6,901,074	9,591,870	2,028,482	6,294,794	8,323,276			8,405,043
		(213,477)	(354,289)	(567,766)	(208,693)	(348,640)	(557,333)			(289,869)
		2,477,319	6,546,785	9,024,104	1,819,789	5,946,154	7,765,943			8,115,174
9	Other Investment properties Property, plant and equipment Deferred tax assets Advanced tax Other assets	32,000	-	32,000	32,000	-	32,000			31,132
		124,048	-	124,048	130,926	195	131,121			121,957
		32,291	-	32,291	35,667	-	35,667			32,221
11		-	-	-	-	-	-			-
		244,921	45,207	290,128	71,834	46,657	118,491			102,667
		433,260	45,207	478,467	270,427	46,852	317,279			287,977
	Total assets	6,052,954	15,670,427	21,723,381	6,748,446	10,793,296	17,541,742			16,010,775

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

Notes to the Financial Statements  
For the year ended March 31, 2019

## 26. SEGMENTAL REPORTING (continued)

	Notes	2019		2018		2017
		Segment A	Segment B	Segment A	Segment B	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>LIABILITIES AND CAPITAL RESOURCES</b>						
<b>Deposits</b>						
Personal		3,762,413	1,083,585	3,681,059	1,005,360	4,686,419
Business		1,172,026	2,904,871	1,830,395	3,172,338	5,002,733
Government		39,987	-	600,227	-	600,227
Banks		-	-	-	-	-
	12	4,974,426	3,988,456	6,111,681	4,177,698	10,289,379
						13,086,328
<b>Borrowings</b>						
Borrowings from banks		-	10,737,142	-	5,722,525	1,406,751
<b>Other</b>						
Other liabilities	13	63,886	37,578	66,743	19,663	86,406
Current tax liabilities	14	14,612	9,046	5,499	7,088	12,587
Retirement benefit obligations	16	18,513	2,318	16,804	2,238	19,042
		97,011	48,942	89,046	28,989	118,035
						105,329
<b>Capital resources</b>						
Assigned capital	17					200,860
Reserves						557,820
Retained earnings						653,687
						1,411,803
						1,412,367
<b>Total equity and liabilities</b>						17,541,742
						16,010,775
<b>CONTINGENT LIABILITIES</b>						
Letters of credit, guarantees and other obligations	18	506,055	18,456	420,142	-	420,142
						285,081

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

Notes to the Financial Statements

For the year ended March 31, 2019

**26. SEGMENTAL REPORTING (continued)**

Notes	2019			2018			2017	
	Segment A Rs'000	Segment B Rs'000	Total Rs'000	Segment A Rs'000	Segment B Rs'000	Total Rs'000	Total Rs'000	Total Rs'000
<b>Interest income</b>								
Loans and advances	128,578	212,745	341,323	117,350	148,262	265,612	265,612	262,614
Investment securities	120,056	3,622	123,678	107,994	3,330	111,324	111,324	103,245
Placements with other banks	747	190,416	191,163	64	25,205	25,269	25,269	34,510
	249,381	406,783	656,164	225,408	176,797	402,205	402,205	400,369
<b>Interest expense</b>								
Deposits	(109,139)	(12,772)	(121,911)	(128,558)	(20,726)	(149,284)	(149,284)	(141,221)
Deposits and borrowings from banks	(380)	(181,039)	(181,419)	(99)	(55,796)	(55,895)	(55,895)	(112,069)
Other	-	-	-	-	-	-	-	-
	(109,519)	(193,811)	(303,330)	(128,657)	(76,522)	(205,179)	(205,179)	(253,290)
<b>Net interest income</b>	139,862	212,972	352,834	96,751	100,275	197,026	197,026	147,079
Provision for credit impairment losses								
-Loans and advances	(8,463)	10,421	1,958	(2,054)	(86,613)	(88,667)	(88,667)	(45,903)
<b>Net interest income after provision for credit impairment losses</b>	131,399	223,393	354,792	94,697	13,662	108,359	108,359	101,176
<b>Other income</b>								
Fee income and commissions	12,742	1,755	14,497	12,169	82	12,251	12,251	22,843
Profit arising from dealing in foreign currencies	25,402	24,625	50,027	23,355	18,445	41,800	41,800	33,069
Others	7,728	1,139	8,867	7,321	249	7,570	7,570	69
	45,872	27,519	73,391	42,845	18,776	61,621	61,621	55,981
	177,271	250,912	428,183	137,542	32,438	169,980	169,980	157,157
<b>Net operating income</b>								
<b>Non-interest expense</b>								
Salaries and human resource development	(36,462)	(4,678)	(41,140)	(37,919)	(4,715)	(42,634)	(42,634)	(42,370)
Pension contribution and other staff benefits	(6,287)	(396)	(6,683)	(4,710)	(1,650)	(6,360)	(6,360)	(6,609)
Depreciation	(10,754)	(58)	(10,812)	(9,060)	(75)	(9,135)	(9,135)	(8,116)
Other administrative expenses	(44,753)	(4,548)	(49,301)	(45,120)	(5,215)	(50,335)	(50,335)	(38,634)
	(98,256)	(9,680)	(107,936)	(96,809)	(11,655)	(108,464)	(108,464)	(95,729)
Profit before taxation	79,015	241,232	320,247	40,733	20,783	61,516	61,516	61,428
Income tax expense	(16,818)	(11,558)	(28,376)	(8,575)	(6,964)	(15,539)	(15,539)	(8,055)
<b>Net profit for the year</b>	62,197	229,674	291,871	32,158	13,819	45,977	45,977	53,373

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

Notes to the Financial Statements

For the year ended March 31, 2019

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**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 unforeseen 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 DATE**

Except than those events disclosed in Note 7 (a) and Note 17, 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 2019.